



BANCA GENERALI S.P.A.

ANNUAL REPORT

as of 31 December 2013



ANNUAL REPORT 2013

BOARD OF DIRECTORS 10 MARCH 2014

Banca Generali S.p.A.

Administration and control bodies

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

Giuseppe Alessio Verni	Chairman
Alessandro Gambi	Acting Auditor
Angelo Venchiarutti	Acting Auditor
Luca Camerini	Alternate Auditor
Anna Bruno	Alternate Auditor

GENERAL MANAGER

Piermario Motta

JOINT GENERAL MANAGERS

Giancarlo Fancel
Gian Maria Mossa

MANAGER IN CHARGE OF PREPARING THE COMPANY'S FINANCIAL REPORTS

Stefano Grassi

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Article

The first and most important step in the process of creating a new product is to identify the market. This involves understanding the needs and wants of the target audience, as well as the competitive landscape. Once the market has been identified, the next step is to develop a business plan. This plan should outline the company's goals, strategies, and financial projections. It is essential to have a clear and concise business plan in place before launching a new product.

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GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

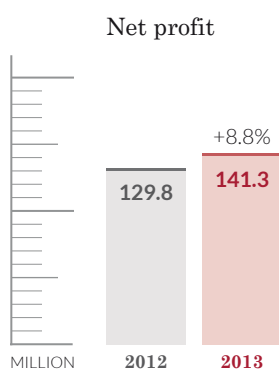
Group Economic and Financial Highlights

Consolidated figures

(€ MILLION)	31.12.2013	31.12.2012(*)	CHANGE %
Net interest income	121.8	111.6	9.2
Net fees	234.3	214.1	9.5
Dividends and net result of financial operations	19.0	12.4	53.6
Net banking income	375.1	338.0	11.0
Staff expenses	-71.5	-66.3	7.8
Other general and administrative expense	-106.0	-92.7	14.4
Amortisation and depreciation	-5.1	-4.5	12.9
Other operating income / expense	31.3	19.1	63.6
Net operating expense	-151.2	-144.4	4.8
Operating profit	223.9	193.6	15.6
Provisions	-22.9	-18.6	23.0
Adjustments	-6.1	-4.3	41.8
Profit before taxation	194.9	170.7	14.2
Net profit	141.3	129.8	8.8

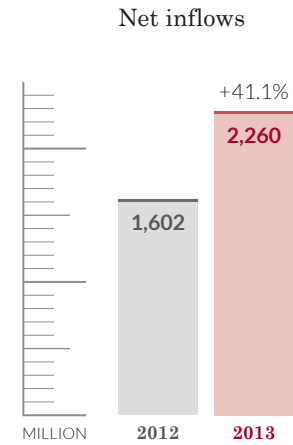
(*) Restated comparison data

PERFORMANCE INDICATORS	31.12.2013	31.12.2012	CHANGE %
Cost / Income ratio	39.0%	41.4%	-5.8
EBTDA	229.0	198.1	15.6
ROE	48.7%	58.3%	-16.3
EPS - Earnings per Share (euro)	1.238	1.159	6.8



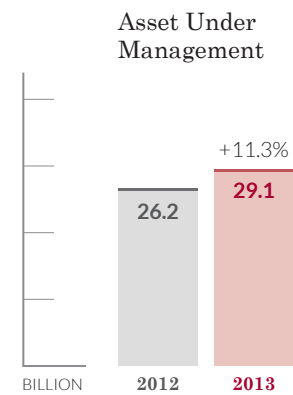
Net inflows

(€ MILLION) (ASSORETI DATA)	31.12.2013	31.12.2012	CHANGE %
Mutual funds and SICAVs	1,489	444	235.4
Asset management	13	68	-80.9
Insurance / Pension funds	1,266	1,115	13.5
Securities / Current accounts	-508	-25	n.a.
Total	2,260	1,602	41.1



Asset Under Management & Custody (AUM/C)

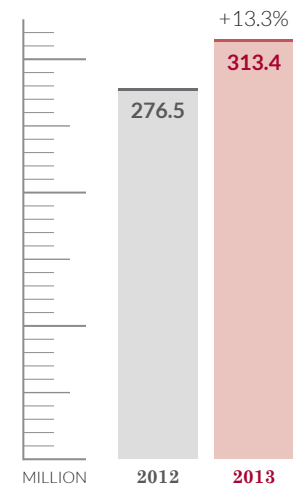
(€ BILLION) (ASSORETI DATA)	31.12.2013	31.12.2012	CHANGE %
Mutual funds and SICAVs	8.4	6.8	24.5
Asset management	3.2	3.1	0.8
Insurance / Pension funds	9.7	8.5	14.0
Securities / Current accounts	7.9	7.8	1.0
Total	29.1	26.2	11.3



Net equity

(€ MILLION)	31.12.2013	31.12.2012	CHANGE %
Net equity (*)	469.1	394.8	18.8
Capital for regulatory purposes	313.4	276.5	13.3
Excess capital	144.3	105.8	36.4
Solvency margin	14.83%	12.96%	14.4

Capital for regulatory purposes

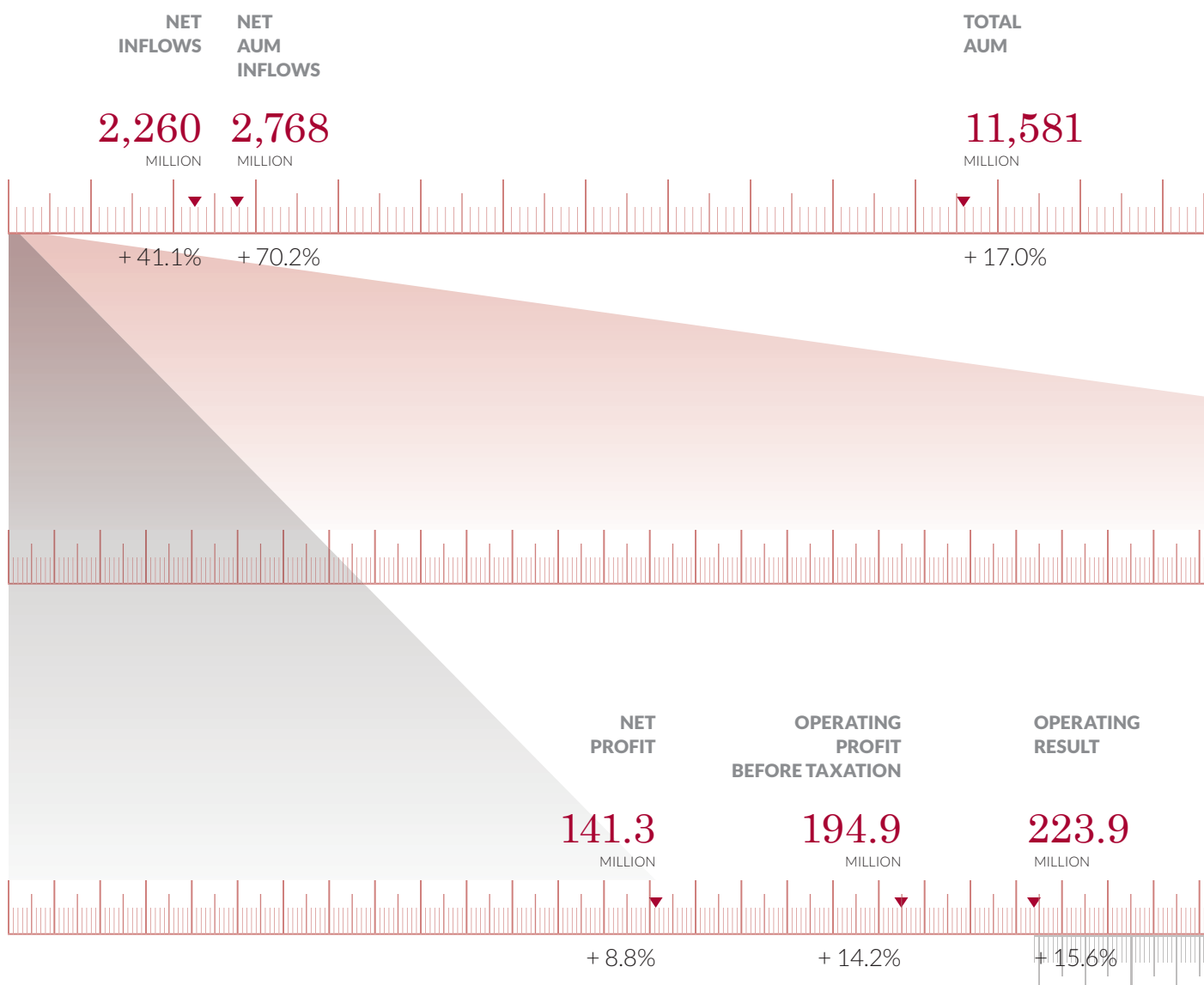


Social and environmental highlights

	31.12.2013	31.12.2012	CHANGE %
Global added value (€ million)	450.5	387.6	16.2
Headcount	809	785	3.1
Number of Financial Planners/Private Bankers	1,475	1,453	1.5
Per-capita electrical energy consumption (kWh)	3,008.9	2,862.3	5.1
Paper consumption (quintals)	401.6	431.6	-7.0

(*) Restated comparison data

Highlights 2013



TOTAL ASSETS

29,116
MILLION

+ 11.3%

TOTAL CAPITAL FOR REGULATORY PURPOSES

313.4
MILLION

+ 13.3%

NET EQUITY

469.1
MILLION

+ 18.8%

TOTAL CAPITAL RATIO

14.83%
+ 14.4%

TIER 1

14.2%
+ 20.2%

NET OPERATING PROFIT

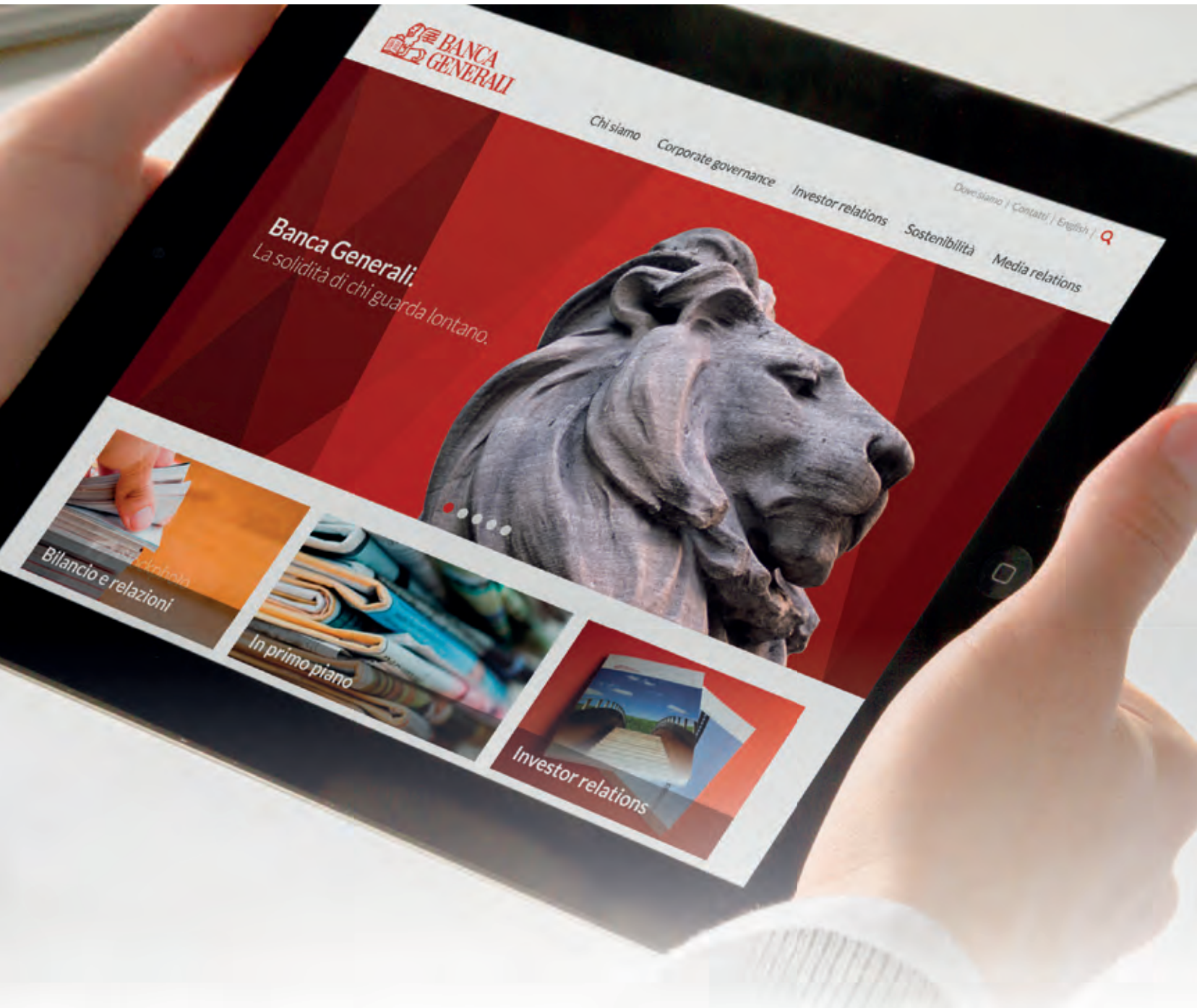
375.1
MILLION

+ 11.0%

NET OPERATING EXPENSES

151.2
MILLION

+ 4.8%



Chairman's Letter



Dear Shareholders,

For investors, 2013 was a highly satisfying year. The ability of the Federal Reserve in managing the start of tapering of its monetary stimulus measures was crucial and allowed the U.S. market to set new records. Positive news for investors also came from Japan, in the wake of the bold economic policy actions undertaken by Prime Minister Shinzo Abe. Europe also made a positive contribution, despite the uncertainty that characterised the start of the year in connection with the banking crisis in Cyprus and the political elections in Italy. In fact, in the second half of the year the stabilisation of economic prospects and the expected improvement in corporate earnings eased tensions, with a positive impact particularly on the countries of Southern Europe, including Italy. We hope that this trend may herald a solid economic recovery in the coming months in Italy, as well as in the rest of Europe.

The positive financial market performance, accompanied by low bond yield levels, fostered renewed interest in asset management solutions. This further boosted demand for specialised financial advice. Within this scenario, Banca Generali achieved excellent results, reporting record growth of both net inflows of 2,260 million euros and net inflows in managed products of 2,768 million euros. The positive market performance further bolstered results that had already grown rapidly, especially over the past two years. The professionalism and experience of our Financial Advisors, who once more remained at the top of the Assoreti rankings by average portfolio size and per-capita productivity, as well as the wide range of investment solutions offered to our customers, are the foundation for these important results.

The strong performance of net inflows and equally important increase in assets under management, now nearing the milestone of 30 billion euros, were reflected in financial results. In 2013, Banca Generali reported the best results in its history, with a net profit of 141.3 million euros and a return on equity of 48.7%. It also maintained the customarily

high level of capital solidity, with ratios far in excess of Basel 3 requirements.

In light of the outstanding results achieved and its excellent capital solidity, Banca Generali is proposing that the ordinary Shareholders' Meeting approve the distribution of a dividend of 109.6 million euros, or 0.95 eurocents per share, up by 6% compared to the previous year. This level of dividend also places us at the very top of the rankings by shareholder remuneration, particularly within the financial sector.

We are highly confident about the Bank's prospects. We believe that there are strong growth opportunities for specialised companies such as our own. The strategic decision to focus on the quality of our human resources and technological development has proven successful in a rapidly evolving context. We intend to continue to maximise our competitive edge over the traditional financial world. Accordingly, we have strengthened our management team and we are investing strongly in technology, with innovations ranging from digital signature on tablets to digital platforms for analysing our customers' financial needs. We are also far ahead of the competition in launching an innovative service platform that will allow us to manage our customers' financial needs on a comprehensive basis, with services ranging from real estate to succession planning, as well as family and business budget needs. These services complement the most personalised and innovative investment advisory services that already set us apart from the competitors.

On the strength of our strategic decisions and new initiatives, we can view our prospects in the new year with confidence and optimism. In addition, I would like to express my heartfelt thanks to the management and all employees for the commitment and dedication that they have devoted, and will devote, to the Bank so that it may continue to be an example of excellence, experience and reputation in our industry.

Paolo Vagnone

Chairman

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REPORT
ON OPERATIONS
as of 31 December 2013

BOARD OF DIRECTORS 10 MARCH 2014

1.1

REPORT ON OPERATIONS

1. The Banca Generali Group in 2013

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

1.1 The banking Group's strategy

The Banca Generali Group's model is founded on offering a wide range of financial products and services through Financial Advisors. This also includes a great variety of third-party products, according to the **open-architecture model**. The breadth of this product range on an international scale strengthens the qualified advisory service offered by Banca Generali Group's Financial Planners and Private Bankers, allowing customers to choose the financial solutions and pension 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.

The Banca Generali Group 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. This model is consistent with the EU Investment Services Directive - Markets in Financial Instruments Directive (MiFID), which acknowledges and promotes advisory service as an investment service, demonstrating its willingness to **anticipate and set market development trends**. Forging ahead on this path, the Company is committed to continuing to implement its investment and innovation policy with the aim of decisively strengthening a business model that has set aside mere distribution to evolve into a sophisticated, integrated customer service model directed towards all aspects of investing and retirement planning.

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

- offering **professional advisory services** through its Financial Advisors, allowing customers' long-term financial needs to be identified and met, not just on a general basis, but also through the use of specific, cutting-edge methods and tools (e.g., the BG Personal Advisory service);
- concentrating distribution within the **role of Financial Planners/Private Bankers** as an effective tool for such constant, professional and personalised advisory service throughout Italy, while undertaking the significant investments in train-

ing and information that this requires;

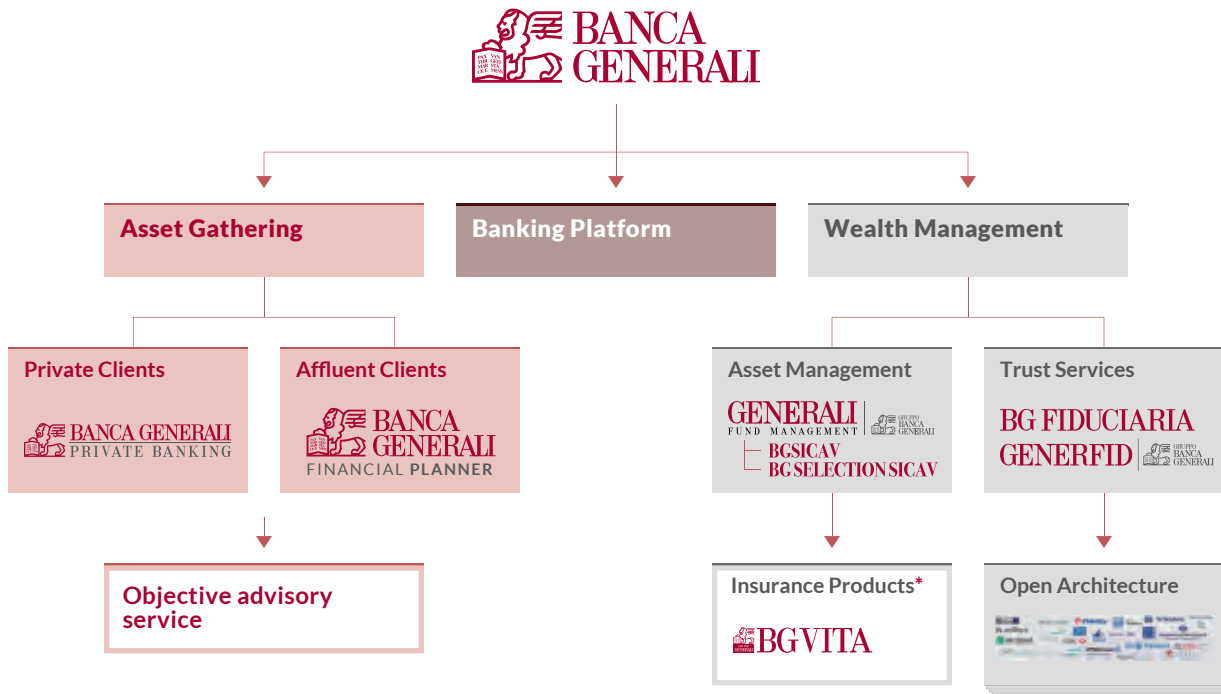
- providing access to a **full range of investment and pension products and services** produced both by the Group and international market leaders;
- developing important **management know-how** and pursuing **ongoing product innovation** to benefit customers;
- devoting ongoing attention to all of the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

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

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

From an organisational standpoint, the Banca Generali Group 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 of which based in Luxembourg (Generali Fund Management) and two trust companies (BG Fiduciaria and Generfid).

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



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

1.2 Committing to sustainability

In recent years, the Banca Generali Group has continued to strengthen its commitment in the various areas of corporate social responsibility in line with the efforts made by the entire Generali Group. Banca Generali is especially aware of its role in safeguarding the investments of families and the needs of the various stakeholders with which it interacts. One area of particular attention is that reserved for the social and environmental aspects of management, for which the guidelines of the Global Reporting Initiative (GRI) are a natural point of reference.

As in the previous year's document, this report anticipates some

sustainability information that complement the financial disclosures provided.

As previously indicated, at the strategic level Banca Generali sets itself the following objectives in terms of sustainability:

- pursuing sustainable growth in the long term, through entrepreneurial action aimed at achieving stable, satisfactory economic and commercial results in the long term, while reducing the risks associated with the volatility of the economic and financial scenario in which the Bank operates;
- valorising the people who work for the company and its sub-

sidiaries, encouraging the constant development of skills and professionalism among collaborators and acknowledging the contribution of individuals to the success of the organisation;

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

Banca Generali attaches fundamental importance to the satisfaction of its **customers**, which it seeks to achieve by providing high quality products and services. Customer relations are considered a crucial aspect: in order to ensure professional, competent advice, specific training courses are prepared for Financial Advisors, who may thus continue to receive updates on changing financial and legal demands. In addition, they are required to behave with integrity, professionalism and transparency, as well as to aid clients in identifying the solutions best suited to their financial needs.

Employees' awareness of social and environmental issues continues to deepen thanks to the array of initiatives in which they are involved. These range from the promotion of events supporting volunteer associations and institutions to the direct collection of funds to provide aid to areas affected by natural disasters and support charitable organisations, the sponsorship of local sports initiatives, and in-depth education concerning policies for managing individual and company resources in order to protect health and the environment (for example, through careful differentiated waste disposal).

The approval of the Code of Ethics for the Generali Group's suppliers is aimed at pursuing transparency towards stakeholders by requesting that suppliers adhere to company policies by complying with the applicable voluntary codes.

Banca Generali's actions towards its private and institutional shareholders have always been inspired by three guidelines: creating value, providing a return to shareholders, ensuring trans-

parency and constant dialogue with the financial community. In this latter area, we are particularly proud to report the positive exchange that there has been for several years between our Bank and the association E.DI.VA – Etica Dignità e Valori Associazione Stakeholders Aziende di Credito Onlus." Banca Generali has been recognised the National Merit Award "Stakeholder Engagement E.DI.VA. 2013". This important recognition was given in Milan by the President of the Association, Gianni Vernocchi, to Joint General Manager of the Banking Institution Giancarlo Fancel. E.DI.VA Association has bestowed the Award to Banca Generali "for having included in its 2012 Annual Financial Report a new chapter on Corporate Social Responsibility, in which it discusses the subject of policies in support of families and the young, whereas in its 2012 Sustainability Report positive space has been dedicated to stakeholder engagement activities as important signs of receptiveness and openness to dialogue, acknowledging the requirements made by the stakeholders at the shareholders' meeting."

It should be noted that E.DI.VA is highly committed to promoting the issues of corporate social responsibility and ethical finance in the world of banking, which are also of fundamental importance to Banca Generali. Banca Generali strives to adopt the association's indications regarding the ethical and social matters it promotes in the areas of lending policies and support for families and the young generations. Specifically, Banca Generali is very pleased to be able to support E.DI.VA in promoting the subject of financial education with the young generations through joint initiatives that allow children from secondary schools to visit the Bank's office and talk with its management.

Finally, it should be noted that financial and marketing disclosures comply with the principles enshrined by the Generali Group's Code of Ethics and the directives of the Supervisory Authorities, fulfilling the obligation of prior disclosure to these authorities as established by regulations. Furthermore, there is also a specific company Compliance Policy designed to promote a corporate philosophy aimed not only at respecting the letter of these standards but also their spirit, as well as to prepare specific organisational facilities in order to ensure strict observance of the applicable regulatory and self-regulatory provisions.

1.3 Summary of 2013 operations

Following the excellent 2012 results, Banca Generali Group closed another record year with net profit of 141.3 million euros – an increase of about 11.5 million euros compared to 2012 (+8.8%), thus reporting the highest level ever achieved in Banca

Generali's history.

This excellent performance reflects the significant increase of both net inflows and AUMs, accompanied by a policy of close attention to containing the rise in operating costs.

Net banking income increased significantly compared to 31 December 2012, rising from 338 million euros in 2012 to 375.1 million euros in 2013 (+11%) driven by a sharp rise in net fees (+9.5% or +20.2 million euros), a significant increase in net interest of 10.3 million euros (+9.2%) and, finally, the strong results achieved in the management of investments in own securities, which increased by 6.6 million euros compared to the previous year.

Administrative expense amounted to 177.5 million euros at 31 December 2013, up 11.6% compared to 2012, with staff expenses rising from 66.3 million euros in 2012 to 71.5 million euros in 2013 (+7.8%). Other administrative expense totalled 106 million euros at year-end, up 14.4% compared to the 92.7 million euros of the previous year, chiefly owing to the increase in charges associated with the new stamp duty, which, however, was offset by the symmetrical increase in tax recovered from clients, recognised among other income; net of this component, other administrative expense would have increased 2.2%.

Net provisions amounted to 22.9 million euros, a 23% increase compared to financial year 2012, mainly attributable to provisions in connection with the distribution network and litigations. At 31 December 2013, the total value of the assets managed by the Group for its customers, obtained through the Financial Advisor network, was 29.1 billion euros, compared to 26.2 billion euros in 2012. Moreover, in addition to this amount, at 31 December 2013, the assets under administration or custody of Assicurazioni Generali companies totalled approximately 1.1 billion euros, while 8.4 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 38.6 billion euros compared to 34.1 billion euros at the end of 2012.

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 29.1 billion euros, and net inflows of approximately 2.3 billion euros in 2013.

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

Within this scenario, in the second half of 2013 efforts converged on the design and subsequent launch of the New Service Model, which will result in the creation of a new integrated advisory platform by 2015.

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

To provide a better understanding of the factors that influenced the Banking Group's results, before analysing the sales and financial results for 2013, this report provides macroeconomic information about the main economic regions of the world.

2. Macroeconomic Context

In 2013, financial markets benefited from a gradual increase in risk appetite: exchanges posted gains, tensions surrounding European sovereign debt relented and credit spreads narrowed further. There were essentially three factors that permitted an improvement in the financial markets conditions. Firstly, the European Central Bank maintained broad liquidity conditions, thus preventing individual uncertainty factors from translating into general tensions on the Euro Area's financial markets. A second factor was the improvement in the global economic scenario: The Euro Area slowly emerged from its state of recession. In the United States, growth, which had initially been slowed by fiscal policy uncertainties, accelerated in the second half of the year. China first faced a gradual slowdown and then stabilised starting in the summer. The third supporting factor was the confirmation by the Central Banks of developed countries of their willingness to support growth: The ECB lowered rates in spring and autumn and guaranteed the continued availability of unlimited refinancing. The Bank of Japan multiplied its efforts to generate a climate of reflation. The Federal Reserve, which in early summer had intimated that it would taper its securities purchasing beginning in the autumn months, only adopted this initiative at its December meeting, as a consequence of the continuing improvement of the job market and the strong performance of domestic demand, and it did so for an initially modest amount (a reduction of monthly purchases of 5 billion out of an overall programme of 85 billion). This position, which in June had resulted in a sudden decrease in risk appetite on global financial markets, was subsequently priced in, easing tension while also adjusting investment flows in a manner consistent with the new scenario: stock exchanges in developed countries resumed growth, reaching highs at year-end, emerging country equity markets suffered due to incipient capital outflows and there was general upwards pressure on bond yields on the benchmark markets (Treasuries and Bunds).

The background remained that of an accelerating recovery, although at growth rates that continued to lag behind potential levels. In the United States, the monetary policy — which remained highly expansionary — permitted a constant improvement in the job market, which in turn translated into support for private consumption. In addition, residential real estate investments continued their rise, while bank lending resumed its acceleration. In the Euro Area, the scenario showed cautious improved throughout the year; current account balances of peripheral countries returned to surplus territory once more and leading indicators call for further progress in the coming months. In China, the growth scenario has stabilised on a weaker rate of growth, while remaining at high rates compared to most other economies. In the corporate arena, earnings in the third quarter of 2013 were more solid than expected in the United States,

while profit revision took different directions according to different areas: improving in advanced markets and worsening in most emerging markets. Particularly, in terms of structural component, inflation remained stable at historically low levels in all geographical areas, with some exceptions (Brazil and Russia). Faced with this scenario, Central Banks generally maintained highly accommodating stances, whereas fiscal policies were restrictive in the United States and Europe, albeit to a lesser extent compared to the past.

In early November, the ECB decided on a further reduction of interest rates of 0.25%, lowering its refinancing rate to 0.25%. This move, which along with the previous decision to extend unlimited refinancing until 2015, ensures that abundant liquidity will continue to be available on the interbank market, was decided upon following confirmation that inflation in the Euro Area remains low and below the limit set by the ECB (2%). Rates on the interbank market in the Euro Area, which had remained stable over the year at around 0.2%, were adjusted moderately upwards in the final two months of the year. The three-month Euribor climbed to reach a high of 0.3%, restoring the positive spread between the refinancing rate and interbank rates. From the standpoint of liquidity management, during the period there were further decreases in both the volume of ECB refinancing for the banking systems of peripheral countries and loans from the Bundesbank to other Central Banks, as measured by the Target 2 system, providing a good approximation of capital movements within the Euro Area.

Within this context, equity markets displayed a diverging trend, with those of developed countries outperforming those of emerging countries. During the whole 2013, the MSCI World index in euro rose by 18.7%, the S&P500 index by 24%, and the Topix index by 18.9%. In Europe, the benchmark index for the entire area (the DJ Stoxx 600) grew by 17.4%, while the Euro Area benchmark (the DJ Euro Stoxx) climbed 20.5%. During the period, exchanges in emerging markets reported negative performances in euro: -9.1% overall (the MSCI Emerging Markets index), -8% in India and -0.8% in China. Overall, the market sectors that performed best in Europe were cars, financial services, media and telecommunications, whereas raw materials, energy, property and utilities posted below-average performances.

During the period, the trends in bond yields on the markets of reference (Treasuries and Bunds) passed through two distinct phases. Until May, yields fluctuated within a range near the values reached at the end of 2012, with a downtrend in the spring months. Then, when the Federal Reserve began to outline the possibility of tapering government security purchases, yields

climbed rapidly, especially those in dollars, which reached the highest levels of approximately two years. In the Euro Area, the two-year rate was positive at the end of December (0.19%, from -0.01% at year-end 2012), while the ten-year rate increased to 1.94% from 1.18%. By contrast, in the United States ten-year rates rose to 3.01% at the end of December from 1.75% at the end of 2012, whereas two-year rates increased more moderately to 0.36% from 0.24%. Spreads between member states of the European Monetary Union continued to narrow. Yields on Italian securities (BTP) were subject to high volatility early in the year, fluctuating within a broad range (between 3.80% and 5% for the ten-year rate); in the summer, a marked reduction of volatility began, bringing the ten-year rate to 4.13% at the end of 2013. The spread against the German Bund fell from 332 points at the beginning of the year to around 250 during the summer, to then

close the year at 218, the lowest level since summer 2011.

On currency markets, the Euro/Dollar exchange rate fluctuated in a broad range between 1.28 and 1.38, driven by growth expectations, and closed the period close to the highs. Confirmation of the expansionary acceleration of Japanese monetary policy stimulated further depreciation of the yen: during the reporting period, the euro-yen exchange rate rose from 113.6 to 144.7. Finally, oil prices (WTI) moved within an overall range of approximately 90 to 105 dollars a barrel, driven by the alternation of positive and negative news concerning the political situation in the Middle East. By contrast, gold prices remained essentially stable until the end of March (between 1,575 and 1,675 dollars an ounce) to then enter a downtrend and end the year at the lowest point at around 1200.

Outlook

Forecasts for 2014 by the major international organisations call for a general strengthening of the global growth scenario, though characterised by some geographical divergences. In developed countries, growth rates are expected to accelerate during the year, albeit still remaining overall below their potential, whereas in emerging countries they will be overall solid, albeit showing a

slowdown. Central Banks generally expect that the inflationary scenario will remain under control. During the meetings held in December, the Eurogroup and the European Commission took further steps towards implementing the Banking Union project, such as defining the criteria for the Asset Quality Review and continuing to strengthen economic policy coordination.

3. Competitive Positioning

Banca Generali is a leading manager, producer and distributor of financial products and services for Affluent and Private customers through Financial Advisors. The Group's markets of reference are asset management and distribution through Financial Advisor networks.

3.1 The asset management market

In 2013, the retail asset management sector recorded its best inflow figure in 13 years (+50 billion euros) and the largest increase in assets since December 2007, following the gradual decline of the market beginning in 2008, the first year of the recent financial market crisis. All product types presented significant improvements, largely attributable to net inflows, which returned to positive territory after many years and, to a lesser

extent, the positive market performance. Despite the enactment of VAT rules rendering the pertinent management fees subject to VAT, discretionary accounts also recorded net inflows of 1.7 billion euros.

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

Evolution of Net Inflows and Assets under Management

(€ MILLION)	NET INFLOWS			ASSETS		
	31.12.2013	31.12.2012	31.12.2011	31.12.2013	31.12.2012	31.12.2011
Italian funds	11,387	-13,790	-34,492	167,208	148,910	151,692
Foreign funds	37,318	14,971	1,140	391,684	333,296	267,258
Total funds	48,705	1,181	-33,352	558,892	482,205	418,950
Managed funds portfolios (GPM)	1,711	-6,801	-10,006	96,963	92,520	100,403
Total	50,416	-5,620	-43,358	655,855	574,725	519,353

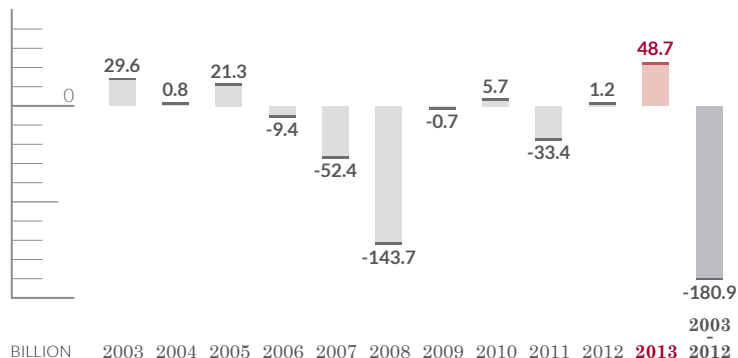
Source: Assogestioni.

In further detail, in 2013 the UCITS market recorded significant net inflows, following on the minor increase in net inflows reported in 2012 and the repeated cases of net outflows in the previous years (although such outflows were primarily concentrated in Italian products). In 2013 both Italian and foreign UCITS showed positive results, although with the dissemination of "open architectures" amongst many distributors (and thus the possibility for customers to enjoy access to the vast international market of asset management products) foreign UCITS now account for more than twice the assets of their Italian counterparts. Inflows were also driven by renewed interest in investments in

UCITS by investors through bank branches (60% of total inflows according to an estimate by Assoreti). In fact, over the past seven years this segment of the market had constantly recorded substantial outflows, in contrast with to the inflows shown by distribution through Financial Advisors.

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

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



Source: Assogestioni figures updated as of 20 February 2014.

3.2 The Assoreti Market

The net inflows reported by the Assoreti market (total distribution activity through Financial Advisors) in 2013 exceeded those registered in 2012 by approximately 40%, achieving the best result since 2001.

(€ MILLION)	31.12.2013	31.12.2012	CHANGES
Asset management	12,851	6,403	6,448
Insurance products	7,690	5,470	2,220
Assets under administration and custody	-3,950	70	-4,020
Total	16,591	11,943	4,648

In terms of composition, the gradual stabilisation of the financial markets and customers' heightened needs in terms of access to a

range of products and services with high added value resulted in the recording of inflows, especially in the assets under management (+100% - UCITS and discretionary management accounts) and insurance (+40%) segments, to the detriment of the assets under administration and custody segment, also made less attractive by sharply declining interest rates.

The success of the activity performed by Financial Advisor networks, against what is now a permanent backdrop of market volatility and increasing difficulty in interpreting market trends, accompanied by the profound crisis experienced by the traditional banking system, is also borne out by two other factors: the number of investors served by Assoreti member companies began to grow once more (at year-end, primary accountholder customers were approximately 3.3 million); and the number of Financial Advisors increased to more than 21,000.

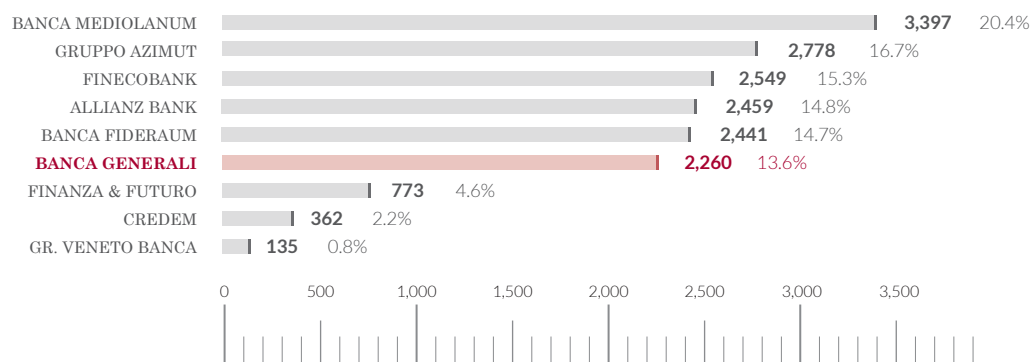
3.3 Banca Generali

Within this highly positive scenario, Banca Generali remained among the market leaders in terms of net inflows through Financial Advisors, with absolute record net inflows of 2,260 million

euros, sharply growing compared to the excellent levels of 2012, and thus an increase in market share from 13.4% to 13.6%.

Total net inflows Assoreti – 16,6 billion euros

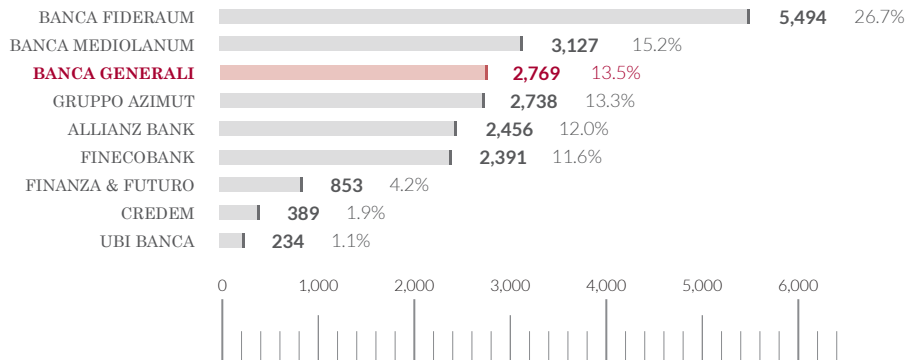
December 2013 (€ million)



Source: Assoreti

Net AUM and insurance inflows Assoreti – 20,5 billion euros

December 2013 (€ million)



Source: Assoreti

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

Specifically, Banca Generali's net inflows not only continued to present an excellent performance by the insurance component, which has always been highly positive and further improved upon one of the best results in the bank's history (1.6 billion euros in life new business, net of conversions), but also yielded 1.5 billion euros in inflows to asset management products, an all-time record for the company.

Accordingly, the assets under administration and custody component (-0.5 billion euros – current account deposits and securities) once more demonstrated that it had positively performed its task of achieving net inflows and stabilising results during the market's most volatile moments. However, the net inflows in question is intended for subsequent reallocation to investment instruments offering greater added value, provided that such instruments better meet customers' needs in terms of increased diversification and a longer time horizon of reference.

Net inflows of Banca Generali

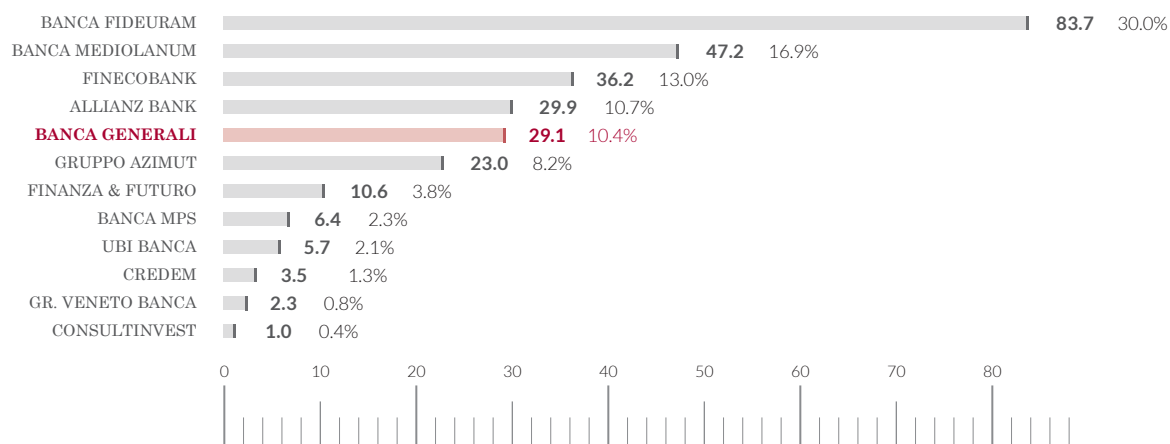
(€ MILLION)	31.12.2013	31.12.2012	YOY CHANGES VS 31.12.2012	
			AMOUNT	%
Total assets under management	1,502	512	990	193.4%
Funds and SICAVs	1,489	444	1,045	235.4%
GPF/GPM	13	68	-55	-80.9%
Total insurance products	1,266	1,115	151	13.5%
Total assets under administration and custody	-508	-25	-483	n.a.
Total assets placed by the network	2,260	1,602	658	41.1%

Banca Generali also ranked among the top five competitors on the market in terms of AUMs at the end of 2013, with a slight increase in market share compared to 2012. In fact, the increase in Banca Generali's AUM volumes (+11%) exceeded the already

significant performance of the market at large of 8.6% compared to December 2012, a new all-time high recorded by the industry association.

Total Asset Assoreti – 276 billion euros

December 2013 (€ billion)



Source: Assoreti

The following table provides a summary of Banca Generali's assets, updated through 2013, illustrating their composition by macro-aggregates and providing a comparison with the figures as of December 2012. These assets refer to the Assoreti market, and therefore to the Financial Advisor operating area.

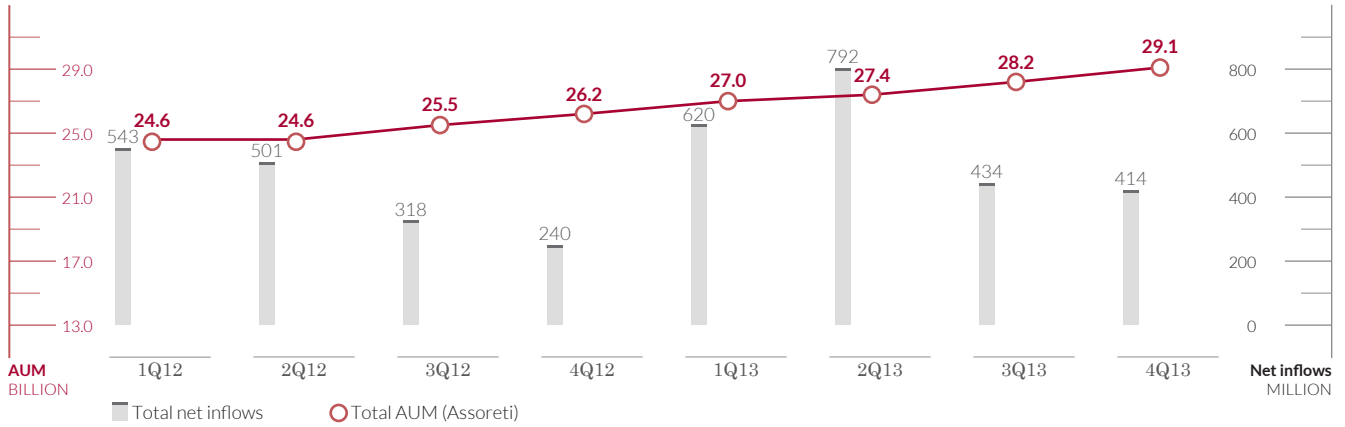
The total value of assets increased significantly during the year, in particular with regard to UCITs (+25%), partly due to the net

inflows discussed above, and partly due to the strong performances shown by the products in which customers' assets are invested. Consequently, the percentage invested in asset management and insurance products increased to the detriment of asset administration and custody products, although the latter component also increased in absolute terms, driven by the revaluation of securities held in customers' portfolios.

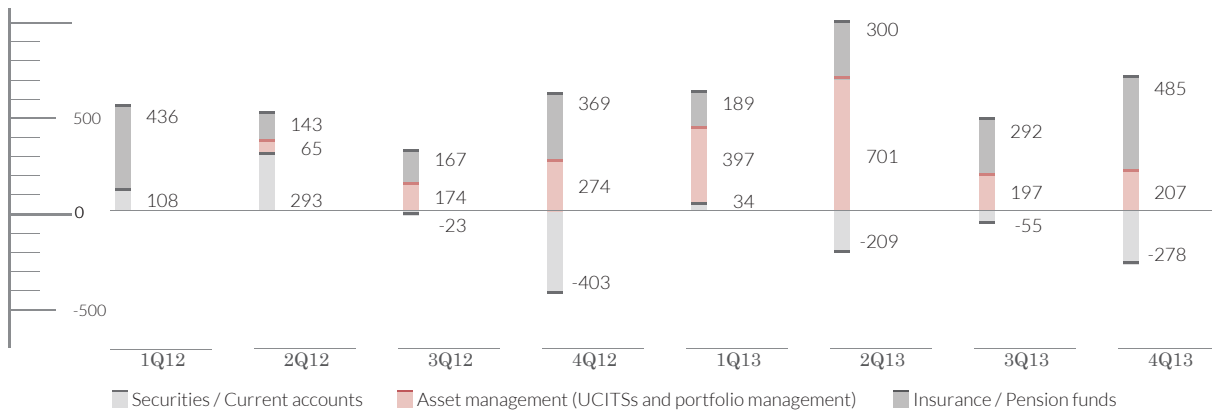
Banca Generali's Total Asset

(€ MILLION)	31.12.2013	31.12.2012	CHANGES VS / 31.12.2012	
			AMOUNT	%
Total assets under management	11,581	9,897	1,684	17.0%
Funds and SICAVs	8,423	6,763	1,660	24.5%
GPF/GPM	3,158	3,134	24	0.8%
Total insurance products	9,676	8,488	1,188	14.0%
Total assets under administration and custody	7,859	7,779	80	1.0%
Total assets placed by the network	29,116	26,164	2,952	11.3%

AUM evolution and net inflows



Quarterly net inflows



4. Operating Performance

The Group's net profit at the end of 2013 was 141.3 million euros, increasing 8.8% on top of the excellent result reported for 2012.

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE		31.12.2012 OFFICIAL
			AMOUNT	%	
Net interest	121,842	111,552	10,290	9.2%	111,552
Net fees	234,299	214,065	20,234	9.5%	214,065
Dividends	915	739	176	23.8%	739
Net result of financial operations	18,065	11,615	6,450	55.5%	11,615
Net operating income	375,121	337,971	37,150	11.0%	337,971
Staff expenses	-71,504	-66,346	-5,158	7.8%	-67,161
Other general and administrative expense	-105,964	-92,651	-13,313	14.4%	-92,651
Net adjustments of property, equipment and intangible assets	-5,071	-4,493	-578	12.9%	-4,493
Other operating expense/income	31,302	19,139	12,163	63.6%	19,139
Net operating expense	-151,237	-144,351	-6,886	4.8%	-145,166
Operating profit	223,884	193,620	30,264	15.6%	192,805
Net adjustments for non-performing loans	-4,915	-3,572	-1,343	37.6%	-3,572
Net adjustments of other assets	-1,158	-712	-446	62.6%	-712
Net provisions	-22,899	-18,613	-4,286	23.0%	-18,613
Gain (loss) from equity investments	-4	-4	-	-	-4
Operating profit before taxation	194,908	170,719	24,189	14.2%	169,904
Income taxes for the period	-48,843	-37,500	-11,343	30.2%	-37,276
Gains from non-current assets held for sale	-124	451	-575	-127.5%	451
Profit attributable to minority interests	-4,685	-3,867	-818	21.2%	-3,867
Net profit	141,256	129,803	11,453	8.8%	129,212

Net operating income amounted to 375.1 million euros, with an increase of 37.1 million euros (+11.0%) compared to the previous year, influenced by several factors:

- the increase in net interest (+9.2%), which benefited from both the ongoing favourable market situation, characterised by the low costs of inflows, as well as attractive returns offered by the Italian government bonds market, and the increase in traded volumes compared to 2012. The aggregate also continued to be driven by the leverage effect of LTROs undertaken with the ECB in the residual amount of 1.1 billion euros;
- the increase in management fees (+17.4%), which was driven by the significant performance of average AUM compared to the volumes of the previous year;
- The essential stability of the non-recurring components of net operating profit (+2.4 million euros) thanks to the partial recovery of performance fees in the fourth quarter of the year (-8.4% on an annual basis) and the excellent net result of banking operations (+6.6 million euros on an annual basis).

Net operating expense presented more moderate growth (+4.8%), reaching 151.2 million euros, despite the presence of significant commitments for the implementation of the new ser-

vice model and the constant updating of the bank's digital platform.

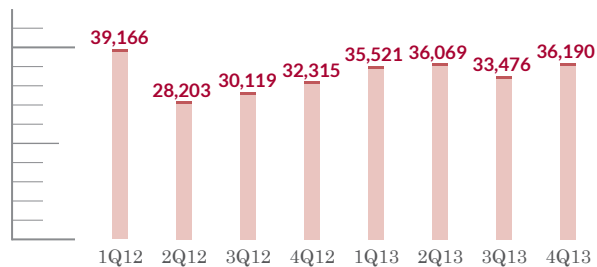
The **cost/income ratio**, which measures the ratio of operating costs (gross of value adjustments to tangible and intangible assets) to net operating income, decreased to 39%, confirming the positive operating leverage effect, which saw the cost performance outpaced by the revenue performance.

Operating profit thus amounted to 223.9 million euros, whilst **value adjustments and provisions** rose to 29.0 million euros overall (up by 6.1 million euros or +26.5%), as a result of the significant provisions for incentives and recruitment aimed at reinforcing the sales network, as well as prudential provisions for litigation and other operating expenses. Provisions covering credit risks associated with non-performing, as well as performing loan portfolios were also reinforced.

Operating profit before taxation thus was 194.9 million euros, up significantly by 24.2 million euros compared to 2012 (+14.2%).

However, the net profit was weighed down by the increase in the tax burden for the year (+30.2%), largely attributable to the 8.5% IRES surtax introduced by Law Decree No. 133/2013 at the end of November with the aim of financing property tax relief for primary residences.

Quarterly net profit (€ thousand)



Quarterly evolution of the Profit & Loss Account

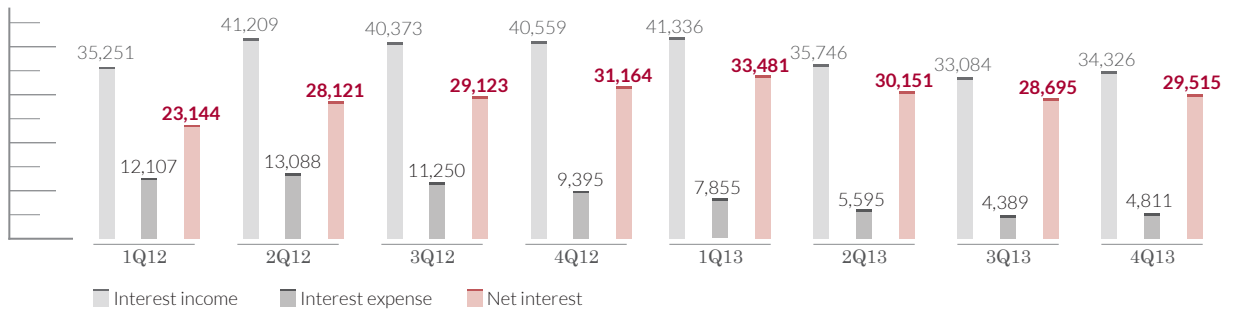
(€ THOUSAND)	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12
Net interest	29,515	28,695	30,151	33,481	31,164	29,123	28,121	23,144
Net fees	63,056	48,199	60,547	62,497	46,998	50,678	46,000	70,389
Dividends	7	52	848	8	12	30	652	45
Net result of financial operations	7,690	4,991	4,033	1,351	3,261	-437	1,179	7,612
Net operating income	100,268	81,937	95,579	97,337	81,435	79,394	75,952	101,190
Staff expenses	-18,677	-17,400	-17,268	-18,159	-14,296	-17,263	-16,758	-18,029
Other general and administrative expense	-27,764	-25,843	-28,428	-23,929	-23,903	-24,441	-21,256	-23,051
Net adjustments of property, equipment and intangible assets	-1,382	-1,270	-1,260	-1,159	-1,083	-1,141	-1,090	-1,179
Other operating expense/income	10,885	6,062	10,316	4,039	5,789	4,200	5,584	3,566
Net operating expense	-36,938	-38,451	-36,640	-39,208	-33,493	-38,645	-33,520	-38,693
Operating profit	63,330	43,486	58,939	58,129	47,942	40,749	42,432	62,497
Net adjustments for non-performing loans	-3,931	-429	212	-767	-2,278	1,614	147	-3,055
Net adjustments of other assets	-254	-4	-302	-598	221	-128	-429	-376
Net provisions	-4,132	2,629	-10,642	-10,754	-3,285	-1,022	-2,628	-11,678
Gain (loss) from equity investments	-	-	-	-4	-2	-	-2	-
Operating profit before taxation	55,013	45,682	48,207	46,006	42,598	41,213	39,520	47,388
Income taxes for the period	-17,316	-11,391	-10,614	-9,522	-9,469	-10,154	-10,309	-7,568
Gains from non-current assets held for sale	-124	-	-	-	133	-	159	159
Profit attributable to minority interests	-1,383	-815	-1,524	-963	-947	-940	-1,167	-813
Net profit	36,190	33,476	36,069	35,521	32,315	30,119	28,203	39,166

4.1 Net Interest

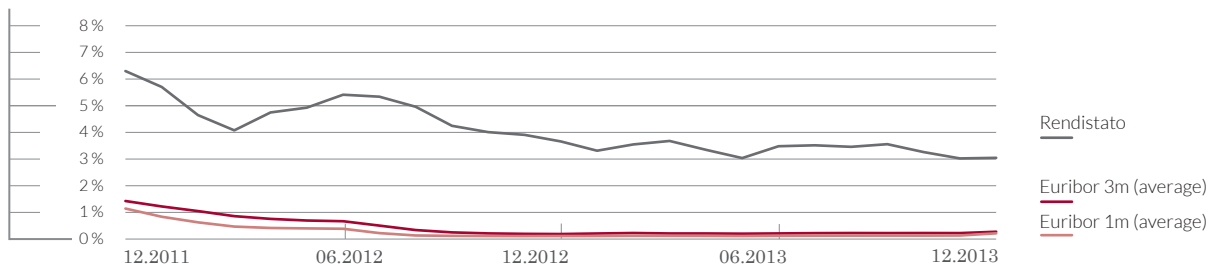
Net interest income was 121.8 million euros, up by 10.3 million euros compared to the figure reported in 2012 (+9.2%), driven by the sharp decline in the cost of funding (-50.6%), which far ex-

ceeded the moderate decline in the profitability of investments (-8.2%).

Net interest (€ thousand)



Interest rate evolution



In 2013, the interest rate evolution continued to be characterised by the following factors:

- extremely low levels of the cost of inflows, with short-term Euribor rates now at levels near 0.12% (one-month Euribor) and 0.22% (three-month Euribor) for more than a year, marking a decline compared to 2012 of approximately 60%;
- a decrease in the average yields on Italian government bonds of more than 35% on maturities of less than 5 years, which, however, continued to represent the best investment opportunities on international markets.

It should also be noted that the interest rate requested by the ECB for its primary refinancing transactions was reduced from 1% to 0.75% in July 2012 and then further decreased to 0.5% in May 2013 and lastly to 0.25% on 11 November 2013.

For Banca Generali, in any event, rate performance had a more marked influence on the cost of inflows than on the profitability of lending, which continued to be supported by the extent of the portfolio of held-to-maturity (HTM) financial assets.

In detail, during the year the average rate of profitability shown

by the HTM portfolio – to which the securities purchased following the LTROs were allocated – still amounted to over 3% on an annual basis. However, the rate of return of the existing portfolio at 31 December 2013 had fallen to 2.49% from the 3.35% reported at the end of 2012.

Interest income decreased by 12.9 million euros, due to the decline in interest income rates, which was only partly offset by higher average volumes of lending compared to 2012.

By contrast, the cost of funding decreased by 23.2 million euros,

due to a general decline in expenses across all sectors of operation, from ECB deposits (-5.3 million euros) to interbank transactions in the form of repurchase agreements (-4.9 million euros) and inflows from customers, both ordinary (-3.0 million euros) and high-yield (-8.3 million euros).

Finally, with regard to net inflows from high-yield customers (deposit accounts), it may be observed that, the decline in the costs of inflows was mainly due to the significant decrease in this form of funding.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
HFT financial assets	9,846	2,963	6,883	232.3%
AFS financial assets	29,178	32,877	-3,699	-11.3%
HTM financial assets	81,338	97,628	-16,290	-16.7%
Financial assets classified among loans	3,998	5,245	-1,247	-23.8%
Total financial assets	124,360	138,713	-14,353	-10.3%
Loans to banks	632	1,244	-612	-49.2%
Loans to customers	19,495	16,640	2,855	17.2%
Hedging derivatives	-	777	-777	-100.0%
Other assets	5	18	-13	-72.2%
Total interest income	144,492	157,392	-12,900	-8.2%
Due to ECB	6,799	12,128	-5,329	-43.9%
Due to banks	627	624	3	0.5%
Repurchase agreements - banks	3,963	8,899	-4,936	-55.5%
Due to customers	8,284	19,584	-11,300	-57.7%
Repurchase agreements - customers	2,266	3,249	-983	-30.3%
Subordinated loan	711	1,352	-641	-47.4%
Other liabilities	-	4	-4	-100.0%
Total interest expense	22,650	45,840	-23,190	-50.6%
Net interest	121,842	111,552	10,290	9.2%

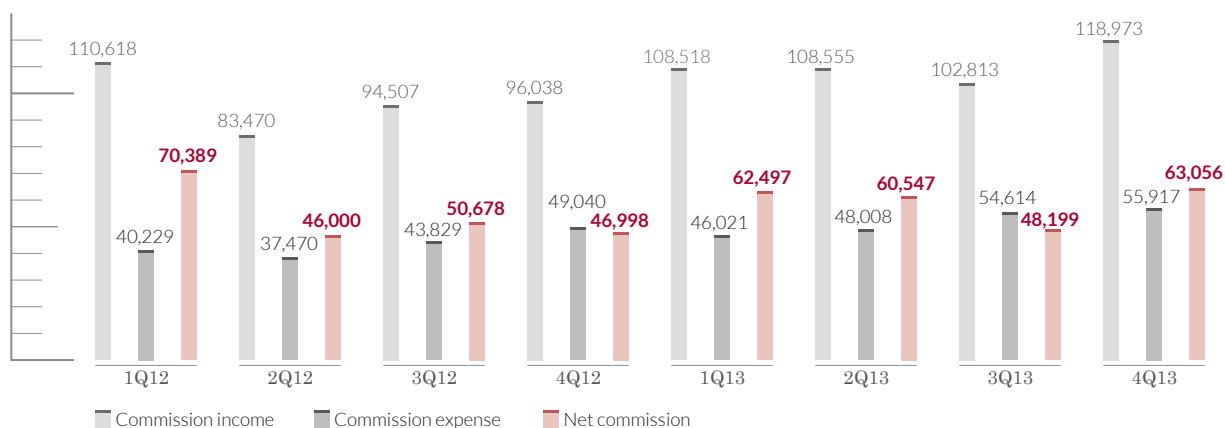
In 2013, the ratio of LTROs to net interest is estimated at 25% of the overall result.

4.2 Net fees

The fee aggregate amount was 234.3 million euros, increasing by 9.5% compared to 2012, and may be broken down as follows.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Collective and individual portfolio management fees	272,064	250,509	21,555	8.6%
Fees on the placement of securities and UCITSs	49,122	36,756	12,366	33.6%
Fees on the distribution of third-party financial products	82,623	70,007	12,616	18.0%
Fees on trading and securities custody	24,905	18,985	5,920	31.2%
Fees for other banking services	10,145	8,376	1,769	21.1%
Total fee income	438,859	384,633	54,226	14.1%
Fees for external offer	174,785	150,076	24,709	16.5%
Fees for dealing in securities and custody	7,935	3,282	4,653	141.8%
Fees for asset management	18,812	14,743	4,069	27.6%
Fees for other banking services	3,028	2,467	561	22.7%
Total fee expense	204,560	170,568	33,992	19.9%
Net fees	234,299	214,065	20,234	9.5%

Commission income (€ thousand)



Fee income increased by 54.2 million euros overall (+14.1%), owing primarily to the contribution by management fees (+48.7 million euros), driven by the significant progress in terms of average AUM compared to the same period of the previous year.

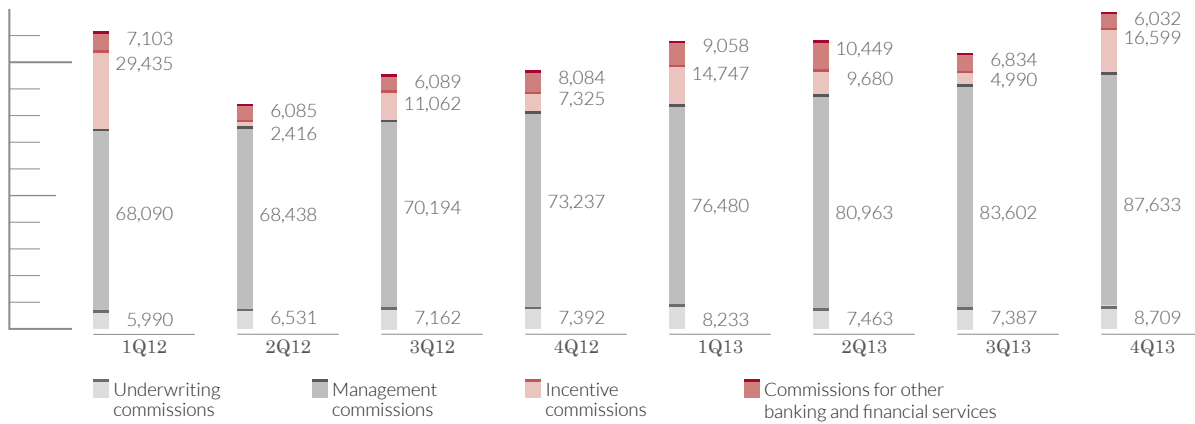
The constant impetus from net inflows and the overall positive financial market performance also fostered a positive performance of underwriting fees (+7.5%) and fees for other banking

services (+28.1%), which significantly influenced trading on behalf of retail and corporate customers.

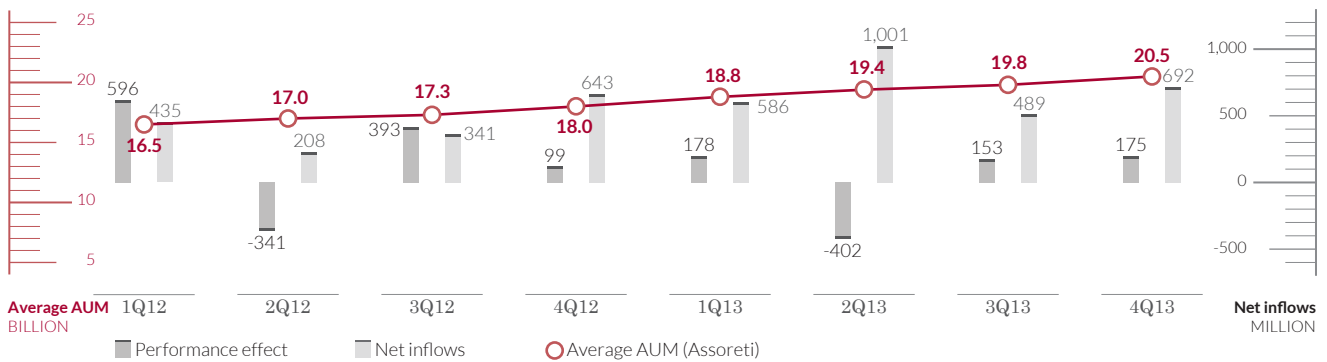
In this context, the contribution provided by performance fees, which reached 46.0 million euros, may also be regarded as positive, although not up to the record levels reached in 2012 (-4.2 million euros).

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Underwriting fees	29,115	27,075	2,040	7.5%
Management fees	328,678	279,959	48,719	17.4%
Incentive fees	46,016	50,238	-4,222	-8.4%
Fees for other banking and financial services	35,050	27,361	7,689	28.1%
Total	438,859	384,633	54,226	14.1%

Commission income structure (€ thousand)



Evolution of managed assets and life insurance AUM



Fee income from the **solicitation of investment and asset management** of households amounted to 403.8 million euros, with an increase of 46.5 million euros compared to the previous year, driven by both the placement and distribution of third-party services (+23.4%), and, to a lesser extent, the SICAVs promoted by the Banking Group (+10.5%).

With regard to the latter, structural increase in management fees (+23.7 million euros) largely offset the aforementioned downtrend in performance fees.

By contrast, the result of individual portfolio management (-6.4%) appears negative overall, partly due to the less favourable VAT rules, in effect since 1 January 2013, which severely limited the appeal of this asset class.

The management of foreign funds of the Generali Group, arising from the operations of the merged Generali Investments Luxembourg (GIL), showed an increase in revenues of 4.4 million euros, associated with a symmetrical increase of fee expense.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
1. Collective asset management	204,829	185,327	19,502	10.5%
2. Collective asset management of the Generali Group (ex GIL)	32,843	28,455	4,388	15.4%
3. Individual asset management	34,392	36,727	-2,335	-6.4%
Fees on asset management	272,064	250,509	21,555	8.6%
1. Placement of UCITSs	41,078	27,848	13,230	47.5%
of which placement of UCITSs promoted by the Group	7,428	3,880	3,548	91.4%
3. Bond placement	8,044	8,908	-864	-9.7%
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	404	389	15	3.9%
5. Distribution of third-party insurance products	82,062	69,299	12,763	18.4%
6. Distribution of other third-party financial products	157	319	-162	-50.8%
Fees for the placement and distribution of financial services	131,745	106,763	24,982	23.4%
Asset management fee income	403,809	357,272	46,537	13.0%

The placement and distribution of third-party financial products and services continued to show an increase in revenues driven by the distribution of the insurance products of Genertellife (+12.8 million euros, or +18.4%).

2013 also proved extremely positive in terms of placement of UCITSs, which showed an increase of 47.5% compared to 2012 (+13.2 million euros), owing both to the new agreements reached in the second half of 2012 and the greater contribution of front-end fees collected in relation to the Group's SICAVs (+3.5 million euros).

Fee expense amounted to 204.6 million euros, with a significant increase by 34.0 million euros compared to previous year (+19.9%), which however is substantially in line with the evolution of recurring components of fee income.

The aggregate includes 26.3 million euros in fees for the activi-

ties carried out by the merged company Generali Investments Luxembourg (GIL), which grew (+4.1 million euros) compared to 2012.

Net of the result from such non-core activity, the Group's total pay-out ratio, compared to recurring fee income, therefore was 49.7%, slightly up compared to the end of 2012 (48.6%).

Distribution fee expense reached 174.8 million euros and increased by 24.7 million euros compared to the previous year.

This aggregate was influenced by both the increase in management fees paid to the sales network (+16.3%), associated with the average AUM growth compared to the previous year, and the impressive growth of net inflows (+41.1) which drove incentive fees (+32.8%) and, albeit to a lesser extent, also underwriting fees (+13.0%).

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Front-end fees	18,718	17,161	1,557	9.1%
Management fees	118,116	101,527	16,589	16.3%
Incentive fees	23,273	17,520	5,753	32.8%
Other fees	14,678	13,868	810	5.8%
Total	174,785	150,076	24,709	16.5%

Other net fees from banking services offered to customers include trading, order collection and custody and administration fees, in addition to fees charged to customers for account-keeping expenses and other services. The aggregate stood at 24.1 million euros, up 2.5 million euros compared to 2012 (+11.5%), chiefly due to the increase in net revenues on trading services rendered to the product companies of the banking and insurance

group. In addition, within this segment the increase in trading fee expense appears essentially attributable to the costs associated with the new forms of taxation recently introduced by a number of countries (Italian and French FTT, stamp duty tax and other similar forms of taxation), which were then recovered from customers.

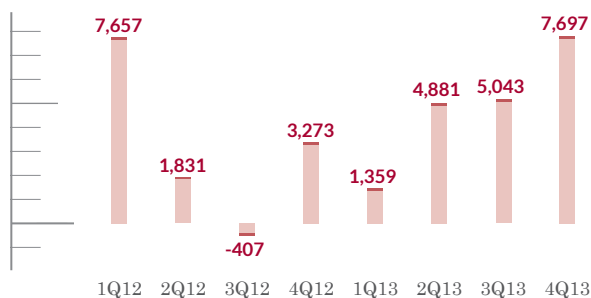
(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Dealing in securities and currencies	16,710	13,212	3,498	26.5%
Order collection and securities custody fees	8,195	5,773	2,422	42.0%
Collection and payment services	3,992	3,191	801	25.1%
Fee income and account keeping expenses	3,112	2,871	241	8.4%
Consultancy	656	355	301	84.8%
Other services	2,385	1,959	426	21.7%
Total traditional banking operations	35,050	27,361	7,689	28.1%
Fees for securities trading and custody	-7,935	-3,282	-4,653	141.8%
Collection and payment services	-2,724	-2,177	-547	25.1%
Other services	-304	-290	-14	4.8%
Total fee expense	-10,963	-5,749	-5,214	90.7%
Net fees	24,087	21,612	2,475	11.5%

4.3 Net profit from trading and financial operations

The net result of financial operations is composed of the result of financial asset and liability trading, gains and losses from the disposal of financial assets allocated to the AFS portfolio and other

portfolios valued at amortised cost (HTM, Loans) of the related dividends and any result of hedging.

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



At the end of 2013, the aggregate contributed 19.0 million euros, increasing by 6.6 million euros compared to the previous year.

(€ THOUSAND)			CHANGE	
	31.12.2013	31.12.2012	AMOUNT	%
Dividends from trading	86	163	-77	-47.2%
Trading of financial assets and equity derivatives	63	273	-210	-76.9%
Trading of financial assets and derivatives on debt securities and interest rates	-5,739	4,829	-10,568	-218.8%
Trading of UCITS units	1,052	1,204	-152	-12.6%
Securities transactions	-4,538	6,469	-11,007	-170.1%
Currency and currency derivative transactions	2,086	2,179	-93	-4.3%
Net profit (loss) from trading operations	-2,452	8,648	-11,100	-128.4%
Net profit from hedging	-	-937	937	-100.0%
Dividends from AFS assets	829	576	253	43.9%
Gains and losses on equity securities and UCITSs	310	-52	362	-696.2%
Gains and losses on AFS and HTM debt securities and loans	20,293	4,119	16,174	392.7%
Net profit (loss) of financial operations	18,980	12,354	6,626	53.6%

The negative result of trading activities was largely influenced by net losses realised in relation to the trading of a portfolio of government securities (-7.9 million euros), with short-term maturities, acquired in late 2012 and during the first quarter of 2013

and fully redeemed in the current financial year. However, this result should be viewed in connection with 9.6 million euro interest accrued on that same trading portfolio.

During the reporting period, forward purchase agreements were also entered into for government securities to be allocated to AFS and HTM portfolios, resulting, in net capital gains of ap-

proximately 2.1 million euros, thanks to the remarkable growth of stock prices.

(€ THOUSAND)	GAINS	CAPITAL GAINS	LOSSES	CAPITAL LOSSES	NET RESULT 31.12.2013	NET RESULT 31.12.2012
1. Financial assets	802	830	8,083	275	-6,726	6,676
Debt securities	191	40	7,968	105	-7,842	5,199
Equity securities	42	190	101	67	64	273
UCITS units	569	600	14	103	1,052	1,204
2. Derivatives	1,932	443	273	-	2,102	-370
Interest rate swaps	49	-	41	-	8	-370
Forward contracts	1,672	443	20	-	2,095	-
Options on equity securities	-	-	-	-	-	-
Options on currencies and gold	211	-	212	-	-1	-
Asset swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
3. Currency transactions	2,086	-	-	-	2,086	2,179
4. Total	4,820	1,273	8,356	275	-2,538	8,485

By contrast, the disposal of financial assets classified to portfolios measured at amortised cost generated net gains of 20.6 million euros, primarily arising from the sale of government

securities allocated to the AFS portfolio and banking securities allocated to the Loans portfolio. The residual portfolio of ABSs allocated amongst loans to customers was also fully liquidated.

(€ THOUSAND)	GAINS	LOSSES	TRANSFER OF RESERVES	31.12.2013	31.12.2012
AFS financial assets	19,067	-643	479	18,903	7,548
Debt securities	18,954	-641	280	18,593	7,600
Equity securities	6	-2	101	105	-52
UCITS units	107	-	98	205	-
Financial assets classified among loans	3,184	-1,474	-	1,710	-4,311
HTM financial assets	-	-10	-	-10	830
Total	22,251	-2,127	479	20,603	4,067

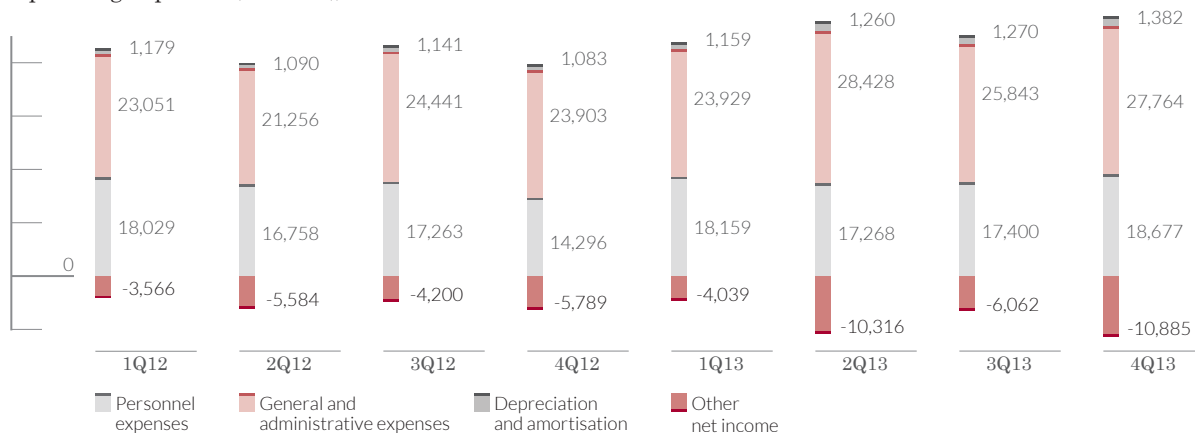
4.4 Operating Expenses

Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses, amounted to 151.2 million

euros, marking an overall increase of 6.9 million euros compared to the previous year (+4.8%).

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Staff expenses	71,504	66,346	5,158	7.8%
Other general and administrative expense	105,964	92,651	13,313	14.4%
Net adjustments of property, equipment and intangible assets	5,071	4,493	578	12.9%
Other income and charges	-31,302	-19,139	-12,163	63.6%
Operating expenses	151,237	144,351	6,886	4.8%

Operating expenses (€ thousand)



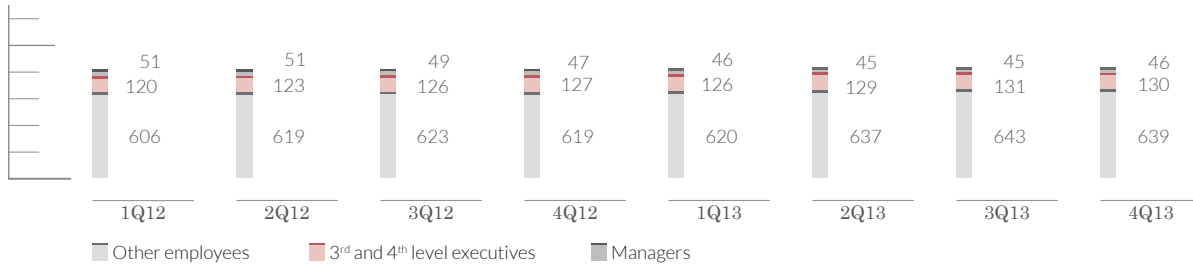
Staff expenses for full-time employees, interim staff and directors reached 71.5 million euros, mainly due to a slight rise in the compensation component, and, to a more limited extent, the natural increase in staff numbers associated with the expansion of operations.

Group employees totalled 809 at the end of 2013, thus record-

ing an increase of (+3.1%), both in terms of average and exact figures, compared to the previous year. In detail, an increase was recorded of staff under indefinite-term contracts due to confirmation of staff already working at the company, new positions in departments supporting business development and new staff to replace employees who had previously left the Company.

	31.12.2013	31.12.2012	CHANGE		AVERAGE 2013	AVERAGE 2012
			AMOUNT	%		
Managers	46	46	-	-	46	49
3 rd and 4 th level executives	131	126	5	4.0%	129	123
Other employees	632	613	19	3.1%	623	604
Total	809	785	24	3.1%	798	775

Evolution of indefinite-term staff (quarterly average)



In the area of compensation, attention may be drawn in particular to the increase in the incentive component (+14.7%), primarily related to the rise in the current and deferred portions of variable compensation tied to the achievement of annual objectives (MBO, sales incentives, etc.).

Finally, the increase in the item other employee benefits was mainly due to the extension of the long-term benefits associated with health insurance plans beyond severance of employment (0.7 million euros) and the reclassification of staff training expenses (+0.5 million euros).

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
1) Employees	69,613	64,912	4,701	7.2%
Salaries and social security charges	48,749	47,281	1,468	3.1%
Provision for termination indemnity and supplementary pension funds	4,639	4,227	412	9.7%
Costs related to payment agreements based on own financial instruments	476	57	419	735.1%
Short/term productivity bonuses (MBO, supplementary company agreements, inc. sales personnel)	9,716	8,592	1,124	13.1%
Other long-term incentives (LTIP, MBO)	2,366	2,303	63	2.7%
Other employee benefits (*)	3,667	2,452	1,215	49.6%
2) Other staff	480	-77	557	-723.4%
3) Directors and Auditors	1,411	1,511	-100	-6.6%
Total	71,504	66,346	5,158	7.8%

(*) This item included 458 thousand euros for staff training expenses, recognised as administrative expense in 2012 (319 thousand euros).

Other **general and administrative expense** amounted to 106.0 million euros, up by 13.3 million euros, compared to the previous year (+14.4%).

However, approximately 11.7 million euros of this change may be attributed to the greater stamp duty charges accrued following the implementation of the amendments, effective 2013, to legislation governing stamp duty on financial instruments, which raised the tax rate applied from 0.1% to 0.15% and removed the tax ceiling envisaged in 2012 for individuals.

This increase was nevertheless offset by the corresponding

growth in tax recoveries from customers, recognised in the other operating income and expenses aggregate (+11.6 million euros or 67.9%).

Net of that factor, the increase in the aggregate appears wholly moderate (+2.2%), despite the presence of significant extraordinary costs incurred for the development of the new service model, the constant updating of the Group's digital platform and the increasingly higher compliance costs resulting from more complex legal and regulatory obligations.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Administration	13,803	12,565	1,238	9.9%
Advertising	4,114	3,778	336	8.9%
Consultancy and professional advice expense	4,984	3,137	1,847	58.9%
Insurance	3,081	3,966	-885	-22.3%
Auditing	565	501	64	12.8%
Other general costs (insurance; T&E)	1,059	1,183	-124	-10.5%
Operations	31,133	30,998	135	0.4%
Rent and usage of premises	15,482	15,318	164	1.1%
Outsourced services	4,404	4,588	-184	-4.0%
Post and telephone	2,967	2,948	19	0.6%
Print material and contracts	942	854	88	10.3%
Other indirect staff expenses	2,608	2,944	-336	-11.4%
Other operating expenses	4,730	4,346	384	8.8%
Information system and equipment	31,453	30,926	527	1.7%
Outsourced IT services	21,554	22,300	-746	-3.3%
Fees for financial databases and other IT services	6,254	5,367	887	16.5%
Software maintenance and servicing	2,862	2,325	537	23.1%
Other expenses (equipment rental, maintenance, etc.)	783	934	-151	-16.2%
Taxes and duties	29,575	18,162	11,413	62.8%
of which stamp duty on current accounts and financial instruments	28,584	16,909	11,675	69.0%
Total other general and administrative expense	105,964	92,651	13,313	14.4%

4.5 Provisions and adjustments

Net provisions amounted to 22.9 million euros, up by 4.3 million euros compared to 2012 (+23.0%), primarily due to greater provisions for indemnities and incentives related to the sales

network (+4.7 million euros), and prudential provisions for other liabilities and contingencies.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Provision for staff liabilities and contingencies	172	2,660	-2,488	-93.5%
Provisions for legal disputes	2,774	4,111	-1,337	-32.5%
Provision for incentive fees	11,262	8,262	3,000	36.3%
Provisions for termination indemnity and overfees	4,276	2,602	1,674	64.3%
Other provisions for liabilities and contingencies	4,415	978	3,437	351.4%
Total	22,899	18,613	4,286	23.0%

Allocations to provisions consisted of 4.5 million euros relating to current and deferred incentives set to accrue (+0.5 million euros compared to 2012) and of 6.8 million euros to provisions in service of recruitment plans (+2.5 million euros compared to 2012).

Net provisions for contractual indemnities for Financial Advisors referred chiefly (2.6 million euros) to the expense adjustment for end-of-service indemnities valued using the actuarial method and, to a lesser extent (1.1 million euros) to allocations for new “social-security bonus” programmes, aimed at ensuring the most deserving employees supplemental pension benefits upon retirement.

Finally, provisions for liabilities and contingencies include allocations to cover the tax dispute (2.5 million euros), the presumed charge to be borne by the bank for the already authorised preventative intervention of the Interbank Deposit Protection Fund in the insolvency of Banca Tercas (1.1 million euros) and other operating expense, including commercial action for the benefit of customers.

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

Net adjustments for impairments increased at the end of the year to 6.1 million euros (+41.8%), of which 2.2 million euros referred to the financial assets segment and 3.9 million euros to loans.

The impairment losses on the non-performing loans in the banking portfolio (3.0 million euros) include the 2.5 million euros share of a pool loan of 10 million euros set to mature at the end of 2015 granted to Investimenti Marittimi S.p.A. The above firm, in which the parent company, Assicurazioni Generali, holds a direct equity investment, is a holding company within the chain of control of the shipping company Premuda and is experiencing a period of financial difficulty, for which it has requested the restructuring of its bank borrowings.

Moreover, further prudential changes were made to the collective reserve covering the performing loans of the banking portfolio (+0.6 million euros) in connection with the significant expansion of that aggregate in the last years, as well as covering risks associated with recovery of fee advances provided to former Financial Advisors who have left service (0.3 million euros).

The impairment losses on the portfolio of AFS equity securities (+1.3 million euros) refer to the subsidiary Simgenia S.p.A. (+0.3 million euros), a member of the Generali Group that in late 2013 resolved to discontinue operation, and the private investment vehicle Equity Athena Private Equity SA (+0.7 million euros), also placed in liquidation in 2014. Both equity investments were measured on a prudential basis, according to the prospects for the recovery of the investment, in relation to the share of each company’s book equity.

Finally, prudential adjustments were made to collective provi-

sions for performing debt securities allocated to the portfolios with the risk profile of the new investments undertaken during loans and held to maturity (+0.9 million euros) in connection the year.

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSAL ADJUSTMENTS	31.12.2013	31.12.2012	CHANGE
Specific adjustments/reversals	-4,601	47	-4,554	-2,665	-1,889
Debt securities (AFS, HTM, Loans)	-	-	-	-	-
Equity securities	-1,299	-	-1,299	-1,016	-283
Operating loans	-261	-	-261	-475	214
Non-performing loans of the bank portfolio	-3,041	47	-2,994	-1,174	-1,820
Portfolio adjustments/reversals	-1,660	141	-1,519	-1,619	100
Debt securities (Loans, HTM)	-1,060	141	-919	-1,527	608
Performing loans of the banking portfolio	-600	-	-600	-92	-508
Total	-6,261	188	-6,073	-4,284	-1,789

4.6 Consolidated net result, taxes and earnings per share

Current and deferred taxes for the year are estimated at 48.8 million euros, up compared to 11.3 million euros compared to the previous year, which reflected, besides the growth in the Group's net profit, the tax burden increase due to the budget measures implemented by the Italian government at the end of the year.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Current taxes for the year	-50,767	-36,980	-13,787	37.3%
Prior period taxes	1,015	1,577	-562	-35.6%
Changes of prepaid taxation (+/-)	558	-2,048	2,606	-127.2%
Changes of deferred taxation (+/-)	351	-49	400	-816.3%
Total	-48,843	-37,500	-11,343	30.2%

Decree Law No. 133/2013, enacted in late November, introduced an 8.5% IRES surtax, aimed at financing property tax relief for primary residences, applicable solely in 2013 to the taxable income of banking, financial and insurance intermediaries. The corporate income and regional production tax prepayments for tax year 2013 were also increased to 130% and a new advance payment introduced as part of that same legislation.

It is estimated that the impact of the corporate income surtax on the tax burden for 2013 will amount to approximately 6.6 million euros, with an increase in the Group's overall tax rate from 22% to 25%.

Net of this item of an extraordinary nature, the Group's tax rate would not have undergone significant variations.

Profit for the period attributable to minority interests amounted to 4.7 million euros and refers to the minority interest in the Banking Group's Luxembourg-based management company, GFM Sa, held by the Assicurazioni Generali insurance group.

Financial year 2013 closed with consolidated net profit of 141.3 million euros, bringing basic net earnings per share above the threshold of 1.24 euros, compared to the 1.16 euros calculated at the end of the previous year.

	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Net profit for the period (€ thousand)	141,256	129,803	11,453	8.8%
Earnings attributable to ordinary shares	141,256	129,803	11,453	8.8%
Average number of outstanding shares	114,124	111,973	2,151	1.9%
EPS - Earnings per share (euro)	1.238	1.159	0.079	6.8%
Average number of outstanding shares diluted capital	115,648	115,065	583	0.5%
EPS - Diluted earnings per share (euro)	1.221	1.128	0.093	8.3%

4.7 Statement of Comprehensive Income

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

At the end of 2013, the Group's comprehensive income amounted to 158.2 million euros, down from 174.7 million euros in the previous year owing to the decline in net revaluations of equity reserves pertaining to the portfolio of available-for-sale financial assets (-28.6 million euros), which accompanied the increase in consolidated net profit.

Following the increase of 45.8 million euros recorded in 2012, the growth of valuation reserves for AFS financial assets slowed

to 17.2 million euros in 2013 as a consequence of the following factors:

- the mark to market of the financial assets in the AFS portfolio (+25.1 million euros) attributable to the further sharp decline in spreads on Italian government debt in the second half of 2013, which permitted significant unrealised gains to be recognised;
- the reduction of pre-existing net positive and negative reserves due to re-absorption in the profit and loss account through realisation (-0.3 million euros) and impairment (+0.3 million euros);
- the negative tax effect associated with the above changes (-7.9 million euros).

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE		31.12.2012 OFFICIAL
			AMOUNT	%	
Net profit (loss)	141,256	129,803	11,453	8.8%	129,212
Other income, net of income taxes:					
with transfer to profit and loss account					
AFS assets	17,158	45,754	-28,596	-62.5%	45,754
without transfer to profit and loss account					
Actuarial gains (losses) from defined benefit plans	-223	-824	601	-72.9%	-
Total other income, net of taxes	16,935	44,930	-27,995	-62.3%	45,754
Comprehensive income	158,191	174,733	-16,542	-9.5%	174,966

5. Balance Sheet and Net Equity Aggregates

At the end of 2013, total consolidated assets amounted to 6.6 billion euros, marking a decline of 0.7 billion euros compared to the end of 2012 (-9.8%).

The decrease is substantially attributable to the downsizing of net inflows from customers (-20.1% compared to 2012), whose growth in the last part of the previous year had been considerably influenced by temporary treasury deposits of the insurance

group to which the Bank belongs.

By contrast, interbank funding remained constant, despite the early repayment of a tranche of ECB financing (200 million euros) thanks to the extensive financing opportunities at extremely low rates offered by the market. As a result, the volume of core loans amounted to 6.3 billion euros, down 11.4% compared to the end of 2012.

ASSETS (€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE		31.12.2012 OFFICIAL
			AMOUNT	%	
HFT financial assets	229,905	222,548	7,357	3.3%	222,548
AFS financial assets	1,626,121	1,733,885	-107,764	-6.2%	1,733,885
HTM financial assets	2,652,687	3,000,330	-347,643	-11.6%	3,000,330
Loans to banks	291,379	843,368	-551,989	-65.5%	843,368
Loans to customers	1,499,771	1,308,585	191,186	14.6%	1,308,585
Property, equipment and intangible assets	50,090	51,778	-1,688	-3.3%	51,778
Tax receivables	38,260	41,276	-3,016	-7.3%	41,163
Other assets	140,232	115,608	24,624	21.3%	115,608
Financial assets held for sale	74,209	-	74,209	n.a.	-
Total assets	6,602,654	7,317,378	-714,724	-9.8%	7,317,265

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE		31.12.2012 OFFICIAL
			AMOUNT	%	
Due to banks	2,230,871	2,229,896	975	-	2,229,896
Due to customers	3,588,700	4,491,173	-902,473	-20.1%	4,491,173
Financial liabilities held for trading and hedging	597	1,448	-851	-58.8%	1,448
Tax payables	27,768	36,620	-8,852	-24.2%	36,620
Other liabilities	142,598	95,013	47,585	50.1%	95,013
Financial liabilities held for sale	66,252	-	66,252	n.a.	-
Special purpose provisions	76,736	68,405	8,331	12.2%	67,995
Valuation reserves	5,460	-11,475	16,935	-147.6%	-10,587
Reserves	164,221	139,841	24,380	17.4%	139,841
Additional paid-in capital	37,302	16,591	20,711	124.8%	16,591
Share capital	114,895	112,938	1,957	1.7%	112,938
Treasury shares (-)	-41	-41	-	-	-41
Minority interests	6,039	7,166	-1,127	-15.7%	7,166
Net profit for the year	141,256	129,803	11,453	8.8%	129,212
Total net equity and liabilities	6,602,654	7,317,378	-714,724	-9.8%	7,317,265

Quarterly evolution of consolidated balance sheet

ASSETS (€ THOUSAND)	31.12.2013	30.09.2013	30.06.2013	31.03.2013	31.12.2012 RESTATED	30.09.2012 RESTATED	30.06.2012 RESTATED	31.03.2012 RESTATED
HFT financial assets	229,905	30,283	431,465	851,223	222,548	200,056	33,676	34,272
AFS financial assets	1,626,121	1,569,670	1,230,402	1,045,546	1,733,885	1,085,941	1,138,390	1,186,802
HTM financial assets	2,652,687	2,516,418	2,631,021	2,913,734	3,000,330	3,019,003	3,045,018	2,937,276
Loans to banks	291,379	450,267	268,822	307,513	843,368	398,604	325,737	727,002
Loans to customers	1,499,771	1,427,920	1,379,197	1,359,495	1,308,585	1,152,179	1,091,698	1,035,070
Property, equipment and intangible assets	50,090	48,848	49,849	50,901	51,778	49,148	50,115	50,970
Tax receivables	38,260	40,169	43,207	43,329	41,276	48,220	61,997	65,697
Other assets	140,232	102,655	111,071	175,756	115,608	104,139	92,217	86,072
Financial assets held for sale	74,209	-	-	-	-	-	-	468
Total assets	6,602,654	6,186,230	6,145,034	6,747,497	7,317,378	6,057,290	5,838,848	6,123,629

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2013	30.09.2013	30.06.2013	31.03.2013	31.12.2012 RESTATED	30.09.2012 RESTATED	30.06.2012 RESTATED	31.03.2012 RESTATED
Due to banks	2,230,871	2,178,825	1,930,243	2,398,937	2,229,896	2,337,782	2,328,576	2,327,369
Due to customers	3,588,700	3,327,034	3,617,170	3,583,784	4,491,173	3,132,826	3,016,706	3,249,417
Financial liabilities held for trading and hedging	597	393	4,011	1,271	1,448	3,359	2,005	2,864
Tax payables	27,768	25,419	16,889	29,766	36,620	34,355	28,286	30,699
Other liabilities	142,598	167,828	127,573	220,076	95,013	136,158	104,589	106,436
Financial liabilities held for sale	66,252	-	-	-	-	-	-	291
Special purpose provisions	76,736	72,716	77,494	75,989	68,405	67,704	69,766	73,048
Valuation reserves	5,460	-11,798	-14,819	-13,588	-11,475	-17,312	-41,225	-25,645
Reserves	164,221	164,163	164,899	267,150	139,841	142,466	142,645	200,143
Additional paid-in capital	37,302	34,901	29,611	26,615	16,591	4,494	3,406	3,406
Share capital	114,895	114,668	114,173	113,888	112,938	111,792	111,694	111,694
Treasury shares (-)	-41	-41	-41	-41	-41	-41	-248	-248
Minority interests	6,039	7,056	6,241	8,129	7,166	6,219	5,279	4,989
Net profit (loss) for the period (+/-)	141,256	105,066	71,590	35,521	129,803	97,488	67,369	39,166
Total net equity and liabilities	6,602,654	6,186,230	6,145,034	6,747,497	7,317,378	6,057,290	5,838,848	6,123,629

5.1 Direct Inflows from customers

Total direct inflows from customers amounted to 3,588.7 million euros, down by 902.5 million euros compared to 31 December 2012, primarily due to the re-absorption of most of the term deposits by the Parent Company at the end of the previous year for temporary treasury needs.

Captive inflows from the parent company, Assicurazioni Generali, and the Italian and foreign subsidiaries of Assicurazioni Generali Group, reported an overall decrease of 826 million euros to 1,137 million euros at the end of the year.

Inflows from customers not belonging to the insurance group decreased by approximately 129 million euros due to the sharp reduction of inflows in the form of deposit accounts and high-yield repurchase agreements.

However, this situation was partially offset by the increase in the interest-free debt position (+53.1 million euros) consisting of current accounts payable to the sales network for product placement and financial service activity, as well as by other sums available to customers, primarily relating to claims settlement activity by the Group's insurance companies (money orders).

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
1. Current accounts and free deposits	2,934,906	2,632,354	302,552	11.5%
2. Term deposits	428,430	1,610,868	-1,182,438	-73.4%
3. Financing	101,878	177,593	-75,715	-42.6%
Repurchase agreements	85,754	153,397	-67,643	-44.1%
Generali Versicherung subordinated loan	16,124	24,196	-8,072	-33.4%
Term deposits on the new MIC	-	-	-	n.a.
4. Other debts	123,486	70,358	53,128	75.5%
Operating debts to sales network	49,150	30,401	18,749	61.7%
Other (self-drawn, amounts at the disposal of Customers)	74,336	39,957	34,379	86.0%
Total due to customers (Item 20)	3,588,700	4,491,173	-902,473	-20.1%

5.2 Core Loans

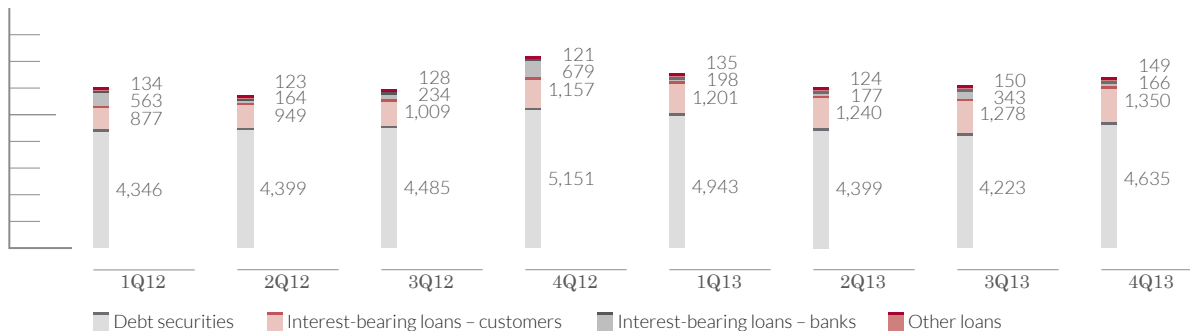
Core loans totalled 6.3 billion euros, decreasing by 0.8 billion euros compared to 31 December 2012.

This performance mirroring the decline in total net inflows, entailed a substantial re-absorption of short-term treasury loans

on the interbank market (-512.9 million euros, equal to 75.5%), and a decline in the securities portfolio, for an amount of 518.4 million euros (-10.0%) due to the partial renewal of part of the bonds reaching maturity.

(€ MILLION)			CHANGE	
	31.12.2013	31.12.2012	AMOUNT	%
HFT financial assets	229,905	222,548	7,357	3.3%
AFS financial assets	1,626,121	1,733,885	-107,764	-6.2%
HTM financial assets	2,652,687	3,000,330	-347,643	-11.6%
Financial assets classified among loans	163,748	234,138	-70,390	-30.1%
Financial assets	4,672,461	5,190,901	-518,440	-10.0%
Loans to banks	166,150	679,064	-512,914	-75.5%
Loans to customers	1,349,613	1,157,008	192,605	16.6%
Operating loans and other loans	111,639	81,743	29,896	36.6%
Total interest-bearing financial assets and loans	6,299,863	7,108,716	-808,853	-11.4%

Evolution of loans (€ million)



The Group's financial assets held for treasury and investment needs and allocated to the various IAS portfolios accounted for 74.2% of the aggregate and totalled 4,673 million euros, with a decrease compared to 31 December 2012, mainly attributable to the redemption of securities allocated to the portfolio of HTM financial assets (-347.6 million euros) and to the disposal and redemption of financial assets within the AFS portfolio (-107.8 million euros).

Net gains of 70.3 million euros were also realised on the portfolio of financial assets classified as loans to banks and customers through the disposal of the residual portfolio of asset-backed securities classified amongst loans to customers and banks.

By contrast, the closing balances of the trading portfolio did not present significant changes, continuing to consist mainly of money-market government bonds with residual lives of one to four months.

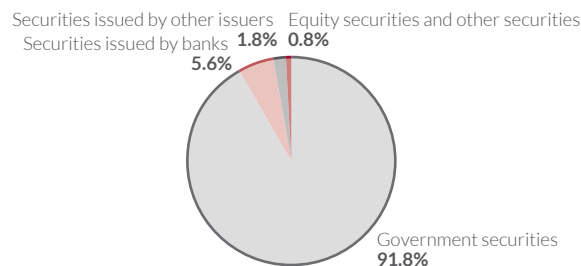
Overall, the sovereign debt exposure decreased to 4.3 billion euros, although the ratio to the total aggregate increased from 89.5% to 91.8%, whereas the exposure to credit issuers dropped from 7.5% to 5.6%.

Additionally, such exposure consists solely of securities issued by the Italian Government, and may be broken down as follows by portfolio of allocation:

Breakdown of sovereign debt exposure by IAS portfolio

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Exposure to the sovereign risk by portfolio:				
HFT financial assets	200,245	190,073	10,172	5.4%
AFS financial assets	1,509,414	1,605,949	-96,535	-6.0%
HTM financial assets	2,578,064	2,849,763	-271,699	-9.5%
Total	4,287,723	4,645,785	-358,062	-7.7%

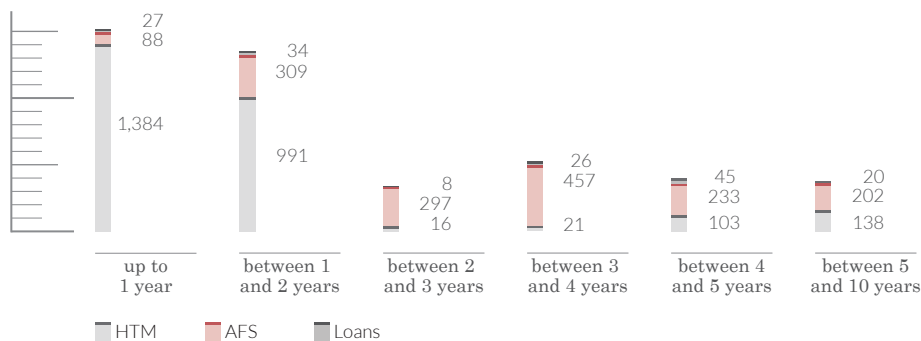
Breakdown of financial assets portfolio at 31.12.2013



The overall geographical breakdown of the portfolio of debt securities thus shows a high concentration of investments relating to Italian securities (97.2%).

The portfolio of debt securities had an overall average residual life of about 2.8 years and 13% of it was made up of variable rate issues and for the remainder of fixed rate issues and zero coupon.

Portafoglio bonds maturity (€ million)



Loans to customers amounted to 1,339 million euros, increasing by 182.0 million euros compared to the previous year (+15.7%) The increase in loans was mainly driven by the granting of new loans to customers (+31.6%), with new loans amounting to 249 million euros, and current account overdraft facilities (+122.7 million euros).

Customer lending operations was not impacted by the difficult situation on the national market since they are focused on customer segments capable of providing adequate capital guarantees. These operations are nonetheless guided by criteria of the utmost prudence and control of risk, and are primarily conducted in the segments property mortgage lending and loans secured by financial assets.

Operating loans classified among loans to customers consist primarily of trade receivables from product companies in connec-

tion with the distribution of financial products and services and advances paid to Financial Advisors under incentive plans.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Current accounts	752,116	629,453	122,663	19.5%
Personal loans	551,450	418,953	132,497	31.6%
Other financing and loans not in current accounts	23,839	47,226	-23,387	-49.5%
Short-term term deposits on the new MIC	-	40,003	-40,003	-100.0%
Financing	1,327,405	1,135,635	191,770	16.9%
GESAV life insurance participating policy	22,208	21,373	835	3.9%
Total loans	1,349,613	1,157,008	192,605	16.65%
Operating loans to product companies	71,574	54,507	17,067	31.3%
Sums advanced to Financial Advisors	27,029	22,078	4,951	22.4%
Stock exchange interest-bearing daily margin	2,237	2,167	70	3.2%
Changes to be debited and other loans	10,735	2,877	7,858	273.1%
Operating loans and other loans	111,575	81,629	29,946	36.7%
Debt securities	38,583	69,948	-31,365	-44.8%
Total loans to customers	1,499,771	1,308,585	191,186	14.6%

Net non-performing loans stood at 45.4 million euros (3.1% of the net exposure) and presented a significant increase over the year, largely attributable to the classification as substandard of an exposure part of a pool loan of 10 million euros to Investimenti Marittimi S.p.A., subject to an individual impairment loss of approximately 2.5 million euros, equal to the share not covered by the value of the pledge of the listed company's shares.

The above firm, in which the parent company, Assicurazioni Generali, holds a direct equity investment, is a holding company within the chain of control of the shipping company Premuda and

is experiencing a period of financial difficulty, for which it has requested the restructuring of its bank borrowings.

However, excluding the above position, non-performing loans consist mainly of positions originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan guarantee granted by BSI upon the sale of the foregoing company and secured to that end by cash collateral payments by the counterparty. Net of that portfolio, the weight of non-performing exposures declines to 0.72%.

(€ THOUSAND)	NET EXPOSURE	VALUE ADJUSTMENT	NET EXPOSURE 2013	NET EXPOSURE 2012	CHANGE		INDEMNITY	RESIDUAL UNSECURED
					AMOUNT	%		
Bad loans	36,755	-16,308	20,447	24,463	-4,016	-16.4%	18,676	1,771
of which financings	29,388	-13,305	16,083	23,400	-7,317	-31.3%	15,350	733
of which debt securities	3,326	-	3,326	-	3,326	-	3,326	-
of which operating loans	4,041	-3,003	1,038	1,063	-25	-2.4%	-	1,038
Substandard loans	18,579	-3,358	15,221	2,087	13,134	629.3%	6,940	8,281
Restructured loans	981	-	981	960	21	2.2%	981	0
Expired loans/outstanding over 90 days	8,809	-66	8,743	885	7,858	887.9%	8,090	653
Total non-performing loans	65,124	-19,732	45,392	28,395	16,997	59.9%	34,687	10,705
Performing loans	1,456,388	-2,009	1,454,379	1,280,190				
Total loans	1,521,512	-21,741	1,499,771	1,308,585				

The **interbank position**, net of the securities portfolio and operating loans, showed a loss balance of 2,064.7 million euros at 31 December 2013, growing by 513.9 million euros (+33.1%) compared to the end of the previous year, due to the combined effect of:

- the re-absorption of temporary liquidity investment transactions (deposits and repurchase agreements) for a net amount

of 512.9 million euros;

- the early repayment of a three-year ECB loan, set to mature in January 2015 (200 million euros);
- the net growth of interbank inflows in the form of repurchase agreements (+290 million euros), with maturities within 12 months, entered at favourable conditions thanks to the strong reduction of interbank rates.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
1. Repayable on demand	92,663	111,936	-19,273	-17.2%
Demand deposits with ECB	-	-	-	n.a.
Demand deposits with credit institutions	40,000	65,000	-25,000	-38.5%
Transfer accounts	52,663	46,936	5,727	12.2%
2. Time deposits	73,487	567,128	-493,641	-87.0%
Mandatory reserve	59,600	19,519	40,081	205.3%
Term deposits	13,887	147,693	-133,806	-90.6%
Repurchase agreements	-	398,136	-398,136	-100.0%
Collateral margins	-	1,780	-1,780	-100.0%
Total due to banks	166,150	679,064	-512,914	-75.5%
1. Due to central banks	1,114,185	1,309,841	-195,656	-14.9%
Term deposits with ECB	1,114,185	1,309,841	-195,656	-14.9%
2. Due to banks	1,116,686	920,055	196,631	21.4%
Transfer accounts	397	80,217	-79,820	-99.5%
Term deposits	187	8,892	-8,705	-97.9%
Repurchase agreements	1,091,372	801,383	289,989	36.2%
Collateral margins	3,660	9,336	-5,676	-60.8%
Other debts	21,070	20,227	843	4.2%
Total due to banks	2,230,871	2,229,896	975	0.0%
Net interbank position	-2,064,721	-1,550,832	-513,889	33.1%
3. Debt securities	125,165	164,190	-39,025	-23.8%
4. Other operating receivables	64	114	-50	-43.9%
Total interbank position	-1,939,492	-1,386,528	-552,964	39.9%

5.3 Special Purpose Provisions

Provisions allocated to cover specific liabilities and contingencies totalled 76.7 million euros and increased by 8.3 million euros compared to the previous year overall.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Provision for termination indemnity	4,585	4,600	-15	-0.3%
Other provisions for liabilities and contingencies	72,151	63,805	8,346	13.1%
Provisions for staff expenses	13,572	12,961	611	4.7%
Provisions for legal disputes	13,042	11,464	1,578	13.8%
Provisions for contractual indemnities to the sales network	15,314	11,255	4,059	36.1%
Provisions for sales network incentives	25,757	27,147	-1,390	-5.1%
Other provisions for liabilities and contingencies	4,466	978	3,488	356.6%
Total provisions	76,736	68,405	8,331	12.2%

Provisions for staff expenses include the following:

- the share of the variable compensation of managers of the banking group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's remuneration policy;
- the estimate of the variable compensation provided for in the long-term retention programme introduced within the Assicurazioni Generali Group and approved by Banca Generali (the Long Term Incentive Plan or LTIP);
- allocations for post-employment benefits related to health-care for the Group's executives;
- further allocations for measures involving staff intended to support a company reorganisation plan launched following the merger of BG SGR, informal incentives and other expenses associated with the classification of personnel outside the scope of IAS 19.

In 2013 too, provisions for staff expenses also included the allocation related to the performance bonus envisaged in the company supplementary contract. Following the early termination by professional organisations of the national collective labour agreement, procedures for the renewal of the supplementary

company contract, expired in 2011, are in fact in stand-by. However, the Bank decided to allocate the amount of the bonus on the basis of the mechanisms agreed for the previous two-year period 2010-2011.

Provisions for network incentives include 19.2 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).

Net provisions for contractual indemnities for financial advisors totalled 15.3 million euros and consisted primarily of the provision for advisors' end-of-service indemnities (12.4 million euros), measured according to an actuarial method pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria adopted during the reporting year. The aggregate also includes other allocations for new social-security bonus programmes aimed at ensuring that the most deserving workers receive supplementary pension benefits upon retirement and the share of the portfolio development indemnity for which advisors are not liable.

5.4 Net Equity

At 31 December 2013, consolidated net equity, including net profit for the year, amounted to 469.1 million euros compared to 394.8 million euros at the end of the previous year and underwent the following changes.

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE		31.12.2012 OFFICIAL
			AMOUNT	%	
Share capital	114,895	112,938	1,957	1.7%	112,938
Additional paid-in capital	37,302	16,591	20,711	124.8%	16,591
Reserves	164,221	139,841	24,380	17.4%	139,841
(Treasury shares)	-41	-41	-	0.0%	-41
Valuation reserves	5,460	-11,475	16,935	-147.6%	-10,587
Equity instruments	-	-	-	n.a.	-
Net profit (loss) for the period	141,256	129,803	11,453	8.8%	129,212
Group net equity	463,093	387,657	75,436	19.5%	387,954
Minority interests	6,039	7,166	-1,127	-15.7%	7,166
Consolidated net equity	469,132	394,823	74,309	18.8%	395,120

	GROUP	THIRD PARTIES	OVERALL
Net equity at period-start	387,657	7,166	394,823
Dividend paid	-102,490	-3,412	-105,902
Stock option plans: issue of new shares	18,778	-	18,778
Stock option plans: charges as per IFRS 2	455	-	455
Other changes	502	-	502
Change in valuation reserves	16,935	-	16,935
2013 advance dividend	-	-2,400	-2,400
Consolidated net profit	141,256	4,685	145,941
Net equity at period-end	463,093	6,039	469,132
Changes	75,436	-1,127	74,309

The change in net equity was influenced by the distribution of the 2012 dividends amounting to approximately 102.5 million euros, convened upon by the Shareholders' meeting held on 24 April 2013 to approve the financial statements, and the effects generated by previous and new stock option plans, the performance of fair value reserves for the portfolio of AFS financial as-

sets and other reserves which contribute to the comprehensive income. Fair value reserves for the portfolio of AFS financial assets recorded a trend reversal at the end of the year with a positive amount of 6.6 million euros, an improvement of 17.2 million euros compared to 2012.

(€ THOUSAND)	31.12.2013			31.12.2012	
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGES
1. Debt securities	6,963	-1,802	5,161	-11,690	16,851
2. Equity securities	1,476	-	1,476	1,043	433
3. UCITS units	49	-115	-66	60	-126
AFS reserves	8,488	-1,917	6,571	-10,587	17,158
Cash-flow hedges	-	-	-	-	-
Actuarial gains (losses) from defined benefit plans	-	-1,111	-1,111	-888	-223
Total	8,488	-3,028	5,460	-11,475	16,935

At 31 December 2013, consolidated capital for regulatory purposes amounted to 313.4 million euros, net of the dividend expected to be paid, up by 36.9 million euros compared to the end of the previous year.

