BANCA GENERALI

Banca Generali Group

PILLAR 3
DISCLOSURES

Situation at 31 December 2014

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In line with the Bank of Italy's Provisions, the Board of Directors of the Company carried out a self-assessment with the support of the Remuneration and Nomination Committee for the specific purpose of identifying "Key Personnel" who exert or could exert a significant impact on the banking group's risk profile, and therefore warrant the application of the more detailed rules. 101

The aforementioned Provisions clarify that, in identifying Key Personnel, banks are to apply the regulatory technical standards (RTSs) issued by the European Commission by proposal from the European Banking Authority (EBA). Accordingly, the Bank has conducted its own in-house analysis to identify Key Personnel on the basis of the qualitative and quantitative criteria set forth in the RTSs. 101

According to this self-assessment, the above-mentioned category of Key Personnel includes: the Chief Executive Officer and General Manager, the other members of the General Management (Joint General Manager and Joint General Manager of the Commercial Area), the Central Managers, the Area Managers, the managers of the main business lines, the managers in charge of control functions, including the Head of the Resources Department, as well as the main network managers. In detail, the Board of Directors identified the following categories of staff as Key Personnel who exert or could exert a significant impact on the bank's risk profile: 101

a) Key Managers: Chief Executive Officer and General Manager, other members of the General Management and Central Managers; 101

b) Other Key Personnel: this category has been determined to include (i) the heads of key operating/company units (main lines of business): in addition to the Joint General Manager of the Commercial Area, who is already included in the category Key Managers, these are the Head of the Finance Department, the Head of the Lending Department, and the General Manager of BG Fund Management Luxembourg S.A. (hereinafter also "BG FML"); and (ii) persons who report directly to the personnel indicated in point (i) above and who are regarded as having an impact on company risk due to their activities, autonomy and powers: these are the Head of the Private Banking Division and the Head of the Financial Planner Division. This category has also been determined to include the Head of the AM Division, since the activities, autonomy and powers assigned to this position have been regarded as having a substantial impact on the company's risk;............; 101

c) upper-level middle managers and managers in charge of control functions: the Heads of Company Risks, Internal Audit, and Resources Departments, as well as the Heads of Risk Management, and Compliance Services; 101

d) main managers operating in the Bank's distribution networks: these are the Sales Manager Italy and the local managers classified as Area Managers and Private Banking Managers. 101

a) Key Managers: the Chief Executive Officer and General Manager, other members of the General Management and Central Managers; the managers included in this group represent the Bank's Top Managers and are also the Bank's Key Management Personnel; 132

b) the managers of the main business areas or company functions, directly reporting to the Chief Executive Officer, General Manager or Joint General Managers (if not included among Key Managers): the Head of the AM Division, the Head of the Private Banking Division, the Head of the Financial Planner Division and the Head of the Resources

Department. This category does not include the heads of External Communications, Strategic Planning, and Investor Relations functions even tough they report directly to the Chief Executive Officer/Joint General Manager, given that the said functions do not significantly impact the Bank's risk profile. For the same reasons the heads of other functions who report directly to other members of the General Management are not included except for the functions listed in the preceding points. For the other companies of the Banca Generali Group: General Manager of BG Fund Management Luxembourg SA; 132

c) upper-level middle managers and managers in charge of control functions: the Head of Company Risk Department and Internal Audit, the heads of Risk Management, Compliance and Anti Money Laundering Services; 132

d) other Risk Takers: (i) managers (other than those listed above) who, from time to time, are members of the Credit Committee which has decision-making powers and Banca Generali's Risk Committee: at the date of this document: the Head of the Lending Department, and (ii) other managers of important business areas: the Head of the Finance Department. Other risk takers do not, however, include employees vested with limited delegated operating powers in respect of loans and finance, given not only the low-levels of their decision-making autonomy, which is subject to pre-established ceilings, but also their answerability to their direct managers who qualify as "Key Personnel" in one of the foregoing categories; 132

e) main managers operating in the Bank's distribution networks: Sales Manager Italy, Area Manager, Private Banking Manager, Project Manager Italy and Insurance Trainee. 132

Turning to the remuneration of employees not considered Key Personnel, the following is an account of the main aggregates for the professional families Relationship Managers, Managers (managers from the AM Division, BG Fund Management Luxembourg, and BG Fiduciaria SIM) and other employees. 132

In particular, in the following figures the fixed portion refers to the gross annual remuneration collected, whereas the variable portion refers to the estimate of variable remuneration based on the management by objectives (MBO) mechanisms and of the discretionary variable remuneration also linked to the annual evaluation for those not benefiting from MBO mechanisms. 133

The remuneration policies applicable to Financial Advisors were consistently implemented, in both qualitative and quantitative terms, as described in the document "Banking Group's Remuneration Policies" approved by the General Shareholders' Meeting on 24 April 2014. 133

Financial Advisors serve the Bank pursuant to an agency agreement providing for, *inter alia*, variable remuneration directly linked to various types of revenues, on a percentage basis. The said variable remuneration is however recurrent, insofar as it is directly linked to the assets entrusted to each Financial Advisor and the related advisory and placing activities. A small proportion also derives from fees on individual sale transactions. Moreover, Financial Advisors may also qualify for further remuneration under various incentive plans implemented by the company at its discretion, primarily with a view to rewarding excellence in professional performance during the relevant period. 133

By way of general information, it is worth noting that in 2014 the weight of fee expense (almost entirely in favour of Financial Advisors) on overall fee income, including in performance fees linked to market performance, increased compared to figures for 2013. 133

Total payout (with performance fees) 133

Total payout (without performance fees) (*) 133

2013 133

44.1% 133

49.7% 133

2014 133

46.9% 133

53.2% 133

(*) *Excluding data of the former Generali Investments Luxembourg* 133

More specifically, in the case of Financial Advisors serving in managerial positions at the end of 2014, incentives accounted for nearly 15% of overall ordinary remuneration. 134

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KEY REGULATORY INDICATORS

(€ million)	31.12.2014	31.12.2013	Change %
Net equity	536.3	469.1	14.3
Common Equity Tier 1 capital (CET 1)	311.7	300.7	3.7
Tier 1 capital	311.7	300.7	3.7
Own funds	362.6	313.4	15.7
Excess capital	157.9	144.3	9.4
Risk-weighted assets (RWAs)	2,558.3	2,113.9	21.0
Tier 1 Capital Ratio (Tier 1 capital /Risk-weighted assets)	12.18%	14.22%	-14.4
Total Capital Ratio (Total own funds/Risk-weighted assets)	14.17%	14.83%	-4.4

(*) Figures for 2013 are Basel 2 compliant.

FOREWORD

The new prudential supervisory provisions applicable to banks and banking groups came into force in EU law on 1 January 2014. They were drafted as part of the Basel Committee agreements ("Basel 3") and designed to strengthen banks' capacity to absorb shocks caused by financial and economic stresses, regardless of their origin, improve risk management and governance, and reinforce banks' transparency and reporting.

The new rules defined by the Basel Committee for bank supervision were adopted in community law through EU Regulation No. 575/2013 [1] and Directive 2013/36/EU[2], published in the Official Journal of the European Union on 27 June 2013.
The Bank of Italy applied the above-mentioned provisions by issuing, on 17 December 2013, Circular Letter No. 285 "*Supervisory Provisions for Banks*", repeatedly updated in 2014, and Circular Letter No. 286 "*Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies*" also on 17 December 2013.

The Regulatory Technical Standards, issued by the European Banking Authority (EBA) and endorsed by the European Commission, provide the operating instructions for applying the new provisions. EBA also prepares the Implementing Technical Standards (ITS) aimed at harmonising prudential reports (COREP) and statistics (FINREP) at European level.

The new regulatory framework has retained the approach based on three pillars underlying the previous Capital Accord (Basel 2), while complementing and reinforcing that approach with the aim of improving the quantity and quality of intermediaries' capital, introducing counter-cyclical regulatory instruments and rules concerning liquidity risk management and the containment of leverage.

In detail, **Pillar 1** was strengthened by introducing a more harmonised definition of capital and increasing capital requirements.
Basel 3 includes the definition of a harmonised concept of Common Equity Tier 1 capital (CET1), corresponding to ordinary shares and earnings reserves; in addition, more stringent criteria have been established for deducting from capital intangible assets, equity investments in financial and insurance companies and deferred tax assets (DTAs) in excess of pre-set individual and cumulative thresholds.
It also provides for more stringent regulatory capital requirements to more accurately capture potential risks from securitisation positions and trading book and introduces DTAs, which were previously not included.
The minimum overall requirement will remain set at 8% of risk-weighted assets, but more than half of this, or 4.5%, is to be met by common equity. In order to respond to periods of stress, an additional capital conservation buffer is also required beyond the regulatory minimum, equal to 2.5% of common equity in relation to risk-weighted assets. Banks that do not have such capital conservation buffer will in any event be required to comply with limits on the distribution of dividends and the award of bonuses, which will become increasingly stringent as the buffer shrinks.

[1] Hereinafter also referred to as "CRR."

[2] Hereinafter also referred to as "CRD IV."

Basel 3 also introduces new requirements and supervisory systems for the liquidity and leverage risks, based on the following ratios:

- *Liquidity Coverage Ratio* — LCR, a short-term liquidity requirement;
- *Net Stable Funding Ratio* — NSFR, a longer-term structural stability requirement;
- *Leverage Ratio*, which as of 2017 will limit the maximum expansion of assets based on the size of CET1.

Pillar 2 requires banks to adopt a current and prospective capital adequacy strategy and a relevant monitoring process, and leaves to the supervisory authority the task to verify the reliability and consistency of relevant results and adopt adequate corrective measures, should the situation require this.

Pillar 3 is based on the assumption that **Market Discipline** can contribute to reinforcing the regulation of capital, and thus promote the stability and solidity of banks and the financial sector. Therefore, Pillar 3 aims at combining minimum capital requirements (Pillar 1) and the prudential control process (Pillar 2), by identifying information transparency requirements that permit the market operators to have access to full, relevant and reliable information about:

- capital adequacy;
- risk exposure; and
- general characteristics of systems intended to identify, measure and manage such risks.

This pillar has also been revised to introduce, amongst other things, transparency requirements regarding the composition of capital for regulatory purposes and the methods used by the Parent Company to calculate capital ratios, securitisation exposures, assets pledged and the new leverage ratio.

Public disclosure is now governed directly by EU Regulation No. 575/2013.

Bank of Italy's Circular Letter No. 285 of 17 December 2014, which covers this subject in Chapter 13, Part Two, does not establish specific rules for drafting and publishing Pillar 3, but merely reproduces the list of provisions laid down on the matter in the CRR[3].
The subject is therefore governed directly by:

- the CRR itself, Part 8 "Disclosure by institutions" (Articles 431 – 455), and Part 10, Title I, Chapter 3 "Transitional provisions for disclosure of own funds" (Article 492);
- the Regulations of the European Commission entrusted to the EBA (European Banking Authority), laying down the regulatory technical standards and implementing technical standards for uniform models for publication of the various types of disclosures.

[3] Accordingly, the previous provisions (Bank of Italy's Circular Letter No. 263/06, Title IV) and all the schemes and rules envisaged thereon are no longer applicable.

Additional indications have been provided by the **EBA (European Banking Authority)** in a specific document concerning the issues of materiality, proprietary and confidentiality and the frequency of disclosures to be provided in Pillar 3[4] [5].

On the basis of Article 433 of the CRR, banks shall publish public disclosures on at least an annual basis, along with their financial reporting documents.
Institutions are also required to assess the need to publish some or all disclosures more frequently in the light of the relevant characteristics of their businesses[6].
In this regard, the aforementioned EBA guidelines have confirmed the minimum obligation for all institutions to disclose information on an annual basis, in conjunction with their financial statements, while allowing each National Competent Authority, in accordance with Article 106 of CRD IV, to set more frequent deadlines than in the CRR in their countries, and requiring each bank to conduct its own assessment of whether it needs to publish more frequent disclosures.

Disclosures are of a **qualitative** and **quantitative** nature, structured so as to provide as complete as possible an overview of the risks assumed, the characteristics of the pertinent governance and control systems and capital adequacy of the Banca Generali Group.
The Pillar 3 public disclosure is drafted at the **consolidated level** by the Banking Parent Company.
Unless otherwise specified, all amounts are in **thousands of euros**.

Pursuant to Article 432 of CRR, there are exemptions to publication obligations under which entities may in extraordinary circumstances omit to publish proprietary or confidential information (including information considered to constitute disclosure adequacy requirements), provided that the unpublished information and the reasons for omission are stated, and information of a more general nature on the same subject is given.

Compliance with public disclosure obligations is a necessary condition for the Banca Generali Group to secure recognition of the effects of its credit risk management (CRM)[7] techniques for prudential purposes.

Given the public significance of Pillar 3, the document is submitted to the competent Corporate Boards for approval under the responsibility of the manager in charge of preparing the company's accounting documents. In accordance with Article 154-*bis* of Legislative Decree No. 58/98 (TUF), the document is then submitted for the relative certification.

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[4] Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation No. (EU) 575/2013), (EBA/GL/2014/14) of 23 December 2014.

[5] The public disclosure envisaged in Pillar 3 has been also analysed by the Basel Committee in its document "Revised Pillar 3 Disclosure Requirements", which calls for the introduction of international standard schemes starting in 2016.

[6] In detail, entities shall assess whether it is necessary to set more frequent deadlines for disclosing information regarding "Own funds" (Basel 3 Pillar 3 – Article 437, Introduction) and "Capital requirements " (Article 438), as well as information concerning risk exposure or other elements which may be subject to swift changes.

[7] Compliance with public disclosure obligations is also a necessary condition to recognise, for prudential purposes, the internal methods applied to calculate capital requirements.

In order to ensure compliance with disclosure requirements, the Banca Generali Group has adopted organisational measures suitable to ensuring the fulfilment of disclosure obligations. Top management analyses the assessment and verification of information quality, inasmuch as the law specifies that these activities fall within the remit of company bodies on an independent basis.

In order to conform to the requirements of supervisory legislation, the Banca Generali Group defined an internal process for determining Public Disclosures regarding Banca Generali S.p.A. (the “Parent Company”) and, insofar as applicable, the Companies (the “Group Companies”) subject to consolidated prudential regulatory rules.

The Banca Generali Group regularly publishes its public Pillar 3 disclosures on its website, at the following address:
www.Bancagenerali.com/Investor Relations.

Additional information concerning the Group’s risk profile, pursuant to Article 434 of the CRR, was also published in the Annual Report for the year ended 31 December 2014, the Corporate Governance Report and the Remuneration Report. In the light of the above Article, if similar information is already disclosed in two or more media, a reference to that information is included in each medium.

1 RISK MANAGEMENT OBJECTIVES AND POLICIES

The body charged with strategic supervision, in accordance with the requirements of the legislation[8], has the following responsibilities:

- it identifies the objectives, strategies, risk profile and tolerance thresholds of the Bank and the guidelines for the internal control system, by defining corporate risk management policies within the Risk Appetite Framework (RAF) and by concurrently determining the corporate policies; it periodically checks their correct implementation and consistency with business developments and the associated risks, paying special attention to the adequacy and effectiveness of the Risk Appetite Framework and the compatibility between actual risk and the risk appetite;
- with at least annual frequency, it verifies the adequacy and efficacy of internal control systems and organisation in the light of the requirements set by the laws and regulations in effect from time to time and the Bank's characteristics;
- it verifies that the structure of the company control functions has been established in a manner consistent with the principle of proportionality and strategic guidelines, and that said functions have been provided qualitatively and quantitatively adequate resources;
- it approves the way in which control functions coordinate and collaborate with one another;
- it defines and approves the Risk Appetite Framework (RAF) on the basis of the Chief Executive Officer's proposal for the maximum risk that may be assumed, risk targets and tolerance thresholds, and periodically assesses its adequacy and efficacy in the light of the Bank's characteristics and operation;
- it approves and periodically verifies (at least once a year) the organisational structure and the assignment of tasks and responsibilities;
- it approves and carries out checks to ensure that the system of information flows is adequate, complete and timely, including information flows within control functions and between them and corporate bodies; it approves, at least annually, the plan of activities and the reports of the control functions on the activities carried out;
- it ensures that the compensation and reward structure does not increase corporate risks and is in line with RAF and long-term strategies;
- it lays down the basis for defining the general management guidelines, approves the Company's strategic, industrial and financial plans, in a manner consistent with the RAF, and periodically reviews such plans in the light of the development of the company's business and the external scenario, in order to ensure that they remain effective over time;
- with respect to the Internal Capital Adequacy Assessment Process, it defines and approves the general outline of the process, ensuring its consistency with the Risk Appetite Framework and promoting full use of ICAAP results for strategic purposes and business decisions;
- it approves risk management processes and assesses their compatibility with strategic guidelines and risk governance policies, including the Risk Appetite Framework, and ensures that they are consistent with the quantity and allocation of capital and liquidity;

[8] Cf. Regulation (EU) No. 575/2013 of 26 June 2013 (CRR) – Part 8.

- it ensures that the strategic plan, Risk Appetite Framework, ICAAP, budget and internal control system are consistent with one another, considering the development of the external and internal conditions in which the Bank operates;
- it identifies and periodically reviews the strategic guidelines and risk management policies relating to money laundering and terrorist financing in a manner appropriate to the level and type of risks to which the Bank is actually exposed; *inter alia*, it ensures, on an ongoing basis, that tasks and responsibilities concerning anti-money laundering and countering of terrorist financing are clearly and appropriately allocated, making sure that operational and control functions are separated and have qualitatively and quantitatively adequate resources.

The body charged with management establishes and maintains an effective risk management and control system in implementing strategic guidelines.

In accordance with applicable legislation[9] and the internal system of powers and delegation of powers, the Chief Executive Officer and the General Management, within the framework of their respective competencies, approve specific guidelines, in line with the strategic approach, aimed at ensuring the efficacy of the risk management system. In addition, they supervise the risk management and control system, verify its constant overall efficiency and efficacy, in accordance with the business model and level of exposure determined by the Board of Directors, and manage problems and critical issues associated with organisational aspects by adjusting them in response to anomalies, changes in the context of reference, or the introduction of new products, activities or significant processes.

In further detail, the Chief Executive Officer is responsible for:

- implementing the corporate policies, strategies, Risk Appetite Framework and business risk governance policies, defined by the Board of Directors;
- defining and monitoring on a continuous basis the implementation of the risk management process, ensuring its consistency with the risk appetite and risk governance policies, taking also into account the changes in operating conditions both inside and outside the Bank;
- establishing operating limits to the assumption of the various types of risk, consistent with the risk appetite and taking into account the stress test results and developments in the economy;
- defining the information flows aimed at ensuring that the corporate bodies are informed of the most relevant management events, as well as ensuring full knowledge and governability of risk factors and verification of compliance with the Risk Appetite Framework; ensuring proper, timely and safe information management for accounting, management and reporting purposes;
- implementing all necessary initiatives and actions to ensure that the internal control system is complete, adequate, efficient and reliable, and reporting the results of the analysis to the Board of Directors;
- clearly defining the tasks and responsibilities of corporate structures and functions;
- ensuring that all the staff concerned are given timely notice of corporate policies and procedures;
- implementing the Internal Capital Adequacy Assessment Process (also referred to as ICAAP), ensuring that it is in line with the strategic policies, the Risk Appetite Framework

[9] Cf. Regulation (EU) No. 575/2013 of 26 June 2013 (CRR) – Part 8.

and the 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 governing money laundering and financing for terrorism; defining the information flows aimed at ensuring that risk factors are known by all corporate structures involved and by the bodies with control responsibilities; approving training and education programmes of employees and external staff.

In accordance with applicable regulations, each of the members of the General Management, in the context of his or her respective functions and competencies, contributes to:

- implementing the corporate policies, strategies, Risk Appetite Framework and business risk governance policies, defined by the Board of Directors and the Chief Executive Officer;
- assessing on a continuous basis the compliance of the risk management process, ensuring its consistency with the risk appetite and risk governance policies, taking also into account the changes in operating conditions both inside and outside the Bank;
- defining the information flows aimed at ensuring that the corporate bodies and control functions are informed of the most relevant management events, as well as ensuring full knowledge and governability of risk factors and verification of compliance with the Risk Appetite Framework; implementing a proper, timely and safe information management for accounting, management and reporting purposes;
- clearly defining the tasks and responsibilities of corporate structures and functions answerable to him;
- ensuring that all the staff concerned are given timely notice of corporate policies and procedures;
- implementing the Internal Capital Adequacy Assessment Process (also referred to as ICAAP), ensuring that it is in line with the strategic policies, the Risk Appetite Framework and the guidelines drawn up by the Board of Directors, and meets the requirements imposed under the prudential supervisory rules for banks;
- ensuring that the internal procedures, responsibilities and corporate structures and functions are implemented and updated, taking due account of guidelines issued also at international level, in order to avoid the unintentional involvement in money laundering and terrorist financing activity; in this area, his or her duties include ensuring that operating procedures and information technology allow customers to be identified properly and constant updates to be applied to all information functional to reviewing customers' financial profiles, preparing procedures necessary to meet the requirements of document storage and recording of information in the Single Computer Archive, ensuring the adoption of specific computer procedures for compliance with money laundering legislation, included with regard to transactions carried out by telephone or electronic channels.

The body charged with control, in the context of its institutional supervisory functions, reviews the adequacy of the risk management and control system and the compliance thereof with the requirements established by legislation.[10]

The Board of Statutory Auditors, drawing on the contribution provided by the internal control functions, assesses the functionality and adequacy of the risk management system.

1.1 CREDIT RISK

Considering that lending is instrumental to the Group's core business, lending operations essentially consist of granting credit facilities secured by pledges, and primarily for customers who hold assets under management with the Parent Company or other Group companies.

The Group has formally defined a single risk management policy approved by the Board of Directors of the Parent Company, that specifies the bodies and functions involved in the management of credit risk and sets forth the guidelines for the identification, measurement, monitoring and reporting of this type of 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.

Credit risk exposure and containment policies are also taken into account by the Group, when developing new products or new types of operations.

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.

The Group monitors credit risk with the aim of quantifying, on both an ex-ante and ex-post basis, the risk assumed at the level of the individual borrower and the overall loan portfolio and verifying the compliance thereof with the system of limits.

With regard to the monitoring of loans after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.

[10] Cf. Regulation (EU) No. 575/2013 of 26 June 2013 (CRR) – Part 8.

The Lending Department monitors the performance of loans and reports on anomalous positions. It is responsible for lending activities and managing the credit lines granted in accordance with the Lending Rules.

In addition to the Lending Department, first-tier control is also conducted by the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure, and by the Operations Department, which is responsible for managing the monitoring process and the debt exposures of non-loan customers.

The Group's credit and counterparty risk appetite is periodically monitored [1] on the basis of Risk Triggers and Risk Limits, as laid down in the Risk Appetite Framework approved by the Parent Company's Board of Directors, and [2] in operational terms, on the basis of the system of operating limits approved by the Parent Company's Board of Directors and the organisational measures adopted.

The Risk Management Service is responsible for second-tier controls and conducts specific independent control and monitoring of credit risk.

The Risk Management Service, within the Corporate Risk Department, operates on behalf of both Banca Generali S.p.A. and the Subsidiaries, and is responsible for:

1) in concert with relevant corporate functions, identifying and monitoring credit risk exposure of Generali Group companies by using analytical risk-assessment models, as well as overseeing the implementation of appropriate risk-containment procedures by all the operating units involved;
2) verifying that the performance of individual exposures is properly monitored, particularly for non-performing exposures, and assessing the adequacy of the recovery process;
3) assessing the appropriateness of the procedures for establishing and validating operating restrictions, whilst ensuring that any and all breaches of the said restrictions as well as increases in risk exposure levels, are promptly reported to high-level management, as well as the heads of the individual operating units in question;
4) verifying the integrity of the information flows underlying timely risk monitoring and the immediate flagging of any and all anomalous transactions;
5) validating the algorithms and calculation methods that support the credit counterparty classification process and conducting spot checks of the proper classification of credit counterparties;
6) submitting periodic reports to company bodies on the overall status of the risk management system and its capacity, in particular, to respond to the development of risks, as well as the existence of breaches of the operating limits set and the corrective action taken accordingly;

7) verifying the consistency of risk measurement models with the operating processes in force at the Banking Group, ensuring they are adjusted as the business and operations develop;
8) conducting stress tests;
9) ensuring the consistency of the credit risk management systems implemented by Group Companies;
10) preparing an annual Risk Management Plan for the identification and monitoring of credit risk internally to the Banking Group.

The Risk Management Service is also responsible for verifying the efficacy of the attenuation techniques employed in credit risk mitigation (CRM).

In order to perform the above activities, the Risk Management Service works with the competent company Departments/Functions and relies on computer application tools suitable to an accurate, timely performance of second-tier credit risk control activities.

With reference to the activities carried out, the Risk Management Service draws up all necessary reports to be submitted to the Risk Committee. Such collegial body is charged with providing coordination of the Group's credit risk management and control system.

With reference to the credit risk management process, the Risk Committee collaborates with Lending Committee, which was instituted at the Parent Company and has specific decision-making powers on operations within certain given amounts, as defined by the Lending Rules and Procedures of Banca Generali S.p.A.

Third-tier controls are conducted by the Internal Audit Department, in accordance with the Internal Rules and Procedures.

The Group measures credit risk with the aim of quantifying the degree of exposure to said risk, determining minimum Pillar 1 prudential requirements and quantifying internal capital in connection with Pillar 2 credit risk.

The measurement of credit risk is the responsibility of the Administration Department (through the Supervisory Reporting Operating Unit) with respect to the calculation of the Pillar 1 capital absorption (prudential supervisory reporting) and the responsibility of the Risk Management Service with respect to the measurement of Pillar 2 (ICAAP). Both activities are performed centrally by the respective company functions. Risk measurement is conducted at both separate and consolidated level for Pillar 1 and Pillar 2.

For prudential purposes, the Group measures credit risk using the standardised method proposed by the Bank of Italy to determine the capital requirements to be held for credit risk by using Moody's at the ECAI, and Moody's, S&P and Fitch as the ECAIs for securitisation positions.

The standard method entails:

- the subdivision of exposures into various classes depending on the nature of the counterparty, the technical characteristics of the transaction, or the methods with which the transaction is undertaken:
  - exposures to central administrations and central banks;
  - exposures to local administrations and entities;
  - exposures to public institutions;
  - exposures to multilateral development banks;
  - exposures to international organisations;
  - exposures to entities;
  - exposures to companies;
  - individual exposures;
  - exposures to institutions and enterprises with a short-term credit assessment;
  - exposures in the form of units or shares of UCITS;
  - equity exposures;
  - exposures representing securitisation positions;
  - exposures secured by mortgages of real properties;
  - exposures in the form of secured bank bonds;
  - defaulted exposures;
  - positions associated with particularly high risk;
  - other exposures;
- the application of weighting coefficients, according to creditworthiness, to each portfolio.

The Risk Management Service collaborates with the Finance Department and Lending Department to identify the methods of analysis to be used to permit prospective and stress measurement and monitoring of the degree of risk exposure, in accordance with the Group's operations and the strategic guidelines laid down by the Board of Directors[11].

In particular, these methods of analysis and risk indicators have been established in order to measure and monitor the loan portfolio's overall risk in terms of its composition, and verify the consistency and functionality of the methods, processes and tools used in loan approval activity.

Said assessments are complementary to timely identification of the Group's positions at risk, performance control of non-performing positions, and the determination of any corrective action to be taken.

The Risk Management Service is also responsible, in collaboration with the Finance and Lending Departments, for identifying the rules and parameters required for the development of credit risk measurement methods and models.

In addition to the identification of rules and parameters required for the development of the credit risk measurement and monitoring methods and models defined above, the Risk Management Service is also responsible for the implementation and maintenance thereof within calculation applications, a task performed in concert with relevant functions.

[11] Cf. Regulation (EU) No. 575/2013 of 26 June 2013 (CRR) and Circular Letter No. 285 of 17 December 2013. "Supervisory Provisions Concerning Banks."

The Group has implemented an accurate, complete and timely reporting system in order to ensure that company bodies and control functions are:

- fully aware and able to govern the degree of exposure to credit risk;
- fully aware of the proper functioning of the credit risk management process and any problems and critical issues associated with organisational and/or procedural issues.

The management functions (Chief Executive Officer and General Management) are responsible for defining reporting information flows regarding credit risk management and control, which are then submitted to the strategic supervision function (Board of Directors).

The Risk Management Service is responsible for generating and transmitting reports on the activities performed.

The containment of credit risk is pursued primarily through the use of guarantees both at the management level when loans are approved and as credit risk mitigation techniques when risk is measured for both Pillars 1 and 2, as stated in prudential supervisory provisions governing Credit Risk Mitigation[12].

Collateral guarantees consist primarily of pledges on real property and, only to a secondary extent, of mortgages — generally of residential properties — intended in almost all cases for the purchase of residential properties by Group employees. Personal guarantees are also acquired to a residual extent.

Collateral guarantees are accepted when higher in value than the obligation being guaranteed, and this applies to mortgages and pledges. Specifically, in this latter case, upon disbursement a haircut is normally applied to the value of the collateral in order to ensure that the loan is issued within the limits of the resulting net collateral. Collateral is periodically valued at market value and action is taken as appropriate, requesting that the collateral be supplemented or reducing the loan.

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[12] Cf.

- Regulation (EU) No. 575/2013 of 26 June 2013 (CRR);
- Regulation (EU) No. 1024/2013 of 15 October 2013 issued by the European Council;
- Regulation (EU) No. 468/2014 of 16 April 2014 issued by the European Central Bank;
- Circular Letter No. 285 “Supervisory Provisions Concerning Banks” of 17 December 2013 issued by the Bank of Italy;
- Circular Letter No. 263 “New Supervisory Provisions Concerning Banks” of 27 December 2006 issued by the Bank of Italy.

1.2 COUNTERPARTY RISK

The Group has implemented a Single Risk Management Policy, duly approved by the Board of Directors of Banca Generali S.p.A., which defines the bodies and functions involved in the management of counterparty risk and describes the activities associated with identifying, measuring, controlling and reporting this type of risk.

The counterparty risk management and monitoring systems prepared by the Group take account of the limited extent of derivative instruments transactions, both proprietary and on behalf of clients, and the limited number of financial instruments in which it deals.

The Finance Rules and Procedures of Banca Generali S.p.A. set out the guidelines concerning securities transactions that may generate counterparty risk and state that a credit limit must be established for such transactions incorporating a specific analysis of the counterparty's creditworthiness.

Counterparty risk exposure and containment policies are also taken into account by the Group when developing new products or new types of operations.

The Finance Department of Banca Generali S.p.A. performs first-tier controls of counterparty risk, ensuring compliance with the credit limits for institutional counterparties established by the Board of Directors.

The Lending Department participates in defining the operating policies for transactions that may generate counterparty risk for the Group.

The Risk Management Service is responsible for second-tier control, including the following activities:

- measurement and monitoring of counterparty risk exposure;
- verification of compliance with limits;
- generation and transmission of reports in its area of competence;
- preparation and verification of methods for measuring and monitoring counterparty risk, and implementation and maintenance of said methods within calculation applications.

The third-tier controls of operations are conducted by the Internal Audit Department, in accordance with the Internal Rules and Procedures of Banca Generali S.p.A. and the Group.

The Risk Committee is the collegial body charged with providing coordinated coverage of the Group's counterparty risk management and control system.

The Committee is responsible for a shared vision of the global performance of the counterparty risk management and control system and may also decide to take action to mitigate risk 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 measures counterparty risk with the goal of quantifying the degree of exposure to said risk, determining minimum Pillar 1 prudential requirements and quantifying internal capital in connection with Pillar 2 counterparty risk.

The measurement of counterpart risk is the responsibility of the Administration Department (through the Supervisory Reporting Operating Unit) with respect to the quarterly calculation of the Pillar 1 capital absorption (prudential supervisory reporting), and the responsibility of the Risk Management Service with respect to the measurement of Pillar 2 (ICAAP). Both activities are performed centrally by the respective company functions. Risk measurement is conducted at both the separate and consolidated level for Pillar 1 and at the consolidated level for Pillar 2.

For prudential purposes, the Group uses the current value method proposed by the Bank of Italy to determine the capital requirements to be held for the counterparty risk generated by OTC derivatives transactions and transactions with long-term settlement.

The Group uses the integral method with regulatory adjustments for volatility proposed by the Bank of Italy to determine the capital requirements to be held for the counterparty risk generated by repurchase agreements.

The Risk Management Service collaborates with the Finance Department and Lending Department to identify the methods of analysis to be used to permit prospective and stress measurement and monitoring of the degree of counterparty risk exposure, in accordance with the Group's operations and the strategic guidelines laid down by the Board of Directors.

The Risk Management Service, in collaboration with the above-mentioned Departments (Finance and Lending), is responsible for the identification of rules and parameters required for the development of the counterparty risk measurement and monitoring methods and the implementation and maintenance thereof in calculation applications.

The Group has implemented an accurate, complete and timely reporting system in order to ensure that company bodies and control functions are:

- fully aware and able to govern the degree of exposure to counterparty risk;
- fully aware of the proper functioning of the counterparty risk management methods and any problems and critical issues associated with organisational and/or procedural issues.

The Risk Committee is the collegial body charged with providing coordinated coverage of the Group's counterparty risk management and control system.

The management functions (Chief Executive Officer and General Management) are responsible for defining reporting information flows regarding counterparty risk management and control, which are then submitted to the strategic supervision function (Board of Directors).

The Risk Management Service is responsible for generating and transmitting reports on the activities performed.

1.3 RISK OF CREDIT VALUATION ADJUSTMENT (CVA)

With reference to the counterparty risk, the new Basel 3 regulations[13] introduce the credit valuation adjustment (CVA), which refers to an adjustment of the mid-market valuation of the portfolio of transactions with a counterparty. That adjustment reflects the current market value of the credit risk of the counterparty to the institution, but does not reflect the current market value of the credit risk of the institution to the counterparty[14].

Calculation of the requirement for the aforementioned risk includes OTC derivative instruments and securities financing transactions (SFTs). It does not include:

- transactions with a central counterparty clearing house (CCP);
- intra-group transactions;
- transactions with counterparties not subject to credit valuation adjustment (CVA);
- hedges not eligible for CVA risk.

Capital requirements for CVA risks are calculated at the portfolio level for each counterparty by applying the supervisory formula envisaged in the standardised method and by taking account of eligible CVA hedges.

With respect to the management process, since the scope of transactions subject to credit valuation adjustment risk coincides with that for counterparty risk, the same guidelines and procedures as those laid down for counterparty risk and formalised in the Single Risk Management Policy adopted by the Bank apply.

1.4 MARKET RISK

The Group implemented a Single Risk Management Policy approved by the Board of Directors of the Parent Company, that specifies the bodies and functions involved in the management of market risk and sets forth the guidelines for the identification, measurement, monitoring and reporting of this type of risk.

The Finance Department is responsible for “proprietary securities trading and trading on behalf of Clients.”

The Finance Department conducts first-tier management and monitoring of exposure to market risk, in accordance with predefined operating limits detailed in the Parent Company’s “Finance Rules.”

The Group uses the following operating limits in connection with specific and generic position risk:

13 Cf. Regulation (EU) No 575/2013 of 26 June 2013 (CRR).

14 Cf. Regulation (EU) No 575/2013 of 26 June 2013 (CRR).

- limits of modified duration, allocation by asset class, residual life, issuer type and rating;
- stop-loss limits for each financial instrument in the proprietary portfolio.

In connection with exchange rate risk, the Group implements open position limits (overnight and intraday limits) for positions in foreign currencies.

Market risk exposure and containment policies are also taken into account by the Group when developing new products or new types of operations (e.g., the possibility of dealing in particularly complex, structured securities; the decision to deal on new market segments).

The Finance Department conducts its activities with the aid of monitoring applications. The IT systems that support finance activity are in line with market best practices.

The Group's market risk appetite is periodically monitored [1] on the basis of Risk Triggers and Risk Limits, as laid down in the Risk Appetite Framework approved by the Parent Company's Board of Directors, and [2] in operational terms, on the basis of the system of operating limits approved by the Parent Company's Board of Directors and the organisational measures adopted.

Second-tier control activities are the responsibility of the Risk Management Service, which is charged with identifying, measuring, controlling and managing the risks associated with the Banking Group's activities, processes and systems in accordance with the strategies and risk profile defined by the Board of Directors.

In connection with market risk, the Service is responsible for:

1) identifying and developing market risk-assessment models to effectively monitor the operating, market, and credit risk exposure of Generali Group companies, and overseeing the implementation of appropriate risk-containment procedures by all the operating units involved;
2) assessing the appropriateness of the procedures for establishing and validating restrictions, whilst ensuring that any and all breaches of the said restrictions, as well as increases in risk exposure levels, are promptly reported to top management and the heads of the individual operating units in question;
3) verifying the integrity of the information flows underlying timely risk monitoring and the immediate flagging of any and all anomalous transactions;
4) submitting periodic reports to company bodies on the overall status of the market risk management system and its capacity, in particular, to respond to the development of such risks, as well as the existence of breaches of established limits and the corrective action taken accordingly;
5) verifying the consistency of market risk measurement models with the operating processes in force at the Banking Group, ensuring they are adjusted as the business and operations develop;
6) conducting stress tests;
7) verifying the consistency of the market risk management systems implemented by Group Companies;

8) preparing an annual Risk Management Plan for the identification and monitoring of market risk internally to the Banking Group.

In order to perform second-tier control activities, such as, for example, verifying that the information used to measure and monitor market risk is reliable, the Risk Management Service has established adequate workstations for independent access to information from info-providers, in addition to all appropriate IT solutions.

With reference to the activities carried out, the Risk Management Service draws up all necessary reports to be submitted to the Risk Committee. The latter is the body charged with ensuring coordinated coverage of the system for managing and controlling the risks assumed by the Group.

In connection with market risks, in addition to a shared vision of the global performance of the market risk management and control system, decisions may be reached as to what 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 Internal Audit Department conducts independent controls (third-tier controls) on transactions undertaken by the Departments/Functions involved in the management of market risk, in accordance with the Bank's and the Group's Internal Rules and Procedures.

The Internal Audit Department performs said controls not only for the Parent Company, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit service, and in an institutional capacity as a function of the Parent Company of the Banking Group.

The Group measures market risk with the goal of quantifying the degree of exposure to said risk, determining minimum Pillar 1 prudential requirements, and quantifying internal capital in connection with Pillar 2 market risk.

The measurement of risk is the responsibility of the Administration Department (through the Supervisory Reporting Operating Unit) with respect to the quarterly calculation of the Pillar 1 capital absorption (prudential supervisory reporting) and the responsibility of the Risk Management Service with respect to the measurement of Pillar 2 (ICAAP). Both activities are performed centrally by the respective company functions.

The aforementioned measurement is conducted at both separate and consolidated level for Pillar 1 and Pillar 2.

When determining the capital requirement for market risks for prudential purposes, the Group employs the standard methodology. For prudential regulatory capital purposes, the Group uses the delta-plus method for options.

The standard method determines a separate capital requirement for each type of risk.

In terms of position risk, for regulatory purposes the assets in the trading portfolio are broken down according to the nature of the security and the corresponding significant risk factor.

The regulatory requirement for each risk is calculated on the positions that have not yet been liquidated at the date of delivery of debt securities, equities, goods or the sums of money owed.

The regulatory requirement for concentration risk refers to positions in the trading book for regulatory purposes that determine the overrun of the “individual credit limit.”

Trading risks are measured by also applying daily analysis of VaR (Value at Risk), which describes the maximum potential loss in value of a portfolio over a certain holding period, corresponding to one 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.

A sensitivity analysis is also used to assess market risk.

The Risk Management Service collaborates with the Finance Department to identify the methods of analysis to be used to permit adequate measurement and monitoring of the degree of market risk exposure in accordance with the Group’s operations, applicable legislation, and the strategic guidelines laid down by the Board of Directors.

With reference to the measurement of financial instruments, the Finance Department determines the pricing of securities for operating purposes (by downloading prices from info-providers), and the Risk Management Service validates the pricing and method used to determine securities pricing.

The Risk Management Service, in collaboration with the Finance Department, is responsible for the identification of rules and parameters required for the development of the market risk measurement and monitoring methods and the implementation and maintenance thereof in calculation applications, with the collaboration of the Finance Department.

The Group implements a reporting system in order to ensure that company bodies and control functions are:

- fully aware and able to govern the degree of exposure to market risk;
- fully aware of the proper functioning of the market risk management process and any problems and critical issues associated with organisational and/or procedural issues.