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 144.3 million euros in excess of the amount required by the Supervisory Authority to cover credit, market, and operating risks. The solvency ratio was 14.83%, compared to the minimum requirement of 8%.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Tier 1 capital	300,674	252,359	48,315	19.15%
Tier 2 capital	12,753	24,164	-11,411	-47.22%
Tier 3 capital	-	-	-	n.a.
Capital for regulatory purposes	313,427	276,523	36,905	13.35%
B.1 Credit risk	115,319	122,701	-7,382	-6.02%
B.2 Market risk	5,950	6,446	-496	-7.69%
B.3 Operating risk	47,840	41,576	6,264	15.07%
B.4 Total capital requirements	169,109	170,723	-1,614	-0.95%
Excess over prudential requirements	144,318	105,800	38,519	36.41%
Risk-weighted assets	2,113,863	2,134,038	-20,175	-0.95%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	14.22%	11.83%	2.40%	20.28%
Regulatory capital/Risk-weighted assets (Total capital ratio)	14.83%	12.96%	1.87%	14.4%

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

This option was renewed also by the new prudential supervisory system of the Basel III framework, effective from 1 January 2014, as allowed by the Bank of Italy, until the final entry into force of the international accounting standard IFRS9, expected for 2016.

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

(€ THOUSAND)	31.12.2013		
	CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	267,716	94,864	362,580
Differences between net equity and book value of companies consolidated using the line-by-line method	46,098	-	46,098
Goodwill	4,289	-	4,289
Income carried forward of consolidated companies	41,749	-	41,749
Reserve for actuarial losses IAS 19	42	-	42
Other changes	18	-	18
Dividends from consolidated companies	12,312	-57,312	-45,000
Consolidated companies' result for the year	-	108,389	108,389
Minority interests	-	-4,685	-4,685
Valuation reserves - consolidated companies	-	-	-
Consolidation adjustments	-4,289	-	-4,289
Goodwill	-4,289	-	-4,289
GIL incorporation expenses	-	-	-
Net equity of the Banca Generali Group	321,837	141,256	463,093

5.5 Cash Flows

At the end of 2013, operating activities had generated a total of 1,116 million euros in cash, primarily owing to:

- the reduction of inflows from customers (-919.1 million euros), mainly attributable to the re-absorption of term deposits by the parent company, Assicurazioni Generali S.p.A., at the end of 2012;
- the increase of disbursements for loans to customers (-193.7 million euros).

Those cash flows were primarily offset by a reduction in treasury balances on the interbank market (+512.8 million euros) and the

partial disposal of the financial portfolios held-for-trading and available-for-sale (+105.2 million euros).

The total cash used in operations (392.5 million euros) was also provided in part by the cash flows originating in the redemption of maturing securities in the HTM portfolio (+311.1 million euros, net).

Operating activities also provided cash of 173.5 million euros, which was more than sufficient to meet residual needs and cover the significant increase in the dividends paid (-108.3 million euros).

(€ THOUSAND)	31.12.2013	31.12.2012
Cash flows generated by operations:	173,522	145,368
Financial assets	105,261	-537,471
Loans to banks	512,874	-340,237
Loans to customers	-193,766	-341,349
Other operating assets	58,960	5,210
Total assets	483,329	-1,213,847
Amounts due to banks	-3,388	1,152,447
Loans to customers	-919,101	1,438,679
Other operating assets	46,655	6,678
Total liabilities	-875,834	2,597,804
Liquidity generated by/used for operating activities	-392,505	1,383,957
HTM portfolio	311,122	-1,543,668
Investments	-3,387	-4,172
Disposal of business units	-	5,500
Liquidity generated by/used for investing activities	307,735	-1,542,340
Dividends paid	-108,302	-62,291
Capital increases	18,777	11,733
Liquidity generated by/used for financing activities	-89,525	-50,558
Net cash liquidity generated/used	-773	-63,573
Cash and deposits	9,613	10,386

6. Indirect Inflows

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

6.1 Asset management and insurance products

Banking Group asset management products

In the asset management sector, in 2013 the Banking Group

worked in the wealth management field through the asset management services of Banca Generali (former BG SGR), Generali Fund Management and BG Fiduciaria.

(€ MILLION)	BG GROUP 31.12.2013	BG GROUP 31.12.2012	CHANGES VS 31.12.2012	
			AMOUNT	%
Funds and SICAVs	14,474	11,122	3,352	30.1%
attributable to the banking group GPF	1,139	742	397	53.5%
GPF/GPM	3,322	3,330	-8	-0.2%
Total assets managed by the banking group, net of discretionary accounts, included in the GPF of the banking group	16,657	13,710	2,948	21.5%

Total assets invested in funds and SICAVs managed by the Banking Group amounted to 14,474 million euros, with a strong increase (+30%) compared to 2012.

Group's investments in collective products are currently represented exclusively by Luxembourg SICAVs and are promoted by Generali Fund Management, a subsidiary of Banca Generali, with own management or management mandate granted to third parties. The above company also acts as a management company for numerous SICAVs distributed by other Assicurazioni Generali Group companies. *The value of individual portfolio management remained unchanged.*

Third-party asset management products

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

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

In 2013 third-party assets amounted to 3,290 million euros, with an increase of 0.8 billion euros. For the most part, this was due

to a significant increase in the use of "open architecture," which affords customers access to a very wide range of investment products, including at an international level, in support of the advisory approach that characterises Banca Generali's commercial offerings.

It should also be noted that over the years, in accordance with an arrangement previously applied in 2009, investments directed towards the Luxembourg umbrella fund-of-funds BG Selection also increased. The SICAV is promoted directly by the Banca Generali Group but invests primarily in third-party UCITs. Moreover, and in confirmation of the product's multi-manager orientation, at the end of 2009 and during the following years marketing was launched for 32 of 45 total sub-funds, management of which is entrusted directly to several leading international investment companies, thereby significantly increasing the management diversification of the asset management portfolios held by the bank's customers. In fact, approximately 67% of BG Selection (approximately 3.8 billion euros) resorts to third-party management.

Accordingly, in the funds and SICAV sector, the diversification achieved through third-party products, whether directly or indirectly through the fund-of-funds BG Selection, represents about 84% of retail customers' total investments.

(€ MILLION)	BG GROUP 31.12.2013	BG GROUP 31.12.2012	CHANGES VS 31.12.2012	
			AMOUNT	%
Funds and SICAVs	3,290	2,506	784	31.3%
GPF/GPM	-	27	-27	-100.0%
Total third-party asset management products	3,290	2,533	757	29.9%

Third-party insurance products

Almost all assets invested in insurance and retirement products consist of traditional and unit-linked Genertellife policies, companies of the Assicurazioni Generali Group. Such assets stood at 9,676 million euros at the end of 2013, up 14% compared to

December 2012. This result was mainly due to the considerable new business written during the year, less redemptions and expiring contracts.

(€ MILLION)	BG GROUP 31.12.2013	BG GROUP 31.12.2012	CHANGES VS 31.12.2012	
			AMOUNT	%
Insurance products (unit-linked, policies, etc)	9,676	8,488	1,187	14.0%
Total third-party insurance products	9,676	8,488	1,187	14.0%

6.2 Assets under administration and custody

Indirect inflows of assets under administration and custody consist of securities deposited by retail and corporate customers for custody and administration in portfolios opened with the Parent Company, Banca Generali. At 31 December 2013, these amounted to 6,191 million euros at market value, compared to

6,028 million euros reported at the end of 2012 (+2.7%).

Given net outflows of nearly half a billion euros, the modest increase in this segment was due entirely to the revaluation of the securities held in customers' portfolios.

(€ MILLION)	BG GROUP 31.12.2013	BG GROUP 31.12.2012	CHANGES VS 31.12.2012	
			AMOUNT	%
Indirect inflows of assets under administration and custody of the banking group (market value)	6,191	6,028	164	2.7%
of which securities portfolios of the Generali Group's clients	335	350	-15	-4.4%
of which other customers' securities portfolios	5,857	5,678	179	3.2%

7. Results by Line of Business

The banking Group identifies the following three main business areas: the Affluent Channel, the Private Channel, the Corporate Channel.

The banking Group identifies the following three main business areas:

- the **Affluent Channel**, which refers to the total earnings generated for the Group by the network of Banca Generali' Financial Planners and their respective clients;
- the **Private Channel**, which refers to the total earnings generated for the Group by the network of Private Bankers and Relationship Managers, reporting to the "Banca Generali Private Banking Division" and by their respective clients;
- the **Corporate Channel**, which refers to the total earnings generated for the Group by the financing activities of the Finance Department and the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group, as well as variable revenues specifically related to the ability of the financial product management activities to outperform markets.

The management of foreign mutual funds promoted by the Assicurazioni Generali Group, falling within the business scope of the merged company GIL – Generali Investment Luxembourg, now called GFM, does not, however, constitute a business unit included in management's operating assessments since it relates exclusively to the portion of the group's profit and loss 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. The financial aggregates for each segment therefore consist of net interest, net fees and the result of trading activity including dividends. They include both components arising from transactions with third parties external to the group ("external revenues"), and those deriving from transactions with other segments ("internal revenues"), the latter being identifiable solely with reference to the interest margin. The following tables show the consolidated profit and loss results of each of the identified segments, stated net of intra-segment eliminations.

PROFIT AND LOSS ACCOUNT (€ THOUSAND)	31.12.2013					31.12.2012				
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	GFM PART B	TOTAL	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	GFM PARTE	TOTAL
Net interest income	5,165	3,779	112,898	-	121,842	8,262	7,587	95,700	3	111,552
Commission income	201,980	131,807	70,961	34,111	438,859	174,148	112,236	69,192	29,057	384,633
Commission expense	-109,647	-55,824	-12,817	-26,272	-204,560	-93,159	-45,389	-9,829	-22,191	-170,568
Net commissions	92,333	75,983	58,144	7,839	234,299	80,989	66,847	59,363	6,866	214,065
Profit (loss) of financial operations	-	-	18,065	-	18,065	-	-	11,615	-	11,615
Dividends	-	-	915	-	915	-	-	739	-	739
Net banking income	97,498	79,762	190,021	7,839	375,121	89,251	74,434	167,417	6,869	337,971
(€ MILLION)										
Assets under management	17,190	11,926	1,587	7,899	38,602	15,431	10,733	2,005	5,900	34,069
Net inflows	1,475	785	n.a.	n.a.	2,260	1,131	471	n.a.	n.a.	1,602
Financial advisors/rms	1,141	334	n.a.	n.a.	1,475	1,137	316	n.a.	n.a.	1,453

Affluent Channel

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE
Net interest income	5,165	8,262	-37.49%
Net fees	92,333	80,989	14.01%
Net banking income	97,498	89,251	9.24%
AUM	17,190	15,431	11.40%
Net Inflows	1,475	1,131	30.44%
Financial	1,141	1,137	0.35%
AUMs/FP	15.07	13.57	11.01%
Net inflows/FP	1.29	0.99	29.98%

At 31 December 2013, assets under management attributable to this channel amounted to 17.2 billion euros, up compared with the previous year by approximately 1.8 billion euros (+11.4%), owing both to the positive performance of the market and the increase in net inflows (1,475 million euros), concentrated in asset management products, against outflows from assets under administration and custody.

In 2013, the net revenues generated by this channel reached 97.5 million euros, up by 9.24% compared to the 89.2 million euros in 2012, primarily owing to:

- the strong change in market rates determined a decline in the difference between cost of inflows and short-term returns and, accordingly, also of the associated interest margin;
- an increase of net fees (+14%) and, concurrently, an improvement of average assets (+12%) and asset mix.

The channel's contribution to total consolidated net revenues amounted to 26%.

Net fees amounted to 0.57% of average AuM.

Private Channel

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE
Net interest income	3,779	7,587	-50.18%
Net fees	75,983	66,847	13.67%
Result from banking activities and dividends	-	-	
Net banking income	79,762	74,434	7.16%
AUM	11,926	10,733	11.11%
Net Inflows	785	471	66.71%
Financial Advisors	334	316	5.70%
AUM/FA	35.71	33.97	5.12%
Net inflows/FA	2.35	1.49	57.72%

At 31 December 2013, assets under management pertaining to this channel amounted to 11.9 billion euros, up significantly compared to 2012 (+1.2 billion euros or +11.1%), with net inflows of 785 million euros, also up compared to 2012 (+66.7%). Transformation of administration and custody products into asset management solutions was also remarkable.

In 2013, the net revenues generated by the channel reached 79.8 million euros, with an increase of 7.16%. The reasons of this improvement are the same as those already illustrated for the Affluent Channel. The contribution to total consolidated net revenues amounted to 21%.

Net revenues amounted to 0.67% of average AUM, thus recording a higher figure compared to the Affluent Channel due to the fact that part of the production is not realised by Financial Advisors, but by employed Relationship Managers and therefore does not include a corresponding fee expense.

Corporate Channel

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE
Net interest income	112,898	95,700	17.97%
Net fees	58,144	59,363	-2.05%
Result from banking activities and dividends	18,979	12,354	53.63%
Net banking income	190,021	167,417	13.50%
AUM	1,587	2,005	-20.83%
Net Inflows	n.a.	n.a.	n.a.
Financial Advisors	n.a.	n.a.	n.a.

At 31 December 2013, the AUM in this channel amounted to 1.6 billion euros, down 21% compared to the previous year. This decline was entirely attributable to assets under administration and custody (direct and indirect) of Generali Group companies that as of 31 December 2013 amounted to 1.1 billion euros compared to 1.6 billion euros in the previous year. The remaining assets, which are comprised of net inflows of Italian and international managed asset instruments not attributable to the Banca Generali distribution network remained almost constant.

At the level of profit and loss, this channel also includes components not directly attributable to distribution network activity, such as the performance fees collected by the Group in its asset management operations.

In 2013 net revenues generated by the Corporate channel reached 190 million euros (+13.5% compared to 2012), owing to the following:

- a strong increase of the interest margin due both to a reduction of the cost of funding and an increase of volumes;
- a slight decline in net fees owing substantially to a reduction of performance fees (-4.5 million euros), compared to the extraordinary result achieved in 2012, nearly offset by the increase of ordinary business fees;
- a larger contribution from the Result from banking activities (6.6 million euros).

The contribution to total consolidated net revenues amounted to 51%.

8. Corporate Social Responsibility

8.1. Distribution of global added value

The following is a summary of the 2013 results in the various areas of the Banking Group's social responsibility. In particular, the profit and loss figures for the year have been restated according to the GAV (Global Added Value) method. GAV represents the wealth that the Group has generated and distributed to the various classes of stakeholders in its daily operations (for example, first and foremost, Financial Advisors networks and human resources). GAV is equal to the difference between total revenues and total costs of goods and services (so-called "consumption").

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

Great attention has also been paid to the needs of the community and the environment through charitable initiatives as well as social and cultural works.

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

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

The statements for the determination and distribution of value added were prepared based on the information posted in the Consolidated Financial Statements for 2012-2013 and using the ABL guidelines as a reference.

The distribution of Value Added

In 2013, the Banca Generali Group reported net revenues of 633.6 million euros, up by 60.1 million euros (+10.6%) compared to 2012, whereas consumption expanded more moderately (3.2 million euros). The trend of both aggregates was primarily influenced by the increase in fee margin that offset the strong decline of interest.

Therefore, gross GAV reached 450.5 million euros and was broken down as follows:

- Human Resources (employees and other workers): approximately 15.9% of gross GAV generated, for a total of 71.5 million euros (17.3% in 2012);
- Financial Advisors: 33.2% of gross GAV generated, for a total of 149.3 million euros (up compared to 32.8% in 2012);
- Shareholders: 25.4% of gross GAV, compared with 27.2% in 2012, maintaining an adequate level of capitalisation of the bank. The sum of approximately 4.7 million euros constitutes the attribution of profit to the Group's minority shareholders;
- State: approximately 17.4% of gross GAV, equal to 78.4 million euros, up compared to 14.30% in 2012, due to the IRES surtax and higher stamp duty charges.

The Business System retained, in the form of undistributed profits, depreciation and amortisation, an overall amount of 33.3 million euros or 8.2% of GAV (8.0% in 2012). The amount is to be regarded as an investment that the other categories of stakeholders make each year in order to keep the company in efficient condition and permit its development;

Breakdown and Distribution of Gross Total Added Value

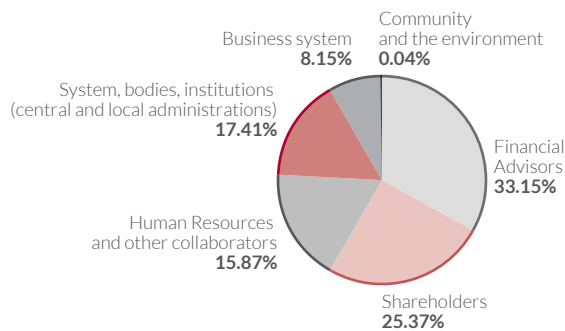
ITEMS (€ THOUSAND)	2013	2012 RESTATED	CHANGE
A. Total net revenues	633,633	573,518	60,115
B. Total consumption	-183,051	-186,308	3,257
C. Net result from insurance operations	-	-	-
D. Gross core added value	450,582	387,210	63,372
E. Total gross added value	450,454	387,657	62,797
Divided among:			
1. Shareholders	114,308	106,357	7,951
Private shareholders ⁽²⁾	109,623	102,490	7,133
Minority interests (+/-) for the year	4,685	3,867	818
2. Human Resources	220,846	194,473	26,373
Employee expense; expense for indefinite- and definite-time contracts ⁽³⁾	69,608	65,727	3,881
Expense for Financial Advisors ⁽¹⁾	149,342	127,312	22,030
Expense for other collaborators	1,896	1,434	462
3. System, entities, institutions (central and peripheral administrations)	78,418	55,438	22,980
Indirect and income taxation	29,575	18,162	11,413
Income taxes for the period	48,843	37,276	11,567
4. Community and the environment	178	174	4
Charitable gifts	178	174	4
5. Banca Generali Group	36,704	31,215	5,489
Change in reserve	31,633	26,722	4,911
Amortisation and depreciation	5,071	4,493	578
Total Gross Global Added Value	450,454	387,657	62,797

(1) Figures at 31 December 2012 were restated in order to exclude only charges relating to the Financial Advisor network of Banca Generali.

(2) The figure relating to 2012 dividend was restated in order to take into account the stock options assigned after 31 December 2012.

(3) The statement relating to 2012 was restated in order to take into account the effects of IAS19R.

Breakdown of total added value



Statement of determination of the Global Added Value

ITEMS (€ THOUSAND)	2013	2012 RESTATED ⁽⁵⁾	CHANGE
10. Interest income and similar revenues	144,492	157,392	-12,900
40. Fee income	438,859	384,633	54,226
70. Dividends and similar income	915	739	176
80. Net income (loss) from trading activities	-2,538	8,485	-11,023
90. Net profit from hedging	-	-937	937
100. Gain (loss) from sales or repurchase of:	20,603	4,067	16,536
a) receivables	1,710	-4,311	6,021
b) AFS financial assets	18,903	7,549	11,354
c) HTM financial assets	-10	829	-839
d) financial liabilities	-	-	-
110. Net profit from financial assets and liabilities at fair value	-	-	-
220. Other operating expense/income	31,302	19,139	12,163
240. Gain (loss) of equity investments	-	-	-
A. Total net revenues	633,633	573,518	60,115
20. Interest expense and similar charges	-22,650	-45,840	23,190
50. Fee expense ⁽¹⁾	-55,218	-43,256	-11,962
180.b Other general and administrative expense ⁽²⁾	-76,211	-74,315	-1,896
130. Net adjustments/reversals due to impairment of:	-6,073	-4,284	-1,789
a) receivables	-4,915	-3,572	-1,343
b) AFS financial assets	-1,299	-1,016	-283
c) HTM financial assets	141	304	-163
d) other financial transactions	-	-	-
190. Net provisions for liabilities and contingencies	-22,899	-18,613	-4,286
200. Net adjustments/reversal of property and equipment (excluding amortisation and depreciation)	-	-	-
210. Net adjustments/reversal of intangible assets (excluding amortisation and depreciation)	-	-	-
260. Adjustments of goodwill	-	-	-
B. Total consumption	-183,051	-186,308	3,257
C. Net result from insurance operations	-	-	-
D. Gross core added value	450,582	387,210	63,372
250. Net result of measurement at fair value of tangible and intangible assets	-	-	-
270. Gains (loss) from disposal of investments	-4	-4	-
310. Income of disposal groups, net of taxes	-124	451	-575
E. Total gross added value	450,454	387,657	62,797
Amortisation and depreciation	-5,071	-4,493	-578
F. Net total added value	445,383	383,164	62,219
180.a Staff expenses ⁽³⁾	-220,846	-193,658	-27,188
180.b Other general and administrative expense: Indirect taxation ⁽⁴⁾	-29,575	-18,162	-11,413
180.b Other general and administrative expense: Charitable gifts ⁽⁴⁾	-178	-174	-4
G. Pre-tax result	194,784	171,170	23,614
290. Income taxes for the year on operating activities	-48,843	-37,500	-11,343
330. Minority interests (+/-) for the year	-4,685	-3,867	-818
H. Profit (loss) of the parent company for the year	141,256	129,803	11,453

(1) This figure differs from that included in the profit and loss account in the financial statements, as the compensation for the Financial Advisor network have been reclassified to "Staff expenses". Figures at 31 December 2012 were restated in order to exclude only charges relating to the Financial Advisor network of Banca Generali.

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

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

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

(5) The statement relating to 2012 was restated in order to take into account the effects of IAS19R.

8.2 Some social and environmental aspects

8.2.1 Employee Policies

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

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

Banca Generali's workforce consists almost entirely (98%) of Italian personnel. In any event, employees of all nationalities are offered equal opportunities for professional and career growth, owing in part to policies that foster mobility within the Group. At Banca Generali Group companies, 98% of executives are local. With regard to equal opportunities for the differently abled, national regulations safeguarding this category are respected and implemented.

From a geographical standpoint, while Italy showed an increase, the geographical distribution in Luxembourg remained unchanged.

With regard to the distribution in Italy, it should be noted that the situation remained essentially in line with the previous year, except for Friuli Venezia Giulia and Lombardy regions, where the two main Group offices are located and that recorded an increase of 13 and 15 resources, respectively.

Geographical distribution of employees

	2013	2012	CHANGE
Abruzzo	2	2	-
Calabria	2	2	-
Campania	13	13	-
Emilia Romagna	10	13	-23%
Friuli Venezia Giulia	326	313	4%
Lazio	23	24	-4%
Liguria	10	9	11%
Lombardy	350	335	4%
Piedmont	17	16	6%
Puglia	3	4	-25%
Sicily	1	1	-
Tuscany	6	5	20%
Umbria	1	1	-
Veneto	13	15	-13%
Italy	777	753	3%
Luxembourg	32	32	-

In order to allow work commitments and personal and family needs to be reconciled, company activities other than those involving direct, daily contact with customers are organized in such a way as to allow employees to start work at flexible hours.

Moreover, in the same vein, in September 2010, the Company Day Nurseries — called "Lion Cubs" — were set up for children between 3 months and 3 years of age. The first facilities were opened at the offices in Mogliano Veneto and Trieste, and in 2011 in Rome.

In Banca Generali Group the physical integrity of our employees is a key value. To protect it, we ensure that working conditions are respectful of people's dignity and provide a safe and healthy workplace which complies with applicable health and safety

regulations. Moreover, all newly-hired employees are guaranteed training programmes on workplace safety, while security teams' members a more specific training, pursuant to Legislative Decree No. 81/2008. The Group Risk Prevention function of Assicurazioni Generali is responsible for identifying and assessing all the risks faced by Generali Group offices. This function is responsible for proposing preventive and protective measures for the improvement of workers' health and safety, as required by Legislative Decree No. 81/2008. The division is also responsible for ensuring compliance with the principles of the Group's code of ethics. Four Banca Generali employees were appointed as HSRs, which also periodically attend training courses.

Banca Generali sees professional development, training, and the exchange of knowledge as being vital if the Group is to reach its strategic objectives, which focus on the creation of value for all its stakeholders. Particular emphasis is on consolidating governance, improving operational efficiency through group-wide synergies, and paying attention to the quality of customer service. Through continuous professional training we ensure excellent quality in serving our customers, in line with the high standards of service adopted by the bank. Accordingly, the Banca Generali Group plans and develops – independently and through consulting with major external training companies – training programmes specifically studied to support managerial and relational skills, as well as the particular nature of the credit sector and financial advising with projects aimed both at employees and the employee sales network (Relationship Managers).

In 2013 the number of hours of training per employee of the Banca Generali Group's Italian companies declined slightly overall, but showed a greater concentration within the executive segment of the population, for which a 10% increase was recorded. Reasons for this different allocation of hours are, on the one hand, the launch of several managerial training programmes cited below and, on the other, a lesser incidence of IT training, provided in massive quantities in previous years.

During the year, important training projects were launched with the aim of reinforcing managerial cultural in various strategic areas of the company population: top management and human resource and talent managers. In further detail, the training process dedicated to high-potential individuals consisted of various lectures devoted to the subject of innovation at Libera Università Carlo Cattaneo (LIUC) in Castellanza.

Some employees participated in master's degree programmes promoted by the bank with SDA Bocconi, Università Ca' Foscari of Venice, Universitas Mercatorum of Rome and the ISTUD

Foundation. The course of a technical nature on banking transactions – planned and held in collaboration with a lecturer from Università Cattolica of Milan – continued.

A new approach aimed at proposing targeted, specialized training processes resulted in the launch of numerous business coaching programmes. Their verified efficacy will result in an increase in this method for 2014.

In Banca Generali Group surveys are periodically conducted to assess the general working climate and other forms of dialogue with employees, as well as activities that involve the bank's employees and which are aimed at building a corporate culture and identity. The Group uses its own dedicated internal communications channels such as the HR portal, the Bollettino.com and the newsletters which keep Group employees up to date on the events, plans and organisational developments within the Banca Generali Group and the other companies in the Insurance Group. In addition to these electronic channels, all employees may receive *Il Bollettino*, the Generali Group's house organ, by request.

8.2.2 Policies in support of families and young people

Banca Generali offering for families and young people

Over time, Banca Generali has developed solutions targeted to families aimed at protecting savings and preserving family welfare.

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

- **BGnext.it**, launched in 2013: this Banca Generali mini-site represents the ideal environment for proposing commercial products and new content and initiatives for the very young;
- the policy **BG 18 anni**, which allows a savings plan to be used to create capital intended for a child's future, from support for educational costs to the certainty of being able to contribute to life's first big expenditures. The product is highly flexible and includes interesting features:
 - the Scholarship option (paid out when the contract expires) which allows the capital to be disbursed in instalments in order to finance university studies or to be redeemed to be put towards purchasing a first car or home or launching a career;
 - 5% Loyalty Bonus paid out when the contract expires,
 - additional payments accepted from persons other than the policyholder, such as grandparents, aunts and uncles,
 - additional payments supplemented by the Company in case of unexpected and adverse event affecting the policyholder,

- an innovative simulation that parents can use, in a simple, intuitive process, to formulate an investment plan in BG 18 Anni with the aim of reaching the career path or course of study of interest to their children;
- the account card **BG GO!**, the card created for a young customer target that associates all of the main services linked to a current account with the special functions of a debit card. The reduced annual fee and the ability to use it to make on-line purchases make BG GO! an ideal product for the under 30 market.
- the **BG 10+ deposit account**, which includes a free prepaid card and no management fee, is an account on which young people may put their savings, under the supervision of an adult who in practice manages the account. This product is part of a project aimed at increasing awareness on children's financial education, which Banca Generali has been developing for several years;
- finally, also the initiative "**Un Campione per Amico**", which is touring the Italian major cities with the help of four sports champions, aims to involve young people in financial education through sports and play.

With regard to our commercial policies targeted to families, several products were developed, designed to meet the families' need for welfare and savings protection. **In particular, with respect to protecting families' welfare**, we developed and are currently offering insurance products such as:

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

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

rent account and perform transactions from their Smartphones.

With regard to commercial initiatives aimed at protecting families' savings, products with **capital protection at maturity** continued to be offered. The offer includes multi-manager asset allocation and different maturities according to clients investment objectives (from 6 to 18 years) to manage the BG Target portfolio, and a range of insurance products which, by investing in Generali Insurance Group segregated accounts, provide **capital protection** including in the event of early divestment. In this context, a new insurance policy, BG Cedola Più, was launched in 2013; the policy allows household income to be supplemented by a periodic payment.

8.2.3 Environmental Policies

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

The Banca Generali Group, which is part of the Generali Group, is well aware that the conduct of its business in settings that vary enormously on a social, environmental and cultural level entails a commitment to pursue a common goal of sustainable economic development with regard to the direct repercussions of its operations as well as its areas of influence.

In that regard, on 29 September 2010 Banca Generali's Board of Directors adopted the Generali Group's Code of Ethics, which defines safeguarding the environment as a priority, among the various issues covered.

The Banca Generali Group is committed to a project aimed at implementing an Environmental Management System (EMS) compliant with the requirements of the ISO 14001 standard and the guidelines indicated by the Generali Group.

As part of the project to implement the System, the Generali Group has defined its Environmental Policy, which reiterates Generali's commitment to safeguarding the environment as stated in the Code of Ethics. Specifically, the document defined the objectives and undertakings that guide the Group's choices and actions in order to make a positive contribution to sustainable development. The objectives that have been identified refer not only to the direct environmental impacts attributable to the Group's insurance and financial operations, but also indirect impacts connected with the procurement, planning and distribution of insurance and financial products, as well as corporate investment activities.

In order to identify the significant impacts of the Company's activity on the environment, an environmental analysis was conducted for the main offices at Via Ugo Bassi 6 in Milan and Corso Cavour 5/a in Trieste. The facilities in question host 601 employees, accounting for 74% of the Banca Generali Group's workforce.

Contrary to previous years, there was an increase in electrical power consumption in 2013, chiefly for air-conditioning and heating, lighting and the operation of machines.

The Banca Generali Group's offices included in the System consumed a total of 1,808.34 GWh of electrical power (+15.92% compared to 2012), entirely derived from renewable sources.

Per-capita electrical energy consumption

31.12.2013		31.12.2012		CHANGE
KWH	SHARE OF RENEWABLE ENERGY (%)	KWH	SHARE OF RENEWABLE ENERGY (%)	
3,008.89	100	2,862.32	100	5.12%

This increase was mainly due to the greater consumption of the centralised refrigeration plant in the Bassi Business Park complex on Via Bassi in Milan, which in addition to serving building 6, the office participating in the System, also serves the other twin buildings identified by street numbers 4, 8a and 8b. In 2013 these latter two buildings reached full occupation and thus generated an increase in the power consumed by the centralised refrigeration plant. This increased consumption was then attributed to our office at Via Bassi 6 on a proportional basis.

Climatic conditions also did not help in limiting the electrical power consumed for cooling. In fact, comparing the monthly average temperatures for the period June-September recorded in the city of Milan in 2012 and 2013, it may be observed that 2013 was the hotter year in all months concerned, presenting an average difference of approximately one degree centigrade higher in each month.

Turning to thermal power consumption, in 2013 a total of 175,456 cubic metres of natural gas was consumed at the offices monitored by the Environmental Management System, with a 4.10% decrease in consumption compared to 2012.

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

The reduction in consumption is mainly due to a rescheduling of plants' operating hours, while preserving indoor climate conditions for the employees.

Per-capita gas consumption

31.12.2013		31.12.2012		CHANGE
M3		M3		
291.94		335.69		-13.03%

There was a 6.95% decrease in paper consumption compared to the previous year, achieved in part through the introduction of a new managed print services system to the offices participating in the Environmental Management System. The main characteristics of this print services system include default printing in front/back mode, thereby increasing the efficiency of white paper consumption.

The Group undertook, where possible, to use "green" recycled paper. 2013 data are evidence of this commitment. Recycled paper use accounted for 91% of total consumption, compared to the level of 80% recorded in the previous year.

In 2013, 40.16 tonnes of paper were consumed, including both blank and pre-printed paper, i.e. paper purchased from suppliers of Group printed documents and publications (contracts, advertising material, annual reports, etc.).

Total paper consumption

31.12.2013		31.12.2012		CHANGE
QUINTALS		QUINTALS		
401.60		431.59		-6.95%

In 2013, total water consumption stood at 9,063.04 cubic metres, a decrease of 250.56 cubic metres (-2.69%), whereas the per-capita reduction was larger, almost 12%, proof that overall consumption is not highly susceptible to change as the number of human resources who occupy the buildings participating in the System fluctuates.

Per-capita water consumption

31.12.2013		31.12.2012		CHANGE
M3		M3		
15.08		17.09		-11.76%

In 2013, we produced 28.24 tonnes of waste, of which 20.86 (74%) was collected separately and 7.38 (26%) to be disposed of through incineration or landfill disposal. Differentiated waste disposal refers to paper and cardboard, plastic and aluminium, electronics and toner, glass and wet waste. The bulk of this waste consists of paper and cardboard (64% of separated waste), followed by plastic and aluminium, representing 32%.

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

Waste

(QUINTALS)	2013	2012	CHANGE
Total sorted waste collection	208.6	254.9	-18.18%
Total unsorted waste collection	73.8	174.7	-58%

Greenhouse-gas emissions

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

In 2013, total GHG emissions amounted to 1,341.6 tonnes of carbon-dioxide equivalents (CO₂e), calculated by using appropriate coefficients to transform quantities of nitrogen oxide (N₂O) and methane (CH₄). Electrical power consumption accounted for 52.2% of such emissions, while 30.4% was due to thermal power and 17.38% to company mobility.

Compared to the previous year – without considering the changes made to mobility coefficients – there was an overall increase in emissions of 51.0 tonnes of carbon dioxide equivalent (CO₂e) (+3.95%). That increase was essentially due to the increase in electrical power consumption at the Milan office, which entailed 15.9% greater overall GHG emissions relating to electrical power compared to 2012.

On the other hand, the other types of consumption that contribute to total GHG emissions declined considerably: emissions related to heating fuel (natural gas) decreased by 5.3% compared to the previous year, as did those related to company mobility, which declined by 8.8%.

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

Scope 1 – Direct emissions produced by heating systems and the fleet of company cars have been estimated at 409.1 tonnes of CO₂e. In particular, those resulting from natural gas consumption were estimated at 331.5 tonnes of CO₂e, while emissions directly produced by the company's fleet were estimated at 77.6 tonnes of CO₂e.

Scope 2 – Indirect emissions caused by power consumption associated with the use of electrical power generated using fossil fuels have been estimated at 700.6 tonnes of CO₂ and derive essentially from the purchase of 1,808.34 GWh of electrical power.

Scope 3 – Indirect emissions other than power consumption associated with employees' business trips have been estimated to a total of 233.1 tonnes of CO₂e, of which 48.3 tonnes of CO₂e were associated with travel by car, 157.1 tonnes of CO₂e with travel by airplane and 27.7 tonnes of CO₂e with travel by train.

9. Comments on the Parent Company's Operations

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

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

9.1 Profit and Loss Results

Banca Generali's net profit amounted to 94.9 million euros at the end of 2013, bucking the trend both of consolidated results and the results of the previous year (118.7 million euros). This figure

is essentially attributable to the lower contribution of dividends from subsidiaries.

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE		31.12.2012 OFFICIAL
			AMOUNT	%	
Interest income	144,479	157,393	-12,914	-8.2%	157,393
Interest expense	-22,694	-45,915	23,221	-50.6%	-45,915
Net interest	121,785	111,478	10,307	9.2%	111,478
Fee income	263,824	226,589	37,235	16.4%	226,589
Fee expense	-160,144	-132,944	-27,200	20.5%	-132,944
Net fees	103,680	93,645	10,035	10.7%	93,645
Dividends	915	739	176	23.8%	739
Net result from banking operations	18,065	11,615	6,450	55.5%	11,615
Net operating income	244,445	217,477	26,968	12.4%	217,477
Staff expenses	-65,146	-59,961	-5,185	8.6%	-60,769
Other general and administrative expense	-102,283	-89,465	-12,818	14.3%	-89,465
Net adjustments of property, equipment and intangible assets	-4,982	-4,381	-601	13.7%	-4,381
Other operating expense/income	29,618	18,471	11,147	60.3%	18,471
Net operating expense	-142,793	-135,336	-7,457	5.5%	-136,144
Operating profit	101,652	82,141	19,511	23.8%	81,333
Net adjustments for non-performing loans	-4,916	-3,581	-1,335	37.3%	-3,581
Net adjustments of other assets	-1,157	-712	-445	62.5%	-712
Net provisions	-22,946	-18,696	-4,250	22.7%	-18,696
Dividends and income from equity investments	57,312	86,220	-28,908	-33.5%	86,220
Gains (losses) from the disposal of equity investments	-4	-4	-	-	-4
Operating profit before taxation	129,941	145,368	-15,427	-10.6%	144,560
Income taxes	-34,953	-27,090	-7,863	29.0%	-26,868
Profit (loss) from non-current assets, net of tax	-124	451	-575	-127.5%	451
Net profit	94,864	118,729	-23,865	-20.1%	118,143

(*) due to the entry into force of IAS 19R

Net operating income, reclassified to exclude dividends on equity investments, increased sharply by 27.0 million euros (+12.4%) compared to 2012, owing to the significant increase of net fees (+10.7%), of interest margin (+9.2%), and the excellent result of financial operations, including dividends not associated with equity investments amounting to 19 million euros (+53.7%).

Interest margin, that also in 2013 represented nearly 50% of net operating income, reached 121.8 million euros (+10.3 million euros compared to 2012) thanks to the sharp decline of the cost of funding (-50.6%), and the more moderate reduction of profitability of loans (-8.2%).

This trend was driven by the low level of interbank interest rates, the double reduction of rates related to ECB refinancing transactions (declined from 0.5% on 8 May to 0.25% on 11 November), as well as the gradual exhaustion of operations concerning inflows from “high-yield” customers carried out in the previous

year. With regard to loans, the significant decline of interest rates on government securities was partially offset by the profitability of HTM portfolio, which remained stable, and the volume of average loans in the year, which recorded an increase.

The fees aggregate amounted to 103.7 million euros, with an increase of 10.0 million euros compare to 2012. **Fee income** improved by 37.2 million euros thanks to the significant contribution of placement of UCITSs (+23.1%) and distribution of insurance products (+18.4%).

With regard to costs, **fee expense** improved by 27.2 million euros thanks to the increase of distribution fees to the sales network (+17.3%), driven by the average AUM growth and excellent results in terms of net inflows.

Overall, total pay out ratio decreased from 41.3% to 39.3%, while the ratio of fees paid to the sales network to total fees for asset management remained stable at 65%.

(€ THOUSAND)	31.12.2013	31.12.2012		CHANGE	
		RESTATED	AMOUNT		%
Asset management	22,670	24,608	-1,938	-7.9%	
Placement of securities and UCITS	121,997	101,480	20,517	20.2%	
Distribution of third-party fin. products	84,735	72,602	12,133	16.7%	
Trading, receipt of orders, and custody of securities and currencies	24,826	18,915	5,911	31.3%	
Consultancy	1,655	2,205	-550	-24.9%	
Collection and payment services	3,992	3,191	801	25.1%	
Other banking services	3,949	3,588	361	10.1%	
Total fee income	263,824	226,589	37,235	16.4%	
External offer	149,342	127,312	22,030	17.3%	
Collection and payment services	2,724	2,177	547	25.1%	
Trading and securities custody	7,790	3,177	4,613	145.2%	
Asset management	-	-	-	-	
Other banking services	288	278	10	3.6%	
Total fee expense	160,144	132,944	27,200	20.5%	
Net fees	103,680	93,645	10,035	10.7%	

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
1. Individual asset management	22,670	24,608	-1,938	-7.9%
Portfolio management	22,670	24,608	-1,938	-7.9%
1. Placement of Banking Group's UCITs units	87,327	73,204	14,123	19.3%
2. Placement of UCITs units	26,626	19,368	7,258	37.5%
3. Bond placement	8,044	8,908	-864	-9.7%
4. Distribution of portfolio management services	2,499	2,969	-470	-15.8%
5. Distribution of insurance products	82,063	69,299	12,764	18.4%
6. Distribution of other third-party financial services	173	334	-161	-48.2%
Placement and distribution of third-party products	206,732	174,082	32,650	18.8%
Total	229,402	198,690	30,712	15.5%

The **other net fees** on the banking services offered to customers amounted to 23.6 million euros, up by 1.3 million euros compared to 2012 (+6.1%), mainly due to the increase in net revenues on trading services rendered to the product companies of the banking and insurance group.

Within this segment, the increase in trading fee expense appears essentially attributable to the costs associated with the new forms of taxation recently introduced by a number of countries (Italian and French FTT, stamp duty tax and other similar forms of taxation), which was then recovered from customers.

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE	
			AMOUNT	%
Dealing in securities and currencies	16,631	13,143	3,488	26.5%
Order collection	7,479	4,915	2,564	52.2%
Securities under custody	716	857	-141	-16.5%
Collection and payment services	3,992	3,191	801	25.1%
Fee income and account keeping expenses	3,112	2,871	241	8.4%
Consultancy	1,655	2,205	-550	-24.9%
Other banking services	837	717	120	16.7%
Total traditional banking operations	34,422	27,899	6,523	23.4%
Securities trading and custody	-6,738	-2,657	-4,081	153.6%
Securities under custody	-1,052	-520	-532	102.3%
Collection and payment services	-2,724	-2,177	-547	25.1%
Other banking services	-288	-278	-10	3.6%
Total fee expense	-10,802	-5,632	-5,170	91.8%
Net fees	23,620	22,267	1,353	6.1%

At the end of 2013, the **net result of financial operations** showed a positive contribution of 19.0 million euros, up compared to 12.4 million euros reported at the end of the previous year (+6.6 million euros).

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Dividends from trading	86	163	-77	-47.2%
Trading of financial assets and equity derivatives	64	273	-209	-76.6%
Trading of financial assets and derivatives on debt securities and interest rates	-5,739	4829	-10,568	-218.8%
Trading of UCIT units	1,052	1204	-152	-12.6%
Securities transactions	-4,537	6,469	-11,006	-170.1%
Currency and currency derivative transactions	2,085	2,179	-94	-4.3%
Net profit (loss) from trading operations	-2,452	8,648	-11,100	-128.4%
Net profit from hedging	-	-937	937	-100.0%
Dividends from AFS assets	829	576	253	43.9%
Gains and losses on equity securities	108	-52	160	-307.7%
Gains and losses on AFS and HTM debt securities and loans	20,495	4119	16,376	397.6%
Net profit (loss) of financial operations	18,980	12,354	6,626	53.6%

Net operating expense amounted to 142.8 million euros, up by 7.5 million (+5.5%) compared to the restated situation for the previous year.

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE	
			AMOUNT	%
Staff expenses	-65,146	-59,961	-5,185	8.6%
Other general and administrative expense	-102,283	-89,465	-12,818	14.3%
Net adjustments of property, equipment and intangible assets	-4,982	-4,381	-601	13.7%
Other income and expenses	29,618	18,471	11,147	60.3%
Operating expenses	-142,793	-135,336	-7,457	5.5%

Staff expenses, including full-time employees, interim staff and directors totalled 65.1 million euros, due to a moderate increase in their remuneration and, to a lesser extent, to the staff increase.

With regard to remuneration, incentive components in particular recorded an increase (+15.5%), primarily owing to contractually agreed upon incentive plans (MBOs, sales incentives, etc.), both in the current and deferred portion.

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE	
			AMOUNT	%
1. Employees	63,929	59,163	4,766	8.1%
Wages and salaries and social security charges	44,853	43,188	1,665	3.9%
Contributions to outside supplemental pension funds and provision for termination indemnity	4,351	3,961	390	9.8%
Costs related to payment agreements based on own financial instruments	476	57	419	735.1%
Production bonuses and short-term incentives	8,599	7,510	1,089	14.5%
Other long-term incentives	2,216	2,208	8	0.4%
Other employee benefits	3,434	2,239	1,195	53.4%
2. Seconded staff from and to other companies and other employees	102	-432	534	-123.61%
3. Directors and Auditors	1,115	1,230	-115	-9.35%
Total	65,146	59,961	5,185	8.6%

Employees at year-end numbered 764, with an increase of 24 resources compared to 2012, due to the confirmation of people already working under fixed-term contracts with the company

(+15), new hires to departments supporting business development and the hiring of staff to replace outgoing employees in previous periods.

	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Managers	44	43	1	2.3%
3 rd and 4 th level executives	116	113	3	2.7%
1 st and 2 nd level executives	84	72	12	16.7%
Other employees	520	512	8	1.6%
Totale	764	740	24	3.2%

Other administrative expense stood at 102.3 million euros, up 12.8 million euros over the same period of the previous year (+14.3%), largely attributable to higher stamp duty charges accrued following the implementation of the amendments (+14.3%), effective 2013, to legislation governing stamp duty on financial instruments (+11.1 million euros).

This increase was nevertheless offset by the corresponding

growth in tax recoveries from customers, recognised in the other operating income and expenses aggregate (+11.1 million euros or 67.0%).

Net of this factor, the aggregate growth was moderate (+2.2%), despite extraordinary costs incurred for the development of a new service model, as well as the constant upgrading of the Group's digital platform.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Administration	12,952	11,876	1,076	9.1%
Advertising	4,074	3,743	331	8.8%
Consultancy and professional advice expense	4,565	2,825	1,740	61.6%
Auditing	354	307	47	15.3%
Insurance	3,077	3,963	-886	-22.4%
Other general costs (insur., T&E)	882	1,038	-156	-15.0%
Operations	30,882	30,755	127	0.4%
Rent and usage of premises	15,049	14,908	141	0.9%
Outsourced services (administrative, back office)	4,809	4,981	-172	-3.5%
Post and telephone	2,917	2,889	28	1.0%
Print material and contracts	931	847	84	9.9%
Other indirect staff expenses	2,463	2,809	-346	-12.3%
Other operating expenses	4,713	4,321	392	9.1%
Information system and equipment	29,968	29,470	498	1.7%
Outsourced IT services	20,955	21,845	-890	-4.1%
Fees for financial databases and other IT services	5,593	4,673	920	19.7%
Software maintenance and servicing	2,661	2,050	611	29.8%
Other expenses (equipment rental, etc.)	759	902	-143	-15.9%
Taxes and duties	28,481	17,364	11,117	64.0%
Total other general and administrative expense	102,283	89,465	12,818	14.3%

By contrast, **other net operating income**, net of the component associated with recovery of stamp duty, recorded a decline of indemnities tied to legal disputes, offset by higher impairment charges related to stamp duty recoverability from customers,

which demonstrates the presence of a current account with the bank (550 thousand euros) and the reduction of extraordinary income and expense.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Fees for outsourced services	424	431	-7	-1.6%
Recovery of taxes from customers	27,618	16,533	11,085	67.0%
Recovery of expenses from customers	467	548	-81	-14.8%
Indemnities and recovery from advisors	2,131	1,859	272	14.6%
Write-downs of other assets	-671	-208	-463	-
Net indemnities from disputes and claims	-105	-1,725	1,620	-93.9%
Charges from accounting adjustments with customers	-523	-315	-208	66.0%
Adjustments of leasehold improvements	-785	-506	-279	55.1%
Other income and expenses	1,062	1,854	-792	-35.5%
Other net operating income	29,618	18,471	11,147	60.4%

Operating profit, net of dividend from equity investments, thus amounted to 101.7 million euros (+19.5 million euros), whilst **value adjustments and provisions** rose to +29.0 million euros overall, with an improvement of 6.0 million euros (+26.2%), due to the effect of the significant provisions for incentives and recruitment aimed at reinforcing the sales network, as well as prudential provisions for litigation and other operating expenses. Provisions covering credit risks associated with the non-performing and performing loan portfolios were also reinforced.

Dividends paid by banking Group companies, restated among gains of equity investments, totalled 57.3 million euros (-28.9 million euros compared to 2012), due to the effect of the decrease in the advance dividend payment by the Luxembourg subsidiary GFM.

Operating profit before taxation thus stood at 129.9 million euros, down by 15.4 million euros compared to 2012.

Current and deferred **taxes for the period** are estimated to reach 34.9 million euros, up compared to 7.9 million euros in the previous year, and with a tax rate growth from 22.8% to 36.5%. This change mirrors both the lower impact on the profit for the year of dividends from equity investments, which are not taxable for 95%, and the higher tax burden as a result of the introduction at the end of the year – by Legislative Decree 133/2013 – of a 8.5% IRES surtax applicable to financial year 2013 only, which impacted the taxable income of all banking, financial and insurance intermediaries.

INCOME COMPONENTS/VALUES	31.12.2013	31.12.2012 RESTATED	CHANGE	
			AMOUNT	%
Current taxation	-36,922	-26,249	-10,673	40.7%
of which IRES surtax 8.5%	-6,482	-	-6,482	-
Current taxes for prior years	996	1,504	-508	-33.8%
Deferred tax receivables and payables	973	-2,345	3,318	-141.5%
Taxes for the year	-34,953	-27,090	-14,345	53.0%

9.2 Balance sheet figures

ASSETS (€ THOUSAND)	31.12.2013	31.12.2012 RESTATED (*)	CHANGE		31.12.2012
			AMOUNT	%	
HFT financial assets	229,509	222,153	7,356	3.3%	222,153
AFS financial assets	1,626,116	1,733,947	-107,831	-6.2%	1,733,947
HTM financial assets	2,652,686	3,000,329	-347,643	-11.6%	3,000,329
Loans to banks	279,539	826,606	-547,067	-66.2%	826,606
Loans to customers	1,461,098	1,282,790	178,308	13.9%	1,282,790
Equity investments	14,024	14,024	-	-	14,024
Property, equipment and intangible assets	45,669	47,396	-1,727	-3.6%	47,396
Tax receivables	38,031	40,790	-2,759	-6.8%	40,687
Other assets	134,001	105,898	28,103	26.5%	105,898
Financial assets held for sale	7,957	-	7,957	-	-
Total assets	6,488,630	7,273,933	-785,303	-10.8%	7,273,830

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2013	31.12.2012 RESTATED (*)	CHANGE		31.12.2012
			AMOUNT	%	
Due to banks	2,230,833	2,229,858	975	0.0%	2,229,858
Due to customers	3,665,295	4,539,983	-874,688	-19.3%	4,539,983
Financial liabilities held for trading and hedging	597	1,448	-851	-58.8%	1,448
Tax payables	14,183	10,205	3,978	39.0%	10,205
Other liabilities	139,354	91,424	47,930	52.4%	91,424
Financial liabilities held for sale	-	-	-	-	-
Special purpose provisions	75,788	67,425	8,363	12.4%	67,050
Valuation reserves	5,502	-11,445	16,947	-148.1%	-10,587
Reserves	110,058	96,818	13,240	13.7%	96,818
Additional paid-in capital	37,302	16,591	20,711	124.8%	16,591
Share capital	114,895	112,938	1,957	1.7%	112,938
Treasury shares (-)	-41	-41	-	-	-41
Net profit for the year	94,864	118,729	-23,865	-20.1%	118,143
Total net equity and liabilities	6,488,630	7,273,933	-785,303	-10.8%	7,273,830

(*) due to the entry into force of the new IAS 19R

Total direct inflows from customers amounted to 3,665.3 million euros, down by 874.7 million euros compared to 31 December 2012, primarily owing to the re-absorption of most of the term deposits by the Parent Company at the end of the previous year for temporary treasury needs. Captive inflows from the parent

company of the banking group, Assicurazioni Generali, and the Italian and foreign subsidiaries of Assicurazioni Generali Group, reported an overall decrease of 796 million euros to 1,219 million euros at the end of the year.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Current accounts	3,018,632	2,686,437	332,195	12.4%
Repurchase agreements	85,754	153,397	-67,643	-44.1%
Term deposits	428,430	1,610,868	-1,182,438	-73.4%
Subordinated loan	16,124	24,196	-8,072	-33.4%
Deposits on the new MIC	-	-	-	-
Other debts	116,355	65,085	51,270	78.8%
Total due to customers (Item 20)	3,665,295	4,539,983	-874,688	-19.3%
Securities issued	-	-	-	-
Total inflows from customers	3,665,295	4,539,983	-874,688	-19.3%

Core loans totalled 6.2 billion euros, decreasing by 0.8 billion euros compared to the balance sheet situation at 31 December 2012.

This performance mirrored the decline in total net inflows, entailing a decline in the securities portfolio in the amount of

518.4 million euros (-10.0%), due to the non-renewal of part of the bonds reaching maturity and a substantial re-absorption of short-term treasury loans on the interbank market (-508 million euros, equal to 76.7%).

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
HFT financial assets	229,509	222,153	7,356	3.3%
AFS financial assets	1,626,116	1,733,947	-107,831	-6.2%
HTM financial assets	2,652,686	3,000,329	-347,643	-11.6%
Loans to banks	279,539	826,606	-547,067	-66.2%
Financing	154,311	662,302	-507,991	-76.7%
Debt securities	125,165	164,190	-39,025	-23.8%
Operating loans	63	114	-51	-44.7%
Loans to customers	1,461,098	1,282,790	178,308	13.9%
Financing	1,327,405	1,135,686	191,719	16.9%
Life insurance participating policy	22,208	21,373	835	3.9%
Debt securities	38,583	69,948	-31,365	-44.8%
Operating loans and other loans	72,902	55,783	17,119	30.7%
Total core loans	6,248,948	7,065,825	-816,877	-11.6%

Loans to customers amounted to 1,327 million euros, increasing by 191.7 million euros compared to the previous year (+16.9%). The increase in loans was mainly driven by the granting of new

loans to customers (+31.6%), with new loans amounting to 249 million euros, and current account overdraft facilities (+122.6 million euros).

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Financing	1,327,405	1,135,686	191,719	16.9%
Current accounts	752,116	629,504	122,612	19.5%
Personal loans	551,450	418,953	132,497	31.6%
Other loans:	23,839	47,226	-23,387	-49.5%
Short-term term deposits on the new MIC	-	40,003	-40,003	-100.0%
Life insurance participating policy	22,208	21,373	835	3.9%
Debt securities	38,583	69,948	-31,365	-44.8%
Other	72,902	55,783	17,119	30.7%
Operating loans to product companies	38,331	30,626	7,705	25.2%
Sums advanced to Financial Advisors	27,029	22,078	4,951	22.4%
Interest-bearing daily margin, Borsa Italiana	2,237	2,167	70	3.2%
Changes to be debited and other loans	5,305	912	4,393	481.7%
Total loans to customers	1,461,098	1,282,790	178,308	13.9%

Among loans to customers, non-performing loans amounted to 45.3 million euros (3.1% of net exposure), growing mainly due to the financial difficulties of Investimenti Marittimi Spa, which received a 10 million euro loan.

Net of such loan, non-performing loans mainly include non-performing loans of Banca del Gottardo Italia's portfolio, which are fully covered by a reimbursement guarantee granted by BSI upon the sale of that company.

(€ THOUSAND)	NET EXPOSURE	VALUE ADJUSTMENT	NET EXPOSURE 2013	NET EXPOSURE 2012	CHANGE		INDEMNITY	RESIDUAL UNSECURED
					AMOUNT	%		
Bad loans	36,481	-16,100	20,381	24,463	-4,082	-16.7%	18,676	1,705
of which financings	29,388	-13,305	16,083	23,400	-7,317	-31.3%	15,350	733
of which debt securities	3,326	-	3,326	-	3,326	0.0%	3,326	-
of which operating loans	3,767	-2,795	972	1,063	-91	-8.6%	-	972
Substandard loans	18,579	-3,358	15,221	2,087	13,134	629.3%	6,940	8,281
Restructured loans	981	-	981	960	21	2.2%	981	-
Expired loans/outstanding over 90 days	8,809	-66	8,743	885	7,858	887.9%	8,090	653
Total non-performing loans	64,850	-19,524	45,326	28,395	16,931	59.6%	34,687	10,639
Performing loans	1,417,781	-2,009	1,415,772	1,254,395				
Total loans	1,482,631	-21,533	1,461,098	1,282,790				

At the end of 2013, **net interbank position** showed a debit balance of 1,951.3 million euros, up by 548 million euros compared to 31 December 2012.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
1. Repayable on demand	80,825	95,174	-14,349	-15.1%
Demand deposit with ECB	-	-	-	n.a.
Demand deposits	40,000	65,000	-25,000	-38.5%
Transfer accounts	40,825	30,174	10,651	35.3%
2. Time deposits	73,486	567,128	-493,642	-87.0%
Deposits with central banks	59,600	19,519	40,081	205.3%
Term deposits	13,886	147,693	-133,807	-90.6%
Repurchase agreements	-	398,136	-398,136	-100.0%
Collateral margins	-	1,780	-1,780	-100.0%
Total due to banks	154,311	662,302	-507,991	-76.7%
1. Due to central banks	1,114,185	1,309,841	-195,656	-14.9%
2. Due to banks	1,116,648	920,017	196,631	21.4%
Transfer accounts	397	80,217	-79,820	-99.5%
Term deposits	187	8,892	-8,705	-97.9%
Financing	1,095,032	810,719	284,313	35.1%
Repurchase agreements	1,091,372	801,383	289,989	36.2%
Collateral margins	3,660	9,336	-5,676	-60.8%
Other debts	21,032	20,189	843	4.2%
Total due to banks	2,230,833	2,229,858	975	-
Net interbank position	-2,076,522	-1,567,556	-508,966	32.5%
3. Debt securities	125,165	164,190	-39,025	-23.8%
4. Other operating receivables	63	114	-51	-44.7%
Total interbank position	-1,951,294	-1,403,252	-548,042	39.1%

The portfolio of **equity investments** amounted to 14.0 million euros and was unchanged compared to the previous year.

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE	
			AMOUNT	%
Bg Fiduciaria Sim S.p.A.	11,779	11,779	-	-
Generfid S.p.A.	245	245	-	-
Generali Fund Management S.A.	2,000	2,000	-	-
Total equity investments	14,024	14,024	-	-

Funds allocated to cover specific liabilities and contingencies totalled 75.8 million euros, increasing by 8.4 million euros (+12.4%) compared to the balance sheet situation at 31 December 2012.

(€ THOUSAND)	31.12.2013	31.12.2012		CHANGE	
		RESTATED	AMOUNT	%	
Provision for termination indemnity	4,230	4,286	-56	-1.3%	
Other provisions for liabilities and contingencies	71,558	63,139	8,419	13.3%	
Provision for staff expenses	13,098	12,505	593	4.7%	
Provisions for legal disputes	12,923	11,254	1,669	14.8%	
Provisions for FA contract indemnities	15,314	11,255	4,059	36.1%	
Provision for risks related to network development incentives	25,757	27,147	-1,390	-5.1%	
Other provisions for liabilities and contingencies	4,466	978	3,488	356.6%	
Total provisions	75,788	67,425	8,363	12.4%	

9.3 Net equity and capital for regulatory purposes

At 31 December 2013, Banca Generali's net equity, including net profit for the year, amounted to 362.6 million euros (+29.0 million euros compared to 31 December 2012).

(€ THOUSAND)	31.12.2013	31.12.2012		CHANGE	
		RESTATED	AMOUNT	%	31.12.2012
1. Share capital	114,895	112,938	1,957	1.7%	112,938
2. Additional paid-in capital	37,302	16,591	20,711	124.8%	16,591
3. Reserves	110,058	96,818	13,240	13.7%	96,818
4. (Treasury shares)	-41	-41	-	-	-41
5. Valuation reserves	5,502	-11,445	16,947	-148.1%	-10,587
6. Equity instruments	-	-	-	n.a.	-
7. Net profit (loss) for the period	94,864	118,729	-23,865	-20.1%	118,143
Total net equity	362,580	333,590	28,990	8.7%	333,862

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

Net equity at period-start	333,590
Dividend paid	-102,490
Previous stock option plans: issue of new shares	18,778
New stock option plans	455
Other changes	436
Change in valuation reserves (AFS and financial flows)	16,947
Net profit for the year	94,864
Net equity at period-end	362,580
Changes	28,990

Capital for regulatory purposes amounted to 213.4 million euros as at 31 December 2013, on the basis of the expected dividend pay-out of 109.4 million euros, or nearly 80% of consolidated net profit, down by 9.9 million euros compared to the previous year.

However, the decrease in the aggregate is chiefly due to the need to proceed with the deduction of the controlling interest in BG Dragon China Sicav (-7.9 million euros) and the repayment of the third tranche of the subordinated loan obtained from Generali Versicherung AG (-8 million euros), only partly offset by other changes in equity. In further detail, the increases in equity resulting from old and new stock-option plans (19.7 million euros) and the change in the relevant AFS reserves (+0.4 million euros) were

largely offset by the impact on equity of the increase of dividends to a greater extent than the statutory net profit.

However, this situation appears entirely temporary and destined to be resolved in the first quarter of the year, following the payment of the balance of the 2013 dividend by the subsidiary GFM and the disposal of the investment in the Sicav.

The capital committed to the minimum capital requirements for risks required by the Supervisory Authority amounted to 118.7 million euros. Total capital ratio amounted to 14.39 %, compared to a minimum requirement of 8%, net of the flat-rate reduction of 25% required by the new regulations (Basel 2) for banks belonging to banking groups.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Tier 1 capital	200,680	199,244	1,436	0.72%
Tier 2 capital	12,754	24,130	-11,376	-47.14%
Tier 3 capital	-	-	-	-
Capital for regulatory purposes	213,434	223,374	-9,940	-4.45%
B.1 Credit risk	111,391	119,965	-8,574	-7.15%
B.2 Market risk	5,946	6,446	-500	-7.76%
B.3 Operating risk	40,902	37,990	2,912	7.67%
Lump-sum deduction	-39,560	-41,100	1,540	-3.75%
B.4 Total capital requirements	118,679	123,301	-4,622	-3.75%
Excess over prudential requirements	94,755	100,073	-5,318	-5.31%
Risk-weighted assets	1,483,488	1,541,263	-57,775	-3.75%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	13.53%	12.93%	0.60%	4.64%
Regulatory capital/Risk-weighted assets (Total capital ratio)	14.39%	14.49%	-0.11%	-0.7%

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 with regard to capital for regulatory purposes, as allowed under Bank of Italy Order of 18 May 2010.

In such regard, following the entry into force, effective 1 January

2014, of the new Basel 3 regulatory requirements, Banca Generali renewed this option for the whole transitional period until the endorsement of IFRS 9, as allowed by Bank of Italy Circular No. 285/2013.

9.4 Cash Flows

At the end of 2013, a total of 282 million euros had been used in operating activities, primarily owing to:

- the increase of loans to customers (+170.8 million euros) and the reduction of inflows from customers (-889.5 million euros), mainly attributable to the re-absorption of deposits by the parent company, Assicurazioni Generali S.p.A., in the previous year;
- the concurrent decline of interbank short-term transactions (-546.5 million euros), as well as of the total volume of financial assets allocated to trading and AFS portfolios (-111.2 million euros).

Moreover, operating activities, net of dividends from equity in-

vestments, generated cash flows in the amount of 93.4 million euros, up sharply compared to the previous year.

Operations imbalance was financed through the reimbursement of government securities included in the HTM portfolio (311 million euros) and dividends of the subsidiary GFM (57 million euros).

Therefore, those flows allowed the full funding of financing activity, which used 102.5 million euros in resources in connection with the dividends paid, but also benefited from the capital contributions resulting from the exercise of stock options (+18.8 million euros).

(€ THOUSAND)	31.12.2013	31.12.2012
Cash flows generated by operations:	93,475	22,983
Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities	111,215	-521,613
Cash flows generated by (+) used for (-) loans to banks	546,535	-342,260
Cash flows generated by (+) used for (-) loans to customers	-170,821	-335,414
Cash flows generated by (+) used for (-) amounts due to banks	-3,350	1,152,460
Cash flows generated by (+) used for (-) amounts due to customers	-889,457	1,472,949
Cash flows generated by (+) used for (-) other operating assets and liabilities	30,170	-6,893
Liquidity generated by/used for operating activities	-282,233	1,442,212
Liquidity generated by/used for investing activities	365,174	-1,456,103
Liquidity generated by/used for financing activities	-83,712	-49,682
Net cash liquidity generated/used	-771	-63,572
Cash and deposits	9,610	10,382

9.5. Purchase of Treasury Shares and Parent Company Shares

Treasury Shares

At 31 December 2013, the Parent Company Banca Generali held 10,071 treasury shares, for a total book value of 41 thousand euros, in connection with the stock-granting plan for the Financial Advisors of the former Prime Consult network, originally launched in 2001.

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

Parent Company Shares

At 31 December 2013, Banca Generali held the following shares in the parent company, Assicurazioni Generali:

- 45,955 shares classified among AFS financial assets, originally acquired in the service of two stock-option plans for the Chief Executive Officer for 2004 and 2005. The carrying amount, equal to the fair value of the shares, is 786 thousand euros, whereas the acquisition cost was 1,230 thousand euros;
- 15,899 shares classified as held for trading, purchased by the

merged Banca BSI Italia under the authorisation granted at the time by the Shareholders' Meeting of the merged company Banca BSI Italia, in the capacity of fund charged with the repurchase of non-negotiable fractions of Assicurazioni Generali shares deriving from bonus share issues. The shares are carried at fair value in the amount of 272 thousand euros,

gross of reversals for 41 thousand euros recognised during the year.

Pursuant to Article 2359-*bis* of the Italian Civil Code, a restricted provision was allocated in the amount of 1,058 thousand euros in relation to the ownership of Parent Company shares.

9.6 Other information

Privacy obligations

Despite the repeal of Article 34, paragraph 1, of Legislative Decree No. 196/2003, in March 2013 the Company prepared its Data Security Plan. In fact, it was considered that this document represents a security measure providing protection against the risks of the destruction or loss of data, unauthorised access or

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

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

10. Performance of Subsidiary Companies

10.1 Performance of Generali Fund Management SA

Generali Fund Management SA is a Luxembourg company specialised in the administration and management of SICAVs. The Banking Group holds a 51% interest (class-A shares), whereas the residual 49% interest is held by Generali Investments S.p.A., a member of the Generali Group (class-B shares). The two share classes are accorded differing treatment in regards to the allocation of profits inasmuch as the Articles of Association state that the share of the net profit or loss for the year attributable to the assets contributed by each of the two shareholders is to be recognised in each share class.

Generali Fund Management SA ended 2013 with a net profit of 106.9 million euros, up from 100.1 million euros at the end of 2012, net equity of approximately 103.2 million euros and total assets of 146.3 million euros.

In 2013 the company paid dividends to the Parent Company Banca Generali in the total amount of 57.3 million euros (86.2 million euros in 2012) and 5.8 million euros to the minority-interest shareholder Generali Investments Spa.

Against net banking income of 126.6 million euros, with a sharp increase from the 116.2 million euros reported in 2012, the company registered operating expenses, net of provisions, of 6.7 million euros, of which 4.7 million euros consisted of staff expenses, in line with the previous year.

Assets under management totalled 14,474 million euros at 31 December 2013 (11,122 million euros at 31 December 2012). The amount includes the assets under management in connection to the activities of the merged company Generali Investments Luxembourg SA, which was equal to 7,899 million euros at 31 December 2013 (5,900 million euros at 31 December 2012).

10.2 Performance of BG Fiduciaria SIM

BG Fiduciaria, specialised in individual portfolio management in the form of securities and funds, primarily through trusts, ended 2013 with a net profit at 1.4 million euros, up from 1.0 million euros in 2012, net equity of 12.5 million euros and total assets of 16.3 million euros.

Net banking income amounted to 3.6 million euros (3.9 million euros in 2012), whereas operating expense was 1.3 million euros, net of provisions, including 1.1 million euros for staff expenses, in line with the previous year.

Assets under management amounted to 891 million euros, slightly up compared to 887 million euros in 2012.

10.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, closed financial year 2013 with 115 thousand euros in net profit, while net equity amounted to about 685 thousand euros.

Net banking income amounted to 978 thousand euros, whereas operating expense was 790 thousand euros. Assets under management amounted to 813 million euros (724 million euros at the end of 2012).

11. Related Party Transactions

11.1 Procedural aspects

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

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

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

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

The new Related Party and Connected Party Transaction Procedure, in force as from 31 December 2012, is intended to implement CONSOB and Bank of Italy regulations, by adopting, at group level, rules on transactions with Related Parties and Connected Parties governing the related investigation activities and approval, reporting and disclosure powers.

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

- expanded scope of the parties involved, i.e. Connected Parties (Related Parties and Associated Entities), and change in the characteristics of some of the identified parties com-

pared to CONSOB Regulation;

- introduction of prudential limits in respect of the Capital for regulatory purposes and the assumption of risks with Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with entities qualifying as non-financial related parties;
- introduction of specific guidelines relating to organizational arrangements and internal controls intended to identify corporate bodies’ responsibilities and corporate functions’ tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time;
- changes in the definition of:
 - **Non-ordinary transactions**, as the Bank of Italy considers as “non-ordinary” all transactions that exceed the Highly Significant threshold, even if carried out on an arm’s length basis or standard conditions;
 - **Low Value transactions**, as the Bank of Italy sets specific thresholds for these transactions, in order to ensure uniform application in the banking sector. To this end, it has established that Low Value transactions cannot exceed 250,000 euros for banks with capital for regulatory purposes of less than 500 million euros and the lower of 1,000,000 euros and 0.05% of capital for regulatory purposes, in the other cases. In respect of these transactions, the exemption only applies to the provisions relating to approval procedures;
 - **Highly Significant Transactions**, as the Bank of Italy identifies these transactions on the basis of two parameters – relevance of the consideration and relevance of the assets – making no mention of the liabilities parameter as provided by CONSOB Regulation..

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

This Procedure also envisages that authorisation must be obtained from the Company in any event for any and all Highly Significant Transactions with Related Parties or Connected Parties

to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Italian Civil Code.

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

1. 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;
2. 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 Related Party and Connected Party Transactions, at least on a quarterly basis;
3. the Chairman of the Board of Directors shall ensure that adequate information on all Moderately Significant Transactions pertaining to the Board of Directors and all Highly Significant Transactions without exception, is made available not only to all Directors in compliance with Article 2381 of the Italian Civil Code, but also to the Board of Statutory Auditors;
4. the Board of Statutory Auditors shall monitor compliance with the provisions of the above-mentioned Procedure and shall submit a report in such regard to the Shareholders' Meeting pursuant to Article 2429, paragraph 2, of the Italian Civil Code, as well as Article 153 of TUF.

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

11.2 Disclosure on Related Party Transactions

Unusual, atypical or extraordinary transactions

There were no atypical and/or unusual transactions to be reported in 2013. Nor were such transactions undertaken with parties other than related parties such as intragroup entities or third parties.

Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, "atypical and unusual transactions" are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to: the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

Highly Significant Transactions

In 2013, the Group did not carry out any transactions qualifying as "highly significant", unusual, entered into at non-market or standard conditions which, in accordance with the Procedure on Related Party Transactions, would have been subject to market disclosure and the obligation of publishing an information memorandum.

Highly Significant Intragroup Transactions

With respect to Highly Significant Intragroup Transactions — which, pursuant to the Procedure on Related Party Transactions, are exempt from the escalated decision-making process and the obligation to publish a market disclosure document, unless there are significant interests in the subsidiary by other related parties — the reporting period saw the execution of a transaction involving the acquisition of an equity interest in BG Dragon China Sicav, resulting in a situation of control for Banca Generali and falling within the cases subject to exemption pursuant to paragraph 9 e) of the Procedure on Related Party and Connected Party Transactions.

Other Significant Transactions

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

- on 26 June 2013, the Board of Directors authorised the reduction of the guarantee provided in connection with the participation in the pool loan granted to the related party Investimenti Marittimi S.p.A., a member of the Generali Group, for approximately 511,000 euros.
During the same session, the Board of Directors renewed an insurance policy, the BBB (Banker's Blanket Bond), that had long been contracted from Assicurazioni Generali S.p.A., inasmuch as from the comparison of the offers received from leading insurers, the proposal received from Assicurazioni Generali S.p.A. was the strongest in terms of costs/benefits, as well as the improvements introduced from both a legal and economic standpoint;
- on 24 September 2013, the Board of Directors authorised an amendment of the terms of the contract of 23 June 2010 between Generali Fund Management S.A. and Banca Generali (which succeeded the merged company BG SGR S.p.A.) governing the provision of risk management, performance management and control and pricing services; this contract follows the previous advisory contract inherited by BG SGR following its merger into its parent Banca Generali on 1 September 2012, entailing a cost of 1.8 million euros, net of VAT;
- in October, the parent company, Assicurazioni Generali, transferred a significant amount of liquidity deriving from the disposal of an asset according to a specific debt reduction plan to Banca Generali. Banca Generali paid interest on that liquidity through time deposits with various maturities. Specifically, Flandria Financière S.A., a subsidiary of the parent company, Assicurazioni Generali, requested a time deposit with a term of approximately six months, entailing the payment at maturity (14 April 2014) of 265,808.00 euros of interest;
- on 5 November 2013, the Board of Directors resolved to approve the draft agreement governing the attribution of con-

sistent economic conditions to Generali Group companies interested in obtaining banking and/or investment services from Banca Generali;

- on 18 December 2013, the Board of Directors authorised an expansion of lease agreement GI 8380500127 with Generali Properties S.p.A., a subsidiary of the parent company, Assicurazioni Generali, governing the property located at Corso Cavour 5/A in Trieste;
- in 2013, the Audit and Risks Committee acknowledged the expediency for the company and substantial fairness of the three contracts governing investment advice rendered in support of Assicurazioni Generali, Alleanza Toro and GeneriLife. Having evaluated the fee envisaged for this activity, 0.20% of the value of the financial instruments for which, as a result of the personalised recommendations made, an investment is undertaken entailing a reallocation of the assets (by convention termed a "Movement"), in addition to VAT (where due), the Committee acknowledged that the economic conditions of the transaction fall within the broad range of market conditions.

Ordinary or Recurring Transactions

Transactions of an ordinary or recurring nature carried out in 2013 with related parties fall within the Group's ordinary course of business and are usually carried out on an arm's length basis and in any case based on mutual economic advantage, in compliance with the internal procedures mentioned above.

As regards these transactions, there were no changes in the situation of related party transactions, which might have a material effect on the financial situation and the results of the company and the banking group compared to 2012.

The developments of ordinary transactions with related parties are presented in the specific section of the Notes and Comments – Part H of the separate and consolidated financial statements for the year ended 31 December 2013, along with other information on related party transactions.

12. Banca Generali Stock Performance

International financial markets posted strong gains in 2013, especially in the U.S. and Europe. Within this scenario, the banking industry in both Europe and Italy made a robust recovery following on many years of uneven performances.

The Italian banking industry (FTSE Italia Banks) rose by 33.1% during the year, outperforming the already strong result posted by the European industry index (DJ Eurostoxx 600 Banks: +25.9%) and the Italian equity market (FTSE MIB: +16.6%).

Performance of the main stock indices

(% CHANGE, Y/Y)	2008	2009	2010	2011	2012	2013
Banca Generali	-59.7%	206.9%	6.7%	-20.6%	79.3%	74.4%
FTSE MIB	-49.5%	19.5%	-13.2%	-25.2%	7.8%	16.6%
FTSE Italia Mid Cap	-48.6%	23.6%	-2.9%	-26.6%	-0.4%	48.8%
FTSE Italia Banks (All Shr)	n.a.	27.1%	-31.1%	-45.1%	-0.02%	33.1%
DJ EuroStoxx 600	-45.6%	28.0%	8.6%	-11.3%	14.4%	17.5%
DJ EuroStoxx 600 Banks	-64.4%	46.9%	-11.6%	-32.5%	12.0%	26.4%
MSCI World	-39.1%	23.0%	17.2%	-4.5%	11.4%	19.7%
S&P 500 (USA)	-35.7%	20.2%	20.9%	3.1%	11.4%	26.1%
DAX 50 (Germany)	-40.4%	23.9%	16.1%	-14.7%	29.1%	26.0%
CAC 40 (France)	-42.5%	22.3%	-3.3%	-17.0%	15.2%	18.2%
CSI 300 (China)	-61.6%	91.5%	-2.8%	-19.1%	6.7%	-8.4%
IBOV (Brazil)	-53.4%	141.8%	14.5%	-25.3%	-4.1%	-29.6%

Within this scenario of recovering prices, the value of Banca Generali shares increased constantly throughout the year, rising from 12.910 euros in early January to 22.510 euros at the end of December, closing the year at an all-time high. The overall gains were thus considerable – 74.3% over the year – a result that placed Banca Generali at the top of the performance rankings for Italy's major financial stocks.

The Bank's capitalisation thus increased to a highly considerable degree, reaching 2.6 billion euros, placing the Bank in sixth place amongst the major Italian listed banks at the end of 2013.

Market prices of Banca Generali shares - Summary

(EURO)	2008	2009	2010	2011	2012	2013
Maximum	6.780	8.738	9.650	11.560	13.000	22.510
Minimum	2.777	2.070	6.800	6.265	6.540	12.920
Average	4.652	7.400	8.359	8.798	9.640	16.940
Year-end	2.777	8.456	9.060	7.200	12.910	22.510
Capitalisation (€ m)	312	941	1,009	804	1,458	2,586

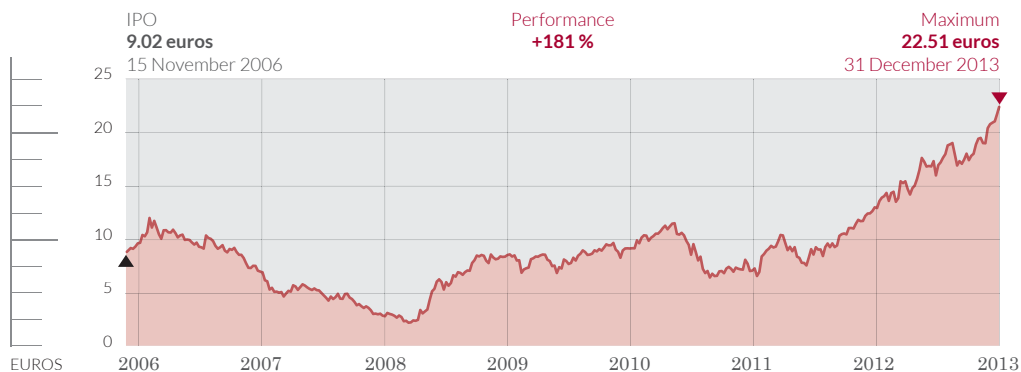
Banca Generali shares have been listed on Borsa Italiana since 15 November 2006. Specifically, the stock is included in the FTSE Italia All-Share and FTSE Italia Mid Cap indices.

The increase in share price in 2013 appears all the more significant if it is considered that a similar result had already been achieved in 2012. The overall gains posted by the shares in the two-year period 2012-2013 thus amounted to 213%, one of the strongest performances of any Italian or international financial

stock. If the dividend paid is added to the stock's performance (Total Return Ratio), the return for shareholders over the two years was 253% (source: Bloomberg).

The stock's performance is also positive from a longer perspective: since the IPO on 15 November 2006, Banca Generali shares have yielded a compound average annual appreciation of 13.8%, which rises to 17.9% in terms of total return, i.e. including the dividend paid to shareholders.

Stock performance following the IPO



The rise in share price was also accompanied by a 50% increase in average trading volumes to 6.54 million per month (compared to an average of 4.27 million per month in the previous year), with a high of 11.4 million in May and a low of 3.67 million units in December.

Ownership changes

The Bank's ownership structure underwent significant change in 2013. On 3 April 2013, Assicurazioni Generali placed 13,666,593 ordinary shares of Banca Generali stock, or approximately 12% of the Bank's share capital, with institutional investors. Following the transaction, Generali retained a controlling interest in Banca Generali of 51.5% of share capital.

At the end of 2013, Generali's controlling interest had been

reduced slightly compared to April to 51.026%, following the partial exercise of the stock-option plans issued for employees and financial advisors at the time of the initial public offering and then again in 2010. At the end of 2013, 2,040,221 stock options were still in issue (1.8% of outstanding shares), of which 837,494 were already eligible for exercise, while the remainder are exercisable in 2014-2017 according to the limits envisaged at the date of issuance of the plans concerned.

12.1 Investor Relations

In 2013 Banca Generali intensified its dialogue with the international financial community in response to the rising interest caused by the positive company performance, and, more generally, the attractive prospects of the asset management industry in Italy. The Bank's increased free float, following the placement by Assicurazioni Generali, also expanded the group of institutional investors potentially interested in investing in Banca Generali in light of its larger free float.

During the year, meetings were organised with shareholders, institutional investors and buy-side analysts in major international financial markets as part of roadshows and industry conferences organised by top Italian and international brokers. There was also a significant increase in meetings with investors visiting

Banca Generali's headquarters, as well as requests for follow-up conference calls directly from investors and buy-side analysts. On the whole, the Bank met with over 200 investors during the year, a further increase on the already considerable activity performed in the previous year.

Also noteworthy are the constant efforts to maintain dialogue and follow up with sell-side analysts from top Italian and international brokerage firms. At present, sell-side analyst recommendations show a marked prevalence of positive recommendations (buy/outperform) at 67% of total coverage, whereas the remaining 33% consists of recommendations of a neutral nature (hold/neutral).

13. Products and Marketing

In 2013, financial markets benefited from a gradual increase in risk appetite: exchanges posted gains, tensions surrounding European sovereign debt relented and credit spreads narrowed further.

Several factors permitted an improvement in the financial markets conditions. Firstly, a better global economic scenario (from Europe to the United States, with a context of stabilisation in China after several months of slowdown), secondly the maintenance by the ECB of broad liquidity conditions which eased financial market tensions in the Euro area, and lastly, the confirmation by the central banks of developed countries of their willingness to support growth.

Within this macroeconomic scenario, marketing activity focused both on constantly improving customer service levels by launching new services devoted to mobility and on achieving the greatest possible diversification of the investment solutions offered, from liquidity management to medium-/long-term investments with the protection of capital at maturity (protected-capital portfolio management and structured bonds) or the consolidation of the capital of life policies within the multi-manager framework that has always set Banca Generali's offerings apart.

Development and promotion of the Luxembourg product range of Generali Fund Management (GFM)

BG Selection Sicav

In 2013 the offerings of BG Selection Sicav, the innovative fund-of-fund platform of Generali Fund Management (GFM) that for more than five years has represented Banca Generali's flagship asset management product, were further enriched by the introduction of new sub-funds and third-party managers. The following is a summary of the major changes:

- the launch of four new sub-funds under third-party management: a flexible sub-fund that invests in emerging countries (UBS – Top Emerging Markets Fund), an equity sub-fund specialised in Latin America (Aberdeen – Latin America Equities), an Asian sub-fund focused on the Chinese and Indian markets (JP Morgan – Greater China and India), and an equity sub-fund that invests in European small caps (Smaller Companies);
- a change in the third-party managers of two flexible sub-

funds of BG Selection Sicav from BNY Mellon Asset Management International to DWS Investment (January 2013) and from Barclays Bank to Schroeder Investment Management (November 2013);

- a change in the management policies for the sub-funds Anima Club, HSBC Emerging Markets Solution and Lyxor Multi-Hedge, renamed Lyxor Alpha Risk Parity to reflect the new management strategy.

Also worthy of note is the fact that in the second quarter of 2013 BG Selection was chosen as the underlying for a new multi-line policy offered by the Generali Group (Valore Futuro): the new policy combines the separate account component, dedicated to the protection of invested capital over time, with two equity management lines (Multi Emerging Markets and Multi Global Plus) that invest in a basket of the sub-funds of BG Selection Sicav.

At 31 December 2013, BG Selection Sicav had 43 sub-funds, of which 12 managed by Generali Fund Management and 31 managed under mandate entrusted to leading international investment houses.

BG Sicav

During 2013, BG Sicav was affected by important changes that bore witness to its new strategy as a platform for developing innovative new securities management strategies through the search for qualified partners to which to entrust specific management contracts.

In March 2013, two new unconstrained global bond sub-funds were launched, the BlackRock Global Opportunities Bond Fund and Franklin Templeton Global Multibond Fund, characterised by management styles without constraints in terms of benchmarks, geographical areas and credit ratings.

The new launches continued in the second half of the year with three other new bond sub-funds: HSBC Euro Credit Opportunities (euro corporate bonds), Invesco Global Financial Bond Fund (global financial bonds) and Swiss & Global Strategic Global Bond Fund (biased towards global government debt, including emerging markets).

Development activity on the line of bond products offered by BG Sicav will also continue in 2014 with the launch of additional new bond and equity sub-funds in the first few months of next year.

The multi-manager platform was further developed with the placement of the First Eagle Amundi single-fund Sicav, a selection of 12 equities and bond sub-funds of the Threadneedle Sicav, as well as 83 new Sicav sub-funds already under placement, for a total of over 1,200 products available to Banca Generali customers and distribution networks.

Asset management

The reporting year will be remembered as a year of sharp discontinuity for the asset management business, following the introduction of VAT on fees.

In fact, the Italian government, in the context of the Stability Act, complied with the judgment of the Court of Justice of the European Union of 19/07/2012, which excludes portfolio management service from the scope of application of the EU directive governing exemption from value-added tax.

In pursuit of the goal of protecting the interests of its customers, which has always set Banca Generali apart, a process of restyling the line was launched, leaving product conditions unchanged, with an average management fee of 1%, but instead making improvements to the pricing of three portfolio management programmes: GPM BG Exclusive, GPM Elite and GPM Target.

In particular, GPM Target, Banca Generali's protected capital portfolio management programme, was subject not only to pricing reduction but also to significant innovations aimed at increasing the flexibility of the product thanks to the possibility of switching between the eight different management lines, with no need of divestment, and diversifying the protection component, which previously had been limited to zero-coupon bonds only.

Banca Generali has sought to promote these benefits with the sales network through targeted promotions, primarily regarding the product GPM Target, such as the initiatives "Senza Confini" (the possibility of a full discount for switches between lines) and "Doppio Sprint" (beneficial conditions of investment for certain specific expiring insurance products).

Overall, Banca Generali offers a comprehensive portfolio consisting of 37 management lines (14 fund-based schemes, 15 asset-management schemes and eight 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 2013, against the backdrop of improving Italian government debt fundamentals, Banca Generali continued to promote its range of insurance investment products with its customers as a preferred alternative approach to diversified investment in primarily government bonds.

The Bank's insurance offerings focused on life insurance products that invest in separate accounts offering customers attractive returns and annual revaluation, without volatility.

At the level of sales initiatives, the Bank held two promotions for the multi-line product New Security:

- "New Security Più RiAlto" in the first half of the year, with an excess return for the customer of 0.50% for the first twelve months on the RiAlto separate account (2013 certified return: 4.40%)
- "New Security x3" in the second half of the year, with an excess return for the customer of 0.20% for the first three years on the RiAlto separate account.

September 2013 was especially productive of new initiatives:

- the commercial initiative "Doppio Sprint" was launched for the reinvestment of expiring BG Valore policies (with the Nuova Concreta separate account as the underlying, 2013 certified return: 4.60%), with a bonus for the customer and the possibility of transferring part of the capital to BG asset management products;
- the new product BG CedolaPiù, the new life insurance policy aimed at a customer target in search of a periodic annuity to supplement their income, was launched. BG CedolaPiù met with considerable commercial success on the network with over 200 million euros in life new business.

In the last months of 2013, important research and development activity was also concluded on insurance products with greater financial content (e.g., multi-line policies), which will translate into further development of the product line in the first quarter of 2014.

BG Advisory: Banca Generali's advanced financial advisory service

In the case of BG Advisory, mentoring activity continued for both newly hired advisors and potential Financial Planners and Private Bankers on the subject of the commercial development of the functions of the service, geared towards an advanced analysis of investments and spreading awareness of the platform's potential.

In the second half of 2013, efforts then converged on the design and subsequent start-up phase of the New Service Model (NSM), which will result in the creation of a new integrated advisory platform by 2015. The New Service Model is aimed at:

- **increasing knowledge of customers** in terms of their assets, families and risk appetites, with the goal of offering a comprehensive approach (see the chart);
- **building an integrated approach to managing the risks** of the Bank's customers.



The new commercial approach will be supported by the development and evolution of all factors of success (platforms, tools and services, training and information, products) available to financial advisors to permit them to meet the customer's needs optimally.

The complexity of the design required the adoption of a vertical "app" approach to each individual area of the model, with the twofold aim of establishing a culture and providing operating tools and services expeditiously.

In further detail, with respect to the needs model presented above, in the second half of 2013 some activities were launched in collaboration with the central office and network units in the context of dedicated working groups, as presented below.

- In the **Financial Assets** area, work began on the creation of a **diversification app** intended to verify a portfolio's level of diversification through an analysis of various metrics/indicators, in addition to further exploration of products and markets. Furthermore, the concepts of diversification were

the subject of a training course for the network organised in collaboration with Università Cattolica di Milano.

- The Financial Assets area also saw the launch of a **Family Office** working group that laid the foundation for a referral agreement with the Tosetti Value SIM with the aim of offering the possibility of mapping and analyzing a customer's entire body of financial assets while benefiting from independent advice from one of the main family offices in Italy.
- In the Real-Estate Assets area, following pilot activity conducted in July, **an exclusive partnership was launched with Analysis**, which, thanks to the Real Estate tool, allows the financial advisor to **extend the analysis and monitoring of the client's wealth to the real-estate component**, providing coverage of information concerning the individuals' real-estate assets and permitting changes in such assets to be monitored over time. In fact, the service provided by the firm Analysis aggregates real-estate information, which, while public, is distributed in a fragmentary fashion throughout the territory inasmuch as it is **recorded at the provincial level** with real-estate information offices (former land registries) and technical treasury offices (former property registries).

- In the **Family** area, a working group was formed for **Asset Protection**. Initially, the group worked to lay the foundation for an agreement with the law firm Chiomenti with the aim of offering customers specialised advice on legal, tax and succession issues from a highly qualified operator, as well as of obtaining support for the implementation in 2014 of tools supporting the network in relation to the subject matter concerned.
- In the **Family** area, a working group was also formed for **Insurance** issues, with the aim – in accordance with the launch of the new product **Stile Libero** – of providing financial advisors with the appropriate tools for representing the new range of offerings.

In parallel to the app approach, work began on identifying and selecting a supplier able to support Banca Generali in building its integrated advisory platform through its own tools.

Banking products

Throughout 2013, the Bank continued down the path on which it had embarked the previous year, associating a classic line of banking products with a series of services and technological innovations in harmony with its customers' new needs. In the area of innovation, particular emphasis was thus placed on development relating to the world of e-commerce, as well as to the speed and security of this new and constantly growing market.

Turning to product offerings:

- the first quarter saw the launch of the account card **BG GO!**, a product designed for a young customer target with a reduced annual fee that provides all of the main services associated with a bank account;
- with the aim of offering a full range of payment instruments, all accountholders were provided with access to the prepaid card **BG Cash**, useful for customers who are e-commerce users, but also for all types of payments and withdrawals;
- the account **BG UP** was updated; the product offers all of the services of a bank account at low costs and is now the account of reference for both the online channel and the sales network;
- the new e-commerce ATM card, which may also be used to make online payments, was launched as a secure, easy-to-use tool offering an alternative to the other payment instruments.

In terms of new developments relating to services and technological innovation:

- concurrently with the launch of the e-commerce ATM card, a security platform was developed, protecting purchases transacted online from possible external intrusions;
- **BG MasterPass**, the e-wallet in which customers can register all of their cards in order to make secure, fast online purchases, was launched at year-end in collaboration with MasterCard.

Cooperation with our outstanding partners was confirmed, including the referral agreement for Intesa Sanpaolo Intesa Group's mortgage loans and the related revision of the range of products available to customers.

Finally, three bonds with guaranteed principal at maturity were placed, and the Bank participated as placing agent in Italy's BTP auctions, Moleskine public sale and subscription offering, Moncler public subscription offering and Savino del Bene public sale subscription offering.

Digital marketing

Customer Front End

In 2013, further progress was made in the digital strategy pursued by Banca Generali, which aims to provide its customers with access to the best services. Among the most representative features, worthy of note is **Family Budget**, a new way of presenting online accounts that allows families to keep track of their budgets quickly and easily and always to be informed of credits and debits to their accounts.

Moreover, in order to suggest the solutions best suited to the needs of young people and parents, who wish to ensure that their children achieve their goals, **Bgnext.it** has been created. This Banca Generali mini-site represents the ideal environment for proposing commercial products and new content and initiatives. This digital space provides visibility for banking and insurance products targeted to the very young.

The online content devoted to the Private Banking division was restyled and presented different method to convey information to customers, in line with market trends.

In the area of security, with the aim of continuing to offer customers a complete computer fraud protection system, throughout 2013 the Bank promoted the free availability of the **Secure Call** service, a technology capable of ensuring customers an

excellent level of security, for both exclusive access to their personal information and day-to-day transactions.

In order to reward customers who use Banca Generali's home banking service, the Bank held a large contest, "Vinci con l'Home Banking di Banca Generali". The prize drawing encouraged the use of online services, while demonstrating their practicality, affordability and ease of access from the office or on the move, allowing customers to save time with a mere click.

During the year, Banca Generali was also ranked among the banks with the top ten home banking services in Italy by Osservatorio Finanziario, confirming the Bank's achievements in the area of digital services.

Financial Advisor Front End

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

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

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

- **visibility in account movement details;**
- **new information concerning the BG Advisory service:**
 - an indication of the customers who have signed the Addendum to the Advisory Contract and the type of fee applied;
 - a new feature that allows the extraction of a list of customers who have signed the Addendum to the BG Advisory service;
- **a presentation of pledges and restrictions on insurance policies,** as previously done for funds and SICAVs, securities and portfolio management schemes;
- consultation of information regarding the **capital gains and losses accrued by customers;**
- new features supporting activities involved in **periodic updates to the MiFID Questionnaire** (alerts on the homepage, additional information regarding the customer's financial profile and new features for monitoring MiFID Questionnaires).
- Integrated Contract Management features in FEP on Tablets, which represent the new alternative to the customary

print order compilation process. As usual, upon completion of the process a pre-compiled form may be downloaded to be signed by the customer.

In addition, Banca Generali has always devoted the utmost attention to the top technological innovations that may be adopted to simplify and improve the network's activities. It thus included a new search engine based on Google technology in its front end with the aim of increasing the efficacy of archive searches.

Trade Marketing

Banca Generali and its Private Banking division organised a lot of initiatives in 2013.

The extensive programme of institutional initiatives was enriched by numerous marketing activities locally managed directly by the Sales Network.

2013 was as usual inaugurated by a roadshow dedicated to the start of activities in the new year and at the same time we held meetings for the launch of the new BG Sicav funds.

In May, the Bank participated in the Italian Trading Forum, the trading and investment expo, hosted in Rimini Conference Centre and which saw the participation of the champion Alessandro Del Piero, ambassador of Banca Generali on the basis of a multi-annual sponsorship agreement.

Banca Generali confirmed its social commitment through the project "Un Campione per Amico" (A Champion for a Friend), a travelling initiative that involved over 10,000 children in 10 Italian cities that hosted it. During the events, the youngest devoted themselves to sport activities alongside major sport champions.

In addition, the Bank's relationship with the arts was further strengthened in 2013. Banca Generali and its Private Banking Division promoted two preview evenings for the show "Dentro il Labirinto" by Venturino Venturi. The events were part of a broader project aimed at promoting the Tuscan artist's first anthology in Milan.

In the cultural arena, Banca Generali Private Banking also organised an exclusive evening at Palazzo Reale in Milan with a visit to the show by U.S. artist Andy Warhol.

The Division then set itself the goal of consolidating its relationship of trust with its customers by sharing their interests and passions. In view of this goal, the exclusive Invitational Golf Tour was also held this year. The highly successful golf event involved seven of Italy's foremost clubs.

Finally, during the Christmas holidays Banca Generali promoted the sale of spiced oils. The proceeds of the activity performed in a social responsibility context were donated to AISM, the Italian

Multiple Sclerosis Association, continuing the longstanding support that the Company has provided to the non-profit association.

Communications

In 2013, Banca Generali continued to inform its communications to the principles of clarity, professionalism and reliability, with the aim of ensuring the utmost transparency in its relations with the financial community of reference and, more generally, all stakeholders. From this standpoint, the traditional financial communication was conducted, while accompanying the classic print report with a complete version in HTML format in both Italian and English. The efforts made during the year bore fruit: Banca Generali received the 2013 Financial Reporting Oscar, the prestigious award bestowed by Ferpi, the Italian Public Relations Federation, in the category “Small and Medium-sized Listed Banking and Financial Enterprises.” The Ferpi jury decided to bestow the award on Banca Generali’s annual report owing to its content, which it called “thorough, rich in detail and information, not only concerning the financial performance and position for 2012, narrowly defined, but also all aspects of corporate governance, organisation and analysis of the business, as well as for its attention to corporate social responsibility, witnessed by a full, in-depth sustainability report.”

In 2014 Banca Generali will continue on this path, further improving its communications quality. In such regard, the redesign of the corporate website will be finalised, bringing new features to access in a clear and transparent way to all information concerning corporate management. Moreover, an App for smartphones and tablets will be launched so as to allow investors to be promptly updated on all the events involving the Company.

During 2013, sponsorships involved the Banca Generali brand in projects focused on delicate social issues, as in cases of initiatives to support research (AISM and LILT) or the itinerant event

“A Champion for a Friend”, aimed at spreading education about the values of sport among young people. Moreover, special attention was devoted to the cultural aspect, by promoting various exhibits and artists, and organising conventions, gatherings and seminars on financial or tax matters aimed at clarifying specialist issues of current relevance.

Banca Generali’s endorsers were involved in projects aimed at supporting the reinforcement of the institution’s brand. Football champion Alessandro Del Piero was the guest of honour at the Italian Trading Forum organised in Rimini, whereas Italian skier Federica Brignone lent her face to BGGGO!, the account card designed for younger customers.

The advertising presence was constant in the main specialised financial media and major generalist newspapers. As many as five creative concepts were used during the year: in addition to the previous institutional creative concept and that dedicated to the award Best Private Bank in Italy obtained in late 2012, two new concepts were developed to accompany the launch of the new Banca Generali Financial Planner Division, along with an ad hoc concept for the ten stops of the event “A Champion for a Friend.” Company informational material was enriched last year to include a new corporate video illustrating the Bank’s history and results, new leaflets summarising the peculiarities of the insurance and banking products provided and a new institutional brochure devoted to the Private Banking Division.

Banca Generali strives to maintain constant, assiduous dialogue with the financial media and investors in order to keep them constantly up-to-date concerning its results and strategies.

Media Relationships

In 2013 Banca Generali’s activities received broad, reactive coverage from the financial press and generalist media, resulting in an increase in coverage corresponding to the Company’s increasingly prominent role in the Italian investment industry. The issues at the centre of attention were growth trends yielding record results, changes to the business model and the evolution of advice, in addition to the reorganisation of the management team. Business performance was detailed in monthly inflow reports, which involved the major Italian and international news

agencies, as well as numerous websites of Italian newspapers and magazines and the related newspapers. Management always responded in a timely manner to requests from the press, seeking to accommodate interest in meetings and interviews to the fullest possible extent. Quarterly results were emphasised on all occasions through interviews with the Chief Executive Officer by the press, commenting on and supporting the informational materials made available, beside the usual conference call with analysts. The hiring of new managers was immediately accompa-

nied by follow-up articles in various specialised media with the aim of communicating the growth dynamics of individual activities with the utmost clarity. Finally, the Bank consolidated its relationship with local press, which on several occasions required the involvement of the managers active in the area in order to review the Italian investment situation and financial planning contingencies.



PICCOLI CAMPIONI CRESCONO.

30 MAGGIO - PIAZZA DEL DUOMO, TREVISO. TI ASPETTA UN CAMPIONE PER AMICO, ANZI QUATTRO.

JURI CHECHI, CICCIO GRAZIANI, ANDREA LUCCHETTA E ADRIANO PANATTA INCONTRANO I BARBIBI E TRASFORMANO LE PIAZZE IN PALERME DI VAIOR, DOVE TALENTUOSI FINISCE PER IL FUTURO INSEGNANDO A SUPERARE LE DIFFICOLTA' DI OGNI GIORNO E A VIVERE LO SPORT CON ENTUSIASMO. TRA GIOCHI, LEZIONI, SPETTACOLI E TANTO, TANTISSIMO DIVERTIMENTO PER TUTTI.

BANCA GENERALI
UN CAMPIONE PER AMICO

BG NEXI
SCOPRI LE TAPPE IN TUTTA ITALIA, VIVI LE EMOZIONI SU WWW.BGNETX.IT



BANCA GENERALI
FINANCIAL PLANNER

PERCHÉ IL FUTURO NON SI PREVEDE, SI PIANIFICA.

CON IL FINANCIAL PLANNER DI BANCA GENERALI I TUOI INVESTIMENTI GUARDANO AVANTI.

IMMAGINA DI AVERE UNA PERSONA AL TUO FIANCO PER TUTTA LA VITA, QUALCUNO CAPACE DI ASCOLTARTI E PRENDERSI CURA DELLE TUE ESIGENZE. PRIMA ANCORA CHE DEL TUO PATRIMONIO. UNA PERSONA IN GRADO DI GARANTIRTI QUALCOSA DI PIÙ IMPORTANTE DELLA RICCHEZZA: LA TUA SERENITÀ. UNA PERSONA CON L'ESPERIENZA E LA FORZA DI UN GRANDE GRUPPO FINANZIARIO. QUALCUNO COME IL FINANCIAL PLANNER DI BANCA GENERALI. UN CONSIGLIERE PERSONALIZZATO ISCRITTO ALL'ALBO DEI PROMOTORI FINANZIARI, CAPACE DI OFFRIRE SOLUZIONI DI PIANIFICAZIONE A LUNGO TERMINE, INNOVATIVE E ORIENTATE AI MIGLIORI STRUMENTI D'INVESTIMENTO PRESENTI SUL MERCATO.

NUMERO VERDE 800.155.155 - WWW.BANCAGENERALI.IT
MATERIALI PUBBLICITARI CON FINANZA PERSONALE

BANCA GENERALI

14. Human Resources

14.1 Employees

Personnel

At 31 December 2013, the Bank's workforce was 809, composed of 46 Managers, 131 3rd and 4th level Executives and 632 employees at other levels; of the last category, 86 were 1st and 2nd level Executives, and 6 were apprentices.

Among the 809 employees at 31 December 2013, 35 were working under fixed-term contracts (21 of these as substitutes for employees on maternity leave or leaves of absence).

There was an increase in the workforce of 24 resources compared to 2012. Specifically:

- an increase of 31 people with permanent contracts due to:

- the reinforcement of the staff in place;
- new positions from other companies of the Assicurazioni Generali group within support and control departments;
- new specialised positions with professional experience in departments supporting business development, especially within the sales area that, in 2013, was strongly developed also through a higher level of specialisation of its different structures;
- the hiring of staff to replace outgoing employees in previous periods;
- a decrease of 7 resources on fixed-term contracts, attributable to a decline in the number of resources hired to replace staff on leave for maternity or other reasons.

	BANCA GENERALI	BG FIDUCIARIA	GENERFID	GFM	TOTAL FY 2013	TOTAL FY 2012
Managers	44	-	-	2	46	46
3 rd and 4 th level executives	116	5	-	10	131	126
Other	604	4	4	20	632	613
Total	764	9	4	32	809	785

Actual workforce

The actual workforce was determined by subtracting from the workforce (809) staff members on secondment to companies external to the Banking Group (-5) and adding staff members on secondment within the Banking Group (1) (these are secondments at companies of the Assicurazioni Generali Group).

	31.12.2013	31.12.2012	CHANGES
Banca Generali	756	729	27
BG Fiduciaria	9	9	-
Generfid	7	7	-
GFM	32	32	-
Total	804	777	27

While the workforce increased by 24 resources, the actual workforce increased by 27 resources due to a lower number of net secondments (5 in 2013 compared to 8 in 2012).

Workforce flows

Workforce at 31 December 2012	785
Hirings	98
Terminations	-74
Workforce at 31 December 2013	809

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

Breakdown of workforce

	WOMEN		MEN		TOTAL FY 2013	
Managers	10	2.5%	36	9.0%	46	5.7%
3 rd and 4 th level executives	30	7.3%	101	25.3%	131	16.2%
Other	369	90.2%	263	65.7%	632	78.1%
Total	409	100.0%	400	100.0%	809	100.0%

Staff members with university degrees accounted for 50.68% of the total.

The Group's average age is 41.5 years, while the percentage of female staff members is 50.56%.

Labour relations

At the national level, the final months of the year were marked by a period of severe union tension resulting from the Italian Banking Association's decision to cancel the national collective labour contract and the failure to reach an agreement concerning the modification of the Credit Solidarity Fund to comply with the legislative rules envisaged in the Fornero Act.

On 20 December 2013 the union situation improved following the signing by the Italian Banking Association and national labour unions of an important planning agreement governing the renewal of the national collective labour contract for the credit industry, as well as the agreement governing the modification of the above Fund.

Turning to union relations within the Banca Generali Group, on 3 June 2013 the Bank signed the company bonus agreement for 2012, as well as a memorandum containing the method of reference to be adopted for future union agreements concerning company bonuses for 2013 and 2014.

In addition, the joint company committee responsible for the subject of part-time work continued to carry out its activity.

The provisions of the national collective labour contract concerning the Prosolidar Foundation, which is involved in solidarity projects at an international level, were implemented. In 2013, approximately 400 employees participated, paying in the established contribution, followed by a similar contribution by Group companies.

Development of resources – Creation and support of managerial value

In order to support professionalism and managerial development, the company's actions focused on **internal mobility at all**

levels, from the resources that already hold positions of responsibility to the ones in areas of high concentration of specialised banking know-how, such as bank branches and contact centres. For resources already included in a career path, job expansion/diversification were supported by **coaching**.

In order to ensure to people that hold key positions or in a phase of professional growth the greatest possible technical and managerial know how, the number of qualified Master's degree programmes offered by the Bank was increased.

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

The annual evaluation of qualitative performance was carried out, as usual, during the first half of the year. All resources are involved in this process which includes meeting with the line manager in order to discuss and assess any gaps between really owned skills and those required by the role. All managers who have resources reporting to them, were supported through ad hoc training sessions, in order to prepare for the feed-back interview and the definition of development plans.

For a pool of selected resources, development centre and assessment activities were organised that allowed for the development of ad hoc development plans. This process was also aimed at facilitating the identification of resources with high growth potential to allocate to well defined career paths.

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

All people who join the Bank have first passed an assessment

path, as required by the Generali Group policy.

Training

Training focused on strengthening roles from a technical and managerial point of view and on providing the conceptual tools and knowledge necessary to support bank development which in recent years has experienced a significant acceleration.

During the year, management training courses constituted the backbone of the internally planned offer. Top management, heads of divisions and several people carefully selected attended extensive and innovative training courses.

Courses continued also for Private Relationship Managers in order to support them in their consulting activities to customers of high standing. In particular, a course on trading was proposed which involved the all of them.

The Group continued with its office-network pairing activity, in which Financial Advisors visit the offices in Milan and Trieste and employees visit the various operating offices. This project, which is one of the longest-running in the training arena, continues to meet with approval and represent an effective tool for reinforcing the idea of “one team” between the central office and sales network.

Technical proficiency courses continued to be held, consisting of two courses on banking transactions, one conducted by an internal teacher and devoted to recently hired resources or employees who operate with the Bank’s staff units, and another taught by a university lecturer, intended for resources with greater specialisation needs.

Owing in part to the clear international direction taken by the Generali Group, in 2013 particular attention was devoted to language training, for which we relied upon qualified language training schools, especially for language courses focusing on financial,

banking and legal subject matter.

The computer courses were provided by Generali Italia Insurance Academy, which also delivered some technical and professional refresher course. In most cases, however, for in-depth specialized training the bank relied on external courses provided by leading consulting firms, expert in the field.

Classroom courses on safety in the company in compliance with Legislative Decree 81/08 continued to be provided on a regular basis. Also training on mandatory regulations continued to be provided in compliance with legal requirements and according to the specific attention paid by the bank to the various topics. Specifically, classroom training was provided on Business Continuity Plan, Money Laundering and Enhanced Supervision.

Through the e-learning provided by the Simulware platform managed by the Insurance Academy, the mandatory updates continued with respect to Legislative Decree 231/01, transparency in banking operations, anti-money laundering and privacy. Specific web-based anti-robbery and cash management courses were provided to the branches staff with a view to control and combat money laundering

All mandatory web-based courses for new hires, under both permanent and temporary contracts, are provided through the e-learning platform.

Internal communications

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

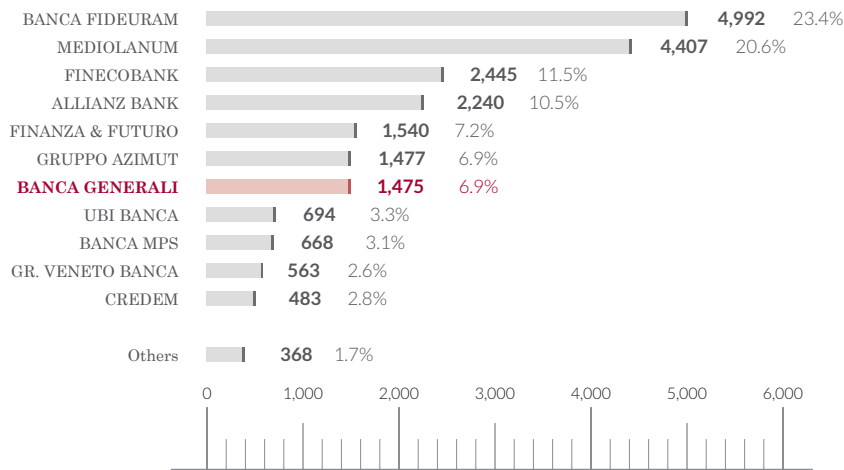
The Group continued to carry out policies on environmental matters through a series of initiatives ranging from recycling to the development of sustainable mobility and the careful management of business travels, up to the reduction in paper consumption.

14.2 Financial Advisors

Banca Generali owns one of the most important Financial Advisor-based distribution networks in the Italian market: at 31 December 2013 it had 1,475 Financial Advisors and Relationship Managers, slightly up compared to 2012, 334 of whom within the Private Banking Division. Compared to 2012, Private Banking Division recorded an increase by 6% in the number of advi-

sors, while the number of operators within the Financial Planner Division, so called since the end of 2013 and including all the remaining Financial Advisors of the bank, remained unchanged. Market share compared to the major industry players remained stable at 7%.

Number of Assoreti Financial Advisors 21.352 December 2013



Source: Assoreti

The main data referable to the Banca Generali are summarised in the following tables comparing figures for 2013 and 2012:

31.12.2013	NO. OF FAS/ BANK./REL. MAN.	ASSETS (€ MLN)	ASSETS PER PLANNER (€ MLN)
BG Financial Planner Division	1,141	17,190	15.1
BG Private Banking Division	334	11,926	35.7
Total	1,475	29,115	19.7

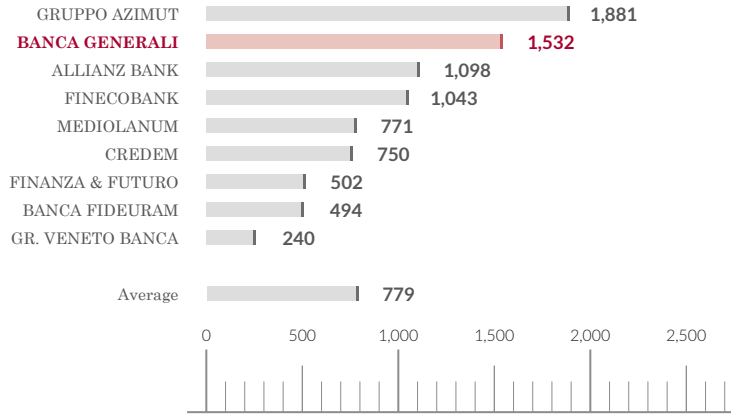
31.12.2012	NO. OF FAS/ BANK./REL. MAN.	ASSETS (€ MLN)	ASSETS PER PLANNER (€ MLN)
BG Financial Planner Division	1,137	15,431	13.6
BG Private Banking Division	316	10,733	34.0
Total	1,453	26,164	18.0

It is important to note that there was a constant increase in average assets per Financial Advisor over the years and this trend was confirmed also in 2013, with a further increase of 9%. This is due both to the exceptionally high level of inflows during the year (Banca Generali's Financial Advisors reported the best per capita net inflows), and the bank's continuing Financial Advisor selection process which privileges high-standing professional figures with significant customer portfolios. This approach has led to a progressive reduction of less evolved profiles, focusing instead on recruiting professionals who can expertly interpret Banca Generali's philosophy of quality, with a consequent im-

provement in average quality.