The Risk Management Service is responsible for generating and transmitting reports on the analyses conducted.

The information is brought to the attention of the Risk Committee and the Chief Executive Officer then submits it to the Parent Company’s Board of Directors.

1.5 OPERATING RISK

The Group has implemented a Single Risk Management Policy, duly approved by the Board of Directors of the Parent Company, which defines the bodies and functions involved in the management of the operating risk and describes the activities associated with identifying, measuring, controlling and reporting this type of risk.

In the context of operating risk management:

- the Regulations Service is responsible for analysing and mapping processes for the purpose of conducting Operational Risk Assessment, through interviews with Process/Subprocess Owners, and for incorporating any changes in processes, as well as for populating and updating the process Library and its internal regulations;
- the Organisation and IT Department is responsible for coordinating and monitoring the implementation of the solutions planned for any problems detected during the Operational Risk Assessment performed by the Risk Management Service.

The Legal Advisory Service contributes to the management of operating risks by handling disputes and complaints. The Anti Money Laundering Service is the function in charge of constantly monitoring the risk of exposure to phenomena of money-laundering and terrorist financing. The Compliance Service is instead tasked with determining control measures for the distribution network, focusing not only on the risk of regulatory violations but also on the risk of potential fraud as a result of the financial advisory activities performed.

Particular attention is devoted to the control and monitoring of the risk of fraud, a risk of particular importance to the Group, given its organisational configuration.

The Internal Audit Department periodically confirms the proper application of the approved operating risk management system, and serves as a coordinator regarding the risk of internal fraud; fraud audit involves assessing the effectiveness and adequacy of existing control systems on the basis of risk ratings or any irregularities reported by other units, as well as intercepting the indicators of fraud.

To reinforce the efficacy of the control process, the Parent Company's Board of Directors, in compliance with Bank of Italy's Circular Letter No. 84001014 of 20 April 2004 and the subsequent Regulatory Provision No. 311014 of 23 March 2007, approved a Business Continuity Plan.

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

The Group's operating risk appetite is periodically monitored [1] on the basis of Risk Triggers and Risk Limits, as laid down in the Risk Appetite Framework approved by the Parent Company's Board of Directors, and [2] in operational terms, on the basis of the system of operating limits adopted.

The Risk Management Service is responsible for second-tier controls of operating risk and is consequently tasked with identifying, measuring, controlling and managing operating risk.[15]

In further detail, said Service has the following primary responsibilities in connection with operating risk:[16]

- identifying the risk-assessment model;
- developing, maintaining and validating the risk assessment methods;
- assessing the credit risk exposure through, among others:

  - ✓ identifying key risk indicators (KRIs) in collaboration with the affected company functions;
  - ✓ using the qualitative assessments gathered during the Operational Risk Assessment conducted primarily through interviews with the relevant process owners, with assistance, if appropriate, from any other function involved;
  - ✓ verifying that capital is allocated to cover the operational risks identified in accordance with applicable legislation and the methods approved by the Parent Company;

- promptly notifying the Regulations Service of any changes to processes resulting from the Operational Risk Assessment;
- immediately reporting to the Internal Audit Department the irregularities indicative of potential fraud that are detected during the Operational Risk Assessment;
- determining any corrective measures to cover the operational risks determined and evaluating their proper implementation by the relevant process owners, with assistance from the Organisation and IT Coordination Department;
- preparing and generating the reports in its remit, to be submitted to the Risk Committee. Said collegial body is charged with providing coordinated coverage of the management and control system for the operating risks assumed by the Group, including operating risk.

The Internal Audit Department is responsible for third-tier controls of operating risk, in accordance with the Internal Rules and Procedures of Banca Generali S.p.A. and the Group.

The Group measures operating risk with the goal of quantifying the degree of exposure to said risk, determining minimum Pillar 1 prudential requirements, and quantifying internal capital in connection with Pillar 2 operating risk.

The measurement of operating risk is conducted by the Administration Department (through the Supervisory Reporting Operating Unit) with respect to the quarterly calculation of the Pillar 1 capital absorption (prudential supervisory reporting), and by the Risk Management Service with

[15] Cf. "Internal Rules" of Banca Generali.

[16] Cf. "Internal Rules" of Banca Generali.

respect to the measurement of Pillar 2 (ICAAP). Both activities are performed centrally by the respective company functions.

This measurement is conducted at both the separate and consolidated level for Pillar 1 and at the consolidated level for Pillar 2.

The Group has adopted the Basic Indicator Approach (BIA), as described in Table 12, to determine its capital requirement for operating risk.

The Risk Management Service, on the basis of legislative provisions [17] and the strategic orientation defined by the Board of Directors, identifies the methods of analysis to be used to permit adequate monitoring, and prospective and stress measurement of the degree of exposure to risk.

The Group has implemented an accurate, complete and timely reporting system in order to ensure that appropriate information concerning operating risks is available to company bodies and control functions.

The management functions (Chief Executive Officer and General Management) are responsible for defining reporting information flows regarding operating risk management and control, which are then submitted to the strategic supervision function (Board of Directors).

The Risk Management Service is responsible for generating and transmitting reports on the analyses conducted.

The Legal Advisory Service is responsible for generating reports concerning dispute-related activities.

1.6 INTEREST RATE RISK ON THE BANKING BOOK

The Group has formally defined a Single Risk Management Policy, duly approved by the Board of Directors of the Parent Company, which specifies the bodies and functions involved and describes the guidelines for the identification, measurement, control and reporting of interest rate risk on the banking book.

First-tier controls of interest rate risk in the banking book are performed by the Lending Department and Finance Department of the Parent Company.

[17] The laws in question (Regulation (EU) No. 575/2013 of 26 June 2013 — CRR) calls for three different methods of determining the new capital requirement for operating risk, characterised by increasing levels of complexity in measuring risk exposure and stricter organisational coverage in terms of corporate governance mechanisms and processes for the identification, management and control of risk: the basic method, standardised method and advanced method. The Group uses the basic method (Basic Indicator Approach, BIA) which calls for the calculation of capital requirements for operating risk by applying a regulatory coefficient (15%) to the indicator of the volume of company operations, represented by total net banking income.

In particular, the Finance Department is responsible for proprietary trading of financial instruments, trading of financial instruments on behalf of customers and the Group's treasury management.

The Lending Department is responsible for loan approval activities and the management of the loans issued.

Containment of the interest rate risk on the banking book is primarily pursued by matching the duration of assets and liabilities.

Interest rate risk exposure and containment policies are also taken into account by the Group when developing new products or new types of operations.

The Group's interest rate risk appetite on the banking book is periodically monitored [1] on the basis of Risk Triggers and Risk Limits, as laid down in the Risk Appetite Framework approved by the Parent Company's Board of Directors, and [2] in operational terms, on the basis of the system of operating limits adopted.

The Risk Management Service is responsible for second-tier controls with the aim of carrying out the following activities (including the implementation of stress tests):

- identifying the Group's interest rate risk;
- measuring exposure to interest rate risk;
- verifying compliance with limits;
- generating and transmitting reports within its area of competence;
- preparing and verifying methods of measuring interest rate risk, as well as implementing and maintaining said methods within calculation applications.

With reference to the activities carried out, the Risk Management Service draws up all necessary reports for the Risk Committee. The latter is the collegial body charged with providing coordinated coverage of the Group's interest rate risk management and control system.

The Internal Audit Department is responsible for third-tier controls of interest rate risk and performs said controls not only for the Parent Company, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit service, and in an institutional capacity as a function of the Parent Company of the Banking Group.

The Group measures interest rate risk with the goal of not only determining internal capital but also of quantifying the degree of exposure to said risk.

The Risk Management Service is responsible for measuring risk and does so at consolidated level using the model proposed by the Bank of Italy for the measurement of the risk arising from the Group's exposure to changes in the interest rate in the banking book.

In accordance with applicable legislation[18], the Risk Management Service collaborates with the Finance Department and Lending Department to identify the methods of analysis to be used to permit current and prospective measurement and monitoring of the degree of risk exposure in accordance with the Group's operations and the strategic guidelines laid down by the Board of Directors.

The Risk Management Service is also responsible, in collaboration with the Finance and Lending Departments, for identifying the rules and parameters required for the development of interest rate risk measurement methods and models.

In addition, the Risk Management Service is also charged with conducting stress tests in the interest of a better assessment of the exposure to interest rate risk and the associated mitigation and control systems[19].

The Group has implemented an accurate, complete and timely reporting system in order to ensure that company bodies and control functions are:

- fully aware and able to govern the degree of exposure to interest rate risk;
- fully aware of the proper functioning of the interest rate risk management methods and any problems and critical issues associated with organisational and/or procedural issues.

The management functions (Chief Executive Officer and General Management) are responsible for defining reporting information flows regarding the management and control of the interest rate risk on the banking book, which are then submitted to the strategic supervision function (Board of Directors).

The Risk Management Service is responsible for generating and transmitting reports on the activities performed.

1.7 CONCENTRATION RISK

The Group has implemented a Single Risk Management Policy, duly approved by the Board of Directors of the Parent Company, which specifies the bodies and functions involved in the management of said risk and describes the guidelines for the identification, measurement, control and reporting of concentration risk.

The containment of concentration risk is pursued through constant, adequate monitoring activity involving periodic measurement of the degree of concentration of the loan portfolio at the level of the Group.

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[18] The laws in question (Circular Letter No. 285 of 17 December 2013 "Supervisory Provisions concerning Banks", Title III, Chapter I. Annex C) calls for a specific method for measuring interest rate risk on the banking book.

[19] Cf. Circular No. 285 of 17 December 2013: "Supervisory Provisions Concerning Banks."

Concentration risk exposure and containment policies are also taken into account by the Group, when developing new products or new types of operations.

Banca Generali's Credit Regulations define certain business areas in relation to their lending activities. In detail, risk is distributed over various business areas in order to avoid concentration in certain business segments.

Business areas are broken down as follows:

- agriculture, forestry and fishing;
- extraction of minerals from quarries and mines;
- manufacturing;
- supply of electrical power, natural gas, steam and air cooling;
- supply of water; sewer networks; waste management and land reclamation;
- construction;
- wholesale and retail distribution; automobile and motorcycle repair;
- transport and storage;
- hospitality and dining services;
- information and communications services;
- financial and insurance activities;
- real-estate activities;
- professional, scientific and technical activities;
- rentals, travel agencies, and business support services;
- education;
- healthcare and local assistance;
- artistic, sporting, entertainment and leisure activities;
- other services.

In addition, the Credit Regulations state that “the total exposure to an individual client, including the associated positions, is limited to 1% of the Bank’s own funds, in the absence of guarantees, except in cases of justified exceptions approved by the Board of Directors. This percentage may be increased according to the type of guarantee provided in proportion to the weights envisaged in the Prudential Supervisory Provisions, up to a maximum of 9.9% of eligible capital (the limit for the definition of a ‘Large Risk’), without prejudice to the lower overall limits established for exposures to Related Parties and Connected Parties.”

The Finance Department and Lending Department are responsible for first-tier controls of concentration risk of the Parent Company.

The Finance Department is responsible for lending to institutional counterparties (loans to banks) and investment in securities considered in determining the Group’s overall credit

exposure[20]. The Lending Department is responsible for loans to customers, primarily retail and corporate customers.

The Group's concentration risk appetite is periodically monitored [1] on the basis of Risk Triggers and Risk Limits, as laid down in the Risk Appetite Framework approved by the Parent Company's Board of Directors, and [2] in operational terms, on the basis of the system of operating limits approved by the Parent Company's Board of Directors and the organisational measures adopted.

The Risk Management Service is responsible for second-tier controls, including the following activities:

- identifying concentration risk;
- measuring exposure to concentration risk;
- implementing stress tests;
- verifying compliance with concentration risk limits;
- generating and transmitting reports in its area of competence;
- preparing and verifying methods of measuring and monitoring concentration risk, as well as implementing and maintaining said methods within calculation applications

With reference to the activities carried out, the Risk Management Service draws up all necessary reports to be submitted to the Risk Committee. The latter is the collegial body charged with providing coordinated coverage of the Group's concentration risk management and control system.

Third-tier controls are conducted by the Internal Audit Department, in accordance with the Internal Rules and Procedures of Banca Generali S.p.A. The Internal Audit Department performs said controls not only for the Parent Company, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit service, and in an institutional capacity as a function of the Parent Company of the Banking Group.

The Group measures concentration risk with the goal of not only determining internal capital covering concentration risk from a Pillar 2 standpoint, but also of quantifying the degree of exposure to said risk.

The Risk Management Service is responsible for measuring concentration risk at both the separate and consolidated levels, considering both the risk per individual borrower (per "name") and the geo-sectoral risk: for the former, the Group uses the Granularity Adjustment (GA) method defined and regulated in the new prudential regulatory provisions[21], whereas for the latter it uses the Italian Banking Association method, defined in the context of the "Laboratorio Rischio di Concentrazione" (Concentration Risk Workshop) in collaboration with a qualified independent consulting firm, then presented and shared with the Bank of Italy and updated in March 2015.

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[20] Securities considered in determining the Group's overall credit exposure are those that are not included in the regulatory trading book.

[21] Cf. Circular No. 285 of 17 December 2013: "Regulatory Provisions Concerning Banks", Title III, Chapter 1, Annex B.

In accordance with the Group's operations, the Risk Management Service collaborates with the Finance Department and Lending Department to identify applicable legislation[22] and the strategic guidelines laid down by the Board of Directors, the methods to be used to permit measurement and current and prospective monitoring of the Group's exposure to concentration risk.

The Risk Management Service is also responsible for collaborating with the Finance and Lending Departments to determine the rules and parameters required for the development of concentration risk measurement methods and models.

The Risk Management Service is also responsible for defining the methods for the conduct of stress tests and the performance thereof to secure a better assessment of the exposure to concentration risk and concentration risk mitigation and control systems[23].

In addition to the identification of rules and parameters required for the development of the concentration risk measurement and monitoring methods and models defined above, the Risk Management Service is also responsible for the implementation and maintenance thereof within calculation applications.

The Group has implemented an accurate, complete and timely reporting system in order to ensure that company bodies and control functions are:

- fully aware and able to govern the degree of exposure to concentration risk;
- fully aware of the proper functioning of concentration risk management methods and any problems and critical issues associated with organisational and/or procedural issues.

The management functions (Chief Executive Officer and General Management) are responsible for defining reporting information flows regarding concentration risk management and control, which are then submitted to the strategic supervision function (Board of Directors).

The Risk Management Service is responsible for generating and transmitting reports on the activities performed.

1.8 LIQUIDITY RISK

The Group has defined and formalised a Single Risk Management Policy, duly approved by the Board of Directors of the Parent Company, which specifies the bodies and functions involved in the management of the liquidity risk and sets out the guidelines for the identification, assessment/measurement, control and reporting of this type of risk.

First-tier controls on operations are the responsibility of the Parent Company's Finance Department.

[22] Cf. Circular No. 263 of 17 December 2013: "New Prudential Supervisory Provisions Concerning Banks."

[23] Cf. Circular No. 263 of 17 December 2013: "New Prudential Supervisory Provisions Concerning Banks."

The transactions in question are:

- ✓ transactions on the interbank deposit market (MID and EXTRA-MID);
- ✓ extraordinary advance transactions with fixed maturities with the Bank of Italy;
- ✓ repurchase agreement transactions for securities or currencies with the Bank of Italy;
- ✓ treasury repurchase agreements with market counterparties:
  - on securities, with a maximum duration of 12 months;
  - on currencies.

The Risk Management Service is responsible for second-tier controls and has the following specific duties:

- identifying the Group's liquidity risk;
- supporting the definition of policies and processes for liquidity risk management;
- measuring/assessing exposure to liquidity risk;
- verifying compliance with limits;
- updating the Contingency Funding Plan;
- generating and transmitting reports in its area of competence;
- preparing and verifying methods of measuring/assessing liquidity risk, as well as implementing and maintaining said methods within calculation applications.

With reference to the activities carried out, the Risk Management Service draws up all necessary reports to be submitted to the Risk Committee. The latter is the collegial body charged with providing coordinated coverage of the Group's liquidity risk management and control system.

The Internal Audit Department is responsible for third-tier controls of liquidity risk and performs said controls not only for the Parent Company, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit service, and in an institutional capacity as a function of the Parent Company of the Banking Group.

The Group has also formally defined a Contingency Funding Plan. The primary purpose of this Plan is to protect the Group's assets in low-liquidity situations through the preparation of crisis management strategies and procedures for the procurement of funding in emergencies.

The Plan distinguishes between two types of liquidity crisis:

- systemic crises, affecting the entire financial system;
- specific (or idiosyncratic) crises, affecting the Group only.

The Plan formally establishes the roles and responsibilities of all bodies and functions involved.

In addition, the Plan formally defines several indicators intended to detect/anticipate liquidity tensions/acute crises and the process of identifying, measuring, monitoring and reporting said indicators.

Three different scenarios have been identified according to the values of said indicators and their persistence over time:

- ordinary operation;
- liquidity tension;
- acute liquidity crisis.

The Contingency Funding Plan lays out the strategies that the Group is to follow in conditions of liquidity tension/acute crises, according to the scenario in question.

Liquidity risk is primarily mitigated through management and monitoring of liquidity risk at the consolidated level, which involves:

- managing operating liquidity risk, i.e., events that affect the Group's liquidity position on the short-term time horizon, with the primary objective of maintaining the Group's capacity to meet its ordinary and extraordinary payment obligations, while minimising the related costs;
- managing structural liquidity risk, i.e., all events that affect the Group's liquidity position, including in the medium/long term, with the primary objective of maintaining an adequate dynamic relationship between liabilities and assets on the various time horizons.

In connection with its activity on capital markets, the Group makes use of highly liquid securities that may be disposed of with extreme ease and without particular added costs, where necessary.

Liquidity risk exposure and containment policies are also taken into account by the Group when developing new products or new types of operations (e.g., the possibility of dealing in particularly complex, structured securities, the decision to deal on new market segments).

In addition, a preliminary analysis is periodically conducted of the Group's exposure to liquidity risk in the presence of stress scenarios in order to assess the adequacy of its liquidity reserves from both a qualitative and quantitative standpoint, in keeping with the indications provided by the Basel Committee ("Basel 3").

In particular, reference is made to the two standard indicators introduced by the Committee, namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

In keeping with the content of the Risk Appetite Framework approved by the Parent Company's Board of Directors, the liquidity risk appetite is periodically monitored on the basis of:

- target levels, set on the LCR and NSFR indicators in normal conditions (Risk Appetite) and stress conditions (Risk Tolerance), as well as for the purposes of compliance with legal constraints (Risk Capacity);

- risk limits, risk triggers, intended to monitor changes in exposure to risk with respect to operating indicators;

and, from an operational standpoint, on the basis of the organisational safeguards adopted.

The Group has implemented an accurate, complete and timely reporting system in order to ensure that company bodies and control functions are:

- ❖ fully aware and able to govern the degree of exposure to liquidity risk;
- ❖ fully aware of the proper functioning of the liquidity risk management methods and any problems and critical issues associated with organisational and/or procedural issues.

The management functions (Chief Executive Officer and General Management) are responsible for defining reporting information flows regarding liquidity risk management and control, which are then submitted to the strategic supervision function (Board of Directors) for approval.

The Risk Management Service is responsible for generating and transmitting reports on the activities performed.

1.9 RISK OF EXCESSIVE LEVERAGE

The Group has defined and formalised a Single Risk Management Policy, which specifies the bodies and functions involved in the management of excessive leverage and sets out the guidelines for the identification, assessment/measurement, control and reporting of this type of risk.

First-tier controls are entrusted to the Planning and Control Department and the Administration Department.

The propensity to the risk of excessive leverage is periodically monitored based on target levels, which are defined with reference to normal conditions (Risk Appetite) and stress conditions (Risk Tolerance), as well as for the purposes of compliance with legal constraints (Risk Capacity), and are adopted within the Risk Appetite Framework approved by the Parent Company's Board of Directors.

The Risk Management Service carries out second-tier controls and has the following specific duties:

- quarterly assessment of the Leverage Ratio, calculated by the Administration Department both at individual and consolidated level, as part of its activities to prepare and transmission of Supervisory Warnings;
- stress tests to better assess the exposure to excessive leverage risk and identify relevant mitigation and control measures ;

- observance of the established limits and, in the event of divergence, initiating the recovery/adjustment process, informing the responsible functions thereof, or verifying that specific authorisation has been granted to maintain the risk position;
- generating and transmitting reports in its area of competence.

Third-tier controls on the risk of excessive leverage are carried out by the Internal Audit Department.

The Group measures the risk of excessive leverage with the aim of quantifying the level of exposure to such risk.

Regulatory risk measurement is the responsibility of the Administration Department, which performs this activity at the central level, i.e., for all Group companies, receiving support from the company functions involved.

In this respect, the Administration Department, as part of its preparation and submission of supervisory reports, is responsible for calculating the leverage indicator. Risk is measured at both the consolidated and separate levels. The Group uses the Basel 3 Leverage Ratio as its indicator of the risk of excessive leverage.

In a manner consistent with the Group's operations, laws and regulations and the Board of Directors' decisions, the Risk Management Service determines the methods of analysis and risk indicators in order to permit adequate measurement, assessment and monitoring from a current and prospective standpoint of the degree of exposure to the risk of excessive leverage.

The Risk Management Service is charged with conducting stress tests in the interest of a better assessment of the exposure to excessive leverage risk and the associated mitigation and control systems.

The Group has implemented an accurate, complete and timely reporting system in order to ensure that company bodies and control functions:

- are fully aware of and able to govern the degree of exposure to excessive leverage;
- are fully aware of the proper functioning of risk management methods regarding excessive leverage and any problems and critical issues associated with organisational and/or procedural issues.

The management functions (Chief Executive Officer and General Management) are responsible for defining reporting information flows regarding management and control of the excessive leverage risk, which are then submitted to the strategic supervision function (Board of Directors).

The Risk Management Service is responsible for generating and transmitting reports on the activities performed.

1.10 OTHER RISKS

The Group has also identified and monitors other types of risks such as:

- Reputational Risk: the current or prospective risk of a decrease in profits or capital arising from a negative perception of the bank's image by clients, counterparties, shareholders, investors or regulatory authorities [24] .Strategic Risk: the current or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario[25].
- Compliance Risk: the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of compulsory provisions (laws or regulations) or self-imposed rules (e.g., Articles of Association, codes of conduct, governance codes)[26].
- Residual Risk: the risk that the recognised credit risk mitigation techniques used by the Bank prove less effective than foreseen[27].
- Country risk: risk of losses caused by events occurring in a country other than Italy. The concept of country risk is broader than that of sovereign risk as it refers to all exposures, regardless of the nature of the counterparties, therefore including individuals, enterprises, banks or public administration bodies.
- Transfer risk: the risk that a bank with an exposure to a party that obtains financing in a currency other than that in which it collects its main sources of income may sustain losses due to difficulty by the borrower in converting its currency into the currency in which the exposure is denominated.
- Equity investment risks: risks of overly illiquid assets as a result of equity investments in financial and non-financial companies.
- Risks related to risk assets and conflicts of interest with connected parties: 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.
- Risk of money-laundering and terrorist financing: the risk that the bank may become involved, possibly without its knowledge, in phenomena of money-laundering and financing of terrorism.
- Information technology risk: the risk of sustaining financial losses or reputational damage, or losing market share, in connection with the use of information and communication technology (ICT).

[24] Cf. Circular Letter No. 263 of 17 December 2013: "New Prudential Supervisory Provisions Concerning Banks."

[25] Cf. Circular Letter No. 263 of 17 December 2013: "New Prudential Supervisory Provisions Concerning Banks."

[26] Cf. Circular Letter No. 263 of the BANK OF ITALY of 27 December 2006.

[27] Cf. New Prudential Supervisory Provisions Concerning Banks, Circular Letter No. 263 of 27 December 2006, Title III, Annex A.

1.10.1 Reputational risk

The Group has adopted a Single **Reputational** Risk Management Policy, duly approved by the Parent Company's Board of Directors, which defines the bodies and functions involved in the management of the reputational risk and describes the guidelines for identifying, measuring, controlling and reporting said risk.

The Group has taken targeted actions and identified specific monitoring and control activities aimed at minimising the occurrence of events that may have negative consequences in reputational terms.

In this context, the Group has adopted specific codes of conduct and codes of ethics that govern the Group's operations and its dealings with its main stakeholders.

Given the transversal nature of reputational risk throughout the Group's organisational structure, there are various internal Functions that engage in the control and monitoring of such risk: the External Communications Service, the Legal Advisory Service, the Resource Development and Training Service and the Marketing Department.

The Risk Management Service, the Compliance Service and the Anti Money Laundering Service (to the extent of their competence) are responsible for second-tier controls.

The Internal Audit Department conducts independent controls (third-tier controls).

The Risk Committee is the company body charged with providing coordinated coverage of the Group's reputational risk management and control system.

The Chief Executive Officer and General Management define reporting information flows, which are then submitted to the Board of Directors for approval.

The Risk Management Service, the Compliance Service and the Anti Money Laundering Service, each to the extent of its respective competence, are responsible for generating and transmitting reports on the analyses conducted.

1.10.2 Strategic risk

The Group has adopted a Single **Strategic** Risk Management Policy, duly approved by the Parent Company's Board of Directors, which defines the bodies and functions involved in the management of strategic risk and describes the guidelines for identifying, measuring, controlling and reporting said risk.

The Group has identified strategic risk control and monitoring activities and the associated process owners. The Planning & Control Department is responsible for first-tier controls.

The Risk Management Service is responsible for second-tier controls.

The Internal Audit Department conducts independent controls (third-tier controls) of the operations performed by the Departments/Functions involved in the management of strategic risk.

The Risk Committee is the company body charged with providing coordinated coverage of the Group's strategic risk management and control system.

The Chief Executive Officer and General Management define reporting information flows, which are then submitted to the Board of Directors for approval.

The Risk Management Service is responsible for generating and transmitting reports on the second-tier analyses conducted.

1.10.3 Compliance Risk

The Group has adopted a **Compliance** Risk Management Policy, approved by the Parent Company's Board of Directors, which defines the bodies, functions and guidelines for the management of said risk.

Compliance rules and procedures, which identify all of the entities involved in the management of compliance risk, with a focus on the Compliance Function's activities, have also been drafted with the aim of ensuring adequate management of compliance risk.

In the interest of allowing adequate coordination of activities, Banca Generali and the other Group Companies decided to centralise the second-tier compliance control function with Banca Generali's Compliance Service, in line with industry regulations[28].

A contact person has also been identified for each Group Company. This person is charged with providing support to the Group's Compliance Function, particularly regarding the application of the management policies set at the Group level to individual companies.

In accordance with industry regulations[29], among other tasks, the Compliance Service has to verify that internal procedures are consistent with the goal of preventing breaches of external provisions (laws and regulations) and internal provisions (codes of conduct, codes of ethics) applicable to the Group.Chief among the activities assigned to the Compliance Service is thus the attribution of control functions aimed at managing the risk of non-compliance. Specifically, such functions take the form of:

- (prior) verification of the suitability of internal procedures to ensure compliance with applicable legislation (ex-ante verification);
- (ongoing) verification of the compliance of company processes (ex-post verification);
- input for defining and implementing any corrective measures and evaluating such measures.

[28] Cf. Circular Letter No. 263 of the Bank of Italy of 27 December 2006 – 15th Update.
[29] Cf. Circular Letter No. 263 of the BANK OF ITALY of 27 December 2006.

The scope of the Compliance Service's control activity also extends to evaluating the suitability and efficacy of compliance procedures.

The control model applied by the Compliance Service when carrying out the activity within its sphere of competence is characterised by the following stages:

- identification of the external provisions (laws and regulations) and internal provisions (codes of conduct, codes of ethics) that give rise to exposure to non-compliance risk;
- identification and evaluation, on at least an annual basis, of the primary compliance risks;
- definition of an annual audit plan, including audits on the distribution network comprised of Financial Planners, Financial Planning Agents, Private Bankers and Relationship Managers, that takes account of the compliance risks previously found;
- performance of tests concerning the efficacy of organisational adjustments (offices, processes, procedures) suggested to prevent non-compliance risk;
- the monitoring of intervention plans in which the corrective measures to be taken are summarised and through which the schedules, priorities and responsibilities of activities are defined;
- implementation of a reporting system suited to representing compliance risks to the Board of Directors, the Audit and Risk Committee, the Board of Statutory Auditors, the Chief Executive Officer, the General Management, the Risk Committee and the Supervisory Board, or the individual units affected.

To carry out the above activities, the Compliance Service adopts a model that is:

- process-focused, with the aim of being able to intervene effectively in a single area of operation through specialised know-how and thus to have a thorough understanding of the risks and anomalies peculiar to the various environments;
- risk-based: control objectives and activities are defined as a function of the non-compliance risks associated with each area of operation;
- characterised by standard instruments and techniques with the aim of ensuring homogeneity of analysis and representation of activity.

The model adopted, within the context of the management of compliance risk, pursues the following objectives:

- identifying in advance the risks of legal or administrative penalties, material financial losses and reputational damages associated with non-compliance with rules;
- suggesting mitigating actions for the risks identified;
- ensuring that operating processes are carried out in accordance with external provisions and internal rules;
- contributing to the proper functioning of the overall internal control system.

The Compliance Service constantly identifies the rules applicable to Banking Group companies in order to identify the non-compliance risks associated with the processes developed.

To this end, the Compliance Service constantly monitors new developments concerning:

- external provisions (laws and regulations);
- internal provisions (codes of conduct, codes of ethics);
- the opinions and interpretations of Supervisory Authorities (Bank of Italy, Consob), Ministries and Trade Associations.

1.10.4 Residual risk

The Group has adopted a Single **Residual** Risk Management Policy, duly approved by the Parent Company's Board of Directors, which defines the bodies and functions involved in the management of residual risk and describes the guidelines for identifying, measuring, controlling and reporting the said risk.

In addition, the Group has laid down the guidelines for the credit risk mitigation (CRM) technique management system and the methods aimed at ensuring compliance with requirements that CRM techniques must satisfy in order to be used to calculate capital requirements for credit risk.

The Group has also prepared a specific document in which it has defined and formally stated all of the activities performed by the various Departments/Services involved in the analysis of guarantees employed as CRM techniques.

In particular, the activities performed are:

- analysis of the types of guarantees used by the Banca Generali Group;
- description of the primary characteristics of each type of guarantee analysed;
- analysis of the general and specific requirements set by supervisory regulations for each type of guarantee used by the Group as a CRM technique;
- a comparison between the guarantees used and the contents of applicable legislation;
- an analysis of the process of managing the guarantees used as CRM techniques for prudential purposes. Supervisory regulations require, among the general requirements, satisfaction of organisational requirements. Satisfaction of organisational requirements calls for a CRM technique management system that presides over the entire process of acquiring, evaluating controlling and implementing the credit risk mitigation instruments employed by the Group. Accordingly, each stage of this process has been explored in further detail for all types of guarantees analysed.

In first-tier controls of residual risk, the Lending Department is responsible for control activity concerning changes in the value of guarantees, and particularly collateral in the form of financial instruments, given the volatility of such instruments.

The Compliance Service performs second-tier controls, specific assessments of compliance with the requirements and company processes that oversee the adoption of credit risk mitigation techniques for prudential purposes.

The Risk Management Service is responsible for identifying residual risk, measuring/assessing and monitoring the exposure to residual risk, generating and transmitting the reports in its area of competence, preparing and assessing residual risk evaluation methods and implementing and maintaining these methods within calculation applications.

The Internal Audit Department is responsible for third-tier controls.

The Risk Committee has specific tasks and responsibilities involving the management and control of the Group's residual risk.

The Chief Executive Officer and General Management define reporting information flows, which are then submitted to the Board of Directors for approval.

The Risk Management Service is responsible for generating and transmitting reports on the analyses conducted.

1.10.5 Equity investment risk

The Group has implemented a policy for managing **equity investment risk**, duly approved by the Parent Company's Board of Directors. That policy:

- lays down the control activities for managing the limits prescribed by the Bank of Italy both at a general level and specifically to each investment;
- lays down the criteria and methods whereby Banca Generali decides upon and then manages its equity investments in other companies.

In first-tier controls of equity investment risk, the Administration Department is charged with managing and updating the list of the Bank's equity investments by obtaining periodic information from the Finance Department concerning the presence, if any, in proprietary portfolios of shares and other equity instruments issued by the Bank's investees.

The Administration Department is responsible for generating reports concerning the Bank's equity investments, measured in accordance with the Bank's Fair Value Policy, indicating concentration limits and overall holding limits under the Policy and the Bank of Italy's rules on the subject. Those reports are submitted to the Chief Executive Officer and then presented to the strategic supervision body (the Board of Directors).

When the amount of equity investments nears the quantitative concentration and overall limits, the Chief Executive Officer proposes to the Board of Directors possible sales of equity interests, on the basis of a joint proposal by the Finance Department and the Administration Department.

In second-tier controls, the Compliance Service constantly verifies the existence and reliability of procedures and systems suited to ensuring compliance with all legal obligations and

requirements of the Equity Investment Management Policy concerning investments in non-financial companies.

Third-tier controls are the responsibility of the Internal Audit Department, which verifies compliance with the Equity Investment Management Policy with respect to investments in non-financial companies and reports any anomalies in a timely manner to the top management, while also informing the Finance Department and Administration Department.

In matters subject to the Equity Investment Management Policy, the Internal Audit and Risk Committee plays an advisory and supporting role to the decision-making body, in the various scenarios detailed in the Policy.

1.10.6 Risk arising on related party transactions

With reference to the management process of the **risk arising on related party transactions,** the Banca Generali Group adopted a specific risk management policy, duly approved by the Board of Directors of Banca Generali S.p.A., with the goal of:

- defining risk appetite levels in terms of a maximum amount of risk assets in relation to Connected Parties deemed acceptable with respect to Own Funds, in reference to total exposures to all Connected Parties;
- identifying, in regard to transactions with Connected Parties, the sectors of activity and types of dealings of an economic nature, in relation to which conflicts of interest may arise;
- governing organisational processes made for thoroughly identifying and cataloguing Connected Parties, and identifying and quantifying the pertinent transactions throughout all phases of the relationship;
- governing control processes meant for ensuring that the risks assumed in relation to Connected Parties are properly measured and managed and verifying that internal policies have been properly designed and effectively applied.

With reference to second-tier controls:

- the Risk Management Service is responsible for measuring risks — including market risks — underlying dealings with Connected Parties, verifies observance of the limits assigned to the various departments and operating units, and checks the transactions undertaken by each of them for consistency with the various risk appetite levels set out in the Policies;
- the Compliance Service verifies the existence and reliability, on an ongoing basis, of procedures and systems suited to ensuring observance of all regulatory obligations, as well as those established by internal rules and procedures.

The Internal Audit Department is responsible for third-tier controls, verifies compliance with the Policies, reports any anomalies in a timely manner to the Board of Statutory Auditors, the Audit and Risks Committee and the Bank's top corporate bodies.

The Bank's Independent Directors play a role of evaluation, support and proposition in the area of the organisation and performance of internal controls on the overall activity of assuming and managing risks in relation to Connected Parties, as well as a general review of the consistency of activity with strategic and managerial guidelines.

1.10.7 Risk of money-laundering and terrorist financing

With reference to the risk of **money-laundering and terrorist financing**, the Group has adopted a specific risk management policy, approved by the Parent Company's Board of Directors, which defines the bodies, functions and guidelines for the management of said risk.

In the interest of allowing adequate coordination of activities, Banca Generali and the other Group Companies decided to centralise the second-tier compliance control function for said risk with Banca Generali's Anti Money Laundering Service, in line with industry regulations[30].

A contact person has also been identified for each Group Company. This person is charged with providing support to the Group's Anti Money Laundering Function, particularly regarding the application of the management policies set at the Group level to individual companies.

In accordance with industry regulations[31], among other tasks, the Anti Money Laundering Service has to verify that internal procedures are consistent with the goal of preventing the risk of exposure to phenomena of money-laundering and terrorist financing. Among the tasks entrusted to the Anti Money Laundering Service a significant role is played by the assignment of control functions aimed at managing risk in question. In detail, the Anti Money Laundering Service:

- prevents and combats money laundering and terrorist financing transactions;
- continuously monitors that business practices are consistent with the objective of preventing and combating the infringement of external laws and regulations and of self-regulations on money laundering and terrorist financing;
- takes part in the identification of the internal control system and the procedures aimed at preventing and combating the risks in question;
- is responsible for managing, evaluating and reporting suspect transactions, effectively identifying other situations that trigger reporting obligations and supervising the anti-money laundering obligations within its purview (pursuant to Legislative Decree No. 231/2007);
- acts in a manner consistent with the compliance risk management policy, and in particular with the policy for managing the risk of money-laundering and terrorist financing approved by the Board of Directors.

The Anti Money Laundering Function is finally responsible for the implementation of a reporting system suited to representing the identified risks to the Board of Directors, the Internal Control Committee, the Board of Statutory Auditors, the Chief Executive Officer, the General Management, the Risk Committee and the Supervisory Board, or the individual units affected.

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[30] Cf. Bank of Italy Provisionof 10 March 2011.

[31] Cf. Bank of Italy Regulation of 10 March 2011.

The Internal Audit Department conducts independent controls (third-tier controls) of the operations performed by the Anti Money Laundering Service.

The Risk Committee is the company body charged with providing coordinated coverage of the management and control system for the risks assumed by the Group, including money-laundering and terrorism financing risks.

1.10.8 Information technology risk

In light of the close correlation between **information technology risk** and operating risk, the Group has expanded its framework for managing the former by implementing a specific method of analysing information technology risk within that same framework.

The information technology risk management process involves:

- the responsible user, i.e., an individual within the company identified for each system or application who formally assumes responsibility for that system or application, as a representative of users, and in dealings with functions charged with development and technical management;
- the Organisation and IT Coordination Department, that ensures the efficient operation of application procedures and IT systems, in support of organisational processes for the entire Banking Group;
- the Risk Management Service, whose second-tier control activities include qualitative assessment of information technology risk, conducted in the context of the operating risk management framework;
- the Internal Audit Department, responsible for third-tier controls and tasked with verifying the adequacy of the banking group's information technology systems and procedures, including where provided by outsourcers, and with periodically certifying that information technology risk is properly managed.

In the information technology risk management process, in addition to the indications of the Single Risk Management Policy, the Group has adopted an Information Technology Security Policy, which has also been approved by the Board of Directors and contains:

- the objectives of the information technology security management process, in accordance with the information technology risk appetite set at the company level;
- general security principles on the use and management of the information technology system;
- roles and responsibilities related to the information technology security function;
- the organisational and methodological framework of reference for ICT management processes charged with ensuring the appropriate level of protection;
- guidelines for communication, training and awareness-raising activities.

2 SCOPE OF APPLICATION

The public disclosure obligations apply to the Banca Generali Group. Banca Generali S.p.A. is the Parent Company.
The following table shows the Subsidiaries and scope of consolidation relevant for prudential and financial reporting purposes.

Companies in consolidated accounts	Registered office	Investor	% held	% of voted in GSM	Treatment for supervisory purposes	Treatment for financial statements purposes
BG Fiduciaria Sim S.p.A.	Trieste (Italy)	Banca Generali S.p.A.	*100%*	*100%*	Line-by-line	Line-by-line
BG Fund Management Luxembourg S.A.	Luxembourg	Banca Generali S.p.A.	*100%*	*100%*	Line-by-line	Line-by-line
Generfid S.p.A.	Milan (Italy)	Banca Generali S.p.A.	*100%*	*100%*	Line-by-line	Line-by-line

The consolidated accounts include the separate financial statements of the Parent Company and the subsidiaries at 31 December 2014, reclassified and adjusted where necessary, to take account of consolidation requirements.

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.
The carrying amount of equity investments in fully consolidated companies is eliminated against the bank's share of net equity in the respective subsidiary.
The resulting differences are allocated to the assets or liabilities 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, affecting both the balance sheet and income statement, 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.

The following is a description of the Banca Generali Group's organisational structure at 31 December 2013:

- **Banca Generali S.p.A.**, the Parent Company, engages primarily in the offering of traditional banking products and the offering and placing of investment and insurance products.

- **BG Fiduciaria SIM S.p.A.** is a company specialised in portfolio management both in the form of funds and securities, primarily in a custodial capacity.

- **Generfid S.p.A.** is a company specialised in setting up and managing trusts.