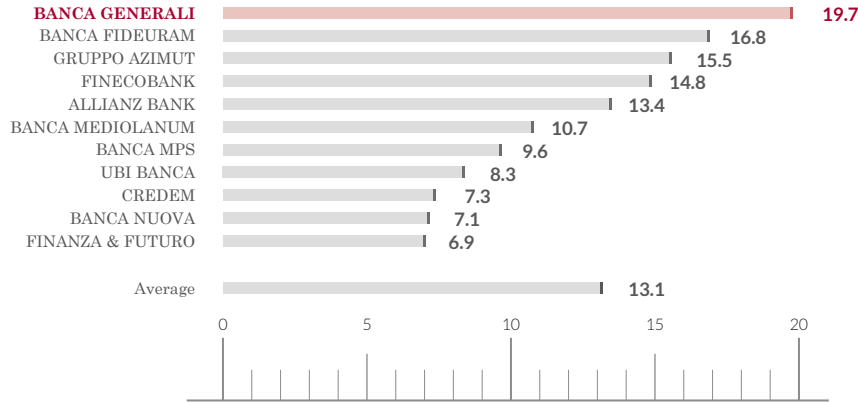
Even during years of high instability of the financial markets – indeed, owing precisely to such instability, the advisory approach taken has proven able to provide customers true added value. As a result, per capita net inflows of Banca Generali Financial Advisors, amounting to 1.5 million euros, more than doubled industry average figures, while their average assets, mirroring the quantitative and qualitative success of the strategy adopted, ranked again at the top of the market, with a figure exceeding by over 50% industry average results (19.7 million euros compared to 13.1 million euros).

Average Net Inflows of Assoreti Financial Advisors December 2013



Source: Assoreti

Average assets of Assoreti Financial Advisors December 2013



Source: Assoreti

The qualitative development process also continued in 2013, as witnessed by the increase in the number of Financial Planners and Private Bankers.

In further detail, Banca Generali added 81 new, carefully selected professionals with solid experience in the banking industry, who were able to draw on the vast array of investment opportunities offered by the bank to meet customers' needs more thoroughly in accordance with their individual risk profiles. As a

Network's organisational structure

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

	2013	2012
1 st Level Managers	20	20
2 nd Level Managers	49	49
Executive Managers	44	53
FAs/PB/RMs	1,362	1,331
	1,475	1,453

result, the number of newly-hired professionals largely exceeded that of outgoing professionals, whether their departure was due to retirement or a change of profession, which are normal occurrences within what is by now an established organisation. In fact, the turnover of Banca Generali's network is very low (approximately 5%), bearing witness to the loyalty inspired in current professionals and the attractiveness of Banca Generali's offerings to the market.

In Banca Generali, the number of managers proper (first- and second-level managers, i.e., those who are the referees of professional figures dedicated solely to customer relations) amounts to less than 5% of the network total, compared to the considerably higher figures of traditional networks, which continue to be characterised by extensive use of classic pyramid structures, with a strong drive towards quantitative growth and high turnover. In accordance with the above remarks concerning the qualitative development of the distribution network, the number of managers further decreased with regard to profiles devoted to training measures for less expert Financial Advisors (executive managers).

Geographical Breakdown by Gender and Age

The network is broadly distributed throughout Italy, with a greater concentration (2/3 of the workforce) in the regions of the Centre-North than in the Centre-South, in accordance with the distribution of national wealth. The relatively modest female presence, at 14.2% of the total, is partially attributable to the fact that the profession of Financial Advisor has seen an increase in the number of women only in recent years. It is therefore logical for there to be a limited presence of women within a network

characterised by a high level of professional maturity. In addition, the lower female presence reflects industry figures, which only improved slightly (16%).

An average length of service of more than 12 years, also considering the “young age” of the Company, bears witness to the network’s stability and its modest turnover. The average age is about 50, in line with the average of the reference market.

REGIONE	FA	PB-RM	TOT	% ON TOT.	% WOMEN	AVERAGE AGE			AVERAGE LENGTH OF SERVICE*		
						M	W	TOTAL	M	W	TOTAL
Piedmont	75	50	125	8.5%	19.2%	50.7	47.5	50.1	11.0	10.2	10.9
Valle d'Aosta	-	2	2	0.1%	-	49.3	-	49.3	7.7	-	7.7
Lombardy	196	98	294	19.9%	16.7%	51.0	48.2	50.5	12.0	10.3	11.7
Trentino-Alto Adige	13	-	13	0.9%	7.7%	53.9	36.7	52.6	10.9	1.5	10.2
Veneto	126	25	151	10.2%	5.3%	51.1	47.4	50.9	12.3	11.1	12.2
Friuli Venezia-Giulia	56	6	62	4.2%	11.3%	50.2	53.4	50.5	12.8	8.8	12.3
Liguria	45	50	95	6.4%	15.8%	54.2	52.7	54.0	12.7	12.8	12.7
Emilia-Romagna	155	29	184	12.5%	21.2%	52.2	50.0	51.7	13.5	10.8	12.9
Tuscany	53	26	79	5.4%	8.9%	52.0	48.7	51.7	12.7	10.7	12.5
Umbria	23	-	23	1.6%	13.0%	52.6	44.3	51.5	17.2	6.5	15.8
Marche	45	-	45	3.1%	13.3%	49.0	46.8	48.7	14.3	18.0	14.8
Lazio	76	28	104	7.1%	26.0%	50.7	49.0	50.2	12.6	14.7	13.1
Abruzzo	21	-	21	1.4%	4.8%	53.0	60.6	53.3	13.4	12.9	13.4
Molise	-	-	-	-	-	-	-	-	-	-	-
Campania	118	9	127	8.6%	3.9%	48.5	44.5	48.4	12.5	13.8	12.6
Puglia	66	6	72	4.9%	12.5%	49.8	43.6	49.0	13.2	11.4	13.0
Basilicata	1	-	1	0.1%	-	48.3	-	47.8	5.8	-	5.8
Calabria	19	4	23	1.6%	17.4%	46.9	52.3	47.8	13.0	15.9	13.5
Sicily	43	-	43	2.9%	2.3%	46.8	53.0	47.0	11.8	14.9	11.8
Sardinia	10	1	11	0.7%	36.4%	47.3	49.8	48.2	13.0	13.7	13.3
Not resident in Italy	-	-	-	-	-	-	-	-	-	-	-
	1,141	334	1,475	100.0%	14.2%	50.8	48.8	50.5	12.6	11.6	12.4

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

Presence in Italy

Banca Generali's Financial Advisor network covers an extensive area in Italy and was supported, at 31 December 2013, by a total of 175 bank branches and FA Offices.

31.12.2013	BRANCHES			OFFICES			OVERALL TOTAL
	BANCA GENERALI	PRIVATE BANKING DIVISION	TOTAL BRANCHES	BANCA GENERALI	PRIVATE BANKING DIVISION	TOTAL OFFICES	
Abruzzo	1	-	1	1	-	1	2
Calabria	1	-	1	2	1	3	4
Campania	3	1	4	10	2	12	16
Emilia	4	1	5	14	3	17	22
Friuli	2	-	2	3	1	4	6
Lazio	1	1	2	3	1	4	6
Liguria	4	1	5	6	4	10	15
Lombardy	4	2	6	14	5	19	25
Marche	-	-	-	3	-	3	3
Piedmont	3	1	4	6	8	14	18
Puglia	2	-	2	6	2	8	10
Sardinia	-	-	-	1	-	1	1
Sicily	1	-	1	4	-	4	5
Tuscany	2	1	3	10	1	11	14
Trentino	-	-	-	3	-	3	3
Umbria	1	-	1	2	-	2	3
Valle D'Aosta	-	-	-	-	1	1	1
Veneto	5	1	6	13	2	15	21
Overall total	34	9	43	101	31	132	175

15. Organisation and ICT

During 2013, owing to the increasing, significant growth achieved by the Bank and its future prospects, Banca Generali undertook a thorough revamping of its organisational structure as a whole with the aim of ensuring increasingly effective alignment of the development strategies for the services offered, the internal organisation and business processes. The reorganisation process, aimed at rising to the growing challenges posed by the market of reference in an efficient and timely manner, was carried out by instituting:

- a General Management Department supporting the general manager, responsible for coordinating Investor Relations and the newly instituted CFO Area, to which the administration, planning and control, finance and investor relations functions report, and a Bank Area, responsible for typical banking activities, including lending-related activities, as well as the organisation, coordination and monitoring of IT systems;
- a Sales Area General Management Department supporting the General Manager, with responsibility for governance and control of distribution channels and issues relating to marketing activities, as well as the training activities of distribution networks;
- Governance and Company Risks Area, reporting directly to the Chief Executive Officer, the sole, integrated point of coverage both for company risk control, through coordination of second-level control functions, and for governance transactions through corporate and legal functions.

15.1 Sales Network Services and Customer Services

Sales network services

In the context of the application platform dedicated to the Financial Advisors/Private Bankers sales channel, the application for tablet-type devices was further enriched to include both content of an informational and functional nature and the integration of technical components aimed at allowing customers to sign documentation and orders through an innovative graphometric digital signature process. The go-live to production of this innovative, distinctive operating process, contingent upon an authorisation process with Italy's Privacy Authority, will reach operational implementation in 2014.

In the context of the evolutionary process for the application platform used by sales units, attention should be drawn to the project initiative aimed at integrating a documentary search engine, executed by the global leaders in this field of technology,

which allows the distribution network to conduct advanced, simplified searches of the entire corpus of pertinent documentary information.

Customer services

In view of greater clarity of presentation and a more attractive graphical appearance for customer reports, action was taken along two major lines of development: on the one hand, the production of certain modules was revamped and rendered consistent, and on the other, efforts were taken to revise the asset management statement, which will present customers with their financial situations, including through the use of easily interpreted and understood graphical components.

The Internet banking channel also underwent developmental maintenance work in order to allow customers to enjoy an increasingly broad set of features.

15.2 Internal Support Processes for Company Business

Loans

In the Lending Department, a project was launched with the aim of rationalising processes from the standpoint of operational automation and the implementation of digital/paperless processes in all phases of operation, from the launch of approval procedures to archival. The Department also underwent a revision of its organisational structure, eliminating the internal sub-division by type of sales network in favour of sub-division by area of competence (Companies, Individuals and Lending Secretarial Office). In this context, work also began on the implementation of a DataMart, which will be integrated into the broader context – planned for 2014 – of executive reporting for strategic and second-level control purposes.

Finance

In the Finance Department, work was done both on enriching the features relating to supporting processes for financial instrument trading activities and treasury processes, where a project was developed involving the replacement, effective 2014, of the application platform specifically dedicated to treasury services.

Administration and Operations

In this context, from the standpoint of operational efficiency, consolidation of paying agent and custodian bank activities for Italian and international securities with BNP Paribas Securities Services was completed.

Infrastructure and technology

With a transversal impact across the Bank's entire business and benefits for all company functions, the Bank invested in a significant process of upgrading its technological infrastructure through three initiatives with specific aims and scopes involving the installation at all financial advisor agencies of Wi-Fi connectivity devices, the modernisation of workstations in terms of hardware and software and the provision to the distribution network of next-generation tablets for the use of innovative mobile applications.

15.3 Legal Compliance

In 2013 significant efforts were devoted to legal-compliance changes to information technology systems and organisational processes. The most far-reaching measures included:

- **FATCA**: regardless of the postponement of the legal deadline to 2014, analysis began of the obligations to be fulfilled, albeit in a not entirely stable and consolidated legislative situation;
- **SEPA** – end date: the project, which will be fully implemented in February 2014, was conducted at both a procedural and

organisational level, with the involvement of the entire distribution and operations organisation; the required notices were prepared and sent to customers, the Internet banking channel was updated and the new rules were drafted;

- **Anti-Money Laundering**: during the last quarter of 2013 the required activities were carried out in order to put the systems and procedures in compliance with provisions issued both on Customer Due Diligence (*Regulation laying down rules on customer due diligence, pursuant to Article 7, paragraph 2, of the Legislative Decree No. 231 of 21 November 2007*), and for the establishment of the Centralised Computer Archive (*Regulation laying down rules for the establishment of the centralised computer archive and simplified registration procedures referred to by Article 37, paragraphs 7 and 8 of Legislative Decree No. 231 of 21 November 2007*).

15.4 Banking Group Subsidiaries

GFM, BG Fiduciaria SIM and Generfid

Work in 2013 consisted of ordinary developmental maintenance and compliance with industry regulations, with implementation and application measures.

16. Auditing

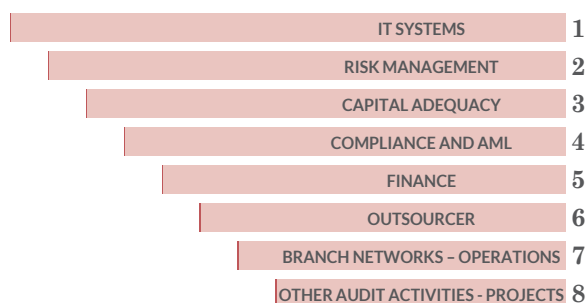
In 2013, the release of Bank of Italy Circular Letter No. 263/2006, “Prudential Regulatory Provisions on the Internal Control System, Information Technology Systems and Operating Continuity” (15th update) resulted in the launch by Internal Auditing of project activities of an organisational and documentary nature aimed at satisfying the aforementioned Circular Letter’s new requirements.

In particular, the Internal Audit Rules were revised, primarily due to the expanded scope of audit, stricter timing coverage requirements, the relevance of the audit plan as an annual and long-term reconciliation tool and the development of advisory.

Audit work during the year represented the completion of the steps outlined in the 2013 Audit Plan and was performed according to the methodologies of reference indicated in the Internal Audit Regulation:

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

Audit activities carried out in 2013 concerned the following areas:



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

- IT (2012 CSE consortium audit, definition of the scope for the 2013 CSE consortium audit, analysis of IT risks, business continuity management audit, corporate banking and international bank transfers, app audit, audit of the functions of the cash management machine, advisory activity on the Mas-

terpass product and the security of information concerning advisors, continuous auditing activity on telephone orders and Internet banking security);

- Capital Adequacy and Liquidity area (ICAAP and public disclosure);
- Risk Management (credit risk, non-performing loans and market risk);
- Compliance and Anti-Money Laundering (management of network risk, transactions with related parties, associates and connected parties, compensation policies, Centralised Computer Archive and money-laundering risk indicators);
- Finance. The audit activity related to the 2013 half-yearly financial report and activities leading up to the definition of the scope of the plan of audit activities relating to tests for the closing of the 2013 financial statements for business and IT processes. In addition, particular attention was devoted to order receipt and market abuse;
- Bank branches and the cash management process;
- other activities and projects (measurement report pursuant to Law 263/06, internal audit rules and policies and employee KPIs).

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

Audit activities were aimed at understanding and verifying that the internal control system of Banca Generali is structured in such a way to ensure the sound and prudent management of the Company and the Banking Group, whilst at the same time reconciling the attainment of corporate targets with the proper and timely monitoring of risks and appropriate operating procedures.

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

The analysis performed allowed positive assurances to be provided concerning all areas of inquiry, as well as the formulation of recommendations, where necessary, which were received and applied.

There was found to be a high level of attention to control processes and procedures at all levels of the organisation.

17. Main Risks and Uncertainties

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

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

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

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

Throughout 2013, the risk in question remained at moderate levels, with a one-day 99% VaR of less than 0.6% of the total portfolio. Monitoring also showed full observance of operating limits and no reports of overruns, except to a limited degree, in a small number of cases, of alert thresholds ("stop loss alert") set for several portfolios, primarily due to the impairment of Italian government securities recorded during the year.

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

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

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

During 2013 the activity performed indicated a substantial ob-

servance of the limits approved by the Board and a moderate number of overruns, the most of which attributable to operating errors and limited to only 1 day.

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

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

The Risk Management function carries out risk assessment and scoring activities and Loss Data Collection processes, it monitors the action plans adopted to mitigate material risks, and controls KRIs (Key Risk Indicators).

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

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

The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits

and repurchase agreements). 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.

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

The indicators contemplated in the risk management framework included the Basel 3 liquidity ratios (Liquidity Coverage Ratio – LCR and Net Stable Funding Ratio – NSFR) intended to ensure ongoing verification of compliance with future regulatory requirements.

In 2013, the monitoring activity performed indicated observance of the limits approved by the Board of Directors and no overruns. Oversight of a possible liquidity crisis, which could affect the Bank individually rather than the entire banking system, was provided through daily monitoring of the indicators envisaged in the Contingency Funding Plan approved by the Board of Directors.

The banking group has an adequate level of **capitalisation**, with a tier 1 ratio of 14.22% and a total capital ratio of 14.83%.

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

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

Accordingly, the said risk monitoring is most effectively pursued in a company context that emphasises the principles of honesty and integrity and applies to each resource by involving company boards, committees, the Compliance function, as well as the Anti-money Laundering function, each to the extent of its respec-

tive competency, and, more generally, all employees and contract workers.

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

During 2013, the Compliance function focused on those areas of activity and processes that, because they are inherently complex or more extensively affected by changes in the law, require revision or implementation or present compliance risk in need of management action. In accordance with the provisions of (i) the Regulation of the Bank of Italy and CONSOB issued pursuant to Article 6, paragraph 2-bis, of the Consolidated Finance Act and (ii) the Supervisory Provisions governing compliance functions, the activities performed by the Compliance function are as follows:

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

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

- the fulfilment of obligations relating to transactions with Related Parties and Connected Parties, compensation and incentive policies, conflict of interest management and the personal transactions of relevant persons;
- the safeguards adopted in the provision of investment services, with especial regard to, inter alia, the provision of execution and transmission services, the prevention of the risk of market abuse and the methods of implementing the strategic plan;
- operating procedures and tools in support of credit management activity;
- the verification of indirect sales activity conducted through

- the financial advisors network;
- training concerning coverage of the activity performed by the distribution network and fulfilment of obligations relating to compliance with the Privacy Code;
- activities preliminary to ensuring full compliance with the New Regulatory Provisions for the Internal Control System, Information Technology Systems and Operating Continuity according to the established timeframe (Bank of Italy Circular No. 263/2006).

In 2013, activity specifically relating to the Anti-Money Laundering function primarily focused on the following:

- the fulfilment of anti-money laundering obligations relating to active collaboration (reporting of suspect transactions and associated formalities);
- coverage of obligations to record data in the Centralised Computer Archive and submit aggregate statistical reports;
- management of infraction reports relating to Article 49 of Legislative Decree No. 231/07 pertaining to restrictions on the transfer of cash and bearer securities and limitations on cheques;
- working with the competent company functions to define training processes, also in classrooms aimed at fostering knowledge of and compliance with laws and regulations on anti-money laundering;
- carrying out analyses, assessing the impacts, monitoring and coordinating the project aimed at bringing the Company in line with the new regulations defined by “Regulation laying down rules on customer due diligence, pursuant to Art. 7, paragraph 2, of the Legislative Decree No. 231 of 21 November 2007”, and “Regulation laying down rules for the establishment of the centralised computer archive and simplified registration procedures referred to by Article 37, paragraphs 7 and 8, of Legislative Decree No. 231 of 21 November 2007, effective 1 January 2014.

18. Outlook

The year 2014 will likely be characterised by a slightly improved macroeconomic scenario within the Eurozone albeit characterised by low growth prospects. Italy, in particular, is expected to continue to be impacted by weak growth and a high level of unemployment.

In consideration of this scenario, in which families will continue to show a gradual decrease in their propensity to save, the competence and reliability of asset managers will be qualities for which there will be increasing need and demand. In this context, the Banking Group will continue to seek to increase its market share by developing its competitive edge, represented by a specific combination of quality products, networks and services, within an Italian market in which less than 10% of financial assets held by households are managed through Financial Advisors, who enjoying a significant advisory skill competitive edge in their relations with customers.

The market is characterised by potential growth margins, but at the same time is increasingly complex and competitive, which requires greater and greater investments to improve the advisory network quality, to integrate and expand products and services, to make use of increasingly advanced technology.

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

- dynamic marketing policies reflecting market developments, along with constant maintenance and implementation of the product line in order to meet customers' financial needs;
- an increase in the placement of and reallocation towards products with greater added value for the customer and an expansion of the range of qualified banking products;
- a new offering model with the formulation of advisory ser-

vices involving a more complete and in-depth approach to customers' needs, and in particular through:

- the ability to focus on the total "wealth" possessed by customers by offering collateral services through third operators (family office, tax advice, property analysis, etc.);
- risk containment policies and increased diversification,
- resource management, including for the purposes of succession, in a family context;
- new investments in the network's technology and know-how capable of providing a true competitive advantage in the sale of financial products, especially for the electronic signature and the new platform created within the new service model;
- management of investments of assets with the aim of optimising the risk and return mix and investment of capital.

On the cost front, in 2014 the Group will continue to pursue the strategy adopted to this point, meaning that it will hold the cost/asset ratio and network pay-out stable and maintain ordinary operating costs at the previous year's levels, with investments in technologies supporting the sales network.

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

19. Events Occurred After the Reporting Date

After the end of 2013, a transaction of an extraordinary nature was authorised involving the de-merger of part of the assets of the subsidiary Generali Fund Management S.A. and the transfer of those assets to a new Luxembourg company that is to operate under the control of Generali Investments S.p.A.

This transaction is currently under review by the competent control bodies, namely the Bank of Italy and Commission de Surveillance du Secteur Financier (CSSF) for Luxembourg, and may presumably be finalised by the end of the first half of 2014.

In further detail, the project involves the de-merger of management company activity for funds and SICAVs associated, as the underlying, with the insurance business; this management activity is currently entrusted to Generali Group management companies other than GFM.

The scope of the de-merged assets thus coincides with that of part B of GFM, i.e. the operations of GIL – Generali Investment Luxembourg, a company merged into GFM in 2009 and that in the context of the consolidated financial statements accounts for all minority equity and profit.

Accordingly, the above transaction will not yield effects on the banking Group's profitability.

20. Proposal for the Distribution of Profits

Shareholders,

We invite you to approve the financial statements as of 31 December 2013, which include the Balance Sheet, Profit and Loss Account, Notes to the Financial Statements and related at-

tachments, 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:

Proposal for profit distribution

Net profit for the year	94,864,256
To legal reserve	302,880
To retained earnings	15,061,604
Dividend	109,622,980
Allocation to the 115,392,611 outstanding ordinary shares of 0.95 euro per share, including the amount to treasury shares as per Article 2357-ter of the Italian Civil Code	109,622,980

The dividend payment date will be 22 May, with ex-date 19 May and record date 21 May, pursuant to Article 83-terdecies of the Consolidated Law on Finance.

Trieste, 10 March 2014

The Board of Directors





1.2

REPORT ON CORPORATE GOVERNANCE AND COMPANY OWNERSHIP

PURSUANT TO SECTION 123-BIS OF LEGISLATIVE DECREE NO. 58/1998

BOARD OF DIRECTORS 10 MARCH 2014

Report on corporate governance and Company Ownership

pursuant to Article 123-*bis*
of Legislative Decree no. 58/1998

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GLOSSARY

Code/Corporate Governance Code: The Corporate Governance Code of listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria (Confederation of Italian Industry).

Civil Code: the Italian Civil Code.

Board: the Board of Directors of the Issuer.

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

Period: the financial period to which the Report refers.

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

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

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

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

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

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

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

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

Save where otherwise specified, the information contained in this Report is updated as at the date of its approval by the Company's Board of Directors (10 March 2014).

1. ISSUER PROFILE

1.1 Organisation of the Company

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

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

Against this background, with a view to reinforcing minimum standards of corporate organisation and governance, and ensuring “healthy and prudent management” (Article 56 of TUB), by 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 remuneration structure in line with risk-management policies and long-term corporate strategy; (vii) adequate reporting systems and information flows.

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

- i) Board of Directors;
- ii) Chairman of the Board of Directors;
- iii) Chief Executive Officer;
- iv) Remuneration and Nomination Committee;
- v) the Internal Audit and Risk Committee;
- vi) General Shareholders’ Meeting;
- vii) Board of Statutory Auditors.

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

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

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

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

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

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

The Remuneration and Nomination Committee is in fact tasked with providing the Board of Directors with advisory opinions and non-binding recommendations on nominations and remuneration, and is accordingly vested with the authority and independence of judgement required to assess the appropriateness of remuneration policies and plans, and related repercussions in terms of risk taking and risk management. More specifically, the Remuneration and Nomination Committee is in charge of: (i) providing the Board of Directors with advisory opinions and non-binding recommendations on the determination of the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer, the General Manager, the Joint General Manager, and the Central Manager, as well as managers tasked with oversight and control functions, and any and all other executives and managers invested with powers and responsibilities that could impact the Bank’s risk profile; (ii) expressing opinions to the Board of Directors regarding its size and composition and expressing recommendations with regard to the professional skills necessary within the Board; and (iii) expressing opinions to the Board of Directors on resolutions concerning the prior identification of its members’ qualities and number and the optimal profile of candidate directors in order to comply with the required professionalism and composition of company bodies pursuant to the supervisory law in force from time to time.

The Internal Audit and Risk Committee is tasked with: (i) assisting the Board of Directors in laying down the guidelines of the internal control and risk management system, periodically check-

ing that said system is adequate to the bank's characteristics and risk profile, reviewing its effective functioning and also ensuring that the major company risks have been identified, adequately measured, managed and monitored, as well as determining the degree to which such risks are compatible with management of the enterprise in accordance with the strategic goals identified, in liaison with the responsible company functions; (ii) expressing its opinion regarding related party and connected party transactions, in accordance with the terms and conditions set forth in the Procedure for Related Party and Connected Party Transactions approved by Banca Generali pursuant to applicable laws and regulations; (iii) assisting the Board of Statutory Auditors in discharging its statutory auditing duties pursuant to the provisions of Legislative Decree no. 39 of 27 January 2010; and (iv) expressing opinions in compliance with the Equity Investment Management Policy.

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

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

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

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

2. INFORMATION ON COMPANY OWNERSHIP (pursuant to article 123-bis TUF) as of 10 March 2014

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

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to 115,402,682.00 euros, divided into 115,402,682 ordinary shares of a par value of 1.00 euro each.

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)	RIGHTS AND OBLIGATIONS
Ordinary shares	115,402,682	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 10,071 treasury shares acquired to execute the Stock Granting Plan reserved for financial advisors of the merged company Prime Consult SIM S.p.A.

The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the 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 5,565,660.00 euros, excluding option rights, pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code, to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers" and the "Stock Option Plan for Banca Generali S.p.A.'s Employees". On the overall, the share capital increase entails the issue of no more than 5,565,660 ordinary shares with a par value of 1.00 euro each, covering the two plans mentioned above, with no more than 4,452,530 and 1,113,130 of the newly issued shares covering the plans targeted at financial advisors and employees respectively, including in several tranches.

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

For further information on the aforesaid share-based incen-

tive plans, see part I of the Notes to the Banca Generali's financial statements for 2011, and the Press Release issued on 17 September 2007, drawn up pursuant to Consob resolution no. 15915 of 3 May 2007, regarding the allotment of financial instruments to company managers, employees and collaborators, pursuant to the Plans submitted for approval to the corporate organ in charge of the implementation thereof prior to 1 September 2007, available for consultation on the company's website (www.bancagenerali.com) under the section *Investor Relations - Press releases* and the Information Document pursuant to Article 84-bis of the Rules for Issuers published on 2 April 2010 and available for consultation in the corporate website (www.bancagenerali.com) under *Corporate Governance - AGM*.

The Shareholders' Meeting held on 21 April 2010 also approved two stock option plans reserved for the distribution networks, respectively one for Financial Advisors and Private Bankers, and one for Relationship Managers, as well as the share capital increase in one or more tranches, excluding option rights, pursuant to Article 2441, paragraphs 5 and 8, of the 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 a par value of 1.00 euro each, at the service of the aforementioned two plans, of which respectively a maximum of 2.3 million euros in service of the plan reserved for Financial Advisors and Private Bankers, and a maximum of 0.2 million euros in service of the plan reserved for relationship managers. The deadline for the completion of the aforesaid share capital increase is 30 June 2017.

b) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1, letter b) of TUF)

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

- (i) the Stock Granting Plan reserved for specific financial advisors provides that should the recipient intend to sell all or some of the granted shares, the said recipient must first inform Banca Generali thereof, since the latter retains the right to indicate a third-party purchaser at the same terms and conditions and at the market price;
- (ii) the Regulations of the Stock Option Plan in favour of employees provides that recipients of the plan be bound to reinvest at least 50% of the gains generated through any disposal of the shares acquired by virtue of exercise of stock options, in ordinary shares in Banca Generali S.p.A., and to hold the said

investment in the latter company for at least twelve months following the date on which it was made.

c) Significant equity investments in share capital (pursuant to Article 123-bis, paragraph 1, letter c) of TUF)

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 10 March 2014, are indicated in the table below:

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY STOCK	% OF VOTING STOCK
Assicurazioni Generali S.p.A.	through the subsidiary Generali Italia S.p.A.	33.4254	33.4254
	through the subsidiary Assicurazioni S.p.A.	2.4309	2.4309
	through the subsidiary Genertellife S.p.A.	4.8778	4.8778
	through the subsidiary Generali Vie S.A.	9.6272	9.6272
	through the subsidiary Genertel S.p.A.	0.4401	0.4401
	Direct and indirect total	50.8014	50.8014
Threadneedle Asset Management Holdings Ltd.	Threadneedle Asset Management Holdings Ltd.	2.1469	2.1469

d) Securities bearing special rights (pursuant to Article 123-bis, paragraph 1, letter d) of TUF)

No securities bearing special rights of control have been issued.

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

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

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

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

- a) they can provide legal proof of their entitlement to vote;
- b) the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received at the Company's registered office by the end of the third trading day prior to the date set for the first call of the General Shareholders' Meeting, in accordance with Article 83-sexies, paragraph 4, of TUF, after the terms speci-

fied above, provided that it arrived within the start of the Shareholders' Meeting specifically called.

Moreover, the Company's ownership structure at 10 March 2014, indicates that:

- Banca Generali holds 10,071 treasury shares, which it acquired in order to implement the approved Stock Granting Plan. The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the Italian Civil Code.

g) Shareholders' agreements (pursuant to Article 123-bis, paragraph 1, letter g) of TUF)

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

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

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

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

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

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

Pursuant to Articles 2357 *et seq.* of the Italian Civil Code, in or-

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

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

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

At 31 December 2012, as a result of the aforementioned resolution, the Company held 10,071 treasury shares.

l) Direction and coordination (pursuant to Article 2497 *et seq.* of Italian Civil Code)

Banca Generali is part of the Generali Group.

The Company is subject to management and coordination by

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

It must accordingly be pointed out that:

- the information to be disclosed pursuant to Article 123-bis, paragraph 1, subparagraph (i) ("*agreements between companies and directors, members of the managing board or the supervisory board, providing for indemnities in the event of resignation or dismissal without just cause, or otherwise, the termination of their employment contracts as a result of a takeover bid*") is contained in the section of the Report focusing on Directors' remuneration (Section 8), as well as in the Remuneration Report to be published pursuant to Article 123-ter of the TUF;
- the information to be disclosed pursuant to Article 123-bis paragraph 1, subparagraph (l) ("*rules implemented in departure from the statutory and regulatory framework applicable by default to the appointment and replacement of directors and members of the managing board and the supervisory board, as well as the amendment of the Articles of Association*") is set forth in the section of the Report focusing on the Board of Directors (Section 4.1).

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

Banca Generali S.p.A. (the "Company") was admitted for listing on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in November 2006, and on such occasion adopted the Code, having determined that bringing its corporate governance system (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 related party and connected party 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, at the Board of Directors on 18 February 2013, has updated its Internal Code of Conduct to align it to the rules of conduct, where not already provided, contained in the Generali Group's Code of

Conduct approved by the parent company in December 2012 in replacement of the Ethical Code. The Code of Conduct sets out the minimum standards of conduct to be observed in relations with colleagues, customers, competitors, suppliers and other stakeholders. The Code contains explicit rules and principles relating to Corporate Social Responsibility, the promotion of diversity and inclusion, safety and health in the workplace, the protection of company assets, fair competition and antitrust and the fight against corruption and bribery.

Moreover, Banca Generali,

- (i) at the meeting of 21 February 2012, Banca Generali, in accordance with principle 7.P.4 of the mentioned Code, renamed the Internal Control Committee as Internal Audit and Risk Committee while redefining the functions assigned to it;
- (ii) at the meeting of 24 April 2012, pursuant to principles 5.P.1 and 6.P.3 of the above mentioned Code, Banca Generali set up the Nomination and Remuneration Committee while defining the tasks assigned to it.

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

4. BOARD OF DIRECTORS

4.1 Appointment and replacement of the Board of Directors (pursuant to Article 123-bis, paragraph 1, letter I) of TUF)

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

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

In detail, since the Company is an Italian bank, in compliance with Article 26 of Legislative Decree no. 385 of 1 September 1993 and related implementing provisions (Regulation no. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998), its Board members 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* of TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation no. 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation no. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998. It should finally be noted that six members of Banca Generali's Board of Directors have been found to satisfy applicable inde-

pendence requirements, in accordance with the principles set forth in the Corporate Governance Code for listed companies (issued by Consob in Notice no. DEM/10078683 of 24 September 2010, and equivalent to the standards contemplated in Article 148, paragraph 3, of Legislative Decree no. 58/1998) whilst seven members satisfy the independence requirements pursuant to Article 37, paragraph 1, subparagraph (d), of the Regulation adopted by Consob Resolution no. 16191 of 29 October 2007, as further amended and extended.

Members of the Board of Directors are appointed on the basis of lists of candidates. Those shareholders who alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company by current applicable regulations are entitled to submit a list. As established by Article 144-*quater* of the Rules for Issuers, this percentage is currently 1.00%. The appointment mechanism based on the so-called voting lists ensures transparency as well as timely and adequate information on the personal and professional profiles of the candidates for directorships.

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

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of 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.

If the outgoing Board of Directors submits its own list, the Remuneration and Nomination Committee must express an opinion on the appropriateness of the candidates proposed by the outgoing Board in exercise of its discretion. The list submitted by the outgoing Board of Directors 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 de-

termined by the Shareholders' Meeting - with rounding down in the case of split number - will be elected Board members. In the case where the number of Board members belonging to the gender less represented, and appearing on the list that obtained the highest number of votes, is lower than the number required under applicable statutory provisions, the elected candidate with the highest serial number, and belonging to the more represented gender, shall be excluded. The eliminated candidate shall be replaced by the following candidate belonging to the gender less represented and appearing on the same list as the eliminated candidate. In the case where it is not possible to draw from the list obtaining the highest number of votes, the required number of Directors belonging to the gender less represented, the Board seats in question will be filled by appointments made by the General Shareholders' Meeting, by majority vote. The remaining directors will be taken from other lists, not linked in any way, not even indirectly, with the shareholders who submitted or voted for the list which gained the highest number of votes, and to this end the votes obtained by said lists will subsequently be divided by one, two, three and so on, according to the number of directors to be elected. The ratios obtained in this way will be progressively assigned to the candidates of each of the lists, according to the respectively established order of said lists. The ratios thus attributed to the candidates of the various lists will be set out in a single decreasing list. In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

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

Upon the conclusion of the process of appointing, the Board of Directors (with the advisory support of the Remuneration and Nomination Committee) shall conduct a thorough, formal review that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

As mentioned above, the Board of Directors, on 24 April 2012 established an internal Remuneration and Nomination Committee which was assigned the task of proposing candidates for appointment as specified in the application criterion 5.C 1 of the Code.

If, during the term of office, one or more Board members should leave office for whatever reason, they will be replaced according to the procedures established by law. If the leaving director was

taken from the minority list that had obtained the greatest number of votes, replacement will occur with appointment of the first eligible candidate taken from the same list as the leaving director and willing to accept office or, where this is not possible, with the appointment of the first eligible candidate who is willing to accept office, and taken, in serial order, from the list to which the first unappointed candidate belonged. The term of the replacement director shall expire together with the term of the directors in office at the time of the replacement Director's appointment to the Board.

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

With respect to criterion 5.C.2 of the Code, which makes reference to a discretionary assessment by the Board, the Board did not deem it appropriate to adopt a succession plan for executive directors at this time.

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

The Shareholders' Meeting of 24 April 2012 established that the Board of Directors would be made up of ten members and appointed a new Board through the list voting system.

Following the resignations of two Directors in 2012 and subsequent co-option, the Shareholders' Meeting of 24 April 2013 resolved to maintain the number of Board members at 10 and appoint two Directors. Subsequently, 1 of the 2 Directors resigned and on 15 October 2013 the Board of Directors resolved to co-opt a Director in order to replace the outgoing member.

The 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 2014.

The Shareholders' Meeting of 24 April 2012 passed a resolution on the basis of the single list submitted by the majority shareholder Assicurazioni Generali S.p.A., which contained the follow-

ing names Girelli Giorgio Angelo, Motta Piermario, Perissinotto Giovanni, Anaclerio Mario Francesco, Baessato Paolo, Brugnoli Giovanni, Genovese Fabio, Gervasoni Anna, Miglietta Angelo and Riello Ettore. All candidates were elected by the affirmative vote of 99.642% of the shareholders present and entitled to vote at the Meeting.

Currently 8 of the Directors in office were taken from the only list submitted by the controlling shareholder Assicurazioni Generali S.p.A. at the shareholders' meeting for the renewal of the Board, while 1 member was later appointed by the Shareholders' Meeting of 24 April 2013 and 1 was co-opted by the Board of Directors following the resignations of 1 Directors appointed by the Shareholders' Meeting of 24 April 2013.

The table provided in Attachment 2 lists the members of the Board of Directors as of 31 December 2013, other information about them and Board and Committees meeting attendance.

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

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

With regard to the composition of the Board of Directors - given that Banca Generali is subjected to management and coordination by another Italian company whose stock is listed for trading on regulated markets - pursuant to Article 37, paragraph 1, letter d), of the Rules adopted by Consob with Resolution no. 16191 of 29 October 2007, as amended and extended, the Board of Directors is made up of a majority (7) of independent directors.

Pursuant to Article 36 of Law no. 214/2011, the Board of Directors, within the time limit set by law, have verified, in respect of each director, that there were no grounds of incompatibility for their appointment.

At the time of the next renewal of corporate bodies, the Issuer shall implement all measures to comply with applicable laws governing gender balance within governing and control bodies as set forth by Law no. 120 dated 12 July 2011, effective as of the first

renewal of corporate bodies subsequent to 12 August 2012. Summary information on the personal and professional profiles of the Company's Directors is provided below, with an indication, as recommended in paragraph 1.C.2 of the Code, of the directorships and auditorships held by the same in other companies listed on regulated markets, including overseas, as well as in large companies other than Group companies.

Paolo Vagnone. Born in Turin on 4 December 1963, he graduated in Electronic Engineering at Turin Polytechnic and holds a Master in Business Administration from the INSEAD Business School in Fontainebleau. He started his career in McKinsey and then worked in the Allianz Group from 1997 to 2007, where he developed a thorough knowledge of the insurance field. He worked his way up in the Allianz Group, where he served as Chief Executive Officer and General Manager of RAS. He also broadened his professional profile managing investments in Italy of Apax and Fortress Investment Group's Private Equity funds. In these companies he was also appointed CEO and General Manager.

He joined the Generali Group in February 2011 as General Manager and until 2012 he was Country Manager for Italy. He is currently Head of Global Business Lines of Assicurazioni Generali S.p.A. and member of the Board of Directors of the main Group companies; he does not hold positions in other companies outside the Group.

Piermario Motta. Born in Monza on 28 August 1957, Piermario Motta holds a Degree in Banking and Finance. He started his career at Banca Popolare di Milano and then joined Banca Fideuram from 1985 to 2002, initially as a financial advisor and then as Area Manager as of 1993. In 2002 he became General Manager of Sanpaolo Invest and was subsequently appointed Chief Executive Officer, a position he held from 2003 to 2005. In 2005 he joined the Banca Generali Group, serving as General Manager of Banca Generali and in 2006 he was appointed Chief Executive Officer of Banca BSI Italia, after it was acquired by Banca Generali. He held the position until January 2010, when the bank was merged into Banca Generali. On 24 April 2012, he was appointed Chief Executive Officer of Banca Generali S.p.A. He is also a director in other Generali Group companies and does not hold positions in other companies outside the Group.

Mario Francesco Anaclerio. Born in Genoa on 2 May 1973, he graduated in Economics and Commerce through the Cattolica University in Milan, is chartered accountant and registered with the list of Certified Auditors. He owns a chartered accountant firm in Milan, specialising in finance, business valuations, fairness opinions, appraisals and extraordinary operations, governance, internal auditing and organisational, management and control models pursuant to Legislative Decree no. 231/2001. He is currently Standing Auditor of the Generali Group's subsidiary Citylife S.p.A. Moreover, he is member of the Board of Statutory Auditors of several companies outside the Generali Group (see

details of the main positions set out below) and is currently a Director of Enel Rete Gas S.p.A.

Società Italiana per Azioni per il traforo del Monte Bianco	Standing Auditor
Pasticceria Bindi S.p.A.	Standing Auditor
FILP - Fabbrica Isolanti e Laminati Plastici S.p.A.	Standing Auditor
S.I.P.A. S.p.A.	Chairman of the Board of Statutory Auditors
Nuova Tagliamento S.p.A.	Standing Auditor
Class S.p.A.	Standing Auditor
Engineering 2K S.p.A.	Standing Auditor
FBH S.p.A.	Standing Auditor
Combimar & Agemar S.p.A.	Standing Auditor
Società Gestione Servizi BP S.c.p.A.	Standing Auditor
Newpass S.p.A.	Chairman of the Board of Statutory Auditors
Class S.p.A.	Standing Auditor
Cogetech Gaming S.r.l.	Chairman of the Board of Statutory Auditors
D + F S.r.l.	Standing Auditor
Diplomatic Automation Sr.l.	Standing Auditor
Egon Zehnder International S.p.A.	Standing Auditor
IMser 60 Società di Investimento Immobiliare non quotata	Standing Auditor
Orion S.r.l.	Standing Auditor
Socrates consulenze direzionali S.p.A.	Chairman of the Board of Statutory Auditors

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

Setefi S.p.A.	Director
Progressio SGR S.p.A.	Director
Carlo Tassara S.p.A.	Director
Sia S.p.A.	Director

Giovanni Brugnoli. Born in Busto Arsizio (Varese) on 24 January 1970, he has always been actively engaged in entrepreneurial associations, in the Employers' Association of the Province of Varese, in which he was Vice President of the Young Entrepreneurs Group from 1999 to 2001 and President from 2001 to 2004, member of the Association's Board of Directors since 1999, member of the Executive Committee since 2001 and Vice President from May 2007 to May 2011. He is currently Chairman of the Board of Directors of Tiba Tricot S.r.l. e della Palatino S.r.l. and sole shareholder of Tiba Immobiliare S.r.l.: - two companies belonging to the Brugnoli Group - as well as Chairman of the Board of Directors of Cofiva S.p.A. and Promindustria S.p.A., both of which belonging to the Gruppo Industriali di Varese. Moreover, he is Chairman of the Board of Directors of Industria e Università S.r.l. and Iniziativa Universitaria 1991 S.p.A., belonging to the same group and specialised in university and non-university post-secondary education.

Philippe Donnet. Born in Suresnes (France) on 26 July 1960, he graduated at the École Polytechnique in Paris and the Institut des Actuaire Français. Afterwards, Donnet developed a thorough knowledge of the insurance field working in Axa, where he entered in 1985 and acquired professional experience working in France and Canada. In 1999, he was appointed Chief Executive Officer of Axa in Italy. In 2001, he was appointed Chief Executive Officer of Axa for Southern Europe, Middle East, Latin America and Canada. In 2003, he was appointed Chief Executive Officer of Axa in Japan and became also responsible for the Asia-Pacific area of the company. In the past few years, he broadened his professional profile serving the Wendel Group and HLD. He currently holds a position as Country Manager for Italy, Generali Italia S.p.A.'s Chief Executive Officer and member of the Group Management Committee of the Generali Group. He is also a Director in other Generali Group companies and does not hold positions in other companies outside the Group.

Fabio Genovese. Born in Venice on 11 February 1959, he graduated in Economics at Ca' Foscari University in Venice. He has gained extensive experience in the financial industry, working for major international financial companies since 1988, including JP Morgan, UBS Investment Bank and Nomura International Plc, where he held the position of Managing Director Responsible for Italy and Austria until 2011. He is currently Sole Director of FMG Advisers Ltd, an advisory company based in London.

Anna Gervasoni. Born in Milan on 18 August 1961, she graduated in Economics and Commerce through the Luigi Bocconi University in Milan. She is currently a tenured professor of economics and business management. Having participated in the founding of the Cattaneo University - LIUC, she has been Professor of Economics and Business Administration and "Corporate Finance" since 1999. She has been responsible for the Specialised Master Degree program in private equity since

the year 2000: "Master in Merchant Banking: Private Equity, Finance and Business". She is Chairman of the Private Equity Monitor - PEM® and the Venture Capital Monitor - VEM®, two entities that monitor the Italian private equity market. Since 1986 she has been General Manager of AIFI, the Italian Private Equity and Venture Capital Association. She is also a Standing Auditor at Saipem S.p.A. and member of the Board of Directors of Fondo Italiano d'Investimento SGR S.p.A., as well as member of the Board of Directors of Sol S.p.A., a leading supplier of industrial gas.

Angelo Miglietta. Born in Casale Monferrato (Alessandria) on 21 October 1961, Angelo Miglietta graduated in Business Management with a major in Corporate Finance at the Luigi Bocconi University in Milan. A tenured professor of economics and business management at the IULM University of Milan, Angelo Miglietta is a Certified Public Accountant and a registered Technical Consultant of the District Court of Milan. He has been Secretary General of the Fondazione Cassa di Risparmio di Torino and is member of the Board of Directors of Assicurazioni Generali S.p.A. He currently holds positions in other companies outside the Generali Group (see details of the main positions set out below).

E.ON Italia S.p.A.	Standing Auditor
E.ON Energia S.p.A.	Standing Auditor
E.ON Produzione S.p.A.	Standing Auditor
Cogemat S.p.A.	Chairman of the Board of Statutory Auditors
Cogetech S.p.A.	Chairman of the Board of Statutory Auditors
FBH S.p.A.	Chairman of the Board of Statutory Auditors
Nuova Tagliamento S.p.A.	Director
OGR_CRT S.C.P.A.	Director
Sirti S.p.A.	Chairman of the Board of Directors
Smarthub S.r.l.	Chairman of the Board of Directors
S.I.P.A S.p.A.	Director

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

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

Cristina Rustignoli, Head of the Governance and Company Risks Area, serves as Secretary to the Board.

The “Rules on the Functioning of the Board of Directors of Banca Generali S.p.A.” (the “Board Rules”), which were approved by the Board of Directors at their meeting on 16 February 2007 and amended on 21 February 2012 in accordance with section 1.C.3 of the Rules and 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 CORPORATIONS		
	TOTAL DIRECTORSHIPS	OF WHICH EXECUTIVE POSITIONS	AUDITOR	TOTAL DIRECTORSHIPS	OF WHICH EXECUTIVE POSITIONS	AUDITOR	TOTAL DIRECTORSHIPS	OF WHICH EXECUTIVE POSITIONS	AUDITOR
Executive Directors	5	0	0	5	0	0	5	0	0
Non-executive Directors	7	2	2	7	2	2	7	2	2

The Board of Directors’ Rules also envisage that in determining the total number of companies in which appointees to the Company’s Board of Directors hold directorships or auditorships, no account may be taken of companies belonging to the Company’s Group, with the exception of corporations listed on regulated markets (including abroad), financial institutions, banks, insurance companies and large corporations. Appointments to the corporate organs of several companies belonging to a single corporate group, other than the Company’s Group, are, in practice, generally considered as a single appointment, with the exception of corporations listed on regulated markets (including abroad) and financial institutions, banks, insurance companies and large corporations (Article 5.4 of the Rules). The table in Attachment 2 also specifies the number of corporate positions each Director holds in the aforementioned companies on the basis of the criteria indicated in the Board of Director’s Rules.

In accordance with paragraph 2.C.2. of the Code which provides that the Chairman of the Board of Directors shall use his/her best efforts for causing the directors and the statutory auditors, after the election and during their mandate, to participate in initiatives aimed at providing them with an adequate knowledge of the business sector in which the Issuer runs its activity, of the corporate dynamics and the relevant evolutions, as well as the relevant regulatory framework, on 29 January 2013, all the Directors and Statutory Auditors participated in a Induction programme which analysed Banca Generali’s banking activities and the development of impacts related thereto. The meeting was specially convened to allow the members of the Bank’s governing bodies to take advantage of the insight provided by the Bank’s management in order to facilitate an adequate knowledge of the

sector in which the Company is engaged and the relevant dynamics.

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

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

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

In accordance with paragraph 1.C.1., letters (a), (b) and (f) of the Code, Article 18 of the Articles of Association invests the Board with broad decision-making powers susceptible of significantly impacting the life of the Company and the Group, including, in particular, the power to define the general operating guidelines and approve the Company's strategic, industrial and financial plans, as well as transactions that could have a significant impact on the Company's equity or economic or financial position; 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 transactions of considerable economic, equity and financial importance; b) appointing, when it sees fit, a General Manager, Joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement; c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors; d) appointing the Compliance Manager, after having heard the opinion of the Board of Statutory Auditors; e) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Manager responsible for preparing the company's financial reports, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and monitoring of actual compliance with administrative and accounting procedures; f) authorising company representatives and representatives of companies belonging to the Banking Group fulfilling managerial, executive and supervisory roles to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases; g) purchasing or selling shareholdings that cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company branches; entering into agreements pertaining to joint ventures or strategic alliances; h) approving the organisational structure and any and all amendments to internal rules and policies; carrying out specific checks to ensure that tasks and responsibilities are clearly and coherently defined within the organisational structure; i) carrying out periodic checks to ensure that the internal control structure is respectful of the principle of proportionality and complies with strategic guidelines, and that internal control functions are afforded a sufficient degree of independence within the organisational structure and are endowed with adequate resources to allow them to function properly; l) carrying out checks to ensure that the system of information flows is adequate, complete and timely; m) drawing up guidelines for the recruitment and internal placement of Company executives; n) creating committees or commissions with control, consultation, recommendatory or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components,

duration, powers and authority of said committees or commissions at the time they are set up; p) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely; q) approving related party and connected party transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing such transactions. The Board of Directors may approve highly significant related party transactions, even in disregard of the contrary advice of the independent auditors, provided that the transactions in question are authorised by the Shareholders' Meeting, within the meaning of Article 2364, paragraph 1, subparagraph 5 of the Italian Civil Code, pursuant to a resolution passed with the majorities contemplated in applicable regulations, and in accordance with the procedure adopted by the Company with regard to related party transactions.

The Board of Directors of the bank, in its capacity as Parent Bank of the Banking Group, is also assigned exclusive competence over resolutions concerning the purchase and sale of shareholdings by subsidiaries belonging to the banking group, as well as the establishment of the criteria for coordinating and managing the banking group companies and for implementing the instructions issued by the Bank of Italy in the interest of group stability.

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

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

- i) pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness of the organisational, administrative and accounting layout of the Company and its strategic subsidiaries, in light of the information received from the competent corporate organs (Article 8.4 of the Board Rules). The Board periodically deliberates on the bank's organisational structure and assesses the functions aimed at guaranteeing the accurateness and efficiency of the bank's administrative and accounting system. It also defines the guidelines governing the organisational and administrative structures of the bank's subsidiaries;
- ii) pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness and effectiveness

- of the internal control and risk management system, taking due account of the Company's features and risk exposure. In such regard, the Board shall periodically check that the internal control system is in line with the principle of proportionality and the strategic guidelines, and that the corporate control functions are independent within the organisational structure and are endowed with adequate resources to allow them to function properly (Article 8.4 of the Board Rules); furthermore, the Board of Directors approves the policies and regulations governing the functioning of the control functions, approves regulations on the management of the main risks to which the Group is exposed and the policy on conflicts-of-interest of the banking group that establishes procedures for handling such conflicts;
- iii) the Board is bound to assess general management trends, with special emphasis on potential conflicts of interests and periodically comparing results against expectations, in accordance with the provisions of paragraph 1.C.1., letter e) of the Code (Article 8.3 of the Rules of the Board of Directors) The Board periodically assesses the Company's and the Group's operations, compares the results with budget forecasts and analyses any differences;
- iv) since the Company is also the Parent Company of the Banking Group, the Company's Board is further vested with decision-making powers in respect of the acquisition and disposal of participating interests, as well as the policies for the coordination and management of Group companies and compliance with Bank of Italy instructions, with a view to ensuring the stability of the Group. The Board approved Group Rules that establish guidelines for interaction and information flows among Group companies.

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

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

- prior to the appointment of each new Board of Directors, or in the event of the co-optation of directors, identify in advance the qualitative and quantitative composition of the Board deemed optimal by determining and justifying

the theoretical profile of candidates considered appropriate and submitting it for the shareholders' attention in a timely manner;

- after a new Board of Directors is appointed or directors co-opted, verify the correspondence between the qualitative and quantitative composition deemed optimal and the actual composition resulting from the appointment process;
- in order to ensure the proper management of company information, adopt, on the proposal of the Managing Director, a procedure for the internal management and external disclosure of documents and information pertaining to the Company, with special regard to insider information.

Functioning of the Board of Directors

Pursuant to 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, amended at the Board Meeting held on 21 February 2012.

The aforesaid Board Rules provide, *inter alia*, that:

- (i) pursuant to Article 1.C.2 of the Code, without prejudice to the causes for inelegibility and disqualification, as well as limits on simultaneous offices established in laws and regulations, appointments to Board may only be accepted after the appointees have determined that they are in a position to devote the time required to ensure the diligent performance of their tasks and duties as Board members, also in light of their professional activities, the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations, as well as their other professional activities (Article 5.2 of the Board Rules);
- (ii) the Chairman of the Board of Directors shall ensure that documentation pertaining to items of business on the agenda is brought to the attention of the directors and statutory auditors in advance of the date of the Board meeting (Article 4.2 of the Board Rules). Specifically, should the said items pertain to routine business, the related documents, if available, must generally be forwarded at least one day prior to the scheduled date of the Board meeting, save in the case where this is not possible for reasons of confidentiality, with specific reference to "price sensitive" information.
- (iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a shareholder agreement, each Board member shall be bound to exercise decision-making powers in total autonomy and

independence, making decisions that are reasonably likely to result - as a priority objective - in the creation of value for shareholders, in the medium-to-long term (Article 7 of the Board Rules);

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

In compliance with the said provision, and the provisions of the Order issued by the Governor of the Bank of Italy on 4 March 2008, during the Board meeting held on 10 March 2014, 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, on a series of matters related to the composition and operations of the Board of Directors, as well as the composition and operations of the Board Committees, and expressed the following opinion:

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

- with respect to size and composition of the Board of Directors:
 - a) as regards quantitative aspects:
 - having considered, first and foremost, the size of the administrative organ that seems commensurate with the dimensions and operations of the Company, and also in keeping with the Company's role as Parent Company of the banking group of the same name, insofar as it allows for adequate monitoring and management of all the Group's business operations in terms of managing and control requirements;
 - b) as regards qualitative aspects:
 - having considered, secondly, the membership of the same administrative organ, which, without prejudice to compliance with requirements provided for as per Article 26 of Consolidation Law on Banking, may be deemed appropriate with respect to both its technical competence arising from the inclusion of a wide variety of professional competencies featured on the Board of Directors, allowing for an authoritative and knowledgeable approach to the various matters that the Board of Directors is called upon to deal with from time to time, as well as to the prevalence of non-executive and independent Directors;

- with respect to the functioning of the Board of Directors and its Committees;
 - having considered the efficient and effective **functioning** of the administrative organ and its Committees which are regulated by specific Rules in addition, obviously, to applicable statutory and regulatory provisions;
 - having examined, as a panel body, the answers to the questionnaires that each Board member filled in, individually on a confidential basis;
 - bearing in mind the considerations set forth by the Independent Directors and Non-executive Directors; and
 - taking due account of best Corporate Governance practices implemented on the market;

pursuant to the provisions set forth by the Corporate Governance Code and the Order of the Governor of the Bank of Italy dated 4 March 2008 "Supervisory Provisions Concerning Banks' Organisation and Corporate Governance".

Expresses an overall clean opinion, with nothing to report on:

- (i) the size and functioning of the Board of Directors of Banca Generali S.p.A., as well as any and all delegated organs and/or Board committees set up;
- (ii) the ability of Board members to properly discharge their assigned tasks and functions, in terms of professionalism, time available, and where applicable, independence;
- (iii) the appropriateness and effectiveness of the provisions contained in the Rules of the Board of Directors."

The Board meetings are held periodically and, in general, once a month in compliance with the statutory requirements and pursuant to a schedule of works defined on an annual basis. In 2013, Banca Generali's Board met 13 times. The meetings lasted about 2 hours and 15 minutes on average. In the year underway a total of 12 Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

The attached table sub 2 provides information on the attendance of Directors at the Board meetings held in 2013. Absentee Directors provided justification for non-attendance.

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

tent. 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 and connected party transactions, and atypical, unusual or innovative transactions, and the risks associated with each of the above; (iii) the internal control system and the level of Bank's exposure to all significant types of risk; (iv) the performance of the products placed and the relevant returns; (v) the performance of lending activities; (vi) the performance of the bank's investing activities; (vii) any and all other activities, transactions or events deemed worthy of the attention of the Board of Directors and the Board of Statutory Auditors. As an additional contribution to the promotion of methods for circulating information among the Corporate Bodies with the aim of achieving management efficiency and control effectiveness, at its first meeting of 2013, the Board adopted a computer application called e-Boards, whose objective is the secure distribution of digital documents to the members of Banca Generali Board of Directors and Committees, through iPad and PC platform. The application general features enable the exchange of documents without e-mails and printing on paper, while ensuring maximum security and confidentiality of the documents on the Board's agenda. In fact, (i) all communications to and from devices are encrypted, (ii) the authentication process involves the use of a numeric code as Personal Identification Number (PIN), (iii) all documents on the devices (iPad and/or PC) are encrypted and (iv) the documents cannot be retrieved and consulted without the application and the security key (in case the device is lost or stolen).

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

- a) periodically passed resolutions pertaining to the Company's organisational layout, with specific emphasis on corporate functions involved in providing services to the entire banking group headed by the Company;
- b) in its meetings of 28 March 2013 and 24 April 2013, with a view to ongoing development and within the gradual implementation of the new organisational structure (started in July 2012) of the first business lines reporting to the General Manager, passed resolutions concerning:
 - (i) the institution, within the General Management and in support of the General Manager, of a General Management Department, aimed at ensuring strong supervision of core banking and distribution activities. In addition to being responsible for supervising banking group companies, the General Management Department coordinates two organisational areas:
 - A) the CFO Area, reorganised with the aim of including the functions characteristic of the CFO's responsibilities, of which the following main organisational units are a part:
 - Planning and Control Department
 - Administrative Department
 - Finance Department
 - Sales Planning and Control Service
 - Investor Relations Service;
 - B) the Bank Area, which brings together the typical banking functions (including loans and corporate), as well as functions highly synergistic with the institution's core governance activity for organisational processes and IT coordination, of which the following organisational units are a part:
 - Operating Department
 - Loans Department
 - Information Systems Organisation and Coordination Department
 - Corporate Department (to be instituted - intended to ensure coordination of captive banking activities relating to Generali Group companies, their agents and employees);
 - (ii) the institution, within the General Management and in support of the General Manager, of a general management department responsible for overseeing distribution networks, of which the following are a part:
 - Private Division (including Relationship Managers and Private Bankers networks);
 - Financial Planners Divisions (including the Financial Planners network);
 - Marketing Department
 - (iii) the institution of the Governance and Company Risks Area, reporting directly to the Chief Executive Officer,

with the aim of establishing a single, integrated point of control for all company risks (including risk management), as well as transactions relating to governance of the Bank, to which the following organisational units report:

- Company Risk Department, specifically established, to which the following are answerable:
 - Risk Management Service
 - Compliance Service
 - Anti-Money Laundering (AML) Compliance Unit
 - Rules and Procedures Service
 - Legal Service
 - Corporate Secretariat Service
 - Financial Activities Support Service;
- (iv) the institution of the strategic planning function, reporting directly to the Chief Executive Officer, who will also continue to coordinate the strategic analysis function;
- 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 and Nomination Committee and after hearing the opinion of the Board of Statutory Auditors, the compensation of the Chief Executive Officer, General Manager, Directors serving on Board Committees and other professional figures who can influence the risk profile of the Bank, as well as those responsible for control functions.

The meetings of the Board of Directors may be held by telephone or video conference and, where the Chairman sees fit to do so, including upon the request of one or more directors, the executives of the Company and those of companies belonging to the Group controlled by the Company who are in charge of company functions competent with respect to the subject matter concerned may participate in meetings of the Board of Directors in order to provide the appropriate further clarification regarding items of business on the agenda.

With regard to Banca Generali subsidiaries, in order to ensure that effective and efficient management and control systems are in place also at consolidated level, all the companies of the banking group are currently closely integrated with the Parent Company.

This integration is especially evident in:

- i) the ownership structure: the share capital of the subsidiaries is wholly owned by Banca Generali S.p.A. (with the exception of Generali Fund Management S.A., in which Banca Generali currently holds a 51% interest, which is to increase to 100% upon the completion of the authorized de-merger of a part of the subsidiary's assets with transfer to a newly incorporated Luxembourg company that is to operate under the control of Generali Investments S.p.A.);
- ii) the composition of the governing and control bodies of the

subsidiaries, whose members include various officers of the Parent Company with a view to ensuring that the latter's guidelines are effectively and efficiently imparted so as to allow for sound business administration without jeopardising the decisional autonomy of subsidiaries in any way, whilst also providing for a uniform level of care, caution and concern in assessing risk-containment mechanisms and the system of checks and balances. Joint meetings of the Boards of Statutory Auditors of Italian group companies are periodically held so as to keep risks in check.

- iii) the organisational, administrative and accounting layout, as well as the control system devised for the subsidiaries, featuring the centralisation of certain key functions within the Parent Company.

As the Parent Company vested with the powers of management and coordination specified in the Italian Civil Code, and developed in greater detail in Articles 59 et seq. of Legislative Decree no. 385/1993 and Title I, Chapter of Bank of Italy Circular no. 229 of 21 April 1999, Banca Generali discharges, in respect of the subsidiaries belonging to the Banking Group, the management and coordination functions related to the administration of the Group as a whole, determining and imparting instructions on how best the common business purpose is to be pursued by all the individual operating units comprising the Group, whilst ensuring the autonomy of each of the companies belonging to the Banking Group. Given that, under the sector-specific regulations in question, the Parent Company is to serve as the point of reference for the Bank of Italy with regard to all supervisory issues at Group level, appropriate organisational structures have been set up to ensure the implementation of and monitor ongoing compliance with Bank of Italy instructions and provisions within all Group companies.

4.4. Delegated organs

The Board of Directors has delegated executive powers to the Chief Executive Officer, Piermario Motta. Another Board member was found to qualify as an Executive Director, as a result of his top management position with the Parent Company which also concerns the Bank (namely, Philippe Donnet, Country Manager for Generali Group Country Italy which comprises the Bank).

Chief Executive Officer

Pursuant to Article 18, paragraph 6, of the Articles of Association, the Board may, within the limits imposed under law and the Articles of Association 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.

The Board of Directors met on 24 April 2013 and vested the Chief Executive Officer Piermario Motta with the following management powers:

1. to oversee the implementation of Board resolutions by Company General Manager;
2. to prepare the strategic guidelines to be approved by the Board in respect of the bank's strategic planning and to lay down the guidelines to be followed by the General Manager;
3. to determine and orient human resources management policies, within the framework of the guidelines established by the Board of Directors;
4. at the behest of the relevant company functions, where applicable, to examine and issue opinions on any and all transactions and business to be submitted for approval to the competent decision-making organs;
5. to set up and maintain an effective Internal Audit and Risk management system;
6. to promote and coordinate the Company's communications strategies, enhancing the Company's public image and managing the press and media relations;
7. 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;
8. 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;
9. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
10. to forward to the Board, his own opinions, proposals and recommendations regarding the strategic plan, the annual budget, the draft and consolidated financial statements drawn up by the Chief Executive Officer as proposed by the General Manager;
11. to represent the Company at the shareholders' meetings of other companies and entities, exercising all the related rights and issuing all the related proxies for participating in the said general meetings;
12. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy as well as with bodies specialising in the administration of securities, negotiating and stipulating any and all related contractual terms and conditions;
13. 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 300,000.00 euros per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;
14. to process and authorise the write-off of bad debts and 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 100,000.00 euros per transaction, net of interest and expenses, in light of: the full exhaustion of any and all avenues of recourse for obtaining relief either individually or together with other creditors, or the futility of legal action for debt recovery in consideration of the economic and financial situation of the debtors or the out-of-court settlement of disputes to Company's satisfaction;
15. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefor;
16. to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;
17. to set up, transfer or shut down secondary offices, representative offices and branches;
18. within the framework of the budget approved by the Board, to cover the Company's current expenses;
19. within the framework of the approved budget and up to the threshold of 500,000.00 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;
20. within the framework of the approved budget, to negotiate and enter into, amend and terminate lease agreements, tender agreements as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangible assets, the acquisition of intangible assets, and the procure-

- ment of services rendered by third parties or consultants or other professionals, up to the ceiling of 500,000.00 euros per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, save in the case of finance leases and/or loans for use, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc), or payments required pursuant to law;
21. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiations up to the ceiling of 500,000.00 euros per contract and/or commitment;
 22. to book as losses, any and all liabilities incurred by the Company as a result of mistakes made by employees, up to an amount of no more than 100,000.00 euros per transaction;
 23. to establish guidelines for the granting of discounts, facilitations, reductions, etc. to customers, within the limits laid down by the Board from time to time;
 24. to approve loans within the limits imposed under lending rules and regulations, from time to time;
 25. to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;
 26. within the framework of the pre-established budget, the Remuneration Policies approved by the Shareholders' Meeting and the guidelines issued by the Board of Directors in respect of company executives, to enter into, amend and terminate the employment contracts of individual employees, as well as to make decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same;
 27. within the limits of his delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;
 28. to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;
 29. within the limits of his delegated powers or with the approval of the relevant corporate organ, to approve loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
 30. to issue demand drafts;
 31. to execute cash withdrawals and advance notices of cash withdrawals on management accounts held with the Bank of Italy, and on the centralised treasury accounts mentioned in the Bank of Italy form 144 dir.;
 32. to execute the transactions contemplated under Bank of Italy forms 145, 146, 147 and 148 dir.;
 33. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
 34. to concretely implement the provisions of subparagraphs (h), (i), (l) and (p) of Article 18 of the Articles of Association;
 35. to exercise any and all powers conferred on him by the Board on an ad hoc or ongoing basis;
 36. to delegate to third parties who need not necessarily be Company employees, the completion of specific tasks or categories of tasks that fall within the scope of the powers conferred on him pursuant to the foregoing points, establishing, in advance, the limits to the powers thus delegated.
- The aforesaid powers must be exercised in compliance with the general guidelines established by the Board of Directors and in accordance with strategic corporate policies adopted by the Group.
- Pursuant to Article 22 of the Articles of Association the Chief Executive Officer is vested with full powers to represent and sign on behalf of the Company in respect of any and all the powers 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 bodies 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;
 - to implement 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;
 - ensuring that the internal procedures, responsibilities and corporate structures and functions are defined, implemented and updated in order to avoid the unintentional involvement in money laundering and terrorist financing activity; in this area, his or her other duties include defining the reporting procedure for suspicious transactions and other procedures aimed at ensuring the timely discharge of disclosure obligations to the authorities provided for in legislation gov-

erning money laundering and financing for terrorism; defining the information flows aimed at ensuring that risk factors are known by all corporate structures involved and by the bodies with control responsibilities; approving training and education programs of employees and external staff.

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.

By virtue of the powers assigned to him, Piermario Motta is the Chief Executive Officer. He does not hold director's positions in any other listed Issuer.

Chairman of the Board of Directors

The Chairman of the Board of Directors was appointed by the Board on 24 April 2013.

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

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

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

Therefore, in addition to the powers vested by law and the Articles of Association, on 24 April 2013 the Board has vested its Chairman, Paolo Vagnone, with powers to coordinate the activities of the Company's corporate organs, oversee the implementation of the resolutions approved by the Shareholders' Meeting and the Board, ensure the prompt and proper execution of the decisions made by the Chief Executive Officer, monitor business operations and compliance with strategic policy guidelines, as explained below.

1. monitoring general business operations and laying down management policies in concert with the Chief Executive Officer;
2. establishing, in concert with the CEO, general guidelines for dealing with corporate affairs;

3. coordinating the smooth functioning of the Board of Directors and the General Shareholders' Meeting, by promoting internal dialogue and ensuring the balance of powers and circulation of information;
4. overseeing relations with public bodies, shareholders and managing the Company's public relations in general;
5. coordinating the Company's communication strategies, managing the company's public image and relations with the press or other media, in accordance with the guidelines provided by the Board of Directors and in line with the company's strategic plan and the Group policies on this matter.

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

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

Report to the Board

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

- usually, on a monthly basis:
 - (i) on any and all transactions that could have a particularly significant impact on the balance sheet, income statement or cash flow of the company or any of its subsidiaries;
 - (ii) on decisions pertaining to lending policies and, in general, on credit trend;
 - (iii) on property investments;
 - (iv) on the performance of sales and inflows;
 - (v) on Banca Generali stock performance;
- on a quarterly basis:
 - (i) on the general state of operations, the outlook for the Company and Group and comparisons with budget forecasts.
 - (ii) on activities carried out by the Company and the Group with related parties and connected parties;
 - (iii) on the Internal Control System;
 - (iv) on the type and performance of managed products;
 - (v) on the macroeconomic scenario and the definition of managed portfolios investment policies;
 - (vi) on compliance with limits established for activities generating conflicts of interest within the portfolio management activity;
- 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 risk allocations or provisions.

4.5 Other Executive Directors

Another Board member was found to qualify as an Executive Director, as a result of his top management position with the Parent Company which also concerns the Bank, namely, Philippe Donnet, Country Manager for Generali Group Country Italy, which comprises the Banca Generali.

4.6 Independent and Non-executive Directors

Considering that Banca Generali is subject to management and coordination by another Italian company with shares listed in regulated markets, the Board of Directors consists of a majority of independent directors, pursuant to the provisions of Article 37, paragraph 1, letter d), of the Regulation adopted by Consob in resolution no. 16191 of 29 October 2007, as amended.

Independent Directors are tasked with independently overseeing corporate management, and contributing towards ensuring that the company is administered in the interest of its shareholders and in accordance with the principles of good corporate governance (Article 12.6 of the Board Rules).

Moreover, Article 12.5 of the Board Rules requires the Board to be made up primarily of non-executive directors.

In accordance with the provisions of paragraph 2.C.1 of the Code, for the intents and purposes of the Board Rules, executive directors are defined to include:

- i) the Chief Executive Officers and Chairmen of the Company or a strategic subsidiary thereof, in the case where the same are personally vested with delegated powers or play a specific role in shaping corporate policy and strategy;
- ii) Directors who also serve as executives within the Company or within a strategic subsidiary thereof, or even within the Parent Company, in the case where the position also involves Banca Generali;

Within the meaning of the definitions set forth above, the Company's Board at 31 December 2013 was made up of two executive and eight non-executive directors. The said situation still prevails to date.

In compliance with the recommendations set forth in the Code, the number and acknowledged expertise of the Company's non-executive Directors lend their opinions decisive weight in the Board's decision-making process.

Non-executive Directors help ensure that Board resolutions are always in keeping with the interests of the Company. By contributing their specialist know-how, non-executive Directors help ensure that Board members are in a position to make informed decisions reached after due reflection. The Board Rules require that non-executive Directors meet at least once a year without the other Directors.

In compliance with this requirement, Banca Generali's Independent Directors met separately on 14 February 2014, to discuss the following matters:

1. Methods for discharging the tasks entrusted to Non-executive Directors;
2. Information flows from Executive Directors;
3. Discussion on the text published for consultation by the Bank of Italy in December 2013 "Supervisory Provisions Concerning Banks' Organisation and Corporate Governance".

The Company's Board of Directors includes seven non-executive Directors, who are independent for the meaning and provisions set forth in Article 37, paragraph 1 (d), of the Regulation adopted by Consob in Resolution no. 16191 of 29 October 2007, which provides that no person who sits on the Board of Directors of a company or body engaging in management and coordination activities in respect of the Company or on the Board of Directors of any listed entity controlled by such company or body, may be considered an independent director of the Company. It also includes six non-executive Directors, who are independent in accordance with the Corporate Governance Code (paragraph 3.C.1), as issued by Consob in Notice no. DEM/10078683 of 24 September 2010, which provides that the independence requirements set forth by the said Code may be considered equivalent to the standards contemplated in Article 148, paragraph 3, of Legislative Decree no. 58/1998 and reflected in Article 13 of the Board Rules, pursuant to which, a Director may not, as a general rule, be considered independent in the following cases (although the same are not to be deemed imperatively applicable):

- a) directly or indirectly, including through subsidiaries, trust companies and third party intermediaries, controls the Company or is in a position as to exert a significant influence over the same, or is party to a shareholder agreement under which one or more parties are afforded control of or a significant influence over the Company;
- b) is, or has been in the preceding three financial years, a key executive of the Company or a strategic subsidiary thereof, or a company subjected to common control with the Company, or a company or body that, even together with others on the basis of a shareholder agreement, controls the Company or is in a position as to exert a significant influence over the same;
- c) directly or indirectly (for instance through subsidiaries or companies in which he serves as a key executive, or professional partnerships or consultancy firms in which he is a partner), maintains or has maintained significant com-

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

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

The Board Rules (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 23 January 2014, to discuss the following matters:

1. appropriateness of the number of Independent Directors;
2. contribution of independent Directors to the Board’s meetings.

In light of Article 3.C.4 of the Code, the Board Rules require the Board to examine, at the time of the appointment of any independent directors and, in accordance with the policies and procedures set forth in the same Board Rules, any and all the information and declarations submitted by appointee independent directors, or otherwise acquired by the Board, with a view to ensuring that the requirements for independence have been fully met, and to further check, on a yearly basis, that the said independent directors continue to qualify as such.

The Board Rules also require the Chairman to ensure that the Board of Statutory Auditors is placed in a position to indepen-

dently verify the outcome of the aforesaid checks, as recommended in Article 3.C.5 of the Code.

In compliance with the said provisions, at the time of appointment, the Board of Directors checked that each of the directors who had declared themselves independent, in fact, fully met all the statutory requirements of independence. Moreover, on 14 February 2014, following its scheduled annual assessment of satisfaction of the requirements of independence, the Board of Directors, acting as a panel, found that the Directors Mario Francesco Anaclerio, Paolo Baessato, Giovanni Brugnoli, Fabio Genovese, Anna Gervasoni and Ettore Riello, qualified as independent directors within the meaning of Articles 147-ter, paragraph 4, and 148, paragraph 3, of Legislative Decree no. 58/1998, and Directors Mario Francesco Anaclerio, Paolo Baessato, Giovanni Brugnoli, Fabio Genovese, Anna Gervasoni, Angelo Miglietta and Ettore Riello are independent directors within the meaning of the requirements set forth the Application Criteria of Article 3 of the Code, and pursuant to Article 37, paragraph 1, subparagraph (d) of Regulation no. 16191 adopted by Consob on 29 October 2007, as further amended and extended. The Board of Directors announced the outcome of its assessments by issuing a press release.

On 14 February 2014, the Board of Statutory Auditors, after examining the documentation provided, confirmed the results of the checks performed by the Board and determined that the criteria and procedures used to evaluate the independence of the independent Directors had been correctly applied.

4.7 Lead Independent Director

The Company has not appointed a lead independent director within the meaning of Article 2.C.3 of the Corporate Governance Code. This choice is considered appropriate to the Company as the Chairman of the Board of Directors, Paolo Vagnone, is Head of Global Business Lines of the Company’s Parent, Assicurazioni Generali S.p.A.

This is because the Company feels that Mr. Vagnone’s 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. Vagnone is devoid of any responsibility whatsoever in respect of business operations and corporate management, and is tasked only with overseeing and monitoring the implementation, by the Board of Directors, of the resolutions passed by the Shareholders’ Meeting, and compliance by delegated corporate officers and organs with the provisions of Board resolutions.

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

5. HANDLING OF CORPORATE INFORMATION

Members of the Board of Directors and the Board of Statutory Auditors shall handle with the utmost confidentiality any and all documents and information of which they may become aware in the discharge of their duties, and shall strictly comply with Company procedures for the internal handling and outside disclosure of the said documents and information.

Pursuant to the above, and to Articles 114 and 115-*bis* of TUF, and Articles 65-*duodecies* et seq. and 152-*bis* et seq. of Consob Regulation (the “Rules on Issuers”), on 18 July 2006, the Board of Directors, upon request of the Chief Executive Officer, approved the rules of conduct to be followed in the management and public disclosure of inside information (the “Code on Inside Information”), last amended with Board of Directors’ resolution dated 24 April 2013.

A copy of the Code on Inside Information is available on the website www.bancagenerali.com, section *Corporate Governance - Corporate Governance System - Company Regulations*.

The Code on Inside Information is aimed at regulating the obligations of persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries. More specifically, the Code on Inside Information sets forth specific provisions for the handling of corporate information, with a view to: (i) preventing the abuse of information and market manipulation; (ii) regulating the handling and processing of inside information, as well as (iii) establishing the disclosure, both within the company and to the public, of documents and information pertaining to the Company and/or its subsidiaries, with specific reference to inside information. The Code on Inside Information is also designed: (i) to ensure the timely, complete and adequate processing of inside information, with a view to avoiding asymmetrical information; and (ii) to protecting the market and investors through adequate disclosure of the events involving the Company, with a view to enabling investors to make informed investment decisions.

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

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

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

In handling the confidential information of which they may 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 assigned the Investor Relator the task of preparing the press release drafts concerning inside information on the Company or its Subsidiaries, and to the External Relations Manager the task of liaising with the media. The Company Secretariat Service is responsible for fulfilling market disclosure obligations and issuing the press releases pertaining to inside information approved by the Company CEO, in the manner provided for by the Rules for Issuers, the Market Rules of Borsa Italiana and the Instructions accompanying the Market Rules, as well as the Code on Inside Information, regarding the issuing of press releases disclosing Inside Information, approved by the Company’s CEO.

Only persons specifically authorised for such purpose by the Chairman of the Board of Directors of Banca Generali (or in the case of the absence or unavailability thereof, the Chief Executive Director) may meet with market operators in Italy and abroad.

The Company has also set up the Register of Insiders, within the meaning of Article 115-*bis* of TUF, establishing procedures for the maintenance of the said Register and appointing the Head of Governance and Company Risks Area to maintain and update the same.

Internal Dealing

In accordance with the provisions of Article 114, paragraph 7 of 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 also approved a code of conduct in respect of internal dealing (the “Code on Internal Dealing”) which was last amended by Board resolution of 18 December 2012, aimed at bringing it in line with the amendments intro-

duced to the Rules for Issuers regarding internal dealing by Consob Resolutions no. 16850 of 1 April 2009 and no. 18079 of 20 January 2012.

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 of any and all Significant Transactions involving shares issued by the Issuer or other financial instruments thereto related, that they may effect, including through third party intermediaries.

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

The following transactions shall not however be deemed to be Significant Transactions:

- (i) transactions that collectively do not exceed 5,000.00 (five thousand/00) euros in a solar year, where such significance threshold is calculated by taking account of all transactions involving the Shares and Financial Instruments linked to the Shares carried out on behalf of each Relevant Person and those carried out by Persons closely associated with Relevant Persons during the 12 months prior to the date of the last transaction undertaken, without prejudice to the fact that each subsequent transactions need not be subject to further notice unless they exceed an additional 5,000 euros by year-end;
- (ii) transactions effected free of charge, such as gifts and legacies, and the assignment free of charge of shares and subscription rights as well as the exercise of any and all such rights deriving from stock option plans, it being understood that, in all the cases contemplated in this point, any subsequent re-sale must be deemed to fall within the scope of the Code;
- (iii) transactions effected between Relevant Persons and Persons closely associated with Relevant Persons;
- (iv) transactions effected by the Company and its subsidiaries;
- (v) transactions effected by a lending institution and an investment company, provided that they are part of the creation of a trading portfolio of such institution or company, as defined by Article 11 of Directive 2006/49/EC, as amended and extended by Directive 2013/36/UE, and provided that the same party: (i) keeps its trading and

market-making units separate from its treasury and units responsible for managing strategic equity investments from an organisational standpoint; (ii) is able to identify the shares held for the purposes of trading and/or market-making activity, in a manner that may be subject to review by Consob, i.e., by holding such shares in a specific separate account; and, where it operates as market maker, (iii) is authorised by its home Member State pursuant to Directive 2004/39/EC to conduct market-making activity; (iv) provides Consob the market-making agreements with the market management company and/or the Issuer as required by the law and associated implementing provisions in force in the EU Member State in which the market maker conducts its activity; and (v) notifies Consob that it intends to conduct or conducts market-making activity on the shares of an Issuer of listed shares using form TR-2 contained in Annex 4C; the market-maker shall also notify Consob without delay of the cessation of market making activity on those same shares.

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

Pursuant to the Internal Dealing Code, no Significant Transactions (as defined in the Code) may be effected during the 30 days immediately preceding the scheduled dates of any and all Board meetings called (i) to examine the draft separate and consolidated financial statements or the condensed half-year reports; and (ii) to formulate the proposal for the distribution of dividends, and within the 15 days immediately preceding the scheduled dates of the Board meetings called to examine the quarterly reports as at 31 March and 30 September of each year. Such limitations shall not apply to the exercise of any stock options or option rights and, as limited to Shares deriving from stock option plans, the ensuing disposal transactions, provided they are undertaken concurrently with exercise. In addition, the limitations shall not apply in the case of exceptional situations of subjective necessity, for which the interested party provides adequate justification to the Company.

The aforesaid Code, furthermore, empowers the Board of Directors to further prohibit or restrict purchases, sales, exchanges or other transactions entailing a transfer of title in shares issued by the Company or in financial instruments linked to the said shares, by the said relevant persons, including through third party intermediaries, during specific periods of the year and/or on occasions marking specific events in the Issuer’s corporate life.

The Board of Directors has appointed the Head of Governance and Company Risks Area to implement the provisions of the Code.

6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS (pursuant to article 123-bis, paragraph 2, letter d) of TUF)

The Code sets forth a recommendation for listed companies to set up certain Committees within their Boards of Directors, to be assigned responsibility for certain specific matters.

The roles of these Committees, set up for the purposes of improving the functioning of the Board, are primarily consultative and recommendatory.

In particular, the Code recommends the setting up of an Internal Audit and Risk Committee, a Remuneration Committee and a Nomination Committee. Similarly, the supervisory instructions

issued by the Bank of Italy, and particularly its “Supervisory Provisions Concerning Banks’ Organisation and Corporate Governance” and “Instructions on the remuneration and incentive policies and practices of banks and banking groups”, call for the setting up of Committees within the Board of Directors.

In accordance with the above, the Board of Directors set up both the Internal Audit and Risk Committee and the Remuneration and Nomination Committee, requiring the same to be made up entirely of Non-executive directors and independent Directors.

7. REMUNERATION AND NOMINATION COMMITTEE

In accordance with point 5.P.1. of the Corporate Governance Code and pursuant to “Instructions on the remuneration and incentive policies and practices of banks and banking groups” issued by the Bank of Italy on 30 March 2011, it should be noted that on 24 April 2012 the Board of Directors convened upon the setting up of the Nomination and Remuneration Committee, vesting it with the tasks set forth in the said Code and the supervisory instructions, as described in detail here below.

The decision to assign the functions of the Remuneration Committee and the Nomination Committee to a single Committee was justified by the contiguity of the matters dealt with and taking into account the overall size of the Bank’s Board.

The Remuneration and Nomination Committee is tasked with assisting the Board of Directors in laying down Company policies in respect of the remuneration of the Company’s directors, officers and top management and submitting nomination recommendations for the post of Director.

The current Remuneration and Nomination Committee was appointed by the Board of Directors on 24 April 2012, and is made up as follows:

NAME AND SURNAME	POSITION (AS OF 8 MARCH 2013)
Paolo Baessato	Chairman of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation no. 16191/2007.
Fabio Genovese	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation no. 16191/2007.
Ettore Riello	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation no. 16191/2007.

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

The three members of the same Committee are all Non-executive and Independent Directors. At the time of appointment, the Board ascertained that Paolo Baessato and Fabio Genovese have adequate knowledge and experience in financial matters and Ettore Riello has adequate knowledge and experience in remuneration policies.

The Committee’s responsibilities include advising and making recommendations and proposals to the Board of Directors on

matters pertaining to appointments and remuneration. More specifically, the Remuneration and Nomination 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:
 - a) level of responsibilities in the corporate organisational structure;
 - b) impact on business results;
 - c) profit and loss results achieved by the Company;
 - d) achievement of specific targets set by the Board of Directors;
2. expressing non-binding opinions and proposals on the general principles for determining the remuneration payable to the General Manager and, if appointed, the Joint General Managers, Deputy General Managers and the Central Managers, upon prior proposal from the CEO, according to an independent assessment based on the following criteria:
 - a) level of responsibility and risks associated with the performed functions;
 - b) results achieved in relation to the objectives;
 - c) activities carried out to meet commitments of an exceptional nature;
3. periodically assessing the adequacy, overall consistency and practical application of the general policy adopted by the company for the remuneration of executive directors, directors holding special offices and key management personnel, relying for the last named task on the information provided by the Chief Executive Officer; monitoring the implementation of decisions adopted by the Board by verifying the actual achievement of results and objectives; formulating general recommendations on the matter to the Board of Directors;
4. providing opinions on the determination of the criteria for the remuneration of professionals in a position to impact the Bank’s risk profile, and directly overseeing the proper application of the said criteria;
5. providing the Board of Directors with non-binding opinions and recommendations on the determination of the variable remuneration of company top management, as well as managers tasked with internal audit and risk management functions;
6. expressing a qualitative judgment on the activities undertaken by the General Manager and the Manager responsible for preparing the company’s financial reports and, after consulting with the Internal Audit and Risk Committee, by the heads of the internal control and risk management functions;

7. providing opinions on the determination of severance indemnities to be offered in the event of termination in office ahead of the scheduled expiry of the term of appointment, assessing, where necessary, the effects of such termination on the rights accrued under share-based incentive plans;
8. providing assessments - albeit without overstepping the bounds of their sphere of competence - on the attainment of performance objectives underlying access to incentive plans, and monitoring the evolution and implementation of approved plans, over time;
9. performing preliminary activities in the event the Board of Directors decided to adopt succession plans for Executive Directors;
10. expressing non-binding opinions and proposals for any stock options plans and shares allotment or other share-based incentive systems, also suggesting the objectives associated with the provision of such benefits and the criteria for assessing the achievement of those objectives; monitoring the evolution and application in time of any plans approved by the General Shareholders' Meeting on the Board's proposal;
11. expressing an opinion to the Board of Directors of the Parent Company on proposals relating to the remuneration of Directors holding special offices in strategic subsidiaries, pursuant to Article 2389 of the Italian Civil Code, as well as the general managers and key management personnel of those companies;
12. providing the Board of Directors with reports, recommendations and opinions, duly supported by grounds, as well as a report on the Committee's activities, with the timeliness necessary to allow for due preparation of Board meetings called to pass resolutions on matters pertaining to remuneration;
13. ensuring appropriate functional and operational links with the relevant company structures in charge of preparing and monitoring remuneration policies and practices;
14. working with the other Board committees, in particular with the Internal Audit and Risk Committee of the company in order to evaluate the incentives created by the remuneration system;
15. carrying out any and all other tasks and duties entrusted to the Committee by the Board of Directors through specific resolutions;
16. reporting to the shareholders on the exercise of its own functions, ensuring in particular its participation at the Shareholders' Meeting through its Chairman or any other Committee's member;
17. expressing opinions and proposals to the Board of Directors, particularly with regard to cases of co-optation pursuant to Article 2386, paragraph 1, of the Italian Civil Code;
18. formulating opinions to the Board on resolutions concerning the replacement of members of the committees within the Board of Directors, which may become necessary during the Committee's term of office;
19. expressing opinions on the appointment of corporate officers in the Banca Generali Group Companies;
20. expressing opinions to the Board of Directors regarding its size and composition and expressing recommendations with regard to the professional skills necessary within the Board;
21. expressing opinions to the Board of Directors on resolutions concerning the prior identification of its members' qualities and number and the optimal profile of candidate directors in order to comply with the required professionalism and composition of corporate bodies pursuant to the supervisory law in force from time to time;
22. expressing opinions to the Board of Directors on resolutions regarding the subsequent verification that the qualitative and quantitative composition identified under the previous point is consistent with that resulting from the nomination process; in particular the Committee is requested to provide an opinion on the suitability of candidates who, on the basis of prior analysis, were identified by the Board of Directors as suitable for the office;
23. formulating opinions on resolutions regarding the maximum number of management or control offices that can be held by the Directors in companies listed on regulated markets or in large companies not being part of the Group, subject to the regulations in force from time to time in respect of holding or exercising positions in companies or groups that compete in the banking, insurance and financial services markets.

The procedures governing the functioning of the Remuneration and Nomination Committee are set forth in the Remuneration and Nomination Committee Rules approved by the Board of Directors on 27 November 2006 and last amended by the Board of Directors on 24 April 2012.

Committee meetings are generally held at least once a year and, in any event, with the timeliness necessary to allow for a full treatment and discussion of any and all matters on which the Committee may be requested or required to report to the Board of Directors.

Apart from Committee members, the Chairman of the Board of Auditors and the other Auditors shall attend Committee meetings. The Chief Executive Officer can be invited to participate in meetings of the Committee, save during the discussion of matters regarding him.

Upon invitation, non-members may also attend Committee meetings so as to provide assistance with regard to specific items placed on the agenda.

Directors do not take part in Committee meetings at which recommendations in respect of their own remuneration are drawn up for submission to the Board of Directors.

Internal Audit and Risk Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration plus an attendance fee payable for each meeting they attend.

In 2013 the Remuneration and Nomination Committee met nine times. The meetings lasted about 1 hour and 30 minutes on av-

erage. In the year underway a total of four Board meetings are scheduled; since the beginning of the year as at the date of this report, a meeting was held.

The main activities carried out by the Committee during the year 2013 are listed below.

- on 7 March 2013, it examined the following items:
 - i) recommendations on the optimal qualitative and quantitative composition of the Board of Directors,
 - ii) opinion on the appointment of a Manager in the subsidiary Generali Fund Management S.A.;
- on 27 March 2013, it examined the following items:
 - i) submitting organisational changes concerning the General Management;
 - ii) opinion on the proposed appointments following the organisational changes concerning the General Management;
 - iii) verifying the achievement of the objectives set forth by the MBO system for 2012 and the Long Term Incentive Plan for the period 2010-2012 assigned to the CEO/General Manager, Deputy General Managers and control functions, and consequent analysis of the related variable remuneration;
 - iv) submitting guidelines concerning main changes introduced to the Long Term Incentive Plan of Assicurazioni Generali;
 - v) analysing the provisions for termination indemnity of the CEO/General Manager;
 - vi) Remuneration Report: Banking Group's remuneration policies and report on the application of remuneration policies in 2012;
- on 18 April 2013, it examined the following items:
 - i) opinion on the appointment of the Chairman of the Board of Directors and definition of Chairman's remuneration;
 - ii) determination of personnel involved in the Generali's Long Term Incentive Plan;
 - iii) definition of the lists of objectives underlying the variable component of the remuneration of CEO, Joint General Manager and Central Managers;
 - iv) definition of remuneration of heads of control function and definition of the lists of objectives underlying the variable components of their remuneration;
 - v) analysis and valuation of the results arising from the annual assessment carried out by Assonime on the remuneration systems regarding Directors and Auditors of the Italian listed companies;
 - vi) report on the activities performed by the Nomination and Remuneration Committee;
- on 7 May 2013, it examined the following items:
 - i) verifying the optimal qualitative and quantitative composition of the Board of Directors;
 - ii) consulting and exchanging opinions with the members of the Internal Audit and Risk Committee;
 - iii) definition of the 2012 performance bonus for white-collar employees and executives;
- on 25 June 2013, it examined the following items:
 - i) opinion on the proposed appointments concerning the General Management and its remuneration;
 - ii) presentation of the Rules and definition of objectives of the 2013-2015 Long-Term Incentive Plan of Generali;
- on 8 July 2013, it examined the following items:
 - i) opinion on the appointment of the Joint General Manager, Sales Area, and relevant remuneration;
- on 26 July 2013, it examined the following items:
 - i) definition of the lists of objectives underlying the variable component of the remuneration of the Sales Area Joint General Manager and CFO Area Central Manager; adjustment of the lists of objectives of the Joint General Manager and adjustment of his remuneration package on the basis of the changed organisational structure of the Bank;
- on 15 October 2013, it examined the following items:
 - i) recommendations on the optimal qualitative and quantitative composition of the Board of Directors,
 - ii) opinion on resolutions pursuant to Articles 2386 of the Italian Civil Code and Article 15, paragraph 14 of the Articles of Association;
- on 5 November 2013, it examined the following items:
 - i) verifying the optimal qualitative and quantitative composition of the Board of Directors;
 - ii) information regarding a possible stock option plan of Banca Generali;

The proceedings of each meeting were duly recorded in minutes. Six of the nine meetings held in 2013 were attended by all the Committee's members, while at the others one member was absent.

The attached table sub 2 provides information on the attendance rate of each member at the Committee meetings.

The Remuneration and Nomination Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks, as well as avail of the services of outside consultants. In order for the Committee to carry out its duties, a specific item of 75,000 euros was provided in the budget for the current year.

8. DIRECTORS' REMUNERATION

In accordance with Article 6.P.3 of the Corporate Governance Code and pursuant to "Instructions on the remuneration and incentive policies and practices of banks and banking groups" issued by the Bank of Italy on 30 March 2011, the Board of Directors set up the Remuneration and Nomination 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 "Remuneration and Nomination Committee").

With regard to remuneration, the Company is subject to Provision no. 264010 of 4 March 2008 of the Bank of Italy. With such provision, the Supervisory Body also requires banking sector operators to adopt and implement compensation mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, under the regulations, in addition to establishing the remuneration due to the members of the corporate organs it appoints, the Ordinary Shareholders' Meeting must also approve the compensation policies applicable to directors, and employees, as well as outside consultants and collaborators other than employees.

With subsequent Provision of 30 March 2011, the Bank of Italy transposed Directive 2010/76/CE (so called CRD 3), issuing the "provisions governing the remuneration and incentive policies of banks and banking groups" (hereinafter also "Supervisory provisions"). The so-called CRD 3 Directive sets forth specific principles and requirements that banks must comply with so as to ensure that: remuneration systems are properly designed and implemented; potential conflicts of interest are effectively managed; the remuneration system takes due account of current and prospective risks, the degree of capitalisation, as well as liquidity levels of each intermediary; transparency towards the market is maximised; and oversight by regulatory authorities is reinforced. The proposed Italian text is aimed at promoting - in the interest of all stakeholders - the implementation of remuneration systems that are in line with long-term corporate objectives and strategies, linked to corporate performance but appropriately corrected to reflect all risks, commensurate with the capital and liquidity levels required to cover ongoing business operations, and in any event, designed to avoid distorted incentives that could lead to regulatory violations and excessive risk-taking by individual banks and within the whole system.

The above-mentioned regulation also envisages that:

- (i) in addition to establishing the remuneration of the members of the corporate organs, the Ordinary Shareholders' Meeting shall also approve the remuneration policies applicable to bodies and functions of oversight, management and control, as well as to personnel;
- (ii) the Shareholders' Meeting itself shall be provided information on the procedures through which remuneration policies were applied and implemented (so-called "information after the fact").

This Provision is now subject to amendment (the consultation phase ended on 12 January 2014 and publication of the Provision is currently pending) with the aim of incorporating the provisions of Directive 2013/36/EU ("CRD IV"). The main changes introduced by the Directive pertain to:

- the introduction of a maximum limit of 1:1 for the ratio of the variable to the fixed component of remuneration: the rule is aimed at avoiding extremely high, unbalanced variable compensation with respect to the fixed component that might foster the excessive assumption of risks and might not be consistent with sound, prudent remuneration and incentive policies and practices;
- the attribution to the general meeting of the shareholders, at each member state's discretion, of the power to approve a higher limit for the ratio set out in point 1), in accordance with the conditions, and within the limits, defined in the Directive;
- reinforcement of the provisions governing ex-post adjustment mechanisms for risks (malus and claw-back): in addition to the currently envisaged quantitative indicators, tied to the achievement of results, qualitative indicators were added, tied to the conduct by personnel in the course of the service to the bank. Such aspects may also represent an important mechanism for ensuring sound, prudent management and should guide the payment of remuneration;
- the establishment of limits on variable remuneration where banks fail to observe specific capital requirements: the provision represents an aspect of a general principle of the rules on compensation, which regards financial solidity as an indispensable condition for the payment of incentives;
- the attribution to the EBA of the power to set regulatory technical standards (RTSs) for: (i) the qualitative and quantitative criteria for identifying the most relevant staff; and (ii) the characteristics of the financial instruments to be used for the payment of variable remuneration. Once approved by the European Commission on the basis of the proposal formulated by EBA, the RTSs are binding in nature and are directly applicable without the need for transposition. Accordingly, the provisions are amended, in the points governed by RTSs, with an express reference thereto;
- the revision of the other rules already contained in CRD 3: these include, for example, clarification concerning the possibility of paying guaranteed variable compensation and the updating of public disclosure obligations.

Moreover, Legislative Decree no. 259 of 30 December 2010 included in the TUF the new Article 123-ter, under which a special Remuneration Report - whose contents are described in detail in Annex 3 of the Rules for Issuers - must be approved by the Board of Directors and submitted to the non-binding resolution of the General Shareholders' Meeting called to approve the Financial

Statements.

The above framework is further completed by the recommendations laid down by the Corporate Governance Code for listed companies, adopted by Banca Generali, which incorporates the main aspects of the recommendations issued by the European authorities on the process for determining the remuneration policies and their content.

Therefore, the Shareholders' Meeting of 24 April 2013, also pursuant to Bank of Italy's regulation of 30 March 2011 and Article 6 of the Corporate Governance Code for Listed Companies (the new version was approved in December 2011 by the Corporate Governance Committee), acknowledged the disclosure on the implementation in 2012 of the remuneration policy approved by the General Shareholders' Meeting on 24 April 2012 and approved the new remuneration policy of the Company and the Group. In this regard it should be mentioned that in implementing its remuneration policies, Banca Generali aims at ensuring the greatest possible convergence of the long-term interests of the banking group's shareholders and management, especially by focusing on careful corporate risk management and commitment to long-term strategies. The remuneration package consists of fixed components and variable components. The variable component of the remuneration relative to the fixed component increases in percentage terms the greater the strategic importance of the position to which the remuneration refers.

The fixed components of the remuneration serve to remunerate the managerial and technical skills of employees used to perform the roles assigned to them, in order to ensure managerial continuity and pursue effective and fair internal remuneration policies that are competitive in respect of the external market.

The aim of the recurring variable components of remuneration and long-term incentives (such as stock option plans, stock granting schemes and deferred bonus systems), on the other hand, is to balance directly the interests of the shareholders and those of management.

A Management by Objectives mechanism, consistent with the achievement of the operating and financial results indicated by the budget for the reference year and with indicators reflecting the weighting of business risks, is used for the Managing Director and Executives. The Management by Objectives system is linked to the Balanced Scorecards principle. The variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives are achieved, with a minimum access threshold.

In 2010, a system for the deferral of the disbursement of variable remuneration was introduced for the Generali Banking Group's key management personnel and main network managers who earn a bonus in excess of 75,000 euros.

In 2010, in order to link the variable pay of management personnel even more closely to long-term performance indicators, and in order to also take account of current and prospective risks, the cost of capital and the cash required to meet the needs of

the activities undertaken, accrual of bonuses will be linked not only to the effective results achieved by each manager, but also to an access gate common to the Banking Group's entire staff.

The remuneration patterns of high-level executives and managers are monitored, taking due account of trends recorded on reference markets, using the HAY point-factor job evaluation method. This weighting system enables effective mechanisms to be adopted for monitoring the remuneration dynamics, also with reference to the markets in which the company operates.

Information regarding the emoluments received by Board members and the General Manager during the year is contained in Banca Generali's Remuneration Policy, under the section focusing on the application of the said policy in 2013.

Information regarding the cumulative remuneration received during the year by executives with strategic responsibilities - and that is to say, Joint General Manager Giancarlo Fancel, Sales Area Joint General Manager Gian Maria Mosca, Central Managers Stefano Grassi, Stefano Insaghi and Cristina Rustignoli - as well as further details pertaining to the Company's remuneration policy, will, similarly, be provided in Banca Generali's Remuneration Policy, which will be published pursuant to Article 123-ter of TUF. However, it should be mentioned that in any case the objectives set for the persons in charge of control functions, including the HR Director and the Manager in charge of the Company's financial reports - in accordance with the above-mentioned Bank of Italy's Regulations - are consistent with the tasks assigned to each of them and are not linked to economic results of the Company or the Group.

Pursuant to Article 6.C.4 of the Code, the remuneration due to non-executive directors may not be linked to the Issuer's financial performance. Non-executive directors may not benefit from any stock-based remuneration plan, and are consequently remunerated solely on the basis of fixed compensation established by the General Shareholders' Meeting.

In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 24 May 2006 Banca Generali approved two stock option plans, both subjected to the condition precedent of the commencement of trading of shares in the Company on the electronic share market - MTA (such condition precedent having been met on 15 November 2006): (i) the first of these is reserved to employees of Banca Generali Group companies, whilst (ii) the second is reserved to Banca Generali's financial advisors, area managers and business managers.

In order to cover the aforesaid Stock Option Plans, on 18 July 2006, the Company's Extraordinary Shareholders' Meeting approved a capital increase, in one or more tranches, in the maximum nominal amount of 5,565,660.00 euros, through the issue of a maximum number of 5,565,660 ordinary shares of a 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 Article 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 Article 2441, paragraph 8, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A. Employees", reserved to Banca Generali employees, all of the above in one or more tranches, with the last being effected no later than 30 November 2012.

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

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

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

Pursuant to the applicable Rules, the Delegated Organs awarded:

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

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

Moreover, on 21 April 2010, the Shareholders' Meeting approved a broad-ranging retention programme, which comprised two Stock Option Plans targeted at (a) financial advisors and private bankers, as well as (b) employees serving Banca Generali as Relationship Managers.

This initiative had a twofold objective: maintaining the interest of the distribution network and network managers in line with the interest of shareholders, in the medium- and long-term, as well as enhancing the loyalty of the most promising profession-

als, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity in the medium term.

The new Plans will apply to financial year 2010, in addition to the fourth quarter of 2009, as limited to net inflows associated with the so-called "tax shield".

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

In this regard, options were to be granted in a single instalment to the optionees identified as included in one of the above-mentioned categories by the relevant Plan Management Committee. The grant was conditional upon the achievement of both consolidated Group objectives and individual objectives for the development of net inflows in the reference period.

Pursuant to the applicable Rules, in 2011 the Delegated Organs awarded:

- (i) 2,300,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers;
- (ii) 200,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A. Relationship Managers.

In total, 2,500,000 stock options were awarded pursuant to the aforesaid Plans.

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

In order to give full effect to the Stock Option Plan for the financial advisors and network managers of Banca Generali S.p.A. for 2010 and the Stock Option Plan for the Relationship Managers of Banca Generali S.p.A. for 2010, the Shareholders' Meeting held on 21 April 2010 resolved, pursuant to Article 2441, paragraphs 5 and 8 of the 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”.

Moreover, as a result of the merger of Prime Consult SIM S.p.A., as of 31 December 2002, the Company has assumed the merged company’s commitments under the stock granting plan approved by the latter on 13 June 2001 in favour of its network managers and financial advisors.

Beneficiaries of the plan include: (i) financial advisors in the exclusive service of Prime Consult as at 1 October 2000; (ii) former Prime Consult network managers; (iii) financial advisors falling within the aforesaid categories in the period between 1 October 2000 and 31 December 2001.

The shares were issued in three tranches, to persons who met or maintained specific individual targets. The Delegated Organ awarded, free of charge, 1,402,474 Banca Generali ordinary shares.

Lastly, in approving the Remuneration Policies and with regard to long-term incentives, on 24 April 2013 the General Shareholders’ Meeting resolved to increase the variable component of the remuneration of some of Banca Generali’s managers by admitting the same beneficiaries of the Generali Group’s Long Term Incentive Plan (“LTIP”) for executives serving the Generali Group in Italy and abroad, approved by the General Shareholders’ Meeting of Assicurazioni Generali S.p.A. The plan is targeted at reinforcing the relationship between the remuneration of management and expected performance according to the strategic plan of the Group (“absolute” performance), as well as the relationship between remuneration and value generation in relation to a group of peers (“relative” performance).

Directors’ severance indemnities in the event of resignation, dismissal or severance as a result of a takeover bid (pursuant to Article 123-bis, paragraph 1, letter i) of TUF)

The benefits envisaged in the event of the severance of Chief Executive Officer Piermario Motta include - in addition to the notice indemnity required by law - a sum equivalent to 24 months of recurring compensation (defined as his compensation as Chief Executive Officer, plus half of the average amount actually collected by way of short-term component of variable remuneration over the past three years) in the following cases:

- severance of employment at the employee’s initiative, where a consequence of the Bank’s decision to modify the economic terms of the contract for the position of chief executive officer to the employee’s detriment;
- dismissal by the competent body from the position of chief executive officer at the bank’s initiative, where such initiative is not the result of wilful misconduct or gross negligence by the employee and where such dismissal is in accordance with Mr. Motta’s desire to terminate his employment contract as well.

It is understood that if Mr. Motta is dismissed from only one of the two positions he fills (Chief Executive Officer and General Manager) at the bank’s initiative, the compensation obligation, where applicable, applies if, and only if, Mr. Motta also resigns from the other position concurrently filled.

Such amount will have to be paid in compliance with the “Provisions governing the remuneration and incentive policies of banks and banking groups” issued on 30 March 2011 by the Bank of Italy.

9. INTERNAL AUDIT AND RISK COMMITTEE

The Board of Directors has endowed itself with an Internal Audit and Risk Committee made up of four Board members, all of whom are non-executive and independent, vested with consulting and recommendatory functions.

The current Internal Audit and Risk Committee was appointed by the Board of Directors on 24 April 2012, and is made up as follows:

NAME AND SURNAME	POSITION (AS OF 10 MARCH 2014)
Mario Francesco Anaclerio	Chairman Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation no. 16191/2007.
Paolo Baessato	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation no. 16191/2007.
Giovanni Brugnoli	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation no. 16191/2007.
Anna Gervasoni	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation no. 16191/2007.

The Board of Directors ascertained that Paolo Baessato, Giovanni Brugnoli and Anna Gervasoni have adequate experience in accounting and finance and Mario Francesco Anaclerio and Paolo Baessato have adequate experience in the field of risk management.

Cristina Rustignoli, the Board Secretary, also serves as Internal Audit and Risk Committee secretary.

The functioning of the Internal Audit and Risk Committee is regulated by specific rules (the "Internal Audit and Risk Committee Rules") approved by the Board on 27 November 2006 and last amended during the Board meeting of September 12, 2012.

The Committee is charged with the following tasks and powers: (i) the task of supporting the Board of Directors with adequate investigative activity in its evaluations and decisions concerning the internal control and risk management system and the approval of periodic financial reports; (ii) advisory powers in the area of related party and connected party transactions, in accordance with the terms and conditions established by the related party and connected party transaction procedure approved by Banca Generali (the "Related Party and Connected Party Transaction Procedure") pursuant to current laws and regulations; (iii) advisory and investigative powers in relation to the Board of Statutory Auditors in the area of the statutory auditing of the accounts, pursuant to Italian Legislative Decree no. 39 of 27 January 2010; and (iv) consulting and supporting powers to the decision-making body concerning equity investments, in compliance with the "Equity Investment Management Policy" approved by Banca Generali.

With reference to the internal control system, the Committee assists the Board of Directors in laying down the guidelines of the internal control and risk management system, periodically checking that said system is adequate to the bank's characteristics and risk profile, reviewing its effective functioning and also ensuring that the major company risks (credit, financial and operating risks) have been identified, adequately measured, managed and monitored, as well as determining the degree to which such risks are compatible with management of the enterprise in accordance with the strategic goals identified, in liaison with the responsible company functions.

In this context:

- assists the Board in carrying out the tasks incumbent on the latter pursuant to the Corporate Governance Code of Listed Companies, in respect of the Internal Control and Risk Management system;
- expresses its opinion on the appointment and dismissal of heads of internal control functions;
- monitors the independence, adequacy, efficacy and efficiency of the Internal Audit, Compliance and Risk Management functions;
- ensures that the Internal Audit, Compliance and Risk Management functions possess adequate resources to discharge their duties;
- assesses the work programme prepared by the Compliance, Internal Audit and Risk Management officers and examines the periodic reports prepared by said officers for further submission to the Board for its approval;

- assesses, together with the company Manager responsible for preparing the company's financial reports and after having heard the statutory Auditor and the Board of Statutory Auditors, the sound application and consistency of the accounting principles for the purpose of preparing the consolidated financial statements;
- expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
- reports to the Board of Directors on its activity and the adequacy of the Internal Control and Risk Management system, during the Board meetings called to approve the annual and half-yearly financial statements;
- may request that the Internal Audit, Compliance or Risk Management functions (according to their various specific competencies) perform checks on specific areas of operation while simultaneously notifying the Chairman of the Board of Statutory Auditors thereof;
- may be consulted on specific transactions directly or indirectly entailing a conflict of interests;
- advises, upon request, the Managing Director, the Compliance Officer, the Internal Auditor and the Risk Management Officer on issues or questions that must be dealt with before being submitted to the Board of Directors for its information and/or approval;
- performs the other duties entrusted to it by the Board of Directors;
- undertakes whatsoever may be required pursuant to the resolution establishing its powers and responsibilities, and whatsoever may be necessary or useful for implementing the said resolution.

Regarding related party and connected party transactions, in compliance with the provisions set forth in the Regulations on related party transactions approved by Consob with resolution no. 17221 of 12 March 2010, as further amended and extended by Consob Resolution no. 17389 of 23 June 2010, and as required pursuant to the New Prudential Supervisory Provisions Concerning Banks, Circular no. 263/2006, 9th update of 12 December 2011, Title V, Chapter 5, as well as in compliance with the Procedure for Related Party and Connected Party Transactions adopted by the company, the Committee:

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

ing 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 and Connected Party Transaction Procedure, a binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions.

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:

- assess the proposals put forward by auditing firms to obtain the audit engagement, within the framework of the Company's procedures for appointing the independent auditors in charge of certifying the consolidated financial statements and half-yearly financial statements, with specific reference to the subject-matter of the appointments and the related economic terms and conditions, reporting its findings to the Board of Auditors;
- assess the work schedule of the audit, and examine the results set forth in the report drawn up by the independent auditors together with any suggestions the latter may have put forward, reporting its findings to the Board of Auditors;
- monitor the effectiveness of the processes followed for the statutory auditing of accounts, reporting its findings to the Board of Auditors;
- undertake any and all further tasks that the Board of Statutory Auditors may entrust to it in respect of the statutory auditing of accounts.

Lastly, as far as equity investments are concerned, in accordance with the procedures set forth in the "Equity Investment Management Policy" approved by Banca Generali, the Committee is charged with advisory powers in the various cases described above, expressing, where requested, opinions regarding (i) the granting of significant loans to companies in which the bank holds a qualified equity investment; (ii) the acquisition of a qualified equity investment in a company which has been granted significant loans; (iii) the acquisition of equity investments in companies considered strategic suppliers; and (iv) the acquisition of equity investments in debtor companies aimed at recovering credits. Internal Audit and Risk Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration plus an attendance fee payable for each meeting they attend.

Committee meetings are generally held at least four times a year and, in any event, with the timeliness necessary to allow a full treatment and discussion of any and all matters on which the

Committee may be requested or required to report of the Board of Directors.

At the invitation of the Committee Chairman, Committee meetings may be attended by statutory Auditors, top managers, the Compliance Officer, Internal Auditor, the Risk Management Officer, the Heads of other corporate functions, the Manager responsible for preparing the company's financial reports and any and all other persons whose presence is deemed useful in relation to the items on the agenda.