- **BG Fund Management Luxembourg S.A.** is a Luxembourg company specialised in the management of SICAVs.

There are no current or foreseeable legal or substantial obstacles that would prevent the rapid transfer of capital or funds within the Group.

3 OWN FUNDS

Own funds are the central element of Pillar 1 and are calculated according to the Basel 3 rules adopted in the European Union through a set of regulations including European Regulation No. 575/2013 (CRR - Capital Requirements Regulation), Directive 2013/36/EU (CRD IV - Capital Requirements Directive), Regulatory Technical Standards (RTSs) and the Implementing Technical Standards (ITSs) drafted by the EBA and issued by the European Commission.

The regulations cited above have been transposed into the Italian system by the following circular letters:

- Bank of Italy's Circular Letter No. 285 on Supervisory Provisions for Banks;
- Bank of Italy's Circular Letter No. 286: Instructions for the Preparation of Prudential Reports for Banks and Securities Brokerage Companies;
- Update to Bank of Italy's Circular Letter No. 154: Supervisory Reporting by Credit and Financial Institutions. Reporting Templates and Instructions for Submitting Data Streams.

Own funds differ from book equity in accordance with IASs/IFRSs because prudential regulations aim to safeguard asset quality, while reducing the potential volatility caused by the application of IASs/IFRSs. The constituent elements of own funds thus must be fully available to the Group, so that they may be used without limitation to cover company risks and losses. Institutions must demonstrate that they possess own funds of a quality and quantity compliant with the requirements imposed by current European legislation.

QUALITATIVE INFORMATION

As in the previous regulations, own funds are calculated as the sum of positive components, included with some limitations, and negative items, based on their capital quality. They consist of the following aggregates:

- Common Equity Tier 1 capital (CET1);
- Additional Tier 1 capital (AT1);
- Tier 2 capital (T2).

The introduction of the Basel 3 rules is being phased in gradually, with full application being achieved between 2019 and 2023; in the phase-in period the new rules will be applied at an increasing rate.
Some elements, that will be eligible for full inclusion in or deduction from CET1 once full application is achieved, have only a limited impact on CET1 during the phase-in period. Generally, the residual share is included in/deducted from AT1 or T2 or included in risk-weighted assets (RWAs).

The complete terms and conditions of Tier 1 and Tier 2 equity instruments are presented in Annex 1 to this document. Annex 2 includes the transitional own funds disclosure template provided for in the EBA's instructions.

3.1 Common Equity Tier 1 capital (CET1)

3.1.1 Common equity Tier 1 capital (CET 1)

CET1 includes paid-in capital, additional paid-in capital, earnings reserves, valuation reserves (AFS valuation reserve, IAS19 actuarial losses reserve), with the exception of the cash flow hedge reserve.
CET1 own instruments (own shares) and loss for the period are deducted from this aggregate.
Net profit for the period may be calculated, net of the provision for dividends (retained earnings) in compliance with Article 26 of the CRR and national discretionary measures provided for by the Bank of Italy.

3.1.2 Elements to be deducted from CET1

CET1 is then subject to the following deductions:
a) intangible assets, including goodwill;
b) deferred tax assets (DTAs) that are based on future profitability and do not arise on temporary differences, or differences involving tax losses;
c) deferred tax assets that rely on future profitability and arise on temporary differences (net of the corresponding deferred tax liabilities); deferred tax assets convertible to credits pursuant to Law No. 214/2011 calculated in risk weighted assets (RWAs) with a 100% weighting are not however deducted;
d) deferred tax assets relating to multiple reliefs on the same goodwill for the portion that has not yet been reflected in the current tax position;
e) direct, indirect and synthetic non-significant investments (<10%) in CET 1 instruments issued by financial institutions;
f) direct, indirect and synthetic significant investments (>10%) in CET1 instruments issued by financial institutions;
g) any deductions exceeding AT1 capital instruments.

Deductions relating to equity investments in financial institutions and deferred tax assets apply only to amounts exceeding given CET1 thresholds, known as **allowances**, according to a particular mechanism described below:

1. **non-significant investments** in CET1, AT1 and T2 instruments issued by financial institutions are deducted for the portion exceeding 10% of the amount of CET1 obtained after applying prudential filters and all the deductions, other than those relating to deferred tax assets, that rely on future profitability and derive from temporary differences, direct, indirect and synthetic investments in CET1 instruments issued by financial institutions, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial instruments;
2. **net deferred tax assets** that rely on future profitability and arise on temporary differences are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions, other than those relating to deferred tax assets, that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;

3. **significant investments in CET1 instruments** issued by financial institutions are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions, other than those relating to deferred tax assets, that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
4. amounts not deducted due to the 10% allowance relating to significant investments in CET1 instruments issued by financial institutions and net deferred tax assets that rely on future profitability and derive from temporary differences, added together, are deducted only **for the amount exceeding 17.65%** of CET1 obtained after applying prudential filters and all the deductions, including investments in financial institutions and deferred tax assets calculated in their entirety without taking account of the aforementioned thresholds, except for any deductions exceeding AT1 capital instruments;
5. amounts not deducted due to the allowances are included in risk-weighted assets and subject to a 250% weighting.

3.1.3 . Phase in — Impact on CET1

The main **phase-in** aspects are set out below:

1. the AFS portfolio's positive and negative valuation reserves relating to central EU administration exposures may be excluded from CET1 up to the date the European Commission approves the new IFRS 9; this exemption was introduced by the Bank of Italy under the national discretionary measures provided for by the CRR;
2. the AFS portfolio's positive valuation reserves, other than those relating to central administration exposures, are calculated in CET1 only from 2015 for 40% and then with the gradual introduction of 20% per annum (40% in 2015 and 100% in 2018);
3. The AFS portfolio's negative valuation reserves, other than those relating to central administration exposures, are calculated in CET1 with the gradual introduction of 20% per annum (20% in 2014 and 100% in 2018);
4. actuarial gains/losses deriving from the IAS 19 valuation of Termination Indemnity (TFR) (and defined-benefit pension funds) are reported, net of the prudential filter activated by the Bank of Italy for 2013 in order to sterilise the effects of the new IAS19 with the gradual introduction of 20% per annum as from 2015 (100% in 2014 and 20% in 2018);
5. deferred tax assets (DTAs) that rely on future profitability and do not arise on temporary differences (tax losses) are deducted at 20% for 2014 (100% from 2018);
6. deferred tax assets (DTAs) that rely on future profitability and arise on temporary differences existing at 1 January 2014 are deducted from CET1 with the gradual introduction of 10% per annum as from 2015 (10% in 2015 and 100% in 2024);
7. other deferred tax assets (DTAs) that rely on future profitability and derive from temporary differences, generated after 1 January 2014 are deducted from CET1 with the gradual introduction of 20% per annum as from 2014 (20% in 2014 and 100% in 2018);
8. non-significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances, are deducted from CET1 with the gradual introduction of 20% per annum as from 2014 (20% in 2014 and 100% in 2018); direct investments in financial institutions not deducted transitionally from CET1 are deducted for 50% from AT1 and for 50% from T2; indirect investments whilst synthetic investments are subject to capital requirements and included in risk weighted assets;
9. significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances, are deducted from CET1 with the gradual introduction of 20% per annum as from 2014 (20% in 2014 and

100% in 2018); direct investments in financial institutions not deducted transitionally from CET1 are deducted for 50% from AT1 and for 50% from T2; indirect and synthetic investments are subject to capital requirements and included in risk weighted-assets.

It should be noted that Banca Generali has exercised the sterilisation option for own funds purposes of capital gains and losses deriving from the fair value valuation of AFS financial assets belonging to the Euro area government bond sector, as provided for by the Bank of Italy Order of 18 May 2010. This option was also renewed in the new Basel III prudential supervisory provisions, in force since 1 January 2014, as allowed by the Bank of Italy, until the new IFRS9 becomes effective, scheduled for 2018.

The phase-in of provisions for IAS 19 actuarial loss reserves, provided for in Article 473, paragraph 3, of the CRR and adopted amongst the national discretionary measures by Bank of Italy's Circular Letter No. 285/2013, is designed to sterilise the impact on own funds of the amendments to IAS19, which came into force on 1 January 2013, and provide for actuarial gains and losses relating to defined-benefit plans to be recognised in full in “other comprehensive income” and offset by an equity reserve (actuarial gains and losses valuation reserve).

IAS 19 previously also recognised the alternative accounting treatment known as the “corridor method,” which allowed:

- the amount of the actuarial gains and losses in excess of the 10% significance threshold of the present value of the defined benefit obligation (the “overcorridor”) to be recognised in profit and loss; and
- the actuarial gains and losses below that threshold to be deferred, without recognising them in the financial statements.

Since for entities that previously adopted the corridor method the new equity reserve would have a negative impact on capital for regulatory purposes, and considering the stance taken at the Community level in conjunction with the approval of the new prudential regulations implementing Basel 3 (the CRR/CRD IV Package) in favour of the gradual recognition over five years of the difference in net equity between the old and new approach, the Bank of Italy had introduced for 2013 a prudential filter to neutralise the effects of the revision of IAS 19. Based on the CRR provisions, the effects of such filter should now be fully reabsorbed in the 2015-2018 transition period.

	31.12.2014
Termination indemnity IAS 19R	-5,250
Termination indemnity IAS 19 (2012)	-4,792
Gross difference	458
Tax effect	-126
Positive filter	332

3.1.4 CET1 prudential filters

In addition "prudential filters" are applied to CET1, with the purpose of safeguarding the quality of the regulatory capital and reducing its potential volatility caused by application of the new IAS/IFRS standards These filters consist of corrections to accounting data before they are used for regulatory purposes and are regulated directly by the CRR or provided for by national discretionary measures.

With reference to the prudential filters introduced directly by the CRR, the **prudent valuation** filter is applied to Banca Generali for the portfolio of financial assets and liabilities valued at fair value in the balance sheet.
This filter is determined as 0.1% of total net exposures shown in the balance sheet at fair value in order to take account of the uncertainty of the parameters used for the valuation (risk model, costs of closure, etc.).

On the other hand, with reference to national discretionary measures, only the prudential filter relating to **multiple goodwill** is applied to Banca Generali.
This filter is aimed at neutralising the benefits at the level of capital for regulatory purposes due to the DTAs recognised in connection with the multiple prepayment of taxes on the same goodwill within a single group or intermediary.
In further detail, the procedures of tax redemption in question were carried out in accordance with Article 10 of Legislative Decree No. 185/2010 or ordinary rules governing successive business combinations within a single group that have also entailed the transfer of portions of goodwill.
To this end, it has been specified that the share of DTAs recognised at the level of the intermediary or group is to be deducted from core Tier 1 capital, as limited to the portion associated with the DTAs recognised after the initial one.
In addition, for years ending on or before 31 December 2012, intermediaries may distribute the neutralisation over a period of five years, including one-fifth of the value of those DTAs at 31 December 2012, net of the amount that, each year, is to be reversed to the profit and loss account or transformed into a tax credit, among the negative items of Tier 1 capital.
In the Banking Group's case, the above filter only affects the share of goodwill associated with the acquisition of Banca del Gottardo Italia S.p.A., originally subject to the prepayment of taxes on goodwill by Banca BSI Italia and subsequently once more by BG SGR S.p.A. following the contribution by the former of its portfolio management business unit. Both companies were then merged into the Parent Company, Banca Generali.
The tax value of the goodwill subject to tax alignment amounted to 4,932 thousand euros, of which deferred tax assets for Italian corporate income tax (IRES) and regional production taxes (IRAP) of 1,410 thousand euros had been allocated at 31 December 2012. The amount of the filter as at 31 December 2014 thus amounted to 670 thousand euros.

3.2 Additional Tier 1 capital (AT1)

Additional Tier 1 capital includes capital instruments regulated under Articles 51 *et seqq.* of CRR.
This aggregate is not present in the Banking Group's own funds.

3.3 Tier 2 capital (T2)

3.3.1 Tier 2 capital (T2)

Tier 2 capital includes Tier 2 capital instruments and subordinated liabilities, regulated by Articles 63 *et seqq.* of the CRR and having the following characteristics:

- the original term is not less than 5 years and no incentives are envisaged for early repayment;
- call options, where applicable, may be exercised at the issuer's sole discretion and in any event no earlier than 5 years, subject to the authorisation of the supervisory authority granted in special circumstances;
- early repayment is also allowed before 5 years only in the event of significant changes to the tax or regulatory regime and always with the prior authorisation of the Supervisory Authority;
- subscription and purchase must not be financed by the Parent Company or its subsidiaries;
- they are not subject to guarantees issued by the Parent Company, its subsidiaries or other companies that have close links with them, which increase their seniority;
- interest does not change based on the Parent Company's credit rating;
- these instruments are amortised pro-rata over the past 5 years for T2 calculation purposes.

The following Tier 2 subordinated liabilities are included in the year-end Tier 2 capital of the parent company Banca Generali:

	Effective as of	Expiry	Amount	Remaining amount
Generali Versicherung subordinated loan	01.10.2008	01.10.2015	*40,000*	*8,000*
Generali Beteiligungs GMBH subordinated loan	30.10.2014	30.10.2024	*43,000*	*43,000*

The loan to the German insurance subsidiary Generali Versicherung AG was obtained on 1 October 2008 by the merged Banca BSI Italia for the acquisition of Banca del Gottardo Italia.
The loan was contracted in the "*Schuldschein*" contractual form, has a 7-year maturity and calls for repayment in five annual instalments beginning on 1 October 2011, and is subordinated if the bank defaults.
The agreed interest rate is equal to the 12-month Euribor plus 225 basis points.
The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

The subordinated loan agreed with the German company Generali Beteiligungs GMBH relates, instead, to the acquisition of the Credit Suisse (Italy) S.p.A. business unit.
The loan disbursed on 30 October 2014, for the amount of 43 million euros, has a ten-year term and is repayable on maturity in one instalment.
Provision is also made for an early repayment option, as from the sixth year, subject to the supervisory authority's prior approval.

The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year the rate will be reparametrised to the 3-month Euribor, plus the same spread identified when the original fixed rate was determined. The loan is subordinated in the event of a default by the bank.

3.3.2 Elements to be deducted from T2

T2 is subject to the following main deductions:

- direct, indirect and synthetic investments in T2 own instruments;
- direct, indirect and synthetic investments in T2 instruments of financial sector entities.

These cases do not appear in Banca Generali's financial statements particularly since there are no investments in T2 instruments of financial sector entities exceeding the relevant thresholds for purposes of the deduction from own funds.

3.3.3 Phase in — Impact on T2

The main aspects of the phase-in provisions for 2014 are as follows:

1. **positive AFS reserves**, other than those relating to EU country government bonds, are recognised transitionally for 2014 at the rate of 50% provided by previous legislation, with a gradual reduction of 20% per annum from 2014 (80% in 2014 and 0% in 2018);
2. **non-significant investments** in CET1 capital instruments issued by financial institutions exceeding the 10% allowance and the general allowance, transitionally not deducted from CET1, are deducted for 50% from T2;
3. **significant investments** in CET1 capital instruments issued by financial institutions exceeding the 10% allowance and the general allowance, transitionally not deducted from CET1, are deducted for 50% from T2;
4. non-significant investments in T2 capital instruments issued by financial institutions held directly are deducted 100% from T2; non-significant investments in Tier 2 capital instruments issued by financial institutions held indirectly or synthetically are phased in as a deduction of 20% per annum as from 2014 (20% in 2014 and 100% in 2018). Indirect and synthetic investments not deducted transitionally are subject to capital requirements and included in risk-weighted assets;
5. significant investments in Tier 2 capital instruments issued by financial institutions held directly are 100% deducted from T2; significant investments in Tier 2 capital instruments issued by financial institutions held indirectly or synthetically are phased in as a deduction of 20% per annum as from 2014 (20% in 2014 and 100% in 2018). Indirect and synthetic investments not deducted transitionally are subject to capital requirements and included in risk-weighted assets.

QUANTITATIVE INFORMATION

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

Items/Values	31.12.2014	31.12.2013	Change		31.12.2013
	Basel 3	Basel 2	Amount	%	Basel 3
Common Equity Tier 1 capital (CET 1)	311,670	300,674	10,996	3.66%	303,076
Additional Tier 1 capital (AT1)	0	0	0	n.a.	0
Tier 2 capital	50,921	12,753	38,168	299.29%	14,854
Own funds	**362,591**	**313,427**	**49,164**	**15.69%**	**317,930**
Consolidated net equity	**536,308**	**469,132**	**67,176**	**14.32%**	**469,132**

<u>Reconciliation statement between consolidated book net equity and Tier 1 capital</u>

(€ thousand)	31.12.2014
Group net equity	536,308
Minority interests	0
Consolidated net equity	**536,308**
Dividend for shareholders	-113,354
Adjustments for instruments that may be included in AT1 or T2	0
Profit for the year, not included	0
Treasury shares included in regulatory adjustments	0
Other items that may not be included upon full application	0
Tier 1 capital before regulatory adjustments	422,954
Regulatory adjustments (including adjustments of the transitional period)	-111,284
Tier 1 capital net of regulatory adjustments	311,670

A full reconciliation of items of Tier 1 capital, Additional Tier 1 and Tier 2 capital, as well as filters and deductions applied to own funds and consolidated balance sheet is provided in Annex 3 hereto.

Composition of Own funds

The composition of own funds is summarised below, illustrating the effects of the prudential filters and the changes linked to the phase-in provisions.

	31.12.2014
A. Tier 1 capital before application of prudential filters	422,954
of which CET1 instruments covered by transitional provisions	0
B. CET1 prudential filters (+-/-)	-2,271
C. CET1 gross of elements to be deducted and effects of the phase in	420,683
D elements to be deducted from CET1	-89,804
E. Phase-in provisions — Impact on CET1	-19,210
F. Total Common Equity Tier 1 capital - CET1 (C - D+/- E))	311,670
G. Additional Tier 1 capital (AT1) gross of elements to be deducted and the phase-in provisions	0
of which AT1 instruments covered by transitional provisions	0
H. Elements to be deducted from AT1	0
I. Phase-in provisions — Impact on AT1	0
Total additional Tier 1 (AT1)	0
M. Tier 2 capital (T2) gross of elements to be deducted and the phase-in provisions	49,005
of which T2 instruments covered by transitional provisions	0
N. Elements to be deducted from T2	0
O Phase-in provisions — Impact on T2	1,916
P. Total Tier 2 capital (T2)	**50,921**
Q. TOTAL OWN FUNDS	**362,591**

In detail, own funds are composed as follows.

OWN FUNDS	31.12.2014		
TIER 1 CAPITAL	**full application**	**transitional**	**Phase-in**
Share capital (including minorities)	115,677	0	115,677
Additional paid-in capital	45,575		45,575
Treasury shares	-41		-41
CET1 instruments	**161,211**	**0**	**161,211**
Reserves	196,209	0	196,209
Net profit (loss) for the period	160,905	0	160,905
Share of net profit for the period not included in CET1	-113,354	0	-113,354
Earnings reserves	**243,760**	**0**	**243,760**
AFS valuation reserves	19,542	-19,542	0
Actuarial reserves IAS 19	-1,559		-1,559
Other (neutralisation of actuarial losses IAS 19)	0	332	332
Other components of other comprehensive income (OCI)	**17,983**	**-19,210**	**-1,227**
Prudent valuation	-2,271		-2,271
Negative prudential filters	**-2,271**	**0**	**-2,271**
Goodwill	-66,065		-66,065
Goodwill DTLs	831		831
Intangible assets	-23,900		-23,900
Other negative items (neutralisation of DTAs arising on multiple prepayment of taxes on goodwill)	-670		-670
Total negative items	**-89,804**	**0**	**-89,804**
Adjust. of DTAs/DTLs through PL arising on temporary differences	**0**	**0**	**0**
Portion exceeding non-significant investments (<10%) in CET 1 instruments	**0**		0
Portion exceeding significant investments (>10%) in CET 1 instruments	**0**		**0**
General deduction — portion exceeding DTAs	0	0	0
General deduction – portion exceeding significant investments	0	0	0
General deduction with threshold 17.65% - 15%	**0**	**0**	**0**
Phase-in provisions — DTAs — Impact on CET1		0	0
Significant investments: Phase-in provisions — Impact on CET1		0	0
Significant investments: 50% of items to be deducted from CET1		0	0
Phase-in provisions	0	0	0
Total Common Equity Tier 1 capital (CET 1)	**330,880**	**-19,210**	**311,670**
Significant investments: phase-in provisions — Impact on AT1		0	0
Significant investments: excess to be subtracted from AT1		0	0
Total Additional Tier 1 capital (AT1)	0	0	0
TOTAL TIER 1 CAPITAL	**330,880**	**-19,210**	**311,670**
T2 instruments (subordinated liabilities)	49,005	0	49,005
Significant investments: 50% excess portion deducted from Tier 1 capital	0	0	0
50% positive AFS reserves — phase-in provisions — Impact on T2 (80%)	0	1,916	1,916
Total Tier 2 capital	**49,005**	**1,916**	**50,921**
TOTAL OWN FUNDS	**379,885**	**-17,294**	**362,590**

The change to the new Basel 3 provisions, upon first-time application of phase-in provisions had a positive effect in the region of 4.5 million euros, of which 2.1 million euros related to CET1.