In 2013 the Internal Audit and Risk Committee met eleven times, for an average of approximately 1 hour and 40 minutes each time. In the year underway a total of 7 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 25 January 2013, the following aspects were examined:
 - i) annual report of the Compliance Service and relevant activity plan for 2013;
 - ii) annual report of the Internal Audit Service and relevant activity plan for 2013;
 - iii) annual report of the Internal Risk Management Service and relevant activity plan for 2013;
 - iv) opinion on the internal audit activity plan for 2013;
- In its meeting on 7 March 2013, the following aspects were examined:
 - i) check of the adequacy of the accounting policies followed in preparing the annual financial statements;
 - ii) annual report on the internal control system and assessments carried out at the subsidiary companies;
 - iii) report within the meaning of Article 2.3.8 of the Internal Audit and Risk Committee Rules;
 - iv) proposal related to the supplementation of the consideration for independent auditing services ;
- In its meeting on 18 April 2013, the following aspects were examined:
 - i) presentation of the ICAAP report;
 - ii) presentation of Pillar 3 public disclosures;
 - iii) periodic report on the activities undertaken by the Internal Audit Service;
 - iv) appointment of new heads in charge of services within the internal audit system;
 - v) public disclosures on a related party and connected party transaction
- In its meeting on 6 May 2013, the following aspects were examined:
 - i) periodic report on the activities undertaken by the Compliance Department;
 - ii) public disclosures on a transaction with related parties and connected parties;
 - iii) consensual resolution of the advisory contracts between Banca Generali and Generali Fund Management;
- In its meeting on 25 June 2013, the following aspects were examined:
 - i) submission of proposals for amendments to the Compliance Service Policy;
 - ii) submission of proposals for amendments to the Anti Money Laundering Service Policy;
 - iii) submission of proposals for amendments to the Rules governing the Risk Management Service;
 - iv) submission of proposals for amendments to the Risk Policies;
 - v) submission of proposals for amendments to internal policies governing controls of activities at risk and conflicts of interest involving Connected Parties;
 - vi) public disclosures regarding related party and connected party transactions;
- In its meeting on 26 June 2013, the following aspects were examined:
 - i) public disclosures on a related party transaction;
- In its meeting on 25 July 2013, the following aspects were examined:
 - i) check of the adequacy of the accounting policies followed in drawing up the interim financial statements;
 - ii) periodic report on the activities undertaken by the Internal Audit Service;
 - iii) public disclosures regarding a related party and connected party transaction;
 - iv) report within the meaning of Article 2.3.8 of the Internal Audit and Risk Committee Rules;
 - v) public disclosures regarding the Bank of Italy's new provisions on the control system;
- In its meeting on 11 September 2013, the following items were examined:
 - i) periodic report on the activities undertaken by the Compliance Department;
 - ii) public disclosures regarding a related party and connected party transaction;
 - iii) public disclosures on the impact of new regulations on anti-money laundering;
 - iv) public disclosures on the Risk Management Service's Reporting package;
- In its meeting on 14 October 2013, the following aspects were examined:
 - i) adjustments to the organisational structure and sizing of control functions;
 - ii) periodic report on the activities undertaken by the Internal Audit Service;
 - iii) public disclosures on a transaction with related parties and connected parties;
- In its meeting on 4 November 2013, the following aspects were examined:
 - i) public disclosures regarding Related Party and Connected Party Transactions;

- In its meeting on 17 December 2013, the following aspects were examined:
 - i) analysis of credit process;
 - ii) Internal Audit and Risk Committee's report on Related Party and Connected Party Transaction Procedure;
 - iii) opinion on the acquisition of a qualified equity investment;
 - iv) public disclosures regarding related party and connected party transactions;
 - v) launch of de-merging project of Generali Fund Management.

The proceedings of each meeting were duly recorded in minutes. Nine of the eleven meetings held in 2013 were attended by all the Committee's members, while at the others one member was absent. The attached table sub 2 provides information on the attendance rate of each member at the Committee meetings. The Internal Audit and Risk Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks, and may also avail of outside consultants, if necessary. In order for the Committee to carry out its duties, a specific item of 75,000 euros was provided in the budget for the current year.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The bank's Board of Directors adopted an organisational model for the Group's internal control system, under which so-called second and third control functions are centralised within the Parent Company, especially so as to meet the need for managerial as well as technical-operating coordination that is as deep-reaching as the strong strategic coordination of group companies, achieved through the presence of representatives of the Parent Company on the governance and control bodies of subsidiaries.

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

The internal control system is therefore a structured set of organisational functions, procedures and rules of conduct aimed at ensuring sound and proper corporate governance in line with preset targets, through adequate processes for identifying, measuring, managing and monitoring the main business risks. The system forms an integral part of the Company's operations and entails the involvement of all corporate structures and sectors, each of which is called upon to ensure constant and continuous risk monitoring, within the limits of its specific sphere of competence.

Within this framework, Banca Generali has set up an internal control system, fully compliant with the provisions of Article 7 of the Corporate Governance Code and, moreover, specifically designed to ensure healthy and prudential corporate management of the bank and the group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.

Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors on 24 January 2008 (with effect as of 1 March 2008) with a view to bringing the same in line with regulations introduced through the provisions for the implementation of MiFID in Italy. Afterwards, the Internal Control System was regularly revised and amended, lastly by the Board's resolution dated 28 March 2013.

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

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

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

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

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

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

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

Responsibility for the Internal Control System, pursuant to applicable regulations, resides with the Board of Directors that is in charge of: (i) establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system; (ii) approving the bank's organisational structure, ensuring that tasks and responsibilities are clearly and properly assigned, and periodically checking the adequacy and effectiveness of the said structure, further ensuring that the main 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, with the support of the Internal Audit and Risk Committee, also carries out periodic assessments of the functioning, effectiveness and efficiency of the internal control system, taking timely corrective action in case of shortcomings and/or anomalies in the performance of the checks themselves.

Pursuant to supervisory regulations, internal control functions must be independent from 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 Function, with effect as from 1 October 2003. His remuneration is examined each year by the Board of Directors and is in line with best market practice.

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

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

Pursuant to applicable regulations, on 28 March 2013, the Board of Directors appointed Luca Giaimo to head the Compliance Service as of 1 May 2013.

The Board of Directors approved the Banking Group's Compliance Policy (as last updated by Board resolution of 26 June 2013) and related Compliance Rules (as last 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 vested Antonino Fici with the responsibility of the Risk Management Service, effective 1 September 2008, and on 28 March 2013, it also vested Julia Merson with the responsibility of the Anti Money Laundering Service, effective 1 May 2013.

As already noted, in compliance with the Code's recommendations regarding internal control, on 27 November 2006, the Board set up within itself an Internal Audit and Risk Committee

in charge, among other tasks, of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "Internal Audit and Risk Committee", above).

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

In order to transpose the Code's provisions on internal controls, pursuant to Article 8 of the Board Rules requires, the Board:

- (i) defined guidelines for the Internal Control and Risk Management System so that the primary risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored, and also determine the degree to which such risks are compatible with management of the Company consistent with the strategic goals identified;
- (ii) assesses, with at least annual frequency, the adequacy of the Internal Audit and Risk Management System with respect to the Company's characteristics and the risk profile assumed, as well as the effectiveness of the System;
- (iii) approves the working plans drafted by the Heads of the Compliance, Anti Money Laundering, Internal Audit and Risk Management functions and review the periodic reports drafted by those functions;

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

- a) strategic control over the development of various business areas in which the Group operates, and the risks arising from the own securities portfolio. This type of control is aimed at monitoring the expansion of the business operations of group companies, and their policies in terms of mergers, demergers and acquisitions. Strategic coordination is ensured primarily through presence 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 company bodies/functions of each of the subsidiaries;
- c) technical-operating control aimed at assessing the profiles

of the various risks incurred by the group as a whole as a result of the business operations of individual subsidiaries.

10.1 The Director in charge of the internal control and risk management system

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

The Chief Executive Officer, to whom the Internal Audit function reports on an operating basis, shall also:

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 Audit and Risk Committee;
2. implement the guidelines laid down by the Board of Directors in designing, setting up and managing the internal control system, and constantly monitor the overall adequacy, effectiveness and efficiency of the same, whilst also adapting the said system to changes in operating conditions and in the applicable statutory and regulatory framework;
3. recommend to the Board, after hearing the opinion of the Internal Audit and Risk Committee, the appointment, dismissal and remuneration of a person in charge of internal control;
4. request that the heads of Internal Audit, Compliance or Risk Management, each according to their respective competencies, conduct audits of specific operating areas and compliance with internal rules and procedures in carrying out company operations;
5. report in a timely manner to the Audit and Risk Committee and the Board of Directors concerning the problems and critical issues brought to light, or of which he/she has otherwise become aware, so that they make undertake the appropriate initiatives.

Functional reporting to the Chief Executive Officer is consistent with industry regulatory provisions for banks of the size of Banca Generali. In any event, it is ensured that the Internal Auditor may report directly on the activity performed to the Board of Directors, Board of Statutory Auditors and Internal Audit and Risk Committee.

10.2 Internal Auditor

On 25 September 2003, the Board of Directors appointed Francesco Barraco head of the Internal Control Department and Head of the Internal Audit Function, with effect as from 1 October 2003. In keeping with Banca Generali's organisational model, the Internal Audit function is vested with a dual role: (i) an *institutional* role arising from the fact that the Company is the parent company of a banking group and involving the direct auditing of all the Group's operating and managerial processes, whilst also developing control models, methods and tools; (ii) a service role under which the Company's Internal Audit department undertakes internal auditing activities for other Group companies, pursuant to outsourcing arrangements.

The Internal Auditor:

1. is charged with verifying that the internal control system is always adequate, fully operational and functional; to that end, he/she verifies, both on an ongoing basis and in relation to specific needs, and in accordance with international standards, the suitability of the internal control and risk management system, through an audit plan approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks;
2. is not to be assigned responsibilities for any operating department and not to be hierarchically answerable to the head of any operating department, including the administration and finance department;
3. is to be afforded direct access to any and all the information that may be useful for the performance of his/her duties;
4. is to be endowed with adequate resources for the performance of his assigned duties;
5. reports on his/her actions to the Internal Audit and Risk Committee, Board of Statutory Auditors, Board of Directors and Chief Executive Officer, preparing periodic reports containing adequate information about his/her activity, the manner in which risks are managed and compliance with the plans defined to contain those risks. Expresses an opinion, in particular on the effectiveness of the internal control and risk management system in ensuring an acceptable overall risk profile;
6. prepares reports on events of particular significance in a timely manner, forwarding them to the bodies mentioned above;
7. verifies the reliability of the systems in the context of audit plans;
8. has a budget to refer to for completing his/her tasks and activities.

During the year, Internal Audit activity pertained in particular to the safeguards associated with risks arising from IT and security processes, privacy, the processing of customers' orders, risk management (credit, liquidity, operating, anti-money laundering and fraud risk), investment services and administrative and ac-

counting entries, with intervention at all levels of control with the responsible departments. The Internal Auditor also monitored the improvement paths for existing controls, which were initiated as a result of previous audits follow ups.

Main features of the Company's risk management and internal control systems related to the financial reporting process (pursuant to Article 123-bis, paragraph 2, letter b) of TUF)

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 responsible for preparing the company's financial reports works within this framework. The Manager is charged by Italian Law no. 262 of 28 December 2005 ("Law 262") with the critical task of ensuring the reliability of accounting documents and availability of adequate administrative and accounting procedures for listed companies based in Italy.

The Manager responsible for preparing the company's financial reports is responsible for defining the methodological and organisational aspects of adopting the financial reporting risk model within the Company and Group to the extent of the powers and means granted to him/her under paragraph 4 of Article 154-bis of the TUF.

The financial reporting risk model adopted is based on a process developed by the Company in accordance with the following reference frameworks, which are generally recognised and accepted internationally:

- (i) the CoSO (Committee of Sponsoring Organisation of the Treadway Commission). Internal Control - Integrated Framework, released in 1992, defines guidelines for assessing and developing an internal control system. In the CoSO Framework, the model refers to the component of the internal control system concerning the processes of collection,

processing and publication of financial information flows (financial reporting);

- (ii) COBIT (Control Objective for IT and Related Technology, built by the IT Governance Institute based on the CoSO Framework), provides specific 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 responsible for preparing the company's financial reports.

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

The key characteristics of the financial reporting risk model adopted by Banca Generali are summarised below, with particular reference to: (A) phases of the model; (B) departments/employees involved in the model and their respective roles; (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 2013, such companies accounted for nearly all of consolidated assets). In relation to the consolidated accounts, significance is determined based on the guidelines generally used in audit procedures. Processes are considered significant and therefore subject to analysis

if, from an accounting perspective, they have a potential impact on the consolidated accounts. All processes involved in period-end reporting are included in the scope of processes to be analysed. Each process is assigned an analysis priority based on quantitative elements. Lastly, qualitative elements referring to the companies' risk profiles, which are based on both internal and external factors, are added to the scope of analysis. The scope of analysis is revised at least annually or when warranted by changes in the Group's structure.

Each risk is evaluated to determine its level of significance based on its inherent risk (or gross risk), which does not consider the mitigating effect of controls associated with it. The assessment of gross risk is based on a combination of (i) the probability that the event, that could potentially cause an administrative or accounting error, will occur during a specific timeframe, and (ii) the impact that such event could have on accounting and financial data and, consequently, on the presentation of a true and fair view of assets, liabilities, profit or loss and financial position. The probability is determined by the frequency of controls and how they are carried out, while the impact is measured based on the priority of the analysis process, as described above. The result of the assessment process can be either "high", "medium" or "low". Furthermore, as part of the assessment, control objectives are established in accordance with best market practice. Each control objective is associated with a specific financial assertion (existence or occurrence, completeness, valuation or allocation, presentation and disclosure, rights and obligations).

(ii) Identification and assessment of controls for mitigating identified risks;

The financial reporting risk model includes the following types of controls: (a) company-level; (b) process-level; (c) information technology.

The structure of the controls is designed so as to allow adequate identification and assessment and is based on four main characteristics:

- a) time of execution: controls can be either preventative or after-the-fact;
- b) the execution procedure: manual, automatic or semi-automatic;
- c) nature (i.e., structural characteristics): authorisation, reconciliation, management review, etc.;
- d) frequency (i.e., time interval of controls): weekly, monthly, quarterly, etc.

Control analyses include a phase in which the adequacy of the design is evaluated and a phase in which the actual application is evaluated according to specific methods for each type of control. If during these phases shortcomings are identified in the management of financial reporting risk, the appropri-

ate corrective measures or actions are determined. The implementation of corrective measures or actions is constantly monitored by the Manager responsible for preparing the company's financial reports.

(a) Company-level controls

The goal of company-level controls is to ensure the existence of an organised, formal company structure designed to reduce the risk of improper conduct through adequate governance systems, standards of conduct based on ethics and integrity, efficient organisational structures, clarity in the assignment of powers and responsibilities, adequate risk management policies, employee disciplinary systems, efficient codes of conduct and fraud-prevention systems. Adequacy assessments focus on ensuring the existence and dissemination of the appropriate tools (such as policies, codes, rules, service rules, etc.) used to identify rules of conduct applicable to company employees. The next phase involves evaluating the actual application of the aforementioned rules.

(b) Process-level controls

Process-level controls are carried out at a more detailed level than company-level controls and are aimed at mitigating financial reporting risk through controls included in the Company's operating processes. Assessments of control adequacy are carried out by identifying company processes, determining the key controls used to manage financial reporting risk and evaluating the appropriateness of such controls in mitigating this risk. Efficiency assessments involve verifying the actual and correct execution of controls and the adequacy of related documentation.

(c) Controls on Information Technology (IT)

IT controls focus on processes associated with managing and handling information stored in the computer systems used to create the financial statements. Specifically, analyses are performed on controls concerning software purchases and maintenance, physical and logical security management, application development and maintenance, data completeness and accuracy, IT risk analysis and information system management. As for the applications used to create the financial statements, in relation to business processes as well as period-end reporting, analyses focus on evaluating the adequacy of controls as they pertain to the key best practices and reference frameworks used and ensuring that controls remain functional according to standardised methodologies. The analyses also evaluate the efficiency of the main automatic controls performed by applications as part of major processes;

(B) The departments/employees involved in the model, their roles and information flows

Consistent with the internal control and risk management system adopted by the Company, the financial reporting risk model engages its corporate boards and operating and control units

in an integrated management approach based on the various levels of responsibility so as to guarantee the model's ongoing adequacy.

The Board of Directors, with the support of the Internal Audit and Risk Committee, ensures that the model enables the identification, assessment and control of major risks, at both the Company and Group level, through the definition of strategies and general internal-control and risk-management guidelines. In compliance with applicable legislation, the Board also ensures that the Manager responsible for preparing the company's financial reports has the necessary means and powers to perform the duties assigned to him/her under Italy's Law no. 262.

The Manager responsible for preparing 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 responsible for preparing 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 Regulations 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 Department periodically evaluates the efficiency of procedures and controls included in these processes and supports the Law 262 Organisational Unit in its assessment of the risks and related controls within the Group's administrative and accounting processes.

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 no. 262. They are responsible for ensuring that the documentation system put in place by the Group's dedicated units is consistent with actual operations. This is achieved by promptly communicating changes that have been made and implementing corrective actions designed to address any shortcomings found.

Furthermore, if key activities and/or controls that are the responsibility of a department other than the Process Owner's are identified within a process, a Sub-Process Owner is appointed with the duty and responsibility of ensuring that operations are consistent with company procedure. This is achieved by identifying, formalising and continuously updating the portion 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.

10.3 Organisational model pursuant to Legislative Decree no. 231/2001

Legislative Decree no. 231 of 8 June 2001 introduced the principle that corporations may be held liable for specifically listed offences committed or attempted in their interest and/or for their benefit by individuals entrusted with corporate representation, administration and management, or individuals subjected to the management or oversight of one of the latter.

The above-mentioned Decree provides for exemption from this form of liability in the case of entities which have adopted and effectively implemented organisational and management models designed to prevent the aforesaid offences.

The adoption of an Organisational and Management Model (hereinafter the "Model") is not an obligation or duty, but a right, that the Company has decided to exercise in order, not only to restructure and formalise, where necessary, a system of preventive checks aimed at preventing conduct entailing administrative liability for the Company pursuant to the above-mentioned Decree, but also to ensure the Company's own integrity, and to boost the effectiveness and the transparency of corporate operations.

On 19 June 2006, the Board of Directors approved the Company's Organisational and Management Model, drawn up in light of the Company's specific operating conditions and requirements. The aforesaid Model must be constantly updated taking due account of changes in the relevant regulatory framework. A copy of the Model is available on the website www.bancagenerali.com/About us/Corporatestructure/BancaGenerali. Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid main goal underlying its adoption and aims at preventing from all types of

offences contemplated in the relevant laws. 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.

The Board of Directors has decided that the Company's Supervisory Board shall consist of a panel made up of a non-executive and independent Director, the Head of Governance and Company Risks Area and the Head of the Internal Audit Department.

The make-up of the current Supervisory Body, the members of which are specified in the table below, was approved by the Board of Directors on 12 September 2012:

NAME AND SURNAME	OFFICE HELD
Mario Francesco Anaclerio	Chairman and Non-executive Director
Francesco Barraco	Head of Internal Audit Department
Cristina Rustignoli	Head of Governance and Company Risks Area

With respect to the guidelines envisaged in the Bank of Italy's Circular no. 263, in the first part of 2014 the duties and responsibilities assigned to the Supervisory Body will be transferred to the Board of Statutory Auditors.

In carrying out its tasks, the Supervisory Board is to avail of the support of other corporate departments, especially the Compliance Department.

10.4 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 ap-

pointment of the auditing firm Reconta Ernst & Young S.p.A., appointed with the resolution passed at the Shareholders' Meeting of 18 July 2006, to the date of approval of the financial statements for the year ending 31 December 2014. As a consequence of this extension, the total number of consecutive years subject to auditing is nine, and, therefore, the appointment complies with the provisions of Article 17, of Legislative Decree no. 39 of 27 January 2010.

10.5 Manager in charge of the Company's financial reports

Article 154-bis of Legislative Decree no. 58 of 24 February 1998, introduced by Law no. 262 of 28 December 2005, requires inter alia:

- 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;
- 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;
- 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 Manager in charge of the company’s financial reports, in compliance with Article 154-*bis* of Legislative Decree no. 58 of 24 February 1998, establishing the powers and resources of the same.

Paragraph 4 of the same Article provides that the said Manager shall be selected from amongst the company executives in possession of the following professional qualifications:

- 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 26 June 2013, pursuant to the Articles of Association, and taking into consideration the opinion of the Board of Statutory Auditors, the Board of Directors appointed Stefano Grassi to serve, as of 1 September 2013, as Manager responsible for preparing the company’s financial reports, within the meaning of Article 154-*bis* of Legislative Decree no. 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.

Stefano Grassi is in charge of the CFO Area and is tasked with ensuring the proper and timely preparation of the Company and the banking group’s accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

The Board of Directors of 26 June 2013, effective 1 September 2013, granted Mr. Grassi, head of the CFO Area, assigned the role of Manager responsible for preparing the company’s financial reports, the following powers, which are to be exercised, with separate signing authority, in accordance with the general directives imparted by the Board of Directors and the guidelines established by the Chief Executive Officer and the General Man-

agement, as well as in the context of the strategies of the banking group in question:

1. coordinating and supervising the activities of the Departments and Services that report to his Area of competence, reporting to the Joint General Manager on the results and activities of those departments and services;
2. implementing Board resolutions, in the course of all activities falling within his remit, in accordance with the guidelines imparted by the Chief Executive Officer and the General Management;
3. in the course of all activities falling within his remit, recommending to the Joint General Manager, to whom he reports, measures designed to ensure the optimal organisation of the activities of the Company’s offices, on the basis of functional criteria that, by breaking down tasks, allows for concurrent and subsequent checks as well as the determination of individual responsibilities;
4. recommending to the Joint General Manager, to whom he reports, up to the limits of his/her responsibilities, to determine the job description and assigned tasks of employees in service at offices, in accordance with the guidelines established by the Board of Directors and the Chief Executive Officer;
5. formulating proposals regarding the annual budget and strategic plan;
6. formulating proposals concerning the draft financial statements and consolidated financial statements, as well as periodic economic reports;
7. as Manager responsible for preparing the company’s financial reports, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, ensuring 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;
8. as Manager responsible for preparing the company’s financial reports, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, drawing up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial reports as well as any and all other financial notices;
9. as Manager responsible for preparing the company’s financial reports, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, certifying, 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;

10. certifying that the documents were drawn up in accordance with the international accounting principles applicable within the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
11. certifying that the Directors' report on operations attached to the annual financial statements and the consolidated financial statements includes a reliable analysis of the business trends, operating result and financial situation of the Issuer and all the companies making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;
12. certifying that the interim Directors' report on operations attached to the interim financial statements includes a reliable analysis of the information mentioned in Article 154-ter, paragraph 4, of Legislative Decree 58/1998;
13. undertaking any commitment, including of an economic nature, and undertake whatsoever else that may be necessary for discharging the tasks mentioned in Article 154-bis of Legislative Decree no. 58/1998;
14. for the purposes of discharging the tasks and/or exercising the powers mentioned in article 154-bis of Legislative Decree no. 58/1998, availing 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.
15. expressing his opinion concerning the proposals formulated by the Central Managers responsible for writing off loans, totally or partially waiving repayment of any credit extended, and thus waiving the guarantees acquired, where applicable, consenting to notations for the cancellation, subrogation, restriction, reduction and/or subordination of mortgages and/or liens and/or other collateral and settling disputed positions;
16. expressing his opinion concerning the proposals formulated by the Central Managers responsible for writing off expenses incurred by the company due to employee errors;
17. within the framework of the budget approved by the Board, covering the Company's current expenses;
18. representing the Company before any and all offices of the Financial Administration and to effect any and all tax filings and related formalities; to resist tax assessments and audits and to settle tax disputes;
19. within the framework of the budget approved and up to the limits of his responsibilities, with a threshold of 100,000.00 euros for each individual asset, acquiring, disposing of, barter or otherwise exchanging or transferring personal property, including personal property subject to registration, collecting amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
20. within the framework of the approved budget and within his remit, negotiating and entering into, amending and terminating 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 entering into commitments for the supply of tangibles, the acquisition of intangibles, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of 100,000.00 euros per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc), or payments required pursuant to law;
21. within the limits of his responsibilities and delegated powers or with the approval of the relevant corporate organ, operating the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;
22. within the limits of his responsibilities, to liaise with any and all public authorities and bodies, the Bank of Italy, the Italian market regulator Consob, as well as any and all national and international entities and organisations, effecting any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;
23. with the approval of the relevant corporate organ, approving loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
24. issuing demand drafts;
25. signing, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
26. opening and closing, 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;
27. foreclosing loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefor;

28. endorsing and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;
29. exercising the powers granted to him from time to time by the regulations adopted by the bank and all other powers granted to him on an ongoing basis or from time to time by the Board of Directors or General Management, in the context of his responsibilities.

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 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.

10.6 Coordination amongst parties involved in the internal control and risk management system

Methods of coordination between the various parties involved

in the internal control and risk management system have been established with the aim of avoiding overlapping and ensuring complete coverage of the various risks. Efforts to this end included the following: the Risks Committee - a collegial body in which members of the senior management and central managers acting as area heads participate - was instituted

- i) collegial meetings have been planned between the Board of Statutory Auditors and the heads of control functions, especially in conjunction with the preparation of the activity plan;
- ii) a specific circular was issued concerning the coordination of activities between internal audit, compliance, anti-money laundering and risk management with the aim of formulating an effective plan of activities, while respecting the independent authority of each;
- iii) a shared network folder was created for use by the various control functions;
- iv) the boards of statutory auditors of group companies periodically hold joint meetings;
- v) the Board of Statutory Auditors participates in the meetings of the Internal Audit and Risks Committee and the Chairman of the Board of Statutory Auditors participates in the meetings of the Remuneration and Nomination Committee;
- vi) the Board of Statutory Auditors periodically attends meetings of the Supervisory Board;
- vii) the various control functions perform the necessary analyses jointly on specific projects and subjects.

For information concerning the other parties involved in the internal control and risk management system, refer to Chapter 10, Internal Control and Risk Management System.

11. DIRECTORS' INTERESTS AND RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

In compliance with 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), Banca Generali's Board of Directors - after hearing the opinion of the Internal Audit and Risk Committee set up within the Board of Directors and made up of independent directors - approved procedures aimed at ensuring the transparency as well as the procedural and substantive correctness of related party transactions (the "Related Party Transaction Procedure" or merely the "Procedure").

Following the adoption by the Bank of Italy, on 12 December 2011, of the Provisions on risk activities and conflicts of interest of banks and banking groups with Connected Parties, on 21 June 2012 the Board of Directors of Banca Generali, in view of the contiguity of the matters, supplemented the above Procedure by including the provisions on Connected Parties within the same Procedure and passing resolution on a new version of the "Related Party and Connected Party Transaction Procedure".

The new Related Party and Connected Party Transaction Procedure, in force as from 31 December 2012, is intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on Related Party and Connected Party Transactions governing the related investigation activities and approval, reporting and disclosure powers.

The Procedure shall apply to Related Party Transactions and Connected Party Transactions:

- a) are to be effected in exercise of the Company's powers of management and coordination over subsidiaries within the meaning of Article 2359 of the Italian Civil Code; and
- b) pursuant to the system of delegated powers currently in force, are subject to prior assessment and approval by the Company.

Authorisation must be obtained from the Company in any event for any and all Highly Significant Related Party Transactions or Connected Party Transactions to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Italian Civil Code.

To ensure full and proper disclosure of any and all Related Party and Connected 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 and connected 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 decision-making body through 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 Related Party and Connected Party Transactions, at least on a quarterly basis;
- (iii) the Chairman of the Board of Directors shall ensure that adequate information on all Moderately Significant Related Party Transactions pertaining to the Board of Directors and all Highly Significant Related Party Transactions without exception, is made available not only to all Directors in compliance with Article 2381 of the Italian Civil Code, but also to the Board of Statutory 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 pursuant to Article 2429, paragraph 2, of the Italian Civil Code and Article 153 of the Consolidation Law on Finance.

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

The Procedure for Related Party Transactions can be viewed on the corporate website (www.bancagenerali.com), section *Corporate Governance - Corporate Governance System - Governance Policies*.

Moreover, the Prudential Supervisory Provisions for Banks, and, in particular, Bank of Italy Circular no. 263/2006, as amended by the 9th update of 12 December 2011, introduced new industry-wide regulations governing risk-taking and conflicts of interest in respect of Connected Parties (Title V, Chapter 5, of the said Circular). The provisions in question are aimed at containing the risk that the closeness of certain persons to the bank's decision-making centres could compromise the objectivity and impartiality of decisions pertaining to the approval of loans and other transactions involving the said persons, and potentially give rise to distortions in the resource-allocation process, expose the bank to risks that are not adequately measured or contained, and/or result in harm and losses to depositors and shareholders. In pursuit of this objective, the aforesaid regulatory provisions include within the scope of the term "Related Parties", first and foremost, the company top management, main shareholders and other persons in a position to influence bank management, in light of their seniority or authority, or otherwise, the delegated

powers vested in them, whether to be exercised individually or jointly with others. The regulatory provisions specify that conflicts of interest might emerge even in course of business and other dealings with subsidiaries or entities over which the bank exercises considerable influence, or in respect of which the bank is significantly exposed pursuant to loans, and/or as a result of participating interests held in the same.

Under the aforesaid provisions, any related party and any and all persons thereto connected fall within the scope of the definition of the term "connected parties", all of which are subject to quantitative restrictions and procedural rules imposed under the said regulatory framework. The quantitative restrictions consist in the imposition of prudential limits on the amount of risk a bank or banking group may assume in respect of the said parties, it being understood that the related ceilings are differentiated on the basis of the type of related party in question, with a view to ensuring proportionality with the closeness of the ties and the repercussions of associated risks in terms of sound and prudent business management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with related parties qualifying as non-financial entities. The regulatory framework is completed by supplementing prudential restrictions with procedural requirements entailing specific decision-making steps designed to ensure the proper allocation of resources and adequately protect third parties against undue harm and losses. Moreover, specific guidelines relating to organisational arrangements and internal controls enable the identification of corporate bodies' responsibilities and corporate functions tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time.

In order to duly implement the above-mentioned regulatory framework, on 18 June 2012, Banca Generali's Board of Directors, approved specific "Internal Policies Governing Controls of Risk Assets and Conflicts of Interest in Relation to Connected Parties". Those Policies were updated by the Board of Directors on 26 June 2013 with the aim of reflecting the changes of an organisational nature effective 1 May 2013, which primarily entailed modifications of the organisational model for the management of risk assets and conflicts of interest with Connected Parties.

The said "Policies", *inter alia*:

- (i) require risk-appetite levels to be maintained in line with the strategic profile and organisational features of the bank or banking group, it being understood that the appetite for risk is also defined in terms of the maximum risk exposure towards connected parties, that may be considered acceptable in light of regulatory capital requirements, taking due account of the cumulative risk assumed in respect of the sum total of connected parties;
- (ii) without prejudice to Banca Generali's existing rules and reg-

ulations with regard to conflicts of interests, sets forth specific provisions governing business dealings with connected parties, and the sectors of operations and types of economic relationships involved, which whilst not necessarily entailing risk-taking, could give rise to conflicts of interest;

- (iii) regulate organisational processes designed to identify and individually list all connected parties, duly recording and quantifying any and all transactions effected with the same, at all stages of the relationship;
- (iv) require the implementation of checks and monitoring procedures designed to ensure that risks are properly assessed and managed throughout the course of dealings with connected parties, and that internal policies are appropriately designed and effectively enforced.

Obligations of Company officers and executives pursuant to Legislative Decree no. 136 of TUB

With regard to the obligations binding on company officers and executives of banks, it must be borne in mind that pursuant to Article 136 of the Consolidation Law on Banking (TUB), as last amended with Legislative Decree no. 179/2012, the said persons are barred from assuming obligations and/or effecting trading transactions of any nature or kind whatsoever, with the bank. This prohibition may only be overcome with the favourable resolution of the management body, and with the unanimous vote of all the members of the control body, without prejudice to the obligations set forth by the Italian Civil Code regarding the directors' interests as well as related party and connected party transactions.

In order to ensure thorough oversight of situations that might give rise to a potential conflict of interest, Banca Generali took the appropriate measures, and in particular all company exponents are directly and personally informed, upon appointment, of the content of the legislation in question through a brochure entitled "Obligations of Bank Exponents - General Concepts", which summarises applicable legislation and the pertinent interpretative guidance, as well as a "Declaration Form" that all company exponents are to compile and that satisfies both the Consob and Bank of Italy rules on Related Party and Connected Party Transactions and the prescriptions of Article 136 of the Consolidated Banking Act.

Moreover, bearing in mind that on 21 June 2012, in compliance with the requirements imposed under the Consob Regulation no. 17221 of 12 March 2010 and the Bank of Italy Provisions of 12 December 2011, Banca Generali S.p.A.'s Board of Directors approved the "Procedure for Related Party and Connected Party Transactions", within the framework of an internal project aimed at designing and implementing, both from an IT and an organisational standpoint, a multi-regulatory process for managing the type of transaction in ques-

tion, Banca Generali adopted the application software Easy Regulation that enables: (i) the identification and listing of Relevant Persons, whilst also allowing data pertaining to the same, to be managed and processed; (ii) the identification of those of Bank's transactions that fall within the scope of the various regulations; (iii) the registration and monitoring of the said transactions; (iv) the identification of transactions subject to specific procedural requirements, whilst supporting the computerised management and processing of transactions that exceed significance thresholds; (v) the production of personalised reports.

It must be pointed out that the process model selected by Banca Generali and supported by Easy Regulation is designed to ensure the streamlined, integrated and multi-regulatory management of Related Party and Connected Party Transactions and transactions with Company Executives pursuant to Article 136 of TUB.

Lastly, in compliance with the provisions set forth in the "Procedure Related Party and Connected Party Transactions" approved by the Board of Directors on 21 June 2012, the Bank's specific unit, made of one or more members of the Corporate Secretariat Service, has been entrusted with following main tasks: (i) updating the list of the persons and parties involved, after having identified the latter; (ii) managing decision-making procedures, information flows regarding the transactions, and relations with the Audit and Risk Committee and the Board of Directors; (iii) managing internal and external transparency obligations with supervisory bodies; (iv) drawing up the reports to be filed under the aforesaid Consob and Bank of Italy regulations; (v) coordinating activities with relevant corporate functions of the Parent Company and Subsidiaries.

12. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of three 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 1.00%. Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the 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 of the two sections of the lists, save for those featuring less than three candidates, must present candidates in a manner that ensures gender balance. Each candidate may appear on only one list, upon penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file the following documentation at the registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence of

causes of incompatibility and of ineligibility, as well as possession of the requisites of integrity and professionalism which prevailing laws require for the office of Auditor of the Company. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office.

The lists, signed by the submitting shareholders, shall be filed at the Company's registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any and all forms required by applicable laws and regulations, no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call. In the case where, by the aforesaid deadline, submission has been made of only one list or only of lists submitted by shareholders associated amongst themselves, the relevant statutory and regulatory provisions shall apply.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the 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 the number of regular Auditors belonging to the gender less represented falls short of the threshold established under applicable statutory provisions, the candidates appearing in the regular Auditor section of the list obtaining the highest number of votes will be replaced following the order in which the candidates were presented for election.

In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list.

Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof by majority of the votes cast, in accordance with law.

In the event of votes being equal between two or more lists the younger candidates will be elected until all the posts to be assigned have been filled.

The first candidate on the list obtaining the highest number of votes, from amongst those lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes on the overall shall be elected Chairman of the Board of Statutory Auditors. In the event of submission of a single list, the first candidate specified therein will take the chairmanship.

In the case of the death, resignation or forfeiture of an acting Auditor, the first alternate Auditor belonging to the same list as the replaced Auditor will succeed him. Such alternate will succeed him for a period conterminous with the term of the other 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 and the procedure for the

replacement of the members of the Board of Statutory Auditors fails to ensure gender balance on the same, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with immediate effect, and accordingly, a Shareholders' Meeting must be called to pass resolutions on the appointment of a new Board of Statutory Auditors pursuant to the voting list system set forth above.

The members of the Board of Statutory Auditors must be selected from amongst persons who have acquired, on the overall, at least three years' experience in:

- a) professional activities or permanent university teaching in legal, economic, financial and technical/scientific subjects strictly pertinent to the Company's business activities;
- b) senior management functions in public entities or public administration operating in sectors strictly pertinent to the Company's activity.

In such regard, Article 20 of the Articles of Association provides that: (i) fields and sectors closely related to the Company's business activities shall include all those mentioned in point (a) above pertaining to banking, and economic sectors closely related thereto; (ii) economic sectors closely related to banking shall include the credit, parabanking, financial and insurance sectors.

13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, letter d), TUF)

The Banca Generali's Board of Statutory Auditors currently in office was appointed by the General Shareholders' Meeting on 24 April 2012.

The table provided in Attachment 3 lists the members of the Board of Statutory Auditors as of 31 December 2013, other information about them and Board meeting attendance.

The Shareholders' Meeting of April 24, 2012 unanimously elected the members of the Board of Statutory Auditors from the only list presented by controlling shareholder Assicurazioni Generali S.p.A. The list contained the nominees that were elected, as follows: Acting Auditors (Giuseppe Alessio Verni, Alessandro Gambi and Angelo Venchiarutti) and Alternate Auditors (Luca Camerini and Anna Bruno).

At the time of the next renewal of corporate bodies, the Issuer shall implement all measures to comply with applicable laws governing gender balance within governing and control bodies as set forth by Law no. 120 dated 12 July 2011, effective as of the first renewal of corporate bodies subsequent to 12 August 2012.

A summary profile of the members of the Board of Statutory Auditors is provided below.

Giuseppe Alessio Verni. Born in Trieste on 5 October 1964, Giuseppe Alessio Verni graduated in Economics from the University of Trieste in 1989. He is registered with the rolls of Certified Public Accountants and Commercial Experts of Trieste, as well as the list of Certified Auditors, the rolls of the Technical Consultants to the Civil Court of Trieste. Within the framework of his professional activities, he has acquired experience in the field of accounting, business administration, finance, taxation and tax litigation, and as a valuer of corporations and extraordinary corporate transactions. Since 1993, he 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. Within the banking Group, he also serves as the Chairman of the Board of Auditors of Banca Generali S.p.A. and Generfid S.p.A. Verni is also a Statutory Auditor of Assicurazioni Generali and another listed company, as well as in other companies belonging to the Generali Group.

Alessandro Gambi. Born in Ferrara on 17 May 1965, he graduated in Economics from the University of the same city in 1989, he is registered with the Roll of Certified Public Accountants and Commercial Experts of Trieste, in the list of Certified Auditors since 2000 and with the rolls of the Technical Consultants and Experts since 1999.

He provides specialist consultancy services in the fields of corporate accounting, taxation and company law, and is often appointed to value corporations ahead of extraordinary transactions. She serves as an Acting and Alternate Auditor at various Generali Group companies.

He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company.

Angelo Venchiarutti. Born in Rome on 20 September 1956, he graduated in Law from the University of Trieste in 1981. He earned a doctorate in Civil Law in May 1983, was appointed Associate Professor of Comparative Private Law in 1999 and subsequently tenured Professor of Private Law. He currently holds various positions within the University of Trieste where he has conducted a large number of university and other courses. He is also involved in research, and has published a large number of papers on civil law, comparative private law and commercial and insurance law. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company. Within the banking group, he also serves as the Chairman of the Board of Auditors of BG Fiduciaria SIM S.p.A.

Luca Camerini. Born in Trieste on 8 October 1963, he graduated in Economics from the University of Trieste in 1988. He is registered with the rolls of Certified Public Accountants of Trieste as well as the list of Certified Auditors. He has had his own practice since 2008. Within the Banking Group, he is a sitting member of the Boards of Auditors of BG Fiduciaria SIM S.p.A. and serves as Acting Auditor and Alternate Auditor in other Generali Group Companies.

Anna Bruno. Born in Trieste on 16 October 1967, Anna Bruno obtained her diploma in Accounting and Business and is registered with the Roll of Certified Accountants and Expert Auditors of Trieste and the Institute of Certified Auditors. She serves as an Acting and Alternate Auditor at various Generali Group companies.

The Board of Statutory Auditors met 20 times in 2013. The average attendance of Auditors at Board of Directors' meetings in 2013 was 100.00%. A total of 20 meetings are planned for 2014. To date, three meetings have been held since the beginning of the year.

Under the New Bank of Italy Provisions, the company body vested with control functions is required to periodically verify its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank.

The provisions in question also require the members of the company body vested with control functions to meet a level of professionalism in line with the size and operational complexity of the Bank, and to devote sufficient time and resources to discharging their duties, whilst also establishing that on the occasion of the appointment of company officers and periodically over time, the number of similar positions held must be verified and evaluated, with special attention to those requiring greater involvement in the current business of the Company. In light of the above, Article 20 of the Articles of Association, establishes, by way of reference to applicable regulations, both, the maximum number of other appointments a member of Banca Generali's Board of Auditors may simultaneously hold, and the requirements of professionalism to be met by the members of the said board.

In addition to meeting the requirements of personal integrity and independence and not labouring under any of the causes of unfitness or disqualification contemplated under special regulations and the Corporate Governance Code for Listed Banks, members of the Board of Auditors must also satisfy the requirements of professionalism set forth below, under penalty of forfeiting their appointments: at least one Standing Auditor and one Alternate Auditor (and in any event, the Chairman) must be registered with the Rolls of Certified Public Accountants, it being understood that sitting and alternate members of the said Board who do not meet this requirement must have acquired specific experience: a) as professional practitioners or full university professors specialising in law, economics, finance or technical-scientific fields closely related to the Company's specific sector of business; b) in managerial positions in public administrations or undertakings operating in sectors closely related to the Company's business operations.

Moreover, pursuant to the Bank of Italy Provisions, no member of the control body may hold any position within any body other than control bodies within other companies belonging to the group or financial conglomerate, and/or within companies in which the Bank holds, directly or indirectly, a strategic stake (that is to say, at least 10% of the share capital or voting rights at the Ordinary Shareholders' Meeting of the investee company, and 5% of the Banking Group's consolidated assets).

Satisfaction of the relevant requirements is verified by the Board of Directors in accordance with applicable supervisory regulations as well as the provisions of the Code.

Banca Generali's Board of Directors last verified satisfaction of the relevant statutory requirements for acting members of the Board of Directors on 8 May 2012.

All the members of Banca Generali's Board of Auditors must be enrolled with the Order of Certified Public Accountants and

Auditors, save for one member who must, in any event, meet the requirements of professionalism referred to above; all the members of the Board of Auditors must also be independent within the meaning of both Legislative Decree no. 58/1998 and the Self-regulatory Code.

The Board of Auditors last verified the independence of its members on 14 February 2014.

In carrying out the aforesaid assessments, the Board of Statutory Auditors applied all the criteria recommended in the Corporate Governance Code in respect of the independence of Directors.

Any Auditor who holds any interest, whether on his own behalf or on behalf of others, in any transaction effected by the Company, must give timely and exhaustive notice of the nature, origin and terms of the said interest, to the other Auditors and the Chairman of the Board of Directors. The same reporting obligations shall be binding, *mutatis mutandis*, on any Auditor falling within the scope of the cases contemplated in Article 136 of TUB.

The Board of Statutory Auditors has monitored the independence of the independent auditors, in terms of both compliance with the relevant requirements, and the nature and volume of non-auditing services rendered to the Company and its subsidiaries by the said independent auditors and entities belonging to the same network.

Given that, pursuant to statutory requirements, non-auditing services must be entrusted to an independent auditor, Article 20 of the Articles of Association vests the Board of Auditors with the power/duty to liaise with the other persons and parties with oversight responsibilities; forms of ongoing coordination have been developed to serve this purpose, entailing, inter alia, the scheduling of specific meetings especially for periodic exchanges of information and views between the Board of Auditors and the independent auditor. In respect of these issues the Board of Auditors may, if it deems fit, also avail of the advice and support of the Internal Audit and Risk Committee, as contemplated in the relevant Committee Rules.

Moreover, the Parent Company's control body must operate in close collaboration with its counterparts within subsidiaries. In performing its duties, the Board of Statutory Auditors coordinated its efforts with the control units (compliance, anti money laundering, internal audit and risk management).

The Chairman of the Board of Directors ascertained that the Auditors, after their appointments, could participate in initiatives aimed at providing them with an adequate knowledge of the business sector in which the Issuer operates, of the corporate dynamics and the relevant evolutions, as well as the relevant regulatory framework.

14. INVESTOR RELATIONS

Banca Generali feels that it has a specific interest - as well as a duty towards the market - to engage in ongoing dialogue, based on a mutual understanding of roles and responsibilities, with its Shareholders, in general, as well as with institutional investors, such dialogue being placed within the framework of procedures for the public disclosure of corporate information and documents.

In particular, the Company avails of Shareholders' Meetings to provide Shareholders with information on the Company and its prospects, obviously, in compliance with the regulations governing inside information, and therefore, whenever necessary, by simultaneously disclosing the same information to the market.

The management of daily relations with Shareholders is entrusted to the Company Secretariat Service within Governance and Company Risks Area.

On the other hand, the Investor Relations Department that reports directly to the Joint General Manager, is in charge of liaising with institutional investors.

The Company uses its website to allow the public to consult constantly updated information regarding the Company, its products and services.

Apart from a presentation and historical overview of the Company and the Group, the website hosts the most significant documents pertaining to Corporate Governance, all the press releases on the main corporate events as well as financial and accounting data.

The website also presents the Calendar of Events indicating the dates of meetings of Corporate Organs, such as Shareholders' and Board meetings called for the approval of the draft annual financial statements, the consolidated financial statements, the half-yearly condensed report and interim reports, as well as for making decisions in respect of purely financial matters.

In order to ensure the transparency and effectiveness of the information disclosed to the public, the website is constantly updated.

INVESTOR RELATIONS

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Fax +39 02 69 462 138

Investor.relations@bancagenerali.it

15. GENERAL SHAREHOLDERS' MEETINGS (Pursuant to Article 123-bis, paragraph 2, letter c) of TUF)

The procedures governing the conduct of Shareholders' Meetings are regulated by the Articles of Association and the Regulations of the Shareholders' Meeting.

The condition of shareholder implies acceptance of the Memorandum of Association and of the Articles of Association.

The Shareholders' Meeting is the body that expresses the Company's will through its resolutions. Resolutions adopted by Shareholders' Meeting in compliance with the law and the Articles of Association are binding on all shareholders, including those who are absent or dissenting.

The Shareholders' Meeting may be held at the registered office or at another venue, provided that it is in Italian territory. The Shareholders' Meeting is convened by the Board of Directors. Shareholders are called through published notice, under the terms and conditions required by applicable laws and regulations. The Shareholders' Meeting is called whenever the 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 compli-

ance 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. In respect of related party and connected party transactions, pursuant to the procedure adopted by the Company in such regard, the Shareholders' Meeting is vested with the decision-making powers assigned to it under applicable regulations. In emergency situations arising from corporate crises, any and all related party and connected party transactions subject, under law, to shareholder approval, may only be effected pursuant to shareholder resolutions passed in accordance with the terms, conditions, procedures and deadlines imposed under applicable regulations and the aforesaid Procedure adopted by the Company.

Under the Article 18 of the Articles of Association, the Board of Directors is exclusively qualified to deliberate on matters pertaining to the setting up or closing down of secondary offices, indication of which Directors may represent the Company and use the company signature, mergers, in the cases permitted by law, amendments to the provisions of the Articles of Association that no longer comply with new and mandatory regulatory provisions.

Nine Directors attended last Shareholder's Meeting on 24 April 2013. On that occasion, the Board reported in respect of completed and scheduled activities and ensured that all Shareholders were provided adequate information on all pertinent matters so as to enable them to make informed decisions. The Nomination and Remuneration Committee informed all Shareholders on the activities it performed in respect of remuneration policies.

Regulations of the Shareholders' Meeting

Pursuant to Article 23 of the Board Rules, the Company encourages Shareholders to attend all Shareholders' Meetings.

The Board shall report to the Shareholders' Meeting in respect

of completed and scheduled activities and shall ensure that all Shareholders are provided adequate information on all pertinent matters so as to enable them to make informed decisions about the items placed on the agenda of Shareholders' Meetings.

In compliance with the recommendations of the Code, the Shareholders' Meeting of 3 October 2006 approved its own Regulations (lastly amended by resolution of the General Shareholders' Meeting on 20 April 2011), setting forth the procedures to be followed in order to ensure orderly proceedings. The Regulations of the General Shareholders' Meeting are available for consultation at the Company's registered offices as well as on its website, under the section "*Corporate Governance-AGM-Attending the AGM*".

The said Regulations are aimed at regulating the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and orderly functioning of the same and, in particular, the right of each shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.

In particular, persons with the right to speak, the Directors, and the Statutory Auditors have the right to speak on each one of the issues placed up for discussion and make proposals on them.

Pursuant to Article 127-ter of TUF, shareholders are entitled to submit questions regarding the items placed on the Agenda even before the Shareholders' Meeting. Questions submitted prior to the Shareholders' Meeting shall be answered at the very latest during the course of the Shareholders' Meeting itself, even by treating several questions regarding the same subject-matter as a single query.

Entitled Attendees who intend to take the floor shall submit a written request to the Chairman, after the items on the agenda

have been read out and before the discussion on the item subject to the request to speak has been declared closed.

If the Chairman so authorises, requests to take the floor may be made by raising the hand.

In the case where written requests to take the floor are required, the Chairman shall grant the floor in accordance with the order in which requests to speak were received. In the case where requests to take the floor are made by the raising of hands, the Chairman shall grant the floor to the person who first raises his hand; in the case where it is not possible to determine precisely which person was the first to raise his or her hand, the Chairman shall grant the floor in accordance with the order established by the Chairman himself, at his sole discretion.

The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to entitled attendees according to their areas of expertise or when deemed useful by the Chairman, after the speech of each one or after all speeches have been given on each item of the agenda, taking due account of any and all questions raised by shareholders prior to the Shareholders' Meeting and left unanswered until the latter. Persons with the right to speak have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda as well as the number of persons requesting the floor and any and all questions raised by shareholders prior to the meeting and left unaddressed by the Company, shall announce the period of time available for each Entitled Attendee to take floor, such time, as a general rule, being established at no less than five and no more than ten minutes for each speaker. When such period of time has expired, the Chairman may invite the entitled attendee to conclude within another five minutes.

16. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-bis, paragraph 2, letter a) of TUF)

Further information of corporate governance practices is provided in the relevant individual paragraphs of this Report.

17. CHANGES SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE

No changes were brought to the corporate governance structure since the end of the financial year.

Milan, 10 March 2014

THE BOARD OF DIRECTORS

Annex 1

Information on company ownership

Structure of the share capital

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	115,402,682	100	Listed on the electronic share market (MTA) of Borsa Italiana S.p.A.	All the rights contemplated under the Italian Civil Code and Articles of Association
Shares with limited voting right	0	0	-	-
Shares without voting right	0	0	-	-

Other financial instruments (giving right to underwrite newly issued shares)

	LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED	NO. OF OUTSTANDING INSTRUMENTS	CATEGORY OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE	NO. OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

Significant shareholdings

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY STOCK	% OF VOTING STOCK
Assicurazioni Generali S.p.A.	Generali Italia S.p.A.	33.4254	33.4254
	Generali Vie S.A.	9.6272	9.6272
	Genertellife S.p.A.	4.8778	4.8778
	Alleanza Assicurazioni S.p.A.	2.4309	2.4309
	Genertel S.p.A.	0.4401	0.4401
Threadneedle asset management holdings Ltd.	Threadneedle Asset Management Holdings Ltd.	2.1469	2.1469

Annex 2

Board of Directors' and Committees' Structure

BOARD OF DIRECTORS (AS OF 10 MARCH 2014)						
OFFICE HELD	MEMBER	IN OFFICE FROM ⁽¹⁾		IN OFFICE UNTIL	LIST (M/N)	EXECUTIVE
Chairman	Paolo Vagnone	25.07.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2012		(*)	
Chief Executive Officer	Piermario Motta	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014		M (***)	X
Director	Mario Francesco Anaclerio	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014		M (***)	
Director	Paolo Baessato	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014		M (***)	
Director	Giovanni Brugnoli	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014		M (***)	
Director	Philippe Donnet	15.10.2013	Ass, bilancio 31.12.2013		(****)	X
Director	Fabio Genovese	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014		M (***)	
Director	Anna Gervasoni	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014		M (***)	
Director	Angelo Miglietta	21.04.2009	Shareholders' Meeting to approve the fin. statements as of 31.12.2014		M (***)	
Director	Ettore Riello	20.07.2007	Shareholders' Meeting to approve the fin. statements as of 31.12.2014		M (***)	

(1) The date refers to the first appointment.

(2) In determining the total number of companies in which appointees to the Company's Board of Directors hold directorships or auditorships, no account may be taken of companies belonging to the Company's Group, with the exception of corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations. Appointments to the corporate organs of several companies belonging to a single corporate group, other than the Company's Group, are, in practice, generally considered as a single appointment, with the exception of corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations.

(*) On 25 July 2012 Mr. Vagnone was appointed Director by co-option; on 8 August 2012 he was appointed Chairman of the Board of Directors.

(**) The Chairman, as required by the Bank of Italy's provision, does not have any operating power within the company.

(***) The Majority list was the only list presented.

(****) On 15 October 2013, Mr. Donnet was co-opted as Director.

Directors who left office during the reference year

BOARD OF DIRECTORS						
OFFICE HELD	MEMBER	IN OFFICE FROM		IN OFFICE UNTIL	LIST (M/N)	EXECUTIVE
Director	Raffaele Agrusti	08.08.2012		30.09.2013	(*)	X

(*) On 8 August 2012, Mr. Agrusti was co-opted as Director.

Necessary quorum to present lists for the latest appointment: 2%

Number of meetings held during reference year:

Board of Directors: 13

Internal Audit and Risk Committee: 11

Remuneration and Nomination Committee: 9

NON-EXECUTIVE	BOARD OF DIRECTORS (AS OF 10 MARCH 2014)			NUMBER OF OTHER OFFICES ⁽²⁾	INTERNAL AUDIT AND RISK COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	INDEPENDENT AS PER CODE	INDEPENDENT PURSUANT TO ART. 37 OF CONSOB REGULATION NO. 16191/2007	(%)		MEMBER	(%)	MEMBER	(%)
X (**)			100	0				
			100	0				
X	X	X	92	19	X Chairman	100		
X	X	X	100	3	X	100	X Chairman	100
X	X	X	100	3	X	82		
			67	0				
X	X	X	92	1			X	100
X	X	X	92	3	X	100		
X			85	11				
X	X	X	62	4			X	67

NON-EXECUTIVE	BOARD OF DIRECTORS			NUMBER OF OTHER OFFICES	INTERNAL CONTROL COMMITTEE		REMUNERATION COMMITTEE	
	INDEPENDENT AS PER CODE	INDEPENDENT AS PER TUF	(%)		MEMBER	(%)	MEMBER	(%)
			80	2				

Annex 3

Statutory Auditors' structure

BOARD OF STATUTORY AUDITORS (AS OF 10 MARCH 2014)			
OFFICE HELD	MEMBER	IN OFFICE FROM ⁽¹⁾	IN OFFICE UNTIL
Chairman	Giuseppe Alessio Verni	01.11.1998	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014
Standing Auditor	Angelo Venchiarutti	15.11.2006	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014
Standing Auditor	Alessandro Gambi	21.04.2009	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014
Alternate Auditor	Luca Camerini	21.04.2009	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014
Alternate Auditor	Anna Bruno	23.11.2009	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014

(1) The date refers to the first appointment.

(*) The majority list was the only list presented.

Leaving auditors during reference year: 0

Necessary quorum to present lists for the latest appointment: 2%

Number of meetings held during reference year: 20

BOARD OF STATUTORY AUDITORS (AS OF 10 MARCH 2014)

LIST (M/N)	INDEP. AS PER CODE	(%)	NUMBER OF OTHER OFFICES
M (*)	X	100	11
M (*)	X	100	5
M (*)	X	100	7
M (*)	X	-	5
M (*)	X	-	7





2



RMY 18.68 - 0.7%

22%

▼ 22%

-0.4

-0.44

▼ 31.26

0.0040

0.0015

2

**CONSOLIDATED
FINANCIAL STATEMENTS**

as of 31 December 2013

BOARD OF DIRECTORS 10 MARCH 2014

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

Assets		
(€ THOUSAND)	31.12.2013	31.12.2012 ^(*)
10. Cash and deposits	9,613	10,386
20. HFT financial assets	229,905	222,548
40. AFS financial assets	1,626,121	1,733,885
50. HTM financial assets	2,652,687	3,000,330
60. Loans to banks	291,379	843,368
70. Loans to customers	1,499,771	1,308,585
120. Property and equipment	4,080	4,416
130. Intangible assets	46,010	47,362
<i>of which:</i>		
- goodwill	38,632	38,632
140. Tax receivables:	38,260	41,276
a) current	3,467	1,720
b) prepaid	34,793	39,556
b1) as per Law no. 214/2011	11,617	11,629
150. Non-current assets held for sale and disposal groups	74,209	-
160. Other assets	130,619	105,222
Total assets	6,602,654	7,317,378
Net equity and liabilities		
(€ THOUSAND)	31.12.2013	31.12.2012 ^(*)
10. Due to banks	2,230,871	2,229,896
20. Due to customers	3,588,700	4,491,173
40. Financial liabilities held for trading	597	1,448
80. Tax payables:	27,768	36,620
a) current	22,316	33,365
b) deferred	5,452	3,255
90. Liabilities associated with disposal groups	66,252	-
100. Other liabilities	142,598	95,013
110. Employee termination indemnities	4,585	4,600
120. Provisions for liabilities and contingencies:	72,151	63,805
b) other provisions	72,151	63,805
140. Valuation reserves	5,460	-11,475
170. Reserves	164,221	139,841
180. Additional paid-in capital	37,302	16,591
190. Share capital	114,895	112,938
200. Treasury shares (-)	-41	-41
210. Minority interests (+/-)	6,039	7,166
220. Net profit (loss) for the year (+/-)	141,256	129,803
Total net equity and liabilities	6,602,654	7,317,378

(*) Restated pursuant to IAS19 Revised.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Items	31.12.2013	31.12.2012 ^(*)
(€ THOUSAND)		
10. Interest income and similar revenues	144,492	157,392
20. Interest expense and similar charges	-22,650	-45,840
30. Net interest income	121,842	111,552
40. Fee income	438,859	384,633
50. Fee expense	-204,560	-170,568
60. Net fees	234,299	214,065
70. Dividends and similar income	915	739
80. Net income (loss) from trading activities	-2,538	8,485
90. Net profit from hedging	-	-937
100. Gain (loss) from sales or repurchase of:	20,603	4,067
a) receivables	1,710	-4,311
b) AFS financial assets	18,903	7,549
c) HTM financial assets	-10	829
d) financial liabilities	-	-
120. Net banking income	375,121	337,971
130. Net adjustments/reversals due to impairment of:	-6,073	-4,284
a) receivables	-4,915	-3,572
b) AFS financial assets	-1,299	-1,016
c) HTM financial assets	141	304
d) other financial transactions	-	-
140. Net result from banking operations	369,048	333,687
180. General and administrative expense:	-177,468	-158,997
a) staff expenses	-71,504	-66,346
b) other general and administrative expense	-105,964	-92,651
190. Net provisions for liabilities and contingencies	-22,899	-18,613
200. Net adjustments/reversals of property and equipment	-1,720	-1,759
210. Net adjustments/reversals of intangible assets	-3,351	-2,734
220. Other operating expense/income	31,302	19,139
230. Operating expense	-174,136	-162,964
270. Gains (loss) from disposal of investments	-4	-4
280. Profit (loss) from operating activities before income taxes	194,908	170,719
290. Income taxes for the year on operating activities	-48,843	-37,500
300. Net profit after income taxes	146,065	133,219
310. Income of disposal groups, net of taxes	-124	451
320. Net profit for the year	145,941	133,670
330. Minority interests (+/-) for the year	-4,685	-3,867
340. Net profit (loss) for the year of the Parent Company	141,256	129,803

(*) Restated pursuant to IAS19 Revised.

STATEMENT OF COMPREHENSIVE INCOME

Items	31.12.2013	31.12.2012 (*)
(€ THOUSAND)		
10. Net profit for the year	145,941	133,670
Other income net of income taxes without reversal to Profit and Loss Account		
40. Actuarial gains (losses) from defined benefit plans	-223	-824
Other income net of income taxes with reversal to Profit and Loss Account		
100. AFS financial assets	17,158	45,754
130. Total other income, net of income taxes	16,935	44,930
140. Comprehensive income	162,876	178,600
150. Comprehensive income attributable to Minority Interests	-4,685	-3,867
160. Consolidated comprehensive income attributable to the Parent Company	158,191	174,733

(*) Restated pursuant to IAS19 Revised.

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDEND	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	GROUP NET EQUITY	NET EQUITY OF MINORITY INTERESTS
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER								
Net equity at 31.12.2012	114,860	-	16,591	131,172	10,046	-11,475	-	-	-41	133,670	394,823	387,657	7,166
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2013	114,860	-	16,591	131,172	10,046	-11,475	-	-	-41	133,670	394,823	387,657	7,166
Allocation of net income of the previous year	-	-	-	27,768	-	-	-	-	-	-133,670	-105,902	-102,490	-3,412
- Reserves	-	-	-	27,768	-	-	-	-	-	-27,768	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-105,902	-105,902	-102,490	-3,412
Change in reserves	-	-	-	66	437	-	-	-	-	-	503	503	-
Transactions on net equity	1,957	-	20,711	-	-3,436	-	-	-2,400	-	-	16,832	19,232	-2,400
- Issue of new shares	1,957	-	20,711	-	-3,891	-	-	-	-	-	18,777	18,777	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividend	-	-	-	-	-	-	-	-2,400	-	-	-2,400	-	-2,400
- Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	455	-	-	-	-	-	455	455	-
Comprehensive income	-	-	-	-	-	16,935	-	-	-	145,941	162,876	158,191	4,685
Net equity at 31.12.2013	116,817	-	37,302	159,006	7,047	5,460	-	-2,400	-41	145,941	469,132	463,093	6,039
Group net equity	114,895	-	37,302	157,174	7,047	5,460	-	-	-41	141,256	463,093	-	-
Minority interests	1,922	-	-	1,832	-	-	-	-2,400	-	4,685	6,039	-	-

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDEND	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	GROUP NET EQUITY	NET EQUITY OF MINORITY INTERESTS
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER								
Net equity at 31.12.2011	113,597	-	3,231	118,769	8,719	-56,341	-	-2,680	-248	77,374	262,421	258,245	4,176
Change in opening balances	-	-	-	-	-	64	-	-	-	-	-64	-64	-
Amount at 01.01.2012	113,597	-	3,231	118,769	8,719	-56,405	-	-2,680	-248	77,374	262,357	258,181	4,176
Allocation of net income of the previous year	-	-	-	12,403	-	-	-	2,680	-	-77,374	-62,291	-61,415	-876
- Reserves	-	-	-	12,403	-	-	-	-	-	-12,403	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	2,680	-	-64,971	-62,291	-61,415	-876
Change in reserves	1	-	-	-	3,710	-	-	-	-	-	3,711	3,712	-1
Transactions on net equity	1,262	-	13,360	-	-2,383	-	-	-	207	-	12,446	12,446	-
- Issue of new shares	1,262	-	13,360	-	-3,095	-	-	-	207	-	11,734	11,734	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividend dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	712	-	-	-	-	-	712	712	-
Comprehensive income	-	-	-	-	-	44,930	-	-	-	133,670	178,600	174,733	3,867
Net equity at 31.12.2012	114,860	-	16,591	131,172	10,046	-11,475	-	-	-41	133,670	394,823	387,657	7,166
Group net equity	112,938	-	16,591	129,795	10,046	-11,475	-	-	-41	129,803	387,657	-	-
Minority interests	1,922	-	-	1,377	-	-	-	-	-	3,867	7,166	-	-

CONSOLIDATED CASH FLOW STATEMENT

Indirect method		
(€ THOUSAND)	31.12.2013	31.12.2012
A. OPERATING ACTIVITIES		
1. Operations	173,522	145,368
Net profit (loss) for the year	145,941	133,079
Gain/loss on financial assets and liabilities held for trading	921	-3,274
Gain/loss on hedging assets	-	-
Net adjustments due to impairment	6,073	4,284
Net adjustments of property, equipment and intangible assets	5,071	4,493
Net provisions for liabilities and contingencies and other costs/revenues	8,346	2,735
Taxes included in taxes not paid	-13,704	28,859
Adjustments of discontinued operations	124	-
Other adjustments	20,750	-24,808
2. Liquidity generated by/used for financial assets (+/-)	483,329	-1,213,847
Financial assets held for trading	-8,716	-181,499
Financial assets measured at fair value	-	-
AFS financial assets	120,611	-339,235
Loans to banks: repayable on demand	31,120	157,370
Loans to banks: other receivables	519,348	-488,308
Loans to customers	-163,418	-347,393
Other assets	-15,616	-14,782
3. Net liquidity generated by/used for financial liabilities (+/-)	-875,834	2,597,804
Due to banks: repayable on demand	-	78,958
Due to banks: other payables	-3,388	1,073,489
Due to customers	-919,101	1,438,679
Securities issued	-	-
Financial liabilities held for trading	-1,447	-878
Financial liabilities measured at fair value	-	-
Other liabilities	48,102	7,556
Net liquidity generated by/used for operating activities	-218,983	1,529,325

Indirect method		
(€ THOUSAND)	31.12.2013	31.12.2012
B. INVESTING ACTIVITIES		
1. Liquidity generated by	1,475,759	696,498
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of HTM financial assets	1,475,759	690,998
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-	5,500
2. Liquidity used for	-1,168,024	-2,238,838
Purchase of equity investments	-	-
Purchase of HTM financial assets	-1,164,637	-2,234,666
Purchase of property and equipment	-1,388	-847
Purchase of intangible assets	-1,999	-3,325
Purchase of business units and equity investments in subsidiaries	-	-
Net liquidity generated by/used for investing activities	307,735	-1,542,340
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	18,777	11,733
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-108,302	-62,291
Net liquidity generated by/used for funding activities	-89,525	-50,558
NET LIQUIDITY GENERATED BY/USED FOR IN THE YEAR	-773	-63,573
Reconciliation		
Cash and cash equivalents at year-start	10,386	73,959
Liquidity generated/used in the year	-773	-63,573
Cash and cash equivalents - effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	9,613	10,386

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PART A - ACCOUNTING POLICIES

Part A.1 - General

Section 1 - Declaration of compliance with international accounting standards

These consolidated financial statements have been drawn up in compliance with Italian Legislative Decree no. 38 of 28 February 2005, based on the International Accounting Standards issued by the International Accounting Standards Board (IASB) and interpretation of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the European Commission with Regulation no. 1606 of 19 July 2002.

The consolidated financial statements at 31 December 2013 was prepared based on the "Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups," which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree no. 38/2005. Such instructions were issued in Circular Letter no. 262/05 "Banks' Financial Statements: Layouts and Preparation," through a Provision dated 22 December 2005. The Instructions

set forth binding rules Governmentsng the layouts and preparation of financial statements and the minimum contents of the Notes and Comments.

The second update to Circular Letter no. 262 was issued on 21 January 2014. The Circular Letter, which is discussed in further detail below, applies immediately, including to financial statements for the year ended 31 December 2013.

In preparing the annual financial statements, Banca Generali adopted the IASs/IFRSs in force at 31 December 2013 (including SICs and IFRICs), which were endorsed by the European Commission.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2013, several amendments to the IASs/IFRSs, and IFRIC documents were adopted and new IFRICs were issued.

International Accounting Standards endorsed in 2012 and 2013, and effective as of 2013	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IAS 19 Employee Benefits	475/2012	06.06.2012	01.01.2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	475/2012	06.06.2012	01.01.2013
Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets	1255/2012	29.12.2012	01.01.2013
IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1255/2012	29.12.2012	01.01.2013
IFRS 13 Fair Value Measurement	1254/2012	29.12.2012	01.01.2013
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1255/2012	29.12.2012	01.01.2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	1256/2012	29.12.2012	01.01.2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1256/2012	29.12.2012	01.01.2013
Annual Improvements to IFRSs 2009-2011 Cycle (issued by the IASB in May 2012)	301/2013	27.03.2013	01.01.2013
Amendments to IFRS 1 - Government Loans	183/2013	04.03.2013	01.01.2013

International Accounting Standards endorsed but not effective yet	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRS 10 Consolidated Financial Statements	1254/2012	29.12.2012	01.01.2014
IFRS 11 Joint Arrangements	1254/2012	29.12.2012	01.01.2014
IFRS 12 Disclosure of Interests in Other Entities	1254/2012	29.12.2012	01.01.2014
IAS 27 Separate Financial Statements	1254/2012	29.12.2012	01.01.2014
IAS 28 Investments in Associates and Joint Ventures	1254/2012	29.12.2012	01.01.2014
IFRS 10, IFRS 11 and IFRS 12 Amendments: Transition Guidance	313/2013	04.04.2013	01.01.2014
IFRS 10, IFRS 12 and IAS 27 Amendments: Investment Entities	1174/2013	20.11.2013	01.01.2014
IAS 36 Amendment: Recoverable Amount Disclosures for Non-Financial Assets	1374/2013	19.12.2013	01.01.2014
IAS 39 Amendment: Novation of Derivatives and Continuation of Hedge Accounting	1375/2013	19.12.2013	01.01.2014

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

The new standards and interpretations that have entered into force do not have a significant impact on Banca Generali's operations, except as specified below with regard to the revision of IAS 19 and the application of IFRS 13, analysed in greater detail in the following sections A2 and A3 of these Notes.

Circular Letter no. 262 of 22 December 2005 "Banks' Financial Statements: Layouts and Preparation" - 2nd update of 21 January 2014

The second update to Circular Letter no. 262 adopts the changes to international accounting standards (IASs/IFRSs) endorsed by the European Commission and entered into force as of the financial statements for financial years ended on, or in progress at, 31 December 2013:

- amendments to IAS 1 - *Presentation of Items of Other Comprehensive Income*;
- amendments to IFRS 7 - *Offsetting Financial Assets and Financial Liabilities*;
- new version of IAS 19 - *Employee Benefits*;
- new IFRS 13 - *Fair Value Measurement*;
- Annual Improvements to IFRSs 2009-2011 Cycle (IFRS1, IAS1, IAS16, IAS 32, IAS 34, IFRIC 2).

The main changes are:

- a) the division of the items included in the **Statement of Other Comprehensive Income** into two types reflecting

whether they may be reclassified to profit or loss in subsequent years (IAS 1);

- b) the presentation of qualitative and quantitative disclosures on **fair value and the fair value hierarchy** separately for assets measured at fair value on a recurring or non-recurring basis or measured according to criteria other than fair value (e.g., amortised cost) (cf. Part A and Part B of the Notes and Comments);
- c) new disclosures concerning defined-benefit plans (cf. Part B and Part C of the Notes and Comments);
- d) qualitative and quantitative disclosures on financial assets and financial liabilities (for example, derivative instruments and repurchase agreements) subject to **master netting agreements** or similar agreements, regardless of the satisfaction of requirements for offsetting a financial asset and a financial liability as established by IAS 32, paragraph 42 (cf. Part B of the Notes and Comments).

In addition, in the risk disclosure presented in the Explanatory Notes (cf. Part E), the description of the organisation of risk governance has been revised and new quantitative data have been added concerning own assets, whether recognised or unrecognised, distinguishing between encumbered and unencumbered assets ("asset encumbrance"). In this regard, the CRR Regulation identifies asset encumbrance in sales contracts with repurchase clauses, securities lending transactions and, generally, all forms of encumbrance of a bank's own assets.

Finally, the update incorporates the various measures influencing financial reporting rules previously announced by the supervisory authority in specific notices, in addition to introducing modifications with a minor impact and clarification on specific topics.

Section 2 - Preparation Criteria

The Consolidated Annual Financial Statements consist of the following documents:

- Balance Sheet;
- Profit and Loss Account;
- Statement of Other Comprehensive Income;
- Statement of Changes in Net Equity;
- Cash Flow Statement;
- Notes and Comments.

The accounts are accompanied by a Directors' Report on the bank's operations and situation.

The Consolidated Financial Statements are published in accordance with Article 154-ter of Legislative Decree no. 58/1998, enacted by Legislative Decree no. 195/07, which ratified the Transparency Directive, as amended by Legislative Decree no. 27 of 27 January 2010, enacting Directive 2007/36/CE on the exercise of certain rights of shareholders in listed companies, the so-called Shareholders Rights Directive (SHRD).

The statute requires that listed issuers whose home country is Italy make an **Annual Financial Statements** 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 consolidated financial statements,
- the annual financial statements,
- the Report on Operations, and
- the attestation as per Article 154-bis, paragraph 5.

The Independent Auditors' Report and the Board of Statutory Auditors' Report pursuant to Article 153 of the Consolidated Finance Act (TUF) are published in their entirety with the Annual Financial Statements.

In addition, no fewer than 21 days must lapse between the date of publication of the Annual Financial Statements and the date of the General Shareholders' Meeting.

According to the provisions of Article 3, paragraph 3-bis, of Legislative Decree no. 87/1992, enacted by Legislative Decree no. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the Consolidated Report on Operations and the Separate Report on Operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.

Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree no. 38/2005, the Consolidated Annual Financial Statements were prepared in euros. All amounts in the Accounting Statements are expressed in euro units, while the figures in the Notes and Directors' Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The Financial Statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes. There were no derogations of the application of international accounting standards (IASs/IFRSs).

The Directors' Report on Operations and the Notes and Comments include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (Consob), as well as other non-compulsory disclosures that were deemed necessary to provide an accurate and fair presentation of the bank's situation.

The financial statements and Notes and Comments include figures for the period under review, as well as comparative data at 31 December 2012.

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accruals-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.

In further detail, the directors are reasonably certain that the bank will continue to operate in its current form for the foreseeable future (at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

Contents of the Financial Statements

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

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Other Comprehensive Income consists of items that present changes in the value of some categories of assets recognised in the reporting year through equity valuation reserves, net of the associated tax effect and distinguishing be-

tween any income attributable to the Parent Company and minority interests.

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

The Statement of Changes in Net Equity is presented by inverting the rows and columns with respect to the presentation suggested by the Bank of Italy's Circular no. 262/2005.

The 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 - 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 IN ORDINARY SHAREHOLDERS' MEETING
			INVESTOR	% OF OWNERSHIP INTEREST	
A. Companies in consolidated accounts					
A.1 Recognised using the line-by-line method					
BG Fiduciaria SIM S.p.A.	Trieste (Italy)	1	Banca Generali	100.00	100.00
Generali Fund Management S.A.	Luxembourg	1	Banca Generali	51.00	51.00
Generfid S.p.A.	Milan (Italy)	1	Banca Generali	100.00	100.00
BG Dragon China Sicav	Luxembourg	1	Banca Generali	10.74	94.74

Legend: type of control:

(1) control pursuant to Article 2359, paragraph 1 (1), of the Italian Civil Code (majority voting rights at General Shareholders' Meeting).

The sole change in the scope of consolidation was the inclusion of BG Dragon China Sicav, a Luxembourg UCITS promoted by the subsidiary GFM SA authorised to invest directly in the Chinese equity market, the acquisition of which was finalised in late September.

In detail, Banca Generali has subscribed for all of the class-A shares of the SICAV and holds a 10.74% interest in the capi-

tal of the SICAV and 94.74% of the voting rights in its general meeting; consequently, it is in a situation of control as defined in IAS 27.

However, the Bank's investment is temporary in nature because it is intended to allow the launch of the SICAV.

Accordingly, the equity investment may be regarded as a purchase of an asset solely in view of subsequent resale in the near

term, pursuant to IFRS 5.32.c, and has thus been accounted for according to that Standard as a disposal group.

The characteristics of the transaction and the accounting criteria adopted are analysed in further detail in Part G - Business Combinations of these Notes and Comments.

The consolidated accounts include the Separate Financial Statements of the Parent Company and the subsidiaries at 31 December 2013, 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 in other assets/liabilities and other revenues/expenses, respectively.

Dividends distributed by subsidiaries were eliminated from the Consolidated Profit and Loss Account and a corresponding adjustment was made to income reserves.

Business combinations

Business combinations are regulated by the IFRS 3 - *Business Combinations*.

Based on this standard, any acquisition of companies is accounted for using the purchase method, whereby the assets, liabilities, and potential liabilities of the acquired company are recognised at fair value on the acquisition date. Any positive difference of the price paid over fair value is recognised as goodwill or other intangible assets; if the price is less, the difference is recognised in the Consolidated Profit and Loss Account.

The purchase method is applied as of the acquisition date, i.e.,

from the time effective control of the acquired company is obtained. Accordingly, the results of subsidiaries acquired during the year are included in the Consolidated Financial Statements from the date of acquisition. Also the profit and loss results of a subsidiary which has been disposed of are included in the Consolidated Financial Statements, up to the date control is transferred.

Business combinations of entities under common control

Business combinations of entities under common control are not included in the scope of IFRS 3, nor are they covered by other IFRSs. They are accounted for in accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*.

The IASs/IFRSs provide specific guidelines for transactions not covered by IFRSs (described in paragraphs 10-12 of IAS 8); according to these guidelines, management is encouraged to consider the most recent pronouncements of other regulatory bodies that use a similar conceptual framework to define accounting standards.

In fulfilment of this requirement, we observed that the Financial Accounting Standards Board (FASB) has published an accounting standard regarding business combinations (FAS 141) that in some respects is similar to IFRS 3. Unlike IFRS 3, however, FAS 141 includes an appendix containing limited accounting guidelines for transactions under common control that were previously included in the Accounting Principles Board's (APB) Opinion 16. According to the pooling of interest method, for this type of transaction the assets and liabilities of business combinations are stated at historical (book) value instead of fair value, and goodwill is not recognised.

This solution was essentially adopted at national level by Assirevi, with documents OPI no. 1 on the accounting treatment of business combinations of entities under common control, and OPI no. 2 on the accounting treatment of mergers.

Intra-group combinations or other combinations of entities under common control within the Banca Generali Group are therefore accounted for based on the book value of the entity transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (goodwill) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.

In a similar way, if an entity is disposed of, the amount received is directly recognised in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

Section 4 - Events occurred after the consolidated balance sheet date

The draft Financial Statements of Banca Generali were approved by the Board of Directors in its meeting held on 10 March 2014, when it also authorised its disclosure.

No events occurred after 31 December 2013 and until publication of the Annual Financial Statements was authorised, that would make it necessary to adjust the results presented in the Financial Statements at that date.

Section 5 - Other information

Non-recurring significant events and transactions

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

National tax consolidation option

In 2004, the Parent Company Insurance companies Generali and some Italian companies belonging to the Insurance companies 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 intro-

duced into Italy's fiscal legislation by Italian Legislative Decree no. 344/2003.

Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the Parent Company, Insurance companies Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

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 2013, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

The accounting policies adopted by the Bank were not subject to material modification or supplementation during the reporting year, with the exception of changes resulting from the entry into force of the new accounting standards illustrated below.

Amendments to IAS 19

The amendment to IAS 19 issued by the IASB on 16 June 2011 and endorsed by Regulation (EC) no. 475/2012 of 6 June 2012, which modifies the rules for recognising defined benefit plans and termination benefits, entered into effect on 1 January 2013. In the banking group's case, the new rules apply solely to the accounting treatment of the provision for post-employment benefits.

In detail, the amendment eliminates the option to defer actuarial gains and losses within the scope of the corridor method, without recognising them, and instead requires that they be recognised in full in the Statement of Comprehensive Income, including the share previously recognised in profit or loss (the "overcorridor").

In accordance with the provisions of IAS 19, the changes to the Standard were applied retrospectively starting with the opening accounting balances for 2012. In addition, the comparative accounting schedules at 31 December 2012 and pertinent details in the Notes and Comments were also restated.

The restated consolidated accounts for 2012 thus showed an increase in the liability relating to the provision for post-employment benefits of 0.4 million euros, negative reserves from actuarial losses on defined-benefit plans of 0.9 million euros, an increase of 0.6 million euros in the profit for the year as a result of lesser staff expenses and thus an overall negative effect on net equity of 0.3 million euros.

(€ THOUSAND)	01.01.2012	31.12.2012
Effects on the balance sheet:		
Change in provision for post-employment benefits	89	410
Change in deferred tax assets	24	113
Assets/liabilities unbalance	-64	-298
Effects on net equity:		
Change in the reserve for actuarial gains and losses	-64	-888
Change in net profit for the year	-	591
Change in net equity	-64	-298
Effects on the profit and loss account:		
Lower staff expenses	-	815
Higher taxes	-	-224
Effect on the net profit for the year	-	591

New IFRS 13 - Fair value

The new IFRS 13 - Fair Value Measurement, approved by the IASB in May 2011 and endorsed by EU Regulation no. 1255/2012, does not extend the scope of application of measurement at fair value, but rather provides guidelines on the measurement of the fair value of financial instruments and non-financial assets and

liabilities already required or permitted by other accounting standards. Fair value measurement rules, previously included in various standards, have thus been concentrated into a single standard. Since many of the concepts of IFRS 13 are already consistent with current practice, the new Standard does not result in significant impacts on the Bank's measurements.

On the other hand, fair value disclosure requirements have been expanded, including with regard to assets and liabilities (financial and non-financial) measured at fair value on a non-recurring basis. These requirements were incorporated into the update to Circular Letter no. 262.

1. Financial assets held for trading

Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading, including those embedded in complex financial instruments. Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

Recognition

Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.

Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives, that are not closely related to the host contract but meet the definition of a derivative, are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

Measurement

After initial recognition, financial assets held for trading are measured at fair value.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price.

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where such instruments are not

traded, the notional value of financial instruments, quotas from brokers or placing agents involved in the issue of financial instruments, and quotes from info providers specialised in specific sectors.

Values drawn from recent comparable transactions are also used.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

2. AFS financial assets

Classification

This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.

Specifically, it includes:

- equity investments not held for trading;
- other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
- bonds not held for trading and not classified as assets held to maturity or Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.

Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid, including the transaction income or expenses directly attributable to the instrument itself.

Such assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

Measurement

After initial recognition, available-for-sale assets are measured at fair value, as follows:

- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in net equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).

If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and, in the case of loans, receivables or debt securities, recognised in profit or loss or, in the case of equity securities, under net equity.

The amount of the reversal should not exceed what the amortised cost would have been, had the past adjustments not been made.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

3. HTM financial assets

Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturi-

ties, which the entity has the intention and ability to hold to maturity.

Recognition

Initial recognition of these assets takes place on the settlement date.

Upon initial recognition, financial assets classified to this category are measured at their fair value, including any directly attributable costs and income.

If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

When a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.

Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or suffer impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.

If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss. The reversal may not exceed the amortised cost that would have been attributable to the asset, had the impairment not been recognised.

Financial assets held to maturity for which there is no objective

evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

4. Loans

Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments and are not listed in an active market and are not initially classified as financial assets available for sale.

This item also includes:

- repurchase agreements with a commitment to repurchase;
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- operating loans from financial services, as defined in the Consolidated Banking Act (TUB) and Consolidated Finance Act (TUF).

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

Recognition

Loans are initially recognised on the date of disbursement or, in the case of debt securities, on the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded, if they are to be repaid by a third-party borrower or can be considered normal, internal, general

and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.

This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from AFS assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

Measurement

Subsequent to initial recognition, loans are recognised at amortised cost, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the *effective interest-rate method*) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans, if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing loans are sub-divided into the following categories:

- *Bad loans*: loans to parties in a state of insolvency or substantially equivalent situation;
- *Substandard loans*: loans to parties in situations of objective temporary difficulty, the elimination of which in an appropriate amount of time is foreseeable;

- *Restructured loans*: loans in which a syndicate of banks (or a "single lender") grant a moratorium for the payment of the debt and then renegotiate said debt at below-market rates;
- *Expired loans*: loans to parties that, at the end of the period, show payables past due or expired by more than 90 days.

Loans classified as *bad loans*, *substandard loans*, or *restructured loans* are normally subject to an analytical assessment process.

The amount of the impairment for each loan is equal to the difference between its book value at the time of assessment (amortised cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate.

Expected cash flows take account of anticipated collection times, the presumed realisable value of any underlying guarantees and costs that are expected to be incurred to recover the credit exposure. Cash flows relating to short-term loans are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change in the contractual rate, including if the loan becomes non-interest-bearing. Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.

Write-backs due to the passage of time are taken among reversals.

Loans for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan.

In further detail, a probability of default and a loss given default value are attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach.

Adjustments resulting from collective evaluation are recog-

nised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

Derecognition

Receivables are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

5. Financial assets at fair value

At the reporting date, none of the Bank's financial assets are classified under this category.

6. Hedging transactions

Types of hedging transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk, with gains on another item or group of items.

Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance sheet items attributable to particular risks;
- hedges of a net investment in a foreign operation: intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Derivatives are measured at fair value. Specifically:

- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on

- net profit or loss;
- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flows) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:

- prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
- retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

7. Equity investments

At 31 December 2013, 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 ad-

ministrative 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 re-

strict the access of others to those benefits.

The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets include the value of contractual relations with customers acquired as a result of the business combination of Banca Del Gottardo Italia.

This asset is an intangible asset, as defined by IAS 38, from which future economic benefits are likely to flow to the acquirer. The value of these relationships was determined on the basis of an estimate of the return on the assets managed by Banca del Gottardo Italia, analysed by asset class, while the useful life was estimated as a ten-year period, based on the historic percentage of decline of assets under management, before the company was acquired.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system, including intangible assets in progress at the end of the year.

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.

Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.).

Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected. Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).

In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the differ-

ence is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits, and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.

Software costs are typically amortised over a three-year period.

Other capitalised costs associated with legacy systems are amortised over a five-year period.

For contractual relations with customers, acquired as a result of the above-mentioned business combination of Banca Del Gottardo Italia, the useful lives are estimated at ten years.

Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is tested for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The impairment test for goodwill is presented in Section 1.2 "Annual Changes in Goodwill" in Part G of these Notes.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset's carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

10. Non-current assets held for sale or disposal groups

The asset item "Non-current assets held for sale or disposal groups" and liability item "Liabilities associated with assets held for sale or disposal groups" include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.

The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year is taken through profit and loss under a specific separate item, "Profit (Loss) on groups of assets available for sale, net of taxes."

11. Current and deferred taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.

Provisions for income taxes are made based on a conservative estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.

Specifically, deferred tax assets and liabilities are calculated based on the temporary differences - without time limits - between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company Insurance companies Generali - as a result of its exercise of the option provided by the Italian Tax Consolidation scheme - to generate ongoing taxable income.

Deferred tax liabilities are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.

Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under "Tax assets" and deferred tax liabilities are recorded under "Tax liabilities."

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.

Deferred tax assets and liabilities are systematically assessed to

take account of any changes in tax legislation or rates, as well as changes to the specific situations.

Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (for example, goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law no. 244 of 24 December 2007 (the 2008 Consolidated Finance Law) introduced the new paragraph 2-ter into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise greater amounts in the accounts for income-tax purposes, following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.

That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket) in lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP).

The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree no. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law no. 2 of 28 January 2009, subsequently introduced a new system of optional realignment of tax and balance sheet values. The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.

However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in ten annual instalments instead of the

18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.

That statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are undertaken.

Lastly, paragraphs 12 to 14 of Article 23 of Legislative Decree no. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-bis and 10-ter to Article 10 of Legislative Decree no. 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.

The additional redemption scenario is founded solely on the accounting figures presented in the consolidated financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-ter).

The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must be made by 30 November 2011, whereas the non-accounting deduction of amortisation in ten equal instalments is to take place beginning in financial year 2013.

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:

- 1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree no. 185/2008;
- 2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the Financial Statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-ter, of the TUIR;
- 3) redemption of goodwill recognised on a consolidated basis in connection with the full equity interest in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.

IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

The analyses conducted by the OIC - the Italian Accounting Standard Setter - summarised in application document no. 1 of 27 February 2009 entitled "Accounting treatment of substitute tax on the redemption of goodwill in accordance with Article 15, paragraph 10, of Legislative Decree no. 185 of 29 November 2008 (converted into Law no. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IASs/IFRSs," which can however be extended to other special redemption cases envisaged by tax laws, have led to three different accounting treatments being considered compatible with IFRSs:

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

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on the specific system adopted (ten or eighteen amortisation charges), thereby neutralising the decrease in current taxes.

Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be deemed recoverable on the basis of future taxable income.

12. Provisions for liabilities and contingencies

Provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Where the effect of the time-value of money is material, provi-

sions are discounted using current market rates. Provisions are recognised in the profit and loss account.

This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

13. Debt and securities issued

Classification

Due to banks, Due to customers and Securities issued include the various forms of interbank funding and direct customer deposits, as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.

Due to banks and Due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or debt securities are issued.

Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.

For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.

The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at

the new placement price without any effect on net profit and loss.

14. Financial liabilities held for trading

This item includes the negative value of trading derivative contracts measured at fair value.

If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

15. Financial liabilities measured at fair value

There are currently no financial liabilities measured at fair value.

16. Foreign currency transactions

Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.

The Group has no non-monetary items that are measured at historical cost or fair value.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

17. Other information

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under

a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.

Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Loans income, in the form of the coupons accrued on securities and the difference between the spot and forward prices of securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits. The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Share-based payments

In accordance with IFRS 2 - *Share-Based Payments*, as amended in 2010, share-based benefit plans for staff and financial consultants are recognised as costs on the Profit and Loss Account of operations based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions, on which basis the option was assigned, will be realised. The combination of the two amounts generates the fair value of the assigned instrument.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Employee termination indemnities

Employee termination indemnities, which are governed by Article 2220 of the Italian Civil Code, constitute "post-employment benefits" as defined in IAS 19 *Employee Benefits*.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree no. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must - de-

pending on the employees' choice - be allocated to a supplementary pension fund or maintained within the company and - in the case of companies with at least 50 employees - transferred to a special fund managed by Italy's national security institute (INPS).

Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:

- "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund.

For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods.

The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item "employee termination indemnities" by convention.

- "a defined-benefit plan" for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to the projected unit credit method.

According to this method, the amount already accrued is to be increased by the unit amount accrued annually (current service cost) projected into the future through the date of expected termination of employment then discounted to the reference date. The unit amount accrued is also determined on the basis of the employee's entire expected working life.

In the specific case, however, the past liability is assessed without pro-rating past service because the service cost of the termination indemnity has already fully accrued. Accordingly, the annual accrual consists solely of the interest cost relating to the revaluation of the expected benefit due to the passage of time.

The rate used for discounting is determined by reference to market yields on high quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation.

Considering that IAS 19 revised requires that the discount rate is to be determined by reference to the yields on "high-quality corporate bonds," it was decided to use the index IBOXX EURO CORP, formed of AA series.

The plan's service costs have been recognised amongst staff expenses under the item "provisions for post-employment benefits."

Following the entry into force of IAS 19 revised from 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for **actuarial gains and losses** deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.).

In fact, changes in liabilities due to actuarial assessments are now required to be recognised in full in other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.

By contrast, in the previous accounting arrangement adopted by the Bank the above item was recognised in the profit and loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.

The elimination of this method entailed an impact on the Bank's net equity from the date of first-time application of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method.

Finally, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the profit and loss account during the year of accrual under a specific item.

Productivity bonuses for salaried employees

Pursuant to the first update to Circular no. 262/05 of 18 November 2009, productivity bonuses to be paid to salaried employees during the following year are to be allocated to the item "Other liabilities."

More specifically, in accordance with IAS 19 - *Employee Benefits*, the following are allocated to current liabilities:

- the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that

the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expenses in the profit and loss account the following types of expenses that do not constitute certain short-term liabilities and thus have the item for provisions for liabilities and contingencies as their balancing entry in equity:

- the share of the variable remuneration of managers of the banking group deferred up to two years and conditional upon the satisfaction of the access gates requirements established in the banking group's new remuneration policy;
- the long-term incentive plans authorised by the Parent Company, Insurance companies Generali, for the benefit of the Group's top managers and adopted by Banca Generali's Board of Directors, analysed in greater detail in the paragraph "Long incentive plans" below.

By contrast, it was determined that the requirements set forth in IAS 19 had not been met in the following cases:

- incentives for employees that have yet to be formally defined at the date of approval of the financial statements and are of a non-customary nature;
- provisions for post-employment medical benefits of Group executives;
- allocations intended to support company restructuring and reorganisation plans and other expenses associated with the classification of staff still to be determined at the date of authorisation of publication of the financial statements.

Such expenses are therefore entirely attributed to the item Provisions for liabilities and contingencies.

Long-term incentive plans

During its Shareholders' Meetings of 24 April 2010 and 30 April 2011, Insurance companies Generali introduced a new type of long-term retention plans addressed to the key managers of the Insurance Group.

Such plans, with the additions required to comply with industry regulations concerning remuneration policies, were also approved and incorporated into the Company's remuneration structure by Banca Generali during the meeting of its Board of Directors held on 13 October 2011.

In brief, the new incentive plans present the following characteristics:

- they are indefinite in duration, structured in six-year rolling cycles;
- each cycle is linked to the targets set in three-year strategic plans; in particular, the 2010 plan is linked to the targets set in the 2010-2012 strategic plan, whereas the 2011 plan is

- linked with the following 2011-2013 strategic plan;
- each cycle is sub-divided into two three-year components:
 - **the first three years:** at the end of this period, if and to the extent that certain absolute performance targets have been met, a monetary incentive is to be paid out, with an obligation or option to reinvest a share of such incentive (differing in amount depending on the segment to which the recipients belong) in shares of Insurance companies Generali;
 - **the second three years:** at the end of the period, for each share purchased by investing a percentage of the incentive disbursed at the end of the previous three years, the beneficiary obtains a potential right to receive from Insurance companies Generali, at no cost, a number of shares depending on the positioning of Insurance companies Generali in the rankings of a group of peers prepared on the basis of their respective total shareholders' returns (relative performances).

On 30 April 2013, the General Shareholders' Meeting of Insurance companies Generali approved a new Long-Term Incentive Plan (LTIP), interrupting the incentive plans previously approved by the General Shareholders' Meeting, which nonetheless remain in effect until the completion of the current cycles.

The new scheme presents several changes with respect to its predecessors:

- the plan no longer envisages a cash bonus, but only a share bonus assigned at the end of each cycle;
- each cycle is divided into a single three-year period in line with the objectives of the Generali Group's strategic plan;
- a lock-up restriction is envisaged for the shares assigned, applicable to 25% of the shares for one year from assignment and to 25% for two years from assignment;
- the objectives on which to render the disbursement of the incentive contingent and the maximum number of shares to be assigned are defined at the beginning of the three years of reference of each cycle;
- malus and claw-back clauses have been included and a minimum access threshold set for each tranche.

The objectives upon which disbursement of the incentive is contingent for the 2013-2015 cycle are return on equity (RoE) and the relative total shareholders' return (rTSR) compared to a peer group.

Under IASs/IFRSs, both the 2010 and 2011 plans are eligible for accounting treatment on a separate basis, partly as expenses for long-term employee benefits within the scope of IAS 19 - *Employee Benefits*, and partly within the scope of IFRS 2. Instead, the 2013 plan falls entirely within the scope of IFRS 2.

The IAS 19 expense portion, calculated according to best estimate procedures on the basis of the achievement of the predetermined objectives set, is charged to profit and loss, among staff

expenses, over a three-year vesting period (2010-2012 for the 2010 plan or 2011-2013 for the 2011 plan).

In addition, pursuant to IFRS 2, the value of the stock-granting plan is measured on the basis of the grant-date fair value of the bonus shares potentially to be granted.

The impact on the profit and loss account has therefore been determined and allocated annually according to the option vesting period, i.e., over a period of six years from the grant date for the first two plans and over a period of three years for the plan launched in 2013.

Since the arrangement calls for the shares of the parent company to be granted directly by said parent to the employees of a subsidiary, the charge to the profit and loss account will be recognised through a balancing entry to an equity reserve, inasmuch as it is similar to a capital contribution by the parent.

Termination indemnity for Financial Advisors

The provision covering the cost of termination indemnities for financial advisors is assessed in compliance with IAS 37 according to an actuarial approach, pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria set by the Bank and revised in 2012.

In detail, the indemnity to be paid to a Financial Advisor is calculated on the basis of the annual average direct and indirect fees paid to the Financial Advisor during his or her final five years of service (Article 1751 of the Italian Civil Code), net of:

- the total amount of the contributions to the termination indemnity fund paid to Enasarco each year by the Bank until the date of termination;
- the contractual lump-sum reduction determined on the basis of the length of service and date of retirement or withdrawal (with the exception of cases of death and permanent disability).

In cases of withdrawal for cause with service, the indemnity may be further reduced as a function of the decline in AUMs during the post-termination observation period.

The assessment is then conducted according to actuarial methods on the basis of demographic parameters, expected turnover rates, with and without the right to service, assumptions regarding the age of entry into the compulsory general insurance (AGO) system and the retirement age.

The procedure also takes account of:

- the percent fee reduction expected as a function of the estimated period of past service at the date of termination;
- the prospective termination indemnity fund, i.e., the payments that the Bank is to make each year directly to the Enasarco Foundation by way of termination indemnity contributions for the Financial Advisor's entire period of service and

that, in the end, are to be deducted from the gross indemnity owed.

Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.

The indemnity, which is governed by an appendix to the agency agreement, is only due on the condition that the outgoing advisor formally undertakes to conduct a hand-over to an incoming advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming advisor undertakes to pay the company an indemnity commensurate to that obtained from the outgoing advisor.

In relation to recent market practices in the area, during the reporting year a thorough contractual revisitation of the scheme was carried out and entered into effect on 1 January 2012.

The system introduces a rule, namely that the indemnity collected by the outgoing advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.

Therefore, on the basis of the new rules, the outgoing advisor may only collect the agreed indemnity provided that it has actually been paid to the bank by the incoming advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, with that amount reduced to 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity pay-outs, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming advisors.

Expenses functionally related to staff

In accordance with IAS 19, under item 150 a) Staff expenses are recognised exclusively costs representing remuneration for professional services rendered, thus excluding those representing pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

Accordingly, indirect expenses functionally related to activity performed by staff are recognised under item 150 b) Other general and administrative expense. Such expense also include:

- documented, specific reimbursements of the costs of room and board incurred by employees during business trips;
- documented, specific mileage reimbursements, calculated on the basis of rates recognised as valid (e.g., Automobile Club d'Italia) and the mileage actually travelled;
- costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law.

By contrast, amongst other items, the costs of professional refresher courses for employees continue to be recognised under staff expenses.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

- interest payable is recognised on a pro-rata basis according to contractual interest rate, or the effective interest rate, if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue fees are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading fees on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management fees are recognised according to the length of the service. Fees considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among 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.

Estimates and assumptions

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

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

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

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

- determining the amount of provisions for liabilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- determining the value adjustments of non-performing loans and the provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Testing financial instruments for impairment

In accordance with IAS 39, the portfolio of securities, not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans), is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events ("loss events"), there is objective evidence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, the breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).

In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involves the use of specific methods according to the type of securities in question:

- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 24 months from the reporting date.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information is drawn from the market.

For corporate debt securities classified to AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:

- purchase cost, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
- the current fair value.

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:

- the book value of the asset; and
- the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For ABSs, the impairment loss is determined based on losses on the tranche of the security held.

Where this amount is not readily determinable, an estimate of the fair value of the securities at the measurement date may be used.

Collective impairment

Debt securities included in amortised cost portfolios classified as

loans to banks and customers (L&Rs) and assets held to maturity (HTM) that have not individually shown signs of impairment are tested for impairment on a collective basis pursuant to IAS 39, paragraph 64, in order to estimate the value of any latent losses on assets that have not explicitly manifested situations of default.

For corporate bonds other than those deriving from securitisation, such testing is done according to homogeneous categories on the basis of rating classes and residual lives.

In detail, the probability of a default (PD) event is determined according to historical series for default rates surveyed globally over a period of many years (*Standard & Poor's Cumulative Average Default Rates By Rating, 1981 - 2011*) and using a market loss given default (LGD) between 60% and 70%.

For securities with residual lives of less than six months, PD is weighted according to the actual time until the maturity of the securities.

In any event, Italian government bonds 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, of a sample of securitisation transactions with similar characteristics.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.

The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

Part A.3 - Information on transfers between portfolios of financial assets

Following the endorsement of IAS 39 and IFRS 7 issued by the IASB (International Accounting Standard Board) on 13 October 2008 and included in the European Regulation (EC) no. 1004/2008 of 15 October 2008, in financial year 2008 the Parent Company Banca Generali reclassified part of the accounting portfolios of assets held for trading (HFT) and assets available for sale (AFS) to the new IAS portfolios measured at amortised cost, assets held to maturity (HTM) and loans to banks and customers

(L&Rs), while equity securities held for trading were transferred to the AFS portfolio.

For further details of the conditions of this transaction, 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)	FROM	TO	DATE OF TRANSF.	31.12.2013 BOOK VALUE	31.12.2013 FAIR VALUE	INCOME COMPONENTS WITH NO TRANSFER		INCOME COMPONENTS FOR THE YEAR	
						VALUATION	OTHER	VALUATION	OTHER
Equity securities	TRA	AFS	01.07.2008	1,634	1,634	-205	-	-205	-
Debt securities	TRA	HTM	01.07.2008	52,048	51,845	998	850	-1	991
Debt securities	AFS	HTM	30.09.2008	10,002	10,003	25	19	1	65
Total HTM portfolio	-	-	-	62,050	61,848	1,023	869	-	1,056
Debt securities	TRA	LOANS	01.07.2008	23,239	22,831	1,176	1,571	59	-916
Debt securities	AFS	LOANS	01.07.2008	-	-	-	357	-	729
Total loan portfolio (banks and clients)	-	-	-	23,239	22,831	1,176	1,928	59	-187
Total reclassified financial assets	-	-	-	86,923	86,313	1,994	2,797	-146	869

During 2013, the Company continued the process of dismantling the debt securities subject to reclassification due to redemptions and sales. At the reporting date the portfolios concerned therefore presented a total carrying amount of 86.9 million euros, down sharply from 173.7 million reported at the end of the previous year (-86.8 million euros). This amount includes the increases for the amortised costs gradually reaching maturity and the impairment losses recognised.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2013, before taxes of 0.6 million euros would have entailed negative differences compared to book values amounting to 6.7 million euros at the end of 2012.

Had the Bank not opted to reclassify such securities, they would have registered greater capital gains through profit and loss and equity in 2013 of 2.0 million euros, equal to the positive difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.

The contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to 2.8 million euros thanks to higher realised gains remeasured based on the fair values of the previous year, net of interest recognised according to the effective interest rate method.

Part A.4 - Information on fair value

Qualitative information

Fair value

With the introduction of the new IFRS 13, the definition of **fair value** has been modified with respect to IAS 39, in view of a more market-based approach.

According to the new Standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value is thus not an entity-specific measurement, but rather a market-based measurement.

In detail, measurement at fair value presumes that the asset or liability is exchanged in an orderly transaction between market operators under current market conditions and:

- refers to a particular asset or liability and must take account of the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability;
- assumes that market participants act in their economic best interest;
- assumes that the sale of the asset or the transfer of the liability takes place:
 - a) in the principal market for the asset or liability; or
 - b) in the most advantageous market, in the absence of a principal market.

Fair value hierarchy

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

- **Level 1:** quoted prices in active markets, as defined in IFRS 13, for identical instruments;
- **Level 2:** inputs other than the price quotations indicated above, observable on the market (level 2) either directly (prices) or indirectly (price-derived data);
- **Level 3:** inputs not based on observable market data.

For the purposes of the fair value hierarchy, inputs may thus be classified as:

- **observable**, when the information used in the measurement techniques is based on market data obtained from sources independent of the Bank and available on the market;

- **unobservable**, when they reflect assumptions by the Bank reached by drawing on the best available information in such circumstances.

Valuation criteria of the fair value of financial instruments

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department and review and validation of the data to the Risk Management Service.

The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.

Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not itself guarantee the presence of significant prices due to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated and yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties, 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.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.

For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

A.4.1 Fair Value Level 2 and Level 3: valuation techniques and inputs used

Financial instruments measured at fair value on a recurring and non-recurring basis

For securities not listed on active markets, the procedure calls for the analysis of:

- 1) prices of similar instruments listed on active or inactive markets; and
- 2) inputs other than quotations observable directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:

1. a single contributor on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;
2. a consensus pricing mechanism capable of determine the fair value, for example:
 - Bloomberg Bondtrade Composite (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;
 - Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;
 - Markit European ABS, a consensus platform for measuring ABS-type instruments;
3. a reference to current market values of other essentially identical or similar instruments.

UCITs not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:

- the analysis of discounted cash flows;
- option pricing and valorisation models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

Level 3 also includes certain financial instruments measured at cost in the absence of reliable estimates of fair value. These consist mainly of "minor equity investments" in companies with which the Group has service relationships and disposal of which is not conceivable (CSE, GBS Caricese, SWIFT, etc.).

Other financial assets and liabilities not measured at fair value on a recurring basis

The fair value and hierarchical classification of financial assets other than debt securities, equity securities and units of UCITs, as well as of financial and operating receivables classified amongst loans to banks and customers, are determined as follows.

On-demand and uncommitted financial assets and financial assets with residual lives of less than one year

The fair value of this class of assets, which essentially consists of uncommitted current account exposures, on-demand deposits or short-term time deposits, as well as operating receivables, is not believed to differ significantly from its carrying amount. Considering that the measurement process does not contemplate significant unobservable inputs, such instruments are typically classified as L2.

Assets with fixed contractual lives included in the financial portfolio

This class of assets consists primarily of medium- or long-term mortgages or loans with financial instruments as collateral.

The fair value of loans with amortisation schedules is calculated according to a discounted cash flow model that calls for the cash flows expected on the basis of the contractual amortisation schedule to be discounted at the proper rate for the risks associated with the instrument. This correction consists of a spread to be added to the risk-free discount rate for the cash flows.

The spread in question is to be defined in such a way as to include

the following components of risk:

- the cost of credit risk (the cost of covering expected losses in relation to credit risk);
- the cost of funding (the cost of funding positions);
- the cost of capital (the cost of covering unexpected losses in relation to credit risk);
- operating costs (any other costs, specific to the type of loan, that are to be considered in the exit price).

The cost of credit risk is calculated on the basis of multi-period historic PD relative to the rating of the counterparty in the transaction and the LGD specific to the type of instrument. Loans with a fixed contractual maturity are classified to Level 3 of the fair value hierarchy, in consideration of the significant presence of unobservable inputs (spreads determined on the basis of internal PD and LGD).

Non-performing loans

When bad loans and substandard loans are separately assessed, their book value is believed to be a reasonable approximation of their fair value.

Such loans are classified to Level 3 of the fair value hierarchy.

Other financial liabilities

Financial liabilities classified as amounts due to customers and banks consist mainly of on-demand current account deposits, short-term time deposits and operating payables.

Such liabilities also include repurchase agreements that are set to mature within the year and, in the case of interbank funding, fully collateralised, with the determination of daily margins of change.

Such financial liabilities are subject to fair value measurement criteria similar to those applied to other demand or uncommitted financial assets.

A.4.2 Processes and sensitivity of measurements

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the new Standard IFRS 13 requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.

The unobservable inputs capable of affecting the measurement of instruments categorised within Level 3 consist mainly of estimates and assumptions underlying the models used to

measure investments in equities and other UCITSs. For such investments, no quantitative analysis has been prepared of the sensitivity of the fair value to changes in unobservable inputs, given that the fair value either has been drawn from third sources without any adjustments or is the result of a model, the inputs to which are specific to the entity subject to measurement (for example, the company's asset values) and for which the use of alternative values is not reasonably feasible.

The case in question does not apply to Level 3 financial instruments classified to the trading and AFS portfolios. The reader is referred to the detailed analysis of individual positions provided in the subsequent section concerning quantitative information.

A.4.3 Fair value hierarchy

The new IFRS 13, recalling the contents of IFRS 7, requires that entities that apply IASs/IFRSs make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:

- 1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
- 2) any significant transfers between Level 1 and Level 2 during the year;
- 3) for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the profit and loss account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

Transfers between levels refer to the end of the accounting period of reference (half-yearly or annual), in an independent manner, and generally enter into effect from the beginning of the year of reference.

Transfers to and from Level 3 are infrequent and primarily involve the occurrence of situations of default, in which the Bank's subjective assessment of the recoverability of the debt takes pre-eminence.

A.4.4 Other information

No cases envisaged in IFRS 13, paragraphs 51, 93 (i) and 96, occur in these Financial Statements.

Quantitative information

A.4.5 Fair value hierarchy

A.4.4.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair-value levels

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

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2012				TOTAL
	L1	L2	L3	AT COST	
1. HFT financial assets	191,621	13,530	17,397	-	222,548
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	1,691,972	22,555	14,602	4,756	1,733,885
4. Hedging derivatives	-	-	-	-	-
Total	1,883,593	36,085	31,999	4,756	1,956,433
1. Financial liabilities held for trading	-	1,448	-	-	1,448
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	-	1,448	-	-	1,448

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 97% of financial assets eligible for allocation to class L1, with an unchanged ratio compared to the previous year. This category consists largely of Italian government bonds (1,709.6 million euros). It also includes, to a limited extent, other debt securities chiefly referring to credit sector (84.3 million euros) and equities listed on Italian and European regulated markets (7.7 million euros).

By contrast, financial assets allocated to the class L2 consist of units of money-market UCITSs not listed on regulated markets (13.1 million euros) and bank bonds from Italy and the major Euro Area countries (9.3 million euros). The Level 2 portfolio also includes derivative financial assets and liabilities consisting of government bonds forwards and currency outright valued according to observable market parameters.

In the reporting year, no significant transfer of financial assets were performed between class L1 and class L2.

NET ANNUAL CHANGE	L1	L2	L3	COST	TOTAL
Trading	11,045	- 1,182	- 2,506	-	7,357
AFS	- 92,947	- 11,293	- 5,340	1,816	- 107,764
Total	- 81,902	- 12,475	- 7,846	1,816	- 100,407

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (level L3)

	FINANCIAL ASSETS		
	TRADING	AFS AT FAIR VALUE	AFS AT COST
1. Amount at year-start	17,397	14,602	4,756
2. Increases	11,139	63	2,077
2.1 Purchases	11,084	-	2,077
2.2 Gains through:			
2.2.1 Profit and loss	-	-	-
- of which: capital gains	-	-	-
2.2.2 Net equity	-	63	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	55	-	-
- of which business combinations	-	-	-
3. Decreases	13,645	5,403	261
3.1 Sales	11,131	-	-
3.2 Redemptions	173	4,700	-
3.3 Losses through:			
3.3.1 Profit and loss	1	695	261
- of which: capital losses	1	695	261
3.3.2 Net equity	-	-	-
3.4 Transfers to other levels	2,332	-	-
3.5 Other decreases	8	8	-
4. Amount at year-end	14,891	9,262	6,572

The L3 financial assets in the trading portfolio consist solely of:

- the investment in the Quarzo 1 bond, a securitisation of residential mortgage-backed securities (RMBS) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund, promoted by the Insurance companies Generali Group;
- a defaulted Landesbanki bond, written off.
- a Banca Interfurnitureare subordinated bond, reclassified from L2 during the year.

By contrast, two units of UCITs of 2,332 thousand euros were reclassified to L2.

- an interest in a speculative hedge fund issued by Finanziaria Internazionale Group companies;
- the investment in a multihedge sub-fund of the SICAV BG Selection.

The L3 financial assets in the AFS portfolio include equities of 9.9 million euros, consisting of the equity interest in the private-

equity vehicle Athena Private Equity (4.1 million euros), subject to impairment both in the current and prior years, and the equity investment in Veneto Banca (5.1 million euros), a non-listed company acquired during the previous year.
The equities allocated to the AFS portfolio and measured at pur-

chase cost in the absence of reliable estimates of fair value consist of 4.5 million euros of "minor equity investments" (CSE, GBS Caricese, SWIFT, etc.) and an equity holding in Funivie Madonna di Campiglio (2.1 million euros), acquired during the year in the context of a debt recovery procedure.

A.4.5.3 Annual changes in financial assets not measured at fair value on a recurring basis (level L3)

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

Part A.5 - Disclosure about so-called “Day-one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.