This was due mainly to the new mechanism for deducting significant investments in financial and insurance companies, now linked to exceeded individual and aggregate thresholds.

In the reporting year, the performance of the aggregate was influenced by the acquisition of the Credit Suisse's business line, which entailed a decrease in Common Equity Tier 1 capital (CET1) due to the new intangible assets acquired (-44.7 million euros), and a symmetrical increase in Tier-2 capital attributable to the new subordinated loan contracted to fund the transaction (+43 million euros).

Regulatory capital at 31 December 2013 (Basel 2)	**313,427**
Change in Tier 1 capital	
Transition to Basel 3	**2,402**
De-merger of GIL	-3,001
Stock option and stock grant plans (LTIP)	9,410
2013 dividend payout	-482
Retained earnings 2014 (payout 70%)	47,551
Phase-in provisions: change in AFS reserves	0
Change in IAS 19 reserves (net of the filter)	-448
Change in goodwill and intangibles	-44,020
Negative prudential filters	-416
Deductions for sign. investments , DTAs; general deductions	0
Phase-in provisions CET1	0
Total changes in TIER 1 capital	**10,996**
Change in Tier 2 capital	
Transition to Basel 3	**2,101**
Tier 2 subordinated loans	35,000
Phase-in provisions: change in AFS positive reserves AFS	1,067
Other effects	0
Total change in TIER 2 capital	**38,168**
Own funds at 31 December 2014 (Basel 3)	**362,591**
Changes	**49,164**

4 CAPITAL REQUIREMENTS

QUALITATIVE INFORMATION

The adequacy of internal capital is constantly monitored by the Parent Company for the purposes of both current assessments and prospective planning.
Assessment and planning are closely connected inasmuch as the forecasting phase must involve awareness of the current situation, especially as regards the measurement of risk-weighted assets (RWAs), market risk, operating risk and balance sheet items.

The management of the Group's capital, at both the current and prospective level, aims to ensure that Banca Generali's capital and ratios, as well as those of its subsidiaries, are consistent with the risk profile assumed and comply with regulatory requirements.
Banca Generali Group and the banks and financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the EU (CRR/CRD IV) and applied by the Bank of Italy.

The Bank of Italy verifies compliance with said requirements on a quarterly basis.

For example, at 31 December 2014 the Banca Generali Group had a Total Capital Ratio[32] of **14.17%** compared to a Basel 3 minimum requirement of 8%.

Ongoing compliance with minimum capital requirements is monitored by the Risk Management Service, whereas Banca Generali S.p.A.'s Supervisory Reporting Operating Unit, headed by the Administration Department, is tasked with drafting all of the reports to the Regulatory Bodies required under applicable legislation, ensuring they are accurate and ensuring observance of deadlines, requesting support from the organisational units directly involved, where necessary. It is also responsible for the related databases (historical regulatory archive).

Compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Additional analysis and control of the Group's capital adequacy is also carried out any time the Group performs 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.[33]

Compliance with capital adequacy is also guaranteed by the adoption of a pay-out policy defined in accordance with the ECB's recommendations issued on 28 January 2015, aimed at observing minimum capital requirements in the medium-/long-term and detecting the potential effects of any adverse market situation.

[32] Total own funds and risk-weighted assets ratio.

[33] Cf "Annual Report at 31 December 2014."

QUANTITATIVE INFORMATION

The following table shows the details of the Group's capital adequacy at 31 December 2014 in thousands of euros.

	31.12.2014	
	Non-weighted amounts	Weighted amounts
A. RISK ASSETS	6,985,357	1,806,161
A.1 Credit and counterparty risk		
1. Standardised method	6,985,357	1,806,161
2. Internal rating method		
2.1 basic	0	0
2.2 advanced	0	0
3. Securitisation	0	0
B. REGULATORY CAPITAL REQUIREMENTS		
B.1 CREDIT RISK	X	**144,448**
B.2 RISK OF CREDIT VALUATION ADJUSTMENT	X	**45**
B.3 REGULATION RISK	X	**0**
B.4 MARKET RISKS	X	**3,557**
1. Standard methodology	X	3,557
2. Internal models	X	0
3. Concentration risk		0
B.5 OPERATING RISK	X	**56,615**
1. Basic method	X	56,615
2. Standardised method	X	**0**
3. Advanced method	X	0
B.6 OTHER VARIABLES	X	**0**
B.7 TOTAL PRUDENTIAL REQUIREMENTS	X	**204,665**
C. RISK-WEIGHTED ASSETS AND REGULATORY CAPITAL RATIOS		
C.1 Risk-weighted assets	X	**2,558,311**
C.2 Tier 1 capital/Risk-weighted assets (CET1 capital ratio)	X	**12.18%**
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	X	**12.18%**
C.4 Total own funds/Risk-weighted assets (Total capital ratio)	X	**14.17%**

The following table shows capital requirements in thousands of euros for each of the regulatory classes of assets possessed by the Banca Generali Group.

Credit Risk		
Regulatory portfolio	Risk-weighted assets	Requirement
Central administrations and central banks	75,178	6,014
Non-profit organisations and public entities	2,501	200
Supervised intermediaries	284,365	22,749
Companies	864,579	69,166
Detail	342,899	27,432
Exposures secured by real property	59,484	4,759
Expired loans	47,844	3,828
UCITSs	6,200	496
Equity instruments	79,493	6,359
Other	43,051	3,444
Securitisation	0	0
Total	1,805,594	144,448

Since 2014, the risk of credit valuation adjustment, identified by the Banking Group based on the standard method, has also been included in the credit risk.

Risk of credit valuation adjustment			
Standard method	Loan amount	Risk-weighted assets	Requirement
SFTs	2,087	567	45

The capital requirement for counterparty risk alone amounted to 167 thousand euros at 31 December 2014.

At 31 December 2014, the capital requirement for credit risk amounted to 144,448 thousand euros, consisting of the sum of all requirements for the Group's regulatory asset classes.
For measurement purposes, the Group used Moody's as its ECAI, and Moody's, S&P and Fitch as its ECAIs for securitisation positions only.

The following table shows capital requirements (in thousands of euros) for market risk, by type of risk.

Market risk – standardised method		
Position risk – regulatory portfolio	Risk-weighted assets	Requirement
Generic risk on debt securities	1,050	84
Generic risk on equity securities	1,388	111
Specific risk on debt securities	2,000	160
Specific risk on equity securities	1,388	111
Specific securitisation risk	13,963	1,117
UCITS position risk	24,675	1,974
Total	44,463	3,557

The capital requirement for market risk amounted to approximately **3,557** thousand euros.

At 31 December 2014, the capital requirement for operating risk was 56,615 thousand euros, as shown in the previous table, calculated by the Group using the basic model (BIA – Basic Indicator Approach) proposed by the Bank of Italy for determining the capital requirement for Operating Risk.

At 31 December 2014, consolidated Tier 1 capital ratio was 12.18% and consolidated total capital ratio was 14.17%, as shown in the previous table.

5 CREDIT RISK: GENERAL INFORMATION

QUALITATIVE INFORMATION

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 subject to *country risk* are unsecured loans to parties residing in countries in which there are problems associated with the servicing of debt.
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 of 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.
Performing loans, including loans to borrowers residing in countries at risk and past-due loans, are tested for impairment on a collective basis, by using an historical/statistical approach aimed at determining an estimate of the impairment of the loans that there is reason to believe has effectively been incurred at the date in question, but the extent of which is not yet known at the moment of testing (“incurred but not reported”).
In further detail, a probability of default and loss given default value is attributed to each class of assets having similar characteristics in terms of credit risk, proportional to the type of loan (i.e., the technical form thereof), the borrower’s industry, type of collateral, or other relevant factors.

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.

Non-performing financial assets are classified into default categories in accordance with the instructions issued by the regulatory authority.
At present there are:

- bad loans;
- substandard loans;
- restructured loans;
- expired loans or outstanding over 90 days.

The total amount of loans classified as impaired, net of write-down, is a small percentage of total loans to customers and consists almost entirely of loans backed by a guarantee issued by the subsidiary Banca BSI S.A. upon the acquisition of Banca del Gottardo S.p.A. and Banca BSI Italia S.p.A.
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.

QUANTITATIVE INFORMATION

The following table shows the distribution of financial assets by portfolio and credit quality (in thousands of euros, at book values) and the value of average credit exposures for the reporting period.

Portfolios/Quality	Bad loans	Substandard loans	Restructured loans	Non-performing, expired exposures	Performing, expired exposures	Other assets	Total
1. HFT financial assets	-	-	-	-	-	25,449	25,449
2. AFS financial assets	-	-	-	-	-	2,184,209	2,184,209
3. HTM financial assets	-	-	-	-	-	1,403,123	1,403,123
4. Loans to banks	-	-	-	-	-	285,620	285,620
5. Loans to customers	14,942	18,394	1,223	5,888	21,266	1,733,246	1,794,959
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-

Total at 31 December 2014	**14,942**	**18,394**	**1,223**	**5,888**	**21,266**	**5,631,647**	**5,693,360**
Average exposures	**17,196**	**16,808**	**1,102**	**7,316**	**30,710**	**5,942,204**	**6,015,335**
Total at 31 December 2013	**19,449**	**15,221**	**981**	**8,743**	**40,154**	**6,252,761**	**6,337,309**

The following table shows the distribution of financial assets by portfolio and credit quality (gross and net values).

Portfolios/Quality	Non-performing assets			Performing loans			Total (net exposure)
	Gross exposure	Special adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. HFT financial assets	-	-	-	X	X	25,449	25,449
2. AFS financial assets	-	-	-	2,184,209	-	2,184,209	2,184,209
3. HTM financial assets	-		-	1,403,564	441	1,403,123	1,403,123
4. Loans to banks			-	289,251	3,631	285,620	285,620
5. Loans to customers	62,453	22,006	40,447	1,756,796	2,284	1,754,512	1,794,959
6. Financial assets at fair value			-	X	X	-	-
7. Financial assets held for sale			-	-	-	-	-
8. Hedging derivatives			-	X	X	-	-
Total at 31 December 2014	**62,453**	**22,006**	**40,447**	**5,633,820**	**6,356**	**5,652,913**	**5,693,360**
Average exposures	**62,760**	**20,339**	**42,421**	**5,857,001**	**5,899**	**5,972,914**	**6,015,335**
Total at 31 December 2013	**63,066**	**18,672**	**44,394**	**6,080,181**	**5,442**	**6,292,915**	**6,337,309**

An illustration of exposures broken down by geographical area is given hereunder.

The following tables show the geographical distribution of cash and "off-balance sheet" exposures to **customers** and **banks**, respectively, in thousands of euros.

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	14,942	13,085	-	562	-	-	-	-	-	-
A.2 Substandard loans	18,392	7,287	2	1	-	-	-	-	-	-
A.3 Restructured loans	1,223	624	-	-	-	-	-	-	-	-
A.4 Expired loans	5,888	447	-	-	-	-	-	-	-	-
A.5 Other	5,062,933	2,343	102,581	293	10,323	-	403	-	-	-
Total A	**5,103,378**	**23,786**	**102,583**	**856**	**10,323**	**-**	**403**	**-**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	68	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	34,966	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	113	-	-	-	-	-	-	-	-	-
B.4 Other exposure	88,285	-	1,168		-	-	-	-	-	-
Total B	**123,432**	**-**	**1,168**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31 December 2014	**5,226,810**	**23,786**	**103,751**	**856**	**10,323**	**-**	**403**	**-**	**-**	**-**
Average exposures	**5,526,194**	**21,161**	**96,314**	**700**	**8,208**	**-**				
Total at 31 December 2013	**5,825,577**	**18,535**	**88,877**	**544**	**6,093**	**-**	**-**	**-**	**4**	**-**

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	-	-	-	-	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other	403,136	3,713	41,035	6	28,680	-	-	-	-	-
Total A	**403,136**	**3,713**	**41,035**	**6**	**28,680**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	249	-	1,865	-						
Total B	**249**	**-**	**1,865**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31 December 2014	**403,385**	**3,713**	**42,900**	**6**	**28,680**	**-**	**-**	**-**	**-**	**-**
Average exposures	**391,754**	**3,398**	**48,880**	**980**	**14,930**	**-**				
Total at 31 December 2013	**380,122**	**3,082**	**54,859**	**1,953**	**1,179**	**-**	**-**	**-**	**-**	**-**

The adjustments shown above refer to the entire portfolio (and not to the banking book only). However, the adjustments to the trading book consist solely of those pertaining to non-performing exposures to banks of 1,943 thousand euros.
The following tables illustrate the Banking Group's exposure by business segment (governments and central banks, other public entities, financial companies, insurance companies, non-financial companies, and other entities) in thousands of euros.

A breakdown of net exposures and value adjustments (specific and portfolio-related) in thousands of euros is also provided for each individual business segment.
Lastly, a breakdown of bad loans, substandard loans, restructured loans, expired loans and other loans in thousands of euros is also provided.

Exposure/counterparty	**Net reserve**	**Specific value adjustments**	**Portfolio value adjustments**
A. Cash exposure		-	-
1. Government and central banks	**3,349,793**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-

c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	3,349,793	-	-
2. Other public institutions	**2,497**	**-**	**3**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	2,497	-	3
3. Financial companies	**190,766**	**182**	**604**
a. Bad loans	-	102	-
b. Substandard loans	129	80	-
c. Restructured loans	-	-	-
d. Expired loans	7	-	-
e. Other loans	190,630	-	604
4. Insurance companies	**11,821**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	11,821	-	-
5. Non-financial companies	**496,008**	**19,386**	**2,029**
a. Bad loans	9,621	11,866	-
b. Substandard loans	16,437	6,781	-
c. Restructured loans	1,223	624	-
d. Expired loans	2,116	115	-
e. Other loans	466,611	-	2,029
6. Other entities	**1,165,802**	**2,438**	**-**
a. Bad loans	5,321	1,679	-
b. Substandard loans	1,828	426	-
c. Restructured loans	-	-	-
d. Expired loans	3,765	333	-
e. Other loans	1,154,888	-	-
TOTAL A - CASH EXPOSURE	**5,216,687**	**22,006**	**2,636**

Exposure/counterparty	Net reserve	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	**1,361**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	1,361	-	-
4. Insurance companies	**2,000**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	2,000	-	-
5. Non-financial companies	**94,720**	**-**	**-**
a. Bad loans	68	-	-
b. Substandard loans	34,866	-	-
c. Other non-performing loans	113	-	-
d. Other loans	59,673	-	-
6. Other entities	**26,519**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	100	-	-
c. Other non-performing loans	-	-	-
d. Other loans	26,419	-	-
TOTAL B - OFF-BALANCE SHEET EXPOSURE	**124,600**	**-**	**-**

	Net reserve	Specific value adjustments	Portfolio value adjustments
Governments and central banks	3,349,793	-	-
Public institutions	2,497	-	3
Financial companies	192,127	182	604
Insurance companies	13,821	-	-
Non-financial companies	590,728	19,386	2,029
Other entities	1,192,321	2,438	-
Overall total (A+B) at 31 December 2014	**5,341,287**	**22,006**	**2,636**

The following table shows a breakdown of the entire portfolio by type of exposure in thousands of euros.

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	**1,689,561**	**1,113,668**	**1,357,187**	**371,010**	**828,114**	**299,402**	**8,969**	**-**	**5,667,911**
1.1 Debt securities									
- with early repayment option	-	-	-	3,013	39,470	21,951	-	-	64,434
- other entities	-	925,772	1,355,528	367,297	784,095	273,654	-	-	3,706,346
1.2 Loans to banks	91,626	45,891	-	-	-	-	-	-	137,517
1.3 Loans to customers									
- current accounts	931,270	14	3	8	46	-	-	-	931,341
- other loans	666,665	141,991	1,656	692	4,503	3,797	8,969	-	828,273
- with early repayment option	582,354	87,825	362	692	4,270	3,797	8,969	-	688,269
- other entities	84,311	54,166	1,294	-	233	-	-	-	140,004
2. Cash liabilities	**4,199,410**	**823,324**	**-**	**209,038**	**-**	**43,000**	**-**	**-**	**5,274,772**
2.1 Due to customers									-
- current accounts	4,090,670	-	-	-	-	-	-	-	4,090,670
- other payables	89,033	4,868	-	8,312	-	43,000	-	-	145,213
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	89,033	4,868	-	8,312	-	43,000	-	-	145,213
2.2 Due to banks									-
- current accounts	5,409	-	-	-	-	-	-	-	5,409
- other payables	14,298	818,456	-	200,726	-	-	-	-	1,033,480
2.3 Debt securities									-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-

The following table shows total non-performing and expired exposures, specific value adjustments and portfolio adjustments for loans to customers and loans to banks, respectively, in thousands of euros.

Types of exposure/values	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Bad loans	28,589	13,647	-	14,942
b) Substandard loans	25,682	7,288	-	18,394
c) Restructured loans	1,847	624	-	1,223
d) Expired loans	6,335	447	-	5,888
b) Other assets	5,178,876	-	2,636	5,176,240
TOTAL A	**5,241,329**	**22,006**	**2,636**	**5,216,687**
B. OFF-BALANCE SHEET EXPOSURE				
a) Non-performing loans	35,147	-	-	35,147
b) Other	89,453	-	-	89,453
TOTAL B	**124,600**	**-**	**-**	**124,600**

Types of exposure/values	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Bad loans	-	-	-	-
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Non-performing, expired loans	-	-	-	-
b) Other assets	476,570	X	3,719	472,851
TOTAL A	**476,570**	**-**	**3,719**	**472,851**
B. OFF-BALANCE SHEET EXPOSURE				
a) Non-performing loans	-	-	-	-
b) Other	2,114	X	-	2,114
TOTAL B	**2,114**	**-**	**-**	**2,114**

The following tables show the trend in total value adjustments for cash exposures to banks and customers, respectively, in thousands of euros.

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans
A. Gross exposure at year-start	**32,714**	**18,579**	**981**	**8,809**
- of which: positions transferred but not written off	-	-	-	-
B. Increases	**2,789**	**9,689**	**1,999**	**6,335**
B.1 Inflows from performing loans	856	453	1,999	6,335
B.2 Transfers from other categories of non-performing loans	1,447	8,150	-	-
B.3 Other increases	486	1,086	-	-
of which business combinations	-	-		-
C. Decreases	**6,914**	**2,586**	**1,133**	**8,809**
C.1 Outflows to performing loans	-	7	-	469
C.2 Write-offs	41	-	-	-
C.3 Repayments	6,873	2,125	164	112
C.4 Gains from disposals	-	-	-	-
C.5. Transfer to other categories of non-performing loans	-	400	969	8,228
C.6. Other decreases	-	54	-	-
D. Gross exposure at year-end	**28,589**	**25,682**	**1,847**	**6,335**
- of which: positions transferred but not written off	-	-	-	-

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans
A. Total adjustments at year-start	**13,305**	**3,358**	**-**	**66**
- of which: positions transferred but not written off	-	-	-	-
B. Increases	**928**	**4,615**	**624**	**447**
B.1. Adjustments	561	4,604	624	447
B.1.*bis* Losses from disposal	-	-	-	-
B.2. Transfers from other categories of non-performing loans	202	11	-	-
B.3. Other increases	165	-	-	-
of which business combinations	-	-		-
C. Decreases	**586**	**685**	**-**	**66**
C.1. Reversal of adjustments	97	35	-	-
C.2. Reversal of collections	311	448	-	55
C.2.*bis* Gains from disposal	-	-	-	-
C.3. Write-offs	41	-	-	-
C.4. Transfer to other categories of non-performing loans	-	202	-	11
C.5. Other decreases	137	-	-	-
D. Total adjustments at year-end	**13,647**	**7,288**	**624**	**447**
- of which: positions transferred but not written off	-	-	-	-

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans
A. Gross exposure at year-start	**1,983**	-	-	-
of which: positions transferred but not 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	1,983	-	-	-
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	-	-	-	-
C.3 Repayments	1,983	-	-	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	-	-	-
C.6. Other decreases	-	-	-	-
Gross exposure at year-end	**-**	**-**	**-**	**-**
of which: positions transferred but not written off	-	-	-	-

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans
A. Total adjustments at year-start	**1,943**	**-**	**-**	**-**
- of which: positions transferred but not written off	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**
B.1. Adjustments	-	-	-	-
B.1.*bis* Losses from disposal	-	-	-	-
B.2 Transfer from other categories of non-performing loans	-	-	-	-
B.3. Other increases	-	-	-	-
C. Decreases	**1,943**	**-**	**-**	**-**
C.1. Reversal of adjustments	-	-	-	-
C.2. Reversal of collections	1,943	-	-	-
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	**-**	**-**	**-**	**-**
- of which: positions transferred but not written off				

Consolidated net adjustments amounted to 11.0 million euros for 2014 (+81.5%), of which 4.1 million euros referred to the financial assets segment and 6.9 million euros to loans.