It should be noted that no such cases occur in the financial statements in question.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS

Section 1 - Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

ITEMS/VALUES	31.12.2013	31.12.2012
a) Cash	9,613	10,386
b) Demand deposits with Central Banks	-	-
Total	9,613	10,386

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: categories

ITEMS/VALUES	31.12.2013			31.12.2012		
	L1	L2	L3	L1	L2	L3
A. Cash						
1. Debt securities	200,243	2,032	14,890	190,125	1,991	15,067
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	200,243	2,032	14,890	190,125	1,991	15,067
2. Equity securities	2,423	-	1	1,375	-	1
3. UCIT units	-	9,265	-	121	11,142	2,329
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	202,666	11,297	14,891	191,621	13,133	17,397
B. Derivatives						
1. Financial derivatives	-	1,051	-	-	397	-
2. Credit derivatives	-	-	-	-	-	-
Total B	-	1,051	-	-	397	-
Total (A + B)	202,666	12,348	14,891	191,621	13,530	17,397

Notes

- The 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 down to zero.
- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on fair value of these Notes.

2.2 Financial assets held for trading: debtors/issuers

ITEMS/VALUES	31.12.2013	31.12.2012
A. Cash		
1. Debt securities	217,165	207,183
a) Governments and Central Banks	200,243	190,073
b) Other public institutions	-	-
c) Banks	2,067	2,086
d) Other issuers	14,855	15,024
2. Equity securities	2,424	1,376
a) Banks	975	1
b) Other issuers:	1,449	1,375
- insurance companies	677	486
- financial companies	-	119
- non-financial companies	772	770
- other entities	-	-
3. UCIT units	9,265	13,592
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	228,854	222,151
B. Derivatives		
a) Banks	653	217
b) Customers	398	180
Total B	1,051	397
Total (A + B)	229,905	222,548

2.3 Available-for-sale financial assets: year changes

	DEBT SECURITIES	EQUITY SECURITIES	UCIT UNITS	LOANS	TOTAL
A. Amount at year-start	207,183	1,376	13,592	-	222,151
B. Increases	6,991,819	170,094	2,862,547	-	10,024,460
B.1 Purchases	6,990,305	169,860	2,861,378	-	10,021,543
B.2 Positive changes in fair value	40	190	600	-	830
B.3 Other changes	1,474	44	569	-	2,087
C. Decreases	6,981,837	169,046	2,866,874	-	10,017,757
C.1 Sales	2,600,822	168,877	2,866,756	-	5,636,455
C.2 Repayments	4,370,398	-	-	-	4,370,398
C.3 Negative changes in fair value	104	67	103	-	274
C.4 Transfer from other portfolios	-	-	-	-	-
C.5 Other changes	10,513	102	15	-	10,630
D. Amount at year-end	217,165	2,424	9,265	-	228,854

Notes

- Item "Increases - B.3 Other changes" includes final dividend accruals, final premiums/discounts, and gains on disposal.
- The item "Decreases - C.5 Other changes" includes initial dividend accruals, initial premiums/discounts, and losses on disposal.

Section 4 - Available-for-sale financial assets - Item 40

4.1 Available-for-sale financial assets: categories

ITEMS/VALUES	31.12.2013			31.12.2012		
	L1	L2	L3	L1	L2	L3
1. Debt securities	1,593,727	7,320	-	1,686,666	18,429	4,707
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,593,727	7,320	-	1,686,666	18,429	4,707
2. Equity securities	5,298	9	15,834	5,306	7	14,651
2.1 Valued at fair value	5,298	9	9,262	5,306	7	9,895
2.2 Valued at cost	-	-	6,572	-	-	4,756
3. UCIT units	-	3,933	-	-	4,119	-
4. Loans	-	-	-	-	-	-
Total	1,599,025	11,262	15,834	1,691,972	22,555	19,358

Notes

- The portfolio of equity securities includes 6,572 thousand euros for equity investments valued at the cost of acquisition in absence of reliable estimates of fair value. This aggregate includes the residual 15% investment (705 thousand euros) in Simgenia, a subsidiary of the Insurance companies Generali Group which, at the end of 2013, resolved upon discontinuation of operations and equity securities which fall into the category of what are known as "minor equity investments" and largely relate to service agreements concluded by the Group (CSE, GBS Caricese, SWIFT, etc.), usually non-negotiable (3,785 thousand euros).
- In 2013, as part of the composition with creditors regarding the FFM (Funivie Folgarida Marilleva) bad loan, included in the portfolio secured by BSI S.A., a minor equity investment amounting to 2,077 thousand was made in Funivie Madonna di Campiglio, also secured by BSI S.A.
- AFS financial assets were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not to be fully recoverable. As a result of the test, impairment losses for an amount of 1,299 thousand euros were recognised on equity securities, due to the fact that the fair value automatic relevant threshold compared to the book value had been exceeded (significant or prolonged loss).

COMPANY	DESCRIPTION	IMPAIRMENT
Simgenia	Discontinuation of operation in 2014 approved; adjustment to net equity for accounting purposes	328
Athena Private Equity S.A.	In liquidation since 2014; adjustment to net equity for accounting purposes	695
Other debt securities - listed	Securities already impaired; adjustment to FV	276
Total		1,299

- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on fair value of these Notes.
- Item "Debt securities" includes assets sold but not written off, which refer to own securities used in repurchase agreements and other guarantee assets amounting to 886,667 thousand euros.

4.1 Available-for-sale financial assets: debtors/issuers

ITEMS/VALUES	31.12.2013	31.12.2012
1. Debt securities	1,601,047	1,709,802
a) Governments and Central Banks	1,509,414	1,605,949
b) Other public institutions	-	-
c) Banks	76,735	103,577
d) Other issuers	14,898	276
2. Equity securities	21,141	19,964
a) Banks	5,987	5,837
b) Other issuers:	15,154	14,127
- insurance companies	786	825
- financial companies	5,248	6,231
- non-financial companies	9,113	7,064
- other	7	7
3. UCIT units	3,933	4,119
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	1,626,121	1,733,885

4.4 Available-for-sale financial assets: year changes

	DEBT SECURITIES	EQUITY SECURITIES	UCIT UNITS	LOANS	TOTAL
A. Amount at year-start	1,709,802	19,964	4,119	-	1,733,885
B. Increases	2,595,222	2,770	2,190	-	2,600,182
B.1 Purchases	2,541,575	2,133	2,000	-	2,545,708
B.2 Positive changes in fair value	25,395	286	83	-	25,764
B.3 Reversal value:	-	-	-	-	-
- P&L	-	X	-	-	-
- net equity	-	275	-	-	275
B.4 Transfer from other portfolios	-	-	-	-	-
B.5 Other changes	28,252	76	107	-	28,435
C. Decreases	2,703,977	1,593	2,376	-	2,707,946
C.1 Sales	1,695,791	292	2,205	-	1,698,288
C.2 Repayments	984,011	-	-	-	984,011
C.3 Negative changes in fair value	495	-	171	-	666
C.4 Write-downs of non-performing loans:	-	1,299	-	-	1,299
- P&L	-	1,299	-	-	1,299
- net equity	-	-	-	-	-
C.5 Transfer to other portfolios	-	-	-	-	-
C.6 Other changes	23,680	2	-	-	23,682
D. Amount at year-end	1,601,047	21,141	3,933	-	1,626,121

Notes

1. Item "Increases - B.5 Other changes" includes adjustments arising from the measurement of securities at amortised cost, dividend accruals at the reporting date and realised gains, net of reserves transferred to net equity.
2. Item "Decreases - C.6 Other decreases" includes interest adjustments arising from measurement at amortised cost, initial dividend accruals, initial premiums/discounts, and losses on disposal, net of any transfers of equity reserves.
3. Item B.3 "Reversal value" in net equity is the reversal of negative valuation reserves following the recognition of an impairment loss in the Profit and Loss Account. In the case of equity securities, the item may also refer to the cancellation of previous impairment losses recognised in the Profit and Loss Account.

Section 5 - Held-to-maturity financial assets - Item 50

5.1 Held-to-maturity financial assets: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2013				31.12.2012			
	BOOK VALUE	FV			BOOK VALUE	FV		
		L1	L2	L3		L1	L2	L3
1. Debt securities	2,652,687	2,673,681	19,458	-	3,000,330	3,003,242	30,897	18,958
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	2,652,687	2,673,681	19,458	-	3,000,330	3,003,242	30,897	18,958
2. Loans	-	-	-	-	-	-	-	-
Total	2,652,687	2,673,681	19,458	-	3,000,330	3,003,242	30,897	18,958

Notes

- Held-to-maturity financial assets were subject 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 contingent losses (regarding exclusively non- government portfolio) for a total amount of 155 thousand euros, with reversals amounting to 141 thousand euros for the year.
- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on Fair Value of these Notes.
- The item includes assets sold but not written off, which refer to own securities used in repurchase agreements and other guarantee assets amounting to 1,973,872 thousand euros.

5.2 Held-to-maturity financial assets: debtors/issuers

ITEMS/VALUES	31.12.2013	31.12.2012
1. Debt securities	2,652,687	3,000,330
a) Governments and Central Banks	2,578,064	2,849,763
b) Other public institutions	-	-
c) Banks	58,150	119,826
d) Other issuers	16,473	30,741
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	2,652,687	3,000,330

5.4 Held-to-maturity financial assets: year changes

	DEBT SECURITIES	LOANS	TOTAL
A. Amount at year-start	3,000,330	-	3,000,330
B. Increases	1,184,527	-	1,184,527
B.1 Purchases	1,164,637	-	1,164,637
B.2 Riprese di valore	141	-	141
B.3 Transfer from other portfolios	-	-	-
B.4 Other changes	19,749	-	19,749
C. Decreases	1,532,170	-	1,532,170
C.1 Sales	2,949	-	2,949
C.2 Repayments	1,472,810	-	1,472,810
C.3 Adjustments	-	-	-
C.4 Transfer to other portfolios	-	-	-
C.5 Other changes	56,411	-	56,411
D. Amount at year-end	2,652,687	-	2,652,687

Notes

1. Item "Increases - B.4 Other changes" includes dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate and gains on disposal.
2. The item "Decreases - C.5 Other changes" includes dividend accruals and final adjustments at amortised cost established according to the effective interest rate as at the end of the previous year and losses on disposal.
3. Item B.2 "Reversal value" refers to changes in the collective reserve allocated at the end of the previous year.
4. Item C.1 "Sales" includes debt securities nearing maturity or subject to significant downgrades of their credit ratings with respect to the initial measurement, resulting in a significant decrease in applicable capital requirements and the impact on the collective reserve through profit and loss.

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
A. Loans to Central Banks	59,600	19,519
1. Term deposits	-	-
2. Mandatory reserve	59,600	19,519
3. Repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	231,779	823,849
1. Loans:	106,614	659,659
1.1 Current accounts and free deposits	92,664	111,935
1.2 Term deposits	13,886	147,694
1.3 Other Loans:	64	400,030
- Repurchase agreements	-	398,136
- Finance lease	-	-
- Other	64	1,894
2. Debt securities:	125,165	164,190
2.1 Structured securities	-	-
2.2 Other	125,165	164,190
Total (book value)	291,379	843,368
Total (fair value)	293,772	842,391

TYPE OF TRANSACTIONS/VALUES	31.12.2013				31.12.2012	
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE
		L1	L2	L3		
A. Loans to Central Banks	59,600	-	59,600	-	19,519	19,519
B. Loans to banks	231,779	100,191	133,981	-	823,849	822,872
1. Loans	106,614	-	106,614	-	659,659	659,659
2. Debt securities	125,165	100,191	27,367	-	164,190	163,213
Total	291,379	100,191	193,581	-	843,368	842,391

Note

1. A specific impairment test was conducted on debt portfolio classified among loans to banks but no impairment was detected. Moreover, a 2,950 thousand euros collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.
2. The item includes transferred assets not written off, which refer to own securities used in repurchase agreements amounting to 26,379 thousand euros.
3. A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on Fair Value of these Notes.

Breakdown of loans to banks - other loans and operating loans

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
Operating loans	64	114
Other loans	-	1,780
Total	64	1,894

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2013				31.12.2012			
	TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS		TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS	
			PURCHASED	OTHER			PURCHASED	OTHER
1. Current accounts	752,116	736,040	-	16,076	629,453	619,763	-	9,690
2. Repurchase agreements	-	-	-	-	-	-	-	-
3. Loans	551,450	535,254	-	16,196	418,953	402,285	-	16,668
4. Credit cards, personal loans and loans on wages	-	-	-	-	-	-	-	-
5. Finance lease	-	-	-	-	-	-	-	-
6. Factoring	-	-	-	-	-	-	-	-
7. Other transactions	135,414	126,657	-	8,757	168,858	167,884	-	974
8. Debt securities:	60,791	57,465	3,326	-	91,321	91,321	-	-
8.1 Structured securities	-	-	-	-	-	-	-	-
8.2 Other debt securities	60,791	57,465	3,326	-	91,321	91,321	-	-
Total (book value)	1,499,771	1,455,416	3,326	41,029	1,308,585	1,281,253	-	27,332

TYPE OF TRANSACTIONS/VALUES	31.12.2013				31.12.2012	
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE
		L1	L2	L3		
1. Loans	1,438,980	-	869,577	556,576	1,217,264	1,217,264
2. Debt securities	60,791	5,596	52,564	3,326	91,321	87,955
Total (fair value)	1,499,771	5,596	922,141	559,902	1,308,585	1,305,219

Notes

- Item "Debt securities" includes by convention a GESAV capitalisation policy of 22,208 euros (21,373 euros in 2012), with tradability option, classified to L2.
- In 2013, as part of the composition with creditors regarding the FFM (Funivie Folgarida Marilleva) bad loan, included in the portfolio secured by BSI SA, an equity security was also acquired. It amounted to 3,326 thousand euros and was issued pursuant to Article 2356 of the Italian Civil Code, with maturity on 31 December 2027. This negotiable security has a fixed interest rate of 2.5% and is not linked to the performance of the company, which shall not distribute profits until full repayment of the same. This instrument, which had a coupon of 83 thousand euros in 2013 (classified among amounts to be collected), is included in the portfolio secured by BSI S.A., covered by collateral deposits of the latter.
- Operating receivables include net non-performing positions amounting to 972 thousand euros, largely attributable to advances to former advisors who have left service due to a dispute or pre-dispute process, or for which the term for reimbursement has otherwise lapsed.
- A specific impairment test was conducted on debt portfolio classified among loans to customers but no impairment was detected. Moreover, a 328 thousand euros collective reserve was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.
- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in "Part A.4 - Information on Fair Value" of these Notes.

Breakdown of loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
Other grants and pooled funding	23,838	47,226
Short-term deposits on the new MIC	-	40,003
Operating loans	71,574	54,507
Sums advanced to financial advisors	27,029	22,078
Interest-bearing daily margins Italian Stock Exchange	2,237	2,167
Interest-bearing caution deposits	328	376
Amounts to be collected	10,408	2,501
Total	135,414	168,858

7.2 Loans to customers: debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2013				31.12.2012			
	TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS		TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS	
			PURCHASED	OTHER			PURCHASED	OTHER
1. Debt securities	60,791	57,465	3,326	-	91,321	91,321	-	-
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-	-	-
c) Other issuers:	60,791	57,465	3,326	-	91,321	91,321	-	-
- non-financial companies	18,771	15,445	3,326	-	18,927	18,927	-	-
- financial companies	19,812	19,812	-	-	46,046	46,046	-	-
- insurance companies	22,208	22,208	-	-	26,348	26,348	-	-
- Other	-	-	-	-	-	-	-	-
2. Loans	1,438,980	1,397,951	-	41,029	1,217,264	1,189,932	-	27,332
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-	-	-
c) Other issuers:	1,438,980	1,397,951	-	41,029	1,217,264	1,189,932	-	27,332
- non-financial companies	408,568	375,990	-	32,578	361,166	340,505	-	20,661
- financial companies	96,037	95,905	-	132	144,991	144,887	-	104
- insurance companies	8,394	8,394	-	-	7,535	7,535	-	-
- Other	925,981	917,662	-	8,319	703,572	697,005	-	6,567
Total	1,499,771	1,455,416	3,326	41,029	1,308,585	1,281,253	-	27,332

Section 12 - Property and equipment - Item 120

12.1 Breakdown of property and equipment: assets valued at cost

ASSETS/VALUES	31.12.2013	31.12.2012
A. Operating assets		
1.1 Owned assets:	4,080	4,416
a) land	-	-
b) buildings	-	-
c) furniture	2,572	2,556
d) electronic equipment	678	918
e) other	830	942
1.2 Acquired under finance lease:	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	4,080	4,416
B. Assets held as investments		
2.1 Owned assets:	-	-
a) land	-	-
b) buildings	-	-
2.2 Acquired under finance lease:	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A + B)	4,080	4,416

12.5 Operating assets: year changes

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Amount at year-start lorde	-	-	16,083	4,434	7,354	27,871
A.1 Total net impairment	-	-	13,527	3,516	6,412	23,455
A.2 Net amount at year-start	-	-	2,556	918	942	4,416
B. Increases	-	-	767	339	278	1,384
B.1 Purchases	-	-	767	339	278	1,384
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal value:						-
a) Net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.4 Fair value positive change in:						-
a) Net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held as investments	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
<i>of which: business combination transactions</i>	-	-	-	-	-	-
C. Decreases	-	-	751	579	390	1,720
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	751	579	390	1,720
C.3 Adjustments for impairment in:						-
a) Net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.4 Fair value negative change in:						-
a) Net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:						-
a) property and equipment held as investments	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
<i>of which: business combination transactions</i>	-	-	-	-	-	-
D. Net amount at year-end	-	-	2,572	678	830	4,080
D.1 Total net impairment	-	-	14,278	4,095	6,802	25,175
D.2 Gross amount at year-end	-	-	16,850	4,773	7,632	29,255
E. Valued at cost	-	-	2,572	678	830	4,080

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: categories

ASSETS/VALUES	31.12.2013			31.12.2012		
	SPECIFIED MATURITY	UNSPECIFIED MATURITY	TOTAL	SPECIFIED MATURITY	UNSPECIFIED MATURITY	TOTAL
A,1 Goodwill	-	38,632	38,632	-	38,632	38,632
A.2 Other intangible assets	7,378	-	7,378	8,730	-	8,730
A.2.1 Assets valued at cost:	7,378	-	7,378	8,730	-	8,730
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	7,378	-	7,378	8,730	-	8,730
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	7,378	38,632	46,010	8,730	38,632	47,362

13.2 Intangible assets: year changes

	GOODWILL	OTHER INTANGIBLE ASSETS				TOTAL
		INTERNALLY GENERATED		OTHER		
		SPECIFIED MATURITY	UNSPECIFIED MATURITY	SPECIFIED MATURITY	UNSPECIFIED MATURITY	
A. Amount at year-start	38,632	-	-	27,793	-	66,425
A.1 Total net impairment	-	-	-	19,063	-	19,063
A.2 Net amount at year-start	38,632	-	-	8,730	-	47,362
B. Increases	-	-	-	1,999	-	1,999
B.1 Purchases	-	-	-	1,999	-	1,999
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>	-	-	-	-	-	-
C. Decreases	-	-	-	3,351	-	3,351
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	3,351	-	3,351
- Depreciation	-	-	-	3,351	-	3,351
- 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	-	-	-	-	-	-
<i>of which: business combination transactions</i>	-	-	-	-	-	-
D. Amount at year-end	38,632	-	-	7,378	-	46,010
D.1 Total net adjustments	-	-	-	22,414	-	22,414
E. Gross amount at year-end	38,632	-	-	29,792	-	68,424
F. Valued at cost	38,632	-	-	7,378	-	46,010

Breakdown of consolidated goodwill

(€ THOUSAND)	31.12.2013	31.12.2012
Prime Consult SIM e INA SIM	2,991	2,991
BG Fiduciaria SIM S.p.A.	4,289	4,289
Banca del Gottardo	31,352	31,352
Total	38,632	38,632

Breakdown of intangible assets - other assets

	31.12.2013	31.12.2012
Charges associated with the implementation of legacy CSE procedures	3,339	2,540
Transactions with customers (former Banca del Gottardo)	3,814	4,767
Other software costs	174	144
Fees to be amortised	-	-
Other fixed assets and payments on account	52	1,279
Total	7,378	8,730

The banking group's goodwill and intangible assets arising from the acquisition of Banca del Gottardo (customer relationships) 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 14 - Tax assets and liabilities - Item 140 (Assets) and Item 80 (Liabilities)

Breakdown of item 140 (Assets) - tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
Current taxation	3,467	1,720
Sums due for taxes to be refunded	143	194
IRES arising on National Tax Consolidation	1,633	1,308
IRES	-	218
IRAP	1,691	-
Deferred tax assets	34,793	39,556
With impact on Profit and Loss Account	33,687	33,130
IRES	29,847	29,384
IRAP	3,840	3,746
With impact on net equity	1,106	6,426
IRES	975	5,513
IRAP	131	913
Total	38,260	41,276

Notes

- Current tax assets and liabilities represent the net positive or negative unbalance between IRES and IRAP taxes payable for the year net of related payments on account and withholdings.
- In further detail, for Banca Generali current IRES (corporate income) tax assets and liabilities take the form of account receivable from or payable to, respectively, the consolidating entity, Assicurazioni Generali S.p.A. As a consequence of Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then calculates and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.
- Sums arising on the National Tax Consolidation refer mostly to the excess IRES paid in years 2007-2011 due to the effect of the introduction, in accordance with Legislative Decree no. 201/2011, of the deductibility from that tax of the share of IRAP paid on the cost of labour. The account receivable was recognised on the basis of the provisions of the Order of the Director of the Italian Revenue Service of 17 December 2012, which governs the methods for presenting refund applications, and also takes the form of a positive entry in Assicurazioni Generali's tax consolidation programme.

Breakdown of item 80: tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
Current taxation	22,316	33,365
IRES arising on National Tax Consolidation	8,949	743
IRES	-	-
IRAP	5	6,037
Other direct taxes payable	13,362	26,413
Substitute tax ⁽¹⁾	-	172
Deferred tax liabilities	5,452	3,255
With impact on Profit and Loss Account	2,035	2,386
IRES	1,950	2,307
IRAP	85	79
With impact on net equity	3,417	869
IRES	2,864	701
IRAP	553	168
Total	27,768	36,620

(1) Substitute tax payables for 2012 include the remaining instalment of the substitute tax payable in respect of the redemption of the goodwill due by the merged company BG SGR, pursuant to Article 176, paragraph 2-ter of the TUIR and paid in 2013.

14.1 Breakdown of deferred tax assets

	31.12.2013	PURSUANT TO LAW NO. 214/2011	31.12.2012	PURSUANT TO LAW NO. 214/2011
With impact on Profit and Loss Account	33,687	11,617	33,130	11,629
Previous fiscal losses ⁽¹⁾	-	-	-	-
Provisions for liabilities and contingencies	19,955	-	19,049	-
Write-down of held-for-trading securities before 2008	11	-	11	-
Write-down of securities in the AFS portfolio	-	-	-	-
Write-downs on debt securities	-	-	-	-
Credit devaluation	2,055	1,861	820	776
Redeemed goodwill (pursuant to Art. 15, para. 10, of Legislative Decree 185/08)	7,056	7,056	8,064	8,064
Consolidated goodwill of BG Fiduciaria (Art. 15, par. 10-ter)	1,321	1,321	1,410	1,410
Redeemed goodwill (Art. 176, par. 2-ter of TUIR)	1,379	1,379	1,379	1,379
Other goodwill	1,763	-	2,250	-
Other operating expenses	147	-	147	-
With impact on net equity	1,106	-	6,426	-
Measurement at fair value of AFS financial assets	923	-	6,313	-
Actuarial losses IAS19	183	-	113	-
Total	34,793	11,617	39,556	11,629

Notes

- DTAs which can be transformed into tax credits pursuant to Law no. 214/2011 include assets associated with redeemed goodwill as per Article 10 of Legislative Decree no.185/08 and Article 172 of TUIR and write-downs of the banking portfolio exceeding 0.30% and deductible over a 18-year period. Starting in 2013, they also included write-downs of the loan portfolio, deductible in the year of reference and in the four following years, in accordance with the new Article 106, paragraph 3, as enacted by the 2014 Stability Law.

14.2 Breakdown of deferred tax liabilities

	31.12.2013	31.12.2012
With impact on Profit and Loss Account	2,035	2,386
Capital gains by instalments from the transfer of the funds business unit	844	1,126
Provisions, adjustments and write-downs, excluding off-balance sheet items	702	639
Provisions for post-employment benefits	178	310
Goodwill	311	311
With impact on net equity	3,417	869
Measurement at fair value of AFS financial assets	3,417	869
Total	5,452	3,255

14.3 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	31.12.2013	31.12.2012 RESTATED
1. Amount at year-start	33,130	36,299
2. Increases	9,919	8,117
2.1 Deferred tax assets for the year:	9,918	8,104
a) relative to prior years	244	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	9,674	8,104
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases:	1	13
<i>adjustment of prepaid taxes for the National Tax Consolidation</i>	-	-
<i>business combinations</i>	-	-
3. Decreases	9,362	11,286
3.1 Deferred tax receivables eliminated in the year:	9,209	10,033
a) transfers	9,177	9,035
b) write-downs for non-recoverability	32	412
c) change in accounting criteria	-	586
3.2 Decreases in tax rates	-	121
3.3 Other decreases:	153	1,132
a) conversion in tax credits pursuant to Law no. 214/2011	-	-
b) other:	153	1,120
<i>reclassified to assets for the National Tax Consolidation</i>	-	1,120
<i>business combinations</i>	-	-
4. Amount at year-end	33,687	33,130

13.3.1 Change in deferred tax assets pursuant to Law no. 214/2011

	31.12.2013	31.12.2012
1. Amount at year-start	11,629	11,302
2. Increases	1,149	1,541
<i>of which: business combinations</i>	-	-
3. Decreases	1,161	1,214
3.1 Transfers	1,161	1,214
3.2 Conversion in tax credits:	-	-
a) arising from losses during the year	-	-
b) arising from fiscal losses	-	-
3.3 Other decreases	-	-
4. Amount at year-end	11,617	11,629

14.4 Change in deferred taxes (offsetting entry to the Profit and Loss Account)

	31.12.2013	31.12.2012
1. Amount at year-start	2,386	1,211
2. Increases	67	1,192
2.1 Deferred tax liabilities for the year:	67	66
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	67	66
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1,126
<i>of which: business combinations</i>	-	1,126
3. Decreases	418	17
3.1 Deferred tax payables eliminated during the year:	418	17
a) transfers	418	17
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	2,035	2,386

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

	31.12.2013	31.12.2012 RESTATED
1. Amount at year-start	6,426	26,736
2. Increases	309	439
2.1 Deferred tax assets for the year:	309	439
a) relative to prior years	-	-
b) change in accounting criteria	-	337
c) other	309	102
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	5,629	20,749
3.1 Deferred tax receivables eliminated in the year:	736	20,749
a) transfers	736	20,749
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	4,893	-
4. Amount at year-end	1,106	6,426

Item 3.3 Other decreases refers to the reduction in deferred taxes following the re-absorption of temporary differences, deductible as result of reversals of financial assets in the AFS portfolio.

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

	31.12.2013	31.12.2012
1. Amount at year-start	869	74
2. Increases	3,330	861
2.1 Deferred tax liabilities for the year:	3,321	861
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	3,321	861
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	9	-
3. Decreases	782	66
3.1 Deferred tax payables eliminated during the year:	782	66
a) transfers	782	66
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	3,417	869

Section 15 - Non-current assets and groups of assets held for sale, and related liabilities - Item 150 (Assets) and Item 90 (Liabilities)

	COST	31.12.2013			VB
		L1	L2	L3	
A. Individual assets					
A.1 Financial assets	-	-	-	-	-
A.2 Investments	-	-	-	-	-
A.3 Property and equipment	-	-	-	-	-
A.4 Intangible assets	-	-	-	-	-
A.5 Other non-current assets	-	-	-	-	-
Total A	-	-	-	-	-
B. Groups of assets (discontinued operating units)					
B.1 HFT financial assets held for trading	61,170	58,304	2,060	-	60,364
B.2 Financial assets at fair value	-	-	-	-	-
B.3 AFS financial assets	-	-	-	-	-
B.4 HTM financial assets	-	-	-	-	-
B.5 Loans to banks	13,744	-	13,744	-	13,744
B.6 Loans to customers	-	-	-	-	-
B.7 Equity investments	-	-	-	-	-
B.8 Property and equipment	-	-	-	-	-
B.9 Intangible assets	-	-	-	-	-
B.10 Other assets	101	-	101	-	101
Total B	75,015	58,304	15,905	-	74,209
C. Liabilities of individual assets held for sale					
C.1 Debts	-	-	-	-	-
C.2 Securities	-	-	-	-	-
C.3 Other liabilities	-	-	-	-	-
Total C	-	-	-	-	-
D. Liabilities of groups of assets held for sale					
D.1 Due to banks	-	-	-	-	-
D.2 Due to customers	-	-	-	-	-
D.3 Outstanding securities	67,238	-	65,734	-	65,734
D.4 HFT financial liabilities	-	-	-	-	-
D.5 Financial liabilities measured at fair value	-	-	-	-	-
D.6 Provisions	-	-	-	-	-
D.7 Other liabilities	-	-	518	-	518
Total D	67,238	-	66,252	-	66,252

Non-current assets held for sale refer to valuation of the investment in BG Dragon Sicav, a new Luxembourg UCITS promoted by the subsidiary GFM S.A. and launched in the second-half of 2013. It is authorised to invest directly in the Chinese equity market. In order to back its start-up phase, Banca Generali subscribed for 80,810 class-A shares of this SICAV, therefore acquiring 94% of

the company's and a share just under 10% of its capital. Considering that, on 16 October 2013, the BoD of the Bank resolved to proceed with the sale of the majority of the shares, the investment qualifies as an asset purchased solely with the intention of subsequent resale in the short term pursuant to IFRS 5.

Section 16 - Other assets - Item 160

16.1 Breakdown of other assets

	31.12.2013	31.12.2012
Fiscal items	16,851	7,218
Advances paid to fiscal authorities - current account withholdings ⁽¹⁾	2,542	1,449
Advances paid to fiscal authorities - stamp duty	5,070	4,893
Excess payment of substitute tax for tax shield	634	634
Fiscal Authority/VAT	204	-
Sums due from fiscal authorities for taxes to be refunded - other	71	168
Fiscal Authority/advances on capital gain	7,720	-
Other sums due from fiscal authorities	609	74
Leasehold improvements	1,010	932
Sundry advances to suppliers and employees	4,170	4,689
Operating receivables not related to financial transactions	85	108
Cheques under processing	24,939	20,861
C/a cheques drawn on third parties under processing	984	2,466
Our c/a cheques under processing c/o service	23,668	16,009
Cheques - other amounts under processing	287	2,386
Other amounts to be debited under processing	19,823	23,515
Amounts to be settled in the clearing house (debits)	5,355	6,027
Clearing accounts for securities and funds procedure	12,444	14,775
Other amounts to be debited under processing	2,023	2,713
Amounts receivable for legal disputes related to non-credit transactions	3,756	2,874
Trade receivables from customers and banks that cannot be traced back to specific items	19,446	14,858
Other amounts	40,541	30,167
Prepayments for the new supplementary fees for FAs	25,999	18,941
Prepayments of exclusive portfolio management fees	5,847	9,029
Other accrued income and deferred charges	8,262	1,740
Due from Assicurazioni Generali for claims to be settled	19	228
Sundry amounts	414	229
Total	130,619	105,222

(1) Receivables from fiscal authorities for withholdings on current accounts represent the positive unbalance between payments on account and the related payable to fiscal authorities.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET - LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
1. Due to Central Banks	1,114,185	1,309,841
2. Due to banks	1,116,686	920,055
2.1 Current accounts and free deposits	398	80,217
2.2 Term deposits	186	8,892
2.3 Loans:	1,091,372	801,383
2.3.1 Repurchase agreements	1,091,372	801,383
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	24,730	29,563
Total	2,230,871	2,229,896
Fair value	2,230,871	2,229,896

Notes

- Other liabilities refer for 20,987 thousand euros to deposits made by BSI SA as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia (collateral deposits) and, for the remaining amount, to collateral margins received from counterparties in reverse repurchase agreements.

Section 2 - Due to customers - Item 20

2.1 Due to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
1. Current accounts and free deposits	2,934,906	2,632,354
2. Term deposits	428,430	1,610,868
3. Loans	101,878	177,593
3.3.1 Repurchase agreements	85,754	153,397
3.3.2 Other	16,124	24,196
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other debts	123,486	70,358
Total	3,588,700	4,491,173
Fair value	3,588,700	4,491,173

Notes

- Other liabilities refer for 42,079 thousand euros to the stock of bank drafts issued by the Parent Company Banca Generali in relation to claims payment of insurance companies of the Generali Group, other amounts available to customers and, for the remaining amount, to trade payables to the sales network.
- Item 3.3 "Loans - Other" includes a subordinated loan in the amount of 40 million euros granted by the German associate insurance company Generali Versicherung A.G. to the merged company Banca BSI Italia S.p.A. under the contractual form known as Schuldschein (loan), with a repayment schedule that calls for five annual instalments, the second of which paid on 1 October 2013, and an interest rate equal to the 12-month Euribor plus 225 basis points. The loan is subordinated in the event of a default by the bank.

2.2 Due to customers: subordinated debts

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
Due to customers: subordinated debts	16,124	24,196
Generali Versicherung subordinated loan	16,124	24,196

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: categories

TYPE OF TRANSACTIONS/VALUES	VN	31.12.2013 - FV			FV (*)	VN	31.12.2012 - FV			FV (*)
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	X	-	-	-	-	X
3.1.2 other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities:	-	-	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	X	-	-	-	-	X
3.2.2 other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives										
1. Financial	-	-	597	-	-	-	-	1,448	-	-
1.1 Trading	X	-	597	-	X	X	-	1,448	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	-	X	-	-	-	-
2. Credit	-	-	-	-	-	-	-	-	-	-
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	597	-	-	X	-	1,448	-	-
Total (A + B)	X	-	597	-	-	X	-	1,448	-	-

(*) 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 14 (Assets) provides an analysis.

Section 10 - Other liabilities - Item 100

10.1 Breakdown of other liabilities

	31.12.2013	31.12.2012
Trade payables	10,190	11,572
Due to suppliers	10,190	11,572
Due to staff and social security institutions	14,569	13,359
Due to staff for accrued holidays etc.	3,351	3,234
Due to staff for productivity bonuses to be paid out	6,589	5,948
Contributions to be paid to social security institutions	2,373	2,220
Contributions to advisors to be paid to Enasarco	2,257	1,957
Tax authorities	17,142	20,384
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	3,443	3,207
Withholding taxes to be paid to tax authorities on behalf of customers	9,721	14,504
Notes to be paid into collection services	3,956	2,221
VAT payable	-	326
Tax liabilities - other (stamp and substitute tax on medium/long term loans)	22	126
Amounts to be debited under processing	94,509	45,677
Bank transfers, cheques and other sums payable	755	7,258
Amounts to be settled in the clearing house (credits)	71,638	29,601
Liabilities from reclassification of portfolio subject to collection (SBF)	1,085	1,257
Other amounts to be debited under processing	21,031	7,561
Sundry items	6,188	4,021
Accrued expenses and deferred income that cannot be traced back to specific items	1,959	859
Sums made available to customers	103	57
Due for payments on behalf of third parties	2,532	1,190
Sundry items	1,320	1,667
Amounts to be credited	274	248
Total	142,598	95,013

Section 11 - Provisions for termination indemnity - Item 110

11.1 Provisions for termination indemnity: year changes

	31.12.2013	31.12.2012
A. Amount at year-start	4,600	4,004
Change in the opening balance	-	89
B. Increases	531	1,127
B.1 Provisions for the year	223	209
B.2 Actuarial gains and losses	307	918
B.3 Other increases	1	-
<i>of which: business combinations</i>	-	-
C. Decreases	546	620
C.1 Amounts paid	546	620
C.2 Actuarial gains and losses	-	-
C.3 Other decreases	-	-
<i>of which: business combinations</i>	-	-
D. Amount at year-end	4,585	4,600

11.2 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of employment, in accordance with IAS 19.

The provision was measured based on the actuarial value using the methods described in Part A.2 of the Notes.

	31.12.2013	31.12.2012
Current service cost	23	23
Interest cost	200	186
Actuarial gains and losses	307	918
Total provisions for the financial year	530	1,127
Actuarial value	4,585	4,600
Value calculated Re. Article 2120 of the Italian Civil Code	5,055	5,420

Section 12 - Provisions for liabilities and contingencies - Item 120

12.1 Breakdown of provisions for liabilities and contingencies

ITEMS	31.12.2013	31.12.2012
1. Company provisions for pensions	-	-
2. Other provisions for liabilities and contingencies	72,151	63,805
2.1 Litigation	13,042	11,464
2.2 Staff	13,572	12,961
2.3 Other	45,537	39,380
Total	72,151	63,805

Breakdown of other provisions for liabilities and contingencies

	31.12.2013	31.12.2012
Provision for staff expenses	13,572	12,961
Provision for legal disputes	13,042	11,464
Provision for risks related to litigations connected with FAs' embezzlements	8,958	7,386
Provision for risks related to legal disputes with FAs	1,391	892
Provision for risks related to legal disputes with staff	713	709
Provision for other legal disputes	1,980	2,477
Provision for termination indemnity of Financial Advisors	15,314	11,255
Provision for termination indemnity	12,354	9,924
Provision for portfolio overfee indemnities	1,467	908
Provision for retirement benefit plans	1,493	423
Provisions for risks related to network incentives	25,757	27,147
Provision for network development incentives	20,327	22,212
Provisions for managers with access gate	2,696	2,317
Provision for fees - travel incentives and tenders	2,650	2,500
Provision for fees - other	84	118
Provision for loyalty bonuses	-	-
Other provisions for liabilities and contingencies	4,466	978
Total	72,151	63,805

12.2 Provisions for liabilities and contingencies: year changes

ITEMS	PROVISIONS FOR PENSIONS	OTHER PROVISIONS	TOTAL
A. Amount at year-start	-	63,805	63,805
B. Increases	-	32,225	32,225
B.1 Provisions for the year	-	32,170	32,170
B.2 Other increases	-	55	55
C. Decreases	-	23,879	23,879
C.1 Use in the year	-	19,623	19,623
C.2 Other decreases	-	4,256	4,256
D. Amount at year-end	-	72,151	72,151

Provisions for liabilities and contingencies: details of movements

	31.12.2012	OTHER CHANGES	USES	SURPLUS	PROVISIONS	31.12.2013
Provision for staff expenses	12,961	80	-4,656	-3,129	8,316	13,572
Provision for legal disputes	11,464	0	-1,196	-42	2,816	13,042
Provision for risks related to litigations connected with FAs' embezzlements	7,386	660	-572	-36	1,520	8,958
Provision for risks related to legal disputes with FAs	892	-	-14	-	513	1,391
Provision for risks related to legal disputes with staff	709	-	-	-	4	713
Provision for other legal disputes	2,477	-660	-610	-6	779	1,980
Provision for termination indemnity of Financial Advisors	11,255	-15	-201	-502	4,777	15,314
Provision for termination indemnity	9,924	10	-201	-476	3,097	12,354
Provision for portfolio overfee indemnities	908	-25	-	-16	600	1,467
Provision for retirement benefit plans	423	-	-	-10	1,080	1,493
Provisions for risks related to network incentives	27,147	-10	-12,643	-583	11,846	25,757
Provision for risks related to network development incentives	22,212	-	-9,421	-403	7,939	20,327
Provisions for managers with access gate	2,317	-	-875	-	1,254	2,696
Provision for fees - travel incentives and tenders	2,500	-	-2,320	-180	2,650	2,650
Provision for risks related to incentive plans	118	-10	-27	-	3	84
Provision for loyalty bonuses	-	-	-	-	-	-
Other provisions for liabilities and contingencies	978	-	-927	-	4,415	4,466
Total	63,805	55	-19,623	-4,256	32,170	72,151

12.4 Provisions for liabilities and contingencies - other provisions

Provision for staff expenses

Provision for staff expenses

“Provisions for staff expenses include the following amounts:

- the share of the variable compensation of managers of the banking group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in the banking group's new remuneration policy;
- the estimate of the variable compensation provided for in the new long-term retention programme introduced within the Assicurazioni Generali Group and approved by Banca Generali (the Long Term Incentive Plan);
- provisions for post-employment medical benefits of Group executives;
- other allocations intended to support a company reorganisation plan launched following the merger of BG SGR, informal incentives and other expenses associated with personnel classification, not included within the scope of IAS 19.

In 2013, provisions for staff expenses also included the allocation related to the performance bonus envisaged in the company supplementary contract. Following the early termination by professional organisations of the national collective labour agreement, procedures for the renewal of the supplementary company contract, which expired in 2011, have been frozen. However, the Bank decided to allocate the amount of the bonus on the basis of the mechanisms agreed for the previous two-year period 2010-2011.

Provisions for legal disputes

This type of provisions for risks includes provisions earmarked on the basis of pending litigations connected with advisors' embezzlements after insurance coverage, as well as those with disputes currently underway with financial advisors and employees and other legal and extra-legal disputes with customers and other entities.

Provisions for advisors' termination indemnity

These include provisions for termination indemnities paid to the sales network, the portfolio development and the social security bonus.

Provisions covering the cost of Financial Advisors' indemnity are assessed using the actuarial method in accordance with laws (Article 1751 of the Italian Civil Code) and the specific disbursement criteria adopted in the previous year.

The portfolio development indemnity is a contractual scheme calling for Financial Advisors with at least five years of service who

leave service permanently due to retirement, serious disability, death or voluntarily removal from the register, to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed. The indemnity, whose amount corresponds to that paid by the outgoing advisor, is charged on the incoming advisor. However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, with that amount reduced by 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

For both provisions, the expense associated with existing obligations at year-end is assessed according to a statistical-actuarial method, with the aid of independent professionals, for financial advisors in regular service, and through a specific assessment, for financial advisors who have left service.

Allocation to “social-security bonus” programmes aim at ensuring the most deserving employees supplemental pension benefits upon retirement.

Provisions for risks related to network incentives

These provisions refer mainly to past Group commitments related to several recruitment plans for middle-term expansion of managed portfolios. Considering that this type of plan has no longer been activated since 2009, provisions now refer solely to programmes in the final phases.

These plans envisage different kinds of incentives (joining bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence within the network of one or more years (up to 5 or 7 years).

This aggregate 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.

Other provisions for liabilities and contingencies

Other provisions for liabilities and contingencies include provisions to cover tax dispute (2.5 million euros), possible charges

borne by the bank arising from the preventive intervention, already approved, of the Interbank fund for the protection of Deposits (FITD) in relation to Banca Tercas bankruptcy (1.1 million euros) and other operating costs, such as business measures for costumers.

Tax dispute

With reference to tax dispute, provisions refer to the tax audit of the Parent Company, Banca Generali, pertaining to tax year

2010, carried out by the Regional Department for Friuli Venezia Giulia of the Italian Revenue Service and completed in July 2013. In such regards, no assessment audits have been served thus far. The remarks formulated by the Revenue Service in its notice of assessment served at the end of the audit focus mainly on the applicability of VAT exemption to a bank financial transaction. In light of these remarks, prudential provisions have been set with respect to the possible requirements of the Revenues Service. At 31 December 2013, Banca Generali is not involved in any tax disputes with the revenue authorities.

Section 15 - Group net equity - Items 140, 160, 170, 180, 190, 200 and 220

15.1 Breakdown of capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (EURO)	BOOK VALUE (€ THOUSAND)
Share capital				
- Ordinary shares	1.00	114,895,247	114,895,247	114,895
Treasury shares				
- Ordinary shares	1.00	-10,071	-10,071	-41
Total		114,885,176	114,885,176	114,854

15.2 Capital - Number of shares of the Parent Company: year changes

ITEMS/TYPE	ORDINARY	OTHER
A. Existing shares at year-start	112,937,722	-
Paid up	112,937,722	-
Partially paid	-	-
A.1 Treasury shares (-)	-10,071	-
A.2 Outstanding shares: at year-start	112,927,651	-
B. Increases	1,957,525	-
B.1 Newly issued shares:		
- against payment:	1,957,525	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrant	1,957,525	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	114,885,176	-
D.1 Treasury shares (+)	10,071	-
D.2 Existing shares at year-end	114,895,247	-
- paid up	114,895,247	-
- partially paid	-	-

15.3 Capitale: altre informazioni

At the reporting date, the share capital of the bank consisted of 114,895,247 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

During the year, as a result of the exercise of options within the stock option plan reserved for Financial Advisors, 1,957,525 newly issued shares were issued, for a total of 1,957 thousand euros.

15.4 Income reserves: further information

	31.12.2012	PROFIT DISTRIBUTION OF DIVIDENDS	PURCHASES OF SHARES	STOCK OPTION PLANS	ISSUE OF NEW SHARES	STOCK GRANT PLAN OF AG	OTHER CHANGES,	31.12.2013
Legal reserve	22,339	439	-	-	-	-	-	22,778
Restricted reserve for treasury shares	41	-	-	-	-	-	-	41
Restricted reserve for shares of the Parent Company	852	-	-	-	-	-	206	1,058
Unrestricted reserve	1,222	-	-	-	-	-	-206	1,016
Contribution to stock grant AG	99	-	-	-	-	437	-	536
Share-based payments reserve (IFRS 2)	6,256	-	-	455	-3,890	-	-	2,821
Reserve from income (loss) carried forward - Parent Company	58,464	15,800	-	-	-	-	-	74,264
Reserve from income (loss) carried forward - consolidated	46,858	11,068	-	-	-	-	71	57,997
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	-	3,710
Total	139,841	27,307	-	455	-3,890	437	71	164,221

Section 16 - Minority interests - Item 210

	31.12.2013	31.12.2012
1. Share capital	1,922	1,922
2. Additional paid-in capital	-	-
3. Reserves	1,832	1,377
4. Advance dividend payment	-2,400	-
5. (Treasury shares)	-	-
6. Valuation reserves	-	-
7. Equity instruments	-	-
8. Net profit (loss) for the year of Minority interests	4,685	3,867
Total Net equity	6,039	7,166

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), the undistributed profit, and the portion of net profit attributable to said interests.

PART B - INFORMATION ON THE BALANCE SHEET

Other information

1. Guarantees issued and commitments

TRANSACTIONS	31.12.2013	31.12.2012
1) Financial guarantees issued	32,900	16,909
a) Banks	7,176	5,220
b) Customers	25,724	11,689
2) Commercial guarantees issued	51,091	11,438
a) Banks	-	-
b) Customers	51,091	11,438
3) Irrevocable commitment to dispense funds	61,363	10,744
a) Banks:	51,742	502
i) of certain use	51,742	502
ii) of uncertain use	-	-
b) Customers:	9,621	10,242
i) of certain use	-	1,813
ii) of uncertain use	9,621	8,429
4) Underlying commitments to credit derivatives: hedging sales	-	-
5) Assets pledged as collateral of third-party bonds	18,539	4,000
6) Other commitments	-	-
<i>of which: securities receivable for put option issued</i>	-	-
Total	163,892	43,091

Notes

- Financial guarantees to banks include the commitment to FITD (interbank deposit protection fund) amounting to 7,176 thousand euros.
- Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
- Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.
- Assets pledged as collateral of third-party bonds consist of 10% of collaterals contributed to cover possible loss of defaulted operators within the new Mercato Interbancario Collateralizzato (NewMIC).
- The increase in commercial guarantees issued refers for 38 million euros to the guarantee provided to Coop Trieste in relation to the funding activity among its members, as required by the Bank of Italy's provisions in force.

2. Assets pledged as collateral for own liabilities and commitments

PORTFOLIO	31.12.2013	31.12.2012
1. HFT financial assets	-	-
2. Financial assets at fair value	-	-
3. AFS financial assets	886,667	769,100
4. HTM financial assets	1,973,872	2,525,865
5. Loans to banks	26,379	76,538
6. Loans to customers	-	10,091
7. Property and equipment	-	-
8. Intangible assets	-	-
Total	2,886,918	3,381,594

Notes

1. Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB.

5. Trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2013	31.12.2012
1. Execution of orders on behalf of clients	33,916,178	25,464,297
a) Purchases:	17,846,317	12,334,097
1. Settled	17,823,068	12,257,730
2. To be settled	23,249	76,367
b) Sales:	16,069,861	13,130,200
1. Settled	16,028,691	13,069,189
2. To be settled	41,170	61,011
2. Asset management	16,596,661	13,577,553
a) Individual	3,261,124	3,197,824
b) Collective	13,335,537	10,379,729
3. Custody and administration of securities (excluding asset management)	31,313,544	29,206,251
a) Third-party securities held in deposit		
- related to services provided as depository bank:	-	-
1. issued by companies included in the consolidation area	-	-
2. other securities	-	-
b) Other third-party securities held in deposit	13,364,717	12,010,178
- other:		
1. issued by companies included in the consolidation area	14,819	15,202
2. other securities	13,349,898	11,994,976
c) Third-party securities deposited with third parties	13,314,411	11,973,414
d) Portfolio securities deposited with third parties	4,634,416	5,222,659
4. Other		

Notes

1. The item "Asset management" refers to the overall amount, at market value, of assets under custody and administration on behalf of third parties, that include individual (GPM/GPF) and collective (Funds, SICAVs) asset management. The figure referring to individual management does not include 72 million euros of liquidity.
2. The figure referring to collective management does not include 1,139 thousand euros of funds included in Group individual discretionary accounts GPM/GPF.
3. 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

	DEBT SECURITIES	LOANS	OTHER	2013	2012
1. HFT financial assets	9,846	-	-	9,846	2,963
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	29,178	-	-	29,178	32,877
4. HTM financial assets	81,338	-	-	81,338	97,628
5. Loans to banks	3,137	632	-	3,769	5,641
6. Loans to customers	861	19,495	-	20,356	17,488
7. Hedging derivatives	-	-	-	-	777
8. Other assets	-	-	5	5	18
Total	124,360	20,127	5	144,492	157,392

Notes

1. Loans to customers - Loans include 836 thousand euros (788 thousand euros at 31 December 2012) for the return on the capitalisation policy GESAV.

1.3 Breakdown of interest income and similar charges: further information

	2013	2012
1.3.1 Interest income on financial assets in foreign currencies	69	168
1.3.2 Interest income on finance lease transactions	-	-
Total	69	168

1.4 Breakdown of interest expense and similar charges

	DEBTS	DEBT	OTHER	2013	2012
1. Due to Central Banks				6,799	12,128
2. Due to banks				4,590	9,521
3. Due to customers	11,261	-	-	11,261	24,187
4. Securities issued	-	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	-	-	4
8. Hedging derivatives	-	-	-	-	-
Total	22,650	-	-	22,650	45,840

1.6 Breakdown of interest expense and similar charges: further information

	2013	2012
1.6.1 Interest expense on financial assets in foreign currencies	37	46
1.6.2 Interest expense on finance lease liabilities	-	5
Total	37	51

Section 2 - Fees - Items 40 and 50

2.1 Breakdown of fee income

	2013	2012
a) Guarantees issued	216	112
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	429,370	376,612
1. trading of financial instruments	16,710	13,212
2. currency trading	-	-
3. asset management:	272,064	250,509
3.1 individual	34,392	36,727
3.2 collective	237,672	213,782
4. custody and administration of securities	716	857
5. depositary bank	-	-
6. placement of securities	49,122	36,756
7. order collection	7,479	4,916
8. consultancy activities:	656	355
8.1 investment advice	656	356
8.2 advice on financial structure	-	-
9. distribution of third-party services:	82,623	70,007
9.1 asset management:	404	389
9.1.1 individual	20	19
9.1.2 collective	384	370
9.2 insurance products	82,062	69,299
9.3 other products	157	319
d) Collection and payment services	3,992	2,090
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	3,112	2,871
j) Other services	2,169	2,948
Total	438,859	384,633

2.2 Breakdown of fee expense

	2013	2012
a) Guarantees received	114	105
b) Credit derivatives	-	-
c) Management and brokerage services:	201,535	168,101
1. trading of financial instruments	6,886	2,762
2. currency trading	-	-
3. asset management:	18,812	14,743
3.1 own portfolio	18,812	14,743
3.2 third-party portfolio	-	-
4. Custody and administration of securities	1,052	520
5. Placement of financial instruments	-	-
6. External offer of financial instruments, products, and services	174,785	150,076
d) Collection and payment services	2,724	1,086
e) Other services	187	1,276
Total	204,560	170,568

Section 3 - Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

	2013		2012	
	DIVIDENDS	PROCEEDS FROM UCIT UNITS	DIVIDENDS	PROCEEDS FROM UCIT UNITS
A. HFT financial assets	64	22	61	102
B. AFS financial assets	829	-	576	-
C. Financial assets measured at fair value	-	-	-	-
D. Shareholdings	-	X	-	X
Total	893	22	637	102

Section 4 - Net profit from trading - Item 80

4.1 Breakdown of net profit from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSS	LOSS FROM TRADING	NET RESULT 2013	NET RESULT 2012
1. Financial assets	830	802	275	8,083	-6,726	6,676
1.1 Debt securities	40	191	105	7,968	-7,842	5,199
1.2 Equity securities	190	42	67	101	64	273
1.3 UCIT units	600	569	103	14	1,052	1,204
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: exchange gains and losses	-	2,086	-	-	2,086	2,179
4. Derivatives	443	1,932	-	273	2,102	-370
4.1 Financial	443	1,932	-	273	2,102	-370
- On debt securities and interest rates:	-	1,721	-	61	2,103	-370
- interest rate swaps	-	49	-	41	8	-370
- government bonds forwards	443	1,672	-	20	2,095	-
- On equity securities and stock indexes:	-	-	-	-	-	-
- option	-	-	-	-	-	-
- futures	-	-	-	-	-	-
- On currency and gold ⁽¹⁾	-	211	-	212	-1	-
- Other	-	-	-	-	-	-
4.2 Credit	-	-	-	-	-	-
Total	1,273	4,820	275	8,356	-2,538	8,485

Notes

(1) It includes currency options and currency outright.

Section 5 - Net income from hedging - Item 90

5.1 Breakdown of net income from hedging

	2013	2012
A. Income from:		
A.1 Fair-value hedge derivatives	-	-
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	-	-
B. Charges from:		
B.1 Fair-value hedge derivatives	-	-
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedge derivatives	-	937
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging (B)	-	937
C. Net income from hedging (A - B)	-	-937

Section 6 - Gain (loss) from transfer/repurchase - Item 100

6.1 Breakdown of gain (loss) from transfer/repurchase

	2013			2012		
	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
Financial assets						
1. Loans to banks	1,368	15	1,353	453	-	453
2. Loans to customers	1,816	1,459	357	353	5,117	-4,764
3. AFS financial assets	21,577	2,674	18,903	21,973	14,424	7,549
3.1 Debt securities	21,262	2,672	18,590	21,973	14,372	7,601
3.2 Equity securities	110	2	108	-	52	-52
3.3 UCIT units	205	-	205	-	-	-
3.4 Loans	-	-	-	-	-	-
4. HTM financial assets	-	10	-10	1,240	411	829
Total assets	24,761	4,158	20,603	24,019	19,952	4,067
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

Previous AFS equity reserves transferred back to the Profit and Loss Account are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	2,311	-2,031	280
Equity securities	101	-	101
UCIT units	98	-	98
Total	2,510	-2,031	479

Section 8 - Net adjustments/reversal value for impairment - Item 130

8.1 Breakdown of net adjustments to non-performing loans

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2013	2012
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Loans to banks	-	-	1,058	-	-	-	-	-1,058	-1,140
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	1,058	-	-	-	-	-1,058	-1,140
B. Loans to customers	135	3,167	602	1	46	-	-	-3,857	-2,432
- Non-performing loans purchased	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
- Other loans	135	3,167	602	1	46	-	-	-3,857	-2,432
- Loans	116	2,925	600	1	46	-	-	-3,594	-1,265
- Operating loans	19	242	-	-	-	-	-	-261	-476
- Debt securities	-	-	2	-	-	-	-	-2	-691
C. Total	135	3,167	1,660	1	46	-	-	-4,915	-3,572

Other specific adjustments to loans refer for 2,539 thousand euros to the 10 million euros pool loan, granted in 2007 to Investimenti Marittimi S.p.A., a company classified as substandard over the last quarter of the year.

Specific value adjustments, amounting to 386 thousand euros, refer for 342 thousand euros to doubtful loans and for the remaining amount to other non-performing positions (substandard loans, objective substandard loans and loans expired from over 90 days).

During the year, the collective reserve on performing loans was adjusted for 600 thousand euros.

Value adjustments to operating loans primarily refer to write-downs of advances fees to former Financial Advisors.

Portfolio adjustments on debt securities classified under "Loans to customers" and "Loans to banks" amounted to 1,060 thousand euros and refer to the adjustments of the collective reserves allocated to account for potential impairment on the corporate bond portfolio.

8.2 Breakdown of net adjustments for impairment of available-for-sale financial assets

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2013	2012
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	-	-	-
B. Equity securities	-	1,299	-	-	-	-	-	-1,299	-1,016
C. UCITS units	-	-	-	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
F. Total	-	1,299	-	-	-	-	-	-1,299	-1,016

Value adjustments to equity securities refer to the write-down of the equity investment in Simgenia S.p.A. - a company of the Generali Group under winding-up procedures as of the end

of 2013 - for 328 thousand euros and to the private equity investment Athena private equity - also being wound up as of 1 January 2014 - for 695 thousand euros.

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2013	2012
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	141	141	304
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to costumers	-	-	-	-	-	-	-	-	-
D. Total	-	-	-	-	-	-	141	141	304

Section 11 - General and administrative expense - Item 180

Breakdown of general and administrative expense

	2013	2012
a) Staff expenses	71,504	66,346
b) Other general and administrative expense	105,964	92,651
Total	177,468	158,997

In this section, staff expenses for 2012 have been restated pursuant to IAS 19R, which became effective as of 1 October 2013. In detail, actuarial gains and losses recognised using the overcorridor method, in item e) Provision for termination indemnity, for an amount of 815 thousand euros, have been restated in the Statement of Other Comprehensive Income,

with an equivalent reduction of the charge through profit or loss. Moreover, in the Financial Statements as of 31 December 2013, personnel training expenses have been reclassified from item 150 b) Other staff expenses - other indirect staff expenses, to item 150 a) Staff expenses - other employee benefits. In 2012 this item amounted to 316 thousand euros.

11.1 Breakdown of staff expense

	2013	2012
1) Employees	69,608	64,912
a) Wages and salaries	39,616	37,806
b) Social security charges	9,739	9,475
c) Termination indemnity	574	331
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	220	209
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	3,845	3,687
- defined contribution	3,845	3,687
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	476	57
i) Other employee benefits	15,138	13,347
2) Other staff	480	-77
3) Directors and Auditors	1,411	1,511
4) Retired personnel	5	-
Total	71,504	66,346

The payments of shares of accrued post-employment benefits to the INPS Treasury fund have been reclassified from item g)

Amounts paid to supplementary external pension funds to item c) Termination indemnity.

11.2 Average number of employees by category

	2013	2012
Employees	797	776
a) Managers	46	49
b) Total executives	208	193
<i>of which 3rd and 4th level</i>	129	123
c) Employees at other levels	543	534
Other employees	5	5
Total	802	781

Breakdown of headcount

	31.12.2013	31.12.2012
Employees	809	785
a) Managers	46	46
b) Total executives	217	200
<i>of which 3rd and 4th level</i>	131	126
c) Employees at other levels	546	539
Other employees	5	7
Total	814	792

11.4 Other employee benefits

	2013	2012
Short-term productivity bonuses payable (Result-based bonuses, non-deferred MBO Managers' remuneration, etc.)	8,561	8,686
Long-term incentives (Long Term Incentive Plan, deferred MBO managers' remuneration)	2,916	2,208
Post-employment medical care plans	700	-
Charges for staff supplementary pensions	1,686	1,481
Amounts replacing cafeteria indemnities	585	792
Transfer incentives and other indemnities	-	-
Expenses for missions - expense reimbursement and indemnities, and charges payable by the group	-	-
Training expenses	464	-
Allowances and charitable gifts	140	101
Other expenses	86	79
Total	15,138	13,347

11.5 Breakdown of other general and administrative expense

	2013	2012
Administration	13,803	12,565
Advertising	4,114	3,778
Consultancy and professional advice expenses	4,984	3,137
Corporate boards and auditing firms	565	501
Insurance	3,081	3,966
Entertainment expenses	272	350
Membership contributions	609	659
Charity	178	174
Operations	31,133	30,998
Rent and usage of premises and management of property	15,482	15,318
Outsourced services (administration, call center)	4,404	4,588
Post and telephone	2,967	2,948
Print material	942	854
Other expenses for sales network management	2,489	2,426
Other expenses and purchases	2,241	1,920
Indirect personnel expenses	2,608	2,944
Information system and equipment	31,453	30,926
Expenses related to outsourced IT services	21,554	22,300
Fees for IT services and databases	6,254	5,367
Software maintenance and servicing	2,862	2,325
Fees for equipment hired and software used	163	200
Other maintenance	620	734
Indirect taxation	29,575	18,162
Total	105,964	92,651

Section 12 - Net provisions for liabilities and contingencies - Item 190

12.1 Breakdown of net provisions for liabilities and contingencies

	2013			2012		
	PROVISIONS	REVERSALS	NET	PROVISIONS	REVERSALS	NET
Provision for risks related to staff expenses	2,619	-2,447	172	3,156	-496	2,660
Provisions for staff expenses: long-term incentives	-	-	-	-	-	-
Provision for staff expenses: other	2,619	-2,447	172	3,156	-496	2,660
Litigation	2,816	-42	2,774	4,766	-655	4,111
Provision for risks related to legal disputes with subscribers	1,519	-36	1,483	2,243	-548	1,695
Provision for risks related to legal disputes with advisors	514	-	514	674	-	674
Provision for risks related to legal disputes with staff	4	-	4	-	-30	-30
Provision for risks related to legal disputes with other parties	779	-6	773	1,849	-77	1,772
Provisions for termination indemnity for advisors	4,778	-502	4,276	3,347	-745	2,602
Provision for termination indemnity for Financial Advisors	3,097	-476	2,621	2,652	-709	1,943
Provision for portfolio overfee indemnities	600	-16	584	272	-36	236
Provision for retirement benefit plans	1,081	-10	1,071	423	-	423
Provisions for risks related to network incentives	11,845	-583	11,262	9,358	-1,096	8,262
Provision for risks related to network development incentives	7,938	-583	7,355	5,622	-845	4,777
Provisions for managers with access gate	1,254	-	1,254	1,143	-	1,143
Provision for fees - travel incentives and tenders	2,650	-	2,650	2,500	-251	2,249
Provision for fees - incentive plans	3	-	3	93	-	93
Provision for loyalty bonuses for Financial Advisors	-	-	-	-	-	-
Other provisions for liabilities and contingencies	4,415	-	4,415	978	-	978
Total	26,473	-3,574	22,899	21,605	-2,992	18,613

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/reversal value of property and equipment - Item 200

13.1 Breakdown of net adjustments of property and equipment

	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2013	NET RESULT 2012
A. Property and equipment					
A.1 Owned assets:	1,720	-	-	1,720	1,759
- operating	1,720	-	-	1,720	1,759
- investment	-	-	-	-	-
A.2 Leased:	-	-	-	-	-
- operating	-	-	-	-	-
- investment	-	-	-	-	-
Total	1,720	-	-	1,720	1,759

Section 14 - Net adjustments/reversal value of property and equipment - Item 210

14.1 Breakdown of net adjustments of intangible assets

	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2013	NET RESULT 2012
A. Intangible assets					
A.1 Owned:	3,351	-	-	3,351	2,734
- generated in-house	-	-	-	-	-
- other	3,351	-	-	3,351	2,734
A,2 Leased	-	-	-	-	-
Total	3,351	-	-	3,351	2,734

Section 15 - Other operating income and expenses - Item 220

15.1 Breakdown of other operating expenses

	2013	2012
Adjustments of leasehold improvements	785	506
Write-downs on other assets	671	208
Indemnities and compensation for litigation and claims	240	2,081
Charges from accounting adjustments with customers	523	315
Charges for card compensation and guarantees	41	66
Costs associated with tax penalties and disputes	14	31
Other contingent liabilities and non-existent assets	366	847
Other operating expenses	16	16
Consolidation adjustments	-	4
Total	2,656	4,074

Item "Write-downs of other assets" refers for 550 thousand euros to the expected non-recovery of the stamp duty on financial instruments due to Tax Authorities, mostly in the minimum amount of 34.20 euros until 31 December 2013, with

reference to customers without a current account with the bank. The remaining part of this item refers to other amounts receivable included in item 150 of the Balance Sheet "Other assets".

15.2 Breakdown of other operating income

	2013	2012
Recovery of taxes from customers	28,706	17,101
Recovery of expenses from customers	467	554
Recovery of portfolio valorisation overfee	979	810
Indemnities for advisors' notices	308	275
Other recoveries of repayments and costs from advisors	843	774
Contingent assets - staff expense	1,179	2,294
Other contingent assets and non-existent liabilities	928	685
Insurance compensation and indemnities	134	356
Fees for outsourcing services	236	288
Other income	178	76
Consolidation adjustments	-	-
Total	33,958	23,213
Total other net income	31,302	19,139

Section 19 - Gains (losses) from disposal of investments - Item 270

19.1 Breakdown of gains (losses) from disposal of investments

	2013	2012
A. Buildings	-	-
Gains from disposal	-	-
Losses from disposal	-	-
B. Other assets	-4	-4
Gains from disposal	-	-
Losses from disposal	4	4
Net result	-4	-4

Section 20 - Income tax for the year for current operations - Item 290

20.1 Breakdown of income tax for the year for current operations

	2013	2012
1. Current taxation (-)	-50,767	-36,980
2. Change in prior year current taxes	1,015	1,577
3. Reduction of current taxes for the year (+)	-	-
3.bis Reduction of current taxes arising on tax credits pursuant to Law no. 214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	558	-2,048
5. Changes of deferred taxation (+/-)	351	-49
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	-48,843	-37,500

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 and Loss Account and the theoretical IRES tax determined by applying the current applicable tax rate to the pre-tax profit.

In this regard, it should be noted that Legislative Decree no. 133/2013 introduced an IRES surtax for the banking and insurance sectors of 8.5%. The current applicable tax rate for 2013 is equal to 36%.

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 higher tax charge for the year due to the introduction of the above-mentioned one-off levy has been estimated at 6.6 million euros, which accounts for almost 50% of the increase of current corporation tax. Excluding the above-mentioned levy, the Group's average tax rate related to the corporate tax only would have amounted to 17.2%, slightly up compared to the previous year.

	2013	2012	CHANGE
Current taxation	-50,767	-36,980	-13,787
IRES and equivalent foreign direct taxes	-42,098	-28,684	-13,414
<i>of which IRES surtax</i>	-6,646	-	-6,646
IRAP	-8,667	-8,278	-389
Other	-2	-18	16
Prepaid and deferred taxation	909	-2,097	3,006
IRES	821	-1,354	2,175
IRAP	88	-743	831
Taxes for prior years	1,015	1,577	-562
IRES	1,024	1,576	-552
IRAP	-9	1	-10
Income taxes	-48,843	-37,500	-11,343
Theoretical tax rate	36.00%	27.50%	8.50%
Current profit (loss) before taxation	194,908	170,719	24,189
Theoretical taxation	-70,167	-46,948	-23,219
Non-taxable income (+)			
Dividends from AFS equity investments with 95% exemption	284	150	134
ACE	807	502	305
IRAP deductible from the cost of labour and other	1,879	479	1,400
Non-deductible charges (-)			
Double taxation on 5% of Group's dividends	-1,023	-1,186	163
Non-deductible interest expenses (4%)	-327	-505	178
Impairment of AFS equity securities PEX	-468	-279	-189
Other non-deductible costs	-2,504	-1,900	-604
IRAP	-8,588	-9,020	432
Rate change of companies under foreign law	30,224	20,337	9,887
Taxes of prior years	1,024	1,576	-552
Other taxes	-2	-18	16
Not related deferred tax assets and liabilities	-30	-705	675
Other consolidation adjustments	48	17	31
Actual tax expense	-48,843	-37,500	-11,343
Total actual tax rate	25.1%	22.0%	3.1%
Actual tax rate (IRES only)	20.7%	16.7%	4.0%
Actual tax rate (IRAP only)	4.4%	5.3%	-0.9%
Actual tax rate (IRES only) without surtax	17.2%	16.7%	0.6%

The higher impact of the IRAP deduction on the cost of labour is more closely related to the shift of advance payments and balance payments of the various years, than to the increase in current taxes for the year. The IRAP deduction from the cost of labour and the lump-sum IRAP amount calculated on interest expense (10%) is recognised as cash in proportion to the balance

of the tax paid in the previous year and advance payments made for the current year. In this regard, it should be noted that Legislative Decree no. 133/2013 also increased advance IRAP payable for 2013 by 130%, allowing the deduction for IRES purposes of the entire regional tax on the cost of labour accrued in the year.

Section 21 - Income (loss) of disposal groups, net of taxes - Item 310

21.1 Breakdown of income (loss) of disposal groups, net of taxes

	2013	2012
1. Income	-	1,659
2. Charges	-	-980
3. Measurement of groups of assets available for sale and associated liabilities	-171	-
4. Gains (losses) on disposal	-	-
5. Taxes and duties	47	-228
Net profit (Loss)	-124	451

Net losses refer to valuation of the investment in BG DRAGON SICAV, a new Luxembourg UCITS promoted by the subsidiary GFM SA and launched in the second-half of 2013. It is authorised to invest directly in the Chinese equity market. In order to back its start-up phase, Banca Generali subscribed for 80,810 class-A shares of this SICAV, therefore acquiring 94% of the company's and a share just under 10% of its capital. Considering that, on 16 October 2013, the BoD of the Bank resolved to proceed with the sale of the majority of the shares, the investment qualifies as an

asset purchased solely with the intention of subsequent resale in the short term pursuant to IFRS 5.

The result of the valuation refers to the adjustment to the lower of book value and realisable value of the investment.

2012 result refers to the business unit of the subsidiary BG SGR, consisting of Italian managed mutual funds (BG Focus Funds), whose sale to Generali Investment Europe SGR was completed on 1 April 2012.

Section 22

22.1 Breakdown of Item 330 - Minority interests (+/-) for the year

	2013	2012
Generali Fund Management S.A. (GFM)	4,865	3,867
Profit attributable to minority interests	4,865	3,867

The net profit attributable to minority interests consists of the portion of the net profit for the year of the subsidiary GFM to which the minority-interest shareholder is entitled pursuant to the Articles of Association. In accordance with amendments to its Articles of Association approved by the company, the class-B

shares held by the minority-interest shareholder are entitled to the entire net profit for the year of the business pertaining to class-B shares, namely the business previously conducted by the merged company GIL - Generali Investment Luxembourg.

Section 24

24.1 Average number of ordinary shares after dilution

	2013	2012
Net profit for the period (€ thousand)	141,256	129,803
Net profit attributable to ordinary shares (€ thousand)	141,256	129,803
Average number of outstanding shares (thousand)	114,124	111,973
EPS - Earnings per Share (euros)	1.238	1.159
Net profit attributable to ordinary shares average number of outstanding shares (thousand)	115,648	115,065
EPS - Diluted earnings per share (euros)	1.221	1.128

PART D - COMPREHENSIVE INCOME

Analytical statement of comprehensive consolidated income

ITEMS	GROSS AMOUNT	INCOME TAXES	NET AMOUNT
10. Net profit (loss) for the year	X	X	145,941
Other components of income without reversal to profit and loss:			
20. Property and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	-307	84	-223
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserves of investments valued at equity	-	-	-
Other components of income with reversal to profit and loss:			
70. Hedges of foreign investments:	-	-	-
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
80. Exchange differences:	-	-	-
a) Fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
90. Cash-flow hedges:	-	-	-
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
100. AFS financial assets:	25,110	-7,952	17,158
a) fair value changes	25,099	-7,996	17,103
b) transfer to Profit and Loss Account:	11	46	57
- adjustments due to impairment	276	-13	263
- gains (losses) on disposal	-265	59	-206
c) other changes	-	-2	-2
110. Non-current assets held for sale:	-	-	-
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
120. Share of valuation reserves of investments valued at equity:	-	-	-
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account:	-	-	-
- adjustments due to impairment	-	-	-
- gains (losses) on disposal	-	-	-
c) other changes	-	-	-
130. Total other income	24,803	-7,868	16,935
140. Comprehensive income (Item 10 + 130)	-	-	162,876
150. Consolidated comprehensive income attributable to minority interests	-	-	-4,685
160. Consolidated comprehensive income attributable to the Parent Company	-	-	158,191

Part E - Information on risks and risk hedging policies

Foreword

The development of a genuine risk culture within Banca Generali is based upon an understanding of the risks that the Bank assumes and how they are managed, while always taking full account of the risk tolerance threshold defined in the Bank's Risk Appetite Framework.

In this context, the internal control system plays a key role in the risk management process, as well as in the Bank's corporate governance generally.

The internal control system is a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies, while also seeking to achieve:

- the efficiency and effectiveness of work processes;
- the safety of the company's assets and protection against losses;
- the reliability and integrity of accounting and operating information;
- operational compliance with the law and supervisory regulations;
- policies, plans, regulations and internal procedures; and
- the dissemination of a culture of control involving training initiatives for the various levels.

The Banca Generali Banking Group has designed an internal control model consistent with best practices at the national and international levels, minimising the risks of inefficiency, overlapping of roles and sub-optimal system performance. The system is structured on three different levels:

- first-tier checks: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;
- second-tier checks: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
 - the Risk Management Service is tasked with identifying, measuring/evaluating and monitoring all the types of risks (excluding the risk of non-compliance) to which the Banking Group is exposed in terms of its own assets, as well as providing relevant information and actively contributing to risk management with a view to maintaining risk levels within the limits indicated in the exposure profile and strategies established by the Board of Directors;

- the Compliance Service is tasked with verifying the observance of obligations relating to the provision of services for Banking Group companies and preventing and managing the risk of non-compliance with applicable legislation;
- the Anti Money Laundering service is responsible within the Banking Group for preventing and combating transactions involving money laundering and financing of terrorism;
- third-tier checks: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

The proper functioning of the risk governance system adopted by the Banca Generali Group is ensured by consistency from the standpoint of organisational structure, competencies and a guarantee of the independence of functions.

Within the internal control system, it is possible to identify the second tier as the home to an internal risk management culture that then effectively translates into company behaviour and choices.

It should be noted that, in May 2013, in order to guarantee:

- the establishment of a single, integrated organisation responsible for the control of all company risks, in view of operating efficiency;
- adequate hierarchical positioning of the heads of risk control and legal compliance functions, reporting directly to the management body or the strategic supervision body;

the following were established:

- Governance and Company Risk Area, which directly reports to the Chief Executive Officer;
- the Company Risk Department (within the above-mentioned Area), which is responsible for coordinating activities associated with compliance assessment, anti-money laundering and risk management functions.

The following entities operate within the Internal Control System, in addition to the tasks assigned to the Board of Directors, Chief Executive Officer, control body and independent auditors (who are responsible for accounting control):

- the Audit and Risk Committee, which was set up pursuant to the Corporate Governance Code of Listed Companies and su-

- pervisory regulations, and is tasked with performing a supporting role, with investigative, propositional and advisory duties in relation to the Board of Directors and the Board of Statutory Auditors, in particular on matters of internal controls and risk management, related parties and connected parties, statutory auditing and equity investments. The tasks and functions of the Committee, as well as the frequency of its meetings and the operating procedures to be followed to ensure that its duties are smoothly and properly performed, shall be regulated pursuant to specific Internal Audit and Risk Committee Rules;
- the Audit and Risk Committee, which is vested with specific responsibility for monitoring the Group's risks, managing

risk containment measures, as well as decision-making powers for identifying and implementing risk containment measures;

- the Supervisory Body, which is the corporate body in charge of updating the Organisational and Management Model and monitoring the implementation of and compliance with the said Model;
- the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law no. 262/2005.

Section 1 - Credit Risk

Qualitative information

1. General aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.

In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali Group's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.

The bank's exposure to credit risk mainly arises from its 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).

Loans are issued to high-standing retail customers (mainly individuals), generally with collaterals, and, to a lesser extent, to corporate customers to whom loans, almost totally backed by collateral on financial instrument, were issued during 2013. At any rate, the ratio of loans to customers to total loans remains relatively low.

As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at individuals.

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.

First-tier control activities are conducted by the Lending Department and the Finance Department, the latter being responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.

The Risk Management Service is responsible for second-tier controls and 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 Service and established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

2. Credit Risk Management Policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and 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 IASs/IFRSs, Banca Generali applied what has been developed in the Basel 2 framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are 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.

Collaterals can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collaterals are in the form of securities, a discount is usually applied upon disbursement of the loan and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee, 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, which concerns a residual class of out-of-pocket loans (not classified as bad loans yet) for an amount of approximately 21 million euros.

This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity 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. In relation to the regulations issued by the Bank of Italy in Circular Letter no. 263 (New Regulatory Provisions - 15th update of 2 July 2013) and Circular Letter no. 272 (Matrix of Accounts - 5th update of 16 July 2013) and the recent EBA European Banking Authority document of 21 October 2013 on forbearance (effectively expanding the concept of restructured loan), the Bank has launched various initiatives to adjust the reporting categories of problem loans, including the drafting of guidelines for the classification and measurement of non-performing loans, a process which is still in progress.

At present there are:

- bad loans;
- substandard and objective substandard loans;
- restructured loans;
- expired non-performing exposures.

The problem loans category includes a significant set of positions originating with Banca del Gottardo Italia and guaranteed by indemnities, which, as illustrated above, entail an absence of risks for the Bank. The set of positions guaranteed by indemnities accounts for 76% of total non-performing financial assets. If this category is excluded, the amount of loans classified as non-performing, net of impairment losses, accounts for an absolutely marginal percentage of total loans to customers (approximately 0.72%).

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 costumers and are guaranteed by the framework indemnity issued by the seller BSI SA. Such positions are not effectively a credit risk for the Bank, therefore no adjustments were made.

Quantitative Information

A. Credit Quality

A.1 Exposure to non-performing and performing loans: balances, adjustments, performance, income and geographical breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITSs.

A.1.1 Breakdown of financial assets by portfolio and credit quality (balance sheet amounts)

PORTFOLIOS/QUALITY	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	NON PERFORMING, EXPIRED LOANS	PERFORMING, EXPIRED LOANS	OTHER ASSETS	TOTAL
1. HFT financial assets	40	-	-	-	-	218,176	218,216
2. AFS financial assets	-	-	-	-	-	1,601,047	1,601,047
3. HTM financial assets	-	-	-	-	-	2,652,687	2,652,687
4. Loans to banks	-	-	-	-	-	291,379	291,379
5. Loans to customers	19,409	15,221	981	8,743	40,154	1,415,263	1,499,771
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	74,209	74,209
8. Hedging derivatives	-	-	-	-	-	-	-
Total at 31.12.2013	19,449	15,221	981	8,743	40,154	6,252,761	6,337,309
Total at 31.12.2012	23,439	2,087	960	886	-	7,042,293	7,069,665

The following considerations are provided on this subject:

- **Bad loans.** The net exposure decreased by approximately 4 million euros, chiefly due to a collection relating to a former Banca del Gottardo Italia position guaranteed by an indemnity and thus without an impact on the Bank. Only 5% of the item consists of bad loans to ordinary customers, whereas the remainder refers to exposures attributable to customers of the former Banca del Gottardo Italia, guaranteed by indemnities and thus without an impact on the Bank;
- **Substandard loans.** The net exposure increased by approximately 13 million euros due to:
 - a) the reclassification as substandard of the Investimenti Marittimi S.p.A. position, as discussed in the Report on Operations and in the section on related party transactions; at this juncture, it will be appropriate to recall that the position refers to an approximately 18% share of a pool loan with a gross exposure for the Bank of 10 million euros; in relation to the overall request for the restructuring of the line of credit put forward by the borrower, the position was classified as substandard with a specific impairment loss of 25%, whereas the remainder is covered by the value of the listed company's pledged shares;
 - b) the presence of objective substandard positions attributable to customers of the former Banca del Gottardo Italia guaranteed by indemnities and as such without an impact on the Bank;
- **Restructured loans.** These are positions attributable to the former Banca del Gottardo Italia guaranteed by indemnities;
- **Non-performing, expired exposures.** More than 92% are positions attributable to the former Banca del Gottardo Italia guaranteed by indemnities, whereas an additional 6% are positions with collateral or attributable to customers with deposited assets in excess of the expired exposure;
- **Performing, expired exposures.** In almost all cases, these are positions guaranteed by pledges of securities found to be expired on the reporting date and promptly paid in the following days. The category is not associated with any systematic critical issues.

A.1.2 Breakdown of loans by portfolio and credit quality (gross and net amounts)

PORTFOLIOS/QUALITY	NON-PERFORMING LOANS			PERFORMING LOANS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIAL ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. HFT financial assets	1,983	1,943	40	X	X	218,176	218,216
2. AFS financial assets	-	-	-	1,601,047	-	1,601,047	1,601,047
3. HTM financial assets	-	-	-	2,652,842	155	2,652,687	2,652,687
4. Loans to banks	-	-	-	294,329	2,950	291,379	291,379
5. Loans to customers	61,083	16,729	44,354	1,457,754	2,337	1,455,417	1,499,771
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	74,209	-	74,209	74,209
8. Hedging derivatives	-	-	-	X	X	-	-
Total at 31.12.2013	63,066	18,672	44,394	6,080,181	5,442	6,292,915	6,337,309
Total at 31.12.2012	43,075	15,703	27,372	6,839,922	5,169	7,042,292	7,069,664

A.1.2.1 Breakdown of performing loans by portfolio

PORTFOLIOS/MATURITY EXPIRED	OTHER LOANS				NOT EXPIRED	TOTAL (NET EXPOSURE)
	EXPIRED FOR UP TO 3 MONTHS	EXPIRED FOR OVER 3 MONTHS, UP TO 6 MONTHS	EXPIRED FOR OVER 6 MONTHS, UP TO 1 YEAR	EXPIRED FOR OVER 1 YEAR		
1. HFT financial assets						218,176
2. AFS financial assets	-	-	-	-	1,601,047	1,601,047
3. HTM financial assets	-	-	-	-	2,652,687	2,652,687
4. Loans to banks	-	-	-	-	291,379	291,379
5. Loans to customers	37,735	858	1,323	239	1,415,262	1,455,417
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	74,209	74,209
8. Hedging derivatives	-	-	-	-	-	-
Total at 31.12.2013	37,735	858	1,323	239	6,252,760	6,292,915

Banca Generali's loan portfolio does not include exposures renegotiated under collective agreements such as the Italian Banking Association-Ministry for the Economy and Finances agreement (ABI-MEF agreement). Other past-due performing

exposures include also positions past due or expired by more than 90 days, for which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted.

A.1.3 Cash and off-balance sheet loans with banks: gross and net amounts

TYPES OF EXPOSURE/VALUES	GROSSEXPOSURE	VALUE ADJUSTMENTS	VALUE ADJUSTMENTS	NET EXPOSURE
A. Cash exposure				
a) Bad loans	1,983	1,943	-	40
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Non performing, expired loans	-	-	-	-
e) Other assets	431,383	X	3,092	428,291
Total A	433,366	1,943	3,092	428,331
B. Off-balance sheet exposure				
a) Non-performing loans	-	-	-	-
b) Other	7,829	X	-	7,829
Total B	7,829	-	-	7,829

Cash exposures to banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.4 Cash exposure with banks: changes in gross non-performing loans

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Gross exposure at year-start	1,983	-	-	-
- of which position transferred but non written off	-	-	-	-
B. Increases	-	-	-	-
B.1 Inflows from performing loans	-	-	-	-
B.2 Transfer from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	-	-	-	-
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	-	-	-	-
C.3 Repayments	-	-	-	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	-	-	-
C.6 Other decreases	-	-	-	-
D. Gross exposure at year-end	1,983	-	-	-
- of which position transferred but non written off	-	-	-	-

A.1.5 Cash exposure with banks: changes in total adjustments

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Total adjustments at year-start	1,943	-	-	-
- of which position transferred but non written off	-	-	-	-
B. Increases	-	-	-	-
B.1 Adjustments	-	-	-	-
B.1 bis Losses from disposal	-	-	-	-
B.2 Transfers from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	-	-	-	-
C.1 Reversal of adjustments	-	-	-	-
C.2 Reversal of collections	-	-	-	-
C.2 bis Gains from disposal	-	-	-	-
C.3 Write-offs	-	-	-	-
C.4 Transfer to other categories of non-performing loans	-	-	-	-
C.5 Other decreases	-	-	-	-
D. Total adjustments at year-end	1,943	-	-	-
- of which position transferred but non written off	-	-	-	-

A.1.6 Cash and off-balance sheet exposure with customers: gross and net amounts

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Cash exposure				
a) Bad loans	32,714	13,305	-	19,409
b) Substandard loans	18,579	3,358	-	15,221
c) Restructured loans	981	-	-	981
d) Expired loans	8,809	66	-	8,743
e) Other assets	5,791,714	-	2,350	5,789,364
Total A	5,852,797	16,729	2,350	5,833,718
B. Off-balance sheet exposure				
a) Non-performing loans	3,090	-	-	3,090
b) Other	83,743	-	-	83,743
Total B	86,833	-	-	86,833

Cash exposures to customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

Non-performing exposures in the bad loan category also include

debt securities acquired following agreements for bad loans restructuring.

Moreover, non-performing exposures include operating receivables not arising from credit transactions, chiefly associated with dispute and pre-dispute positions involving terminated and other former Financial Advisors.

OPERATING RECEIVABLES ASSOCIATED WITH DISPUTE	GROSS	WRITE-DOWNS	NET
FAs associated with dispute, ex SIM	14	-14	-
FAs associated with dispute	2,602	-1,647	955
Advances to FAs	102	-102	-
INA agents	813	-813	-
Write-downs of receivables to FAs	3,531	-2,576	955
Write-downs of operating loans	236	-219	17
Write-downs of other receivables	274	-208	66
Write-downs of operating receivables	510	-427	83
Total write-downs	4,041	-3,003	1,038

A.1.7 Cash exposure with customers: changes in gross non-performing loans

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Gross exposure at year-start	36,340	2,815	960	977
- of which position transferred but non written off	-	-	-	-
B. Increases	4,192	18,294	21	9,901
B.1 Inflows from performing loans	54	17,904	-	9,849
B.2 Transfers from other categories of non-performing loans	43	183	-	30
B.3 Other increases	4,095	207	21	22
- of which business combinations	-	-	-	-
C. Decreases	7,818	2,530	-	2,069
C.1 Outflows to performing loans	-	7	-	573
C.2 Write-offs	128	-	-	-
C.3 Repayments	7,690	2,450	-	1,313
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	73	-	183
C.6 Other decreases	-	-	-	-
D. Gross exposure at year-end	32,714	18,579	981	8,809
- of which position transferred but non written off	-	-	-	-

A.1.8 Cash exposure with customers: changes in total adjustments

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Total adjustments at year-start	12,941	728	-	91
- of which position transferred but non written off	-	-	-	-
B. Increases	498	2,700	-	4
B.1 Adjustments	463	2,687	-	-
B.1 bis Losses from disposal	-	-	-	-
B.2 Transfers from other categories of non-performing loans	35	13	-	4
B.3 Other increases	-	-	-	-
- of which business combinations	-	-	-	-
C. Decreases	134	70	-	29
C.1 Reversal of adjustments	6	8	-	16
C.2 Reversal of collections	-	17	-	-
C.2 bis Gains from disposal	-	-	-	-
C.3 Write-offs	128	-	-	-
C.4 Transfer to other categories of non-performing loans	-	39	-	13
C.5 Other decreases	-	6	-	-
D. Total adjustments at year-end	13,305	3,358	-	66
- of which position transferred but non written off	-	-	-	-

A.2 Classification based on internal and external ratings

Banca Generali does not yet have an internal rating system for evaluating its customers' credit standing.

The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Breakdown of cash and off-balance sheet exposures by external rating classes

RESTRUCTURED	EXTERNAL RATING CLASSES						WITHOUT RATING	TOTAL
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-		
HFT financial assets	-	84	200,465	-	5	-	16,611	217,165
AFS financial assets	-	7,134	1,564,789	8,827	20,297	-	-	1,601,047
HTM financial assets	19,810	19,508	2,603,544	9,825	-	-	-	2,652,687
Loans to customers	-	9,954	-	-	25,303	-	1,464,514	1,499,771
Loans to banks	2,956	8,971	45,420	63,919	3,898	-	166,215	291,379
A. Cash exposure	22,766	45,651	4,414,218	82,571	49,503	-	1,647,340	6,262,049
Financial derivatives	-	-	-	-	-	-	1,051	1,051
Credit derivatives	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	1,051	1,051
C. Guarantees issued	-	-	-	-	-	-	83,990	83,990
D. Commitment to disburse funds	-	-	-	-	-	-	9,621	9,621
Total	22,766	45,651	4,414,218	82,571	49,503	-	1,742,002	6,356,711

A.3 Breakdown of guaranteed loans by type of guarantee**A.3.2 Guaranteed exposure with customers**

	LOAN AMOUNT	COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2) - SURETIES				TOTAL (1)+(2)
		BUILDINGS	SECURITIES	OTHER ASSETS	TOTAL	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	OTHER ENTITIES	
1. Guaranteed cash exposure:	1,271,199	417,795								1,757,280
1.1 Totally guaranteed	1,209,594	417,285								1,714,473
- of which non-performing	29,260	37,353	9,574	50	46,977				4,360	51,337
1.2 Partially guaranteed	61,605	510	33,993	8,196	42,699	-	-	-	108	42,807
- of which non-performing	7,644		4,394		4,394				15	4,409
2. Guaranteed off-balance sheet exposures:	75,802	460	75,477	13,913	89,851	-	-	-	1,274	91,125
2.1 Totally guaranteed	63,090	460	74,752	7,863	83,075	-	-		1,216	84,291
- of which non-performing	930		840	33	873				68	942
2.2 Partially guaranteed	12,712	-	726	6,050	6,776	-	-	-	59	6,834
- of which non-performing	2,000		203		203					203

B. Breakdown and Concentration of Loans

B.1 Sector breakdown of cash and off-balance sheet credit exposure to customers

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
A. Cash exposure	-	-	-
1. Government and Central Banks	4,287,722	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	4,287,722	-	-
2. Other public institutions	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	-	-	-
3. Financial companies	161,079	139	265
a. Bad loans	-	33	-
b. Substandard loans	115	103	-
c. Restructured loans	-	-	-
d. Expired loans	17	3	-
e. Other loans	160,947	-	265
4. Insurance companies	30,603	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	30,603	-	-
5. Non-financial companies	433,589	14,209	2,085
a. Bad loans	13,716	11,632	-
b. Substandard loans	13,098	2,569	-
c. Restructured loans	981	-	-
d. Expired loans	8,109	8	-
e. Other loans	397,685	-	2,085
6. Other entities	920,725	2,381	-
a. Bad loans	5,693	1,640	-
b. Substandard loans	2,008	686	-
c. Restructured loans	-	-	-
d. Expired loans	617	55	-
e. Other loans	912,407	-	-
Total A - cash exposure	5,833,718	16,729	2,350

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
B. Off-balance sheet exposure	-	-	-
1. Government and Central Banks	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
2. Other public institutions	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
3. Financial companies	305	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	305	-	-
4. Insurance companies	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
5. Non-financial companies	67,192	-	-
a. Bad loans	68	-	-
b. Substandard loans	160	-	-
c. Other non-performing loans	2,862	-	-
d. Other loans	64,102	-	-
6. Other entities	19,336	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	19,336	-	-
Total B - off-balance sheet exposure	86,833	-	-

Summary

	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
Governments and Central Banks	4,287,722	-	-
Public institutions	-	-	-
Financial companies	161,384	139	265
Insurance companies	30,603	-	-
Non-financial companies	500,781	14,209	2,085
Other entities	940,061	2,381	-
Overall total (A + B) at 31.12.2013	5,920,551	16,729	2,350

B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A. Cash exposure										
A.1 Bad loans	19,409	12,762	-	543	-	-	-	-	-	-
A.2 Substandard loans	15,219	3,357	2	1	-	-	-	-	-	-
A.3 Restructured loans	981	-	-	-	-	-	-	-	-	-
A.4 Expired loans	8,743	66	-	-	-	-	-	-	-	-
A.5 Other exposure	5,694,433	2,350	88,834	-	6,093	-	-	-	4	-
Total A	5,738,785	18,535	88,836	544	6,093	-	-	-	4	-
B. Off-balance sheet exposure										
B.1 Bad loans	68	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	160	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	2,862	-	-	-	-	-	-	-	-	-
B.4 Other exposure	83,702	-	41	-	-	-	-	-	-	-
Total B	86,792	-	41	-	-	-	-	-	-	-
Total at 31.12.2013	5,825,577	18,535	88,877	544	6,093	-	-	-	4	-
Total at 31.12.2012	5,914,494	16,097	97,223	658	20,429	17	-	-	-	-

B.3 Geographical breakdown of cash and off-balance-sheet credit exposure to banks

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A. Cash exposure										
A.1 Bad loans	-	-	40	1,943	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	372,660	3,082	54,452	10	1,179	-	-	-	-	-
Total A	372,660	3,082	54,492	1,953	1,179	-	-	-	-	-
B. Off-balance sheet exposure										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	7,462	-	367	-	-	-	-	-	-	-
Total B	7,462	-	367	-	-	-	-	-	-	-
Total at 31.12.2013	380,122	3,082	54,859	1,953	1,179	-	-	-	-	-
Total at 31.12.2012	975,391	2,046	98,786	2,054	117	-	-	-	-	-

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 Governmentsng risk concentration to bring them into line with the provisions of Directive 2009/111/EC. In detail, under the new rules, "big risks" are identified as exposures equal to or greater than 10% of

capital for regulatory purposes, by reference to the carrying amount of "exposures" rather than the amount weighted for counterparty risk.

Accordingly, risk positions that constitute "big risks" are identified by reference to both carrying amounts and weighted amounts.

BIG RISKS	31.12.2013	31.12.2012
a) Carrying amount	5,855,611	6,613,610
b) Weighted amount	258,974	569,461
c) Number	14	20

C. Securitisation and Disposal of Assets

C.1 Securitisation

The securitisation portfolio contains only Quarzo CL1 securities, with underlying residential and commercial mortgages (RMBS/CMBS).

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE						TOTAL NET EXPOSURE
	SENIOR		MEZZANINE		JUNIOR		
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	
Cash exposure							
A. With own underlying assets	-	-	-	-	-	-	-
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-
B. With third-party underlying assets	14,850	14,850	-	-	-	-	14,850
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	14,850	14,850	-	-	-	-	14,850

C.1.3 Exposure resulting from the third-party main securitisation, broken down by type of securitised assets and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	BOOK VALUE	ADJUSTMENTS AND REVERSALS	BOOK VALUE	ADJUSTMENTS AND REVERSALS	BOOK VALUE	ADJUSTMENTS AND REVERSALS
A. Cash exposure	-	-	-	-	-	-
A.1 QUARZO CL1 FRN 31.12.2019 ABS Trading portfolio ISIN IT0004284706 - underlying Rmbs/Cmbs	14,850	-	-	-	-	-
B. Guarantees issued	-	-	-	-	-	-
C. Lines of credit	-	-	-	-	-	-

C.1.4 Exposure arising on securitisations broken down by financial-asset portfolio and type

EXPOSURE/PORTFOLIO	TYPE OF FINANCIAL-ASSET PORTFOLIO						31.12.2013	31.12.2012
	HFT FINANCIAL ASSETS	FINANCIAL ASSETS AT FAIR VALUE	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS			
1. Cash exposure	14,850	-	-	-	-	-	14,850	51,084
Senior	14,850	-	-	-	-	-	14,850	50,912
Mezzanine	-	-	-	-	-	-	-	172
Junior	-	-	-	-	-	-	-	-
2. Off-balance sheet exposure	-	-	-	-	-	-	-	-
Senior	-	-	-	-	-	-	-	-
Mezzanine	-	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-	-

C.2 Transfer Operations

C.2.1 Transferred financial assets not written off

TECHNICAL TYPE/ PORTFOLIO	HFT FINANCIAL ASSETS			AFS FINANCIAL ASSETS			HTM FINANCIAL ASSETS			LOANS TO BANKS			LOANS TO COSTUMERS			TOTAL	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Cash assets	-	-	-	132,696	-	-	1,047,243	-	-	-	-	-	-	-	-	-	1,179,939
1. Debt securities	-	-	-	132,696	-	-	1,047,243	-	-	-	-	-	-	-	-	-	1,179,939
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITSs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2013	-	-	-	132,696	-	-	1,047,243	-	-	-	-	-	-	-	-	-	1,179,939
Total at 31.12.2012	-	-	-	75,044	-	-	880,114	-	-	-	-	-	-	-	-	-	955,158

A = transferred financial assets fully recognised (book value).
B = transferred financial assets partially recognised (book value).
C = transferred financial assets partially recognised (full value).

C.2.2 Financial liabilities for transferred assets not written off

LIABILITIES/ASSETS PORTFOLIO	HFT FINANCIAL	FVO FINANCIAL	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS TO BANKS	LOANS TO CUSTOMERS	TOTAL
1. Due to customers	-	-	34,057	51,697	-	-	85,754
a) for fully recognised assets	-	-	34,057	51,697	-	-	85,754
b) for partially recognised assets	-	-	-	-	-	-	-
2. Due to banks	-	-	98,547	992,825	-	-	1,091,372
a) for fully recognised assets	-	-	98,547	992,825	-	-	1,091,372
b) for partially recognised assets	-	-	-	-	-	-	-
Total at 31.12.2013	-	-	132,604	1,044,522	-	-	1,177,126
Total at 31.12.2012	-	-	74,276	880,504	-	-	954,780

Section 2 - Market Risks

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

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

The Group has established a market risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of market risk.

The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.

Second-tier checks are a responsibility of the Risk Management Service, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Service conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international banks, 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) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio. VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

2.1 Interest Rate and Price Risk - Regulatory Trading Book

Qualitative information

A. General aspects

The main activities of the banking group that increase its exposure to interest rate risk relating to its trading book include:

- management of the government bond book;
- management of the corporate bond securities;
- dealings in interest rate derivatives, all of which over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Financial Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);

- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate financial debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The securities portfolio is characterised by a limited remaining life.

The bank's investments in structured securities are negligible.

B. Management processes and interest rate risk measurement techniques

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio.

VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Average VaR. 99% 1 day (€/000)	19,897	22,563	13,950	12,683

Quantitative information

1. Regulatory trading portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UPTO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	-	115,060	99,885	884	1,320	3	10	-	217,162
1.1 Debt securities									
- With early repayment option	-	-	-	-	-	-	-	-	-
- Other	-	115,060	99,885	884	1,320	3	10	-	217,162
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-	-
2.1 Repurchase agreement liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
3. Financial derivatives	-	122,377	12,886	158,615	51,126	-	124	-	345,128
3.1 With underlying securities	-	82,841	2,360	50,419	51,126	-	124	-	186,870
- Options:									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other:									
- long positions	-	41,420	1,180	52	50,993	-	62	-	93,707
- short positions	-	41,421	1,180	50,367	133	-	62	-	93,163
3.2 Without underlying securities	-	39,536	10,526	108,196	-	-	-	-	158,258
- Options:									
- long positions	-	130	-	-	-	-	-	-	130
- short positions	-	130	-	-	-	-	-	-	130
- Other:									
- long positions	-	19,828	5,262	54,098	-	-	-	-	79,188
- short positions	-	19,448	5,264	54,098	-	-	-	-	78,810

2. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

TYPE OF TRANSACTION/ INDEX	LISTED			NON-LISTED
	ITALY	FRANCE	OTHER	
A. Equity securities				
Long positions	2,003	-	419	1
Short positions	-	-	-	-
B. Equity security purchases/sales to be settled	-	-	-	-
Long positions	-	-	-	-
Short positions	412	-	-	-
C. Other derivatives on capital securities	-	-	-	-
Long positions	-	-	-	-
Short positions	-	-	-	1
D. Stock index derivatives	-	-	-	-
Long positions	-	-	-	-
Short positions	-	-	-	-

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by interest-rate risk or exchange-rate risk), regardless of whether such changes are the result of factors specific to the instrument or issuer in question or are due to factors that influence all similar financial instruments traded on the market.

Price risk arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc., and in relation to UCITS units held in the portfolio.

However, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

3. Regulatory trading portfolio: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.

This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primary risk factors, which for Banca Generali Group are interest-rate and price risk. In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/- 100 basis points in the rate curve.

The next stage involves establishing the potential effects on the Profit and Loss Account, both in terms of the point change in the fair value of the portfolio under analysis on the reporting date, and the change in the net interest income for the current year.

In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point 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 +242/-242 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

By contrast, an interest rate movement of +100/-100 basis points would have had an overall effect on the fair value of the portfolio of government bonds held for trading of -0.4/+0.4 million euros, gross of the tax effect. The fair value component of government bonds carried in the HFT portfolio associated with such bonds would amount to -0.3/+0.3 thousand euros due to the hypothesised shift in the rate curve.

(€ THOUSAND)	HFT
FV equity delta (+10%)	242
FV equity delta (-10%)	-242
FV bonds delta (+1%)	-411
- of which government bonds	-346
FV bonds delta (-1%)	411
- of which government bonds	346
Interest margin delta (+1%)	2,017
Interest margin delta (-1%)	-2,017

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, in turn, 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 measure-

ment, control and monitoring of the interest rate risk to which the banking portfolio is exposed.

The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the Group's banking portfolio arises from:

- trading on the interbank deposits market;
- customer lending activities; and
- investment operations for the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the bank's objectives in terms of net interest income.

Quantitative information

1 Banking portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	1,354,005	833,020	563,117	895,294	2,028,228	366,709	4,510	-	6,044,883
1.1 Debt securities	-	-	-	-	-	-	-	-	-
- with early repayment option	-	25,273	-	4,988	23,083	489	-	-	53,833
- other	836	577,384	556,185	886,202	2,001,428	363,821	-	-	4,385,856
1.2 Loans to banks	92,729	73,485	-	-	-	-	-	-	166,214
1.3 Loans to customers	-	-	-	-	-	-	-	-	-
- current accounts	751,922	17	7	132	38	-	-	-	752,116
- other loans	508,518	156,861	6,925	3,972	3,679	2,399	4,510	-	686,864
- with early repayment option	418,305	114,247	259	543	3,458	2,316	4,510	-	543,638
- other	90,213	42,614	6,666	3,429	221	83	-	-	143,226
2. Cash liabilities	3,050,827	712,023	353,010	553,633	1,108,000	-	-	-	5,777,493
2.1 Due to customers	-	-	-	-	-	-	-	-	-
- current accounts	2,935,314	322,894	105,103	-	-	-	-	-	3,363,311
- other payables	74,488	41,015	-	59,807	8,000	-	-	-	183,310
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	74,488	41,015	-	59,807	8,000	-	-	-	183,310
2.2 Due to banks	-	-	-	-	-	-	-	-	-
- current accounts	398	-	-	-	-	-	-	-	398
- other payables	40,627	348,114	247,907	493,826	1,100,000	-	-	-	2,230,474
2.3 Debt securities	-	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-	-
- options:	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- other:	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-	-
- options:	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- other:	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-

The price risk associated with the banking book is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).

In further detail, the only listed securities consist of the equity investments in the Parent Company Insurance companies 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 +2.1/-2.1 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of -43.4/+43.4 million euros, gross of the tax effect.

The fair value delta component associated with the government bonds in the banking book would amount to -76.7/+76.7 million euros as a result of the hypothesised shift in the rate curve, or 84.5% of the fair value delta of the entire banking book.

A change of +100/-100 basis points in interest rates would have an effect of +22.9/-22.9 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 of all financial statement items. It resulted in a potential impact on the Profit and Loss Account of -0.5 million euros, gross of the tax effect in case of reduction of interest rates by 1%, and +0.5 million euros in case of increase by the same amount.

(€ THOUSAND)	HFT	AFS	HTM+L&R	LOANS (*)	TOTAL
FV equity delta (+10%)	242	2,114	-	-	2,356
FV equity delta (-10%)	-242	-2,114	-	-	-2,356
FV bonds delta (+1%)	-411	-43,402	-38,205	-9,180	-91,198
- of which government bonds	-346	-41,333	-35,387	-	-77,067
FV bonds delta (-1%)	411	43,422	38,221	9,190	91,243
- of which government bonds	346	41,333	35,387	-	77,067
Interest margin delta (+1%)	2,017	3,452	6,979	12,431	24,880
Interest margin delta (-1%)	-2,017	-3,452	-6,980	-12,431	-24,880

(*) Loans to banks/Loans to customers.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Interest margin delta (+1%)	24,880	-24,361	518
Interest margin delta (-1%)	-24,880	24,363	-517

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, exclusively currency account currencies.

Breakdown by currency of denomination for assets, liabilities, and derivatives

ITEMS	CURRENCY					OTHER CURRENCIES	TOTAL CURRENCIES
	US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	ICELAND KRONA		
A. Financial assets	19,984	276	2,219	2,990	1,087	1,516	28,072
A.1 Debt securities	-	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-	-
A.3 Loans to banks	19,983	-	2,051	2,990	1,087	1,516	27,627
A.4 Loans to customers	1	276	168	-	-	-	445
A.5 Other financial assets	-	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-	-
C. Financial liabilities	18,811	246	2,217	3,262	1,040	1,104	26,680
C.1 Due to banks	-	237	-	-	-	25	262
C.2 Due to customers	18,811	9	2,217	3,262	1,040	1,079	26,418
C.3 Debt securities	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-	-
E. Financial derivatives	41	-	-6	-55	-	-227	-247
Options	130	-	-	-	-	-	130
- long positions	130	-	-	-	-	-	130
- short positions	-	-	-	-	-	-	-
Other	-89	-	-6	-55	-	-227	-377
- long positions	24,347	-	3,793	127	-	543	28,810
- short positions	24,436	-	3,799	182	-	770	29,187
Total assets	44,461	276	6,012	3,117	1,087	2,059	57,012
Total liabilities	43,247	246	6,016	3,444	1,040	1,874	55,867
Excess	1,214	30	-4	-327	47	185	1,145

2.4 Derivative financial instruments

A. Financial Derivatives

A.1. Regulatory and trading portfolio: notional amounts at year-end

TYPES OF DERIVATIVES/UNDERLYING ASSETS	31.12.2013		31.12.2012	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
1. Debt securities and interest rates	50,000	-	20,000	-
a) Options	-	-	-	-
b) Swaps	-	-	20,000	-
c) Forwards	50,000	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	46,774	-	27,253	-
a) Options	2,000	-	-	-
b) Swaps	-	-	-	-
c) Forwards	44,774	-	27,253	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	96,774	-	47,253	-

A.3 Breakdown of financial derivatives with positive fair value by products

PORTFOLIO/TYPE OF DERIVATIVES	POSITIVE FV 2013		POSITIVE FV 2012	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	1,051	-	397	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	1,051	-	397	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging banking portfolio	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	1,051	-	397	-

A.4 Breakdown of financial derivatives with negative fair value by products

PORTFOLIO/TYPE OF DERIVATIVES	NEGATIVE FV 2013		NEGATIVE FV 2012	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	597	-	1,448	-
a) Options	1	-	-	-
b) Interest rate swaps	-	-	1,064	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	596	-	384	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging banking portfolio	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	597	-	1,448	-

A.5 OTC financial derivatives - Regulatory Trading Book: notional values, positive and negative gross fair value by counterparties - contracts other than compensation agreements

CONTRACTS OTHER THAN COMPENSATION AGREEMENTS	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON- FINANCIAL COMPANIES	OTHER ENTITIES
1) Debt securities and interest rates							
Notional value	-	-	50,000	-	-	-	-
Positive fair value	-	-	443	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
2) Equity securities and equity indices							
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
Notional value	-	-	24,851	-	-	-	21,923
Positive fair value	-	-	210	-	-	-	398
Negative fair value	-	-	434	-	-	-	163
Future exposure	-	-	248	-	-	-	209
4) Other values							
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-

A.9 Time-to-maturity of OTC financial derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading portfolio	96,774	-	-	96,774
A.1 Financial derivatives on debt securities and interest rates	50,000	-	-	50,000
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	46,774	-	-	46,774
A.4 Financial derivatives on other valuables	-	-	-	-
A. Banking portfolio	-	-	-	-
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equity securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other valuables	-	-	-	-
Total at 31.12.2013	96,774	-	-	96,774
Total at 31.12.2012	27,253	20,000	-	47,253

Section 3 - Liquidity risk

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

The Group has established a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of liquidity risk.

The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing, and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements). The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows. Market risks are maintained within appropriate short-term and structural operating limits (over one year), which are monitored by the Risk Management Service. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The indicators contemplated in the risk management framework included the Basel 3 liquidity ratios (Liquidity Coverage Ratio - LCR e Net Stable Funding Ratio - NSFR).

The Internal Audit Service is responsible for third-tier controls on investment and fund-raising transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international financials, corporate issuers, with high credit ratings.

Moreover, the securities portfolio is characterised by a limited remaining average life.

The Group uses a maturity ladder to apply the guidelines set out in the new Prudential Supervisory provisions⁽¹⁾ concerning the measurement of net financial position.

The maturity ladder permits an assessment of the balance of expected cash flows by comparing the assets and liabilities whose maturities fall within each individual time range. The maturity ladder enables the determination of net balances and, consequently, of mismatches between expected inflows and outflows in each time range, as well as, through the construction of cumulative mismatches, the calculation of the net balance of funding requirements (or surpluses) over the holding period considered.

(1) Circular no. 263 of 27 December 2006, "New Prudential Supervisory Provisions Concerning Banks", as amended.

1. Breakdown of assets and liabilities by maturity

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	INDEF. MATURITY	TOTAL
Cash assets											
A.1 Government securities	486	-	149,964	50,011	159,771	392,865	895,427	2,310,236	325,058	-	4,283,818
A.2 Other debt securities - listed	846	-	220	16,581	30,839	44,770	23,673	215,555	49,335	40	381,859
A.3 UCITS units	13,198	-	-	-	-	-	-	-	-	-	13,198
A.4 Loans	-	-	-	-	-	-	-	-	-	-	-
- to banks	92,729	13,886	-	-	-	-	-	-	-	59,599	166,214
- to customers	822,018	117	3,996	91	54,491	40,961	84,172	248,084	193,398	-	1,447,328
Total	929,277	14,003	154,180	66,683	245,101	478,596	1,003,272	2,773,875	567,791	59,639	6,292,417
Cash liabilities											
B.1 Deposits	-	-	-	-	-	-	-	-	-	-	-
- from banks	18,242	-	-	-	187	-	-	1,100,000	-	-	1,118,429
- from customers	2,931,122	5,064	3,729	314,319	55	105,461	3,814	-	-	-	3,363,564
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	139,326	55,268	118,360	3,276	212,037	247,907	553,632	8,000	-	-	1,337,806
Total	3,088,690	60,332	122,089	317,595	212,279	353,368	557,446	1,108,000	-	-	5,819,799
Off-balance sheet transactions											
C.1 Financial derivatives with capital swap	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	8,248	30,218	14,004	8,919	6,445	4,151	50,130	60	-	122,175
- short positions	-	47,855	218	4,008	8,919	6,448	54,466	130	60	-	122,104
C.2 Financial derivatives without capital swap	-	-	-	-	-	-	-	-	-	-	-
- long positions	443	-	-	-	-	-	-	-	-	-	443
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitment to dispense funds	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	384	157	2	-	543
- short positions	543	-	-	-	-	-	-	-	-	-	543
C.5 Financial guarantees issued	-	-	-	-	-	-	-	160	-	-	160
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-
Total	986	56,103	30,436	18,012	17,838	12,893	59,001	50,577	122	-	245,968

2. Details regarding pledged assets recognised in the balance sheet

Assets pledged recognised in the balance sheet consist almost entirely of debt securities, pledged as collateral for LTROs and repurchase agreements.