The impairment losses on the non-performing loans in the banking portfolio (6.1 million euros) include the 4.2 million euros share of a pool loan of 10.8 million euros, including interest accrued and not paid, set to mature at the end of 2014, granted to Investimenti Marittimi S.p.A. and fully backed by a pledge on the Premuda 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.
In November, an extension of the loan until 31 December 2016 was approved, and the rate was renegotiated from the three-month Euribor plus 600 bps to the three-month Euribor plus 400 bps, contingent upon certain guarantees. However, since such guarantees have not been formally provided, the loan has currently expired.
In 2014, as a result of the continuing situation of difficulty experienced by the Premuda Group and the deterioration of the collateral held, further impairment losses of 4.2 million euros were recognised, which reduced net exposure to 4.0 million euros.
Moreover, further reduced prudential changes were made to the collective reserve covering the performing loans of the banking portfolio (+53 million euros) and covering risks associated with recovery of fee advances provided to former Financial Advisors who left service (0.3 million euros).

The impairment losses on the portfolio of AFS equity securities (3.0 million euros) refer to the subsidiary Simgenia S.p.A. (+0.4 million euros), a member of the Generali Group that discontinued operations at the end of the first half of 2014, and to the impairment of the equity investment in non-listed shares of Veneto Banca amounting to 2.6 million euros. The write-down was made based on an independent appraisal based also on the Company's 2014 financial statements.

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

In 2014, the share of the contribution owed in relation to the bail-out of the Tercas banking group (1,018 thousand euros) — fully covered by a specific provision recognised in 2013 – was paid to the Interbank Deposit Protection Fund in accordance with consortium obligations.

6 CREDIT RISK: USE OF ECAIS

QUALITATIVE INFORMATION

The Banca Generali Group adopts the ratings provided by the following external rating agencies in determining the credit risk weightings under the standardised method:

- Moody's Investors Service for all regulatory portfolios;
- Standard & Poor's Ratings Service for the portfolio "securitisation positions";
- Fitch Ratings for the portfolio "securitisation positions".

The following table shows the regulatory asset classes for which each external rating agency or agency for export credits is used, along with the respective ratings characteristics.

Portfolio	ECA/ECAI	Types of rating
Exposures to central administrations and central banks	Moody's Investors Service	Solicited/unsolicited
Long-term exposures to supervised intermediaries, public entities and local entities	Moody's Investors Service	Solicited
Short-term exposures to supervised intermediaries and companies	Moody's Investors Service	Solicited
Exposures to international organisations	Moody's Investors Service	Solicited
Exposures to multilateral development banks	Moody's Investors Service	Solicited
Long-term exposures to companies and other entities	Moody's Investors Service	Solicited
Exposures to Undertakings for Collective Investment in Transferable Securities (UCITS)	Moody's Investors Service	Solicited
Positions with securitisations with short-time rating	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited
Positions with securitisations other than securitisations with short-time rating	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited

QUANTITATIVE INFORMATION

The following table shows the values of exposures, with and without credit risk mitigation, along with the respective weightings and the values of the exposures deducted from regulatory capital, for each regulatory asset class.

Standardised method regulatory portfolio	Exposure with credit risk mitigation	Exposure without credit risk mitigation – Weighting classes											exposures deducted from own funds
		0%	10%	20%	35%	50%	70%	75%	100%	150%	250%	total	
Central administration and central banks	3.614.431	3.576.552							13.013		24.866	3.614.431	0
Non-profit organisations and public entities	2.501								2.501			2.501	0
Supervised intermediaries	490.226			142.014		173.235			373.395		303	688.947	0
Companies and other entities	1.199.012					13801	322.920		1.041.487	21.410		1.399.618	0
Individual exposures	654.321							814.184				814.184	0
Exposure secured by real property	165.599				154.517	11.082						165.599	0
Expired loans	32.687								1.983	39.560		41.543	0
Capital instruments	43.149								18.920		24.229	43.149	0
UCITs	6.199								6.199			6.199	0
Other	191.353	12.450		169.814					9.088			191.352	0
Securisations	0											0	0
Total	**6.399.478**	**3.589.002**	**0**	**311.828**	**154.517**	**198.118**	**322.920**	**814.184**	**1.466.586**	**60.970**	**49.398**	**6.967.523**	**0**

7. CREDIT RISK MITIGATION TECHNIQUES

QUALITATIVE INFORMATION

The Banca Generali Group does not use on- or off-balance sheet offsetting techniques.

The Group uses certain guarantees such as credit risk mitigation (CRM) techniques. The Group uses the instruments shown in the following table as guarantees *in rem* (table 21).

Guarantees *in rem* used by the Group

Guarantee description	Category Circular Letter No. 263/2006
First lien on real property	Mortgages on real property - Guarantee in rem
Second or inferior lien on real property	Mortgages on real property - Guarantee in rem
Pledge on listed shares	Financial collateral
Pledge of cash in our account	Financial collateral
Pledge on securities	Financial collateral
Pledge on bonds of third parties denominated in euros	Financial collateral
Pledge of bonds of third parties denominated in foreign currencies	Financial collateral
Revolving pledge of assets under administration	Financial collateral
Pledge of government securities and equivalents	Financial collateral

The Head of the Lending Department draws on the support provided by the competent company functions in order to define the types of guarantees to be used as CRM techniques and verifies the presence or absence of all requirements specified by the law for the use of such guarantees to mitigate credit risk.

The Lending Department agrees with the Risk Management Service, involving the Legal Advisory Service on legal aspects, the choices regarding the types of instruments (collateral or personal guarantees) that will be used within the Group as credit risk mitigation techniques and then presents them to the Risk Committee. These instruments result in a reduction of credit risk, which is recognised when calculating capital requirements.

The Lending Department also informs the Risk Committee of the results of assessments of the satisfaction of general and specific admissibility requirements that must be fulfilled when the guaranty is provided and for the entire duration thereof.

The Group attaches extreme importance to reviewing the proper acquisition and management of collateral and personal guarantees owing to their role in safeguarding credit and reducing the associated risk, which is reflected in the mitigation of the capital requirements imposed by banking supervisory regulations.

The process of acquiring and managing guarantees, which is reported to the Lending Department, ensures that:

- guarantees are regularly formalised;
- guarantee documents are appropriately kept;
- the values indicated upon approval on the basis of the guarantee are consistent with current market values; this review is conducted with variable frequency depending on the type of guarantee. In further detail, reviews of pledges are conducted on at least a monthly basis, unless particular market phases require more frequent controls;
- action is taken where there are discrepancies between the initial value of the guarantee and its market value (net of allowed disparities) in excess of the pre-determined threshold, with the twofold goal of requesting and obtaining from the pledgor the replenishment of the guarantee and proportionally reducing the credit granted.

In the case of mortgages of property, it particularly bears considering that the Bank normally grants loans intended solely for the purchase of first homes; all other cases are marginal. To determine the precautionary prudential value of the property to be mortgaged, Banca Generali draws on support from CRIF S.p.A., a leading Italian provider of credit information, business information and decision-making support systems. Through a formal process, channelled through the information technology procedures made available by the information technology outsourcer CSE, the bank requests evaluations of the properties to be mortgaged in each case. Through its network of over 500 independent experts[34], CRIF provides the Bank with a full, thorough appraisal, accompanied by complete checks of the property's urban planning and administrative compliance, culminating in an indication of the property's value on a prudent and conservative basis. Loans may not exceed 80% of the resulting property value.

The appraisal is part of a guaranty management process that also includes the acquisition, control and enforcement of guarantees.
In the case of a mortgage, once the loan is approved a preliminary notary's report is requested to verify the degree of mortgage registered and establish the actual extent and ownership of the property to be mortgaged. This report — issued by a Notary — certifies whether the property to be mortgaged is encumbered (by mortgages, foreclosures, etc.) and/or subject to detrimental transactions.
Following the actual deed of sale and the subsequent mortgage financing, the Notary issues an executive copy of the deed and registers the mortgage, delivering the mortgage registration note to the bank.
The executive copy of the mortgage deed is the document that, if it becomes necessary to enforce the mortgage, allows the bank to exercise its rights by initiating the foreclosure procedure. The registration note represents confirmation that the mortgage has been registered with the property register archive.
The Bank draws on the support of CRIF, which verifies the value of mortgaged properties. Residential properties are appraised every three years, whereas non-residential properties are appraised annually.
The organisational units within the Lending Department select the properties to be appraised; CRIF then proceeds to the appraisal using statistical methods or drawing on a network of independent experts.
In terms of enforcement, under the Italian legal system, creditors who have registered a mortgage on a property to secure their credit enjoy strong protection when debtors default.

[34] "Independent expert" is defined as a person having the necessary qualifications, skills and experience to conduct an appraisal, not having taken part in the loan approval process and not being involved in the monitoring thereof.

Article 2808 of the Italian Civil Code attributes the creditor “the right of expropriation, including of the third-party buyer, from the property securing his credit and the right to satisfaction through the proceeds of expropriation.” This means that if the buyer of the property does not fulfil his obligation to pay his mortgage instalments, the creditor is entitled to obtain the forced sale of the mortgaged property from the competent court (the court in whose jurisdiction the property lies) and to be satisfied by the proceeds of said sale.
The enforcement process, which ends with the sale of the mortgaged property and the ensuing satisfaction of the creditor, may only be initiated if the creditor is in possession of a writ of execution. A writ of execution is a document that certifies the existence of the debt and contains what is known as the “executive formula”, i.e., the order to all local Judicial Offices to proceed with forced execution of the writ upon request.
In the case of a mortgage, the writ of execution typically consists of the loan agreement, which is entered into as a “public agreement”, i.e., in the presence of a Notary or other public official authorised to endow it with public faith, and therefore satisfies the requirements set out in the Italian Code of Civil Procedure.
Forced expropriation begins with the property foreclosure notice, with which the creditor requests the sale of the mortgaged property to satisfy the debt.
The creditor, provided he has a writ of execution, may initiate the foreclosure process according to the provisions of Articles 555 *et seqq.* of the Italian Code of Civil Procedure.
At the creditor’s request, the Judicial Official serves the foreclosure notice on the debtor, ordering the debtor to abstain from any action that would prove detrimental to the collateral provided by the mortgaged property.
The property is identified with the utmost precision and the full land register details are included in the notice.
The creditor then delivers a copy of the foreclosure notice to the competent local office so that the Property Register Archivist may transcribe it into the Public Registers, thereby making it available to any interested parties.
If the debtor attempts to sell the property, the potential buyer would immediately learn of the ongoing proceedings and abstain from the purchase in order to avoid the consequences illustrated above.
Ten days after the foreclosure has been executed, the creditor may submit a petition for the assignment or sale of the properties subject to foreclosure.
After the property is sold, the resulting sums are then distributed to the creditor.
The time required to conclude the entire procedure varies from one court to the next.

Forms of collateral other than mortgages used by the Group as credit risk mitigation techniques are managed similarly, albeit with slight differences related to the diversity of the underlying security.
Once the documentation is approved, the Lending Department’s organisational units prepare the deed of pledge to be signed by the customer. The deed specifies the guarantee to be acquired.
The customer signs the deed of pledge. The Lending Department’s organisational units verify that the customer has placed his signatures on the deed and establish the certified date according to the postal stamp placed on the document. The pledge securities portfolio is then opened under the Securities Procedure.
The creation of the pledge securities portfolio automatically prevents the customer from undertaking transactions involving the financial instruments subject to the pledge, considering that direct purchase and sale transactions on this portfolio is not allowed. Any requests to unfreeze the pledged securities portfolio must be authorised by the Lending Department’s organisational units.

Said organisational units then enter the date on which the deed of pledge was signed and the certified date into the Credit Limits and Guarantees Procedure.

Financial instruments in the Securities Procedure portfolio are assigned values on a daily basis (by an overnight batch) using figures automatically downloaded from Ced Borsa (Italian securities) and/or Telekurs (foreign securities).
The market value of the guarantee may be viewed in a management table.
The value of each financial instrument provided as collateral is subject to a prudential haircut, at a percentage that varies according to the underlying risk level, normally ranging from 10% to 40%. Monitoring is conducted monthly through the use of several tables extracted from the Credit Limits and Guarantees Procedure, which interacts with the Securities Procedure.
The tables produced by the Banking Services Consortium (CSE) IT outsourcer for the Bank contain a daily summary of the following information:

- the debtor’s identification code;
- the debtor’s name;
- the number of the pledged securities portfolio;
- the value of the guarantee upon approval;
- the market value of the guarantee;
- the amount of the loan.

The control performed by the organisational units under the Lending Department’s responsibility consists of verifying that the amount of the pledged securities is sufficient to cover the total amount borrowed by each individual debtor.
If the guarantees presented are not sufficient, said Offices indicate the positions to be revised. The positions are then analysed and an operating decision is reached for each as to whether to “request an additional guarantee or decrease the credit limit.”
When a guarantee is changed, the agreement explicitly states that “should the value of the pledged securities decrease from the initially established level for any reason and the guarantee fail to be integrated with other rights of enjoyment by the bank, the bank may either reduce the credit limit proportionally, effective immediately, informing the debtor thereof, including solely in verbal form, or revoke the line of credit granted, effective immediately.”
Any increases in the value of the pledged securities exceeding the value of the pledge, without prejudice to the efficacy of the pledge as limited to said value, do not entitle the pledgor to dispose of the securities presenting value in excess.
In terms of enforcement, if the debtor defaults, the Bank may enforce the guarantee with advance written notice of five days, or fifteen days if the pledgor is an entity separate from the debtor.
Enforcement results in the sale on the market of the pledged financial instruments, and the bank uses the proceeds to satisfy its credit claims.

At 31 December 2014, the Banca Generali Group had not made any use of credit derivatives.

QUANTITATIVE INFORMATION

The following tables (Table 22 and Table 23) contain the following information for each regulatory asset class:

- the value of the total exposure covered by financial collateral and other admitted collateral, after applying adjustments to account for volatility;
- the value of the total exposure covered by personal guarantees;

Value of the total exposure covered by financial collateral and other admitted collateral

Standardised method: credit risk mitigation techniques: amount protected			
Guaranteed exposures: cash assets at risk			
Value of collateral	154,648	S.A. portfolio	Companies and other entities
Value of collateral	109,266	S.A. portfolio	Individual exposures
Value of collateral	6,016	S.A. portfolio	Expired loans
Guarantees provided and commitments to disburse funds			
Value of collateral	45,958	S.A. portfolio	Companies and other entities
Value of collateral	50,597	S.A. portfolio	Individual exposures
Value of collateral	2,840	S.A. portfolio	Expired loans
SFT transactions and transactions with long-term settlement			
Value of collateral	200,726	S.A. portfolio	Supervised intermediaries

Value of the total exposure covered by personal guarantees

Standardised method: credit risk mitigation techniques: amount protected			
Guaranteed exposures: cash assets at risk			
Value of collateral covered by personal guarantee	104,740	S.A. portfolio	Companies and other entities
Value of collateral covered by personal guarantee	139,554	S.A. portfolio	Individual exposures
Value of collateral covered by personal guarantee	2,807	S.A. portfolio	Expired loans
Value of personal guarantee	414	S.A. portfolio	Companies and other entities
Value of personal guarantee	159	S.A. portfolio	Individual exposures
Guarantees provided and commitments to disburse funds			
Value of collateral covered by personal guarantee	17,915	S.A. portfolio	Companies and other entities
Value of collateral covered by personal guarantee	57,890	S.A. portfolio	Individual exposures
Value of collateral covered by personal guarantee	15	S.A. portfolio	Expired loans
Value of personal guarantee	19	S.A. portfolio	Companies and other entities
Value of personal guarantee	341	S.A. portfolio	Individual exposures

The credit risk mitigation tools used by the banking Group refer solely to loans to customers.

8 COUNTERPARTY RISK

QUALITATIVE INFORMATION

The Group uses the current value approach to determine an accurate assessment of the level of risk inherent in transactions with long-term settlement and transactions involving over-the-counter (OTC) derivatives.
The Group uses the integral method, with regulatory adjustments for volatility, to calculate the regulatory requirement to be held for the counterparty risk generated by repurchase agreements.

The Group has implemented a counterparty risk management process, duly approved by the Board of Directors of Banca Generali S.p.A., which defines the bodies and functions involved in the management of said risk and describes the identification, measurement, control (including the monitoring of the established limits) and reporting of counterparty risk.

The counterparty risk management and monitoring systems prepared by the Group take account of the limited extent of transactions concerning derivative instruments, both proprietary and on behalf of clients, and the limited number of financial instruments in which it deals.

The Finance Rules and Procedures of Banca Generali S.p.A. set out and formalise the guidelines concerning securities transactions that may generate counterparty risk, and state that a credit limit must be established for such transactions incorporating a specific analysis of the counterparty's creditworthiness.

The Parent Company’s Chief Executive Officer and General Management, acknowledging the guidelines set by the Board of Directors, have the following tasks, within the scope of their respective competencies:

- identifying a consistent system of limits both in terms of the maximum absorption of capital by counterparty risk and exposure (positive fair value) to counterparty risk;
- defining counterparty risk management policies and procedures concerning the exposure to, and containment of, said risk;
- periodically verifying exposure to counterparty risk and compliance with established limits.

The Chief Executive Officer submits the system of limits, along with the counterparty risk management policies and processes/procedures, for the approval of the Parent Company’s Board of Directors. They are then ratified by the Boards of Directors of Subsidiaries.

The containment of counterparty risk within the assigned limits is pursued primarily through the limited recourse by the Finance Department to transactions that could generate said risk for the Group.
The Group also accompanies said limited operation with specific second-tier control and monitoring activity, assigned to the Risk Management Service, for all positions that present exposure to counterparty risk.

QUANTITATIVE INFORMATION

The following table contains a breakdown of over-the-counter financial derivatives having a positive and negative fair value, and which therefore generate counterparty risk, in thousands of euros.
At 31 December 2014, the Group had not undertaken any credit derivatives transactions.

Contract other than compensation agreements	Government and central banks	Other public institutions	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest-rates							
- notional value							
- positive fair value							
- 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			48,873				48,106
- positive fair value			1,865				820
- negative fair value			826				1,829
- future exposure			489				481
4) Other values							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

The following table illustrates the values of the exposures, calculated according to the methods illustrated above, in thousands of euros.

Derivative contracts	Amount
Weighted amount	0
Loan equivalent	0
Appropriate value of the exposure	0
Capital requirement	0
SFTs and transactions with long-term settlement	Amount
Weighted amount	2,087
Value of the exposure	200,807
Appropriate value of the exposure	2,087
Capital requirement	167
Capital requirement for counterparty risk	167

The capital requirement for counterparty risk alone amounted to 167 thousand euros at 31 December 2014.

9. SECURITISATION

QUALITATIVE INFORMATION

The Group does not hold proprietary securitisations, but rather deals exclusively as an investor in third-party securitisations.
The Group takes account of third-party securitisations when measuring regulatory and internal capital requirements for credit risk.