ITEMS/TECHNICAL TYPES	PLEGDED		NOT PLEDGED		31.12.2013	31.12.2012
	VB	FV	VB	FV		
1. Cash and deposits	-	X	9,613	X	9,613	-
2. Debt securities	2,886,918	2,915,316	1,769,937	1,785,077	4,656,855	-
3. Equity securities	-	-	23,563	23,563	23,563	-
4. Loans	2,565	X	1,552,117	X	1,554,682	-
5. Other financial assets	-	X	88,459	X	88,459	-
6. Non-financial assets	-	X	269,482	X	269,482	-
Total (T)	2,889,483	2,915,316	3,713,171	1,808,640	6,602,654	X
Total (T - 1)	-	-	-	-	X	-

Legend:
VB = Book Value
FV = Fair Value

Section 4 - Operating risks

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

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

The Internal Auditing function supervises the regular conduct of the Group's operations and processes, and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

PART F - INFORMATION ON NET EQUITY

Section 1 - Net equity

A. Qualitative information

The Banca Generali Group's capital management strategy aims to ensure that the capital and ratios of Banca Generali, and the banks and financial companies it controls, are consistent with its risk profile and regulatory requirements.

Banca Generali Group and the banks and financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the 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 require-

ments 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.

B. Quantitative information

Consolidated net equity of the Banca Generali Group at 31 December 2013 amounted to 469.1 million euros, a 74.3 million euro increase compared to the previous year figure.

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE		31.12.2012
			AMOUNT	%	
1. Share capital	114,895	112,938	1,957	1.73%	112,938
2. Additional paid-in capital	37,302	16,591	20,711	124.83%	16,591
3. Reserves	164,221	139,841	24,380	17.43%	139,841
4. (Treasury shares)	-41	-41	-	-	-41
5. Valuation reserves	5,460	-11,475	16,935	-147.58%	-10,587
6. Equity instruments	-	-	-	n.a.	-
7. Minority interests	6,039	7,166	-1,127	-15.73%	7,166
8. Net profit (loss) for the year	141,256	129,803	11,453	8.82%	129,212
Total Net equity	469,132	394,823	74,309	18.8%	395,120

The change in consolidated net equity was influenced by the distribution of the 2012 dividends amounting to approximately 102.5 million euros, convened upon by the Shareholders' meeting held on 24 April 2013 to approve the Financial Statements,

and the effects generated by previous and new stock option plans, the performance of fair value reserves for the portfolio of AFS financial assets and other reserves which contribute to the comprehensive income.

	GROUP	THIRD PARTIES	OVERALL
Net equity at year-start	387,657	7,166	394,823
Dividend paid	-102,490	-3,412	-105,902
Stock option plans: issue of new shares	18,778	-	18,778
Stock option plans: charges as per IFRS 2	455	-	455
Other changes	502	-	502
Change in valuation reserves	16,935	-	16,935
Advance dividend 2013	-	-2,400	-2,400
Consolidated net profit	141,256	4,685	145,941
Net equity at year-end	463,093	6,039	469,132
Changes	75,436	-1,127	74,309

B.1 Consolidated net equity: breakdown by type of company

(€ THOUSAND)	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES	TOTAL 2013	TOTAL 2012
1. Share capital	116,817	-	-	-	116,817	114,860
2. Additional paid-in capital	37,302	-	-	-	37,302	16,591
3. Reserves	163,653	-	-	-	163,653	141,218
4. Equity instruments	-	-	-	-	-	-
5. (Treasury shares)	-41	-	-	-	-41	-41
6. Valuation reserves	5,460	-	-	-	5,460	-11,475
AFS financial assets	6,571	-	-	-	6,571	-10,587
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-
Cash-flow hedges	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-
Actuarial gains (losses) from defined benefit plans	-1,111	-	-	-	-1,111	-888
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	145,941	-	-	-	145,941	133,670
Total net equity	469,132	-	-	-	469,132	394,823

Net equity also includes minority interests in the amount of 6.0 million euros, including net profit for the year of 4.7 million euros.

B.2 Breakdown of reserves from AFS financial assets

At year-end 2013, valuation reserves for AFS assets were positive at 6.6 million euros, net of the associated tax effect, marking a significant trend reversal compared to the values recognised at the end of the previous year (negative at 10.6 million euros).

These reserves still refer mainly to government bonds, positive at 4.5 million euros, whereas reserves for other types of issuers of bonds have a negative value of 0.6 million euros.

However, the latter amount includes, only for a residual amount, negative changes 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 during the estimated residual life of the reclassified securities.

ASSETS/VALUES	BANKING GROUP		INSURANCE COMPANIES		OTHER COMPANIES		CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	6,963	-1,802	-	-	-	-	-	-	6,963	-1,802
2. Equity securities	1,476	-	-	-	-	-	-	-	1,476	-
3. UCIT units	49	-115	-	-	-	-	-	-	49	-115
4. Loans	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2013	8,488	-1,917	-	-	-	-	-	-	8,488	-1,917
Total at 31.12.2012	2,736	-13,323	-	-	-	-	-	-	2,736	-13,323

B.3 Year changes in reserves from AFS financial assets

Reserves from financial AFS assets measure the unrealised capital gains and losses, net of the associated tax effect, on the assets allocated to that portfolio and recognised at fair value.

The change in these reserves contributes to determining the overall company performance in relation to other comprehensive income (OCI), without passing through the profit and loss account.

However, when gains or losses are realised or an impairment loss is recognised, the cumulative amount of the reserve is reclassified to the Profit and Loss Account in the year of reference.

The net increase of these reserves at 31 December 2013 amounted to 17.2 million euros, due to the following factors:

- the mark-to-market of the financial assets in the AFS portfolio (+25.19 million euros) attributable to the further sharp decline in spreads on Italian government debt in the second half of 2013, which permitted significant unrealised gains to be recorded;
- the reduction of pre-existing net negative reserves due to re-absorption in the profit and loss account through realisation (-0.3 million euros) and impairment (+0.3 million euros);
- the negative tax effect associated with the above changes (-7.9 million euros).

(€ THOUSAND)	31.12.2013				TOTAL
	EQUITY SECURITIES	UCITS UNITS	DEBT SECURITIES		
			AFS	PREVIOUSLY RECOGNISED AS AFS	
1. Amount at year-start	1,043	60	-11,543	-147	-10,587
2. Increases	676	138	27,426	222	28,462
2.1 Fair value increases	401	78	25,395	-	25,874
2.2 Transfer to profit and loss of negative reserves					
- due to impairment	275	-	-	-	275
- due to disposal	-	-	2,031	220	2,251
2.3 Other changes	-	60	-	2	62
3. Decreases	243	264	10,721	76	11,304
3.1 Fair value decreases	114	166	495	-	775
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to profit and loss of pos. reserves: due to disposal	101	98	2,311	5	2,515
3.4 Other changes	28	-	7,915	71	8,014
4. Amount at year-end	1,476	-66	5,162	-1	6,571

B.4 Year changes in valuation reserves relating to defined benefit plans

	31.12.2013		
	RESERVE	DTAS	NET RESERVE
1. Amount at year-start	-1,225	337	-888
2. Increases	-	-	-
Decreases of actuarial losses	-	-	-
Other increases	-	-	-
3. Decreases	-307	84	-223
Increases of actuarial losses	-307	84	-223
Other decreases	-	-	-
4. Amount at year-end	-1,532	421	-1,111

Section 2 - Net equity and bank surveillance coefficients

2.1 Capital for regulatory purposes

A. Qualitative information

The 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 IASs/IFRSs and bearing in mind the rules defined in the update to Circular no. 155/91 relating to the “Instructions on Reporting Regulatory Capital and Capital Ratios”.

The objective of the provisions is to ensure consistency between the criteria for determining capital for regulatory purposes and capital ratios and IAS.

Capital for regulatory purposes, as in the previously released rules, is calculated as the sum of positive items, which are included based on certain limitations, and negative items, which are included based on their quality; the positive items must be fully available to the bank in order for them to be used in calculating capital absorption.

Capital for regulatory purposes consists of Tier 1 capital, Tier 2 capital, net of several deductions, and Tier 3 capital.

Deductions from Tier 1 and Tier 2 capital include equity investments, other items (innovative equity instruments, hybrid equity instruments and subordinated assets) issued by the entity and the so-called “prudential filters.”

The prudential filters, which were specified by the Basel Committee in defining the criteria to be used by national supervisory authorities to ensure consistency among regulations, were introduced to safeguard the quality of regulatory capital and reduce the volatility that could result from the application of the new standards. The prudential filters provide certain adjustments that can be made to accounting entries prior to their use for regulatory purposes.

In particular, the aspects of the provisions that most affect Banca Generali Group include:

- for financial assets held for trading, both unrealised gains and losses are fully recognised;
- for financial assets available for sale, unrealised gains and losses are netted: if the remaining balance is negative, 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 completely 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.

Neutralisation of AFS reserves

The Instruction of 18 May 2010 partly changed the regulatory framework in that it introduced the option of adopting, rather than the “asymmetric” approach, the alternative method of full “neutralisation” 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 and allocated to the portfolio of AFS assets, thus considering said securities as if they were valued at cost.

Such option must however apply to all securities of this kind held in the aforementioned portfolio at the level of the banking group and maintained constantly over time.

In 2010, Banca Generali exercised the option for the full “neutralisation” of capital gains and capital losses, duly informing the Bank of Italy thereof.

Following the entry into force, effective **1 January 2014**, of the new regulatory requirements introduced by Basel 3, Banca Generali renewed the option for the entire transitional period until the endorsement of the new accounting standard IFRS 9, as permitted by the Bank of Italy’s Circular Letter no. 285/2013.

The new Basel 3 prudential supervisory regime

The texts of Regulation (EU) no. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), introducing the new rules defined by the Basel Committee on Banking Supervision (“Basel 3”) into the European Union, were published in the *Official Journal of the European Union* on 27 June 2013 with the aim of promoting a more solid banking system better able to resist the financial shocks deriving from financial and economic tension, improving risk management and strengthening banks’ transparency and disclosure. These new measures will constitute the regulatory framework of reference in the European Union for banks and investment companies effective 1 January 2014.

The Bank of Italy applied the above Community provisions by issuing Circular Letter no. 285 of 17 December 2013, “Supervisory Provisions for Banks”, and Circular Letter no. 286, also of 17 December 2013, “Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies”.

The new regulatory framework has retained the approach based on three pillars underlying the previous Capital Accord (Basel 2), while complementing and reinforcing that approach with the aim of improving the quantity and quality of intermediaries’ capital-

sation, introducing counter-cyclical regulatory instruments and rules concerning liquidity risk management and the containment of financial leverage. It bears reiterating and stressing that capital for regulatory purposes represents the first safeguard against the risks associated with overall banking operations and is regarded as the primary factor in assessments by banking supervisory authorities in view of the stability of individual banks and the system.

Basel 3 includes the definition of a harmonised concept of Tier 1 capital, namely Common Equity Tier 1 (CET1), corresponding to ordinary shares and earnings reserves; in addition, stringent criteria have been established for deducting from capital intangible assets and equity investments in financial and insurance companies. The minimum overall requirement will remain set at 8% of risk-weighted assets, but more than half of this, or 4.5%, is to be met by common equity. In order to respond to periods of stress, an additional capital cushion is also required beyond the regulatory minimum, equal to 2.5% of common equity in relation to risk-weighted assets (capital conservation buffer). This measure does not represent an outright increase of the minimum level: banks that do not have access to this additional "cushion" will in any event be required to comply with limits on the distribution of dividends and the award of bonuses, which will become increasingly stringent as the buffer shrinks.

1. Tier 1 capital

Tier 1 capital includes paid-in share capital, issued 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 Parent Company 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 AFS financial assets according to the equity method.

The negative components deducted from Tier 1 capital also include 50% of the carrying amount of equity investments in lenders and financial institutions in excess of 10% of the investee's share capital.

As at 31 December 2013, this item includes the investment in Simgenia S.p.A. (705 thousand euros), corresponding to 15% of that company's share capital.

These rules also apply to the investment in BG Dragon China Sicav

(7,909 thousand euros), in which Banca Generali holds 80,081 shares, equal to approximately 94% of voting rights and 10% of capital, because supervisory rules require the deduction from capital for regulatory purposes of interests in investment companies with variable capital (SICAV), where such interests consist of registered shares and exceed 20,000 shares, not included within the scope of consolidation following a specific order by the Bank of Italy.

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."

The Parent Company's Banca Generali's year-end Tier 2 capital includes Tier 2 subordinated liabilities consisting of a subordinated loan, for a remaining amount of 16 million euros, granted by the German insurance subsidiary Generali Versicherung AG.

The loan was obtained on 1 October 2008 by the merged Banca BSI Italia for the acquisition of Banca del Gottardo Italia.

The loan was contracted in the "Schuldschein" contractual form, has a 7-year maturity and calls for repayment in five annual instalments beginning on 1 October 2011, and is subordinated if the bank defaults.

The agreed interest rate is equal to the 12-month EURIBOR plus 225 basis points.

The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

The remaining share of 50% of the equity investments in lenders and financial institutions in excess of 10% of the investee's share capital, along with the interests in investment companies with variable capital discussed in the previous section, is also deducted from Tier 2 capital.

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 Parent Company Banca Generali did not have Tier 3 capital at year-end.

B. Quantitative information

Consolidated capital for regulatory purposes amounted to 313.4 million euros at 31 December 2013, on the basis of projected total dividends to be distributed of 111.4 million euros and is broken down as follows.

ITEMS/VALUES	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Tier 1 capital	300,674	252,359	48,315	19.15%
Tier 2 capital	12,753	24,164	-11,411	-47.22%
Tier 3 capital	-	-	-	n.a.
Capital for regulatory purposes	313,427	276,523	36,905	13.35%
Consolidated net equity	469,132	394,823	74,309	18.82%

The increase in the aggregate of 36.9 million euros was due not only to the share of net profit for the year not allocated for distribution (34.5 million euros), but also increases in capital caused by old and new stock-option plans (19.7 million euros), in terms of increase of share capital and share premium reserve.

These increases totally offset the redemption of the third tranche of the subordinated loan obtained from Generali Versicherung AG (-8 million euros) and the need to deduct the controlling equity investment in BG Dragon China Sicav (-7.9 million di euro).

Capital for regulatory purposes at 31.12.2012	276,523
Changes in Tier 1 capital	
Restatement IAS 19 ("neutralised")	-188
Stock option plans	19,735
Change in profit for the period, net of expected dividends	34,515
Advance dividend	-2,400
Change in negative AFS reserves	-
Neutralisation of DTAs arising on multiple prepayment of taxes on goodwill	-476
Equity investments deducted from Tier 1 capital	-3,823
Other effects (intangibles, dividends paid)	952
Total changes in Tier 1 capital	48,315
Changes in Tier 2 capital	
Subordinated loan	-8,000
Change in positive AFS reserves	413
Equity investments deducted from Tier 2 capital	-3,824
Other effects	-
Total changes in Tier 2 capital	-11,411
Capital for regulatory purposes at 31.12.2013	313,427
Changes	36,905

Composition of capital for regulatory purposes

The following is a brief account of the structure of the capital for regulatory purposes, broken down into its main Tier 1 and Tier 2 components.

ITEMS/VALUES	31.12.2013	31.12.2012	CHANGES
TIER 1 CAPITAL			
Share capital	116,817	114,860	1,957
Additional paid-in capital	37,302	16,591	20,711
Reserves	163,653	141,218	22,435
Net profit (loss) for the year	145,941	133,079	12,862
Dividends for pay-out ⁽¹⁾	-111,426	-105,502	-5,924
Total positive items	352,287	300,246	52,041
Treasury shares	-41	-41	-
Goodwill	-38,632	-38,632	-
Intangible assets	-7,378	-8,730	1,352
Losses from actuarial plans IAS 19	-1,111	-	-1,111
Total negative items	-47,162	-47,403	241
Prudential Tier 1 capital filters			
Other (neutralisation of actuarial losses IAS 19)	332	-	332
Total positive items	332	-	332
Negative fair value reserve for AFS debt securities	-	-	-
Negative fair value reserve for AFS equity securities	-	-	-
50% net tax benefit of redempt. of goodwill Re. Art. 15 of Leg. Decree 185/08	-476	-	-476
Total negative items	-476	-	-476
Total Tier 1 capital	304,981	252,843	52,138
50% higher port. 10% in banks/SIMs/UCITs	-4,308	-484	-3,824
Total deductions	-4,308	-484	-3,824
Total Tier 1 capital	300,674	252,359	48,315
TIER 2 CAPITAL			
Valuation reserves	-	-	-
- Positive reserve for AFS debt securities	712	191	521
- Positive fair value reserve for AFS equity securities and UCITs	1,410	1,103	307
Subordinated loan	16,000	24,000	-8,000
Total positive items	18,122	25,294	-7,172
Other negative items	-	-	-
Total negative items	-	-	-
Prudential filters of Tier 2 capital			
Other	-	-	-
Total positive filters	-	-	-
- Inapplicable portion (50%) of positive AFS reserve	-1,061	-647	-414
- Other negative items	-	-	-
Total negative filters	-1,061	-647	-414
Total Tier 2 capital	17,061	24,647	-7,586
50% higher port. 10% in banks/SIMs/UCITs	-4,308	-484	-3,825
Total deductions	-4,308	-484	-3,825
Total Tier 2 capital	12,753	24,163	-11,411
TIER 3 CAPITAL			
Total capital for regulatory purposes	313,427	276,523	36,905

(1) Amount based on paid up share capital at 31 December 2013, including the dividend paid by the subsidiary GFM to minority interests.

Prudential Filters

The following table illustrates the impact of the application of the prudential filters set out by the Basel Committee on the calculation of capital for regulatory purposes.

	31.12.2013	31.12.2012
A. Tier 1 capital before application of prudential filters	305,125	252,843
B. Prudential Tier 1 capital filters:	-144	-
B.1 Positive IAS/IFRS prudential filters (+)	332	-
B.2 Negative IAS/IFRS prudential filters (-)	-476	-
C. Tier 1 capital before deductions	304,981	252,843
D. Deductions from Tier 1 capital	-4,308	-484
E. TIER 1 capital (C - D)	300,674	252,359
F. Tier 2 capital before application of prudential filters	18,122	25,294
G. Prudential filters of Tier 2 capital:	-1,061	-647
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-1,061	-647
H. Tier 2 capital before deductions	17,061	24,647
I. Deductions from Tier 2 capital	-4,308	-484
L. TIER 2 capital (H - I)	12,754	24,163
M. Items to deduct from total Tier 1 and Tier 2 capital	-	-
N. Capital for regulatory purposes (E + L - M)	313,427	276,523
O. TIER 3 capital	-	-
P. Capital for regulatory purposes, including TIER 3 (N + O)	313,427	276,523

During the first half of 2013, by Notice no. 0445698/13 of 9 May 2013, two new prudential filters were also launched, affecting the Banking Group's capital for regulatory purposes in relation to:

- the prudential treatment of negative reserves for actuarial losses to be recognised in the financial statements following the amendments to IAS 19 that entered into force on 1 January 2013;
- the prudential treatment of multiple goodwill.

The first prudential filter is aimed at neutralising for 2013 the impact on capital for regulatory purposes of the amendments to IAS 19 that entered into effect on 1 January, calling for the full recognition of actuarial gains and losses relating to defined-benefit plans in other comprehensive income through an equity reserve (the valuation reserve for actuarial gains and losses).

IAS 19 previously also recognised the alternative accounting treatment known as the "corridor method," which allowed:

- the amount of the actuarial gains and losses in excess of the 10% significance threshold of the present value of the

defined-benefit obligation (the "overcorridor") to be recognised in profit and loss; and

- the actuarial gains and losses below that threshold to be deferred, without recognising them in the Financial Statements.

Since for entities that previously adopted the corridor method the new equity reserve would have a negative impact on capital for regulatory purposes and considering the stance taken at the Community level in conjunction with the approval of the new prudential regulations implementing Basel 3 (the CRR/CRD IV Package) in favour of the gradual recognition over five years of the difference in net equity between the old and new approach, it has therefore been decided to neutralise all effects of the revision of IAS 19 for the current year.

With reference to this issue, in the banking group's case, the new rules apply solely to the accounting treatment of provisions for post-employment benefits. In 2013, net impact on the aggregate capital for regulatory purposes was however very limited and amounted to -188 thousand euros.

The second filter is aimed at neutralising the benefits at the level of capital for regulatory purposes due to the DTAs recognised in connection with the multiple prepayment of taxes on the same goodwill within a single group or intermediary.

In further detail, the procedures of prepayment of taxes in question were carried out in accordance with Article 10 of Legislative Decree no. 185/2010 or ordinary rules Governmentsng successive business combinations within a single group that have also entailed the transfer of portions of goodwill.

To this end, it has been specified that the share of DTAs recognised at the level of the intermediary or group is to be deducted from core Tier 1 capital, as limited to the portion associated with the DTAs recognised after the initial share.

In addition, for years ending on or before 31 December 2012, intermediaries may distribute the neutralisation over a period of five years, including one-fifth of the value of those DTAs at 31 December 2012, net of the amount that, each

year, is to be reversed to the profit and loss account or transformed into a tax credit, among the negative components of Tier 1 capital.

In the Banking Group's case, the above filter only affects the share of goodwill associated with the acquisition of Banca del Gottardo Italia S.p.A., originally subject to the prepayment of taxes on goodwill by Banca BSI Italia and subsequently once more by BG SGR S.p.A. following the contribution by the former of its portfolio management business unit. Both companies were then merged into the Parent Company, Banca Generali.

The tax value of the goodwill subject to tax alignment amounted to 4,932 thousand euros, of which prepayments of corporate income (IRES) and regional production taxes (IRAP) of 1,410 thousand euros had been allocated at 31 December 2012. The amount of the filter as at 31 December 2013 thus amounted to 476 thousand euros.

2.2. Capital adequacy

A. Qualitative information

Based on the supervisory instructions, Banca Generali Group'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, the Banca Generali Group uses standard methods under all circumstances.

Lastly, banks are required to set aside part of their regulatory capital to cover operating risk, which in the case of Banca Generali is calculated using the basic method set forth in Bank of Italy Circular no. 263 of 27 December 2006.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is re-

sponsible 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 analyses and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

B. Quantitative information

Total capital adequacy requirements for credit, market and operating risks set by the supervisory authority amounted to 169.1 million euros at year-end, with a decrease of 1.6 million euros compared to the previous year (-0.9%).

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
B.1 Credit risk	115,319	122,701	-7,382	-6.0%
B.2 Market risk	5,950	6,446	-496	-7.7%
B.3 Operating risk	47,840	41,576	6,264	15.1%
B.4 Other prudential requirements	-	-	-	-
Total prudential requirements	169,109	170,723	-1,614	-0.9%
Excess over prudential requirements	144,318	105,800	38,519	36.4%

In 2013, the capital committed to credit risk recorded a decline of 7.4 million euros due to the following main factors:

- an improvement of credit risk mitigation techniques in regard to the assumption of mortgage guarantees (a savings in terms of RWAs of 1.0 million euros) and other forms of collateral protection, in particular pledges of life insurance policies (-1.5 million euros in terms of RWAs), capable of satisfying all of the requirements set for eligibility for Basel 2 purposes;
- the disposal of all securities assets deriving from the securitisation of the banking book, with a savings in terms of RWAs of approximately 1 million euros and an improvement of counterparty risk of approximately 5 million euros.

These reductions on credit risk were partially offset by the increase in requirements for covering operating risk, calculated on the basis of the average net banking income for the previous three years.

The simultaneous increase in consolidated capital for regulatory purposes however allows to establish the excess capital compared to the minimum capital requirements for risks set by the supervisory authority at 144.3 million euros, up by 38.5 million euros compared to the value recognised at the end of the previous year.

Total capital ratio reached 14.83% compared to the minimum capital ratio of 8% required by regulations, with an increase of nearly 1.9% compared to the previous year.

	31.12.2013		31.12.2012	
	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS
A. Risk activity	8,002,889	1,441,486	6,620,026	1,533,763
A.1 Credit and counterparty risk				
1. Standardised method	8,002,889	1,441,486	6,583,966	1,491,446
2. Internal rating method	-	-	-	-
2.1 basic	-	-	-	-
2.2 advanced	-	-	-	-
3. Securitisation	-	-	36,060	42,317
B. Regulatory capital requirements				
B.1 Credit risk	-	115,319	-	122,701
B.2 Market risks	-	5,950	-	6,446
1. Standard methodology	X	5,950	X	6,446
2. Internal models	X	-	X	-
3. Foreign exchange risk	-	-	-	-
B.3 Operating risk	X	47,840	X	41,576
1. Basic method	X	47,840	X	41,576
2. Standardised method	X	-	X	-
3. Advanced method	X	-	X	-
B.4 Other prudential requirements	X	-	X	-
B.5 Other variables	X	-	X	-
B.6 Total prudential requirements	X	169,109	X	170,723
C. Risk-weighted assets and regulatory capital ratios				
C.1 Risk-weighted assets	X	2,113,861	X	2,134,038
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	X	14.22%	X	11.83%
C.3 Capital for regulatory purposes/Risk-weighted assets (Total capital ratio)	X	14.83%	X	12.96%

Credit Risk Regulatory portfolio	2013		2012		CHANGE	
	WEIGHTED ASSETS	REQUIREMENT	WEIGHTED ASSETS	REQUIREMENT	WEIGHTED ASSETS	REQUIREMENT
Administration and central banks	-	-	-	-	-	-
Non-profit organisations and public entities	790	63	12,473	998	-11,683	-935
Supervised intermediaries	287,439	22,995	371,314	29,705	-83,875	-6,710
Companies	762,178	60,974	636,381	50,910	125,797	10,064
Detail	275,660	22,053	381,382	30,511	-105,722	-8,458
Exposures secured by real property	48,112	3,849	27,880	2,230	20,232	1,619
Expired loans	30,597	2,448	26,931	2,154	3,666	294
UCITSs	8,061	645	8,942	715	-881	-70
Other	28,649	2,292	26,145	2,092	2,504	200
Securitisation	-	-	42,317	3,385	-42,317	-3,385
Total	1,441,486	115,319	1,533,765	122,700	-92,279	-7,381

PART G - BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.

The results of impairment testing of the Banking Group's goodwill are also stated in the interest of consistency of presentation.

Section 1 - Transactions undertaken during the year

In September, Banca Generali finalised an investment in the new investment vehicle BG Dragon China Sicav, a Luxembourg UCITS reserved for institutional investors and authorised to invest directly in the Chinese equity market.

The investment company with variable capital (SICAV), incorporated in July 2013, was promoted by the subsidiary GFM S.A., which also assumed the role of its management company. The company's investment manager is the associate Generali Asia Limited (which in turn receives advice from Guotai). BG Dragon's Board of Directors is appointed by Banca Generali and has the power to choose and dismiss, even without cause, the manager of the company's assets.

Banca Generali subscribed for 80,815 class-A shares, reserved for Generali Group companies, with a value at issue of 100 euros each, for a total amount of approximately 8 million euros.

BG Dragon also issued approximately 4,483 class-B shares, reserved for UCITSs belonging to the banking Group, with a value at issue of 15,000 euros each, for a total amount of approximately 67 million euros. The above shares were mainly subscribed by BG Selection Sicav, for the benefit of the investors of several of its sub-funds.

Considering that both the class-A and class-B shares present the same voting rights in the General Shareholders' Meeting of the SICAV, Banca Generali has therefore directly acquired 94.74% of the company's voting rights and 10.74% of its capital, and is thus in a situation of direct control of the company.

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

On 15 October 2013, the Bank's Board of Directors resolved to proceed with the sale of the shares, at the end of the lock-up period of three months envisaged in the issued Prospectus, and within no more than six months from the acquisition date, i.e., spring 2014.

According to accounting standard IAS 27, Banca Generali is nonetheless required to consolidate its interest in the SICAV.

However, considering that the Bank's Board of Directors, immediately after the transaction was finalised, resolved in a timely manner to proceed with the disposal of the investment in the near term and initiated the process of seeking a potential investor, the investment qualifies as an asset purchased solely with the intention of subsequent resale in the short term pursuant to paragraph 32 c) of accounting standard IFRS 5.

In Banca Generali's Consolidated Financial Statements, the Bank's investment has therefore been eliminated against the corresponding portion of the net equity (NAV) of the sub-fund of the SICAV (class A) held by the Bank.

The assets and liabilities, including the shares redeemable by the minority investors in the SICAV, have been classified in a consistent manner to the items of the Consolidated Financial Statements 150 "Non-current assets held for sale and disposal groups" and 90 "Liabilities associated with disposal groups".

Considering that pursuant to IAS 32 AG 29, the redeemable class-B shares have been classified as financial liabilities measured at fair value, no component of minority net equity has been recognised in consolidated net equity.

In a like manner, the NAV delta (negative) compared to the initial subscription value of the redeemable shares held by minority investors has been recognised in the consolidated Profit and Loss Account.

The net loss allocated to item 310 of the Profit and Loss Account ("Income/(losses) of disposal groups, net of taxes") therefore coincides with the impairment loss recognised by the Bank in order to bring the carrying amount into line with the presumed realisable value (NAV delta).

Section 2 - Transactions after the close of the year

After 31 December 2013, there were no business combination transactions.

Section - 3 Retrospective adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2013, 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 2013, unchanged compared to 31 December 2012.

As a result, the Group's goodwill is shown in the following table.

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
Prime Consult and INA SIM	2,991	2,991	-	-
BG Fiduciaria SIM S.p.A.	4,289	4,289	-	-
Banca Del Gottardo Italia	31,352	31,352	-	-
Total	38,632	38,632	-	-

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, Insurance companies Generali S.p.A. This value was determined on the basis of the Purchase Price Allocation (PPA) prepared by the Parent Company pursuant to IFRS 3 for the acquisition of the Swiss banking group Banca del Gottardo S.A. in 2008.

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the operating segment identified for management reporting, pursuant to IFRS 8.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

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 Affluent operating segment; and
- Trust Management CGU, whose activities regard all operating segments Private Banking, Affluent and Corporate.

To determine the recoverable amount, both basic methodologies (to arrive at value in use) and market assessments (to arrive at fair value) were considered.

Value in use was calculated by employing an analytical method as the main model, whereas fair value was calculated by employing an empirical method as the control model.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:

- a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
- b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a pay-out consistent with ordinary profitability.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the individual CGUs were based on an extract of the Banking Group's 2014-2016 forecast data. These data refer to the 2014-2016 Economic and Financial Plan of the Banca Generali Group, as approved by the Board of Directors, and cash flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

1. 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 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 AUMs managed by the company, thus including the management mandates previously received by BG SGR and subsequently included in the new Asset Management Division of Banca Generali, as a result of its merger.

In light of economic-financial forecasts based on the 2014-2016 Economic and Financial Plan, the CGU's mean portfolio of assets under management, is expected to expand by 5.0% per year on a cu-

mulative basis over the three years in question, whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **10.08%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

- a) risk free rate of 4.30%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
- b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
- c) a value of 1.05 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the RM CGU's carrying amount of **53.0 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **62.7 million euros** and a maximum of **73.4 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of **9.8%-10.3%** 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 AUMs, thereby avoiding overlapping between segments. Since the profitability of the assets attributed to the three segments

is similar and costs are also allocated on the basis of AUMs, the fact that the TM CGU passed the impairment test means that the goodwill attributed to the Private Banking, Retail and Corporate segments also passed the test.

In light of economic-financial forecasts based on the 2014-2016 Economic and Financial Plan, the CGU's mean portfolio of assets under management is expected to decrease by 13.3% on a cumulative basis over the three years in question, whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 2%. The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **11.51%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

- a) risk free rate of 4.3%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
- b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
- c) a value of 1.31 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the TM CGU's carrying amount of **16.8 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **24.7 million euros** and a maximum of **27.3 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 11.0%-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

The CGU "Prime Consult and INA SIM" ("CGU ex SIM") refers to the part of the activity of the Affluent operating segment, relat-

ing to the operations of the stock brokerage companies Prime Consult SIM S.p.A and INA SIM S.p.A., merged at the end of 2002, to which all of the goodwill arising from the acquisition may be attributed.

In light of economic-financial forecasts based on the 2014-2016 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM), is expected to expand by 6.5% on a cumulative basis over the three years in question, whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **10.08%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

- a) risk free rate of 4.3%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
- b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
- c) a value of 1.05 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the Prime Consult and INA SIM CGU's carrying amount of **18.4 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **117.3 million euros** and a maximum of **137.7 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 9.8%-10.3% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

PART H - RELATED PARTY TRANSACTIONS

Procedural aspects

Banca Generali's Board of Directors approved the "Related Party Transaction Procedure", effective as of 1 January 2011, in compliance with the provisions of Article 2391-*bis* of the Italian Civil Code, and Article 4 of the Regulation Governmentsng related party transactions, adopted by Consob through Resolution no. 17221 of 12 March 2010, as subsequently amended by Resolution no. 17389 of 23 June 2010.

On 12 December 2011, the Bank of Italy also updated the Prudential Supervisory Instructions for Banks (Bank of Italy Circular no. 263/2006), issuing new Provisions regulating risk-taking and conflicts of interest on the part of banks and banking groups, towards Associated Undertakings (Title V, Chapter 5).

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

The new Related Party and Connected Party Transaction Procedure, in force as from 31 December 2012, is thus intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on transactions with Related Parties and Connected Parties Governmentsng the related investigation activities and approval, reporting and disclosure powers.

The related party perimeter

Based on Consob Regulations, the Provisions issued by the Supervisory Body, and the Procedure, the following parties are considered as Banca Generali's related parties:

- subsidiaries of the Banking Group;
- the Parent Company Insurance companies Generali, its subsidiaries (companies subject to common control) and pension funds established for the benefit of Generali Group employees;
- Key Management Personnel of the Bank and the Parent Company Insurance companies Generali, close relatives of the cited personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Generali Group are also considered related parties.

With specific regard to **Key Management Personnel**, the following persons have been designated as such:

- Directors, Statutory Auditors and the General Manager
- other top managers identified in the new organisational mod-

el introduced in 2013 and in the Bank's remuneration policies:

- 2 Joint General Managers
- 3 Central Managers;
- representatives of the Parent Company Insurance companies Generali S.p.A. identified Key Management Personnel in the corresponding procedure regarding transactions with related parties adopted by that insurance group.

At the level of Consolidated Financial Statements, transactions with related parties belonging to the Banking Group cancel each other out. Part H of Banca Generali's Explanatory Notes provides an analysis of such transactions.

The Key Management Personnel of subsidiaries (directors, statutory auditors and general managers, if any) are also included, based on criteria similar to those of the Parent Company Banca Generali.

Significance thresholds of related party transactions

The procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

- **Highly significant transactions** - that is, transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by Consob Resolution no. 17221, reduced to 2.5% for transactions carried out with a parent company that is listed on regulated markets or with undertakings thereto related, which are in turn related to the Company; they must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
- **Moderately significant transactions** - falling short of the threshold defining Highly Significant Transactions; they must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;
- **Transactions of a modest amount** - that is, transactions whose value has been determined pursuant to the Bank of Italy's Provisions and cannot exceed the amount of 250,000 euros for banks with a capital for regulatory purposes below 1 million euros; they are excluded from the scope of application of the regulation on approval and disclosure transpar-

ency.

In addition to transactions of a modest amount, in accordance with Consob Regulation, there are additional circumstances which are not subject to the specific approval procedures:

- **Share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-bis of the TUF, and related implementing transactions;
- **Resolutions regarding the remuneration of directors** entrusted with specific tasks other than that determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of Key Management Personnel, provided that the Company has adopted a remuneration policy with certain characteristics;
- **Ordinary Transactions** that are part of the ordinary operations and any and all related financial activities, effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Highly Significant threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;
- **Transactions with or between subsidiaries and associates**, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated regulatory capital, the threshold of Highly Significant Transactions currently stands at around **15.7 million euros**, re-

duced to **7.8 million euros** for transactions with the Parent Company Insurance companies Generali and the latter's related entities.

Moreover, **the provisions issued by the Bank of Italy** impose, for the first time, prudential restrictions regarding the Supervisory Capital Requirement and risk-taking in respect of Associated Undertakings. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with entities qualifying as non-financial related parties; exposure in respect of the Generali Group's associated undertakings, on the other hand, is capped at **7.5%** of the Capital for Regulatory Purposes, on a consolidated basis.

Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given set of associated undertakings may in no event exceed **20%** of the sum total of their respective Capital for Regulatory Purposes.

1. Disclosure of compensation of directors and executives

As required by IAS 24, the total compensation recorded in the Profit and Loss Account for the year is disclosed below, broken down by personnel category and type.

	2013				2012	CHANGE
	DIRECTORS	AUDITORS	KEY MANAGEMENT PERSONNEL	TOTAL		
Short-term benefits (current comp. and social security charges)	1,192	155	4,021	5,368	3,829	1,539
Post-employment benefits	46	-	529	575	507	68
Other long-term benefits	62	-	1,617	1,679	1,703	-24
Severance indemnities	-	-	-	-	-	-
Share-based payments	-	-	436	436	-	436
Total at 31.12.2013	1,300	155	6,603	8,058	6,039	2,019
Total at 31.12.2012	1,120	140	4,983	6,135	-	-

The table presents the total expenses recognised in the Profit and Loss Account presented in the Annual Financial Statements on the basis of the application of international accounting principles (IASs/IFRSs). It therefore also includes the social security charges for which the Company is liable, the allocation to provisions for post-employment benefits, the expenses associated with stock-option plans determined in accordance with IFRS 2 and the estimate of productivity bonuses accrued during the year on the basis of the provisions of the remuneration policy.

It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item "Other long-term benefits" includes:

- the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the Bank's new remuneration policy;
- the allocations accrued during the year on the basis of the variable cash salary payments envisaged in the Long Term Incentive Plan (LTIP), calculated according to best possible estimate procedures and in relation to forecasts relating to the achievement of pre-determined objectives.

The allocations accrued during the year to this latter item refer to the cash benefits envisaged in the second cycle (2011-2013) and third cycle (2012-2014) of the plan.

Effective from the fourth cycle of the plan (2013-2014), the incentive characteristics were completely revised and now only envisage a share bonus in the form of shares of the Parent Company, Insurance companies Generali, the costs of which - estimated on the basis of the international accounting standard IFRS 2 - have been included in the item "share-based payments".

In 2013, cash bonuses of a total of 904 thousand euros, gross of social-security contributions, fully covered by allocations in previous years, were paid out in connection with the first cycle of the plan (2010-2012).

This incentive plan is described in greater detail in Part A of these Explanatory Notes.

In Resolution no. 18049 of 23 December 2011, Consob introduced new, more systematic rules for the remuneration paid by listed companies, simplifying and rationalising previous provisions.

For detailed information concerning remuneration policies, including the information previously presented in this Part H of the Explanatory Notes, the reader is therefore referred to the specific document concerning remuneration policies instituted by the aforementioned Consob Resolution.

2. Disclosure of related party transactions

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

During the year, in the context of the Generali Group, an important reorganisation of Italian insurance operations was finalised - still subject to completion - involving the creation of Generali Italia S.p.A., a fully-owned subsidiary of Insurance companies Generali S.p.A., to which the following were transferred:

- Ina Assitalia S.p.A.;
- insurance operations of Insurance companies Generali S.p.A.;
- insurance operations of the non-life segment of Alleanza Toro;
- shareholdings in other Group Italian insurance companies (Alleanza, Genertel, Genertellife, Fata).

As part of this transaction, the equity investment in Banca Generali was contributed to Generali Italia S.p.A. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali.

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

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

To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

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

Transactions with related parties outside the Generali Group are mostly confined to direct and indirect inflows activities and loans to Key Management Personnel (and their relatives) of the bank and its Parent Company, which are carried out at arms length. Banca Generali's direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

Unusual, atypical or extraordinary transactions

During 2013, no related party transactions were carried out that could be defined as atypical or unusual or likely to have “effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer.”

Highly significant transactions

In 2013, the Group did not carry out any transactions qualifying as Highly Significant, unusual, entered into at non-market or non-standard conditions which, in accordance with the Pro-

cedure on Related Party Transactions, would have been subject to market disclosure and the obligation of publishing an information memorandum.

Lastly, no ordinary transactions carried out on an arm’s length basis and qualifying as “Highly Significant” transactions, subject to disclosure to the Supervisory Body, were approved.

Other significant transactions

In 2013, some transactions were approved qualifying as “moderately significant” transactions, which are subject to the prior non-binding opinion of the Audit and Risk Committee, as follows.

DATE	TRANSACTION	RELEVANT PARTY	VALUE (000/€)
31.05.2013	BBB insurance policy - extension of cover for 2013-2014	Insurance companies Generali S.p.A.	340
27.06.2013	Reduction of collateral for Investimenti Marittimi pool transaction	Investimenti Marittimi S.p.A.	511
01.10.2013	Amendment of contractual terms for the provision of risk management services	Generali Fund Management	411
18.10.2013	Agreement for the recognition of economic conditions similar to those of the Generali Group	Insurance companies Generali S.p.A.	2,100
28.10.2013	Time deposit 28.10.2013-14.04.2014	Flandria Participations Financieres S.A. Graafschap Holland N.V.	266
02.12.2013	Scrittura Privata per ampliamento contratto di locazione GI8380500,127 - Trieste - Via Valdirivo n. 4	Generali Properties S.p.A.	930

Ordinary or recurring transactions

The developments of ordinary transactions with related parties during 2013 are presented in the following sections.

1.1 Balance Sheet Data

Equity transactions with Insurance companies Generali Group

(€ THOUSAND)	PARENT COMPANY INSURANCE COMPANIES GENERALI	AG GROUP SUBSIDIARIES	31.12.2013	31.12.2012	% WEIGHT 2013	% WEIGHT 2012	31.12.2013	31.12.2012
HFT financial assets	272	-	272	219	0.12%	0.10%	229,905	222,548
AFS financial assets	786	951	1,737	1,911	0.11%	0.11%	1,626,121	1,733,885
HTM financial assets	-	-	-	-	-	-	2,652,687	3,000,330
Loans to banks	-	630	630	3,081	0.22%	0.37%	291,379	843,368
Loans to customers	208	52,714	52,922	56,810	3.53%	4.34%	1,499,771	1,308,585
Equity investments	-	-	-	-	-	-	-	-
Property, equipment and intangible assets	-	-	-	-	-	-	50,090	51,778
Tax assets (AG tax consolidation)	1,633	-	1,633	1,309	4.27%	3.17%	38,238	41,276
Other assets	1	21	22	295	0.02%	0.26%	140,232	115,608
Financial assets held for sale	-	84	84	-	0.11%	-	74,209	-
Total assets	2,900	54,400	57,300	63,625	0.87%	0.87%	6,602,632	7,317,378
Due to banks	-	21,208	21,208	29,157	0.95%	1.31%	2,230,871	2,229,896
Due to customers	202,158	934,490	1,136,648	1,964,458	31.67%	43.74%	3,588,700	4,491,173
HFT financial liabilities	-	-	-	2,494	-	172.24%	597	1,448
Tax payables	631	-	631	744	2.27%	2.03%	27,746	36,620
Other liabilities	259	832	1,091	678	0.77%	0.71%	142,598	95,013
Financial liabilities held for sale	-	-	-	-	-	-	66,252	-
Special purpose provisions	-	-	-	-	-	-	76,736	68,405
Net equity	-	-	-	-	-	-	469,132	394,823
Total liabilities	203,048	956,529	1,159,577	1,997,531	17.56%	27.30%	6,602,632	7,317,378
Guarantees issued	-	3,289	3,289	3,296	4.28%	9.38%	76,814	35,120

The total exposure to the Parent Company, **Insurance companies Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounts to 57.3 million euros, compared to the 63.6 million euros recognised at the end of 2012, equal to 0.87% of the banking group's total assets.

By contrast, the total debt position reached 1,159.6 million euros, accounting for 17.6% of liabilities, down by 837.9 million euros (-41.9%) compared to the previous year.

As part of asset management, **HFT and AFS financial assets** claimed from the Parent Company refer to shares of Insurance companies Generali held in the corresponding portfolios of Banca

Generali. As part of the AFS portfolio, shareholdings in subsidiaries of the Generali insurance group refer to a 15% stake in Simgenia SIM and to the shares held in consortia of the GBS Group (Generali Business Solutions) and CGS (Generali Corporate Services).

At the end of 2013, the associate Simgenia SIM S.p.A., in which Banca Generali holds a 15% interest, resolved to dispose of its operating activities relating to the promotion of financial products and the solicitation of investment and terminated its agreements with its sales network. Due to the discontinuation of operation by the company and the prospects of liquidation, the interest was subject to an impairment loss of 328 thousand euros in order to

bring its carrying amount into line with the Bank's share of its book net equity. Simgenia primarily distributed financial products and services (UCITs, discretionary management schemes and assets under administration) promoted by the Banking Group.

The balance of **loans to Generali Group banks** at year-end is not material and refers solely to the positive foreign currency

account balances held with BSI SA and used to hedge positions payable in foreign currencies towards customers. By contrast, the lines of credit granted to Generali Bank were cancelled in the context of the procedure aimed at reducing exposures in excess of the limits set by the new supervisory rules concerning dealings with connected parties.

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2013		31.12.2012	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Bank A.G.	Controlled by AG	Term deposits	-	-	-	125
BSI S.A.	Controlled by AG	Currency deposits		8	3,073	3
BSI S.A.	Controlled by AG	Term deposits	-	-	-	-
BSI S.A.	Controlled by AG	Operating loans	600	-	8	-
			630	8	3,081	128

Exposures to Generali Group companies recognised as **loans to customers** amounted to 53.0 million euros and refer to the following transactions:

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2013		31.12.2012	
			AMMONTARE	PROVENTI	AMMONTARE	PROVENTI
Generali Italia	Subsidiary of the AG Group	GESAV policy		836	21,373	788
Citylife S.r.l.	Subsidiary of the AG Group	Grant to BT in current account	13,391	331	16,357	267
Investimenti Marittimi	Associate of the AG Group	Grant to MLT in current account	7,618	621	10,267	357
Genertellife	Subsidiary of the AG Group	Operating loans	8,038	-	6,745	-
Insurance companies Generali	Parent Company	Operating loans	208	-	66	-
Other (Generali Inv. Europe, Simgenia)	Subsidiary of the AG Group	Operating loans	1,541	-	388	-
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	2	30	-	-
			53,006	1,818	55,196	1,412

During the year a decrease was reported, from 16.4 million euros to 13.4 million euros, in the exposure to Citylife S.r.l., which has been granted overdraft privileges totalling 20 million euros as part of a revolving credit line provided by a pool of lenders in the overall amount of 30 million euros to cover the borrower's day-to-day business operations. Banca Generali has also issued bank guarantees totalling 2.5 million euros, in favour of the same customer.

In addition, in the fourth quarter, the exposure to Investimenti

Marittimi S.p.A., to which 10 million euros was lent in the context of a pool loan set to come due in 2015, was reclassified as **standard**.

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

The receivable from the company was thus impaired by 2.5 million euros in order to bring the value currently regarded as recoverable into line with the market value of the Premuda shares pledged as collateral.

During the year, following the reduction of the collateral, the conditions for this loan were renegotiated to raise the interest owed to the Bank from 357 thousand euros to 621 thousand euros per year, reflecting the changed risk profile.

Amounts receivable from the Parent Company and classified as **tax receivables** include solely the estimated tax credit arising from the application for the refund of the portion of the regional production tax (IRAP) rendered deductible for corporation tax (IRES) purposes pursuant to Legislative Decree no. 201/2011, and subject to reimbursement within the framework of the filing of tax returns on a national consolidated basis, as opted for by the Parent Company. Excluding that position, Banca Generali presents a debt position of 0.6 million euros towards the tax consolidation programme, net of the advances paid, in relation to the estimated taxes for the year.

The **amounts due to customers** attributable to related parties of the Generali Group in the form of current accounts, time deposits and repurchase agreements reached 1,136.7 million euros at the end of the year and included amounts due to the Parent Company Insurance companies Generali S.p.A. of 202 million euros and amounts due to Generali Italia S.p.A. of 160 million euros. The item also included 411 million euros of term deposits held by the foreign subsidiaries Flandria (196 million euros) and Participatie Maatschappij Graafschap Holland N.V. (215 million euros), set to mature in April 2014.

Amounts due to customers also include the subordinated loan granted by Generali Versicherung in the amount of 16.1 million euros, gross of the interest accrued.

The sharp decline compared to the end of the previous year is due primarily to the reabsorption of fixed deposits made by the Parent Company at the end of 2012 (1,255 million euros) to cover temporary cash-flow requirements.

Amounts due to banks of the insurance group consisted for 21.0 million euros of deposits made by BSI SA as collateral for certain impaired loans resulting from the acquisition of Banca del Gottardo Italia (collateral deposits), while the remaining amount consisted of a very limited residual amount of the negative balance of foreign exchange deposits with the same counterparty.

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

Transactions with other Related Parties

Exposure in respect of the Bank's and its Parent Company Insurance companies Generali's Key Management Personnel mainly refers to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other executives of the banking and insurance Group, and has remained substantially unchanged since the end of 2012. However, this aggregate also includes an equity investment held in the Bank's AFS portfolio and attributable to a member of the Key Management Personnel of the Parent Company, Insurance companies Generali S.p.A.

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

(€ THOUSAND)	KEY MANAG. PERSONNEL	ENTITIES UNDER CONTROL OR SIGNIFICANT INFLUENCE
AFS financial assets	-	351
Loans to customers	1,207	-
Due to customers	2,063	-
Guarantees issued	15	-
Guarantees received	-	-

1.2. Profit and Loss Account Data

Profit and loss relationships with Generali Group companies

At 31 December 2013, the profit and loss components recognised in the Financial Statements with regard to transactions

with companies of the Generali Group amounted to 61.6 million euros, that is 31.6% of pre-tax operating profit.

(€ THOUSAND)	PARENT COMPANY INSURANCE COMPANIES GENERALI	AG GROUP SUBSIDIARIES	2013	2012	% WEIGHT 2013	% WEIGHT 2012	31.12.2013	31.12. 2012
Interest income	-	1,826	1,826	1,541	1.26%	0.98%	144,492	157,392
Interest expense	-1,214	-2,189	-3,403	-5,040	15.02%	10.99%	-22,650	-45,840
Net interest	-1,214	-363	-1,577	-3,499	-1.29%	-3.14%	121,842	111,552
Fee income	340	86,516	86,856	72,642	19.79%	18.89%	438,859	384,633
Fee expense	-	-5,954	-5,954	-5,872	2.91%	3.44%	-204,560	-170,568
Net fees	340	80,562	80,902	66,770	34.53%	31.19%	234,299	214,065
Dividends	12	-	12	12	1.31%	1.62%	915	739
Gain (loss) on trading	-	123	123	36	0.68%	0.31%	18,065	11,615
Operating income	-862	80,322	79,460	63,319	21.18%	18.74%	375,121	337,971
Staff expenses	229	393	622	702	-0.87%	-1.06%	-71,504	-66,346
General and administrative expense	-2,925	-12,587	-15,512	-17,800	14.64%	19.21%	-105,964	-92,651
Net adjustments of property, equipment and intangible assets	-	-	-	-	-	-	-5,071	-4,493
Other operating income and expenses	-	249	249	234	0.80%	1.22%	31,302	19,139
Net operating expenses	-2,696	-11,945	-14,641	-16,864	9.68%	11.68%	-151,237	-144,351
Operating profit	-3,558	68,377	64,819	46,455	28.95%	23.99%	223,884	193,620
Reversal value of loans	-	-2,539	-2,539	-	51.7%	-	-4,915	-3,572
Adjustments of other assets	-	-328	-328	-	28.3%	-	-1,158	-712
Net provisions	-	-	-	-	-	-	-22,899	-18,613
Gains (losses) from the disposal of equity investments	-	-	-	-	-	-	-4	-4
Operating profit	-3,558	65,510	61,952	46,455	31.8%	27.2%	194,908	170,719
Income taxes	-	-	-	-	-	-	-48,843	-37,500
Profit (loss) from non-current assets, net of tax	-	-	-	-	-	-	-124	451
Profit attributable to minority interests	-	-	-	-	-	-	-4,685	-3,867
Net profit (loss) for the year	-3,558	65,510	61,952	46,455	43.9%	35.8%	141,256	129,803

Overall **net interest** accrued in dealings with members of the insurance Group is negative and amounted to 1.5 million euros, with interest expense paid to such companies (3.3 million euros) accounting for 14.7% of the total item recognised in the Profit and Loss Account and showing a sharp decline compared to the previous year (-1.7 million euros).

Within this item, the interest expense paid to Generali Versicherung on the subordinated loan amounted to 0.7 million eu-

ros, the interest accrued on the collateral deposits of BSI S.A. amounted to 0.6 million euros, the interest on the time deposits held by foreign subsidiaries amounts to 0.3 million euros and the interest on the funding provided by other Generali Group companies was 1.7 million euros.

Fee income paid back by companies of the insurance Group amounted to 86.5 million euros, equal to 19.7% of the aggregate amount and was broken down as follows:

	2013	2012	CHANGES	
			ABSOLUTE	%
Fees for asset management	2,568	2,988	-420	-14.1%
Distribution of insurance products	82,471	69,654	12,817	18.4%
Consultancy	553	-	553	n.a.
Other bank fees	1,264	-	1,264	n.a.
Total	86,856	72,642	14,214	19.6%

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

By contrast, advisory fees refer to specific investment advisory services rendered in connection with assets underlying insurance products distributed by the Group's insurance companies (Generali Italia, Alleanza Toro and Genertellife).

The other bank fees refer primarily to direct debit collection activity on behalf of Group companies.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITs administered by management companies that belong to the banking and insurance Group. Such commissions, amounting to 9.6 million euros, are generally charged directly against the assets of the UCITs, which are considered entities beyond the scope of IAS 24.

The Bank also collects subscription fees for the investment companies with variable capital (SICAV) promoted by GIS - Generali Investments Sicav, managed under contract by the insurance group's management companies, directly from customers through the correspondent bank.

	2013	2012	CHANGES
SICAV underwriting fees	1,134	908	226
Trading fees on funds and SICAVs	9,583	2,626	6,957
Total	10,717	3,534	7,183

The **fee expenses** rebated to insurance group companies consist of 2.5 million euros in distribution fees for the Group's asset management products, of which 1.8 million euros attributable to Simgenia, and of advisory and middle office fees attributable to foreign UCITs, associated with the activities of the former GIL for a total of 3.0 million euros.

The **net operating** costs reported by the Bank in relation to transactions with related parties of the Generali Group amounted to 14.6 million euros and refer for 9.7% to outsourced services in the insurance, leasing, administrative and information technology sector.

	2013	2012	CHANGES	
			ABSOLUTE	%
Insurance services	2,555	3,982	-1,427	-35.8%
Property services	6,266	5,627	639	11.4%
Administration, IT and logistics services	6,442	7,957	-1,515	-19.0%
Staff services	-622	-702	80	-11.4%
Total administrative expense	14,641	16,864	-2,223	-13.2%

The administrative expense paid to Insurance companies Generali amounted to 3.6 million euros and referred to insurance services and rentals for property leases.

Expenses relating to IT, administration and logistics referred chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

The cost of property services relating to the lease of office, branch network and the bank's operating outlet premises refers

mainly to Generali Properties, whereas the remainder pertains to other Group companies.

Direction and coordination

Pursuant to Article 2497-*bis* of the Italian Civil Code, Banca Generali is subject to Insurance companies Generali S.p.A.'s "management and coordination" activities.

A summary of the main items of the latter company's latest financial statements is reported hereunder.

2012 highlights of Insurance companies Generali

(€ MILLION)	FY 2012
Net profit	130.7
Aggregate dividend	311.4
<i>Increase</i>	
Total net premiums	8,634.9
Total gross premiums	9,767.0
Total gross premiums from direct business	7,089.9
<i>Change on equivalent terms ^(a)</i>	2.5%
Total gross premiums from indirect business	2,677.1
<i>Change on equivalent terms ^(a)</i>	7.2%
Acquisition and administration costs	1,248.5
<i>Expense ratio ^(b)</i>	14.5%
Life Segment	
Life net premiums	5,302.1
Life gross premiums	5,555.8
<i>Change on equivalent terms ^(a)</i>	2.6%
Life gross premiums from direct business	3,747.2
<i>Change on equivalent terms ^(a)</i>	2.7%
Life gross premiums from indirect business	1,808.6
<i>Change on equivalent terms ^(a)</i>	2.4%
Life acquisition and administration costs	542.4
<i>Expense ratio ^(b)</i>	10.2%
Non-life Segment	
Non-life segment net premiums	3,332.8
Non-life gross premiums	4,211.2
<i>Change on equivalent terms ^(a)</i>	5.2%
Non-life gross premiums from direct business	3,342.7
<i>Change on equivalent terms ^(a)</i>	2.1%
Non-life gross premiums from indirect business	868.5
<i>Change on equivalent terms ^(a)</i>	19.0%
Non-life acquisition and administration costs	706.1
<i>Expense ratio ^(b)</i>	21.2%
<i>Loss ratio ^(c)</i>	72.9%
<i>Combined ratio ^(d)</i>	94.1%
Current financial result	2,394.7
Technical provisions	41,784.9
Life segment technical provisions	35,025.9
Non-life segment technical provisions	6,759.0
Investments	65,895.8
Capital and reserves	14,274.8

(a) At constant exchange rates.

(b) Ratio of administrative expense to total premiums.

(c) Ratio of accrued claims to accrued premiums.

(d) Total (b) + (c).

The highlights of the Parent Company Insurance companies Generali S.p.A shown above were taken from the company's Financial Statements for the year ended 31 December 2012. These are available together with the Independent Auditor's

Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm entrusted by Banca Generali.

PART I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

A. Qualitative information

Payment agreements based on own equity instruments

At 31 December 2013, the payment agreements based on own equity instruments activated by Banca Generali consisted of:

- two stock-option plans, one for financial advisors and the other for certain of the Group's directors relating to Banca Generali's listing on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A., approved by Banca Generali's Shareholders' Meeting on 18 July 2006 and operational since 15 November 2006;
- two stock-option plans reserved respectively for Financial Advisors and network managers and relationship managers (employees) of Banca Generali, approved by the General Shareholders' Meeting held on 21 April 2010.

The main features of the aforementioned plans are detailed below.

1. Stock Option Plans for Employees and Financial Advisors related to the listing

The stock-option plans approved by the Board of Directors on 24 May 2006, ratified by the extraordinary Shareholders' Meeting on 18 July 2006 and contingent upon the commencement of trading of the Company's shares on the MTA, organised and managed by Borsa Italiana S.p.A., called for:

- the granting to employees of companies belonging to Banca Generali Group the issuance of a maximum amount of 1,113,130 new ordinary shares;
- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers in the BSI channel, the issuance of a maximum of 4,452,530 shares.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting had passed a resolution for a splittable capital increase, subject to the admission of the company's shares to trading on the MTA for a maximum notional amount of 5,565,660.00 euros, through the issuance of a maximum of 5,565,660 ordinary shares with a par value of 1.00 euro.

These plans became operational with the commencement of the trading of the ordinary shares of Banca Generali on the MTA on 15 November 2006. On 15 December 2006, 4,452,530 options

were initially assigned to Financial Advisors and 818,500 options to Group executives; the strike price of both sets of options was 9.046 euros.

The plans' rules and procedures called for advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met). The plan called for a single three-year vesting period for managers, with the possibility of exercising the options over the following three years.

On 9 October 2009, Banca Generali's Board of Directors resolved to amend the plans' rules and procedures to include a three-year extension of the strike period of the options granted. That amendment was approved by the Shareholders' Meeting on 21 April 2010. Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:

- for Financial Advisors - 31 March 2014;
- for salaried managers - 15 December 2015.

All other plan conditions, from the strike price of 9.0 euros per share, to the obligation to reinvest 50% of capital gains in Banca Generali shares and retain said shares for at least 12 months, remain unchanged.

During 2013, a total of 1,170,532 options were exercised, of which 251,500 were exercised by salaried managers. In addition, 15,709 options were cancelled due to termination of the agreements with the Financial Advisors to whom they had been assigned.

At the end of 2013, the options assigned under the plan for employees of banking group companies therefore totalled **119,500**, whereas the option rights granted to Financial Advisors stood at **341,491**.

1.1 Accounting effects of the extension of the stock-option plans

For a thorough analysis of the accounting aspects of the extension of stock-option plans and the issues associated with the re-determination of the fair value of such plans, the reader is referred to the corresponding sections of the 2009 and 2010

financial statements, in which the transactions concerned were originally recognised.

At present, since the vesting period has concluded, the above plans have entered a purely executive phase, resulting in accounting effects on equity, analysed in Section B below, solely in relation to the exercise of vested option rights by beneficiaries.

2. Rules for the Stock Option Plan for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010

The stock-option plans approved by the Shareholders' Meeting on 21 April 2010 called for:

- the granting to Banca Generali's Financial Planners, area managers and business managers and the private bankers of

a maximum of 2,300,000 shares to be issued;

- the granting to Banca Generali's relationship managers of a maximum amount of 200,000 ordinary shares to be issued;
- the assignment of options by 30 June 2011, after having verified that overall and individual targets for the development of inflows by 31 December 2010 have been reached;
- the possibility to exercise the options between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

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

The following is a summary of the salient characteristics of the plans in question.

Recipients	<ol style="list-style-type: none"> 1) Financial Advisors under standard agency agreements at 1 July 2009, provided not on notice. 2) Financial Advisors engaged after the end of the Reference Period. 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. 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
Performance conditions	<p>Granting of the Options to the Plan Recipients is contingent upon the satisfaction of:</p> <ul style="list-style-type: none"> • overall net inflow targets set by the Board of Directors at 2.0 billion euros for 2010; • individual net inflow targets set by the Plan's Management Committee; <p>Individual targets call for a minimum net inflow access threshold, above which the options granted are proportional to the net inflow level achieved.</p> <p>Since there is no individual cap mechanism, if results call for a total number of shares in excess of the total amount for the category to be assigned, an allotment will be conducted.</p>
Reference period and measurement parameters	<p>The following must be considered for participation in the Plan:</p> <ol style="list-style-type: none"> 1. the net inflows achieved in the fourth quarter of 2009 and all of 2010 arising from application of the "Tax Amnesty"; 2. the remaining net inflows achieved in 2010, calculated according to the normal rules applicable to semi-annual incentive plans.
Vesting conditions	<p>The assigned Options shall be exercisable as follows:</p> <ul style="list-style-type: none"> • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2011; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2012; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2013; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2014; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2015; • the remaining one sixth of the Options, as of 1 July 2016. <p>The Rules and Procedures state that if the relationship between the Recipients/Grantees and the Company is terminated for any reason or the associated notice period is underway, the Recipient shall forfeit, effective immediately, the right to be granted or exercise the Options, except in the case of the decease of the Recipient or eligibility for an old-age, length-of-service or disability pension, following discontinuation of service and removal from the register of Financial Advisors, provided that such conditions occur (x) after the end of the Reference Period (31 December 2010).</p> <p>In such case, only the options that have already become exercisable may be exercised.</p>
Exercise period	<p>The assigned Options must be exercised by 30 June 2017 at the very latest.</p> <p>The shares may be freely disposed of and are not subject to any restrictions.</p>
Effective date of the Plan	<p>The Plan shall take effect as soon as the Plan Management Committee identifies the Recipients of the Options, provided that, by such time:</p> <ul style="list-style-type: none"> • Banca Generali's General Shareholders' Meeting approves the capital increase covering the Plan; • the Board of Directors determines that the overall performance targets set during the session of the Board of Directors during which the financial statement results for 2010 are discussed have been met; • the Delegated Organ determines that the individual Recipients have, in fact, met the individual performance targets previously established. <p>The latter condition must be determined to have been satisfied by 15 May 2011 and the Options must be granted to the entitled parties by 30 June 2011.</p>
Strike Price	<p>The Strike Price of the Options represents the arithmetic mean of the Reference Prices of the Shares as quoted on the electronic share market (MTA) during the period between the date on which the Options were assigned, and the same day of the calendar month immediately preceding the aforesaid assignment date.</p>

In this regard, it should be noted that the review of the achievement of the overall inflow goals was conducted by the Board of Directors on 14 March 2011, whereas the review of the achievement of the individual goals assigned to the various categories of recipients was conducted by the Plan Management Committee on 13 May 2011.

The option rights were effectively assigned to the entitled parties on 7 June 2011.

The exercise price of the shares was determined on the basis of the plans Regulations, based on the arithmetic mean of the reference price of "Banca Generali SpA ordinary shares" quoted on the MTA managed by Borsa Italiana S.p.A., in the period from the current date to the same day of the previous month, amounting to 10.7118 euros.

The third tranche of options, accounting for one-sixth of the total options assigned, became eligible for exercise effective 1 July 2013.

During 2013, a total of 730,697 options were exercised, of which 49,386 were exercised by salaried managers. In addition, 23,108 options were cancelled due to termination of the agreements with the Financial Advisors and the resignations of employees to whom they had been assigned.

At the end of 2013, the options assigned under the plan for employees of banking group companies therefore totalled 138,731, whereas the option rights granted to Financial Advisors stood at 1,440,499.

2.11 Measurement of fair value and accounting effects

Valuation of the stock-option plan is based on the fair value of the options assigned, calculated with reference to the options final assignment date.

In further detail, since the various tranches of the plan are associated with different vesting dates and option exercise periods, each tranche has been treated as a separate assignment, with the determination of a specific fair value.

The measurement of the fair value of the options was computed using a standardised model available among the operating tools on the Bloomberg platform. This model contemplated information such as the strike price, the vesting period, the exercise window, current share price and implied volatility, expected dividends and the risk-free interest rate. The binomial pricing model also takes into account the possibility of early exercise.

The implied volatility of Banca Generali stock used in the model was determined according to an inductive process commonly used by the market.

In detail, the expected volatility of at-the-money Banca Generali options at three months was first estimated according to surveys of historical volatility and the volatility of more liquid options at three months on the equities of listed issuers with similar structural characteristics. The spread between the volatility of the option at three months and the DJ STOXX 50 index was then calculated, and that spread was applied to the index's implied volatility during the holding period for the new maturities, while also taking the various moneyness profiles into account.

Considering the particular situation of market volatility that occurred during the option assignment period, the current value of the options has been determined on the basis of the average quotations during the period from 15 May (the date on which the beneficiaries were identified) to 30 June 2011, the date specified in the Rules and Procedures as the final deadline for assignment of the options.

The other specific characteristics of the plans, such as the presence of periods of suspension of exercisability, were also considered for measurement purposes.

Since the plan's Rules and Procedures also call for forfeiture of the right to exercise options in the event of the termination of a Financial Advisor for any reason, except for decease, permanent disability or retirement, an estimate was prepared of the briefer expected residual life of the options compared to their contractual duration due to expected cases of early exercise. To that end, the notional fair value of the shares was adjusted on the basis of the expected turnover rates by option vesting class.

This procedure resulted in the identification of fair values between 1.01 and 0.65 euros depending on the exercise date for the option rights.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

Given the different vesting dates of the various tranches of the plan, each tranche was measured separately for this purpose. It follows that for the first tranche, which may be exercised beginning on 1 July 2011, vesting was immediate, whereas for the sixth tranche, which may be exercised beginning on 1 July 2016, the vesting period was calculated over six years.

B. Quantitative information

During 2013, owing to the favourable performance of the market price of Banca Generali stock, 1,901,229 option rights deriving from the old 2006 stock-option plans related to the listing and the new 2010 plans were exercised.

The weighted average strike price was 9.66 euros (the strike price range was 9.0 - 10.71 euros), compared to an average price of the Banca Generali stock of 16.94 euros in 2013.

The total amount of proceeds for the bank thus reached 18.7 million euros, whereas the value of the IFRS 2 equity reserve set aside in previous years in connection with the rights exercised amounted to 3.9 million euros.

That amount, along with the amount paid out to the beneficiaries, net of the par value of the shares assigned, was added to the share premium reserve (20.7 million euros) pursuant to the supervisory authority's instructions (Circular no. 262/2005, paragraph 5, The Statement of Changes in Net Equity).

The expenses recognised in profit and loss in 2013 in connection with the stock-option plans for Financial Advisors and salaried Relationship Managers authorised in 2010 totalled 0.4 million euros.

At the end of 2013, the IFRS 2 equity reserve therefore amounted to 2.8 million euros, of which 1.6 million euros attributable to the old 2006 plans and 1.2 million attributable to the new 2010 stock option plans.

The total number of options that can be exercised at the end of financial year 2013 is 837,494, with an average strike price of 9.77 euros and a total exercise value of about 8.2 million euros.

The remaining average life of such aggregate amount is little less than two years, also due to the presence of about 341,000 shares assigned to Financial Advisors that have to be exercised by 31 March 2014.

As of 1 July 2014, the fourth tranche of the 2010 stock option plans will also become exercisable.

ITEMS/NO. OF OPTIONS AND STRIKE PRICES	TOP MANAGERS	AVERAGE PRICES (EURO)	FINANCIAL PLANNERS	AVERAGE PRICES (EURO)	EMPLOYED MANAGERS	AVERAGE PRICES (EURO)	TOTAL	AVERAGE PRICES (EURO)	AVERAGE MATURITY
A. Amount at year-start	-	-	3,400,083	10.08	560,185	9.58	3,960,268	10.01	3.32
B. Increases	-	-	19,999	9.00	-	-	19,999	9.00	X
B.1 Newly issued shares	-	-	-	-	-	-	-	-	X
B.2 Other changes	-	-	19,999	9.00	-	-	19,999	9.00	X
C. Decreases	-	-	-1,638,092	9.74	-301,954	9.29	-1,940,046	9.67	X
C.1 Cancelled	-	-	-37,749	10.00	-1,068	10.71	-38,817	10.02	X
C.2 Exercised	-	-	-1,600,343	9.73	-300,886	9.28	-1,901,229	9.66	X
C.3 Expired	-	-	-	-	-	-	-	-	X
C.4 Other changes	-	-	-	-	-	-	-	-	X
D. Amount at year-end	-	-	1,781,990	10.38	258,231	9.92	2,040,221	10.33	2.86
E. Options that can be exercised at year-end	-	-	679,263	9.85	158,231	9.42	837,494	9.77	1.95
Strike price	-	-	416	X	40	X	455	X	X
IFRS 2 reserve	-	-	2,304	X	517	X	2,821	X	X

The table includes option rights exercised by the beneficiaries in the last days of 2013 but in compliance with financial settlement in 2014.

PART I - SEGMENT REPORTING

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

The banking Group identifies the following three main business areas:

- the **Affluent Channel**, which refers to the total earnings generated for the Group by the 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 financing activities of the Finance Department and the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Insurance companies Generali Group, as well as variable revenues specifically related to the ability of the financial product management activities to outperform their benchmarks.

The management of foreign mutual funds promoted by the Insurance companies Generali insurance Group, falling within the business scope of the merged company GIL - now called GFM and its AuM, does not, however, constitute a business unit included in management's operating assessments since it relates exclusively to the portion of the group's operating result attributable to minority interests.

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

The financial aggregates presented for each segment therefore consist of net interest, net fees and the result of trading activity including dividends. They include both components arising from transactions with third parties external to the group ("external revenues"), and those deriving from transactions with other segments ("internal revenues").

It should be noted in this regard that internal revenues can be identified solely with reference to the interest margin; in fact, since net fees are generated directly by volumes of gross inflows and Assets Under Management relating to the individual segments they are generated in full as external revenues.

The interest expense incurred by Affluent 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 0.13% at 31 December 2013 and 0.33% at 31 December 2012.

In addition, the Corporate segment's fee margin includes the entire amount of Performance fees accrued for the year.

All the revenue components presented are measured using the same accounting criteria adopted to prepare the Group's consolidated financial statements so that segment data can be reconciled more easily with consolidated data.

The following tables show the consolidated profit and loss results of each of the identified segments, stated net of intra-segment eliminations and reclassified based on IFRS 5.

Since IT systems have made the breakdown by business segment more precise, 2012 was reclassified to bring its layout in line with that for 2013 and allow a better comparison.

Moreover, below the tables, by way of additional quantitative information analysed by the management to evaluate the Group's performance, a breakdown is given of assets under management at year-end and net inflows for the year ended 31 December 2013, along with the comparative figures, by operating segment.

Distribution by business segment: Profit and Loss account figures

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT (€ THOUSAND)	31.12.2013					31.12.2012				
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	GFM PART B	TOTAL	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	GFM PART B	TOTAL
Interest income and similar revenues	9,317	7,379	127,796	-	144,492	19,114	15,973	122,301	4	157,392
Interest expense and similar charges	-	-	-	-	-	-	-	-	-	-
Net interest income	-4,152	-3,600	-14,898	-	-22,650	-10,852	-8,386	-26,602	-1	-45,840
Fee income	5,165	3,779	112,898	-	121,842	8,262	7,587	95,700	3	111,552
of which subscriptions	201,980	131,807	70,961	34,111	438,859	174,148	112,236	69,192	29,057	384,633
of which management	18,973	10,001	146	-	29,120	19,985	6,563	528	-	27,075
of which performance	174,177	114,649	7,145	32,703	328,674	146,056	98,078	7,151	28,674	279,959
of which other	-	-	45,649	367	46,016	-	-	50,238	-	50,238
Fee expense	8,830	7,157	18,021	1,041	35,049	8,107	7,595	11,276	383	27,361
Net fees	-109,647	-55,824	-12,817	-26,272	-204,560	-93,159	-45,389	-9,829	-22,191	-170,568
Profit (loss) of financial operations	92,333	75,983	58,144	7,839	234,299	80,989	66,847	59,363	6,866	214,065
Dividends	-	-	18,065	-	18,065	-	-	11,615	-	11,615
Net banking income	-	-	915	-	915	-	-	739	-	739
Staff expenses	97,498	79,762	190,021	7,839	375,121	89,251	74,434	167,417	6,869	337,971
Other general and administrative expense	-	-	-	-	-71,504	-	-	-	-	-66,346
Net adjustments/reversal of property, equipment and intangible assets	-	-	-	-	-105,964	-	-	-	-	-92,651
Other operating expense/income	-	-	-	-	-5,071	-	-	-	-	-4,493
Net operating expense	-	-	-	-	31,302	-	-	-	-	19,139
Operating profit	-	-	-	-	-151,237	-	-	-	-	-144,351
Reversal value of loans	-	-	-	-	223,884	-	-	-	-	193,620
Adjustments of other assets	-	-	-	-	-6,073	-	-	-	-	-4,284
Net provisions	-	-	-	-	-	-	-	-	-	-
Gain (loss) from the disposal of equity investments	-	-	-	-	-22,899	-	-	-	-	-18,613
Operating profit before taxation	-	-	-	-	-4	-	-	-	-	-4
Income taxes for the year on current operations	-	-	-	-	194,908	-	-	-	-	170,719
Profit (loss) from assets available for sale	-	-	-	-	-48,843	-	-	-	-	-37,500
Minority interests (+/-) for the year	-	-	-	-	-124	-	-	-	-	451
Net profit	-	-	-	-	-4,685	-	-	-	-	-3,867
Utile netto	-	-	-	-	141,256	-	-	-	-	129,803
(€ MILLION)										
Assets Under Management	17,190	11,926	1,587	7,899	38,602	15,431	10,733	2,005	5,900	34,069
Net inflows	1,475	785	n.a.	n.a.	2,260	1,131	471	n.a.	n.a.	1,602
no. of FAs/RMs	1,141	334	n.a.	n.a.	1,475	1,137	316	n.a.	n.a.	1,453

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.

(€ THOUSAND)	31.12.2013				
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	GFM PART B	TOTAL
Goodwill	4,416	33,110	1,106	-	38,632
Intangible assets (client relationships)	-	3,814	-	-	3,814

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 2014

THE BOARD OF DIRECTORS

Report of the independent auditors

PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 27.01.2010, N. 39



Reconta Ernst & Young S.p.A.
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Independent auditors' report pursuant to art. 14 and 16 of Legislative Decree dated 27.01.2010, n. 39 (Translation from the original Italian text)

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

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, 2013, comprising the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related notes and comments. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38 is the responsibility of Banca Generali S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 26, 2013.
3. In our opinion, the consolidated financial statements of the Banca Generali Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Banca Generali Group for the year then ended.
4. The management of Banca Generali S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Company's Ownership regarding the information included therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the consolidated financial statements of the Banca Generali Group as of December 31, 2013.

Milan, April 1, 2014

Reconta Ernst & Young S.p.A.

Signed by: Stefano Cattaneo, Partner

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FINANCIAL REVIEW

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FINANCIAL STATEMENTS
BANCA GENERALI S.P.A.
as of 31 December 2013

BOARD OF DIRECTORS 10 MARCH 2014

Economic and Financial Highlights

Economic and financial highlights			
(€ MILLION)	31.12.2013	31.12.2012	CHANGE %
Net interest income	121.8	111.5	9.2
Net fees	103.7	93.6	10.7
Dividends and net result of financial operations	19.0	12.4	53.6
Net banking income	244.4	217.5	12.4
Staff expenses	-65.1	-60.0	8.6
Other general and administrative expense	-102.3	-89.5	14.3
Amortisation and depreciation	-5.0	-4.4	13.7
Other operating income	29.6	18.5	60.4
Net operating expenses	-142.8	-135.3	5.5
Operating profit	101.7	82.1	23.8
Provisions	-22.9	-18.7	22.7
Dividends and income from equity investments	57.3	86.2	-33.5
Net adjustments of loans and other assets	-6.1	-4.3	41.5
Profit before taxation	129.9	145.4	-10.6
Net profit	94.9	118.7	-20.1
Cost/Income ratio	45.7%	43.1%	5.9
EBITDA	163.9	172.7	-5.1
ROE	39.32%	66.07%	-40.5
EPS - Earnings per Share (units of euro)	0.831	1.060	-21.6

Net inflows			
(€ MILLION) (ASSORETI FIGURES)	31.12.2013	31.12.2012	CHANGE %
Mutual funds	1,489	444	235.4
Asset management	13	68	80.9
Insurance/Pension funds	1,266	1,115	13.5
Securities/Current accounts	-508	-25	1,932.0
Total	2,260	1,602	41.1

Asset Under Management & Custody (AUM/C)

(€ BILLION) (ASSORETI FIGURES)	31.12.2013	31.12.2012	CHANGE %
Mutual funds	8.0	6.8	18.7
Asset management	3.1	3.1	0.5
Insurance/Pension funds	9.2	8.5	8.5
Securities/Current accounts	7.8	7.8	0.1
Total	28.2	26.2	7.7

Net equity

(€ MILLION)	31.12.2013	31.12.2012	CHANGE %
Net equity	362.6	333.6	8.7
Capital for regulatory purposes	213.4	223.4	-4.4
Excess capital	94.8	100.1	-5.3
Solvency margin	14.39%	14.49%	-0.7

Financial Statements

BALANCE SHEET

Assets	31.12.2013	31.12.2012 (*)
10. Cash and deposits	9,610,249	10,381,583
20. HFT financial assets	229,509,264	222,152,669
40. AFS financial assets	1,626,116,347	1,733,946,607
50. HTM financial assets	2,652,686,134	3,000,329,136
60. Loans to banks	279,539,128	826,605,533
70. Loans to customers	1,461,098,185	1,282,790,434
100. Equity investments	14,024,545	14,024,545
110. Property and equipment	3,953,458	4,342,109
120. Intangible assets:	41,716,030	43,053,510
- goodwill	34,342,606	34,342,606
130. Tax receivables:	38,030,652	40,790,444
a) current	3,366,389	1,423,706
b) prepaid	34,664,263	39,366,738
b1) as per Law No. 214/2011	11,617,587	11,629,400
140. Non-current assets held for sale and disposal groups	7,956,688	-
150. Other assets	124,389,355	95,516,723
Total assets	6,488,630,035	7,273,933,293
Net equity and liabilities	31.12.2013	31.12.2012 (*)
10. Due to banks	2,230,833,036	2,229,857,818
20. Due to customers	3,665,294,461	4,539,982,698
40. HFT financial liabilities	597,222	1,447,818
80. Tax payables:	14,183,355	10,204,742
a) current	8,734,043	6,952,284
b) differite	5,449,312	3,252,458
100. Other liabilities	139,353,066	91,425,454
110. Employee termination indemnities	4,230,197	4,286,086
120. Provisions for liabilities and contingencies:	71,558,183	63,139,193
b) other provisions	71,558,183	63,139,193
Technical provisions	-	-
130. Valuation reserves	5,501,700	-11,445,138
160. Reserves	110,058,264	96,818,366
170. Additional paid-in capital	37,302,286	16,591,106
180. Share capital	114,895,247	112,937,722
190. Treasury shares (-)	-41,238	-41,238
200. Net profit (loss) for the year (+/-)	94,864,256	118,728,666
Total net equity and liabilities	6,488,630,035	7,273,933,293

(*) Restated pursuant to IAS19R.

PROFIT AND LOSS ACCOUNT

	31.12.2013	31.12.2012 ^(*)
10. Interest income and similar revenues	144,479,421	157,392,616
20. Interest expense and similar charges	-22,694,408	-45,914,826
30. Net interest income	121,785,013	111,477,790
40. Fee income	263,823,690	226,588,804
50. Fee expense	-160,144,122	-132,944,210
60. Net fees	103,679,568	93,644,594
70. Dividends and similar income	58,226,721	86,958,822
80. Net income (loss) from trading activities	-2,537,839	8,485,217
90. Net profit from hedging	-	-937,120
100. Gain (loss) from sales or repurchase of:	20,602,837	4,067,202
a) receivables	1,709,982	-4,311,455
b) AFS financial assets	18,903,281	7,549,116
c) HTM financial assets	-10,426	829,541
120. Net banking income	301,756,300	303,696,505
130. Net adjustments/reversals due to impairment of:	-6,073,054	-4,293,219
a) receivables	-4,915,618	-3,581,271
b) AFS financial assets	-1,298,816	-1,016,206
c) HTM financial assets	141,380	304,258
140. Net result from banking operations	295,683,246	299,403,286
150. General and administrative expense:	-167,428,365	-149,426,534
a) staff expenses	-65,145,703	-59,961,238
b) other general and administrative expense	-102,282,662	-89,465,296
160. Net provisions for liabilities and contingencies	-22,946,003	-18,695,688
170. Net adjustments/reversals of property and equipment	-1,645,332	-1,701,533
180. Net adjustments/reversals of intangible assets	-3,336,606	-2,678,930
190. Other operating expense/income	29,618,302	18,471,763
200. Operating expense	-165,738,004	-154,030,922
240. Gains (loss) from disposal of investments	-4,172	-3,866
250. Profit (loss) from operating activities before income taxes	129,941,070	145,368,498
260. Income taxes for the year on operating activities	-34,952,502	-27,090,651
270. Profit (loss) from operating activities net of taxes	94,988,568	118,277,847
280. Profit (loss) of disposal groups, net of taxes	-124,312	450,819
290. Net profit (loss) for the year	94,864,256	118,728,666

(*) Restated pursuant to IAS19R.

STATEMENT OF COMPREHENSIVE INCOME

Items	31.12.2013	31.12.2012 ^(*)
10. Net profit for the year	94,864,256	118,728,666
Other income net of income taxes without reversal to Profit and Loss Account		
20. Property and equipment	-	-
30. Intangible assets	-	-
40. Defined benefit plans	-211,098	-793,280
50. Non-current assets held for sale	-	-
60. Portion of valuation reserves of investments valued using the equity method	-	-
Other income net of income taxes with reversal to Profit and Loss Account		
70. Hedges of foreign investments	-	-
80. Exchange differences	-	-
90. Cash flow hedges	-	-
100. AFS financial assets	17,157,936	45,753,681
110. Non-current assets held for sale	-	-
120. Portion of valuation reserves of investments valued using the equity method	-	-
130. Total other income, net of income taxes	16,946,838	44,960,401
140. Comprehensive income	111,811,094	163,689,067

(*) Restated pursuant to IAS19R.

STATEMENT OF CHANGES IN NET EQUITY

	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	SHARES SHARES	NET PROFIT (LOSS)	NET EQUITY
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER					
Net equity at 31.12.2012	112,937,722	-	16,591,106	86,771,529	10,046,837	-11,445,138	-	-41,238	118,728,666	333,589,484
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2013	112,937,722	-	16,591,106	86,771,529	10,046,837	-11,445,138	-	-41,238	118,728,666	333,589,484
Allocation of net income of the previous year:	-	-	-	16,238,276	-	-	-	-	-118,728,666	-102,490,390
- Reserves	-	-	-	16,238,276	-	-	-	-	-16,238,276	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-102,490,390	-102,490,390
Change in reserves	-	-	-	-	436,915	-	-	-	-	436,915
Transactions on net equity	1,957,525	-	20,711,180	-	-3,435,293	-	-	-	-	19,233,412
- Issue of new shares	1,957,525	-	20,711,180	-	-3,890,730	-	-	-	-	18,777,975
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends paid	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	455,437	-	-	-	-	455,437
Comprehensive income	-	-	-	-	-	16,946,838	-	-	94,864,256	111,811,094
Net equity at 31.12.2013	114,895,247	-	37,302,286	103,009,805	7,048,459	5,501,700	-	-41,238	94,864,256	362,580,515

	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	SHARES SHARES	NET PROFIT (LOSS)	NET EQUITY
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER					
Net equity at 31.12.2011	111,676,183	-	3,231,225	75,710,239	8,719,236	-56,340,860	-	-41,238	68,623,445	211,578,230
Change in opening balances	-	-	-	-	-	-64,679	-	-	-	-
Amount at 01.01.2012	111,676,183	-	3,231,225	75,710,239	8,719,236	-56,405,539	-	-41,238	68,623,445	211,513,551
Allocation of net income of the previous year:	-	-	-	7,208,370	-	-	-	-	-68,623,445	-61,415,075
- Reserve	-	-	-	7,208,370	-	-	-	-	-7,208,370	-
- Dividendi e altre destinazioni	-	-	-	-	-	-	-	-	-61,415,075	-61,415,075
Change in reserves	-	-	-	3,852,920	3,710,098	-	-	-	-	7,563,018
Transactions on net equity	1,261,539	-	13,359,881	-	-2,382,497	-	-	-	-	12,238,923
- Issue of new shares	1,261,539	-	13,359,881	-	-3,094,281	-	-	-	-	11,527,139
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends paid	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	711,784	-	-	-	-	711,784
Comprehensive income	-	-	-	-	-	44,960,401	-	-	118,728,666	163,689,067
Net equity at 31.12.2012	112,937,722	-	16,591,106	86,771,529	10,046,837	-11,445,138	-	-41,238	118,728,666	333,589,484

CASH FLOW STATEMENT

INDIRECT METHOD	31.12.2013	31.12.2012
A. OPERATING ACTIVITIES		
1. Operations	93,474,865	22,983,015
Net profit (loss) for the year	94,864,256	118,142,822
Gain/Loss on financial assets held for trading	218,944	-3,273,460
Gain/loss on hedging assets	-	-
Net adjustments due to impairment	6,073,054	4,293,219
Net adjustments of property, equipment and intangible assets	4,981,938	4,380,463
Net provisions for liabilities and contingencies and other costs/revenues	8,418,990	3,211,874
Taxes included in taxes not paid	-1,133,585	21,215,319
Adjustments of discontinued operations	-	-
Other adjustments	-19,948,733	-124,987,222
2. Liquidity generated by/used for financial assets (+/-)	471,886,861	-1,212,109,214
HFT financial assets	-8,014,382	-181,501,516
Financial assets measured at fair value	-	-
AFS financial assets	120,676,680	-339,233,802
Loans to banks: repayable on demand	14,358,342	145,133,609
Loans to banks: other receivables	532,176,620	-487,393,709
Loans to customers	-170,821,204	-335,414,130
Other assets	-16,489,194	-13,699,665
3. Net liquidity generated by/used for financial liabilities (+/-)	-847,594,882	2,631,336,618
Due to banks: repayable on demand	-79,546,623	78,958,065
Due to banks: other payables	76,196,406	1,073,501,601
Due to customers	-889,457,385	1,472,948,810
Securities issued	-	-
HFT financial liabilities	-1,446,934	-878,118
Financial liabilities measured at fair value	-	-
Other liabilities	46,659,654	6,806,260
Net liquidity generated by/used for operating activities	-282,233,156	1,442,210,419

INDIRECT METHOD	31.12.2013	31.12.2012
B. INVESTING ACTIVITIES		
1. Liquidity generated by	1,533,071,527	782,718,364
Disposal of equity investments	-	-
Dividends received from investee companies	57,312,000	86,220,000
Disposal of HTM financial assets	1,475,759,527	690,998,364
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-	5,500,000
2. Liquidity used for	-1,167,897,290	-2,238,821,026
Purchase of equity investments	-	-
Purchase of HTM financial assets	-1,164,637,311	-2,234,666,406
Purchase of property and equipment	-1,260,853	-843,378
Purchase of intangible assets	-1,999,126	-3,311,242
Purchase of business units	-	-
Net liquidity generated by/used for investing activities	365,174,237	-1,456,102,662
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	18,777,975	14,827,774
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-102,490,390	-64,509,356
Net liquidity generated by/used for funding activities	-83,712,415	-49,681,582
NET LIQUIDITY GENERATED BY/USED IN THE YEAR	-771,334	-63,573,825
+ liquidity generated; (-) liquidity used	-	-
Reconciliation		
Cash and cash equivalents at year-start	10,381,583	73,955,408
Liquidity generated/used in the year	-771,334	-63,573,825
Cash and cash equivalents - effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	9,610,249	10,381,583

Legenda: + liquidity generated; (-) liquidity used.

Notes and comments

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PARTE A - ACCOUNTING POLICIES

Part A.1 - General

Section 1 - Declaration of Compliance with International Accounting Standards

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

The consolidated annual report at 31 December 2013 was prepared based on the "Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups," which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions were issued in Circular Letter No. 262/05 "Banks' Financial Statements: Layouts and Preparation," through a Provision dated 22 December 2005. The

Instructions set forth binding rules governing the layouts and preparation of Financial Statements and the minimum contents of the Notes and Comments.

The second update to Circular Letter No. 262 was issued on 21 January 2014. The Circular Letter, which is discussed in further detail below, applies immediately, including to Financial Statements for the year ended 31 December 2013.

In preparing the annual Financial Statements, Banca Generali adopted the IASs/IFRSs in force at 31 December 2013 (including SICs and IFRICs), which were endorsed by the European Commission.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2013, several amendments to the IASs/IFRSs, and IFRIC documents were adopted and new IFRICs were issued.

International Accounting Standards endorsed in 2012 and 2013, and effective as of 2013	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IAS 19 Employee Benefits	475/2012	06.06.2012	01.01.2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	475/2012	06.06.2012	01.01.2013
Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets	1255/2012	29.12.2012	01.01.2013
IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1255/2012	29.12.2012	01.01.2013
IFRS 13 Fair Value Measurement	1254/2012	29.12.2012	01.01.2013
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1255/2012	29.12.2012	01.01.2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	1256/2012	29.12.2012	01.01.2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1256/2012	29.12.2012	01.01.2013
Annual Improvements to IFRSs 2009-2011 Cycle (issued by the IASB in May 2012)	301/2013	27.03.2013	01.01.2013
Amendments to IFRS 1 - Government Loans	183/2013	04.03.2013	01.01.2013

International Accounting Standards endorsed but not effective yet	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRS 10 Consolidated Financial Statements	1254/2012	29.12.2012	01.01.2014
IFRS 11 Joint Arrangements	1254/2012	29.12.2012	01.01.2014
IFRS 12 Disclosure of Interests in Other Entities	1254/2012	29.12.2012	01.01.2014
IAS 27 Separate Financial Statements	1254/2012	29.12.2012	01.01.2014
IAS 28 Investments in Associates and Joint Ventures	1254/2012	29.12.2012	01.01.2014
IFRS 10, IFRS 11 and IFRS 12 amendments: Transition Guidance	313/2013	04.04.2013	01.01.2014
IFRS 10, IFRS 12 and IAS 27 Amendments: Investment Entities	1174/2013	20.11.2013	01.01.2014
IAS 36 Amendment: Recoverable Amount Disclosures for Non-Financial Assets	1374/2013	19.12.2013	01.01.2014
IAS 39 Amendment: Novation of Derivatives and Continuation of Hedge Accounting	1375/2013	19.12.2013	01.01.2014

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

The new standards and interpretations that have entered into force do not have a significant impact on Banca Generali's operations, except as specified below with regard to the revision of IAS 19 and the application of IFRS 13, analysed in greater detail in the following sections A2 and A3 of these Notes.

Circular Letter No. 262 of 22 December 2005 "Banks' Financial Statements: Layouts and Preparation" - 2nd update of 21 January 2014

The second update to Circular Letter No. 262 adopts the changes to international accounting standards (IASs/IFRSs) endorsed by the European Commission and entered into force as of the financial statements for financial years ended on, or in progress at, 31 December 2013:

- amendments to IAS 1 - *Presentation of Items of Other Comprehensive Income*;
- amendments to IFRS 7 - *Offsetting Financial Assets and Financial Liabilities*;
- new version of IAS 19 - *Employee Benefits*;
- new IFRS 13 - *Fair Value Measurement*;
- Annual Improvements to IFRSs 2009-2011 Cycle (IFRS1, IAS1, IAS16, IAS 32, IAS 34, IFRIC 2).

The main changes are:

- a) the division of the items included in the **Statement of Other Comprehensive Income** into two types reflecting whether

they may be reclassified to profit or loss in subsequent years (IAS 1);

- b) the presentation of qualitative and quantitative disclosures on **fair value and the fair value hierarchy** separately for assets measured at fair value on a recurring or non-recurring basis or measured according to criteria other than fair value (e.g., amortised cost) (cf. Part A and Part B of the Notes and Comments);
- c) new disclosures concerning defined-benefit plans (cf. Part B and Part C of the Notes and Comments);
- d) qualitative and quantitative disclosures on financial assets and financial liabilities (for example, derivative instruments and repurchase agreements) subject to **master netting arrangements** or similar agreements, regardless of the satisfaction of requirements for offsetting a financial asset and a financial liability as established by IAS 32, paragraph 42 (cf. Part B of the Notes and Comments).

In addition, in the risk disclosure presented in the Notes and Comments (cf. Part E), the description of the organisation of risk governance has been revised and new quantitative data have been added concerning own assets, whether recognised or unrecognised, distinguishing between encumbered and unencumbered assets ("asset encumbrance"). In this regard, the CRR Regulation identifies asset encumbrance in sales contracts with repurchase clauses, securities lending transactions and, generally, all forms of encumbrance of a bank's own assets.

Finally, the update incorporates the various measures influencing financial reporting rules previously announced by the supervisory authority in specific notices, in addition to introducing modifications with a minor impact and clarification on specific topics.

Section 2 - Preparation criteria

The Annual Financial Statements consist of the following documents:

- Balance Sheet;
- Profit and Loss Account;
- Statement of Other Comprehensive Income;
- Statement of Changes in Net Equity;
- Cash Flow Statement;
- Notes and Comments.

The accounts are accompanied by a Directors' Report on the bank's operations and situation.

According to the provisions of Article 3, paragraph 3-bis, of Legislative Decree No. 87/1992, enacted by Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the Consolidated Report on Operations and the Separate Report on Operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.

Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Annual Financial Statements were prepared in euros. All amounts in the Accounting Statements are expressed in euro units, while the figures in the Notes and Directors' Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The Financial Statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes. There were no derogations of the application of international accounting standards (IASs/IFRSs).

The Directors' Report on Operations and the Notes and Comments include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), as well as other non-compulsory disclosures that were deemed necessary to provide an accurate and fair presentation of the bank's situation.

The Financial Statements and Notes and Comments include figures for the period under review, as well as comparative data at 31 December 2012.

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accruals-basis

accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.

In further detail, the directors are reasonably certain that the bank will continue to operate in its current form for the foreseeable future (at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

Financial Statements contents

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

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Other Comprehensive Income consists of items that present changes in the value of some categories of assets recognised in the reporting year through equity valuation reserves, net of the associated tax effect.

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

The Statement of Changes in Net Equity is presented by inverting the rows and columns with respect to the presentation suggested by the Bank of Italy's Circular No. 262/2005.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.

Cash flows are broken down into:

- cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) financing activities that alter the company's equity capital.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the

increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.

Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected fees; these items

have been disclosed separately and classified under operating activities.

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

Section 3 - Events occurred after the balance sheet date

The draft Financial Statements of Banca Generali were approved by the Board of Directors in its meeting held on 10 March 2014, when it also authorised its disclosure.

The draft Financial Statements of Banca Generali were approved by the Board of Directors in its meeting held on 10 March 2014, when it also authorised its disclosure.

Section 4 - Other information

Non-recurring significant events and transactions

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

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.

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

Audit

The Financial Statements were audited by Reconta Ernst & Young.

Part A.2 - Main Financial Statement Aggregates

Accounting policies

This section sets out the accounting policies adopted for the preparation of the Financial Statements as of 31 December 2013, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

The accounting policies adopted by the Bank were not subject to material modification or supplementation during the reporting year, with the exception of changes resulting from the entry into force of the new accounting standards illustrated below.

Amendments to IAS 19

The amendment to IAS 19 issued by the IASB on 16 June 2011 and endorsed by Regulation (EC) No. 475/2012 of 6 June 2012, which modifies the rules for recognising defined benefit plans and termination benefits, entered into effect on 1 January 2013.

In Banca Generali's case, the new rules apply solely to the accounting treatment of the provision for post-employment benefits.

In detail, the amendment eliminates the option to defer actuarial gains and losses within the scope of the corridor method, without recognising them, and instead requires that they be recognised in full in the Statement of Comprehensive Income, including the share previously recognised in profit or loss (the "overcorridor"). In accordance with the provisions of IAS 19, the changes to the Standard must be applied retrospectively starting with the opening accounting balances for 2012.

In this regard, if the new standard had been applied to 2012, the balance sheet figures at the end of that year would have shown an increase in liabilities associated with the provision for post-employment benefits of 0.4 million euros, as well as negative reserves from actuarial losses on defined benefit plans of -0.9 million euros, net of fiscal effects. Net profit for the year would have increased by 0.6 million euros, with an overall effect on equity of 0.3 million euros.

Accordingly, the comparative tables at 31 December 2012, along with the associated details presented in the notes, have been restated in order to account for the aforementioned effects.

(€ THOUSAND)	01.01.2012	31.12.2012
Effects on the balance sheet:		
Change in provision for post-employment benefits	89	375
Change in deferred tax assets	25	103
Assets/liabilities unbalance	-65	-272
Effects on net equity:		
Change in the reserve for actuarial gains and losses	-65	-858
Change in net profit for the year	-	586
Change in net equity	-65	-272
Effects on the profit and loss account:		
Lower staff expenses	-	808
Higher taxes	-	-222
Effect on the net profit for the year	-	586

New IFRS 13 - Fair Value

The new IFRS 13 - *Fair Value Measurement*, approved by the IASB in May 2011 and endorsed by EU Regulation No 1255/2012, does not extend the scope of application of measurement at fair value, but rather provides guidelines on the measurement of the fair value of financial instruments and non-financial assets and liabilities

already required or permitted by other accounting standards. Fair value measurement rules, previously included in various standards, have thus been concentrated into a single standard. Since many of the concepts of IFRS 13 are already consistent with current practice, the new Standard does not result in significant impacts on the Bank's measurements.

On the other hand, fair value disclosure requirements have been expanded, including with regard to assets and liabilities (financial and non-financial) measured at fair value on a non-recurring basis. These requirements were incorporated into the update to Circular Letter No. 262.

1. HFT financial assets

Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading,

Including those embedded in complex financial instruments. Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

Recognition

Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.

Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives, that are not closely related to the host contract but meet the definition of a derivative, are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

Measurement

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, substantially together with all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

2. AFS financial assets

Classification

This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.

Specifically, it includes:

- equity investments not held for trading;
- other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
- bonds not held for trading and not classified as assets held to maturity or Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.

Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid, including the transaction income or expenses directly attributable to the instrument itself.

Such financial assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

Measurement

After initial recognition, available-for-sale assets are measured at fair value, as follows:

- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in net equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).

If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and, in the case of loans, receivables or debt securities, recognised in profit or loss or, in the case of equity securities, under net equity.

The amount of the reversal should not exceed what the amortised cost would have been, had the past adjustments not been made.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

3. HTM financial assets

Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

Recognition

Initial recognition of these assets takes place on the settlement date.

Upon initial recognition, financial assets classified to this category are measured at their fair value, including any directly attributable costs and income.

If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

When a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity financial 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, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

4. Loans

Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments and are not listed in an active market and are not initially classified as financial assets available for sale.

This item also includes:

- repurchase agreements with a commitment to repurchase;
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- operating loans from financial services, as defined in the Consolidated Banking Act (TUB) and Consolidated Finance Act (TUF).

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

Recognition

Loans are initially recognised on the date of disbursement or, in the case of debt securities, on the settlement date, based on the

fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded, if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.

This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from AFS assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

Measurement

Subsequent to initial recognition, loans are recognised at *amortised cost*, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the *effective interest-rate method*) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans, if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing loans are sub-divided into the following categories:

- *Bad loans*: loans to parties in a state of insolvency or substantially equivalent situation;
- *Substandard loans*: loans to parties in situations of objective temporary difficulty, the elimination of which in an appropriate amount of time is foreseeable;
- *Restructured loans*: loans in which a syndicate of banks (or a "single lender") grant a moratorium for the payment of the debt and then renegotiate said debt at below-market rates;
- *Expired loans*: loans to parties that, at the end of the period, show payables past due or expired by more than 90 days.

Loans classified as *bad loans*, *substandard loans*, or *restructured loans* are normally subject to an analytical assessment process. The amount of the impairment for each loan is equal to the difference between its book value at the time of assessment (amortised cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate. Expected cash flows take account of anticipated collection times, the presumed realisable value of any underlying guarantees and costs that are expected to be incurred to recover the credit exposure. Cash flows relating to short-term loans are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change in the contractual rate, including if the loan becomes non-interest-bearing. Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.

Write-backs due to the passage of time are taken among reversals.

Loans for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. In further detail, a probability of default and a loss given default value are attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach.

Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

Derecognition

Receivables are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

5. Financial assets at fair value

At the reporting date, none of the Bank's financial assets are classified under this category.

6. Hedging transactions

Types of Hedging Transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk, with gains on another item or group of items.

Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance sheet items attributable to particular risks;
- hedges of a net investment in a foreign operation: intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Derivatives are measured at fair value. Specifically:

- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;

- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flows) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:

- *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
- *retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

7. Equity investments

Classification

This item includes equity investments in subsidiary and associate companies.

Subsidiaries are entities in which the bank directly or indirectly holds more than half of the voting rights, or when, despite having a lower percentage of voting rights, the bank has the power to appoint the majority of directors or determine financial and operating policies of the entity. In assessing voting rights, "potential" rights that can be currently exercised or converted into actual voting rights at any time are taken into account.

Companies are considered associates when the bank holds 20% or more of the voting power and, due to specific legal or economic ties, is presumed to have significant influence.

Recognition

Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

Measurement

Equity investments are measured at cost and adjusted for impairment.

When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the investment.

If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.

If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and recognised in the profit or loss account.

Derecognition

Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all related risks and rewards, is transferred.

8. Property and equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.

They also include assets held for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.

They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the Profit and Loss account. If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

9. Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or must arise from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.

An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and restrict the access of others to those benefits.

The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets include the value of contractual relations with customers acquired as a result of the business combination of Banca Del Gottardo Italia.

This asset is an intangible asset, as defined by IAS 38, from which future economic benefits are likely to flow to the acquirer. The value of these relationships was determined on the basis of an estimate of the return on the assets managed by Banca del Gottardo Italia, analysed by asset class, while the useful life was estimated as a ten-year period, based on the historic percentage of decline of assets under management, before the company was acquired.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system, including intangible assets in progress at the end of the year.

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use. Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.). Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected. Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).

In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits, and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the Profit and Loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.

Software costs are typically amortised over a three-year period. Other capitalised costs associated with legacy systems are amortised over a five-year period.

For contractual relations with customers, acquired as a result of the above-mentioned business combination of Banca Del Gottardo Italia, the useful lives are estimated at ten years.

Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is tested for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The impairment test for goodwill is presented in Section 1.2 "Annual Changes in Goodwill" in Part G of these Notes.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the Profit and Loss account, is the amount by which the asset's carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

10. Non-current assets held for sale or disposal Groups

The asset item "Non-current assets held for sale or disposal groups" and liability item "Liabilities associated with assets held for sale or disposal groups" include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.

The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year is taken through profit and loss under a specific separate item, "Profit (Loss) on groups of assets available for sale, net of taxes".

11. Current and deferred taxes

Income taxes are recognised in the Profit and Loss account, with the exception of those relating to items posted directly to net equity.

Provisions for income taxes are made based on a conservative estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.

Specifically, deferred tax assets and liabilities are calculated based on the temporary differences - without time limits - between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company Assicurazioni Generali - as a result of its exercise of the option provided by the Italian Tax Consolidation scheme - to generate ongoing taxable income.

Deferred tax liabilities are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.

Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under "Tax assets" and deferred tax liabilities are recorded under "Tax liabilities".

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.

Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.

Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (for example, goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Consolidated Finance Law) introduced the new paragraph 2-ter into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise greater amounts in the accounts for income-tax purposes, following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.

That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket) in

lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP). The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced a new system of optional realignment of tax and balance sheet values. The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the Financial Statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.

However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.

That statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are undertaken.

Lastly, paragraphs 12 to 14 of Article 23 of Legislative Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-bis and 10-ter to Article 10 of Legislative Decree No. 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.

The additional redemption scenario is founded solely on the accounting figures presented in the consolidated Financial Statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-ter).

The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must be made by 30 November 2011, whereas the non-accounting de-

duction of amortisation in ten equal instalments is to take place beginning in financial year 2013.

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:

- 1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree No. 185/2008;
- 2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the Financial Statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-ter, of the TUIR;
- 3) redemption of goodwill recognised on a consolidated basis in connection with the full equity interest in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.

IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

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

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

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax

assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on the specific system adopted (ten or eighteen amortisation charges), thereby neutralising the decrease in current taxes.

Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be deemed recoverable on the basis of future taxable income.

12. Provisions for liabilities and contingencies

Provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Where the effect of the time-value of money is material, provisions are discounted using current market rates. Provisions are recognised in the Profit and Loss account.

This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

13. Debt and securities issued

Classification

Due to banks, *Due to customers* and *Securities issued* include the various forms of interbank funding and direct customer deposits, as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.

Due to banks and *Due to customers* also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or debt securities are issued.

Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.

For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the Profit and Loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the Profit and Loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the Profit and Loss account.

The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

14. Financial liabilities held for trading

This item includes the negative value of trading derivative contracts measured at fair value.

If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

15. Financial liabilities measured at fair value

There are currently no financial liabilities measured at fair value.

16. Foreign currency transactions

Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.

The Group has no non-monetary items that are measured at historical cost or fair value.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's Financial Statements are recognised in profit or loss in the period in which they arise.

17. Other information

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.

Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Loans income, in the form of the coupons accrued on securities and the difference between the spot and forward prices of securities, is recognised to the Profit and Loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits. The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Share-based payments

In accordance with IFRS 2 - Share-Based Payments, as amended in 2010, share-based benefit plans for staff and financial consultants are recognised as costs on the Profit and Loss Account of operations based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions, on which basis the option was assigned, will be realised. The combination of the two amounts generates the fair value of the assigned instrument.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Employee termination indemnities

Employee termination indemnities, which are governed by Article 2220 of the Italian Civil Code, constitute "post-employment benefits" as defined in IAS 19 *Employee Benefits*.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must - depending on the employees' choice - be allocated to a supplementary pension fund or maintained within the company and - in the case of companies with at least 50 employees - transferred to a special fund managed by Italy's national security institute (INPS).

Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:

- "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund. For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods. The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item "employee termination indemnities" by convention;
- "a defined-benefit plan" for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to **the projected unit credit method**.

According to this method, the amount already accrued is to be increased by the unit amount accrued annually (current service cost) projected into the future through the date of expected termination of employment then discounted to the reference date. The unit amount accrued is also determined on the basis of the employee's entire expected working life.

In the specific case, however, the past liability is assessed without pro-rating past service because the service cost of the termination indemnity has already fully accrued. Accordingly, the annual accrual consists solely of the interest cost relating to the revaluation of the expected benefit due to the passage of time.

The rate used for discounting is determined by reference to market yields on high quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation.

Considering that IAS 19 revised requires that the discount rate is to be determined by reference to the yields on "high-quality corporate bonds," it was decided to use the index IBOXX EURO CORP, formed of AA series.

The plan's service costs have been recognised amongst staff expenses under the item "provisions for post-employment benefits".

Following the entry into force of IAS 19 revised from 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for **actuarial gains and losses** deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.).

In fact, changes in liabilities due to actuarial assessments are now required to be recognised in full in other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.

By contrast, in the previous accounting arrangement adopted by the Bank the above item was recognised in the Profit and Loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.

The elimination of this method entailed an impact on the Bank's net equity from the date of first-time application of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method. Finally, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the Profit and Loss account during the year of accrual under a specific item.

Productivity bonuses for salaried employees

Pursuant to the first update to Circular 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 in-

centive plans of a contractual nature, such as those for sales personnel and managers;

- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expenses in the Profit and Loss account the following types of expenses that do not constitute certain short-term liabilities and thus have the item for provisions for liabilities and contingencies as their balancing entry in equity:

- the share of the variable remuneration of managers of the banking group deferred up to two years and conditional upon the satisfaction of the access gates requirements established in the banking group's new remuneration policy;
- the long-term incentive plans authorised by the Parent Company, Assicurazioni Generali, for the benefit of the Group's top managers and adopted by Banca Generali's Board of Directors, analysed in greater detail in the paragraph "Long incentive plans" below.

By contrast, it was determined that the requirements set forth in IAS 19 had not been met in the following cases:

- incentives for employees that have yet to be formally defined at the date of approval of the Financial Statements and are of a non-customary nature;
- provisions for post-employment medical benefits of Group executives;
- allocations intended to support company restructuring and reorganisation plans and other expenses associated with the classification of staff still to be determined at the date of authorisation of publication of the Financial Statements.

Such expenses are therefore entirely attributed to the item Provisions for liabilities and contingencies.

Long-term incentive plans

During its Shareholders' Meetings of 24 April 2010 and 30 April 2011, Assicurazioni Generali introduced a new type of long-term retention plans addressed to the members of Key Management Personnel of the Insurance Group.

Such plans, with the additions required to comply with industry regulations concerning remuneration policies, were also approved and incorporated into the Company's remuneration structure by Banca Generali during the meeting of its Board of Directors held on 13 October 2011.

In brief, the new incentive plans present the following characteristics:

- they are indefinite in duration, structured in six-year rolling cycles;
- each cycle is linked to the targets set in three-year strategic plans; in particular, the 2010 plan is linked to the targets set in the 2010-2012 strategic plan, whereas the 2011 plan is linked with the following 2011-2013 strategic plan;
- each cycle is sub-divided into two three-year components:
 - **the first three years:** at the end of this period, if and to the extent that certain absolute performance targets have been met, a monetary incentive is to be paid out, with an obligation or option to reinvest a share of such incentive (differing in amount depending on the segment to which the recipients belong) in shares of Assicurazioni Generali;
 - **the second three years:** at the end of the period, for each share purchased by investing a percentage of the incentive disbursed at the end of the previous three years, the beneficiary obtains a potential right to receive from Assicurazioni Generali, at no cost, a number of shares depending on the positioning of Assicurazioni Generali in the rankings of a group of peers prepared on the basis of their respective total shareholders' returns (relative performances).

On 30 April 2013, the General Shareholders' Meeting of Assicurazioni Generali approved a new Long-Term Incentive Plan (LTIP), interrupting the incentive plans previously approved by the General Shareholders' Meeting, which nonetheless remain in effect until the completion of the current cycles.

The new scheme presents several changes with respect to its predecessors:

- the plan no longer envisages a cash bonus, but only a share bonus assigned at the end of each cycle;
- each cycle is divided into a single three-year period in line with the objectives of the Generali Group's strategic plan;
- a lock-up restriction is envisaged for the shares assigned, applicable to 25% of the shares for one year from assignment and to 25% for two years from assignment;
- the objectives on which to render the disbursement of the incentive contingent and the maximum number of shares to be assigned are defined at the beginning of the three years of reference of each cycle;
- malus and claw-back clauses have been included and a minimum access threshold set for each tranche.

The objectives upon which disbursement of the incentive is contingent for the 2013-2015 cycle are return on equity (RoE) and the relative total shareholders' return (rTSR) compared to a peer group.

Under IASs/IFRSs, both the 2010 and 2011 plans are eligible for accounting treatment on a separate basis, partly as expenses for long-term employee benefits within the scope of IAS 19 - *Employee Benefits*, and partly within the scope of IFRS 2.

The IAS 19 expense portion, calculated according to best estimate procedures on the basis of the achievement of the predetermined objectives set, is charged to profit and loss, among staff expenses, over a three-year vesting period (2010-2012 for the 2010 plan or 2011-2013 for the 2011 plan).

In addition, pursuant to IFRS 2, the value of the stock-granting plan is measured on the basis of the grant-date fair value of the bonus shares potentially to be granted.

The impact on the Profit and Loss account has therefore been determined and allocated annually according to the option vesting period, i.e., over a period of six years from the grant date.

Since the arrangement calls for the shares of the parent company to be granted directly by said parent to the employees of a subsidiary, the charge to the Profit and Loss account will be recognised through a balancing entry to an equity reserve, inasmuch as it is similar to a capital contribution by the parent.

Termination indemnity

The provision covering the cost of termination indemnities for Financial Advisors is assessed in compliance with IAS 37 according to an actuarial approach, pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria set by the Bank.

In detail, the indemnity to be paid to a Financial Advisor is calculated on the basis of the annual average direct and indirect fees paid to the Financial Advisor during his or her final five years of service (Article 1751 of the Italian Civil Code), net of:

- a) the total amount of the contributions to the termination indemnity fund paid to Enasarco each year by the Bank until the date of termination;
- b) the contractual lump-sum reduction determined on the basis of the length of service and date of retirement or withdrawal (with the exception of cases of death and permanent disability).

In cases of withdrawal for cause with service, the indemnity may be further reduced as a function of the decline in AUMs during the post-termination observation period.

The assessment is then conducted according to actuarial methods on the basis of demographic parameters, expected turnover rates, with and without the right to service, assumptions regarding the age of entry into the compulsory general insurance (AGO) system and the retirement age.

The procedure also takes account of:

- a) the percent fee reduction expected as a function of the estimated period of past service at the date of termination;

- b) the prospective termination indemnity fund, i.e., the payments that the Bank is to make each year directly to the Enasarco Foundation by way of termination indemnity contributions for the Financial Advisor's entire period of service and that, in the end, are to be deducted from the gross indemnity owed.

Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.

The indemnity, which is governed by an appendix to the agency agreement, is only due on the condition that the outgoing advisor formally undertakes to conduct a hand-over to an incoming advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming advisor undertakes to pay the company an indemnity commensurate to that obtained from the outgoing advisor.

In relation to recent market practices in the area, during the reporting year a thorough contractual revisitation of the scheme was carried out and entered into effect on 1 January 2012.

The system introduces a rule, namely that the indemnity collected by the outgoing advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.

Therefore, on the basis of the new rules, the outgoing advisor may only collect the agreed indemnity provided that it has actually been paid to the bank by the incoming advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, with that amount reduced to 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity pay-outs, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming advisors.

Expenses functionally related to staff

In accordance with IAS 19, under item 150 a) Staff expenses are recognised exclusively costs representing remuneration for professional services rendered, thus excluding those representing pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

Accordingly, indirect expenses functionally related to activity performed by staff are recognised under item 150 b) Other general and administrative expense. Such expense also include:

- a) documented, specific reimbursements of the costs of room and board incurred by employees during business trips;
- b) documented, specific mileage reimbursements, calculated on the basis of rates recognised as valid (e.g., Automobile Club d'Italia) and the mileage actually travelled;
- c) costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law.

By contrast, amongst other items, the costs of professional refresher courses for employees continue to be recognised under staff expenses.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

- interest payable is recognised on a pro-rata basis according to contractual interest rate, or the effective interest rate, if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the Profit and Loss account only when received;
- dividends are recognised in the Profit and Loss account when dividend payout is approved;
- service revenue fees are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading fees on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management fees are recognised according to the length of the service. Fees considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among 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.

Estimates and assumptions

The preparation of the Financial Statements requires the use of estimates and assumptions that could influence the amounts reported in the balance sheet and Profit and Loss account and the disclosure of contingent assets and liabilities therein.

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

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

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

- determining the amount of provisions for liabilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- determining the value adjustments of non-performing loans and the provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Testing financial instruments for impairment

In accordance with IAS 39, the portfolio of securities, not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans), is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events ("loss events"), there is objective evidence of a decrease

in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, the breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).

In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involves the use of specific methods according to the type of securities in question:

- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and, on a collective basis, for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 24 months from the reporting date.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information is drawn from the market.

For corporate debt securities classified to AFS and HTM portfolios, a decrease in value of more than 50% with respect to the

average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:

- purchase cost, net of any redemptions and repayments and less any impairment already recognised in the Profit and Loss account; and
- the current fair value.

Impairment losses on equity securities may not be reversed through the Profit and Loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:

- the book value of the asset; and
- the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For ABSs, the impairment loss is determined based on losses on the tranche of the security held.

Where this amount is not readily determinable, an estimate of the fair value of the securities at the measurement date may be used.

Collective impairment

Debt securities included in amortised cost portfolios classified as loans to banks and customers (L&Rs) and assets held to maturity

(HTM) that have not individually shown signs of impairment are tested for impairment on a collective basis, pursuant to IAS 39, paragraph 64, in order to estimate the value of any latent losses on assets that have not explicitly manifested situations of default.

For corporate bonds other than those deriving from securitisation, such testing is done according to homogeneous categories on the basis of rating classes and residual lives.

In detail, the probability of a default (PD) event is determined according to historical series for default rates surveyed globally over a period of many years (*Standard & Poor's Cumulative Average Default Rates By Rating, 1981-2011*) and using a market loss given default (LGD) between 60% and 70%.

For securities with residual lives of less than six months, PD is weighted according to the actual time until the maturity of the securities.

In any event, Italian government bonds 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, of a sample of securitisation transactions with similar characteristics.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.

The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

Part A.3 - Information on transfers between portfolios of financial assets

Following the endorsement of IAS 39 and IFRS 7 issued by the IASB (International Accounting Standard Board) on 13 October 2008 and included in the European Regulation (EC) No. 1004/2008 of 15 October 2008, in financial year 2008 the Parent Company Banca Generali reclassified part of the accounting portfolios of assets held for trading (HFT) and assets available for sale (AFS) to the new IAS portfolios measured at amortised cost,

assets held to maturity (HTM) and loans to banks and customers (L&Rs), while equity securities held for trading were transferred to the AFS portfolio.

For further details of the conditions of this transaction, 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)	FROM	TO	DATE OF TRANSF.	31.12.2013 BOOK VALUE	31.12.2013 FAIR VALUE	INCOME COMPONENTS WITH NO TRANSFER		INCOME COMPONENTS FOR THE YEAR	
						VALUATION	OTHER	VALUATION	OTHER
Equity securities	TRA	AFS	01.07.2008	1,634	1,634	-205	-	-205	-
Debt securities	TRA	HTM	01.07.2008	52,048	51,845	998	850	-1	991
Debt securities	AFS	HTM	30.09.2008	10,002	10,003	25	19	1	65
Total HTM portfolio	-	-	-	62,050	61,848	1,023	869	-	1,056
Debt securities	TRA	Loans	01.07.2008	23,239	22,831	1,176	1,571	59	-916
Debt securities	AFS	Loans	01.07.2008	-	-	-	357	-	729
Total loan portfolio (banks and clients)	-	-	-	23,239	22,831	1,176	1,928	59	-187
Total reclassified financial assets	-	-	-	86,923	86,313	1,994	2,797	-146	869

During 2013, the Company continued the process of dismantling the debt securities subject to reclassification due to redemptions and sales. At the reporting date the portfolios concerned therefore presented a total carrying amount of 86.9 million euros, down sharply from 173.7 million reported at the end of the previous year (-86.8 million euros). This amount includes the increases for the amortised costs gradually reaching maturity and the impairment losses recognised.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2013, before taxes of 0.6 million euros would have entailed negative differences compared to book values amounting to 6.7 million euros at the end of 2012.

Had the Bank not opted to reclassify such securities, they would have registered greater capital gains through profit and loss and equity in 2013 of 2.0 million euros, equal to the positive difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.

The contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to 2.8 million euros thanks to higher realised gains remeasured based on the fair values of the previous year, net of interest recognised according to the effective interest rate method.

Part A.4 - Information on fair value

Qualitative information

Fair value

With the introduction of the new IFRS 13, the definition of fair value has been modified with respect to IAS 39, in view of a more market-based approach.

According to the new Standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value is thus not an entity-specific measurement, but rather a market-based measurement.

In detail, measurement at fair value:

- presumes that the asset or liability is exchanged in an orderly transaction between market operators under current market conditions;
- refers to a particular asset or liability and must take account of the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability;
- assumes that market participants act in their economic best interest;
- assumes that the sale of the asset or the transfer of the liability takes place:
 - (a) in the principal market for the asset or liability; or
 - (b) in the most advantageous market, in the absence of a principal market.

Fair value hierarchy

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

- **Level 1:** quoted prices in active markets, as defined in IFRS 13, for identical instruments;
- **Level 2:** inputs other than the price quotations indicated above, observable on the market (level 2) either directly (prices) or indirectly (price-derived data);
- **Level 3:** inputs not based on observable market data.

For the purposes of the fair value hierarchy, inputs may thus be classified as:

- **observable**, when the information used in the measurement techniques is based on market data obtained from sources independent of the Bank and available on the market;

- **unobservable**, when they reflect assumptions by the Bank reached by drawing on the best available information in such circumstances.

Valuation criteria of the fair value of financial instruments

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department and review and validation of the data to the Risk Management Service.

The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.

Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not itself guarantee the presence of significant prices due to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated and yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties, 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.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.

For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

A.4.1 Fair value Level 2 and Level 3: valuation techniques and inputs used

Financial instruments measured at fair value on a recurring and non-recurring basis

For securities not listed on active markets, the procedure calls for the analysis of:

- 1) prices of similar instruments listed on active or inactive markets; and
- 2) inputs other than quotations observable directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:

1. a single contributor on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;
2. a consensus pricing mechanism capable of determine the fair value, for example:
 - Bloomberg Bondtrade Composite (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;
 - Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;
 - Markit European ABS, a consensus platform for measuring ABS-type instruments;
3. a reference to current market values of other essentially identical or similar instruments.

UCITs not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:

- the analysis of discounted cash flows;
- option pricing and Valuation models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities mea-

sured according to prices and market data obtained from brokers.

Level 3 also includes certain financial instruments measured at cost in the absence of reliable estimates of fair value. These consist mainly of "minor equity investments" in companies with which the Group has service relationships and disposal of which is not conceivable (CSE, GBS Caricese, SWIFT, etc.).

Other financial assets and liabilities not measured at fair value on a recurring basis

The fair value and hierarchical classification of financial assets other than debt securities, equity securities and units of UCITs, as well as of financial and operating receivables classified amongst loans to banks and customers, are determined as follows.

On-demand and uncommitted financial assets and financial assets with residual lives of less than one year

The fair value of this class of assets, which essentially consists of uncommitted current account exposures, on-demand deposits or short-term time deposits, as well as operating receivables, is not believed to differ significantly from its carrying amount. Considering that the measurement process does not contemplate significant unobservable inputs, such instruments are typically classified as L2.

Assets with fixed contractual lives included in the financial portfolio

This class of assets consists primarily of medium- or long-term mortgages or loans with financial instruments as collateral.

The fair value of loans with amortisation schedules is calculated according to a discounted cash flow model that calls for the cash flows expected on the basis of the contractual amortisation schedule to be discounted at the proper rate for the risks associated

with the instrument. This correction consists of a spread to be added to the risk-free discount rate for the cash flows.

The spread in question is to be defined in such a way as to include the following components of risk:

- the cost of credit risk (the cost of covering expected losses in relation to credit risk);
- the cost of funding (the cost of funding positions);
- the cost of capital (the cost of covering unexpected losses in relation to credit risk);
- operating costs (any other costs, specific to the type of loan, that are to be considered in the exit price).

The cost of credit risk is calculated on the basis of multi-period historic PD relative to the rating of the counterparty in the transaction and the LGD specific to the type of instrument.

Loans with a fixed contractual maturity are classified to Level 3 of the fair value hierarchy, in consideration of the significant presence of unobservable inputs (spreads determined on the basis of internal PD and LGD).

Non-performing loans

When bad loans and substandard loans are separately assessed, their book value is believed to be a reasonable approximation of their fair value.

Such loans are classified to Level 3 of the fair value hierarchy.

Other financial liabilities

Financial liabilities classified as amounts due to customers and banks consist mainly of on-demand current account deposits, short-term time deposits and operating payables.

Such liabilities also include repurchase agreements that are set to mature within the year and, in the case of interbank funding, fully collateralised, with the determination of daily margins of change.

Such financial liabilities are subject to fair value measurement criteria similar to those applied to other demand or uncommitted financial assets.

A.4.2 Processes and sensitivity of measurements

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the new Standard IFRS 13 requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.

In such regard, the case in question does not apply to Level 3 financial instruments classified to the Trading and AFS portfolios. The unobservable inputs capable of affecting the measurement of instruments categorised within Level 3 consist mainly of estimates and assumptions underlying the models used to measure investments in equities and other UCITs. For such investments, no quantitative analysis has been prepared of the sensitivity of the fair value to changes in unobservable inputs, given that the fair value either has been drawn from third sources without any adjustments or is the result of a model, the inputs to which are specific to the entity subject to measurement (for example, the company's asset values) and for which the use of alternative values is not reasonably feasible.

The reader is referred to the detailed analysis of individual positions provided in the subsequent section concerning quantitative information.

A.4.3 Fair value hierarchy

The new IFRS 13, recalling the contents of IFRS 7, requires that entities that apply IASs/IFRSs make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:

- 1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
- 2) any significant transfers between Level 1 and Level 2 during the year;
- 3) for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the profit and loss account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

Transfers between levels refer to the end of the accounting period of reference (half-yearly or annual), in an independent manner, and generally enter into effect from the beginning of the year of reference.

Transfers to and from Level 3 are infrequent and primarily involve the occurrence of situations of default, in which the Bank's subjective assessment of the recoverability of the debt takes pre-eminence.

A.4.4 Other information

No cases envisaged in IFRS 13, paragraphs 51, 93 (i) and 96, occur in these Financial Statements.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair-value levels

ASSETS/LIABILITIES AT FAIR VALUEE	31.12.2013				TOTAL
	L1	L2	L3	AT COST	
1. HFT financial assets	202,270	12,348	14,891	-	229,509
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	1,599,025	11,262	9,262	6,567	1,626,116
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
Total	1,801,295	23,610	24,153	6,567	1,855,625
1. Financial liabilities held for trading	-	597	-	-	597
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	-	597	-	-	597

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2012				TOTAL
	L1	L2	L3	AT COST	
1. HFT financial assets	191,226	13,530	17,397	-	222,153
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	1,691,972	22,555	14,602	4,818	1,733,947
4. Hedging derivatives	-	-	-	-	-
Total	1,883,198	36,085	31,999	4,818	1,956,100
1. HFT financial liabilities	-	1,448	-	-	1,448
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	-	1,448	-	-	1,448

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 97% of financial assets eligible for allocation to class L1, with an unchanged ratio compared to the previous year. This category consists largely of Italian government bonds (1,709.2 million euros). It also includes, to a limited extent, other debt securities chiefly referring to credit sector (84.3 million euros) and

equities listed on Italian and European regulated markets (7.7 million euros).

By contrast, financial assets allocated to the class L2 consist of units of money-market UCITSs not listed on regulated markets (13.1 million euros) and bank bonds from Italy and the major Euro Area countries (9.3 million euros). The Level 2 portfolio also includes derivative financial assets and liabilities consisting of government bonds forwards and

currency outright valued according to observable market parameters.

In the reporting year, no significant transfer of financial assets were performed between class L1 and class L2.

NET ANNUAL CHANGE	L1	L2	L3	COST	TOTAL
Trading	11,044	-1,182	-2,506	-	7,356
AFS	-92,947	-11,293	-5,340	1,749	-107,831
Total	-81,903	-12,475	-7,846	1,749	-100,475

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (level L3)

	FINANCIAL ASSETS		
	TRADING	AFS AT FAIR VALUE	AFS AT COST
1. Amount at year-start	17,397	14,602	4,818
2. Increases	11,139	63	2,077
2.1 Purchases	11,084	-	2,077
2.2 Gains through:			
2.2.1 Profit and loss	-	-	-
- of which: capital gains	-	-	-
2.2.2 Net equity	-	63	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	55	-	-
- of which: business combinations	-	-	-
3. Decreases	13,645	5,403	328
3.1 Sales	11,131	-	-
3.2 Repayments	173	4,700	-
3.3 Losses through:			
3.3.1 Profit and loss	1	695	328
- of which: capital losses	1	695	328
3.3.2 Net equity	-	-	-
3.4 Transfers to other levels	2,332	-	-
3.5 Other decreases	8	8	-
4. Amount at year-end	14,891	9,262	6,567

The L3 financial assets in the trading portfolio consist solely of:

- the investment in the Quarzo 1 bond, a securitisation of residential mortgage-backed securities (RMBS) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund, promoted by the Assicurazioni Generali Group;
- a defaulted Landesbanki bond, written off.

- a Banca Intermobiliare subordinated bond, reclassified from L2 during the year.

By contrast, two units of UCITs of 2,332 thousand euros were reclassified to L2 and consist of:

- an interest in a speculative hedge fund issued by Finanziaria Internazionale Group companies;

- the investment in a multihedge sub-fund of the SICAV BG Selection.

The L3 financial assets in the AFS portfolio include equities of 9.9 million euros, consisting of the equity interest in the private-equity vehicle Athena Private Equity (4.1 million euros), subject to impairment both in the current and prior years, and the equity investment in Veneto Banca (5.1 million

euros), a non-listed company acquired during the previous year.

The equities allocated to the AFS portfolio and measured at purchase cost in the absence of reliable estimates of fair value consist of 4.5 million euros of "minor equity investments" (CSE, GBS Caricese, SWIFT, etc.) and an equity holding in Funivie Madonna di Campiglio (2.1 million euros), acquired during the year in the context of a debt recovery procedure.

A.4.5.3 Breakdown by fair value level of assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2013			
	BV	L1	L2	L3
1. HTM financial assets	2,652,686	2,673,680	19,458	-
2. Loans to banks	279,539	100,191	181,741	-
3. Loans to customers	1,461,098	5,596	883,468	559,902
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets and groups of assets available for sale	7,957	-	7,957	-
Total	4,401,280	2,779,467	1,092,624	559,902
1. Due to banks	2,230,833	-	2,230,833	-
2. Due to customers	3,665,294	-	3,649,309	16,124
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	-	-	-	-
Total	5,896,127	-	5,880,142	16,124

Part A.5 - Disclosure about so-called “Day-one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.

It should be noted that no such cases occur in the Financial Statements in question.

PART B - INFORMATION ON THE BALANCE SHEET - ASSETS

Section 1 - Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

	31.12.2013	31.12.2012
a) Cash	9,610	10,382
b) Demand deposits with Central Banks	-	-
Total	9,610	10,382

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: categories

ITEMS/VALUES	31.12.2013			31.12.2012		
	L1	L2	L3	L1	L2	L3
A. Cash						
1. Debt securities	199,847	2,032	14,890	189,730	1,991	15,067
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	199,847	2,032	14,890	189,730	1,991	15,067
2. Equity securities	2,423	-	1	1,375	-	1
3. UCIT units	-	9,265	-	121	11,142	2,329
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	202,270	11,297	14,891	191,226	13,133	17,397
B. Derivatives						
1. Financial	-	1,051	-	-	397	-
1.1 Trading	-	1,051	-	-	397	-
1.2 Related to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	-	1,051	-	-	397	-
Total (A + B)	202,270	12,348	14,891	191,226	13,530	17,397

Notes

- The 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 down to zero.
- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on Fair Value of these Notes.

2.2 Financial assets held for trading: debtors/issuers

ITEMS/VALUES	31.12.2013	31.12.2012
A. Cash		
1. Debt securities	216,769	206,788
a) Governments and Central Banks	199,847	189,678
b) Other public institutions	-	-
c) Banks	2,067	2,086
d) Other issuers	14,855	15,024
2. Equity securities	2,424	1,376
a) Banks	975	1
b) Other issuers:	1,449	1,375
- insurance companies	677	486
- financial companies	-	119
- non-financial companies	772	770
- other entities	-	-
3. UCIT units	9,265	13,592
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	228,458	221,756
B. Derivatives		
a) Banks	653	217
b) Customers	398	180
Total B	1,051	397
Total (A + B)	229,509	222,153

2.3 Financial assets held for trading: year changes

	DEBT SECURITIES	EQUITY SECURITIES	UCIT UNITS	LOANS	TOTAL
A. Amount at year-start	206,788	1,376	13,592	-	221,756
B. Increases	6,991,806	170,094	2,862,547	-	10,024,446
B.1 Purchases	6,990,305	169,860	2,861,378	-	10,021,542
B.2 Positive changes in fair value	40	190	600	-	830
B.3 Other changes	1,461	44	569	-	2,074
<i>of which: business combinations</i>	-	-	-	-	-
C. Decreases	6,981,825	169,046	2,866,874	-	10,017,745
C.1 Sales	2,600,822	168,877	2,866,756	-	5,636,455
C.2 Repayments	4,370,398	-	-	-	4,370,398
C.3 Negative changes in fair value	104	67	103	-	274
C.4 Transfer to other portfolios	-	-	-	-	-
C.5 Other changes	10,501	102	15	-	10,618
D. Amount at year-end	216,769	2,424	9,265	-	228,458

Notes

- Item "Increases - B.3 Other changes" includes final dividend accruals, final premiums/discounts, and gains on disposal.
- The item "C.5 Other changes" includes initial dividend accruals, initial premiums/discounts, and losses on disposal.

Section 4 - Available-for-sale financial assets - Item 40

4.1 Available-for-sale financial assets: categories

ITEMS/VALUES	31.12.2013			31.12.2012		
	L1	L2	L3	L1	L2	L3
1. Debt securities	1,593,727	7,320	-	1,686,666	18,429	4,707
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,593,727	7,320	-	1,686,666	18,429	4,707
2. Equity securities	5,298	9	15,829	5,306	7	14,713
2.1 Valued at fair value	5,298	9	9,262	5,306	7	9,895
2.2 Valued at cost	-	-	6,567	-	-	4,818
3. UCIT units	-	3,933	-	-	4,119	-
4. Loans	-	-	-	-	-	-
Total	1,599,025	11,262	15,829	1,691,972	22,555	19,420

Notes

- The portfolio of equity securities includes 6,567 thousand euros for equity investments valued at the cost of acquisition in absence of reliable estimates of fair value. It includes the residual 15% investment (705 thousand euros) in Simgenia, a subsidiary of the Assicurazioni Generali Group which, at the end of 2013, resolved upon discontinuation of operations and equity securities which fall into the category of what are known as "minor equity investments" and largely related to service agreements concluded by the Group (CSE, GBS Caricese, SWIFT, etc.), usually non-negotiable (3,785 thousand euros).
- In 2013, as part of the composition with creditors regarding the FFM (Funivie Folgarida Marilleva) bad loan, included in the portfolio secured by BSI SA, a minor equity investment amounting to 2,077 thousand was made in Funivie Madonna di Campiglio, also secured by BSI SA.
- AFS financial assets were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not to be fully recoverable. As a result of the test, impairment losses for an amount of 1,299 thousand euros were recognised on equity securities, due to the fact that the fair value automatic relevant threshold compared to the book value had been exceeded (significant or prolonged loss).

COMPANY	DESCRIPTION	IMPAIRMENT
Simgenia	Discontinuation of operation in 2014 approved; adjustment to net equity for accounting purposes	328
Athena Private Equity S,A,	In liquidation since 2014; adjustment to net equity for accounting purposes	695
Other debt securities - listed	Securities already impaired; adjustment to FV	276
Total		1,299

- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on fair value of these Notes.
- Item "Debt securities" includes assets sold but not written off, which refer to own securities used in repurchase agreements and other guarantee assets amounting to 886,667 thousand euros.

4.2 Available-for-sale financial assets: debtors/issuers

ITEMS/VALUES	31.12.2013	31.12.2012
1. Debt securities	1,601,047	1,709,802
a) Governments and Central Banks	1,509,414	1,605,949
b) Other public institutions	-	-
c) Banks	76,735	103,577
d) Other issuers	14,898	276
2. Equity securities	21,136	20,026
a) Banks	5,987	5,837
b) Other issuers:	15,149	14,189
- insurance companies	786	825
- financial companies	5,248	6,297
- non-financial companies	9,108	7,060
- other entities	7	7
3. UCIT units	3,933	4,119
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	1,626,116	1,733,947

4.4 Available-for-sale financial assets: year changes

	DEBT SECURITIES	EQUITY SECURITIES	UCIT UNITS	LOANS	TOTAL
A. Amount at year-start	1,709,802	20,026	4,119	-	1,733,947
B. Increases	2,595,222	2,703	2,190	-	2,600,115
B.1 Purchases	2,541,575	2,133	2,000	-	2,545,707
B.2 Positive changes in fair value	25,395	286	83	-	25,764
B.3 Reversal value:	-	-	-	-	275
- P&L	-	X	-	-	-
- net equity	-	275	-	-	275
B.4 Transfer from other portfolios	-	-	-	-	-
B.5 Other changes	28,252	9	107	-	28,368
C. Decreases	2,703,977	1,593	2,376	-	2,707,946
C.1 Sales	1,695,791	292	2,205	-	1,698,288
C.2 Repayments	984,011	-	-	-	984,011
C.3 Change negative di fair value	495	-	171	-	666
C.4 Write-downs of non-performing loans:	-	1,299	-	-	1,299
- P&L	-	1,299	-	-	1,299
- net equity	-	-	-	-	-
C.5 Transfer to other portfolios	-	-	-	-	-
C.6 Other changes	23,680	2	-	-	23,682
D. Amount at year-end	1,601,047	21,136	3,933	-	1,626,116

Notes

1. The item B.5 "Other changes - increases" includes adjustments arising from the measurement of securities at amortised cost, dividend accruals at the reporting date and realised gains, net of any transfers of equity reserves.
2. The item C.6 "Other decreases" includes interest adjustment arising from measurement at amortised cost, initial dividend accruals, initial premiums/discounts, and losses on disposal, net of any transfers of equity reserves.
3. Item B.3 "Reversal value" in net equity is the reversal of negative valuation reserves following the recognition of an impairment loss in the profit and loss account. In the case of equity securities, the item may also refer to the cancellation of previous impairment losses recognised in the Profit and Loss Account.

Section 5 - Held-to-maturity financial assets - Item 50

5.1 Held-to-maturity financial assets: categories

	31.12.2013				31.12.2012			
	BOOK VALUE	FV			BOOK VALUE	FV		
		L1	L2	L3		L1	L2	L3
1. Debt securities	2,652,686	2,673,679	19,458	-	3,000,329	3,003,241	30,897	18,958
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	2,652,686	2,673,679	19,458	-	3,000,329	3,003,241	30,897	18,958
2. Loans	-	-	-	-	-	-	-	-
Total	2,652,686	2,673,679	19,458	-	3,000,329	3,003,241	30,897	18,958

Notes

- Held-to-maturity financial assets were subject 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 (regarding exclusively non- government portfolio) for a total amount of 155 thousand euros, with reversals amounting to 141 thousand euros.
- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on Fair Value of these Notes.
- The item includes assets sold but not written off, which refer to own securities used in repurchase agreements and other guarantee assets amounting to 1,973,872 thousand euros.

5.2 Held-to-maturity financial assets: debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
1. Debt securities	2,652,686	3,000,329
a) Governments and Central Banks	2,578,063	2,849,762
b) Other public institutions	-	-
c) Banks	58,150	119,826
d) Other issuers	16,473	30,741
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	2,652,686	3,000,329
Total (fair value)	2,693,137	3,053,096

5.4. Held-to-maturity financial assets: year changes

	DEBT SECURITIES	LOANS	TOTAL
A. Amount at year-start	3,000,329	-	3,000,329
B. Increases	1,184,527	-	1,184,527
B.1 Purchases	1,164,637	-	1,164,637
B.2 Reversal value	141	-	141
B.3 Transfer from other portfolios	-	-	-
B.4 Other changes	19,749	-	19,749
C. Decreases	1,532,170	-	1,532,170
C.1 Sales	2,949	-	2,949
C.2 Repayments	1,472,810	-	1,472,810
C.3 Adjustments	-	-	-
C.4 Transfer to other portfolios	-	-	-
C.5 Other changes	56,411	-	56,411
D. Amount at year-end	2,652,686	-	2,652,686

Notes

1. Item "Increases - B.4 Other changes" includes dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate and gains on disposal.
2. The item "Decreases - C.5 Other changes" includes dividend accruals and final adjustments at amortised cost established according to the effective interest rate effective at the end of the previous year and losses on disposal.

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2013 VB	31.12.2012 VB
A. Loans to Central Banks	59,600	19,519
1. Term deposits	-	-
2. Mandatory reserve	59,600	19,519
3. Repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	219,939	807,086
1. Loans:	94,774	642,896
1.1 Current accounts and free deposits	80,825	95,174
1.2 Term deposits	13,886	147,692
1.3 Other:	63	400,030
- Repurchase agreements	-	398,136
- Finance lease	-	-
- Other	63	1,894
2. Debt securities	125,165	164,190
2.1 Structured securities	-	-
2.2 Other debt securities	125,165	164,190
Total (book value)	279,539	826,605

TYPE OF TRANSACTIONS/VALUES	31.12.2013				31.12.2012	
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE
		L1	L2	L3		
A. Loans to Central Banks	59,600	-	59,600	-	19,519	19,519
B. Loans to banks	219,939	100,191	122,141	-	807,086	806,109
1. Loans	94,774	-	94,774	-	642,896	642,896
2. Debt securities	125,165	100,191	27,367	-	164,190	163,213
Total	279,539	100,191	181,741	-	826,605	825,628

Notes

1. A specific impairment test was conducted on debt portfolio classified among loans to banks but no impairment was detected. Moreover, a 2,950 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 own securities used in repurchase agreements amounting to 26,379 thousand euros.
3. A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in "Part A.4 - Information on Fair Value" of these Notes.

Breakdown of loans to banks - other operations

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
Operating loans	63	114
Other loans	-	1,780
Total	63	1,894

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2013				31.12.2012			
	TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS		TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS	
			PURCHASED	OTHER			PURCHASED	OTHER
1. Loans	1,400,307	1,359,278	-	41,029	1,191,469	1,164,137	-	27,332
1.1 Current accounts	752,116	736,040	-	16,076	629,504	619,814	-	9,690
1.2 Repurchase agreements	-	-	-	-	-	-	-	-
1.3 Mortgages	551,450	535,254	-	16,196	418,953	402,285	-	16,668
1.4 Credit cards, personal loans and loans on wages	-	-	-	-	-	-	-	-
1.5 Finance lease	-	-	-	-	-	-	-	-
1.6 Factoring	-	-	-	-	-	-	-	-
1.7 Other loans	96,741	87,984	-	8,757	143,012	142,038	-	974
2. Debt securities	60,791	57,465	3,326	-	91,321	91,321	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-
2.2 Other debt securities	60,791	57,465	3,326	-	91,321	91,321	-	-
Total (book value)	1,461,098	1,416,743	3,326	41,029	1,282,790	1,255,458	-	27,332

TYPE OF TRANSACTIONS/VALUES	31.12.2013				31.12.2012	
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE
		L1	L2	L3		
1. Loans	1,400,307	-	830,904	556,576	1,191,469	1,191,469
2. Debt securities	60,791	5,596	52,564	3,326	91,321	87,955
Total	1,461,098	5,596	883,468	559,902	1,282,790	1,279,424

Notes

- Item "Debt securities" includes by convention a GESAV capitalisation policy of 22,208 euros (21,373 euros in 2012), with tradability option, classified to L2.
- In 2013, as part of the composition with creditors regarding the FFM (Funivie Folgarida Marilleva) bad loan, included in the portfolio secured by BSI SA, a participating equity instruments was acquired. It amounted to 3,326 thousand euros and was issued pursuant to Article 2356 of the Italian Civil Code, with maturity on 31 December 2027. This negotiable security has a fixed interest rate of 2.5% and is not linked to the performance of the company, which shall not distribute profits until full repayment of the same. This instrument, which had a coupon of 83 thousand euros in 2013 (classified among amounts to be collected), is included in the portfolio secured by BSI SA, covered by collateral deposits of the latter.
- Operating receivables include non-performing positions of a net amount of 972 thousand euros, largely attributable to advances to former advisors who have left service due to a dispute or pre-dispute process, or for which the term for reimbursement has otherwise lapsed.
- A specific impairment test was conducted on debt portfolio classified among loans to customers but no impairment was detected. Moreover, a 328 thousand euros collective reserve was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.
- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on Fair Value of these Notes.

Breakdown of loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
Other grants and pooled funding	23,838	47,226
Short-term term deposits on the new MIC	-	40,003
Interest-bearing daily margins Italian Stock Exchange	2,237	2,167
Sums advanced to Financial Advisors	27,029	22,078
Operating loans	38,003	30,626
Interest-bearing caution deposits	328	376
Amounts to be collected	5,306	536
Total	96,741	143,012

7.2 Loans to customers: debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2013				31.12.2012			
	TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS		TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS	
			PURCHASED	OTHER			PURCHASED	OTHER
1. Debt securities	60,791	57,465	3,326	-	91,321	91,321	-	-
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-	-	-
c) Other issuers:	60,791	57,465	3,326	-	91,321	91,321	-	-
- non-financial companies	18,771	15,445	3,326	-	18,927	18,927	-	-
- financial companies	19,812	19,812	-	-	46,046	46,046	-	-
- insurance companies	22,208	22,208	-	-	26,348	26,348	-	-
- other entities	-	-	-	-	-	-	-	-
2. Loans	1,400,307	1,359,278	-	41,029	1,191,469	1,164,137	-	27,332
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-	-	-
c) Other issuers:	1,400,307	1,359,278	-	41,029	1,191,469	1,164,137	-	27,332
- non-financial companies	408,568	375,990	-	32,578	361,166	340,505	-	20,661
- financial companies	62,466	62,334	-	132	119,219	119,115	-	104
- insurance companies	8,394	8,394	-	-	7,512	7,512	-	-
- other entities	920,879	912,560	-	8,319	703,572	697,005	-	6,567
Total	1,461,098	1,416,743	3,326	41,029	1,282,790	1,255,458	-	27,332

Section 10 - Equity investments - Item 100

10.1 Equity investments in subsidiary companies, entities under common control or subject to significant influence: disclosure on type of relations

NAME	REGISTERED OFFICE	% HELD	% OF VOTING RIGHTS
A. Subsidiary companies wholly controlled			
1. BG Fiduciaria SIM S.p.A.	Trieste	100%	100%
2. Generali Fund Management S.A.	Luxembourg	51%	51%
3. 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	TOTAL ASSETS	REVENUE	NET PROFIT (LOSS)	NET EQUITY	BOOK VALUE	FAIR VALUE		
						L1	L2	L2
A. Subsidiary companies wholly controlled								
1. BG Fiduciaria SIM S.p.A. ⁽¹⁾	16,295	12,289	1,355	12,515	11,779	X	X	X
2. Generfid S.p.A.	883	1,095	115	685	245	X	X	X
3. Generali Fund Management S.A.	146,322	247,073	106,919	103,087	2,000	X	X	X
Total	163,501	260,456	108,389	116,287	14,024	-	-	-

Notes

- The difference between the carrying value and equity investment in BG Fiduciaria and the relevant net equity, net of profit, is due to the goodwill paid to acquire the company. Pursuant to IAS 36, this item was tested for impairment but no impairment was detected.

10.3 Equity investments: year changes

	31.12.2013	31.12.2012
A. Amount at year-start	14,024	14,024
B. Increases	-	-
B.1 Purchases	-	-
B.2 Reversal value	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	-	-
C.1 Sales and repayments	-	-
C.2 Adjustments	-	-
<i>of which: permanent write-downs</i>	-	-
C.3 Other changes	-	-
<i>of which: business combinations</i>	-	-
D. Amount at year-end	14,024	14,024
E. Total revaluations	-	-
F. Total adjustments	-	-

Breakdown of changes in equity investments

	31.12.2013	31.12.2012	CHANGE
BG Fiduciaria SIM S.p.A.	11,779	11,779	-
Banca BSI S.p.A.	-	-	-
Generfid S.p.A.	245	245	-
Generali Fund Management S.A.	2,000	2,000	-
Total	14,024	14,024	-

Section 11 - Property and equipment - Item 110

11.1 Breakdown of property and equipment: assets valued at cost

ASSETS/VALUES	31.12.2013	31.12.2012
1.1 Owned assets	3,953	4,342
a) land	-	-
b) buildings	-	-
c) furniture	2,570	2,551
d) electronic equipment	554	852
e) other	829	939
1.2 Acquired under finance lease	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total	3,953	4,342

11.5 Operating assets: year changes

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross amount at year-start	-	-	17,757	5,033	7,546	30,336
A.1 Total net impairment	-	-	15,206	4,181	6,607	25,994
A.2 Net amount at year-end	-	-	2,551	852	939	4,342
B. Increases	-	-	767	211	278	1,256
B.1 Purchases	-	-	767	211	278	1,256
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal value:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.4 Fair value positive change in:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held as investments	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
<i>of which: business combination transactions</i>	-	-	-	-	-	-
C. Decreases	-	-	748	509	388	1,645
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	748	509	388	1,645
C.3 Adjustments for impairment in:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.4 Fair value negative change in:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:						
a) property and equipment held as investments	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
<i>of which: business combination transactions</i>	-	-	-	-	-	-
D. Net amount at year-end	-	-	2,570	554	829	3,953
D.1 Total net impairment	-	-	15,954	4,690	6,995	27,639
D.2 Gross amount at year-end	-	-	18,524	5,244	7,824	31,592
E. Valued at cost	-	-	2,570	554	829	3,953

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: categories

ASSETS/VALUES	31.12.2013		31.12.2012	
	SPECIFIED MATURITY	UNSPECIFIED MATURITY	SPECIFIED MATURITY	UNSPECIFIED MATURITY
A.1 Goodwill	-	34,343	-	34,343
A.2 Other intangible assets	7,373	-	8,711	-
A.2.1 Assets valued at cost:	7,373	-	8,711	-
a) Internally generated intangible assets	-	-	-	-
b) other assets	7,373	-	8,711	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	7,373	34,343	8,711	34,343

12.2 Intangible assets: year changes

	GOODWILL	OTHER INTANGIBLE ASSETS				TOTAL
		INTERNALLY GENERATED		OTHER		
		SPECIFIED MATURITY	UNSPECIFIED MATURITY	SPECIFIED MATURITY	UNSPECIFIED MATURITY	
A. Gross amount at year-start	34,343	-	-	19,888	-	54,231
A.1 Total net impairment	-	-	-	11,177	-	11,177
A.2 Net amount at year-end	34,343	-	-	8,711	-	43,054
B. Increases	-	-	-	1,999	-	1,999
B.1 Purchases	-	-	-	1,999	-	1,999
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 combinations</i>	-	-	-	-	-	-
C. Decreases	-	-	-	3,337	-	3,337
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	3,337	-	3,337
- Amortisation	-	-	-	3,337	-	3,337
- 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	-	-	-	-	-	-
<i>of which: business combinations</i>	-	-	-	-	-	-
D. Amount at year-end	34,343	-	-	7,373	-	41,716
D.1 Total net adjustments	-	-	-	14,514	-	14,514
E. Gross amount at year-end	34,343	-	-	21,887	-	56,230
F. Valued at cost	34,343	-	-	7,373	-	41,716

Breakdown of goodwill

(€ THOUSAND)	31.12.2013	31.12.2012
Prime Consult SIM and INA SIM	2,991	2,991
BG Fiduciaria SIM S.p.A.	-	-
Banca del Gottardo	31,352	31,352
Total	34,343	34,343

Breakdown of intangible assets - other assets

	31.12.2013	31.12.2012
Charges associated with the implementation of legacy CSE procedures	3,339	2,540
Other software costs	169	125
Transactions with customers (former Banca del Gottardo)	3,814	4,767
Trademarks	-	-
Advance payments on intangible assets	52	1,279
Total	7,373	8,711

The Banca Generali's goodwill and intangible assets arising from the acquisition of Banca del Gottardo (customer relationships) were tested for impairment in accordance with IAS

36, without detecting any impairment losses. Tests' execution procedures and results are analysed in greater detail in Part G of the Notes.

Section 13 - Tax assets and liabilities - Item 130 (Assets) and Item 80 (Liabilities)

Breakdown of item 130 (Assets) - tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012 RESTATED
Current taxation	3,367	1,424
- Sums due for taxes to be refunded	1,698	1,424
- IRES arising on National Tax Consolidation	-	-
- IRES	-	-
- IRAP	1,669	-
Deferred tax receivables	34,664	39,366
With impact on Profit and Loss Account	33,572	32,951
- IRES	29,732	29,205
- IRAP	3,840	3,746
With impact on net equity	1,092	6,415
- IRES	961	5,502
- IRAP	131	913
Total	38,031	40,790

Notes

- Current tax assets and liabilities represent the net positive or negative unbalance between IRES and IRAP taxes payable for the year net of related payments on account and withholdings.
- In further detail, for Banca Generali current IRES (corporate income) tax assets and liabilities take the form of account receivable from or payable to, respectively, the consolidating entity, Assicurazioni Generali S.p.A. As a consequence of Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then calculates and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.
- Sums arising on the National Tax Consolidation refer mostly to the excess IRES paid in years 2007-2011 due to the effect of the introduction, in accordance with Law Decree No. 201/2011, of the deductibility from that tax of the share of IRAP paid on the cost of labour. The account receivable was recognised on the basis of the provisions of the Order of the Director of the Italian Revenue Service of 17 December 2012, which governs the methods for presenting refund applications, and also takes the form of a positive entry in Assicurazioni Generali's tax consolidation programme.

Breakdown of tax liabilities - Item 80

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012 RESTATED
Current taxation	8,734	6,953
- IRES arising on National Tax Consolidation	8,734	744
- IRES	-	-
- IRAP	-	6,037
- Sum due to the Treasury by way of substitute tax	-	172
Deferred tax liabilities	5,449	3,252
With impact on Profit and Loss Account	2,032	2,383
- IRES	1,947	2,305
- IRAP	85	78
With impact on net equity	3,417	869
- IRES	2,864	701
- IRAP	553	168
Total	14,183	10,205

In 2012, tax liabilities arising substitute taxes consisted of the remaining instalment associated with goodwill redemption to be paid by the merged company BG SGR, pursuant to Article 176, paragraph 2-ter, of TUIR, and paid in 2013.

13.1 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2013	PURSUANT TO LAW NO 214/2011	31.12.2012	PURSUANT TO LAW NO 214/2011
With impact on profit and loss account	33,572	11,617	32,951	11,629
Previous fiscal losses	-	-	-	-
Provisions for liabilities and contingencies	19,840	-	18,870	-
Write-down of held-for-trading securities before 2008	11	-	11	-
Write-down of securities in the AFS portfolio	-	-	-	-
Write-downs on debt securities	-	-	-	-
Credit devaluation	2,055	1,861	820	776
Redeemed goodwill (pursuant to Art. 15, para. 10, of Legislative Decree 185/08)	7,056	7,056	8,064	8,064
Redeemed goodwill (pursuant to Art. 176, para. 2-ter, of TUIR) of former BG SGR	1,321	1,321	1,410	1,410
Consolidated goodwill of BG Fiduciaria (Art. 15, paragraph 10-ter, of Legislative Decree 185/08)	1,379	1,379	1,379	1,379
Other goodwill of former BG SGR	1,763	-	2,250	-
Other operating expenses	147	-	147	-
With impact on net equity	1,092	-	6,415	-
Measurement at fair value of AFS financial assets	909	-	6,313	-
Actuarial losses IAS19	183	-	102	-
Total	34,664	11,617	39,366	11,629

Notes

- DTAs which can be transformed into tax credits pursuant to Law No. 214/2011 include assets associated with redeemed goodwill as per Article 10 of Legislative Decree No.185/08 and Article 172 of TUIR and write-downs of the banking portfolio exceeding 0.30% and deductible over a 18-year period. Starting in 2013, they also included write-downs of the loan portfolio, deductible in the year of reference and in the four following years, in accordance with the new Article 106, paragraph 3, as enacted by the 2014 Stability Law.

13.2 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
With impact on profit and loss account	2,032	2,383
Capital gains by instalments from the transfer of the funds business unit	844	1,126
Goodwill, excluding off-balance sheet items	702	638
Provisions for post-employment benefits (IAS19)	175	308
Provision for risks on loans, after off-balance sheet items	311	311
With impact on net equity	3,417	869
Measurement at fair value of AFS financial assets	3,417	869
Total	5,449	3,252

13.3 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	31.12.2013	31.12.2012 RESTATED
1. Amount at year-start	32,951	31,269
2. Increases	9,883	12,948
2.1 Deferred tax assets for the year:	9,883	8,059
a) relative to prior years	244	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	9,639	8,059
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	4,889
- of which: adjustment of prepaid taxes for the National Tax Consolidation	-	-
- of which: business combinations	-	4,876
3. Decreases	9,262	11,266
3.1 Deferred tax receivables eliminated in the year:	9,109	10,025
a) transfers	9,077	9,027
b) write-downs for non-recoverability	32	412
c) change in accounting criteria	-	586
3.2 Decreases in tax rates	-	121
3.3 Other decreases:	153	1,120
a) conversion in tax credits pursuant to Law No.214/2011	-	-
b) other	153	1,120
- of which: adjustment of prepaid taxes for the National Tax Consolidation	-	1,120
- of which: business combinations	-	-
4. Amount at year-end	33,572	32,951

13.3.1 Change in deferred tax assets pursuant to Law No. 214/2011

	31.12.2013	31.12.2012
1. Amount at year-start	11,629	11,302
2. Increases	1,149	1,541
3. Decreases	1,161	1,214
3.1 Transfers	1,161	1,214
3.2 Conversion in tax credits:	-	-
a) arising from losses during the year	-	-
b) arising from fiscal losses	-	-
3.3 Other decreases	-	-
4. Amount at year-end	11,617	11,629

13.4 Change in deferred taxes (offsetting entry to the Profit and Loss Account)

	31.12.2013	31.12.2012
1. Amount at year-start	2,383	1,140
2. Increases	67	1,260
2.1 Deferred tax liabilities for the year:	67	66
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	67	66
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1,194
<i>of which: business combinations</i>	-	1,194
3. Decreases	418	17
3.1 Deferred tax payables eliminated during the year:	418	17
a) transfers	418	17
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	2,032	2,383

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

	31.12.2013	31.12.2012 RESTATED
1. Amount at year-start	6,415	26,736
2. Increases	306	427
2.1 Deferred tax assets for the year:	306	427
a) relative to prior years	-	-
b) change in accounting criteria	-	102
c) other	306	325
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	5,629	20,748
3.1 Deferred tax receivables eliminated in the year:	736	20,748
a) transfers	736	20,748
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	4,893	-
4. Amount at year-end	1,092	6,415

Item 3.3 Other decreases refers to the reduction in deferred taxes following the re-absorption of temporary differences, de-

ductible as result of reversals of financial assets in the AFS portfolio.

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

	31.12.2013	31.12.2012
1. Amount at year-start	869	74
2. Increases	3,330	861
2.1 Deferred tax liabilities for the year	3,321	861
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	3,321	861
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	9	-
3. Decreases	782	66
3.1 Deferred tax payables eliminated during the year	782	66
a) transfers	782	66
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	3,417	869

Section 14 - Non-current assets and groups of assets held for sale, and related liabilities - Item 140 (Assets) and item 90 (Liabilities)

14.1 Non-current assets and groups of assets available for sale: categories

	COST	31.12.2013			VB
		L1	L2	L3	
A. Individual assets					
A.1 Financial assets	-	-	-	-	-
A.2 Investments	-	-	-	-	-
A.3 Property and equipment:	-	-	-	-	-
- for debt recovery	-	-	-	-	-
- other	-	-	-	-	-
A.4 Intangible assets	-	-	-	-	-
A.4 Other non-current assets	-	-	-	-	-
Total A	-	-	-	-	-
B. Groups of assets (discontinued operating units)					
B.1 Financial assets held for trading	-	-	-	-	-
B.2 Financial assets at fair value	-	-	-	-	-
B.3 AFS financial assets	-	-	-	-	-
B.4 HTM financial assets	-	-	-	-	-
B.5 Loans to banks	-	-	-	-	-
B.6 Loans to customers	-	-	-	-	-
B.7 Equity investments	8,081	-	7,909	-	7,909
B.8 Property and equipment	-	-	-	-	-
- for debt recovery	-	-	-	-	-
- other	-	-	-	-	-
B.9 Intangible assets	-	-	-	-	-
B.10 Other assets	-	-	48	-	48
Total B	8,081	-	7,957	-	7,957
C. Liabilities of individual assets held for sale					
C.1 Debts	-	-	-	-	-
C.2 Securities	-	-	-	-	-
C.3 Other liabilities	-	-	-	-	-
Total C	-	-	-	-	-

	COST	31.12.2013			VB
		L1	L2	L3	
D. Liabilities of groups of assets held for sale					
D.1 Due to banks	-	-	-	-	-
D.2 Due to customers	-	-	-	-	-
D.3 Outstanding securities	-	-	-	-	-
D.4 Financial liabilities held for trading	-	-	-	-	-
D.5 Financial liabilities measured at fair value	-	-	-	-	-
D.6 Provisions	-	-	-	-	-
D.7 Other liabilities	-	-	-	-	-
Total D	-	-	-	-	-
Total (A + B + C + D)	8,081	-	7,957	-	7,957

Non-current assets held for sale refer to valuation of the investment in BG DRAGON SICAV, a new Luxembourg UCITS promoted by the subsidiary GFM S.A. and launched in the second-half of 2013. It is authorised to invest directly in the Chinese equity market. In order to back its start-up phase, Banca Generali subscribed for 80,810 class-A shares of this SICAV, therefore

acquiring 94% of the company's and a share just under 10% of its capital. Considering that, on 16 October 2013, the BoD of the Bank resolved to proceed with the sale of the majority of the shares, the investment qualifies as an asset purchased solely with the intention of subsequent resale in the short term pursuant to IFRS 5.

Section 15 - Other assets - Item 150

15.1 Breakdown of other assets

	31.12.2013	31.12.2012
Fiscal items	16,628	6,728
Advances paid to fiscal authorities - current account withholdings ⁽¹⁾	2,542	1,449
Advances paid to fiscal authorities - stamp duty	4,883	4,428
Advances of substitute tax on capital gains	7,720	-
Excess payment of substitute tax for tax shield	634	634
Other sums due from fiscal authorities	611	168
Fiscal Authority/VAT	189	-
Sums due from fiscal authorities for taxes to be refunded	49	49
Leasehold improvements	1,010	932
Operating receivables not related to financial transactions	84	84
Sundry advances to suppliers and employees	4,170	4,689
Cheques under processing	24,935	20,861
C/a cheques drawn on third parties under processing	980	2,466
Our c/a cheques under processing c/o service	23,668	16,009
Cheques - other amounts under processing	287	2,386
Other amounts to be debited under processing	19,822	23,515
Amounts to be settled in the clearing house (debits)	5,355	6,027
Clearing accounts for securities and funds procedure	12,444	14,775
Other amounts to be debited under processing	2,023	2,713
Amounts receivable for legal disputes related to non-credit transactions	3,744	2,874
Trade receivables from customers and banks that cannot be traced back to specific items	19,446	14,858
Other amounts	34,550	20,976
Prepayments for the new supplementary fees for FAs	31,846	18,941
Due from Assicurazioni Generali for claims to be settled	19	228
Other accrued income and deferred charges that cannot be traced back to specific items	2,268	1,578
Sundry amounts	417	229
Total	124,389	95,517

(1) Receivables from fiscal authorities for withholdings on current accounts represent the positive unbalance between payments on account and the related payable to fiscal authorities.

PART B - INFORMATION ON THE BALANCE SHEET - LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
1. Due to Central Banks	1,114,185	1,309,841
2. Due to banks	1,116,648	920,017
2.1 Current accounts and demand deposits	397	80,217
2.2 Term deposits	187	8,892
2.3 Loans:	1,091,372	801,383
2.3.1 Repurchase agreements	1,091,372	801,383
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	24,692	29,525
Total	2,230,833	2,229,858
Fair value - L1	-	-
Fair value - L2	2,230,833	2,229,858
Fair value - L3	-	-
Total (fair value)	2,230,833	2,229,858

Notes

- Other liabilities refer for 20,987 thousand euros to deposits made by BSI S.A. as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia (collateral deposits) and, for the remaining amount, to collateral margins received from counterparties in reverse repurchase agreements.

Section 2 - Due to customers - Item 20

2.1 Due to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
1. Current accounts and demand deposits	3,018,632	2,686,437
2. Term deposits	428,430	1,610,868
3. Loans	101,878	177,593
3.1 Repurchase agreements	85,754	153,397
3.2 Other	16,124	24,196
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other debts	116,355	65,085
Total	3,665,295	4,539,983
Fair value - L1	-	-
Fair value - L2	3,649,171	4,515,787
Fair value - L3	16,124	24,196
Total (fair value)	3,665,295	4,539,983

Notes

- Other liabilities refer for 42,079 thousand euros to the stock of bank drafts issued by the Parent Company Banca Generali in relation to claims payment of insurance companies of the Generali Group, other amounts available to customers and, for the remaining amount, to trade payables to the sales network.
Item 3.3 "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, the second of which paid on 1 October 2013, and an interest rate equal to the 12-month EURIBOR plus 225 basis points. The loan is subordinated in the event of a default by the bank.

2.2 Due to customers: subordinated debts

TYPE OF TRANSACTIONS/VALUES	31.12.2013	31.12.2012
Due to customers: subordinated debts	16,124	24,196
<i>Generali Versicherung subordinated loan</i>	16,124	24,196

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: categories

TYPE OF TRANSACTIONS/VALUES	NOMINAL VALUE	31.12.2013 FAIR VALUE			NOMINAL VALUE	31.12.2012 FAIR VALUE		
		L1	L2	L3		L1	L2	L3
A. Cash liabilities								
1. Due to banks	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-	-
B. Derivatives								
1. Financial	-	-	597	-	-	-	1,448	-
1.1 Trading	-	-	597	-	-	-	1,448	-
1.2 Related to the fair value option	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-
2. Credit	-	-	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-
Total B	-	-	597	-	-	-	1,448	-
Total (A + B)	-	-	597	-	-	-	1,448	-

Section 8 - Tax payables - Item 80

Breakdown of tax liabilities - Item 80

Section 13 (Assets) provides an analysis.

Section 10 - Other liabilities - Item 100

10.1 Breakdown of other liabilities

	31.12.2013	31.12.2012
Trade payables	12,430	12,720
Due to suppliers	9,898	11,530
Due for payments on behalf of third parties	2,532	1,190
Due to staff and social security institutions	13,181	12,046
Due to staff for accrued holidays etc.	3,185	3,087
Due to staff for productivity bonuses	5,558	4,965
Contributions to be paid to social security institutions	2,181	2,037
Contributions to advisors to be paid to Enasarco	2,257	1,957
Tax authorities	15,615	18,422
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	3,400	3,200
Withholding taxes to be paid to tax authorities on behalf of customers	8,227	12,794
Notes to be paid into collection services	3,956	2,221
VAT payable	-	81
Tax payables - other (stamp duty and substitute tax on medium-/long-term loan)	32	126
Third-party assets available for customers	91	57
Sums made available to customers	91	57
Amounts to be debited under processing	94,509	45,677
Bank transfers, cheques and other sums payable	12,204	7,258
Amounts to be settled in the clearing house (credits)	71,638	29,601
Liabilities from reclassification of portfolio subject to collection (SBF)	1,085	1,257
Other amounts to be debited under processing	9,582	7,561
Sundry items	3,527	2,503
Amounts to be credited	273	248
Sundry items	1,298	1,399
Accruals and deferred income	1,956	856
Total	139,353	91,425

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

	31.12.2013	31.12.2012 RESTATED
A. Amount at year-start	4,286	3,041
Change in the opening balance	-	124
B. Increases	485	1,592
B.1 Provisions for the year	193	181
B.2 Actuarial gains and losses	292	842
B.3 Other increases	-	569
<i>of which: business combinations</i>	-	568
C. Decreases	541	471
C.1 Amounts paid	541	471
C.2 Actuarial gains and losses	-	-
C.2 Other decreases	-	-
<i>of which: business combinations</i>	-	-
D. Amount at year-end	4,230	4,286

Notes

1. Changes regarding business combinations carried out in 2012 refer to the merger of BG SGR, performed with retroactive accounting effect as of 1 January 2012.

11.2 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of employment, in accordance with IAS 19.

The provision was measured based on the actuarial value using the methods described in Part A.2 of the Notes.

	31.12.2013	31.12.2012
Current service cost	7	7
Interest cost	186	174
Actuarial gains and losses	292	842
Total provisions for the year	485	1,023
Actuarial value	4,230	4,286
Value calculated Re. Art. 2120 of the Italian Civil Code	4,669	5,057

Section 12 - Provisions for liabilities and contingencies - Item 120

12.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	31.12.2013	31.12.2012
1. Company provisions for pensions	-	-
2. Other provisions for liabilities and contingencies	71,558	63,139
2.1 Litigation	12,923	11,254
2.2 Staff	13,098	12,505
2.3 Other	45,537	39,380
Total	71,558	63,139

Breakdown of other provisions for liabilities and contingencies

	31.12.2013	31.12.2012
Provision for staff expenses	13,098	12,505
Provisions for legal disputes	12,923	11,254
Provision for risks related to litigations connected with FA's embezzlements	8,957	7,386
Provision for other legal disputes with FAs	1,391	892
Provision for risks related to legal disputes with staff	714	709
Provision for other legal disputes	1,861	2,267
Provisions for termination indemnity for Financial Advisors	15,314	11,255
Provision for termination indemnity	12,354	9,924
Provision for portfolio overfee indemnities	1,467	908
Provision for retirement benefit plans	1,493	423
Provisions for risks related to network incentives	25,757	27,147
Provision for network development incentives	20,328	22,212
Provisions for managers incentives with access gate	2,696	2,317
Provision for fees - travel incentives and tenders	2,650	2,500
Provision for fees - other	83	118
Provision for loyalty bonuses	-	-
Other provisions for liabilities and contingencies	4,466	978
Total	71,558	63,139

12.2 Provisions for liabilities and contingencies: year changes

	PROVISIONS FOR PENSIONS	OTHER PROVISIONS	TOTAL
A. Amount at year-start	-	63,139	63,139
B. Increases	-	31,893	31,893
B.1 Provisions for the year	-	31,893	31,893
B.2 Other increases	-	-	-
<i>of which: business combinations</i>	-	-	-
C. Decreases	-	23,474	23,474
C.1 Use in the year	-	19,317	19,317
C.2 Other decreases	-	4,157	4,157
<i>of which: business combinations</i>	-	-	-
D. Amount at year-end	-	71,558	71,558

Provisions for liabilities and contingencies: details of movements

	31.12.2012	USES	SURPLUS	OTHER CHANGES	PROVISIONS	31.12.2013
Provision for staff expenses	12,505	-4,441	-3,005	-	8,039	13,098
Provisions for legal disputes	11,254	-1,106	-42	-	2,817	12,923
Provision for risks related to litigations connected with FA's embezzlements	7,386	-573	-36	660	1,520	8,957
Provision for other legal disputes with FAs	892	-14	-	-	513	1,391
Provision for risks related to legal disputes with staff	709	-	-	-	5	714
Provision for other legal disputes	2,267	-519	-6	-660	779	1,861
Provisions for termination indemnity for Financial Advisors	11,255	-201	-502	-15	4,777	15,314
Provision for termination indemnity	9,924	-201	-476	10	3,097	12,354
Provision for portfolio overfee indemnity	908	-	-16	-25	600	1,467
Provision for retirement benefit plans	423	-	-10	-	1,080	1,493
Provisions for risks related to network incentives	27,147	-12,643	-583	-10	11,846	25,757
Provision for risks related to network development incentives	22,212	-9,420	-403	-	7,939	20,328
Provisions for managers incentives with access gate	2,317	-875	-	-	1,254	2,696
Provision for fees - travel incentives	2,500	-2,320	-180	-	2,650	2,650
Provision for fee plans	118	-28	-	-10	3	83
Provision for loyalty bonuses	-	-	-	-	-	-
Other provisions for liabilities and contingencies	978	-927	-	-	4,415	4,466
Total	63,139	-19,318	-4,132	-25	31,894	71,558

12.4 Provisions for liabilities and contingencies - other provisions

Funds for staff expenses

Provision for staff expenses

Provisions for staff expenses include the following amounts:

- the share of the variable compensation of managers of the banking Group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in the banking group's new remuneration policy;
- the estimate of the variable compensation provided for in the new long-term retention programme introduced within the Assicurazioni Generali Group and approved by Banca Generali (the Long Term Incentive Plan);
- provisions for post-employment medical benefits of Group executives;
- other allocations intended to support a company reorganisation plan launched following the merger of BG SGR, informal incentives and other expenses associated with personnel classification, not included within the scope of IAS 19.

In 2013, provisions for staff expenses also included the allocation related to the performance bonus envisaged in the company supplementary contract. Following the early termination by professional organisations of the national collective labour agreement, procedures for the renewal of the supplementary company contract, which expired in 2011, have been frozen. However, the Bank decided to allocate the amount of the bonus on the basis of the mechanisms agreed for the previous two-year period 2010-2011.

Provisions for legal disputes

This type of provisions for risks includes provisions earmarked on the basis of pending litigations connected with advisors' embezzlements after insurance coverage, as well as those with disputes currently underway with financial advisors and employees and other legal and extra-legal disputes with customers and other entities.

Provisions for advisors' termination indemnity

These include provisions for termination indemnities paid to the sales network, the portfolio development and the social security bonus.

Provisions covering the cost of Financial Advisors' indemnity are assessed using the actuarial method in accordance with laws (Article 1751 of the Italian Civil Code) and the specific disbursement criteria adopted in the previous year.

The portfolio development indemnity is a contractual scheme calling for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed. The indemnity, whose amount corresponds to that paid by the outgoing advisor, is charged on the incoming advisor. However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, with that amount reduced by 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

For both provisions, the expense associated with existing obligations at year-end is assessed according to a statistical-actuarial method, with the aid of independent professionals, for financial advisors in regular service, and through a specific assessment, for financial advisors who have left service.

Allocation to "social-security bonus" programmes aim at ensuring the most deserving employees supplemental pension benefits upon retirement.

Provisions for risks related to network incentives

These provisions refer mainly to past Group commitments related to several recruitment plans for middle-term expansion of managed portfolios. Considering that this type of plan has not been activated since 2009, provisions now refer solely to programmes in the final phases.

These plans envisage different kinds of incentives (joining bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence in of 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.

Other provisions for liabilities and contingencies

Other provisions for liabilities and contingencies include provisions to cover tax dispute (2.5 million euros), possible charges borne by the bank arising from the preventive intervention, already approved, of the Interbank fund for the protection of Deposits (FITD) in relation to Banca Tercas bankruptcy (1.1 million

euros) and other operating costs, such as business measures for costumers.

Tax dispute

With reference to tax dispute, provisions refer to the tax audit of the Parent Company, Banca Generali, pertaining to tax year 2010, carried out by the Regional Department for Friuli Venezia Giulia of the Italian Revenue Service and

completed in July 2013. In such regards, no assessment audits have been served thus far. The remarks formulated by the Revenue Service in its notice of assessment served at the end of the audit focus mainly on the applicability of VAT exemption to a bank financial transaction. In light of these remarks, prudential provisions have been set with respect to the possible requirements of the Revenues Service. At 31 December 2013, Banca Generali is not involved in any tax disputes with the revenue authorities.

Section 14 - Company net equity - Items 130, 150, 160, 170, 180, 190 and 200

14.1 Breakdown of capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (€)	BOOK VALUE (€ THOUSAND)
Share capital				
- ordinary shares	1.00	114,895,247	114,895,247	114,895
Treasury shares				
- ordinary shares	1.00	-10,071	-10,071	-41
Total		114,885,176	114,885,176	114,854

14.2 Capital - Number of Shares: year changes

ITEMS/TYPE	ORDINARY	OTHER
A. Existing shares at year-start	112,937,722	-
- paid up	112,937,722	-
- partially paid	-	-
A.1 Treasury shares (-)	-10,071	-
A.2 Outstanding shares: at year-start	112,927,651	-
B. Increases	1,957,525	-
B.1 Newly issued shares		
- against payment:	1,957,525	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrant	1,957,525	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	114,885,176	-
D.1 Treasury shares (+)	10,071	-
D.2 Existing shares at year-end	114,895,247	-
- paid up	114,895,247	-
- partially paid	-	-

14.3 Capital: further information

At the reporting date, the share capital of the bank consisted of 114,895,247 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

During the year, as a result of the exercise of options within the stock option plan reserved for Financial Advisors, 1,957,525 newly issued shares were issued, for a total of 1,957 thousand euros.

14.4 Income reserves: further information

	31.12.2012	PROFIT DISTRIBUTION OF DIVIDENDS	ISSUE OF OF NEW SHARES	STOCK OPTION PLANS	STOCK GRANT PLANS AG	OTHER CHANGES	31.12.2013
Legal reserve	22,339	439	-	-	-	-	22,778
Restricted reserve for treasury shares	41	-	-	-	-	-	41
Restricted reserve for shares of the Parent Company	852	-	-	-	-	206	1,058
Extraordinary reserve	0	-	-	-	-	-	-
Unrestricted reserve	1,222	-	-	-	-	-206	1,016
Contribution to stock grant AG	81	-	-	-	436	-	517
Merger surplus - BG SGR	3,853	-	-	-	-	-	3,853
Badwill reserve - BSI	-	-	-	-	-	-	-
Share-based payments reserve (IFRS2)	6,256	-	455	-3,890	-	-	2,821
Reserve from income (loss) carried forward	58,464	15,800	-	-	-	-	74,264
Reserve from first-time application	-	-	-	-	-	-	-
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	3,710
Total	96,818	16,239	455	-3,890	436	-	110,058

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.

	31.12.2013	POSSIBLE DRAW- DOWNS ⁽¹⁾	UNAVAILABLE PORTION	AVAILABLE PORTION	DISTRIBUTABLE PORTION	DRAW-DOWNS (2013-2011)	
						DIVIDENDS	PERDITE
Capital	114,895	-	-	-	-	-	-
Additional paid-in capital	37,302	A, B, C ⁽³⁾	-	37,302	-	-	-
Reserves	110,058	-	1,099	108,959	83,360	-	-
Legal reserve	22,778	B	-	22,778	-	-	-
Restricted reserve for treasury shares	41	B	41	-	-	-	-
Reserve for shares of the Parent Company	1,058	B	1,058	-	-	-	-
Extraordinary reserve	-	A, B, C	-	-	-	-	-
Unrestricted reserve	1,016	A, B, C	-	1,016	1,016	-	-
Merger surplus	3,853	A, B, C	-	3,853	3,853	-	-
Contribution to stock grant AG	517	A, B, C	-	517	517	-	-
Share-based payments reserve	2,821	A, B, C ⁽⁴⁾	-	2,821	-	-	-
Reserve from income (loss) carried forward	74,264	A, B, C	-	74,264	74,264	-	-
Equity reserve from the transfer of the funds business unit	3,710	A, B, C	-	3,710	3,710	-	-
Reserve from first-time application	-	A, B, C	-	-	-	-	-
Valuation reserves	5,502	-	5,502	-	-	-	-
Revaluation reserves	-	A, B, C	-	-	-	-	-
Positive fair value AFS fin. assets ⁽²⁾	5,502	-	5,502	-	-	-	-
Net profit (loss) for the year	94,864	A, B, C	-	94,864	94,568	-	-
Net equity for accounting purposes	362,621	-	6,601	241,125	177,928	-	-

(1) Availability refers to possible draw-downs for:

- A Capital increase
- B Replenishment of losses
- C Distribution to shareholders

(2) Restricted reserve pursuant to Article 6 of Legislative Decree 38/2005.

(3) May not be distributed until the legal reserve has reached 1/5th of share capital.

(4) The reserve can only be used for stock option plan.

PARTE B - INFORMATION ON THE BALANCE SHEET

Other information

1. Guarantees issued and commitments

TRANSACTION	31.12.2013	31.12.2012
1) Financial guarantees issued	32,900	16,909
a) Banks	7,176	5,220
b) Customers	25,724	11,689
2) Commercial guarantees issued	51,091	11,438
a) Banks	-	-
b) Customers	51,091	11,438
3) Irrevocable commitment to dispense funds	61,363	10,744
a) Banks:	51,742	502
i) of certain use	51,742	502
ii) of uncertain use	-	-
b) Customers:	9,621	10,242
i) of certain use	-	1,813
ii) of uncertain use	9,621	8,429
4) Underlying commitments to credit derivatives: hedging sales	-	-
5) Assets pledged as collateral of third-party bonds	18,539	4,000
6) Other commitments	-	-
Total	163,892	43,091

Notes

- Financial guarantees to banks include the commitment to FITD (interbank deposit protection fund) amounting to 7,176 thousand euros.
- Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
- Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.
- Assets pledged as collateral of third-party bonds consist of 10% of collaterals contributed to cover possible loss of defaulted operators within the new Mercato Interbancario Collateralizzato (NewMIC).
- The increase in commercial guarantees issued refers for 38 million euros to the guarantee provided to Coop Trieste in relation to the funding activity among its members, as required by the Bank of Italy's provisions in force.

2. Assets pledged as collateral for own liabilities and commitments

PORTFOLIO	31.12.2013	31.12.2012
1. Financial assets held for trading	-	-
2. Financial assets at fair value	-	-
3. AFS financial assets	886,667	769,100
4. HTM financial assets	1,973,872	2,525,865
5. Loans to banks	26,379	76,538
6. Loans to customers	-	10,091
7. Property and equipment	-	-
8. Intangible assets	-	-
Total	2,886,918	3,381,594

Notes

- Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB.

4. Trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2013	31.12.2012
1. Execution of orders on behalf of clients	33,916,178	25,464,297
a) Purchases	17,846,317	12,334,097
1. Settled	17,823,068	12,257,730
2. To be settled	23,249	76,367
b) Sales	16,069,861	13,130,200
1. Settled	16,028,691	13,069,189
2. To be settled	41,170	61,011
2. Asset management	2,395,258	2,353,615
a) Individual	2,395,258	2,353,615
b) Collective	-	-
3. Custody and administration of securities (Excluding asset management)	31,313,544	29,206,251
a) Third-party securities held in deposit		
- Related to services provided as depository bank:		
1. Issued by the bank that prepares the financial statements	-	-
2. Other securities	-	-
b) Third-party securities held in deposit		
- Other:	13,364,717	12,010,178
1. Issued by the bank that prepares the financial statements	14,819	15,202
2. Other securities	13,349,898	11,994,976
c) Third-party securities deposited with third parties	13,314,411	11,973,414
d) Portfolio securities deposited with third parties	4,634,416	5,222,659
4. Other		

PART C - INFORMATION ON THE PROFIT AND LOSS ACCOUNT

Section 1 - Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	LOANS	OTHER	31.12.2013	31.12.2012
1. HFT financial assets	9,839	-	-	9,839	2,950
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	29,178	-	-	29,178	32,877
4. HTM financial assets	81,338	-	-	81,338	97,628
5. Loans to banks	3,137	626	-	3,763	5,604
6. Loans to customers	861	19,495	-	20,356	17,539
7. Financial assets measured at fair value	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	777
9. Other assets	-	-	5	5	18
Total	124,353	20,121	5	144,479	157,393

Notes

1. Loans to costumers - Loans include 836 thousand euros (788 thousand euros at 31 December 2011) for the return on the capitalisation policy GESAV.

1.3 Breakdown of interest income and similar charges: further information

	31.12.2013	31.12.2012
1.3.1 Interest income on financial assets in foreign currencies	69	168
1.3.2 Interest income on finance lease transactions	-	-
Total	69	168

1.4 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	DEBT	OTHER	31.12.2013	31.12.2012
1. Due to Central Banks	6,799	-	-	6,799	12,128
2. Due to banks	4,586	-	-	4,586	9,521
3. Due to customers	11,310	-	-	11,310	24,261
4. Securities issued	-	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	-	-	5
8. Hedging derivatives	-	-	-	-	-
Total	22,694	-	-	22,694	45,915

1.6 Breakdown of interest expense and similar charges: further information

	31.12.2013	31.12.2012
1.6.1 Interest expense on financial assets in foreign currencies	22	46
1.6.2 Interest expense on finance lease liabilities	-	5
Total	22	51

Section 2 - Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	31.12.2013	31.12.2012
a) Guarantees issued	216	112
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	255,883	219,811
1. Trading of financial instruments	16,631	13,143
2. Currency trading	-	-
3. Asset management:	22,670	24,608
3.1 Individual	22,670	24,608
3.2 Collective	-	-
4. Custody and administration of securities	716	857
5. Depository bank	-	-
6. Placement of securities	121,997	101,480
7. Order collection	7,479	4,916
8. Consultancy activities:	1,655	2,205
8.1 Investment advice	656	356
8.2 Advice on financial structure	999	1,849
9. Distribution of third-party services:	84,735	72,602
9.1 Asset management:	2,499	2,969
9.1.1 Individual	2,115	2,599
9.1.2 Collective	384	370
9.2 Insurance products	82,063	69,299
9.3 Other products	173	334
d) Collection and payment services	3,992	3,191
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	3,112	2,871
j) Other services	621	604
Total	263,824	226,589

2.2 Fee income: distribution channels of products and services offered

CHANNELS/VALUES	31.12.2013	31.12.2012
a) Group branches:	1,526	2,895
1. Asset management	-	-
2. Placement of securities	1,526	2,895
3. Third-party products and services	-	-
b) External offer:	227,876	195,795
1. Asset management	22,670	24,608
2. Placement of securities	120,471	98,585
3. Third-party products and services	84,735	72,602
c) Other distribution channels:	-	-
1. Asset management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
Total	229,402	198,690

2.3 Breakdown of fee expense

SERVICES/VALUES	31.12.2013	31.12.2012
a) Guarantees received	114	105
b) Credit derivatives	-	-
c) Management and brokerage services:	157,132	130,489
1. Trading of financial instruments	6,738	2,657
2. Currency trading	-	-
3. Asset management:	-	-
3.1 Own portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	1,052	520
5. Placement of financial instruments	-	-
6. External offer of financial instruments, products, and services	149,342	127,312
d) Collection and payment services	2,724	2,177
e) Other services	174	173
Total	160,144	132,944

Section 3 - Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

ITEMS/INCOME	31.12.2013		31.12.2012	
	DIVIDENDS	UCIT UNITS	DIVIDENDS	UCIT UNITS
A. Financial assets held for trading	64	22	61	102
B. AFS financial assets	829	-	576	-
C. Financial assets measured at fair value	-	-	-	-
D. Shareholdings	57,312	X	86,220	X
Total	58,205	22	86,857	102

Section 4 - Net profit from trading - Item 80

4.1 Breakdown of net profit from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSS	LOSS FROM TRADING	NET RESULT 31.12.2013	NET RESULT 31.12.2012
1. Financial assets held for trading	830	802	276	8,083	-6,727	6,676
1.1 Debt securities	40	191	105	7,968	-7,842	5,199
1.2 Equity securities	190	42	67	101	63	273
1.3 UCIT units	600	569	103	14	1,052	1,204
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: exchange gains and losses	-	2,086	-	-	2,086	2,179
4. Derivatives	443	1,932	-	273	2,102	-370
4.1 Financial:	443	1,932	-	273	2,102	-370
- on debt securities and interest rates:	443	1,721	-	61	2,103	-370
- interest rate swaps	-	49	-	41	8	-370
- government bonds forwards	443	1,672	-	20	2,095	-
- on equity securities and stock indexes:	-	-	-	-	-	-
- option	-	-	-	-	-	-
- futures	-	-	-	-	-	-
- on currency and gold ⁽¹⁾	-	211	-	212	-1	-
- other	-	-	-	-	-	-
4.2 Credit	-	-	-	-	-	-
Total	1,274	4,820	276	8,356	-2,538	8,485

(1) It includes currency options and currency outright.

Section 5 - Net income from hedging - Item 90

5.1 Breakdown of net income from hedging

	31.12.2013	31.12.2012
A. Income from:		
A.1 Fair-value hedge derivatives	-	-
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	-	-
B. Charges from:		
B.1 Fair-value hedge derivatives	-	-
B.2 Hedged financial assets (fair value)	-	-
B.3. Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedge derivatives	-	937
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging (B)	-	937
C. Net income from hedging (A - B)	-	-937

Section 6 - Gain (loss) from transfer/repurchase - Item 100

6.1 Breakdown of gain (loss) from transfer/repurchase

ITEMS/INCOME COMPONENTS	31.12.2013			31.12.2012		
	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
Financial assets						
1. Loans to banks	1,368	15	1,353	453	-	453
2. Loans to customers	1,816	1,459	357	353	5,117	-4,764
3. AFS financial assets	21,577	2,674	18,903	21,973	14,424	7,549
3.1 Debt securities	21,262	2,672	18,590	21,973	14,372	7,601
3.2 Equity securities	110	2	108	-	52	-52
3.3 UCIT units	205	-	205	-	-	-
3.4 Loans	-	-	-	-	-	-
4. HTM financial assets	-	10	-10	1,240	411	829
Total assets	24,761	4,158	20,603	24,019	19,952	4,067
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

Previous AFS equity reserves transferred back to the Profit and Loss Account are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	2,316	-2,250	66
Equity securities	101	-	101
UCITS units	98	-	98
Total	2,515	-2,250	265

Section 8 - Le rettifiche/Reversal value nette per deterioramento - Item 130

8.1 Breakdown of net adjustments to non-performing loans

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				31.12.2013	31.12.2012
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Loans to banks	-	-	1,058	-	-	-	-	-1,058	-1,140
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	1,058	-	-	-	-	-1,058	-1,140
B. Loans to customers	135	3,167	602	1	46	-	-	-3,857	-2,441
Non-performing loans purchased	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other operating receivables	135	3,167	602	1	46	-	-	-3,857	-2,441
- Loans	116	2,925	600	1	46	-	-	-3,594	-1,265
- Operating loans	19	242	-	-	-	-	-	-261	-485
- Debt securities	-	-	2	-	-	-	-	-2	-691
C. Total	135	3,167	1,660	1	46	-	-	-4,915	-3,581

Other specific adjustments to loans refer for 2,539 thousand euros to the 10 million euros pooled loan, granted in 2007 to Investimenti Marittimi S.p.A., a company classified as substandard over the last quarter of the year.

Special value adjustments, amounting to 386 thousand euros, refer for 342 thousand euros to doubtful loans and for the remaining amount to other non-performing positions (substandard loans, objective substandard loans and loans expired from over 90 days). During the year, the collective reserve on performing loans was adjusted for 600 thousand euros.

Value adjustments to operating loans primarily refer to write-downs of advances fees to former financial advisors.

Portfolio adjustments on debt securities classified under "Loans to customers" and "Loans to banks" amounted to 1,060 thousand euros and refer to the adjustments of the collective reserves allocated to account for potential impairment on the corporate bond portfolio.

8.2 Breakdown of net adjustments for impairment of available-for-sale financial assets

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSAL VALUE				31.12.2013	31.12.2012
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	-	-	-
B. Equity securities	-	1,299	-	-	-	-	-	-1,299	-1,016
C. UCITS units	-	-	-	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
F. Total	-	1,299	-	-	-	-	-	-1,299	-1,016

Value adjustments to equity securities refer to the write-down of the equity investment in Simgenia S.p.A. - a company of the Generali Group under winding-up procedures as of the end of 2013

- for 328 thousand euros and to the private equity investment Athena private equity - also being wound up as of 1 January 2014 - for 695 thousand euros.

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSAL VALUE				31.12.2013	31.12.2012
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	141	141	304
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to costumers	-	-	-	-	-	-	-	-	-
D. Total	-	-	-	-	-	-	141	141	304

Section 9 - General and administrative expense - Item 150

Breakdown of general and administrative expense

	31.12.2013	31.12.2012 RESTATED
150 a) Staff expenses	65,146	59,961
150 b) Other general and administrative expense	102,283	89,465
Total	167,429	149,426

In this section, staff expenses for 2012 have been restated pursuant to IAS 19R, which became effective as of 1 October 2013. In detail, actuarial gains and losses recognized using the over-corridor method, in item e) Provision for termination indemnity, for an amount of 808 thousand euros, have been restated in the Statement of Other Comprehensive Income, with an equivalent reduction of the charge through profit or loss.

Moreover, in the Financial Statements as of 31 December 2013, personnel training expenses have been reclassified from item 150 b) Other staff expenses - other indirect staff expenses, to item 150 a) Staff expenses - other employee benefits. In 2012 this item amounted to 316 thousand euros.

9.1 Breakdown of staff expense

TYPE OF EXPENSES/VALUES	31.12.2013	31.12.2012
1) Employees	63,929	59,163
a) Wages and salaries	36,208	34,260
b) Social security charges	9,250	8,928
c) Termination indemnity	570	331
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	193	181
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	3,589	3,449
- defined contribution	3,589	3,449
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	476	57
i) Other employee benefits	13,643	11,957
2) Other staff	1,091	619
3) Directors and Auditors	1,115	1,230
4) Retired personnel	5	-
5) Recovery of expenses for seconded staff from other companies	-1,109	-1,161
6) Repayments of expenses for seconded staff from other companies	115	110
Total	65,146	59,961

The payments of shares of accrued post-employment benefits to the INPS Treasury fund have been reclassified from item g)

Amounts paid to supplementary external pension funds to item c) termination indemnity.

9.2 Average number of employees by category

	31.12.2013	31.12.2012
Employees	753	714
a) Managers	44	41
b) Total executives	193	172
<i>of which: 3rd and 4th level</i>	115	107
<i>of which: 1st and 2nd level</i>	78	65
c) Employees at other levels	516	501
Other employees	-9	-8
Total	744	706

Breakdown of headcount

	31.12.2013	31.12.2012
Employees	764	740
a) Managers	44	43
b) Total executives	200	185
<i>of which: 3rd and 4th level</i>	116	113
<i>of which: 1st and 2nd level</i>	84	72
c) Employees at other levels	520	512
Other employees	-7	-10
Contract and temporary workers	4	4
Secondments from other companies	1	3
Secondments to other companies	-12	-17
Total	757	730

9.4 Other employee benefits

	31.12.2013	31.12.2012
Short-term productivity bonuses payable (Result-based bonuses, non-deferred MBO Managers' remuneration, etc.)	7,994	7,510
Long-term incentives (Long Term Incentive Plan, deferred MBO managers' remuneration)	2,216	2,208
Post-employment medical care plans	700	-
Charges for staff supplementary pensions	1,601	1,402
Amounts replacing cafeteria indemnities	528	735
Training expenses	458	-
Allowances and charitable gifts	146	101
Transfer incentives and other indemnities	-	-
Other expenses	-	1
Total	13,643	11,957

9.5 Breakdown of other general and administrative expense

	31.12.2013	31.12.2012
Administration	12,952	11,876
Advertising	4,074	3,743
Consultancy and professional advice expenses	4,565	2,825
Corporate boards and auditing firms	354	307
Insurance	3,077	3,963
Entertainment expenses	234	228
Membership contributions	474	636
Charity	174	174
Operations	30,882	30,755
Rent and usage of premises and management of property	15,049	14,908
Outsourced administrative services	4,809	4,981
Post and telephone	2,917	2,889
Print material	931	847
Other expenses for sales network management	2,476	2,426
Other expenses and purchases	2,237	1,895
Other indirect staff expenses	2,463	2,809
Information system and equipment	29,968	29,470
Expenses related to outsourced IT services	20,955	21,845
Fees for IT services and databases	5,593	4,673
Software maintenance and servicing	1,999	2,050
Fees for equipment hired and software used	662	168
Other maintenance	759	734
Indirect taxation	28,481	17,364
Total	102,283	89,465

Section 10 - Net provisions for liabilities and contingencies - Item 160

10.1 Breakdown of net provisions for liabilities and contingencies

	31.12.2013			31.12.2012		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for risks related to staff expenses ⁽¹⁾	2,579	-2,361	218	2,950	-207	2,743
Provisions for staff expenses: long-term incentives	-	-	-	-	-	-
Provision for staff expenses: other	2,579	-2,361	218	2,950	-207	2,743
Provision for legal disputes	2,817	-42	2,775	4,766	-655	4,111
Provision for risks related to legal disputes with subscribers	1,520	-36	1,484	2,243	-548	1,695
Provision for risks related to legal disputes with advisors	513	-	513	674	-	674
Provision for risks related to legal disputes with staff	5	-	5	-	-30	-30
Provision for risks related to legal disputes with other parties	779	-6	773	1,849	-77	1,772
Provisions for termination indemnity for advisors	4,777	-502	4,275	3,347	-745	2,602
Provision for termination indemnity for Financial Advisors	3,097	-476	2,621	2,652	-709	1,943
Provision for overfee risks for Financial Advisors	600	-16	584	272	-36	236
Provision for retirement benefit plans	1,080	-10	1,070	423	-	423
Provisions for risks related to network incentives	11,846	-583	11,263	9,358	-1,096	8,262
Provision for risks related to network development incentives	7,939	-403	7,536	5,622	-845	4,777
Provisions for managers incentives with access gate	1,254	-	1,254	1,143	-	1,143
Provision for fees - travel incentives	2,650	-180	2,470	2,500	-251	2,249
Provision for fee plans	3	-	3	93	-	93
Provision for loyalty bonuses for Financial Advisors	-	-	-	-	-	-
Other provisions for liabilities and contingencies	4,415	-	4,415	978	-	978
Total	26,434	-3,488	22,946	21,399	-2,703	18,696

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

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	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 31.12.2013	NET RESULT 31.12.2012
A. Property and equipment					
A.1 Owned:	1,645	-	-	1,645	1,701
- operating	1,645	-	-	1,645	1,701
- investment	-	-	-	-	-
A.2 Leased:	-	-	-	-	-
- operating	-	-	-	-	-
- investment	-	-	-	-	-
Total	1,645	-	-	1,645	1,701

Section 12 - Net adjustments/reversals value of intangible assets - Item 180

12.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 31.12.2013	NET RESULT 31.12.2012
A. Intangible assets					
A.1 Owned:	3,337	-	-	3,337	2,679
- generated in-house	-	-	-	-	-
- other	3,337	-	-	3,337	2,679
A.2 Leased	-	-	-	-	-
Total	3,337	-	-	3,337	2,679

Breakdown of value adjustments of intangible assets - amortisation

	31.12.2013	31.12.2012
Charges associated with the implementation of legacy CSE procedures	2,277	1,638
Relations with customers	953	953
Other intangible assets	107	88
Total	3,337	2,679

Section 13 - Other operating income and expenses - Item 190

13.1 Breakdown of other operating expenses

	31.12.2013	31.12.2012
Adjustments of leasehold improvements	785	506
Write-downs on other assets	671	208
Elimination of improvements to discontinued outlets	-	-
Indemnities and compensation for litigation and claims	239	2,081
Charges from accounting adjustments with customers	523	315
Charges for card compensation and guarantees	40	66
Costs associated with penalties	14	23
Other contingent liabilities and non-existent assets	311	778
Other operating expenses	16	16
Total	2,599	3,993

Item "Write-downs of other assets" refers for 550 thousand euros to the expected non-recovery of the stamp duty on financial instruments due to Tax Authorities, mostly in the minimum amount of 34.20 euros until 31 December 2013, with

reference to customers without a current account with the bank. The remaining part of this item refers to other amounts receivable included in item 150 of the Balance Sheet "Other assets".

13.2 Breakdown of other operating income

	31.12.2013	31.12.2012
Recovery of taxes from customers	27,618	16,533
Recovery of expenses from customers	467	548
Fees for outsourcing services	424	431
Charge-back of portfolio development indemnity to incoming advisors	979	810
Indemnities for advisors' notices	309	275
Other recoveries of repayments and costs from Financial Advisors	843	774
Contingent assets - staff expense	783	1,906
Other contingent assets and non-existent liabilities	482	711
Insurance compensation and indemnities	134	356
Other income	178	121
Total	32,217	22,465
Total other net income	29,618	18,472

Section 17 - Gains (losses) from disposal of investments - Item 240

17.1 Breakdown of gains (losses) from disposal of investments

INCOME COMPONENTS/VALUES	31.12.2013	31.12.2012
A. Buildings	-	-
- Gains from disposal	-	-
- Losses from disposal	-	-
B. Other assets	-4	-4
- Gains from disposal	-	-
- Losses from disposal	4	4
Net result	-4	-4

Section 18 - Income tax for the year for current operations - Item 260

18.1 Breakdown of income tax for the year for current operations

INCOME COMPONENTS/VALUES	31.12.2013	31.12.2012
1. Current taxation (-)	-36,922	-26,249
2. Change in prior years current taxes (+/-)	996	1,504
3. Reduction of current taxes for the year (+)	-	-
3.bis Reduction of current taxes arising on tax credits pursuant to Law No.214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	622	-2,296
5. Changes of deferred taxation (+/-)	351	-49
6. Taxes for the year (-)	-34,953	-27,090

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 and Loss Account and the theoretical IRES tax determined by applying the current applicable tax rate to the pre-tax profit.

In this regard, it should be noted that Legislative Decree No. 133/2013 introduced an IRES surtax for the banking and insu-

rance sectors of 8.5%. The current applicable tax rate for 2013 is equal to 36%.

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.

	31.12.2013	31.12.2012
Current taxation	-36,922	-26,472
IRES	-21,955	-18,334
- IRES surtax 8.5%	-6,482	-
IRAP	-8,485	-8,120
Other	-	-18
Prepaid and deferred taxation	973	-2,122
IRES	885	-1,391
IRAP	88	-731
Taxes of prior years	996	1,504
IRES	916	1,504
IRAP	80	-
Income taxes	-34,953	-27,090
Theoretical tax rate	36.0%	27.5%
Profit (loss) before taxation	129,941	145,368
Theoretical taxation	-46,779	-39,976
Non-taxable income (+)		
Dividends	20,309	22,675
ACE	762	475
Deductible IRAP and other	1,436	457
Non-deductible charges (-)		
Non-deductible interest expenses (4%)	-327	-505
Impairment of equity securities PEX	-467	-279
Other non-deductible costs	-2,471	-1,873
IRAP	-8,317	-8,851
Taxes of prior years	916	1,504
Other (foreign) taxes	-2	-18
Change in deferred taxes without offsetting entry	-13	-699
Actual tax expense	-34,953	-27,090
Total actual tax rate	26.9%	18.6%
Actual tax rate (IRES only)	20.5%	12.5%
Actual tax rate (IRAP only)	6.4%	6.1%

The higher impact of the IRAP deduction on the cost of labour is more closely related to the shift of advance payments and balance payments of the various years, than to the increase in current taxes for the year. The IRAP deduction from the cost of labour and the lump-sum IRAP amount calculated on interest expense (10%) is recognised as cash in proportion to the balan-

ce of the tax paid in the previous year and advance payments made for the current year. In this regard, it should be noted that Legislative Decree No. 133/2013 also increased advance IRAP payable for 2013 by 130%, allowing the deduction for IRES purposes of the entire regional tax on the cost of labour accrued in the year.

Section 19 - Income (loss) of disposal groups, net of taxes - Item 280

19.1 Income (loss) of groups of available-for-sale assets, net of taxes

INCOME COMPONENTS/VALUES	31.12.2013	31.12.2012
1. Income	-	1,659
2. Charges	-	-980
3. Measurement of groups of assets available for sale and associated liabilities	-171	-
4. Gains (losses) on disposal	-	-
5. Taxes and duties	47	-228
Net profit (Loss)	-124	451

Net losses refer to valuation of the investment in BG DRAGON SICAV, a new Luxembourg UCITS promoted by the subsidiary GFM SA and launched in the second-half of 2013. It is authorised to invest directly in the Chinese equity market. In order to back its start-up phase, Banca Generali subscribed for 80,810 class-A shares of this SICAV, therefore acquiring 94% of the company's and a share just under 10% of its capital. Considering that, on 16 October 2013, the BoD of the Bank resolved to proceed with the sale of the majority of the shares, the investment qualifies as an

asset purchased solely with the intention of subsequent resale in the short term pursuant to IFRS 5.

The result of the valuation refers to the adjustment to the lower of book value and realisable value of the investment. 2012 result refers to the business unit of the subsidiary BG SGR, consisting of Italian managed mutual funds (BG Focus Funds), whose sale to Generali Investment Europe SGR was completed on 1 April 2012.

Section 21 - Earnings per Share

21.1 Average number of ordinary shares after dilution

	31.12.2013	31.12.2012
Net profit for the period (€ thousand)	94,864	118,729
Net profit attributable to ordinary shares (€ thousand)	94,864	118,729
Average number of outstanding shares (thousand)	114,124	111,973
EPS - Earnings per Share (€)	0.831	1.060
Average number of outstanding shares diluted capital (thousand)	115,648	115,065
EPS - Diluted earnings per share (€)	0.820	1.032

PART D - COMPREHENSIVE INCOME

Analytical statement of comprehensive income

ITEMS	GROSS AMOUNT	INCOME TAXES	NET AMOUNT
10. Net profit (loss) for the year	X	X	94,864
Other components of income without reversal to profit and loss			
20. Property and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	-291	80	-211
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserves of investments valued at equity	-	-	-
Other components of income with reversal to profit and loss			
70. Hedges of foreign investments:	-	-	-
a) Fair value changes	-	-	-
b) Transfer to Profit and Loss Account	-	-	-
c) Other changes	-	-	-
80. Exchange differences:	-	-	-
a) Fair value changes	-	-	-
b) Transfer to Profit and Loss Account	-	-	-
c) Other changes	-	-	-
90. Cash-flow hedges:	-	-	-
a) Fair value changes	-	-	-
b) Transfer to Profit and Loss Account	-	-	-
c) Other changes	-	-	-
100. AFS financial assets:	25,110	-7,952	17,158
a) Fair value changes	25,099	-7,996	17,103
b) Transfer to Profit and Loss Account	11	46	57
- adjustments due to impairment	276	-13	263
- gains (losses) on disposal	-265	59	-206
c) Other changes	-	-2	-2
110. Non-current assets held for sale:	-	-	-
a) Fair value changes	-	-	-
b) Transfer to Profit and Loss Account	-	-	-
c) Other changes	-	-	-
120. Share of valuation reserves of investments valued at equity:	-	-	-
a) Fair value changes	-	-	-
b) Transfer to Profit and Loss Account	-	-	-
- adjustments due to impairment	-	-	-
- gains (losses) on disposal	-	-	-
c) Other changes	-	-	-
130. Total other income	24,819	-7,872	16,947
140. Comprehensive income (Item 10 + 130)	-	-	111,811

PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES

Foreword

The development of a genuine risk culture within Banca Generali is based upon an understanding of the risks that the Bank assumes and how they are managed, while always taking full account of the risk tolerance threshold defined in the Bank's Risk Appetite Framework.

In this context, the internal control system plays a key role in the risk management process, as well as in the Bank's corporate governance generally.

The internal control system is a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies, while also seeking to achieve:

- the efficiency and effectiveness of work processes;
- the safety of the company's assets and protection against losses;
- the reliability and integrity of accounting and operating information;
- operational compliance with the law and supervisory regulations;
- policies, plans, regulations and internal procedures; and
- the dissemination of a culture of control involving training initiatives for the various levels.

The Banca Generali Banking Group has designed an internal control model consistent with best practices at the national and international levels, minimising the risks of inefficiency, overlapping of roles and sub-optimal system performance. The system is structured on three different levels:

- first-tier checks: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;
- second-tier checks: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
 - the Risk Management Service is tasked with identifying, measuring/evaluating and monitoring all the types of risks (excluding the risk of non-compliance) to which the Banking Group is exposed in terms of its own assets, as well as providing relevant information and actively contributing to risk management with a view to maintaining risk levels within the limits indicated in

the exposure profile and strategies established by the Board of Directors;

- the Compliance Service is tasked with verifying the observance of obligations relating to the provision of services for Banking Group companies and preventing and managing the risk of non-compliance with applicable legislation;
- the Anti Money Laundering service is responsible within the Banking Group for preventing and combating transactions involving money laundering and financing of terrorism;
- third-tier checks: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

The proper functioning of the risk governance system adopted by the Banca Generali Group is ensured by consistency from the standpoint of organisational structure, competencies and a guarantee of the independence of functions.

Within the internal control system, it is possible to identify the second tier as the home to an internal risk management culture that then effectively translates into company behaviour and choices.

It should be noted that, in May 2013, in order to guarantee:

- the establishment of a single, integrated organisation responsible for the control of all company risks, in view of operating efficiency;
- adequate hierarchical positioning of the heads of risk control and legal compliance functions, reporting directly to the management body or the strategic supervision body;

the following were established:

- Governance and Company Risk Area, which directly reports to the Chief Executive Officer;
- the Company Risk Department (within the above-mentioned Area), which is responsible for coordinating activities associated with compliance assessment, anti-money laundering and risk management functions.

The following entities operate within the Internal Control System, in addition to the tasks assigned to the Board of

Directors, Chief Executive Officer, control body and independent auditors (who are responsible for accounting control):

- the Audit and Risk Committee, which was set up pursuant to the Corporate Governance Code of Listed Companies and supervisory regulations, and is tasked with performing a supporting role, with investigative, propositional and advisory duties in relation to the Board of Directors and the Board of Statutory Auditors, in particular on matters of internal controls and risk management, related parties and connected parties, statutory auditing and equity investments. The tasks and functions of the Committee, as well as the frequency of its meetings and the operating procedures to be followed to ensure that its duties are smoothly and properly performed,

shall be regulated pursuant to specific Internal Audit and Risk Committee Rules;

- the Audit and Risk Committee, which is vested with specific responsibility for monitoring the Group's risks, managing risk containment measures, as well as decision-making powers for identifying and implementing risk containment measures;
- the Supervisory Body, which is the corporate body in charge of updating the Organisational and Management Model and monitoring the implementation of and compliance with the said Model;
- the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005.

Section 1 - Credit risk

Qualitative information

1. General aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.

In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali Group's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.

The bank's exposure to credit risk mainly arises from its 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).

Loans are issued to high-standing retail customers (mainly individuals), generally with collaterals, and, to a lesser extent, to corporate customers to whom loans, almost totally backed by collateral on financial instrument, were issued during 2013. At any rate, the ratio of loans to customers to total loans remains relatively low.

As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at individuals.

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.

First-tier control activities are conducted by the Lending Department and the Finance Department, the latter being responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.

The Risk Management Service is responsible for second-tier controls and 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 Service and established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

2. Credit Risk Management Policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and 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 IASs/IFRSs, Banca Generali applied what has been developed in the Basel 2 framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are 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.

Collaterals can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collaterals are in the form of securities, a discount is usually applied upon disbursement of the loan and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI S.A. for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008, which concerns a residual class of out-of-pocket loans (not classified as bad loans yet) for an amount of approximately 21 million euros.

This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity 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 S.A.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

Non-performing financial assets

Non-performing financial assets are classified into default categories in accordance with the instructions issued by the regulatory authority. In relation to the regulations issued by the Bank of Italy in Circular Letter No. 263 (New Regulatory Provisions - 15th update of 2 July 2013) and Circular Letter No. 272 (Matrix of Accounts - 5th update of 16 July 2013) and the recent EBA European Banking Authority document of 21 October 2013 on forbearance (effectively expanding the concept of restructured loan), the Bank has launched various initiatives to adjust the reporting categories of problem loans, including the drafting of guidelines for the classification and measurement of non-performing loans, a process which is still in progress.

At present there are:

- bad loans;
- substandard and objective substandard loans;
- restructured loans;
- non-performing, expired exposures.

The problem loans category includes a significant set of positions originating with Banca del Gottardo Italia and guaranteed by indemnities, which, as illustrated above, entail an absence of risks for the Bank. The set of positions guaranteed by indemnities accounts for 76% of total non-performing financial assets. If this category is excluded, the amount of loans classified as non-performing, net of impairment losses, accounts for an absolutely marginal percentage of total loans to customers (approximately 0.73%).

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 costumers and are guaranteed by the framework indemnity issued by the seller BSI S.A. Such positions are not effectively a credit risk for the Bank, therefore no adjustments were made.

Quantitative Information

A. Credit quality

A.1 Exposure to non-performing and performing loans: balances, adjustments, performance, income and geographical breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITSs.

A.1.1 Breakdown of credit exposures by portfolio and credit quality (balance sheet amounts)

PORTFOLIOS/QUALITY	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	NON PERFORMING, EXPIRED LOANS	PERFORMING, EXPIRED LOANS	OTHER ASSETS	TOTAL
1. HFT financial assets	40	-	-	-	-	217,780	217,820
2. AFS financial assets	-	-	-	-	-	1,601,047	1,601,047
3. HTM financial assets	-	-	-	-	-	2,652,686	2,652,686
4. Loans to banks	-	-	-	-	-	279,539	279,539
5. Loans to customers	19,409	15,221	981	8,743	40,154	1,376,590	1,461,098
6. Financial assets at fair value	-	-	-	-	-	-	-
7. HFS financial assets	-	-	-	-	-	7,957	7,957
8. Hedging derivatives	-	-	-	-	-	-	-
Total at 31.12.2013	19,449	15,221	981	8,743	40,154	6,135,599	6,220,147
Total at 31.12.2012	23,439	2,087	960	886	-	6,999,339	7,026,711

The following considerations are provided on this subject:

- **Bad loans.** The net exposure decreased by approximately 4 million euros, chiefly due to a collection relating to a former Banca del Gottardo Italia position guaranteed by an indemnity and thus without an impact on the Bank. Only 5% of the item consists of bad loans to ordinary customers, whereas the remainder refers to exposures attributable to customers of the former Banca del Gottardo Italia, guaranteed by indemnities and thus without an impact on the Bank;
- **Substandard loans.** The net exposure increased by approximately 13 million euros due to:
 - a. the reclassification as substandard of the Investimenti Marittimi S.p.A. position, as discussed in the Report on Operations and in the section on related party transactions; at this juncture, it will be appropriate to recall that the position refers to an approximately 18% share of a pool loan with a gross exposure for the Bank of 10 million euros; in relation to the overall request for the restructuring of the line of credit put forward by the borrower, the position was classified as substandard with a specific impairment loss of 25%, whereas the remainder is covered by the value of the listed company's pledged shares;
 - b. the presence of objective substandard positions attributable to customers of the former Banca del Gottardo Italia guaranteed by indemnities and as such without an impact on the Bank;
- **Restructured loans.** These are positions attributable to the former Banca del Gottardo Italia guaranteed by indemnities;
- **Non-performing, expired exposures.** More than 92% are positions attributable to the former Banca del Gottardo Italia guaranteed by indemnities, whereas an additional 6% are positions with collateral or attributable to customers with deposited assets in excess of the expired exposure;
- **Performing, expired exposures.** In almost all cases, these are positions guaranteed by pledges of securities found to be expired on the reporting date and promptly paid in the following days. The category is not associated with any systematic critical issues.

A.1.2 Breakdown of loans by portfolio and credit quality (gross and net amounts)

PORTFOLIOS/QUALITY	NON-PERFORMING LOANS			PERFORMING LOANS			TOTAL
	GROSS EXPOSURE	SPECIAL ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	SPECIAL ADJUSTMENTS	NET EXPOSURE	
1. HFT financial assets	1,983	1,943	40	X	X	217,780	217,820
2. AFS financial assets	-	-	-	1,601,047	-	1,601,047	1,601,047
3. HTM financial assets	-	-	-	2,652,841	155	2,652,686	2,652,686
4. Loans to banks	-	-	-	282,489	2,950	279,539	279,539
5. Loans to customers	61,083	16,729	44,354	1,419,081	2,337	1,416,744	1,461,098
6. Financial assets at fair value	-	-	-	X	X	-	-
7. HFS financial assets	-	-	-	7,957	-	7,957	7,957
8. Hedging derivatives	-	-	-	X	X	-	-
Total at 31.12.2013	63,066	18,672	44,394	5,963,415	5,442	6,175,753	6,220,147
Total at 31.12.2012	43,075	15,703	27,372	6,797,363	5,169	6,999,339	7,026,711

A.1.2.1 Breakdown of credit exposures renegotiated under collective agreements and other performing exposures by portfolio

PORTFOLIOS/MATURITY EXPIRED	OTHER LOANS					TOTAL
	EXPIRED FOR UP TO 3 MONTHS	EXPIRED FOR OVER 3 MONTHS, UP TO 6 MONTHS	EXPIRED FOR OVER 6 MONTHS, UP TO 1 YEAR	EXPIRED FOR OVER 1 YEAR	NOT EXPIRED	
1. HFT financial assets	-	-	-	-	217,780	217,780
2. AFS financial assets	-	-	-	-	1,601,047	1,601,047
3. HTM financial assets	-	-	-	-	2,652,686	2,652,686
4. Loans to banks	-	-	-	-	279,539	279,539
5. Loans to customers	37,735	858	1,323	239	1,376,589	1,416,744
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	7,957	7,957
8. Hedging derivatives	-	-	-	-	-	-
Total at 31.12.2013	37,735	858	1,323	239	6,135,598	6,175,753
Total at 31.12.2012	20,104	266	1,395	4,823	6,972,751	6,999,339

Banca Generali's loan portfolio does not include exposures renegotiated under collective agreements such as the Italian Banking Association-Ministry for the Economy and Finances agreement (ABI-MEF agreement). Other past-due perfor-

ming exposures include also positions past due or expired by more than 90 days, for which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted.

A.1.3 Cash and off-balance sheet loans with banks: gross and net amounts

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Cash exposure				
a) Bad loans	1,983	1,943	-	40
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Non performing, expired loans	-	-	-	-
e) Other assets	419,543	X	3,092	416,451
Total A	421,526	1,943	3,092	416,491
B. Off-balance sheet exposure				
a) Non-performing loans	-	-	-	-
b) Other	7,829	X	-	7,829
Total B	7,829	-	-	7,829
Total A + B	429,355	1,943	3,092	424,320

Cash exposures to banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: HFT, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions

other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.4 Cash exposure with banks: changes in gross non-performing loans

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Gross exposure at year-start	1,983	-	-	-
- of which: position transferred but non written off	-	-	-	-
B. Increases	-	-	-	-
B.1 Inflows from performing loans	-	-	-	-
B.2 Transfer from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	-	-	-	-
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	-	-	-	-
C.3 Repayments	-	-	-	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	-	-	-
C.6 Other decreases	-	-	-	-
D. Gross exposure at year-end	1,983	-	-	-
- of which: position transferred but non written off	-	-	-	-

A.1.5 Cash exposure with banks: changes in total adjustments

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Total adjustments at year-start	1,943	-	-	-
- of which: position transferred but non written off	-	-	-	-
B. Increases	-	-	-	-
B.1 Adjustments	-	-	-	-
B.1bis Losses from disposal	-	-	-	-
B.2 Transfers from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	-	-	-	-
C.1 Reversal of adjustments	-	-	-	-
C.2 Reversal of collections	-	-	-	-
C.2bis Gains from disposal	-	-	-	-
C.3 Write-offs	-	-	-	-
C.4 Transfer to other categories of non-performing loans	-	-	-	-
C.5 Other decreases	-	-	-	-
D. Total adjustments at year-end	1,943	-	-	-
- of which position transferred but non written off	-	-	-	-

A.1.6 Cash and off-balance sheet exposure with customers: gross and net amounts

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Cash exposure				
a) Bad loans	32,714	13,305	-	19,409
b) Substandard loans	18,579	3,358	-	15,221
c) Restructured loans	981	-	-	981
d) Non performing, expired loans	8,809	66	-	8,743
e) Other assets	5,752,644	-	2,350	5,750,294
Total A	5,813,727	16,729	2,350	5,794,648
B. Off-balance sheet exposure				
a) Non-performing loans	3,090	-	-	3,090
b) Other	83,743	-	-	83,743
Total B	86,833	-	-	86,833

Cash exposures to customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: HFT, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, gua-

rantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

Non-performing exposures in the bad loan category also include debt securities acquired following agreements for bad loans re-

structuring. Moreover, non-performing exposures include operating receivables not arising from credit transactions, chiefly associated with dispute and pre-dispute positions involving terminated and other former Financial Advisors.

OPERATING RECEIVABLES ASSOCIATED WITH DISPUTE	GROSS	WRITE-DOWNS	NET
FAs associated with dispute, ex SIM	14	-14	-
FAs associated with dispute	2,602	-1,647	955
Advances to FAs	102	-102	-
INA agents	813	-813	-
Write-downs of receivables to FAs	3,531	-2,576	955
Write-downs of operating loans	236	-219	17
Write-downs of other receivables	274	-208	66
Write-downs of operating receivables	510	-427	83
Total write-downs	4,041	-3,003	1,038

A.1.7 Cash exposure with customers: changes in gross non-performing loans

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Gross exposure at year-start	36,340	2,815	960	977
- of which: position transferred but non written off	-	-	-	-
B. Increases	4,192	18,294	21	9,901
B.1 Inflows from performing loans	54	17,904	-	9,849
B.2 Transfers from other categories of non-performing loans	43	183	-	30
B.3 Other increases	4,095	207	21	22
- of which: business combinations	-	-	-	-
C. Decreases	7,818	2,530	-	2,069
C.1 Outflows to performing loans	-	7	-	573
C.2 Write-offs	128	-	-	-
C.3 Repayments	7,690	2,450	-	1,313
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	73	-	183
C.6 Other decreases	-	-	-	-
D. Gross exposure at year-end	32,714	18,579	981	8,809
- of which: position transferred but non written off	-	-	-	-

A.1.8 Cash exposure with customers: changes in total adjustments

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Total adjustments at year-start	12,941	728	-	91
- of which: position transferred but non written off	-	-	-	-
B. Increases	498	2,700	-	4
B.1 Adjustments	463	2,687	-	-
B.1bis Losses from disposal	-	-	-	-
B.2 Transfers from other categories of non-performing loans	35	13	-	4
B.3 Other increases	-	-	-	-
- of which: business combinations	-	-	-	-
C. Decreases	134	70	-	29
C.1 Reversal of adjustments	6	8	-	16
C.2 Reversal of collections	-	17	-	-
C.2bis Gains from disposal	-	-	-	-
C.3 Write-offs	128	-	-	-
C.4 Transfer to other categories of non-performing loans	-	39	-	13
C.5 Other decreases	-	6	-	-
D. Total adjustments at year-end	13,305	3,358	-	66
- of which: position transferred but non written off	-	-	-	-

A.2 Classification based on internal and external ratings

Banca Generali does not yet have an internal rating system for evaluating its customers' credit standing.
The bank therefore uses ratings published by the main rating

companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Cash and off-balance sheet exposures, broken down by external rating classes

RESTRUCTURED	EXTERNAL RATING CLASSES						WITHOUT RATING	TOTAL
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-		
HFT financial assets	-	84	200,069	-	5	-	16,611	216,769
AFS financial assets	-	7,134	1,564,789	8,827	20,297	-	-	1,601,047
HTM financial assets	19,810	19,508	2,603,543	9,825	-	-	-	2,652,686
Loans to customers	-	9,954	-	-	25,303	-	1,425,841	1,461,098
Loans to banks	2,956	8,971	45,420	63,919	3,898	-	154,375	279,539
A. Cash exposure	22,766	45,651	4,413,821	82,571	49,503	-	1,596,827	6,211,139
Financial derivatives	-	-	-	-	-	-	1,051	1,051
Credit derivatives	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	1,051	1,051
C. Guarantees issued	-	-	-	-	-	-	83,990	83,990
D. Commitment to dispense funds	-	-	-	-	-	-	9,621	9,621
E. Other	-	-	-	-	-	-	-	-
Total	22,766	45,651	4,413,821	82,571	49,503	-	1,691,489	6,305,801

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.2 Guaranteed exposure with customers

	LOAN AMOUNT	COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES(2) - SURETIES					TOTAL (1) + (2)
		BUILDINGS	SECURITIES	OTHER ASSETS	TOTAL	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	OTHER ISSUERS	TOTAL	
1. Guaranteed cash exposure:	1,271,199	417,795	802,228	505,527	1,725,551	-	-	842	30,888	31,730	1,757,280
1.1 Totally guaranteed	1,209,594	417,285	768,235	497,332	1,682,852	-	-	842	30,779	31,621	1,714,473
- of which: non-performing	29,260	37,353	9,574	50	46,977	-	-	-	4,360	4,360	51,337
1.2 Partially guaranteed	61,605	510	33,993	8,196	42,699	-	-	-	108	108	42,807
- of which: non-performing	7,644	-	4,394	-	4,394	-	-	-	15	15	4,409
2. Guaranteed off-balance sheet exposures:	75,802	460	75,477	13,913	89,851	-	-	-	1,274	1,274	91,125
2.1 Totally guaranteed	63,090	460	74,752	7,863	83,075	-	-	-	1,216	1,216	84,291
- of which: non-performing	930	-	840	33	873	-	-	-	68	68	942
2.2 Partially guaranteed	12,712	-	726	6,050	6,776	-	-	-	59	59	6,834
- of which: non-performing	2,000	-	203	-	203	-	-	-	-	-	203

B. Breakdown and Concentration of Loans

B.1 Sector breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
A. Cash exposure			
1. Government and Central Banks	4,287,325	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	4,287,325	-	-
2. Other public institutions	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	-	-	-
3. Financial companies	122,406	139	265
a. Bad loans	-	33	-
b. Substandard loans	115	103	-
c. Restructured loans	-	-	-
d. Expired loans	17	3	-
e. Other loans	122,274	-	265
4. Insurance companies	30,603	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	30,603	-	-
5. Non-financial companies	433,589	14,209	2,085
a. Bad loans	13,716	11,632	-
b. Substandard loans	13,098	2,569	-
c. Restructured loans	981	-	-
d. Expired loans	8,109	8	-
e. Other loans	397,685	-	2,085
6. Other entities	920,725	2,381	-
a. Bad loans	5,693	1,640	-
b. Substandard loans	2,008	686	-
c. Restructured loans	-	-	-
d. Expired loans	617	55	-
e. Other loans	912,407	-	-
Total A - cash exposure	5,794,648	16,729	2,350

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
B. Off-balance sheet exposure			
1. Government and Central Banks	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
2. Other public institutions	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
3. Financial companies	305	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	305	-	-
4. Insurance companies	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
5. Non-financial companies	67,192	-	-
a. Bad loans	68	-	-
b. Substandard loans	160	-	-
c. Other non-performing loans	2,862	-	-
d. Other loans	64,102	-	-
6. Other entities	19,336	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	19,336	-	-
Total A - off-balance sheet exposure	86,833	-	-

Summary

	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
Governments and Central Banks	4,287,325	-	-
Public institutions	-	-	-
Financial companies	122,711	139	265
Insurance companies	30,603	-	-
Non-financial companies	500,781	14,209	2,085
Other entities	940,061	2,381	-
Overall total (A + B) at 31.12.2013	5,881,481	16,729	2,350

B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A. Cash exposure										
A.1 Bad loans	19,409	12,762	-	543	-	-	-	-	-	-
A.2 Substandard loans	15,219	3,357	2	1	-	-	-	-	-	-
A.3 Restructured loans	981	-	-	-	-	-	-	-	-	-
A.4 Expired loans	8,743	66	-	-	-	-	-	-	-	-
A.5 Other exposure	5,689,318	2,350	54,879	-	6,093	-	-	-	4	-
Total A	5,733,670	18,535	54,881	544	6,093	-	-	-	4	-
B. Off-balance sheet exposure										
B.1 Bad loans	68	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	160	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	2,862	-	-	-	-	-	-	-	-	-
B.4 Other exposure	83,702	-	41	-	-	-	-	-	-	-
Total B	86,792	-	41	-	-	-	-	-	-	-
Total 31.12.2013	5,820,462	18,535	54,922	544	6,093	-	-	-	4	-
Total 31.12.2012	5,912,097	16,097	73,429	658	20,429	17	-	-	-	-

B.3 Geographical breakdown of cash and off-balance sheet credit exposure to banks (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A. Cash exposure										
A.1 Bad loans	-	-	40	1,943	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	372,094	3,082	43,178	10	1,179	-	-	-	-	-
Total A	372,094	3,082	43,218	1,953	1,179	-	-	-	-	-
B. Off-balance sheet exposure										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	7,462	-	367	-	-	-	-	-	-	-
Total B	7,462	-	367	-	-	-	-	-	-	-
Total 31.12.2013	379,556	3,082	43,585	1,953	1,179	-	-	-	-	-
Total 31.12.2012	974,472	2,046	82,942	2,054	117	-	-	-	-	-

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.

BIG RISKS	31.12.2013	31.12.2012
a) Carrying amount	5,962,655	6,613,610
b) Weighted amount	336,018	569,461
c) Number	18	20

C. Securitisation and Disposal of Assets

C.1 Securitisation

The securitisation portfolio contains only Quarzo CL1 securities, with underlying residential and commercial mortgages (RMBS/CMBS).

C.1.1 Breakdown of exposure resulting from securitisation by quality of underlying assets

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE						TOTAL NET EXPOSURE
	SENIOR		MEZZANINE		JUNIOR		
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	
A. With own underlying assets	-	-	-	-	-	-	-
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-
B. With third-party underlying assets	14,850	14,850	-	-	-	-	14,850
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	14,850	14,850	-	-	-	-	14,850

C.1.3 Breakdown of exposure resulting from the third-party main securitisation by type of securitised assets and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	BOOK VALUE	ADJUSTMENTS OF REVERSALS	BOOK VALUE	ADJUSTMENTS OF REVERSALS	BOOK VALUE	ADJUSTMENTS OF REVERSALS
A. Cash exposure						
A.1 QUARZO CL1 FRN 31.12.2019 ABS Trading portfolio ISIN IT0004284706 underlying Rmbs/Cmbs	14,850	-	-	-	-	-
B. Guarantees issued	-	-	-	-	-	-
C. Lines of credit	-	-	-	-	-	-

C.1.4 Breakdown of exposure arising on securitisations by portfolio and type

EXPOSURE/PORTFOLIO	TYPE OF FINANCIAL-ASSET PORTFOLIO					31.12.2013	31.12.2012
	HFT FINANCIAL TRADING	FINANCIAL ASSETS AT FAIR VALUE	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS		
1. Cash exposure	14,850	-	-	-	-	14,850	51,084
Senior	14,850	-	-	-	-	14,850	50,912
Mezzanine	-	-	-	-	-	-	172
Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposure	-	-	-	-	-	-	-
Senior	-	-	-	-	-	-	-
Mezzanine	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-

C.2 Transfer operations

C.2.1 Transferred financial assets not written off

TECHNICAL TYPE/PORTFOLIO	HFT FINANCIAL ASSETS			AFS FINANCIAL ASSETS			HTM FINANCIAL ASSETS			LOANS TO BANKS			LOANS TO CUSTOMERS			TOTAL
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Cash assets	-	-	-	132,696	-	-	1,047,243	-	-	-	-	-	-	-	-	1,179,939
1. Debt securities	-	-	-	132,696	-	-	1,047,243	-	-	-	-	-	-	-	-	1,179,939
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2013	-	-	-	132,696	-	-	1,047,243	-	-	-	-	-	-	-	-	1,179,939
Total 31.12.2012	-	-	-	75,044	-	-	880,114	-	-	-	-	-	-	-	-	955,158

A = transferred financial assets fully recognised (book value).
 B = transferred financial assets partially recognised (book value).
 C = transferred financial assets partially recognised (full value).

C.2.2 Financial liabilities for transferred assets not written off

LIABILITIES/ASSETS PORTFOLIO	HFT FINANCIAL ASSETS	FVO FINANCIAL ASSETS	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS TO BANKS	LOANS TO CUSTOMERS	TOTAL
1. Due to customers	-	-	34,057	51,697	-	-	85,754
a) for fully recognised assets	-	-	34,057	51,697	-	-	85,754
b) for partially recognised assets	-	-	-	-	-	-	-
2. Due to banks	-	-	98,547	992,825	-	-	1,091,372
a) for fully recognised assets	-	-	98,547	992,825	-	-	1,091,372
b) for partially recognised assets	-	-	-	-	-	-	-
Total 31.12.2013	-	-	132,604	1,044,522	-	-	1,177,126
Total 31.12.2012	-	-	74,276	880,504	-	-	954,780

Section 2 - Market risks

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

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

Second-tier checks are a responsibility of the Risk Management Service, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Service conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international banks, 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) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio. VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

2.1 Interest Rate and Price Risk - Regulatory Trading Book

Qualitative information

A. General aspects

The main activities of the banking group that increase its exposure to interest rate risk relating to its trading book include:

- management of the government bond book;
- management of the corporate bond securities;
- dealings in interest rate derivatives, all of which over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Financial Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);

- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate financial debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The securities portfolio is characterised by a limited remaining life.

The bank's investments in structured securities are negligible.

B. Management processes and interest rate risk measurement techniques

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio.

VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Average VaR 99% 1 day (€/000)	19,897	22,563	13,950	12,683

Quantitative information

1. Regulatory trading portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	-	115,060	99,885	884	924	3	10	-	216,766
1.1 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	115,060	99,885	884	924	3	10	-	216,766
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-	-
2.1 Repurchase agreement liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
3. Financial derivatives	-	122,377	12,886	158,615	51,126	-	124	-	345,128
3.1 With underlying securities	-	82,841	2,360	50,419	51,126	-	124	-	186,870
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other									
+ posizioni lunghe	-	41,420	1,180	52	50,993	-	62	-	93,707
+ posizioni corte	-	41,421	1,180	50,367	133	-	62	-	93,163
3.2 Without underlying securities	-	39,536	10,526	108,196	-	-	-	-	158,258
- Options									
+ long positions	-	130	-	-	-	-	-	-	130
+ short positions	-	130	-	-	-	-	-	-	130
- Other									
+ long positions	-	19,828	5,262	54,098	-	-	-	-	79,188
+ short positions	-	19,448	5,264	54,098	-	-	-	-	78,810

2. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

TYPE OF TRANSACTION/ INDEX	LISTED			NON-LISTED
	ITALY	FRANCE	OTHER	
A. Equity securities				
Long positions	2,003	-	419	1
Short positions	-	-	-	-
B. Equity security purchases/sales to be settled				
Long positions	-	-	-	-
Short positions	412	-	-	-
C. Other derivatives on capital securities				
Long positions	-	-	-	-
Short positions	-	-	-	1
D. Stock index derivatives				
Long positions	-	-	-	-
Short positions	-	-	-	-

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk** or **exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question or are due to factors that influence all similar financial instruments traded on the market.

Price risk arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc., and in relation to UCITS units held in the portfolio.

However, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of HFT financial assets.

3. Regulatory trading portfolio: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.

This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primarily risk factors, which for Banca Generali Group are interest-rate and price risk.

In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/- 100 basis points in the rate curve.

The next stage involves establishing the potential effects on the Profit and Loss Account, both in terms of the point change in the fair value of the portfolio under analysis on the reporting date, and the change in the net interest income for the current year.

In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point im-

pact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/ losses of +242/-242 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

By contrast, an interest rate movement of +100/-100 basis points would have had an overall effect on the fair value of the portfolio of government bonds held for trading of -0.4/+0.4 million euros, gross of the tax effect. The fair value component of government bonds carried in the HFT portfolio associated with such bonds would amount to -0.3/+0.3 thousand euros due to the hypothesised shift in the rate curve.

(€ THOUSAND)	HFT
FV equity delta (+10%)	242
FV equity delta (-10%)	-242
FV bonds delta (+1%)	-411
- of which: government bonds	-346
FV bonds delta (-1%)	411
- of which: government bonds	346
Interest margin delta (+1%)	2,017
Interest margin delta (-1%)	-2,017

2.2 Interest rate and price risk - Banking portfolio

Qualitative Information

A. General aspects, management processes and interest rate and price risk measurement techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, net equity.

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 measure-

ment, control and monitoring of the interest rate risk to which the banking portfolio is exposed.

The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the Bank's banking portfolio arises from:

- trading on the interbank deposits market;
- customer lending activities; and
- investment operations for the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the bank's objectives in terms of net interest income.

B. Fair value and cash flow hedging

The bank does not currently engage in fair value or cash flow hedging.

Quantitative information

1. Banking portfolio: broken down by time-to-maturity (according to repricing date) of financial assets and liabilities

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	1,342,166	794,347	563,117	895,293	2,028,228	366,709	4,510	-	5,994,370
1.1 Debt securities									
- with early repayment option	-	25,273	-	4,988	23,083	489	-	-	53,833
- other	836	577,384	556,185	886,202	2,001,428	363,821	-	-	4,385,856
1.2 Loans a Banks	80,890	73,485	-	-	-	-	-	-	154,375
1.3 Loans to customers	-	-	-	-	-	-	-	-	-
- current accounts	751,922	17	7	132	38	-	-	-	752,116
- other loans	508,518	118,188	6,925	3,971	3,679	2,399	4,510	-	648,190
- with early repayment option	418,305	114,247	259	542	3,458	2,316	4,510	-	543,637
- other	90,213	3,941	6,666	3,429	221	83	-	-	104,553
2. Cash liabilities	3,134,553	704,854	353,010	553,633	1,108,000	-	-	-	5,854,050
2.1 Due to customers									
- current accounts	3,019,040	322,894	105,103	-	-	-	-	-	3,447,037
- other payables	74,488	33,884	-	59,807	8,000	-	-	-	176,179
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	74,488	33,884	-	59,807	8,000	-	-	-	176,179
2.2 Due to banks									
- current accounts	398	-	-	-	-	-	-	-	398
- other payables	40,627	348,076	247,907	493,826	1,100,000	-	-	-	2,230,436
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-	-
3.1 With underlying securities									
- Options	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities									
- Options	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-

The price risk associated with the banking book is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).

In further detail, the only listed securities consist of the equity investments in the Parent Company Assicurazioni Generali, a limited package of Enel shares, and equity securities arising from the reclassification undertaken pursuant to the amendment to IAS 39.

The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

2. Banking portfolio: internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associated with equities

classified among AFS assets of +2.1/-2.1 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of -43.4/+43.4 million euros, gross of the tax effect.

The fair value delta component associated with the government bonds in the banking book would amount to -76.7/+76.7 million euros as a result of the hypothesised shift in the rate curve, or 84.5% of the fair value delta of the entire banking book.

A change of +100/-100 basis points in interest rates would have an effect of +22.9/-22.9 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 of all financial statement items. It resulted in a potential impact on the Profit and Loss Account of -0.5 million euros, gross of the tax effect in case of reduction of interest rates by 1%, and +0.5 million euros in case of increase by the same amount.

(€ THOUSAND)	HFT	AFS	HTM+L&R	LOANS (*)	TOTAL
FV equity delta (+10%)	242	2,114	-	-	2,356
FV equity delta (-10%)	-242	-2,114	-	-	-2,356
FV bonds delta (+1%)	-411	-43,402	-38,205	-9,180	-91,198
- of which: government bonds	-346	-41,333	-35,387	-	-77,067
FV bonds delta (-1%)	411	43,422	38,221	9,190	91,243
- of which: government bonds	346	41,333	35,387	-	77,067
Interest margin delta (+1%)	2,017	3,452	6,979	12,431	24,880
Interest margin delta (-1%)	-2,017	-3,452	-6,980	-12,431	-24,880

(*) Loans to banks/Loans to customers.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Interest margin delta (+1%)	24,880	-24,361	518
Interest margin delta (-1%)	-24,880	24,363	-517

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, exclusively 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	ICELAND KRONA		
A. Financial assets	19,984	276	2,219	2,990	1,087	1,516	28,072
A.1 Debt securities	-	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-	-
A.3 Loans to banks	19,983	-	2,051	2,990	1,087	1,516	27,627
A.4 Loans to customers	1	276	168	-	-	-	445
A.5 Other financial assets	-	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-	-
C. Financial liabilities	18,811	246	2,217	3,262	1,040	1,104	26,680
C.1 Due to banks	-	237	-	-	-	25	262
C.2 Due to customers	18,811	9	2,217	3,262	1,040	1,079	26,418
C.3 Debt securities	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-	-
E. Financial derivatives	41	-	-6	-55	-	-227	-247
Options	130	-	-	-	-	-	130
- long positions	130	-	-	-	-	-	130
- short positions	-	-	-	-	-	-	-
Other	-89	-	-6	-55	-	-227	-377
- long positions	24,347	-	3,793	127	-	543	28,810
- short positions	24,436	-	3,799	182	-	770	29,187
Total assets	44,461	276	6,012	3,117	1,087	2,059	57,012
Total liabilities	43,247	246	6,016	3,444	1,040	1,874	55,867
Excess	1,214	30	-4	-327	47	185	1,145

2.4 Derivative Instruments

A. Financial Derivatives

A.1. Regulatory and trading portfolio: notional amounts at year-end and average amounts

TYPES OF DERIVATIVES/UNDERLYING ASSETS	31.12.2013		31.12.2012	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
1. Debt securities and interest rates	50,000	-	20,000	-
a) Options	-	-	-	-
b) Swaps	-	-	20,000	-
c) Forwards	50,000	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	46,774	-	27,253	-
a) Options	2,000	-	-	-
b) Swaps	-	-	-	-
c) Forwards	44,774	-	27,253	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	96,774	-	47,253	-

A.3 Breakdown of financial derivatives with positive gross fair value by products

PORTFOLIO/TYPE OF DERIVATIVES	POSITIVE FV 2013		POSITIVE FV 2012	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	1,051	-	397	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	1,051	-	397	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging portfolio	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	1,051	-	397	-

A.4 Breakdown of financial derivatives with negative gross fair value by products

PORTFOLIO/TYPE OF DERIVATIVES	NEGATIVE FV 2013		NEGATIVE FV 2012	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	597	-	1,448	-
a) Options	1	-	-	-
b) Interest rate swap	-	-	1,064	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	596	-	384	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging portfolio	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	597	-	1,448	-

A.5 OTC financial derivatives - Regulatory Trading Book: notional values, positive and negative gross fair value by counterparties - contracts other than compensation agreements

CONTRACT OTHER THAN OFFSETTING ARRANGEMENTS	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON- FINANCIAL COMPANIES	OTHER ENTITIES
1) Debt securities and interest rates							
Notional value	-	-	50,000	-	-	-	-
Positive fair value	-	-	443	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
2) Equity securities and equity indices							
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
Notional value	-	-	24,851	-	-	-	21,923
Positive fair value	-	-	210	-	-	-	398
Negative fair value	-	-	434	-	-	-	163
Future exposure	-	-	248	-	-	-	209
4) Other values							
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-

A.9 Time-to-maturity of OTC financial derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading portfolio	96,774	-	-	96,774
A.1 Financial derivatives on debt securities and interest rates	50,000	-	-	50,000
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	46,774	-	-	46,774
A.4 Financial derivatives on other valuables	-	-	-	-
B. Banking portfolio	-	-	-	-
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equity securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other valuables	-	-	-	-
Total 31.12.2013	96,774	-	-	96,774
Total 31.12.2012	27,253	20,000	-	47,253

Section 3 - Liquidity Risk

Exposure to liquidity risk derives from funding and lending transactions in the course of the Bank's normal business, as well as from the presence of 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 raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.

The Group has established a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of liquidity risk.

The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing, and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements). The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows. Market risks are maintained within appropriate short-term and structural operating limits (over one year), which are monitored by the Risk Management Service. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The indicators contemplated in the risk management framework included the Basel 3 liquidity ratios (Liquidity Coverage Ratio - LCR e Net Stable Funding Ratio - NSFR).

The Internal Audit Service is responsible for third-tier controls on investment and fund-raising transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international financials, corporate issuers, with high credit ratings.

Moreover, the securities portfolio is characterised by a limited remaining average life.

The Bank uses a maturity ladder to apply the guidelines set out in the new Prudential Supervisory provisions governing the measurement of net financial position.

The maturity ladder permits an assessment of the balance of expected cash flows by comparing the assets and liabilities whose maturities fall within each individual time range. The maturity ladder enables 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, "new prudential supervisory provisions concerning Banks", of 27 December 2010 and following amendments.

1. Breakdown of financial assets and liabilities by remaining contractual maturity

ITEM/ TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	INDEF. MATURITY	TOTAL
Cash assets											
A.1 Government securities	486	-	149,964	50,011	159,771	392,865	895,427	2,309,836	325,058	-	4,283,418
A.2 Other debt securities	846	-	220	16,581	30,839	44,770	23,673	215,555	49,335	40	381,859
A.3 UCITS units	13,198	-	-	-	-	-	-	-	-	-	13,198
A.4 Loans	-	-	-	-	-	-	-	-	-	-	-
- to banks	80,890	13,886	-	-	-	-	-	-	-	59,599	154,375
- to customers	822,018	117	3,996	91	15,818	40,961	84,172	248,084	193,398	-	1,408,655
Total	917,438	14,003	154,180	66,683	206,428	478,596	1,003,272	2,773,475	567,791	59,639	6,241,505
Cash liabilities											
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-	-
- from banks	18,242	-	-	-	187	-	-	1,100,000	-	-	1,118,429
- from customers	3,014,848	5,064	3,729	314,319	55	105,461	3,814	-	-	-	3,447,290
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	139,323	55,268	118,360	3,276	204,868	247,907	553,632	8,000	-	-	1,330,634
Total	3,172,413	60,332	122,089	317,595	205,110	353,368	557,446	1,108,000	-	-	5,896,353
Off-balance sheet transactions											
C.2 Financial derivatives with capital swap	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	8,248	30,218	14,004	8,919	6,445	4,151	50,130	60	-	122,175
- short positions	-	47,855	218	4,008	8,919	6,448	54,466	130	60	-	122,104
C.2 Financial derivatives without capital swap	-	-	-	-	-	-	-	-	-	-	-
- long positions	443	-	-	-	-	-	-	-	-	-	443
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitment to dispense funds	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	384	157	2	-	543
- short positions	543	-	-	-	-	-	-	-	-	-	543
C.5 Financial guarantees issued	-	-	-	-	-	-	-	160	-	-	160
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
Total	986	56,103	30,436	18,012	17,838	12,893	59,001	50,577	122	-	245,968

2. Details regarding pledged assets recognised in the balance sheet

Assets pledged recognised in the balance sheet consist almost entirely of debt securities, pledged as collateral for LTROs and repurchase agreements.

ITEMS/TECHNICAL TYPES	PLEGDED		NOT PLEDGED		31.12.2013	31.12.2012
	VB	FV	VB	FV		
1. Cash and deposits	-	X	9,610	X	9,610	-
2. Debt securities	2,886,918	2,915,316	1,769,540	1,784,680	4,656,458	-
3. Equity securities	-	-	23,559	23,559	23,559	-
4. Loans	2,565	X	1,552,117	X	1,554,682	-
5. Other financial assets	-	X	14,250	X	14,250	-
6. Non-financial assets	-	X	230,071	X	230,071	-
Total (T)	2,889,483	2,915,316	3,599,147	1,808,239	6,488,630	X
Total (T-1)	-	-	-	-	X	-

Legend:
 BV = book value
 FV = fair value

Section 4 - Operating Risks

A. General aspects

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

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 within the Bank and, if necessary, implements measures to guarantee a higher general level of security.

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

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

PART F - INFORMATION ON NET EQUITY

Section 1 - Net equity

A. Qualitative information

The bank's capital management strategy aims to ensure that the capital and ratios are consistent with its risk profile and regulatory requirements.

Banca Generali is subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by 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.

B. Quantitative information

Net equity of Banca Generali at 31 December 2013 amounted to 362.6 million euros, a 29.0 million euro increase compared to the previous year figure, due to the following changes:

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED	CHANGE	
			AMOUNT	%
1. Share capital	114,895	112,938	1,957	1.7%
2. Additional paid-in capital	37,302	16,591	20,711	124.8%
3. Reserves	110,058	96,818	13,240	13.7%
4. (Treasury shares)	-41	-41	-	0.0%
5. Valuation reserves	5,502	-11,445	16,947	-148.1%
6. Equity instruments	-	-	-	n.a.
7. Net profit (loss) for the year	94,864	118,729	-23,865	-20.1%
Total net equity	362,580	333,590	28,990	8.7%

Net equity at year-start	333,590
Dividend paid	-102,490
Previous stock option plans: issue of new shares	18,778
New stock option plans	455
Other changes	436
Change in valuation reserves (AFS and financial flows)	16,947
Net profit for the year	94,864
Net equity at year-end	362,580
Changes	28,990

B.1 Breakdown of net equity attributable the Company

(€ THOUSAND)	31.12.2013	31.12.2012 RESTATED
1. Share capital	114,895	112,938
2. Additional paid-in capital	37,302	16,591
3. Reserves	110,058	96,818
- Retained earnings	106,348	93,108
a) legal reserve	22,778	22,339
b) statutory reserve	-	-
c) treasury shares	41	41
d) other	83,529	70,728
- Other	3,710	3,710
4. Equity instruments	-	-
5. (Treasury shares)	-41	-41
6. Valuation reserves	5,502	-11,445
- AFS financial assets	6,571	-10,587
- Property and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash-flow hedges	-	-
- Exchange differences	-	-
- Non-current assets held for sale	-	-
- Actuarial gains (losses) from defined benefit plans	-1,069	-858
- Share of valuation reserves of investee companies valued at equity	-	-
- Special revaluation laws	-	-
7. Net profit (loss) for the year	94,864	118,729
Total net equity	362,580	333,590

B.2 Reserves from financial assets available for sale: operations

At year-end 2013, valuation reserves for AFS assets were positive at 6.6 million euros, net of the associated tax effect, marking a significant trend reversal compared to the values recognised at the end of the previous year (negative at 10.6 million euros).

These reserves still refer mainly to government bonds, positive at 4.5 million euros, whereas reserves for other

types of issuers of bonds have a negative value of 0.6 million euros.

However, the latter amount includes, only for a residual amount, negative changes 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 during the estimated residual life of the reclassified securities.

ASSETS/VALUES	31.12.2013			31.12.2012		
	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL
1. Debt securities	6,963	-1,802	5,161	1,623	-13,313	-11,690
2. Equity securities	1,476	-	1,476	1,043	-	1,043
3. UCITS UNITS	49	-115	-66	70	-10	60
3. Financing	-	-	-	-	-	-
Total	8,488	-1,917	6,571	2,736	-13,323	-10,587

B.3 Reserves from financial assets available for sale: annual changes

Reserves from financial AFS assets measure the unrealised capital gains and losses, net of the associated tax effect, on the assets allocated to that portfolio and recognised at fair value.

The change in these reserves contributes to determining the overall company performance in relation to other comprehensive income (OCI), without passing through the profit and loss account.

However, when gains or losses are realised or an impairment loss is recognised, the cumulative amount of the reserve is reclassified to the Profit and Loss Account in the year of reference.

The net increase of these reserves at 31 December 2013 amounted to 17.2 million euros, due to the following factors:

- the mark-to-market of the financial assets in the AFS portfolio (+25.9 million euros) attributable to the further sharp decline in spreads on Italian government debt in the second half of 2013, which permitted significant unrealised gains to be recorded;
- the reduction of pre-existing net negative reserves due to re-absorption in the profit and loss account through realisation (-0.3 million euros) and impairment (+0.3 million euros);
- the negative tax effect associated with the above changes (-7.9 million euros).

(€ THOUSAND)	31.12.2013				
	EQUITY SECURITIES	UCITS UNITS	DEBT SECURITIES		TOTAL
			AFS	PREVIOUSLY RECOGNISED AS AFS	
1. Amount at year-start	1,043	60	-11,543	-147	-10,587
2. Increases	676	138	27,426	222	28,462
2.1 Fair value increases	401	78	25,395	-	25,874
2.2 Transfer to profit and loss of negative reserves:					
- due to impairment	275	-	-	-	275
- due to disposal	-	-	2,031	220	2,251
2.3 Other changes	-	60	-	2	62
3. Decreases	243	264	10,721	76	11,304
3.1 Fair value decreases	114	166	495	-	775
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to profit and loss of positive reserves: due to disposal	101	98	2,311	5	2,515
3.4 Other changes	28	-	7,915	71	8,014
4. Amount at year-end	1,476	-66	5,162	-1	6,571

B.4 Valuation reserves relating to defined benefit plans: annual changes

	31.12.2013		
	RESERVE	DTAS	NET RESERVE
1. Amount at year-start	-1,183	326	-857
2. Increases	-	-	-
Decreases of actuarial losses	-	-	-
Other increases	-	-	-
3. Decreases	-292	80	-212
Increases of actuarial losses	-292	80	-212
Other decreases	-	-	-
4. Amount at year-end	-1,475	406	-1,069

Section 2 - Net Equity and Bank Surveillance Coefficients

2.1 Capital for Regulatory Purposes

A. Qualitative information

The 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 IASs/IFRSs and bearing in mind the rules defined in the update to Circular No. 155/91 relating to the “Instructions on Reporting Regulatory Capital and Capital Ratios”.

The objective of the provisions is to ensure consistency between the criteria for determining capital for regulatory purposes and capital ratios and IAS.

Capital for regulatory purposes, as in the previously released rules, is calculated as the sum of positive items, which are included based on certain limitations, and negative items, which are included based on their quality; the positive items must be fully available to the bank in order for them to be used in calculating capital absorption.

Capital for regulatory purposes consists of Tier 1 capital, Tier 2 capital, net of several deductions, and Tier 3 capital.

Deductions from Tier 1 and Tier 2 capital include equity investments, other items (innovative equity instruments, hybrid equity instruments and subordinated assets) issued by the entity and the so-called “prudential filters”.

The prudential filters, which were specified by the Basel Committee in defining the criteria to be used by national supervisory authorities to ensure consistency among regulations, were introduced to safeguard the quality of regulatory capital and reduce the volatility that could result from the application of the new standards. The prudential filters provide certain adjustments that can be made to accounting entries prior to their use for regulatory purposes.

In particular, the aspects of the provisions that most affect Banca Generali include:

- for FHT financial assets, both unrealised gains and losses are fully recognised;
- for financial assets available for sale, unrealised gains and losses are netted: if the remaining balance is negative, 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 completely 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.

Neutralisation of AFS reserves

The Instruction of 18 May 2010 partly changed the regulatory framework in that it introduced the option of adopting, rather than the “asymmetric” approach, the alternative method of full “neutralisation” 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 and allocated to the portfolio of AFS assets, thus considering said securities as if they were valued at cost.

Such option must however apply to all securities of this kind held in the aforementioned portfolio at the level of the banking group and maintained constantly over time.

In 2010, Banca Generali exercised the option for the full “neutralisation” of capital gains and capital losses, duly informing the Bank of Italy thereof.

Following the entry into force, effective **1 January 2014**, of the new regulatory requirements introduced by Basel 3, Banca Generali renewed the option for the entire transitional period until the endorsement of the new accounting standard IFRS 9, as permitted by the Bank of Italy’s Circular Letter No. 285/2013.

The new Basel 3 prudential supervisory regime

The texts of Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), introducing the new rules defined by the Basel Committee on Banking Supervision (“Basel 3”) into the European Union, were published in the Official Journal of the European Union on 27 June 2013 with the aim of promoting a more solid banking system better able to resist the financial shocks deriving from financial and economic tension, improving risk management and strengthening banks’ transparency and disclosure. These new measures will constitute the regulatory framework of reference in the European Union for banks and investment companies effective 1 January 2014.

The Bank of Italy applied the above Community provisions by issuing Circular Letter No. 285 of 17 December 2013, “Supervisory Provisions for Banks”, and Circular Letter No. 286, also of 17 December 2013, “Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies”.

The new regulatory framework has retained the approach based on three pillars underlying the previous Capital Accord (Basel 2), while complementing and reinforcing that approach with the aim of improving the quantity and quality of intermediaries’ capitalisation, introducing counter-cyclical regulatory instruments and rules concerning liquidity risk management and the containment

of financial leverage. It bears reiterating and stressing that capital for regulatory purposes represents the first safeguard against the risks associated with overall banking operations and is regarded as the primary factor in assessments by banking supervisory authorities in view of the stability of individual banks and the system.

Basel 3 includes the definition of a harmonised concept of Tier 1 capital, namely Common Equity Tier 1 (CET1), corresponding to ordinary shares and earnings reserves; in addition, stringent criteria have been established for deducting from capital intangible assets and equity investments in financial and insurance companies. The minimum overall requirement will remain set at 8% of risk-weighted assets, but more than half of this, or 4.5%, is to be met by common equity. In order to respond to periods of stress, an additional capital cushion is also required beyond the regulatory minimum, equal to 2.5% of common equity in relation to risk-weighted assets (capital conservation buffer). This measure does not represent an outright increase of the minimum level: banks that do not have access to this additional “cushion” will in any event be required to comply with limits on the distribution of dividends and the award of bonuses, which will become increasingly stringent as the buffer shrinks.

1. Tier 1 capital

Tier 1 capital includes paid-in share capital, issued 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 AFS financial assets according to the equity method.

The negative components deducted from Tier 1 capital also include 50% of the carrying amount of equity investments in lenders and financial institutions in excess of 10% of the investee's share capital.

As at 31 December 2013, this item includes the investment in Simgenia S.p.A. (705 thousand euros), corresponding to 15% of that company's share capital.

These rules also apply to the investment in BG Dragon China Sicav (7,909 thousand euros), in which Banca Generali holds

80,081 shares, equal to approximately 94% of voting rights and 10% of capital, because supervisory rules require the deduction from capital for regulatory purposes of interests in investment companies with variable capital (SICAV), where such interests consist of registered shares and exceed 20,000 shares, not included within the scope of consolidation following a specific order by the Bank of Italy.

2. Tier 2 capital

Tier 2 capital includes valuation reserves, innovative and non-innovative equity instruments not included in Tier 1 capital, hybrid equity instruments, Tier 2 subordinated liabilities, net of non-performing loan projections due to country risk, and other negative items, net of positive/negative “prudential filters”.

Banca Generali's year-end Tier 2 capital includes Tier 2 subordinated liabilities consisting of a subordinated loan, for a remaining amount of 16 million euros, granted by the German insurance subsidiary Generali Versicherung AG.

The loan was obtained on 1 October 2008 by the merged Banca BSI Italia for the acquisition of Banca del Gottardo Italia.

The loan was contracted in the “Schuldschein” contractual form, has a 7-year maturity and calls for repayment in five annual instalments beginning on 1 October 2011, and is subordinated if the bank defaults.

The agreed interest rate is equal to the 12-month EURIBOR plus 225 basis points.

The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

The remaining share of 50% of the equity investments in lenders and financial institutions in excess of 10% of the investee's share capital, along with the interests in investment companies with variable capital discussed in the previous section, is also deducted from Tier 2 capital.

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

Capital for regulatory purposes amounted to 213.4 million euros at 31 December 2013, on the basis of projected total dividends to be distributed of 109.1 million euros, equal to nearly 80%

of consolidated net profit, down by 9.9 million euros compared to the previous year.

ITEMS/VALUES	31.12.2013	31.12.2012	CHANGE
Tier 1 capital	200,680	199,244	1,436
Tier 2 capital	12,754	24,130	-11,376
Tier 3 capital	-	-	-
Capital for regulatory purposes	213,434	223,374	-9,940
Net equity	362,580	333,590	28,990

However, the aggregate decline is chiefly attributable to the need to deduct the controlling equity investment in BG Dragon China Sicav (-7.9 million euros) and the redemption of the third tranche of the subordinated loan obtained from Generali Versicherung AG (-8 million euros), only partially offset by other chan-

ges in equity. In particular, the increases in capital caused by old and new stock-option plans (19.7 million euros) and the increase in AFS reserves (+0.4 million euros) were largely neutralised by the effect on equity of the increase in dividends for the year that was higher than the realized net profit of the company.

Capital for regulatory purposes at 31.12.2012	223,374
Changes in Tier 1 capital	
Restatement IAS 19 ("neutralised")	-173
AG Stock option and stock grant plans (LTIP)	19,669
Undistributed profit for the year	-14,277
Change in negative AFS reserves	-
Other (neutralisation of DTAs arising on multiple prepayment of taxes on goodwill)	-476
Equity investments deducted from Tier 1 capital	-3,791
Other effects (intangibles, etc.)	484
Total changes in Tier 1 capital	1,436
Changes in Tier 2 capital	
Subordinated loan	-8,000
Change in positive AFS reserves	414
Equity investments deducted from Tier 2 capital	-3,790
Total changes in Tier 2 capital	-11,376
Capital for regulatory purposes at 31.12.2013	213,434
Changes	-9,940

Composition of capital for regulatory purposes

The following is a brief account of the structure of the capital for regulatory purposes, broken down into its main Tier 1 and Tier 2 components.

ITEMS/VALUES	31.12.2013	31.12.2012
TIER 1 CAPITAL		
Share capital	114,895	112,938
Additional paid-in capital	37,302	16,591
Reserves	110,058	96,818
Net profit (loss) for the year	94,864	118,143
Dividends for pay-out ⁽¹⁾	-109,141	-101,635
Total positive items	247,978	242,855
Treasury shares	-41	-41
Goodwill	-34,343	-34,343
Intangible assets	-7,373	-8,711
Other negative items: actuarial losses IAS 19	-1,069	-
Total negative items	-42,826	-43,095
Other (neutralisation of actuarial losses IAS 19)	311	-
Total positive filters	311	-
50% net tax benefit of redempt. of goodwill Re. Art. 15 of Leg. Decree 185/08	-476	-
Total negative filters	-476	-
Total Tier 1 capital	204,987	199,760
-Equity investments in financial companies >10% of the share capital	-4,307	-517
Total deductions	-4,307	-517
Total Tier 1 capital	200,680	199,244
TIER 2 CAPITAL		
Valuation reserves	-	-
- Positive reserve for AFS debt securities	712	191
- Positive fair value reserve for AFS equity securities and UCITs	1,410	1,103
Subordinated liabilities (up to 50% of Tier 1 capital)	16,000	24,000
Total positive items	18,122	25,294
Inapplicable portion (50%) of positive AFS reserve	-1,061	-647
Other negative items	-	-
Total negative items	-1,061	-647
Total Tier 2 capital	17,061	24,647
Equity investments in financial companies >10% of the share capital	-4,307	-517
Total deductions	-4,307	-517
Total Tier 2 capital	12,754	24,130
Capital for regulatory purposes	213,434	223,374

(1) Amount based on paid up share capital at 31 December 2013.

Prudential Filters

The following table illustrates the impact of the application of the prudential filters set out by the Basel Committee on the calculation of capital for regulatory purposes.

	31.12.2013	31.12.2012
A. Tier 1 capital before application of prudential filters	205,463	199,760
B. Prudential Tier 1 capital filters:	-476	-
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-476	-
C. Tier 1 capital before deductions	204,987	199,760
D. Deductions from Tier 1 capital	-4,307	-517
E. TIER 1 capital (C - D)	200,680	199,244
F. Tier 2 capital before application of prudential filters	18,122	25,294
G. Prudential filters of Tier 2 capital:	-1,061	-647
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-1,061	-647
H. Tier 2 capital before deductions	17,061	24,647
I. Deductions from Tier 2 capital	-4,307	-517
L. TIER 2 capital (H - I)	12,754	24,130
M. Items to deduct from total Tier 1 and Tier 2 capital	-	-
N. Capital for regulatory purposes (E + L - M)	213,434	223,374
O. TIER 3 capital	-	-
P. Capital for regulatory purposes, including TIER 3 (N+ O)	213,434	223,374

During the first half of 2013, by Notice No. 0445698/13 of 9 May 2013, two new prudential filters were also launched, affecting the Banking Group's capital for regulatory purposes in relation to:

- the prudential treatment of negative reserves for actuarial losses to be recognised in the Financial Statements following the amendments to IAS 19 that entered into force on 1 January 2013;
- the prudential treatment of multiple goodwill.

The first prudential filter is aimed at neutralising for 2013 the impact on capital for regulatory purposes of the amendments to IAS 19 that entered into effect on 1 January, calling for the full recognition of actuarial gains and losses relating to defined-benefit plans in other comprehensive income through an equity reserve (the valuation reserve for actuarial gains and losses).

IAS 19 previously also recognised the alternative accounting treatment known as the "corridor method," which allowed:

- the amount of the actuarial gains and losses in excess of the 10% significance threshold of the present value of the defined-benefit obligation (the "overcorridor") to be recognised in profit and loss; and

- the actuarial gains and losses below that threshold to be deferred, without recognising them in the Financial Statements.

Since for entities that previously adopted the corridor method the new equity reserve would have a negative impact on capital for regulatory purposes and considering the stance taken at the Community level in conjunction with the approval of the new prudential regulations implementing Basel 3 (the CRR/CRD IV Package) in favour of the gradual recognition over five years of the difference in net equity between the old and new approach, it has therefore been decided to neutralise all effects of the revision of IAS 19 for the current year.

With reference to this issue, in Banca Generali's case, the new rules apply solely to the accounting treatment of provisions for post-employment benefits. In 2013, net impact on the aggregate capital for regulatory purposes was however very limited and amounted -173 thousand euros.

The second filter is aimed at neutralising the benefits at the level of capital for regulatory purposes due to the DTAs recognised in con-

nection with the multiple prepayment of taxes on the same goodwill within a single group or intermediary.

In further detail, the procedures of prepayment of taxes in question were carried out in accordance with Article 10 of Legislative Decree No. 185/2010 or ordinary rules governing successive business combinations within a single group that have also entailed the transfer of portions of goodwill.

To this end, it has been specified that the share of DTAs recognised at the level of the intermediary or group is to be deducted from core Tier 1 capital, as limited to the portion associated with the DTAs recognised after the initial share.

In addition, for years ending on or before 31 December 2012, intermediaries may distribute the neutralisation over a period of five years, including one-fifth of the value of those DTAs at 31 December 2012, net of the amount that, each year, is to be reversed to the profit and loss account or transformed into a tax credit, among the negative components of Tier 1 capital.

In the Banking Group's case, the above filter only affects the share of goodwill associated with the acquisition of Banca del Gottardo Italia S.p.A., originally subject to the prepayment of taxes on goodwill by Banca BSI Italia and subsequently once more by BG SGR S.p.A. following the contribution by the former of its portfolio management business unit. Both companies were then merged into the Parent Company, Banca Generali.

The tax value of the goodwill subject to tax alignment amounted to 4,932 thousand euros, of which prepayments of corporate income (IRES) and regional production taxes (IRAP) of 1,410 thousand euros had been allocated at 31 December 2012. The amount of the filter as at 31 December 2013 thus amounted to 476 thousand euros.

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, and with a lump-sum 25%-reduction.

Banks are also required to comply with regulatory capital requirements connected to trading activities. Related market risks are calculated on the entire trading portfolio for each different type of risk: debt securities risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.

Internal models may be used to calculate capital requirements for market risk; however, Banca Generali uses standard methods under all circumstances.

Lastly, banks are required to set aside part of their regulatory capital to cover operating risk, which in the case of Banca Generali is calculated using the basic method set forth in Bank of Italy Circular No. 263 of 27 December 2006.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases of historical information.

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Additional analyses and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

B. Quantitative information

Total capital adequacy requirements for credit, market and operating risks set by the supervisory authority, net of the lump-sum 25%-reduction, pursuant to Basel 2 regulations for banks belonging to banking groups, amounted to 118.7 million euros at year-end, with a decrease of 4.6 million euros compared to the previous year (-3.6%).

(€ THOUSAND)	31.12.2013	31.12.2012	CHANGE	
			AMOUNT	%
B.1 Credit risk	111,391	119,965	-8,574	-7.15%
B.2 Market risk	5,946	6,446	-500	-7.76%
B.3 Operating risk	40,902	37,990	2,912	7.67%
B.4 Other prudential requirements	-	-	-	n.a.
Lump-sum reduction	-39,560	-41,100	1,540	-3.75%
B.4 Total prudential requirements	118,679	123,301	-4,622	-3.75%
Excess over prudential requirements	94,755	100,073	-5,318	-5.31%

In 2013, the capital committed to credit risk recorded a decline of 8.6 million euros due to the following main factors:

- an improvement of credit risk mitigation techniques in regard to the assumption of mortgage guarantees (a savings in terms of RWAs of 1.0 million euros) and other forms of collateral protection, in particular pledges of life insurance policies (-1.5 million euros in terms of RWAs), capable of satisfying all of the requirements set for eligibility for Basel 2 purposes;
- the disposal of all securities assets deriving from the securitisation of the banking book, with a savings in terms of RWAs of approximately 1 million euros and an improvement of counterparty risk of approximately 5 million euros.

These reductions on credit risk were partially offset by the increase in requirements for covering operating risk, calculated on the basis of the average net banking income for the previous three years.

The reduction in capital for regulatory purposes however resulted into a decline in the excess capital compared to the minimum capital requirements for risks set by the supervisory authority at 94.8 million euros, down by 5.3 million euros compared to the value recognised at the end of the previous year.

Total capital ratio reached 14.39% compared to the minimum capital ratio of 8% required by regulations, in line with the previous year due to the concurrent reduction of risk-weighted assets.

	31.12.2013		31.12.2012	
	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS
A. Risk assets	7,933,073	1,392,389	6,585,826	1,499,563
A.1 Credit and counterparty risk				
1. Standardised method	7,933,073	1,392,389	6,549,766	1,457,246
2. Internal rating method			-	-
2.1 basic	-	-	-	-
2.2 advanced	-	-	-	-
3. Securitisation	-	-	36,060	42,317
B. Regulatory capital requirements				
B.1 Credit risk	-	111,391	-	119,965
B.2 Market risks	-	5,946	-	6,446
1. Standard methodology	X	5,946	X	6,446
2. Internal models	X	-	X	-
3. Foreign exchange risk	-	-	-	-
B.3 Operating risk	X	40,902	X	37,990
1. Basic method	X	40,902	X	37,990
2. Standardised method	X	-	X	-
3. Advanced method	X	-	X	-
B.4 Other prudential requirements	X	-	X	-
B.5 Other variables	X	-39,560	X	-41,100
B.6 Total prudential requirements⁽¹⁾	X	118,679	X	123,301
C. Risk-weighted assets and regulatory capital ratios				
C.1 Risk-weighted assets	X	1,483,488	X	1,541,263
C.2 Tier 1 capital/risk-weighted assets (tier 1 capital ratio)	X	13.53%	X	12.93%
C.3 Capital for regulatory purposes/risk-weighted assets (total capital ratio)	X	14.39%	X	14.49%

(1) The amount takes into account the 25% reduction of requirements.

PART G - BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section illustrates both transactions within the scope of IFRS 3 and business combinations between entities under common control.

The results of impairment testing of company's goodwill are also stated in the interest of consistency of presentation.

Section 1 - Transactions Undertaken During the Year

In September, Banca Generali finalised an investment in the new investment vehicle BG Dragon China Sicav, a Luxembourg UCITS reserved for institutional investors and authorised to invest directly in the Chinese equity market.

The investment company with variable capital (SICAV), incorporated in July 2013, was promoted by the subsidiary GFM S.A., which also assumed the role of its management company. The company's investment manager is the associate Generali Asia Limited (which in turn receives advice from Guotai).

BG Dragon's Board of Directors is appointed by Banca Generali and has the power to choose and dismiss, even without cause, the manager of the company's assets.

Banca Generali subscribed for 80,815 class-A shares, reserved for Generali Group companies, with a value at issue of 100 euros each, for a total amount of APPROXIMATELY 8 million euros.

BG Dragon also issued approximately 4,483 class-B shares, reserved for UCITSs belonging to the banking Group, with a value at issue of 15,000 euros each, for a total amount of approximately 67 million euros. The above shares were mainly subscribed by BG Selection Sicav, for the benefit of the investors of several of its sub-funds.

Considering that both the class-A and class-B shares present the same voting rights in the General Shareholders' Meeting of the SICAV, Banca Generali has therefore directly acquired 94.74% of the company's voting rights and 10.74% of its capital, and is thus in a situation of direct control of the company.

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

On 15 October 2013, the Bank's Board of Directors resolved to proceed with the sale of the shares, at the end of the lock-up period of three months envisaged in the issued Prospectus, and within no more than six months from the acquisition date, i.e., spring 2014.

According to accounting standard IAS 27, Banca Generali is nonetheless required to consolidate its interest in the SICAV.

However, considering that the Bank's Board of Directors, immediately after the transaction was finalised, resolved in a timely manner to proceed with the disposal of the investment in the near term and initiated the process of seeking a potential investor, the investment qualifies as an asset purchased solely with the intention of subsequent resale in the short term pursuant to paragraph 32 c) of accounting standard IFRS 5.

The equity investment in the Sicav was therefore classified in 2013 financial statements under item 130 (Assets) as "Non-current assets held for sale and disposal groups".

The equity investment was also measured pursuant to IFRS 5, whereby groups of assets held for sale are valued at the lower of value based on the relevant accounting standards and fair value less cost to sell.

The book value of the equity investment amounted to 8,081 thousand euros was thus adjusted to year-end NAV, with a write-down of 124 thousand euros, net of the tax effect allocated to item 280 of the Profit and Loss Account "income/(losses) of disposal groups, net of taxes.

Section 2 - Transactions After the Close of the Year

After 31 December 2013, there were no business combination transactions.

Section 3 - Retrospective Adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2013, 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 2013, the goodwill recognised by Banca Generali totalled 34.3 million euros and included 31.4 million euros in goodwill originating from the acquisition of Banca del Gottardo Italia by Banca BSI.

Banca Generali obtained that goodwill in two steps:

- 26.4 million euros in 2010 following the merger of Banca BSI Italia SpA; and

- 4.9 million euros in 2013 owing to the merger of BG SGR S.p.A., which had acquired the share of such goodwill attributable to retail customer management contracts following the contribution of the portfolio business unit by Banca BSI Italia before its merger.

This value therefore now reflects the same amount that was initially recognised in the financial statements of Banca BSI Italia, 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 a result, goodwill is shown in the following table.

(€ THOUSAND)	31.12.2013	31.12.2012
Prime Consult SIM and INA SIM	2,991	2,991
Banca del Gottardo	31,352	31,352
Total	34,343	34,343

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the operating segment identified for management reporting, pursuant to IFRS 8.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

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 Affluent operating segment; and

To determine the recoverable amount, both basic methodologies (to arrive at value in use) and market assessments (to arrive at fair value) were considered.

Value in use was calculated by employing an analytical method as the main model, whereas fair value was calculated by employing an empirical method as the control model.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:

- a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
- b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a pay-out consistent with ordinary profitability.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the individual CGUs were based on an extract of the Banking Group's 2014-2016 forecast data. These data refer to the 2014-2016 Economic and Financial Plan of the Banca Generali Group, as approved by the Board of Directors, and cash flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

1. 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 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 AUMs managed by the company, thus including the management mandates previously received by BG SGR and subsequently included in the new Asset Management Division of Banca Generali, as a result of its merger.

In light of economic-financial forecasts based on the 2014-2016 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM), is expected to expand by 5.0% on a cumulative basis over the three years in question, whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at 10.08%.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

- a) risk free rate of 4.30%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
- b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
- c) a value of 1.05 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the RM CGU's carrying amount of **53.0 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **62.7 million euros** and a maximum of **73.4 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of **9.8%-10.3% and 1.5%-2.5%**, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

2. Prime Consult and INA SIM CGU

The CGU "*Prime Consult and INA SIM*" ("CGU ex SIM") refers to the part of the activity of the Affluent operating segment, relating to the operations of the stock brokerage companies Prime Consult SIM S.p.A and INA SIM S.p.A., merged at the end of 2002, to which all of the goodwill arising from the acquisition may be attributed.

In light of economic-financial forecasts based on the 2014-2016 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM), is expected to expand by 6.5% on a cumulative basis over the three years in question, whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **10.08%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

- a) risk free rate of 4.3%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
- b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
- c) a value of 1.05 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the Prime Consult and INA SIM CGU's carrying amount of **18.4 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **117.3 million euros** and a maximum of **137.7 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of **9.8%-10.3% and 1.5%-2.5%**, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

PART H - RELATED PARTY TRANSACTIONS

Procedural aspects

Banca Generali's Board of Directors approved the "Related Party Transaction Procedure", effective as of 1 January 2011, in compliance with the provisions of Article 2391-bis of the Italian Civil Code, and Article 4 of the Regulation governing related party transactions, adopted by CONSOB through Resolution No. 17221 of 12 March 2010, as subsequently amended by Resolution No. 17389 of 23 June 2010.

On 12 December 2011, the Bank of Italy also updated the Prudential Supervisory Instructions for Banks (Bank of Italy Circular No. 263/2006), issuing new Provisions regulating risk-taking and conflicts of interest on the part of banks and banking groups, towards Associated Undertakings (Title V, Chapter 5).

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

The new *Related Party and Connected Party Transaction Procedure*, in force as from 31 December 2012, is thus intended to implement CONSOB and Bank of Italy regulations, by adopting, at group level, rules on transactions with Related Parties and Connected Parties governing the related investigation activities and approval, reporting and disclosure powers.

The related party perimeter

Based on CONSOB Regulations, the Provisions issued by the Supervisory Body, and the Procedure, the following parties are considered as Banca Generali's related parties:

- subsidiaries of the Banking Group;
- the Parent Company Assicurazioni Generali, its subsidiaries (companies subject to common control) and pension funds established for the benefit of Generali Group employees;
- Key Management Personnel of the Bank and the Parent Company Assicurazioni Generali, close relatives of the cited personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Generali Group are also considered related parties.

With specific regard to Key Management Personnel, the following persons have been designated as such:

- Directors, Statutory Auditors and the General Manager;

- other top managers identified in the new organisational model introduced in 2013 and in the Bank's remuneration policies:
 - 2 Joint General Managers
 - 3 Central Managers;
- representatives of the Parent Company Assicurazioni Generali S.p.A. identified Key Management Personnel in the corresponding procedure regarding transactions with related parties adopted by that insurance group.

Significance thresholds of Related Party transactions

The procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

- **Highly Significant Transactions** - that is, transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by CONSOB Resolution No. 17221, reduced to 2.5% for transactions carried out with a parent company that is listed on regulated markets or with undertakings thereto related, which are in turn related to the Company; they must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
- **Moderately Significant Transactions** - falling short of the threshold defining Highly Significant Transactions; they must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;
- **Transactions of a modest amount** - that is, transactions whose value has been determined pursuant to the Bank of Italy's Provisions and cannot exceed the amount of 250,000 euros for banks with a capital for regulatory purposes below 1 million euros; they are excluded from the scope of application of the regulation on approval and disclosure transparency.

In addition to transactions of a modest amounts, in accordance with CONSOB Regulation, there are additional circumstances which are not subject to the specific approval procedures:

- **Share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-bis of the TUF, and related implementing transactions;
- **Resolutions regarding the remuneration of directors** entrusted with specific tasks other than that determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of key management personnel, provided that the Company has adopted a remuneration policy with certain characteristics;
- **Ordinary Transactions** that are part of the ordinary operations and any and all related financial activities, effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Highly Significant threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;
- **Transactions with or between Subsidiaries and Associates**, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated regulatory capital, the threshold of Highly Significant Transactions currently stands at around **15.7 million euros**, reduced to **7.8**

million euros for transactions with the Parent Company Assicurazioni Generali and the latter's related entities.

Moreover, the provisions issued by the Bank of Italy impose, for the first time, prudential restrictions regarding the Supervisory Capital Requirement and risk-taking in respect of Associated Undertakings. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with entities qualifying as non-financial related parties; exposure in respect of the Generali Group's associated undertakings, on the other hand, is capped at 7.5% of the Capital for Regulatory Purposes, on a consolidated basis.

Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given set of associated undertakings may in no event exceed 20% of the sum total of their respective Capital for Regulatory Purposes.

1. Disclosure of Compensation of Directors and Executives

As required by IAS 24, the total compensation recorded in the Profit and Loss Account for the year is disclosed below, broken down by personnel category and type.

	31.12.2013				31.12.2012	CHANGE
	DIRECTORS	AUDITORS	KEY MANAGEMENT PERSONNEL	TOTAL		
Short-term benefits ⁽¹⁾	926	125	3,492	4,543	3,829	714
Post-employment benefits ⁽²⁾	46	-	529	575	507	68
Other long-term benefits ⁽³⁾	62	-	1,577	1,639	1,703	-64
Severance indemnities ⁽⁴⁾	-	-	-	-	-	-
Share-based payments ⁽⁵⁾	-	-	436	436	-	436
Total 31.12.2013	1,034	125	6,034	7,193	6,039	1,154
Total 31.12.2012	1,120	140	4,983	6,135		

(1) Includes current remuneration and social security charges payable by the company and short-term benefits.

(2) Includes the company's pension fund contribution and allocation to the provision for post-retirement benefits provided for by the law and company regulations.

(3) Includes 40% of the bonus with access gate.

(4) Includes charges for early retirement incentives.

(5) Includes the cost of stock-option plans determined based on IFRS 2 criteria and recorded in the Financial Statements.

The table presents the total expenses recognised in the Profit and Loss Account presented in the Annual Financial Statements on the basis of the application of international accounting principles (IASs/IFRSs). It therefore also includes

the social security charges for which the Company is liable, the allocation to provisions for post-employment benefits, the expenses associated with stock-option plans determined in accordance with IFRS 2 and the estimate of productivity bo-

nuses accrued during the year on the basis of the provisions of the remuneration policy.

It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item "Other long-term benefits" includes:

- the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the Bank's new remuneration policy;
- the allocations accrued during the year on the basis of the variable cash salary payments envisaged in the Long Term Incentive Plan (LTIP), calculated according to best possible estimate procedures and in relation to forecasts relating to the achievement of pre-determined objectives.

The allocations accrued during the year to this latter item refer to the cash benefits envisaged in the second cycle (2011-2013) and third cycle (2012-2014) of the plan.

Effective the fourth cycle of the plan (2013-2014), the incentive characteristics were completely revised and now only envisage a share bonus in the form of shares of the Parent Company, Assicurazioni Generali, the costs of which - estimated on the basis of the international accounting standard IFRS 2 - have been included in the item "share-based payments".

In 2013, cash bonuses of a total of 904 thousand euros, gross of social-security contributions, fully covered by allocations in previous years, were paid out in connection with the first cycle of the plan (2010-2012).

This incentive plan is described in greater detail in Part A of these Explanatory Notes.

In Resolution No. 18049 of 23 December 2011, CONSOB introduced new, more systematic rules for the remuneration paid by listed companies, simplifying and rationalising previous provisions.

For detailed information concerning remuneration policies, including the information previously presented in this Part H of the Explanatory Notes, the reader is therefore referred to the specific document concerning remuneration policies instituted by the aforementioned CONSOB Resolution.

2. Disclosure of Related Party Transactions

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

During the year, in the context of the Generali Group, an important reorganisation of Italian insurance operations was finalised - still subject to completion - involving the creation of Generali Italia S.p.A., a fully-owned subsidiary of Assicurazioni Generali S.p.A., to which the following were transferred:

- INA Assitalia S.p.A.;
- insurance operations of Assicurazioni Generali S.p.A.;
- insurance operations of the non-life segment of Alleanza Toro;
- shareholdings in other Group Italian insurance companies (Alleanza, Genertel, Genertellife, Fata).

As part of this transaction, the equity investment in Banca Generali was contributed to Generali Italia S.p.A. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali.

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

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

To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

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

Intragroup transactions with subsidiaries are attributable to ordinary internal operations and consist of:

- agreements with product companies for the distribution of the respective financial products and services through the Group's Financial Advisor network;
- transactions aimed at investing liquidity with the Parent Company and, to a lesser extent, obtaining financing in support of the financial needs of the companies concerned;
- outsourcing arrangements in the areas of administration, operations, legal affairs, control and the secondment of staff.

Transactions with related parties outside the Generali Group are mostly confined to direct and indirect inflows activities and loans to Key Management Personnel (and their relatives) of the bank and its Parent Company, which are carried out at arms length. Banca Generali's direct investments in activities on which such

related parties exercise significant influence or control are absolutely not material.

Unusual, Atypical or Extraordinary Transactions

During 2013, no related party transactions were carried out that could be defined as atypical or unusual or likely to have “effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer.”

Highly Significant Transactions

In 2013, the Group did not carry out any transactions qualifying as Highly Significant, unusual, entered into at non-market or

non-standard conditions which, in accordance with the Procedure on Related Party Transactions, would have been subject to market disclosure and the obligation of publishing an information memorandum.

Lastly, no ordinary transactions carried out on an arm’s length basis and qualifying as “Highly Significant” transactions, subject to disclosure to the Supervisory Body, were approved.

Other Significant Transactions

In 2013, some transactions were approved qualifying as “moderately significant” transactions, which are subject to the prior non-binding opinion of the Audit and Risk Committee, as follows:

DATE	TRANSACTION	RELEVANT PARTY	(€ THOUSAND)
31.05.2013	BBB insurance policy - extension of cover for 2013-2014	Assicurazioni Generali S.p.A.	340
27.06.2013	Reduction of collateral for Investimenti Marittimi pool transaction	Investimenti Marittimi S.p.A.	511
01.10.2013	Amendment of contractual terms for the provision of risk management services	Generali Fund Management	411
18.10.2013	Agreement for the recognition of economic conditions similar to those of the Generali Group	Assicurazioni Generali S.p.A.	2,100
28.10.2013	Time deposit 28.10.2013-14.04.2014	Flandria Participations Financières S.A. Graafschap Holland N.V.	266
02.12.2013	Private agreement for the expansion of lease agreement GI8380500.127 - Trieste, Via Valdirivo 4	Generali Properties S.p.A.	930

Ordinary or Recurring Transactions

The developments of ordinary transactions with related parties during 2013 are presented in the following sections.

1.1 Balance Sheet Data

Equity transactions with Assicurazioni Generali Group

(€ THOUSAND)	BANKING GROUP SUBSIDIARIES	PARENT COMPANY ASSICURAZIONI GENERALI	GENERALI GROUP SUBSIDIARIES	31.12.2013	31.12.2012	CHANGE		% WEIGHT 2013	31.12.2013
						AMOUNT	%		
HFT financial assets	-	272	-	272	219	53	24.2%	0.1%	229,509
AFS financial assets	-	786	947	1,733	1,907	-174	-9.1%	0.1%	1,626,116
HTM financial assets	-	-	-	-	-	-	n.a.	-	2,652,686
Loans to banks	-	-	30	30	3,081	-3,051	-99.0%	-	279,539
Loans to customers	21,705	208	52,635	74,548	73,465	1,083	1.5%	5.1%	1,461,098
Equity investments	14,025	-	-	14,025	14,025	-	0.0%	100.0%	14,025
Tax assets (AG tax consolidation)	-	1,633	-	1,633	1,309	324	24.8%	4.3%	38,031
Property, equipment and intangible assets	-	-	-	-	-	-	n.a.	-	45,669
Non-current assets and groups of assets available for sale	7,909	-	-	7,909	-	7,909	n.a.	99.4%	7,957
Other assets	50	-	84	134	342	-208	-60.8%	0.1%	134,000
Total assets	43,689	2,899	53,696	100,284	94,348	5,936	6.3%	1.5%	6,488,630
Due to banks	-	-	21,173	21,173	29,118	-7,945	-27.3%	0.9%	2,230,833
Due to customers	83,725	202,158	933,224	1,219,107	2,015,438	-796,331	-39.5%	33.3%	3,665,295
HFT financial liabilities	-	-	-	-	-	-	n.a.	-	597
Other liabilities	2	259	795	1,056	3,320	-2,264	-68.2%	0.8%	139,353
Hedging derivatives	-	-	-	-	-	-	n.a.	n.a.	-
Tax liabilities (AG tax consolidation)	-	631	-	631	744	-113	-	-	14,183
Special purpose provisions	-	-	-	-	-	-	n.a.	-	75,788
Net equity	-	-	-	-	-	-	n.a.	-	362,581
Total liabilities	83,727	203,048	955,192	1,241,967	2,048,620	-806,653	-39.4%	19.1%	6,488,630
Guarantees issued	-	-	3,289	3,289	3,296	-7	-0.2%	4.3%	76,814

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounts to 56.6 million euros, compared to the 62 million euros recognised at the end of 2012, equal to 0.87% of Banca Generali's total assets.

By contrast, the total debt position reached 1,158.3 million euros, accounting for 17.8% of liabilities, down by 836 million euros (-41.9%) compared to the previous year.

As part of asset management, **HFT and AFS financial assets** claimed from the Parent Company refer to shares of Assicurazioni Generali held in the corresponding portfolios of Banca Generali. As part of the AFS portfolio, shareholdings in subsidiaries of the Generali insurance group refer to a 15% stake in Simgenia SIM

and to the shares held in consortia of the GBS Group (Generali Business Solutions) and CGS (Generali Corporate Services).

At the end of 2013, the associate Simgenia SIM S.p.A., in which Banca Generali holds a 15% interest, resolved to dispose of its operating activities relating to the promotion of financial products and the solicitation of investment and terminated its agreements with its sales network. Due to the discontinuation of operation by the company and the prospects of liquidation, the interest was subject to an impairment loss of 328 thousand euros in order to bring its carrying amount into line with the Bank's share of its book net equity. Simgenia primarily distributed financial products and services (UCITs, discretionary management schemes and assets under administration) promoted by the Banking Group.

The **balance of loans to Generali Group banks** at year-end is not material and refers solely to the positive foreign currency account balances held with BSI SA and used to hedge positions payable in foreign currencies towards customers. By contrast,

the lines of credit granted to Generali Bank were cancelled in the context of the procedure aimed at reducing exposures in excess of the limits set by the new supervisory rules concerning dealings with connected parties.

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2013		31.12.2012	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Bank A.G.	Controlled by A.G.	Term deposits	-	-	-	125
BSI S.A.	Controlled by A.G.	Currency deposits	30	8	3,073	3
BSI S.A.	Controlled by A.G.	Term deposits	-	-	-	-
BSI S.A.	Controlled by A.G.	Operating receivables	-	-	8	-
			30	8	3,081	128

Exposures to Generali Group companies recognised as **loans to customers** amounted to 52.8 million euros and refer to the following transactions:

COMPANY	TYPE OF RELATIONSHIP	TYPE OF TRANSACTION	31.12.2013		31.12.2012	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Italia	Subsidiaries of the AG Group	GESAV policy	22,208	836	21,373	788
Citylife S.r.l.	Subsidiaries of the AG Group	Grant to BT in current account	13,391	331	16,357	267
Investimenti Marittimi	Associates of the AG Group	Grant to MLT in current account	7,618	621	10,267	357
Genertellife	Subsidiaries of the AG Group	Operating receivables	7,959	-	6,745	-
Assicurazioni Generali	Parent Company	Operating receivables	208	-	66	-
Other Generali Group companies	Subsidiaries of the AG Group	Operating receivables	1,457	-	388	-
Other exposures with Group companies	Subsidiaries of the AG Group	Temporary current account exposures	2	30	-	-
			52,843	1,818	55,196	1,412

During the year a decrease was reported, from 16.4 million euros to 13.4 million euros, in the exposure to Citylife S.r.l., which has been granted overdraft privileges totalling 20 million euros as part of a revolving credit line provided by a pool of lenders in the overall amount of 30 million euros to cover the borrower's day-to-day business operations. Banca Generali has also issued bank guarantees totalling 2.5 million euros, in favour of the same customer.

In addition, in the fourth quarter, the exposure to Investimenti Marittimi S.p.A., to which 10 million euros was lent in the context of a pool loan set to come due in 2015, was reclassified as **substandard**.

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

The receivable from the company was thus impaired by 2.5 million euros in order to bring the value currently regarded as recoverable into line with the market value of the Premuda shares pledged as collateral.

During the year, following the reduction of the collateral, the conditions for this loan were renegotiated to raise the interest

owed to the Bank from 353 thousand euros to 621 thousand euros per year, reflecting the changed risk profile.

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

Excluding that position, Banca Generali presents a debt position of 0.6 million euros towards the tax consolidation programme, net of the advances paid, in relation to the estimated taxes for the year.

The **amounts due to customers** attributable to related parties of the Generali Group in the form of current accounts, time deposits and repurchase agreements reached 1,135 million euros at the end of the year and included amounts due to the Parent Company Assicurazioni Generali S.p.A. of 202 million euros and amounts due to Generali Italia S.p.A. of 160 million euros.

The item also included 411 million euros of term deposits held by the foreign subsidiaries Flandria (196 million euros) and Participatie Maatschappij Graafschap Holland N.V. (215 million euros), set to mature in April 2014.

Amounts due to customers also include the subordinated loan granted by Generali Versicherung in the amount of 16.1 million euros, gross of the interest accrued.

The sharp decline compared to the end of the previous year is due primarily to the reabsorption of fixed deposits made by the Parent Company at the end of 2012 (1,255 million euros) to cover temporary cash-flow requirements.

Amounts due to banks of the insurance group consisted for 21.0 million euros of deposits made by BSI SA as collateral for certain impaired loans resulting from the acquisition of Banca del Gottardo Italia (collateral deposits), while the remaining amount consisted of a very limited residual amount of the negative balance of foreign exchange deposits with the same counterparty.

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

Equity relationships with banking group companies

Within the Banking Group, the exposure to subsidiaries amounted to 43.7 million euros and consisted of operating receivables pertaining to the distribution of financial products. The current account overdraft granted to BG Fiduciaria has been repaid.

Funding from group companies amounted to 83.7 million euros and consists solely of the balances of current account deposits.

Transactions with other Related Parties

Exposure in respect of the Bank's and its Parent Company Assicurazioni Generali's Key Management Personnel mainly refers to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other executives of the banking and insurance Group, and has remained substantially unchanged since the end of 2012.

However, this aggregate also includes an equity investment held in the Bank's AFS portfolio and attributable to a member of the key management personnel of the Parent Company, Assicurazioni Generali S.p.A.

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

(€ THOUSAND)

KEY MANAG.
PERSONNEL

AFS financial assets	351
Loans to customers	1,207
Due to customers	2,063
Guarantees issued	15
Guarantees received	-

1.2 Profit and Loss Account data

Profit and loss relationships with Generali Group companies

At 31 December 2013, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 66.9 million euros, that is 51.2% of pre-tax operating profit.

(€ THOUSAND)	SUBSIDIARIES OF THE BANKING GROUP	PARENT COMPANY ASSICURAZIONI GENERALI	OTHER GENERALI GROUP SUBSIDIARIES	31.12.2013	31.12.2012	CHANGE		% WEIGHT 2013	31.12.2013
						AMOUNT	%		
Interest income	-	-	1,826	1,826	1,592	234	14.7%	1.3%	144,479
Interest expense	-50	-1,214	-2,189	-3,453	-5,116	1,663	-32.5%	15.2%	-22,694
Net interest	-50	-1,214	-363	-1,627	-3,524	1,897	-53.8%	-1.3%	121,785
Fee income	83,036	340	86,114	169,490	146,316	23,174	15.8%	64.2%	263,823
Fee expense	-	-	-552	-552	-647	95	-14.7%	0.3%	-160,144
Net fees	83,036	340	85,562	168,938	145,669	23,269	16.0%	162.9%	103,679
Dividends	-	12	-	12	-	12	n.a.	1.3%	915
Gain (loss) on trading	-	-	123	123	36	87	241.7%	0.7%	18,065
Operating income	82,986	-862	85,322	167,446	142,181	25,178	17.8%	68.5%	244,444
Staff expenses	299	229	458	986	1,033	-47	-4.5%	-1.5%	-65,146
General and administrative expense	-501	-2,924	-12,383	-15,808	-17,984	2,176	-12.1%	15.5%	-102,283
Amortisation and depreciation	-	-	-	-	-	-	n.a.	-	-4,982
Other net operating profit	191	-	249	440	473	-33	-7.0%	1.5%	29,618
Net operating expenses	-11	-2,695	-11,676	-14,382	-16,478	2,096	-12.7%	10.1%	-142,793
Operating profit	82,975	-3,557	73,646	153,064	125,703	27,274	21.8%	150.6%	101,651
Reversal value of loans	-	-	-2,539	-2,539	-	-2,539	n.a.	51.6%	-4,916
Adjustments of other assets	-	-	-328	-328	-	-328	n.a.	28.3%	-1,157
Net provisions	-	-	-	-	-	-	n.a.	-	-22,946
Dividends and income from equity investments	57,312	-	-	57,312	86,232	-28,920	-33.5%	100.0%	57,312
Gains (losses) from the disposal of equity investments	-	-	-	-	-	-	n.a.	-	-4
Operating profit	140,287	-3,557	70,779	207,509	211,935	-4,513	-2.1%	159.70%	129,940
Income taxes	-	-	-	-	-	-	n.a.	-	-34,952
Profit (loss) from non-current assets, net of tax	-124	-	-	-124	-	-124	n.a.	100.0%	-124
Net profit (loss) for the year	140,163	-3,557	70,779	207,385	211,935	-4,637	-2.1%	218.61%	94,864

Overall **net interest** accrued in dealings with members of the insurance Group is negative and amounted to 1.5 million euros, with interest expense paid to such companies (3.3 million euros)

accounting for 14.7% of the total item recognised in the Profit and Loss Account and showing a sharp decline compared to the previous year (- 1.7 million euros).

Within this item, the interest expense paid to Generali Versicherung on the subordinated loan amounted to 0.7 million euros, the interest accrued on the collateral deposits of BSI S.A. amounted to 0.6 million euros, the interest on the time deposits held by foreign subsidiaries amounts to 0.3 million euros and the interest on the funding

provided by other Generali Group companies was 1.7 million euros.

Fee income paid back by companies of the insurance Group amounted to 86.1 million euros, equal to 32.6% of the aggregate amount and was broken down as follows:

	BANKING GROUP	GENERALI GROUP	31.12.2013	BANKING GROUP	GENERALI GROUP	31.12.2012	CHANGE
Fees for the placement of UCITs	79,925	2,379	82,304	69,324	2,988	72,312	9,992
Distribution of insurance products	-	82,369	82,369	-	69,560	69,560	12,809
Distribution of asset management products	2,112	189	2,301	2,594	-	2,594	-293
Consultancy	999	253	1,252	1,850	-	1,850	-598
Other bank fees	-	1,264	1,264	-	-	-	1,264
	83,036	86,454	169,490	73,768	72,548	146,316	23,174

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

By contrast, advisory fees refer to specific investment advisory services rendered in connection with assets underlying insurance products distributed by the Group's insurance companies (Generali Italia, Alleanza Toro and Genertellife).

The other bank fees refer primarily to direct debit collection activity on behalf of Group companies.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITs administered by management companies that belong to the banking and insurance Group. Such fees, amounting to 12.5 million euros, are generally charged directly against the assets of the UCITs, which are considered entities beyond the scope of IAS 24.

The Bank also collects subscription fees for the investment companies with variable capital (SICAV) promoted by the group - BG Sicav, BG Selection Sicav, Generali Investments Sicav - directly from customers through the correspondent bank.

	BANKING GROUP	GENERALI GROUP	31.12.2013	BANKING GROUP	GENERALI GROUP	31.12.2012
SICAV underwriting fees	7,406	1,134	8,540	3,880	908	4,788
Trading fees on funds and SICAVs	2,961	9,583	12,544	3,562	2,626	6,188
	10,367	10,717	21,084	7,442	3,534	10,976

Fee expense paid back to the insurance group are mainly comprised of fees paid back to Simgenia for the distribution of portfolio management and banking products, and risk-sharing fee expense paid to BSI SA for the provision of guarantees associated to loans granted.

The **net operating costs** reported by the Bank in relation to transactions with related parties of the Generali Group amounted to 14.4 million euros and refer for 10.1% to outsourced services in the insurance, leasing, administrative and information technology sector.

	BANKING GROUP	GENERALI GROUP	31.12.2013	BANKING GROUP	GENERALI GROUP	31.12.2012	CHANGE
Insurance services	-	2,548	2,548	-	3,977	3,977	-1,429
Property services	-	6,177	6,177	-	5,553	5,553	624
Administration, IT and logistics services	310	6,333	6,643	163	7,868	8,031	-1,388
Financial services	-	-	-	-50	-	-50	50
Staff services	-299	-687	-986	-264	-769	-1,033	47
Total administrative expense	11	14,371	14,382	-151	16,629	16,478	-2,096

The **administrative expense** paid to Assicurazioni Generali amounted to 3.6 million euros and referred to insurance services and rentals for property leases.

Expenses relating to IT, administration and logistics referred chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

The cost of property services relating to the lease of office, branch network and the bank's operating outlet premises refers mainly to Generali Properties, whereas the remainder pertains to other Group companies.

Profit and loss relationships with the Banking group companies

The profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Banking group amounted to 140.3 million euros and primarily consist of:

- fee income given back to the Group's product companies in connection with the distribution of financial products and services by such companies (83 million euros);

- dividends distributed by the Luxembourg-based subsidiary GFM (57.3 million euros).

With respect to aggregate operating expenses, the services rendered by the Parent Company to members of the banking group are highly limited and refer essentially to the exchange of staff and the outsourcing of major administrative services.

Direction and Coordination

Pursuant to Article 2497-bis of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

A summary of the main items of the latter company's latest Financial Statements is reported hereunder.

2012 highlights of Assicurazioni Generali

(€ MILLION)	FY 2012
Net profit	
Aggregate dividend	311.4
<i>Increase</i>	
Total net premiums	8,634.9
Total gross premiums	9,767.0
Total gross premiums from direct business	7,089.9
<i>Change on equivalent terms ^(a)</i>	2.5%
Total gross premiums from indirect business	2,677.1
<i>Change on equivalent terms ^(a)</i>	7.2%
Acquisition and administration costs	1,248.5
<i>Expense ratio ^(b)</i>	14.5%
Life Segment	
Life net premiums	5,302.1
Life gross premiums	5,555.8
<i>Change on equivalent terms ^(a)</i>	2.6%
Life gross premiums from direct business	3,747.2
<i>Change on equivalent terms ^(a)</i>	2.7%
Life gross premiums from indirect business	1,808.6
<i>Change on equivalent terms ^(a)</i>	2.4%
Life acquisition and administration costs	542.4
<i>Expense ratio ^(b)</i>	10.2%
Non-life Segment	
Non-life segment net premiums	3,332.8
Non-life gross premiums	4,211.2
<i>Change on equivalent terms ^(a)</i>	5.2%
Non-life gross premiums from direct business	3,342.7
<i>Change on equivalent terms ^(a)</i>	2.1%
Non-life gross premiums from indirect business	868.5
<i>Change on equivalent terms ^(a)</i>	19.0%
Non-life acquisition and administration costs	706.1
<i>Expense ratio ^(b)</i>	21.2%
<i>Loss ratio ^(c)</i>	72.9%
<i>Combined ratio ^(d)</i>	94.1%
Current financial result	2,394.7
Technical provisions	41,784.9
Life segment technical provisions	35,025.9
Non-life segment technical provisions	6,759.0
Investments	
Capital and reserves	14,274.8

(a) At constant exchange rates.

(b) Ratio of administrative expense to total premiums.

(c) Ratio of accrued claims to accrued premiums.

(d) Total (b) + (c).

The highlights of the Parent Company Assicurazioni Generali S.p.A. shown above were taken from the company's Financial Statements for the year ended 31 December 2012. These are available together with the Independent

Auditor's Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm entrusted by Banca Generali.

PART I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

A. Qualitative information

Payment agreements based on own equity instruments

At 31 December 2013, the payment agreements based on own equity instruments activated by Banca Generali consisted of:

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

The main features of the aforementioned plans are detailed below.

1. Stock Option Plans for employees and Financial Advisors related to the listing

The stock-option plans approved by the Board of Directors on 24 May 2006, ratified by the extraordinary Shareholders' Meeting on 18 July 2006 and contingent upon the commencement of trading of the Company's shares on the MTA, organised and managed by Borsa Italiana S.p.A., called for:

- the granting to employees of companies belonging to Banca Generali Group the issuance of a maximum amount of 1,113,130 new ordinary shares;
- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers in the BSI channel, the issuance of a maximum of 4,452,530 shares.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting had passed a resolution for a splittable capital increase, subject to the admission of the company's shares to trading on the MTA for a maximum notional amount of 5,565,660.00 euros, through the issuance of a maximum of 5,565,660 ordinary shares with a par value of 1.00 euro.

These plans became operational with the commencement of the trading of the ordinary shares of Banca Generali on the MTA on 15 November 2006. On 15 December 2006, 4,452,530 options were initially assigned to Financial Advisors and 818,500 options

to Group executives; the strike price of both sets of options was 9.046 euros.

The plans' rules and procedures called for advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met). The plan called for a single three-year vesting period for managers, with the possibility of exercising the options over the following three years.

On 9 October 2009, Banca Generali's Board of Directors resolved to amend the plans' rules and procedures to include a three-year extension of the strike period of the options granted. That amendment was approved by the Shareholders' Meeting on 21 April 2010. Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:

- for Financial Advisors - 31 March 2014;
- for salaried managers - 15 December 2015.

All other plan conditions, from the strike price of 9.0 euros per share, to the obligation to reinvest 50% of capital gains in Banca Generali shares and retain said shares for at least 12 months, remain unchanged.

During 2013, a total of 1,170,532 options were exercised, of which 251,500 were exercised by salaried managers. In addition, 15,709 options were cancelled due to termination of the agreements with the Financial Advisors to whom they had been assigned.

At the end of 2013, the options assigned under the plan for employees of banking group companies therefore totalled 119,500, whereas the option rights granted to Financial Advisors stood at 341,491.

1.1 Accounting effects of the extension of the stock-option plans

For a thorough analysis of the accounting aspects of the extension of stock-option plans and the issues associated with the re-determination of the fair value of such plans, the reader is referred to the corresponding sections of the 2009 and 2010 Financial Statements, in which the transactions concerned were originally recognised.

At present, since the vesting period has concluded, the above plans have entered a purely executive phase, resulting in accounting effects on equity, analysed in Section B below, solely in relation to the exercise of vested option rights by beneficiaries.

2. Rules for the Stock Option Plan for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010

The stock-option plans approved by the Shareholders' Meeting on 21 April 2010 called for:

- the granting to Banca Generali's Financial Planners, area managers and business managers and the private bankers of a maximum of 2,300,000 shares to be issued;

- the granting to Banca Generali's relationship managers of a maximum amount of 200,000 ordinary shares to be issued;
- the assignment of options by 30 June 2011, after having verified that overall and individual targets for the development of inflows by 31 December 2010 have been reached;
- the possibility to exercise the options between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

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

The following is a summary of the salient characteristics of the plans in question.

Recipients	<ol style="list-style-type: none"> 1) Financial Advisors under standard agency agreements at 1 July 2009, provided not on notice; 2) Financial Advisors engaged after the end of the Reference Period; 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; 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.
Performance conditions	<p>Granting of the Options to the Plan Recipients is contingent upon the satisfaction of:</p> <ul style="list-style-type: none"> • overall net inflow targets set by the Board of Directors at 2.0 billion euros for 2010; • individual net inflow targets set by the Plan's Management Committee. <p>Individual targets call for a minimum net inflow access threshold, above which the options granted are proportional to the net inflow level achieved.</p> <p>Since there is no individual cap mechanism, if results call for a total number of shares in excess of the total amount for the category to be assigned, an allotment will be conducted.</p>
Reference period and measurement parameters	<p>The following must be considered for participation in the Plan:</p> <ol style="list-style-type: none"> 1. the net inflows achieved in the fourth quarter of 2009 and all of 2010 arising from application of the "Tax Amnesty"; 2. the remaining net inflows achieved in 2010, calculated according to the normal rules applicable to semi-annual incentive plans.
Vesting conditions	<p>The assigned Options shall be exercisable as follows:</p> <ul style="list-style-type: none"> - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2011; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2012; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2013; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2014; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2015; - the remaining one sixth of the Options, as of 1 July 2016. <p>The Rules and Procedures state that if the relationship between the Recipients/Grantees and the Company is terminated for any reason or the associated notice period is underway, the Recipient shall forfeit, effective immediately, the right to be granted or exercise the Options, except in the case of the decease of the Recipient or eligibility for an old-age, length-of-service or disability pension, following discontinuation of service and removal from the register of Financial Advisors, provided that such conditions occur after the end of the Reference Period (31 December 2010).</p> <p>In such case, only the options that have already become exercisable may be exercised.</p>
Exercise period	<p>The assigned Options must be exercised by 30 June 2017 at the very latest.</p> <p>The shares may be freely disposed of and are not subject to any restrictions.</p>
Effective date of the Plan	<p>The Plan shall take effect as soon as the Plan Management Committee identifies the Recipients of the Options, provided that, by such time:</p> <ul style="list-style-type: none"> • Banca Generali's General Shareholders' Meeting approves the capital increase covering the Plan; • the Board of Directors determines that the overall performance targets set during the session of the Board of Directors during which the Financial Statement results for 2010 are discussed have been met; • the Delegated Organ determines that the individual Recipients have, in fact, met the individual performance targets previously established. <p>The latter condition must be determined to have been satisfied by 15 May 2011 and the Options must be granted to the entitled parties by 30 June 2011.</p>
Strike Price	<p>The Strike Price of the Options represents the arithmetic mean of the Reference Prices of the Shares as quoted on the electronic share market (MTA) during the period between the date on which the Options were assigned, and the same day of the calendar month immediately preceding the aforesaid assignment date.</p>

In this regard, it should be noted that the review of the achievement of the overall inflow goals was conducted by the Board of Directors on 14 March 2011, whereas the review of the achievement of the individual goals assigned to the various categories of recipients was conducted by the Plan Management Committee on 13 May 2011.

The option rights were effectively assigned to the entitled parties on 7 June 2011.

The exercise price of the shares was determined on the basis of the plans Regulations, based on the arithmetic mean of the reference price of "Banca Generali SpA ordinary shares" quoted on the MTA managed by Borsa Italiana S.p.A., in the period from the current date to the same day of the previous month, amounting to 10.7118 euros.

The third tranche of options, accounting for one-sixth of the total options assigned, became eligible for exercise effective 1 July 2013.

During 2013, a total of 730,697 options were exercised, of which 49,386 were exercised by salaried managers. In addition, 23,108 options were cancelled due to termination of the agreements with the Financial Advisors and the resignations of employees to whom they had been assigned.

At the end of 2013, the options assigned under the plan for employees of banking group companies therefore totalled 138,731, whereas the option rights granted to Financial Advisors stood at 1,440,499.

2.11 Measurement of fair value and accounting effects

Valuation of the stock-option plan is based on the fair value of the options assigned, calculated with reference to the options final assignment date.

In further detail, since the various tranches of the plan are associated with different vesting dates and option exercise periods, each tranche has been treated as a separate assignment, with the determination of a specific fair value.

The measurement of the fair value of the options was computed using a standardised model available among the operating tools on the Bloomberg platform. This model contemplated information such as the strike price, the vesting period, the exercise window, current share price and implied volatility, expected dividends and the risk-free interest rate. The binomial pricing model also takes into account the possibility of early exercise.

The implied volatility of Banca Generali stock used in the model was determined according to an inductive process commonly used by the market.

In detail, the expected volatility of at-the-money Banca Generali options at three months was first estimated according to surveys of historical volatility and the volatility of more liquid options at three months on the equities of listed issuers with similar structural characteristics. The spread between the volatility of the option at three months and the DJ STOXX 50 index was then calculated, and that spread was applied to the index's implied volatility during the holding period for the new maturities, while also taking the various moneyness profiles into account.

Considering the particular situation of market volatility that occurred during the option assignment period, the current value of the options has been determined on the basis of the average quotations during the period from 15 May (the date on which the beneficiaries were identified) to 30 June 2011, the date specified in the Rules and Procedures as the final deadline for assignment of the options.

The other specific characteristics of the plans, such as the presence of periods of suspension of exercisability, were also considered for measurement purposes.

Since the plan's Rules and Procedures also call for forfeiture of the right to exercise options in the event of the termination of a Financial Advisor for any reason, except for decease, permanent disability or retirement, an estimate was prepared of the briefer expected residual life of the options compared to their contractual duration due to expected cases of early exercise. To that end, the notional fair value of the shares was adjusted on the basis of the expected turnover rates by option vesting class.

This procedure resulted in the identification of fair values between 1.01 and 0.65 euros depending on the exercise date for the option rights.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

Given the different vesting dates of the various tranches of the plan, each tranche was measured separately for this purpose. It follows that for the first tranche, which may be exercised beginning on 1 July 2011, vesting was immediate, whereas for the sixth tranche, which may be exercised beginning on 1 July 2016, the vesting period was calculated over six years.

B. Quantitative information

During 2013, owing to the favourable performance of the market price of Banca Generali stock, 1,901,229 option rights deriving from the old 2006 stock-option plans related to the listing and the new 2010 plans were exercised.

The weighted average strike price was 9.66 euros (the strike price range was 9.0 - 10.71 euros), compared to an average price of the Banca Generali stock of 16.94 euros in 2013.

The total amount of proceeds for the bank thus reached 18.7 million euros, whereas the value of the IFRS 2 equity reserve set aside in previous years in connection with the rights exercised amounted to 3.9 million euros.

That amount, along with the amount paid out to the beneficiaries, net of the par value of the shares assigned, was added to the share premium reserve (20.7 million euros) pursuant to the supervisory authority's instructions (Circular No. 262/2005, paragraph 5, The Statement of Changes in Net Equity).

The expenses recognised in profit and loss in 2013 in connection with the stock-option plans for Financial Advisors and salaried Relationship Managers authorised in 2010 totalled 0.4 million euros.

At the end of 2013, the IFRS 2 equity reserve therefore amounted to 2.8 million euros, of which 1.6 million euros attributable to the old 2006 plans and 1.2 million attributable to the new 2010 stock option plans.

The total number of options that can be exercised at the end of financial year 2013 is 837,494, with an average strike price of 9.77 euros and a total exercise value of about 8.2 million euros.

The remaining average life of such aggregate amount is little less than two years, also due to the presence of about 341,000 shares assigned to Financial Advisors that have to be exercised by 31 March 2014.

As of 1 July 2014, the fourth tranche of the 2010 stock option plans will also become exercisable.

ITEMS/NO. OF OPTIONS AND STRIKE PRICES	TOP MANAGER	AVERAGE PRICES (€)	FINANCIAL PLANNERS	AVERAGE PRICES (€)	EMPLOYED MANAGERS	AVERAGE PRICES (€)	TOTAL	AVERAGE PRICES (€)	AVERAGE MATURITY
A. Amount at year-start	-	-	3,400,083	10.08	560,185	9.58	3,960,268	10.01	3.32
B. Increases	-	-	19,999	9.00	-	-	19,999	9.00	x
B.1 Newly issued shares	-	-	-	-	-	-	-	-	x
B.2 Other changes	-	-	19,999	9.00	-	-	19,999	9.00	x
C. Decreases	-	-	-1,638,092	9.74	-301,954	9.29	-1,940,046	9.67	x
C.1 Cancelled	-	-	-37,749	10.00	-1,068	10.71	-38,817	10.02	x
C.2 Exercised	-	-	-1,600,343	9.73	-300,886	9.28	-1,901,229	9.66	x
C.3 Expired	-	-	-	-	-	-	-	-	x
C.4 Other changes	-	-	-	-	-	-	-	-	x
D. Amount at year-end	-	-	1,781,990	10.38	258,231	9.92	2,040,221	10.33	2.86
E. Options that can be exercised at year-end	-	-	679,263	9.85	158,231	9.42	837,494	9.77	1.95
Strike price	-	-	416	x	40	x	455	x	x
IFRS 2 reserve	-	-	2,304	x	517	x	2,821	x	x

The table includes option rights exercised by the beneficiaries in the last days of 2013 but in compliance with financial settlement in 2014.

Trieste, 10 March 2014

THE BOARD OF DIRECTORS

Report of the Independent Auditors

PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 27.01.2010, N. 39



Independent auditors' report pursuant to art. 14 and 16 of Legislative Decree dated 27.01.2010, n. 39 (Translation from the original Italian text)

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

1. We have audited the financial statements of Banca Generali S.p.A. as of and for the year ended December 31, 2013, comprising the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related notes and comments. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38 is the responsibility of Banca Generali S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 26, 2013.
3. In our opinion, the financial statements of Banca Generali S.p.A. at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Banca Generali S.p.A. for the year then ended.
4. The management of Banca Generali S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Company's Ownership regarding the information included therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the specific section of the report, are consistent with the financial statements of Banca Generali S.p.A. as of December 31, 2013.

Milan, April 1, 2014

Reconta Ernst & Young S.p.A.

Signed by: Stefano Cattaneo, Partner

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www.ey.com

Report of the Board of Statutory Auditors

PURSUANT TO SECTION 153 OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 2429, PARAGRAPH 3, OF THE ITALIAN CIVIL CODE

Shareholders,

We have reviewed the Annual Financial Report for the year ended 31 December 2013, which consists of:

- the Draft Separate and Consolidated Financial Statements of Banca Generali S.p.A. for the year ended 31 December 2013, including the Notes and detailed accounting statements;
- the Consolidated Report on Operations, which includes the Annual Report on Corporate Governance and Company Ownership, in accordance with Article 123-*bis* of Legislative Decree No. 58/1998;
- prepared by the Directors and duly forwarded to the Board of Statutory Auditors.

At the Group level, amongst the most significant transactions, mention should be made of the finalisation in September 2013 by Banca Generali of its investment in the new vehicle BG Dragon China Sicav, a Luxembourg UCITS reserved for international investors and authorised to invest directly in the Chinese equity market. The main characteristics and effects of this transaction are illustrated in detail in the Report on Operations and the Notes and Comments. In addition, after the end of 2013, a transaction of an extraordinary nature was authorised involving the de-merger of part of the assets of the subsidiary Generali Fund Management S.A. and the transfer of those assets to a new Luxembourg company that is to operate under the control of Generali Investments S.p.A. This transaction is currently under review by the competent control bodies, namely the Bank of Italy and *Commission de Surveillance du Secteur Financier* (CSSF) of Luxembourg, and may presumably be finalised by the end of the first half of 2014. This transaction will not affect the banking group's profitability because the scope of the de-merged assets coincides with that part of GFM that, at the level of the Consolidated Financial Statements, accounts for all minority equity and minority net profit. The transaction is illustrated in the Annual Financial Report.

During the year, no atypical and/or unusual transactions were undertaken with related parties or entities other than related parties such as intra-group entities or third parties. "Atypical and unusual transactions" are defined as all transactions that may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

The oversight activity was conducted by the Board of Statutory Auditors in 2013, in compliance with the law and, specifically, of Article 149 of Legislative Decree No. 58/1998, and in accordance with the code of conduct recommended by the *Roll of Certified Public Accountants and Expert Accountants*, also taking account

of CONSOB and *Bank of Italy* provisions, as well as in accordance with Article 19 of Legislative Decree No. 39/2010.

The Board of Statutory Auditors herewith reports on the oversight activities it conducted in the course of 2013. The Board of Auditors:

- participated in one General Shareholders' Meeting;
- participated in the 13 meetings of the Board of Directors held during the year, checking that the resolutions adopted and implemented were in compliance with the law and the Articles of Association and ensuring that they were neither imprudent nor gave rise to conflicts of interest not adequately illustrated and managed;
- participated in the 11 meetings of the Audit and Risk Committee;
- participated, also through its Chairman, to the 9 meetings of the Remuneration and Nomination Committee;
- participated in some Supervisory Board's meetings;
- met periodically to conduct its audits, recording 20 meetings in its book;
- requested and obtained from the Chief Executive Officer, the Manager responsible for preparing the company's financial reports and the company's other Managers, information concerning the most significant transactions carried out 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;
- exchanged information with the Chairmen of the Boards of Statutory Auditors of other companies of the Group;
- verified the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2, of Legislative Decree No. 58/1998, as well as to supervisory instructions issued by the Bank of Italy, and deems that they are adequate;
- issued legal opinions, including those relating to the main subjects listed below:
 - remuneration policies;
 - approval of and amendments to Company Rules and Policies;
 - significant changes to organisational structure;
 - ICAAP process;
 - directors' co-option;
 - appointment of the new Manager responsible for preparing the company's financial reports, pursuant to Article 154-*bis* of Legislative Decree No. 58/1998;
- verified that its members possessed the independence requisites, as well as its own adequacy in terms of powers,

functioning and composition, taking into account the scale, complexity and activities of the Bank. Moreover, it verified that the independent auditors possessed the independence requisites and found that the procedures adopted by the Board of Directors to ascertain its own internal independence compliance were adequate;

- systematically followed the activity carried out by the Internal Control System, stating its observations on the Internal Audit annual reports and the programmes to be implemented, and checking the implementation status of the activity plans and ensuing results. Business operations and information flows amongst the various parties involved, including the Board of Statutory Auditors, were efficiently coordinated during the year. The Internal Control System, deemed on the whole adequate after the reorganisation carried out in 2013, is organised as follows: line checks - carried out by the heads of the individual operating units; second-tier checks (compliance and risk management), which since 2013 have been assigned to the Company Risk Department, included in the newly instituted Governance and Company Risks area"; internal audits - carried out by the Internal Audit Department.

During the course of the year, the audit function judged as appropriate the internal control and risk management systems, and put forward certain recommendations and suggestions aimed at improving risk management and control, without, however, highlighting any significant shortcomings. The Board of Directors has appointed the Chief Executive Officer as the Executive Director in charge of overseeing the functioning of the internal control and risk management system;

- monitored complaints by investors, without discovering any weaknesses in internal procedures or the Company's organisational layout;
- verified the general compliance of the Bank with the requirement for correspondence with and notices to the Supervisory Bodies, as well as with industry regulations and the deed of incorporation;
- acknowledges that the Company has discharged its obligations relating to the prevention of money laundering, with particular regard to Legislative Decree No. 231 of 21 November 2007, as further amended and extended, and the provisions of the Bank of Italy and its Financial Information Unit, including staff training, through its Anti-Money Laundering Compliance Unit, within the Corporate Risks Department;
- acknowledges that the Bank has complied with its obligations concerning privacy with respect to the treatment of personal data pursuant to Italian Legislative Decree No. 196/2003 and other applicable laws in force. Moreover, during 2013, it drew up the Privacy Report, on a voluntary basis;
- acknowledges that during the year the Supervisory Board monitored the operation and compliance of the Organisatio-

nal and Management Model, and verified its being updated and accordingly 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 contemplated under the provisions of Legislative Decree No. 231/2001;

- evaluated and verified the appropriateness of the administrative and accounting system, as well as its reliability in accurately representing operations through the report received from the Manager responsible for preparing the company's financial reports and from the Independent Auditors, obtaining direct information from the heads of the respective departments, as well as from examination of company records. With reference to the application of Law No. 262/2005 and the provisions of letter a), paragraph 1, of Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors also monitored the processes and activities carried out by the Bank, within the framework of the Financial Accounting Risk Governance activity, aimed at continuously assessing the adequacy of administrative and accounting procedures and the ensuing financial reports. The Annual Report on Corporate Governance and Company Ownership, as per Article 123-bis of Legislative Decree No. 58/1998, illustrates the main features of the Bank's financial reporting risk model, as defined by the Manager responsible for preparing the Company's Financial Reports. The firm tasked with the statutory auditing of the Company's accounts has issued the report mentioned in Article 19, paragraph 3, of Legislative Decree No. 39/2010, in which no significant shortcomings were illustrated as regards the internal control system, in connection with the financial reporting process;
- acquired information and monitored the adequacy of the Company's organisational structure as it evolved during 2013;
- acknowledges that the company has adopted, *inter alia*, the following main codes, policies and procedures and that it updated them during the year:
 - internal dealing;
 - insider information, with the introduction of the Insider Register;
 - Related Party transactions and Connected Party transactions: the Report on Operations and Notes report related party transactions and the associated disclosures;
 - transactions with parties that have powers of management, administration and control over the Bank: the Bank applies the special regulations of Article 136 of TUB;
 - order execution and transmission policy;
 - conflicts of interest policy;
 - internal rules;
 - contingency funding plan;
 - liquidity policy;
 - equity investments policy;
 - pricing policy;

- inducements policy;
- policy for the classification of customers;
- asset management procedures (following the merger of BG SGR into Banca Generali, as a result of which the Bank's business operations have been extended to include asset management services which are provided through the AM (Asset Management) Division, newly set-up specifically for such purpose);
- Internal Code of Conduct;
- acknowledges that the Company has adhered to the Corporate Governance Code of Listed Companies;
- checked that the Bank has adopted regulations, processes and structures suitable for monitoring and overseeing banking-related risks (market risks, credit risks, liquidity risks, operating risks, compliance risks), as described in the Report on Operations and Explanatory Notes;
- believes that the process of determining ICAAP internal capital is adequate and acknowledges that the Bank has discharged its obligations in this area;
- acknowledges that in 2013, the Bank operated in strict compliance with the "Related Party and Connected Party Transaction Procedure", which lays down specific operating rules governing fact-finding procedures, decision-making powers, record-keeping and disclosure obligations. In 2013, except as illustrated above in relation with the intra-group transaction involving the equity interest in BG Dragon Chins Sicav, the Group did not carry out any transactions qualifying as Highly Significant, unusual, entered into at non-market or non-standard conditions.
- acknowledges that in 2013 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 - some of which subject to a prior non-binding opinion from the Audit and Risks Committee - were made with streamlining and cost-cutting objectives;
- acknowledges that Banca Generali complies with the Assicurazioni Generali S.p.A.'s tax consolidation scheme;
- acknowledges that the Report on Operations and Notes contain the information regarding the ownership of treasury shares and Parent Company's shares, with reference to the respective non-distributable reserves have been set aside;
- acknowledges that the Bank complies with capital requirements (capital for regulatory purposes and total capital ratio) provided by supervisory regulations, as reflected in the detailed information regarding Net equity and surveillance coefficients, provided in the Report on Operations and Explanatory Notes. Banca Generali exercised the option to neutralise the capital gains and losses deriving from fair value measurement of AFS financial assets included in the Euro area government bond segment for capital for regulatory purposes, as allowed under Bank of Italy Order of 18 May 2010. This option was renewed also by the new prudential supervisory system of the Basel 3 framework, effective from

1 January 2014, as allowed by the Bank of Italy, until the final entry into force of the international accounting standard IFRS 9, expected for 2016;

- acknowledges that the Corporate Governance Report includes the information pursuant to Article 123-bis of the Consolidated Finance Law;
- acknowledges that the Company has prepared the Remuneration Report: Banking Group's remuneration policies and report on the application of the same in 2013;
- acknowledges that the Explanatory Notes provide information on the payment agreements based on own equity instruments;
- acknowledges that no complaints have been received pursuant to Article 2408 of the Italian Civil Code;
- acknowledges that during the year no petitions have been submitted.

The Board of Statutory Auditors acknowledges that the Company is subject to management and coordination by the Parent Company "Assicurazioni Generali S.p.A." and that all related statutory obligations have been duly discharged.

The periodic auditing, the review of the Half-year Report, and the audit of the Separate and Consolidated Financial Statements were entrusted to the Auditing Firm Reconta Ernst & Young S.p.A. The Board of Statutory Auditors has examined the audit activity plan for 2013 and periodically exchanged information with the Auditing Firm; the latter did not notify the Board of Auditors of any events, circumstances or irregularities requiring its attention. During 2013, 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 2013 coincided with accounting results. The Independent Auditors have issued their reports on the Separate and Consolidated Financial Statements for the year ended 31 December 2013, without issuing any particular comments in such regard.

The Independent Auditors have also issued the statement confirming their independence and the fact that they do not labour under any of the causes of incompatibility contemplated in Articles 10 and 17 of Legislative Decree No. 39/2010. 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 support for the introduction of the new international financial reporting standards IFRS 13 and IFRS 9;
- the law and tax accountancy firm Ernst & Young rendered services associated with the drawing-up of the periodic reports generated in connection with the Qualified Intermediaries (QI) procedure required by the Internal Revenue Service (IRS);
- Ernst & Young Financial-Business Advisors S.p.A. rendered

technical services, with specific emphasis on methodology, in connection with the following projects and procedures:

- legal analysis of the internal control system;
- preliminary analysis of the impact of the new Basel 3 rules, including as regards new supervisory reporting and analysis of capital absorption in relation to Pillar 1;
- risk management activities relating to capital adequacy;
- analysis of the Internal Audit function;
- integration of the trading platform at the Group level;
- implementation of the test of controls project pursuant to Legislative No. Decree 262/2005;
- periodic EDP audit on a consortium basis, with the outsourcing of CSE computer services and support of Test of Controls activities on computer systems within the framework of the formalities contemplated under Law No. 262.

The Manager responsible for preparing the company's financial reports and the Chief Executive Officer 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 preparing the financial statements as well as its compliance with the law and specific regulations regarding the preparation of financial statements of banking institutions.

The Annual Financial Report has been prepared in accordance with Legislative Decree No. 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's financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups*" issued by the Bank of Italy, including an update to Circular No. 262/2005. The Notes and Comments explain the assessment criteria adopted and provide the necessary information as required by current laws, including information on credit risk, market risk,

liquidity risk and operating risk. The Directors' Report provides information on operations, highlighting developments underway and the potential outlook, and the banking Group's development and reorganisation process during the year.

In carrying out our supervisory activity, as described above, no other significant facts emerged that need to be reported to the competent Supervisory Bodies or that are worthy of mention in this report.

The Board of Auditors points out that the Consolidated Financial Statements of the Banca Generali Group were prepared in compliance with Legislative Decree No. 38/2005 and in accordance with the accounting standards issued by IASB and IFRIC interpretations. Moreover, they were based on "*Instructions for the preparation of company's financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups*" issued by the Bank of Italy, including an update to Circular No. 262/2005. The consolidation area includes the Parent Company, Banca Generali S.p.A., and its subsidiaries, BG Fiduciaria SIM S.p.A., Generali Fund Management S.A., Generfid S.p.A., and BG Dragon China Sicav.

Having regard to the above, the Board of Statutory Auditors considers that the Financial Statements for 2013, as presented to you by the Board of Directors, may be approved by you and expresses a favourable opinion regarding the allocation of the profit of 94,864,256.00 euros, and the distribution of dividends as proposed by the Board of Directors.

Trieste, 1 April 2014

The Board of Statutory Auditors
Giuseppe Alessio Verni - Chairman
Angelo Venchiarutti - Acting Auditor
Alessandro Gambi - Acting Auditor



350

371

391

344

4

4

ATTESTATION

BOARD OF DIRECTORS 10 MARCH 2014

Attestation

PURSUANT TO ARTICLE 154-BIS PARAGRAPH 5 OF LEGISLATIVE DECREE NO. 58/98,



Attestation to the Annual Financial Report Pursuant to Art. 81-ter of CONSOB Regulation 11971 Dated 14 May 1999, as Further Amended and Extended

1. The undersigned Piermario Motta, in his capacity as Chief Executive Officer, and Stefano Grassi, in his capacity as Manager in charge of the Financial Reports of Banca Generali S.p.A., taking into account the provisions set out in article 154-bis, paragraphs 3 and 4, of the Legislative Decree dated 24 February 1998, Nr. 58, hereby declare that the administrative and accounting procedures for preparing the Annual Financial Report for the year 2013:
 - are appropriate in light of the features of the company, and
 - have been actually applied.

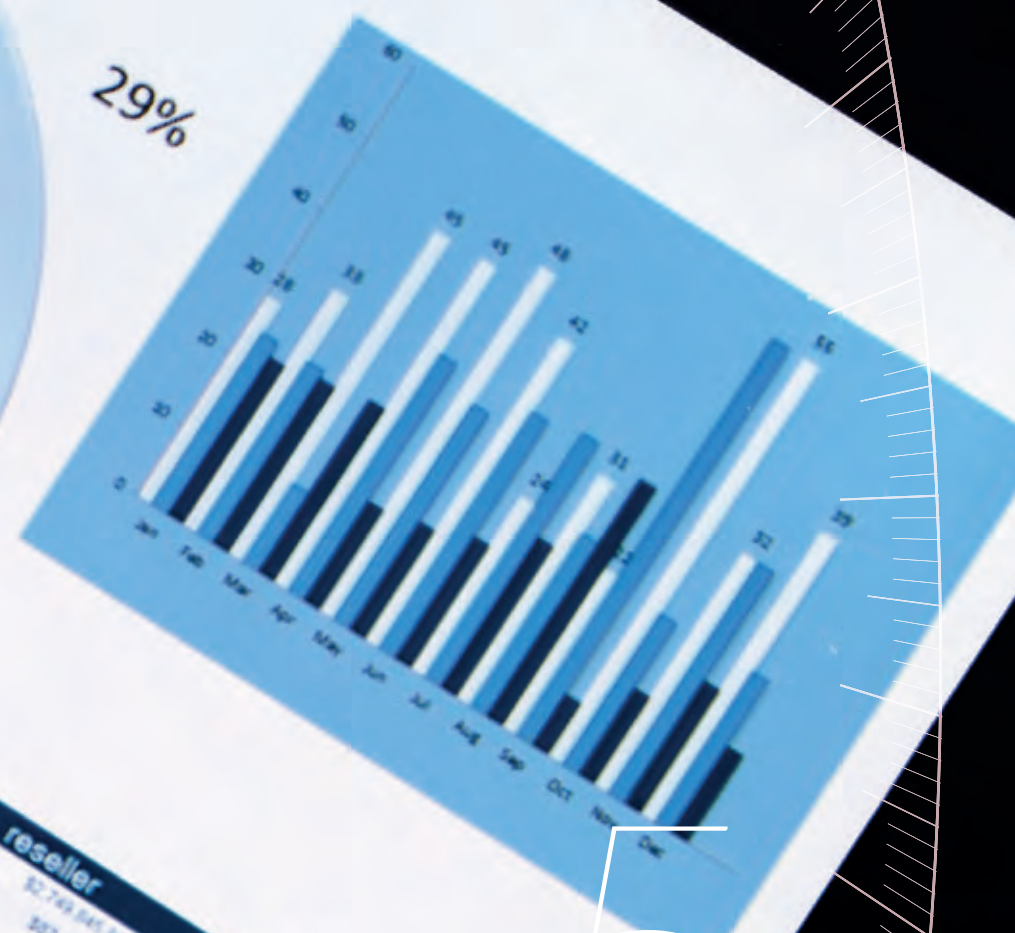
2. The appropriateness of administrative and accounting procedures for preparing the Annual Financial Report at 31 December 2013 was assessed using a process established by Banca Generali S.p.A. based on the *Internal Control - Integrated Framework* issued by the *Committee of Sponsoring Organizations 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 2013:
 - a) was prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) Nr. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of the Italian Civil Code, and of Legislative Decree Nr. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;
 - b) reflects the accounting books and records;
 - c) provides a true and fair view of the asset, liabilities, profit or loss and financial position of the issuer and all its consolidated companies.
 - 3.2 The Directors' report on operations includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed

Trieste, 10 March 2014

Piermario Motta
Chief Executive Officer
BANCA GENERALI S.p.A.

Stefano Grassi
Manager in Charge of
the Company's Financial Reports
BANCA GENERALI S.p.A.



	reseller	buyers	retailer
Jan	\$2,749,045.96	\$67,479.21	\$98,764,310.67
Feb	\$27,480.00	\$8,472,053.02	\$29,479,529.00
Mar	\$2,074.96	\$647,592.00	\$10,495,204.50
Apr	\$8,923,097.00	\$62,904,875.00	\$4,899,572.90
May	\$8,374.96	\$27,694,313.76	\$27,983,544.00
Jun	\$849,571.88	\$88,409,178.00	\$16,394,022.00
Jul	\$4,409,204.00	\$7,710,354.22	\$20,927,405.00
Aug	\$837,450.00	\$68,076.09	\$16,587,978.87
Sep	\$2,204,761.00	\$983,750.24	\$24,711.90
Oct	\$987,905.00	\$102,843,675.00	\$8,096,261.00
Nov	\$2,876,134.82	\$983,750.24	\$7,192,474.00
Dec	\$284,750.00	\$8,816,421.00	\$27,437.00
TOTAL	\$25,001,939.96	\$411,999,010.24	\$47,617,400.00



5

ANNEXES

BOARD OF DIRECTORS 10 MARCH 2014

ANNEX 1

DISCLOSURE OF COMPENSATION FOR AUDITING PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB REGULATION NO. 11971

The following table shows a breakdown of the compensation paid by Banca Generali and the companies of the Banking Group to the independent auditors Reconta Ernst & Young S.p.A. engaged

to audit the Financial Statements in accordance with Legislative Decree No. 58/98, as well as the entities in the network to which the auditing firm belongs.

TYPE OF SERVICE	SERVICE PROVIDER	BANKING GROUP (€ thousand)	BANCA GENERALI (€ thousand)
Audit	Reconta Ernst & Young S.p.A.	382	251
Certification	Reconta Ernst & Young S.p.A.	-	-
	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.	774	774
	Studio Legale e Tributario Ernst & Young S.p.A.	23	17
Total		1,180	1,042

Notes

1. Amounts net of VAT and out-of-pocket expenses.

Banca Generali S.p.A.

REGISTERED OFFICE

Via Machiavelli 4 - 34132 Trieste - ITALY

SHARE CAPITAL

Authorised 119,378,836 euros

Subscribed and paid 115,402,682 euros

TAX CODE, VAT NO. AND TRIESTE
REGISTER OF COMPANIES

00833240328

**Company managed and coordinated
by Assicurazioni Generali S.p.A.**

**Bank which is a member of the Interbank Deposit
Protection Fund**

**Registration with the bank register
of the Bank of Italy under no. 5358**

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

ABI code 03075.9



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