The securitisation portfolio, referring to exposures with underlying third-party assets, consists entirely of debt securities (ABS) issued by European entities, the underlying assets of which pertain solely to European originators.
The portfolio is made up of senior securities with ratings not less than investment grade.
In order to measure the credit risk of securitisation exposures, the ECAIs used by the Group are:

- Moody's Investors Service;
- Standard & Poor's Ratings Services;
- Fitch Ratings.

The portfolio includes products with underlying residential and commercial mortgages.

QUANTITATIVE INFORMATION

At their book values, third-party securitisation assets[35] amounted to 14,850 thousand euros, all of which are senior cash exposures (there are no guarantees issued or lines of credit), as shown in the following tables expressed in thousands of euros

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:	**13,964**	**13,964**	**-**	**-**	**-**	**-**	**13,964**
a) Non-performing loans	-	-			-	-	-
b) Other	13,964	13,964	-	-		-	13,964

[35] The Group does not hold proprietary securitisations.

Type of underlying assets/Exposures	Cash exposure					
	Senior		Mezzanine		Junior	
	Book value	Adjust. of reversals	Book value	Adjust. of reversals	Book value	Adjust. of reversals
A. Cash exposure						
A.1. QUARZO CL1 FRN 31.12.2019 ABS Trading portfolio ISIN IT0004284706 RMBS/CMBS underlying	13,964	-	-	-	-	-
B. Guarantees issued	-	-	-	-	-	-
C. Lines of credit	-	-	-	-	-	-

The following table provides a breakdown of third-party securitisation transactions by type of financial asset portfolio. The values shown in the table are in thousands of euros.

Exposure/Portfolio	Type of financial-asset portfolio						
	Fin. assets held for trading	Financial assets at fair value	AFS financial assets	HTM financial assets	Loans	**31.12.2014**	**31.12.2013**
1. Cash exposure	**13,964**	**-**	**-**	**-**	**-**	**13,964**	**14,850**
- senior	13,964	-	-	-	-	13,964	14,850
- mezzanine	-	-	-	-	-	-	-
- junior	-	-	-	-	-	-	-
2. Off-balance sheet exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- senior	-	-	-	-	-	-	-
- mezzanine	-	-	-	-	-	-	-
- junior	-	-	-	-	-	-	-

10 OPERATING RISK

QUALITATIVE INFORMATION

The Group ensures prudent management of operating risk in accordance with the established limits through an effective and efficient system for measuring, monitoring and reporting such risk (known as the Operational Risk Framework).

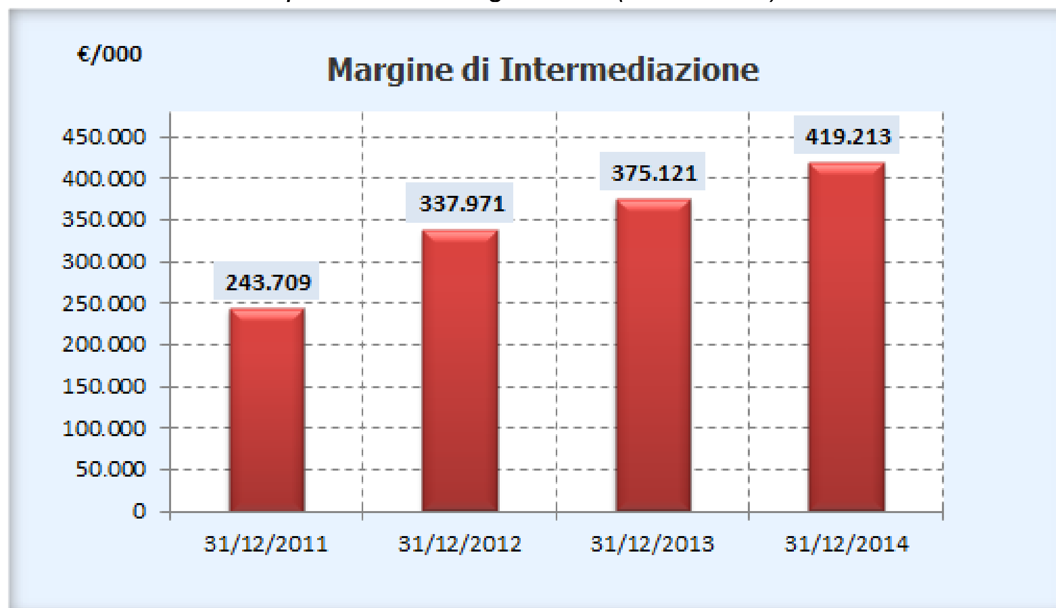
The Risk Management Service is responsible for applying the Operational Risk Framework adopted by the Banking Group, primarily consisting of the following activities:

- process analysis and identification of operating risks according to the legal classification;
- risk assessment for the qualitative evaluation of the risks identified;
- application of the method for scoring and identifying significant risks;
- monitoring of action plans to mitigate significant risks;
- application of the LDC (i.e., loss data collection) process;
- monitoring of KRIs (i.e., key risk indicators).

QUANTITATIVE INFORMATION

In order to determine the capital requirements to be held for Operating Risk, the Group adopted the Basic Indicator Approach (BIA) method.
Under the BIA method, the capital requirement is commensurate to an economic indicator, namely gross operating income, equivalent to net banking income, to which a risk coefficient (α) is applied, conventionally 15%.
In order to calculate the capital requirement for operating risk, the average value of the observations of net banking income in the previous three years (if positive) is weighted according to the risk coefficient α.
At 31 December 2014, the capital requirement for Operating Risk was approximately 59.6 million euros.
The figure below shows an exact breakdown of the Net banking income of the Banca Generali Group.

Banca Generali Group — Net banking income (€ thousand)



Source: Annual Financial Report at 31 December 2014 and 2012 Consolidated Financial Statements.

11 CAPITAL INSTRUMENT EXPOSURES NOT INCLUDED IN THE TRADING PORTFOLIO

QUALITATIVE INFORMATION

The Group's equity investments are held for strategic purposes, institutional purposes, and purposes instrumental to its operations.

AFS financial assets

Classification
This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets at fair value or Assets held to maturity.
In further detail, the equities that fall into this category are:
- 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.

Recognition
The initial recognition of the AFS financial asset takes place on the settlement date.
Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds with the consideration paid, including the transaction income or expenses directly attributable to the instrument itself.
Such assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

Measurement
After initial recognition, available-for-sale assets are measured at fair value, as follows:
- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

Upon 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
Equities are derecognised when they are sold and substantially all of the related risks and rewards are 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.

QUANTITATIVE INFORMATION

The following table shows the Group's equity exposures in thousands of euros:

Items/Values	L1	L2	L3	Total	Fair Value	AFS reserves	Net profit/loss
2. Equity securities							
2.1 Valued at fair value	7,734	0	3,435	11,169	11,169	1,915	-2,876
2.2 Valued at cost	0	0	9,142	9,142	n/d	n/d	0
Total	**7,734**	**0**	**12,577**	**20,311**	**11,169**	**1,915**	**-2,876**

	L1	L2	L3	Total	Fair Value	AFS reserves	Net profit/loss
Equity investments	**0**	**0**	**6,892**	**6,892**	**0**	**0**	**-303**
- CSE – 6.00%	0	0	5,280	5,280	0	0	0
- Generali Business Solutions Scpa (GBS) and CGS	0	0	245	245	0	0	0
- Simgenia SIM - 15%	0	0	303	303	0	0	-303
- Tosetti Value – 9.9%	0	0	1,000	1,000	0	0	0
- Other minor investments (Caricese, Swift, Eu-ra etc)	0	0	64	64	0	0	0
Private-equity investments	**0**	**0**	**1,088**	**1,088**	**1,088**	**0**	**0**
- Athena Private Equity S.A. – 4.66%	0	0	1,088	1,088	1,088	0	0
Other securities available for sale	**7,734**	**0**	**2,347**	**10,081**	**10,081**	**1,915**	**-2,573**
- Assicurazioni Generali	783	0	0	783	783	301	0
- Enel S.p.A	3,382	0	0	3,382	3,382	1,169	0
- Veneto Banca	0	0	2,347	2,347	2,347	0	-2,630
- Axelero	1,542	0	0	1,542	1,542	0	0
- Other capital securities from reclassification IAS 39	2,027	0	0	2,027	2,027	445	57
Investments in joint ventures	**0**	**0**	**2,250**	**2,250**	**0**	**0**	**0**
- Medusa Film	0	0	2,250	2,250	0	0	0
Total equity securities	**7,734**	**0**	**12,577**	**20,311**	**11,169**	**1,915**	**-2,876**

Total unrealised capital gains recognised in the balance sheet in the reserves for the fair value measurement of financial instruments held for sale totalled 1,915 thousand euros. This positive amount, net of the tax effect, contributes to the calculation of additional Tier 1 capital by 50%.

12 EXPOSURE TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING PORTFOLIO

QUALITATIVE INFORMATION

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, duly approved by the Board of Directors of the Parent Company, for managing interest rate risk on the banking portfolio.
The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.
The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.
The Internal Audit Department 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 operations;
- 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.

To measure interest rate risk and determine the corresponding internal capital requirement, the Group applies the standardised method identified in supervisory regulations[36] which provides for all assets and liabilities to be classified into 14 time bands by residual time to maturity, from demand positions to positions maturing beyond 20 years. Accounts held by Assicurazioni Generali S.p.A. used in the Parent Company's operations — volatile from a structural standpoint (i.e., non-core) and Eonia-indexed — have been classified as "demand".
The net exposure for each time band is calculating by setting off assets against liabilities according to a cash flow analysis. The net exposures for each band are then multiplied by the weighting factors, which are obtained by multiplying the hypothetical change in the rates used by the modified duration indicator for each band.
In addition to monitoring risk according to the foregoing method, the Bank also performs operational management through sensitivity analyses that estimate the impact of the present

[36] Cf. Circular Letter No. 285 "Prudential Supervisory Provisions Concerning Banks" issued by the Bank of Italy on 17 December 2013.

value of the items and the expected net interest resulting from various yield curve shift scenarios, with a focus on the proprietary securities portfolio.

QUANTITATIVE INFORMATION

A shift of +100/-100 basis points in the rate curve would have an effect on the fair value of the securities in the banking portfolio (AFS; HTM and L&R) amounting to -65.7/+65.7 million euros, or approximately 92% of the fair value delta of the entire banking book. The same shift in the rate curve (+100/-100 basis points) would generate an effect of +32.2/-32.3 million euros in the net banking income of the entire banking book, consisting of available-for-sale assets (AFS), held-to-maturity assets (HTM), loans and receivables (L&R) and loans (Loans).

The following tables (Table 31 and Table 32) show the gap between assets and liabilities in terms of interest rate risk on assets other than those held for trading at 31 December 2014, considering respectively relevant currencies (euro and non-euro) in thousands classified based on Prudential Supervisory Provisions [37] for ICAAP purposes.

Gap between assets and liabilities - euro (€/000)

EURO (€/000)	Assets	Liabilities	Gap
on demand and until revoked	1,328,179	- 1,131,038	197,141
up to 1 month	170,674	- 532,799	- 362,125
from over 1 month to 3 months	609,636	- 270,722	338,914
from over 3 months to 6 months	563,118	- 451,856	111,261
from over 6 months to 1 year	895,294	- 751,326	143,968
from 1 to 2 years	1,174,095	- 1,503,388	- 329,293
from over 2 years to 3 years	213,270	- 395,388	- 182,118
from over 3 years to 4 years	274,398	- 395,388	- 120,990
from over 4 years to 5years	366,466	- 395,388	- 28,921
from over 5 years to 7 years	214,430		214,430
from over 7 years to 10 years	152,279		152,279
from over 10 years to 15 years	2,859		2,859
from over 15 years to 20 years	1,651		1,651
over 20 years	-		-
Total	5,966,349	- 5,827,292	139,057

[37] Cf. Circular Letter No. 285 “Prudential Supervisory Provisions Concerning Banks” issued by the Bank of Italy on 17 December 2013.

Gap between assets and liabilities – non-euro (€/000)

EURO (€/000)	Assets	Liabilities	Gap
on demand and until revoked	13,996	- 10,669	3,327
up to 1 month	14,075	- 451	- 13,624
from over 1 month to 3 months	-	- 527	527
from over 3 months to 6 months	-	- 791	791
from over 6 months to 1 year	-	- 1,582	1,582
from 1 to 2 years	-	- 3,165	- 3,165
from over 2 years to 3 years	-	- 3,165	- 3,165
from over 3 years to 4 years	-	- 3,165	- 3,165
from over 4 years to 5years	-	- 3,165	- 3,165
from over 5 years to 7 years	-	-	-
from over 7 years to 10 years	-	-	-
from over 10 years to 15 years	-	-	-
from over 15 years to 20 years	-	-	-
over 20 years	-	-	-
Total	28,072	- 5,827,292	139,057

13 ENCUMBERED AND UNENCUMBERED ASSETS

QUALITATIVE INFORMATION

In the course of its operations, Banca Generali undertakes certain types of transactions that entail encumbrances of its assets.

The types of transactions that may entail the formation of this type of encumbrance are:

- repurchase agreements;
- collateral deposited with netting systems, central counterparty clearing houses (CCP) and other infrastructure institutions as a condition for access to the service, including initial margins and incremental margins;
- instruments provided as collateral in various capacities for funding from central banks;
- collateralised financial guarantees;
- collateralisation agreements, formed, for example, by collateral provided on the basis of the market value of derivatives transactions.

Activities of this nature are performed either to allow the Group to access forms of funding regarded as advantageous at the time of the transaction or because providing collateral is a standard condition for access to certain markets or types of activity (for example, transactions with central counterparties).

In particular, the collateral provided for refinancing operations with the European Central Bank consists solely of on-balance sheet assets classified to the AFS and HTM portfolios, with a total book value of 1,622 million euros.
Such collateral relates to a long-term refinancing operation (LTRO) of 800 million euros contracted in 2012 and set to mature in February 2015.

Assets sold but not derecognised, carried in connection with repurchase agreements with banking counterparties, amount to approximately 200 million euros.

Finally, own financial instruments deposited with Cassa Compensazione e Garanzia (CC&G) as collateral for transactions on the collateralised interbank market (E.Mid) managed by CC&G and current transactions (settlement) amount to 195 million euros.

The Bank does not engage in transactions involving the use of collateral received from third parties.

QUANTITATIVE INFORMATION

Based on EBA provisions, institutions have to recognise the amount of encumbered and unencumbered assets by type of asset[38].Encumbered assets are balance sheet assets that have been pledged as guarantee or sold without being derecognised, or are otherwise encumbered, as well as guarantees received that meet the requirements for recognition in the transferee's balance sheet.

[38] Provisions concerning encumbered and unencumbered assets (Article 443 of CRR) have been endorsed in the 8th update to Bank of Italy's Circular Letter No. 285 dated 10 March 2015, with full reference to EBA provisions issued in June 2014 (ABE/GL/2014/03).

The information presented below refers to figures at 31 December 2014, the first period following the entry into force of the new prudential provisions concerning asset encumbrance.

V. Encumbered and unencumbered assets at 31 December 2014

Technical types	Encumbered		Unencumbered		31/12/2014
	BV	FV	BV	FV	
1. Cash and deposits	0	X	80,451	X	80,451
2. Debt securities	2,017,402	2,065,016	1,775,005	1,783,793	3,792,407
3. Equity securities	0	0	21,555	21,555	21,555
4. Financing	2,563	X	1,894,567	X	1,897,130
5. Other financial assets	0	X	40,857	X	40,857
6. Non-financial assets	0	X	307,838	X	307,838
Total (T)	**2,019,965**	**2,065,016**	**4,120,273**	**1,805,348**	**6,140,238**

VI. Guarantees received at 31 December 2014

	FV Collateral or encumbered own securities issued	FV Collateral or unencumbered own securities issued	31/12/2014
Guarantees received	0	984,454	984,454
1. Equity securities	0	501,700	501,700
2. Debt securities	0	482,754	482,754
3. Other guarantees received	0	0	0
Debt securities issued	0	0	0
Total	**0**	**984,454**	**984,454**

VII. Liabilities associated to encumbered assets, guarantees received or own securities at 31 December 2014

	Associated liabilities	Encumbered assets, collateral or own securities
Liabilities associated to encumbered assets, guarantees received or own securities	1,012,379	1,822,843

14 LEVERAGE

QUALITATIVE INFORMATION

The risk of excessive leverage is the risk that a particularly high level of debt to equity may render the bank vulnerable, requiring corrections to its business plan, including the sale of assets at a loss, potentially necessitating impairment of the remaining assets.

The Group's business (lending financed using funding from clients and the interbank market) exposes it to the risk that an impairment of its assets may result in a decrease in its equity.

The Group monitors the risk of excessive leverage in order to assess its exposure to the risk it assumes and verify that such exposure is consistent with its established system of limits and risk appetite.
The system for monitoring the risk of excessive leverage is implemented through quarterly reviews of the leverage ratio.
The Risk Management Service is responsible for monitoring activity on the basis of the analyses conducted. The Risk Management Service must inform the Risk Committee periodically of the monitoring performed and any critical points detected. In particular, the Risk Management Service verifies observance of the established limits and, in the event of divergence, initiates the recovery/adjustment process, informing the responsible functions thereof, or verifies that specific authorisation has been granted to maintain the risk position.

QUANTITATIVE INFORMATION

The Group uses the Basel 3 leverage ratio as indicator of the risk of excessive leverage. The indicator consists of the ratio of regulatory capital (Tier 1) to total unweighted assets, including off-balance sheet items. In particular, the Basel 3 rules define the leverage ratio as the simple average of the monthly ratio for the quarter of reference; the ratio must exceed a threshold, currently set at 3%.
Compliance with the leverage ratio requirement will become mandatory starting on 1 January 2018. However, a testing phase began on 1 January 2013, and public disclosure requirements are set to enter into effect in 2015.
As part of this process, Banca Generali has conducted a simulation of its leverage ratio as at 31 December 2014, resulting in a level of 5.10%.

This value was estimated on the basis of the simple average of the ratios calculated as at 30 September 2014 and 31 December 2014, comparing Tier 1 capital, determined according to the Basel 3 rules, with total consolidated assets, adjusted to take account of items already deducted from capital (such as intangible assets) and increased by the value of risks and commitments.

Banca Generali Group – Estimate of Basel 3 Leverage Ratio for the September/ December 2014 quarter - € thousand

Item/Values	31/12/2014	30/09/2014
BASEL 3 LEVERAGE RATIO		
SFT operations	2,087	8,498
revocable lines of credit, not drawn down	50,830	50,537
off-balance sheet items, medium risk	30,249	30,945
other off-balance items	69,320	48,387
other assets	6,144,735	6,392,768
total positive items	6,297,221	6,534,135
negative filters	- 91,447	- 47,212
total negative items	- 91,447	- 47,212
Basel 3 Tier 1 Capital	311,669	335,644
Leverage ratio at month-end	5.022%	5.177%
AVERAGE LEVERAGE RATIO FOR THE QUARTER	**5.10%**	

Source: Administration Department analysis

The analysis of the quarterly evolution of the ratio shows a reduction in Tier 1 Capital (approximately -33 million euros) due to the goodwill arising from the acquisition of the Credit Suisse business line which, albeit offset by a contraction in total assets in absolute terms (other assets: approximately -233 million euros), generated a slight decline of 15 bps in the ratio for the quarter under review.

15 REMUNERATION POLICIES

QUALITATIVE INFORMATION

I. Remuneration Policy Objectives and Regulatory Framework of Reference

Banca Generali's remuneration policies are aimed at ensuring the best possible alignment of the interests of the Banking Group's Shareholders and those of the Management, through careful risk management and the consistent pursuit of long-term goals.
A well-balanced system of rewards and incentives for the Bank's Directors and Management is key to boosting competitiveness and ensuring corporate governance. Moreover, remuneration, especially with regard to Key Personnel, is useful in terms of attracting and retaining people with the talent and skills best suited to the Company's needs.
In compliance with applicable regulations, as of 2010, remuneration policies have been updated in light of the recommendations issued by the Governor of the Bank of Italy in respect of "*remuneration and incentive systems*" pursuant to Order No. 321560 of 28 October 2009, with a view to harmonising the incentives of managers and the main network managers, and accordingly, ensuring that the new principles are uniformly applied to all the Banking Group's personnel. In the following years, the remuneration policies were drawn up in line with the "Instructions on the remuneration and incentivisation policies and practices of banks and banking groups" of 30 March 2011, which transposed into the Italian regulatory framework the Capital Requirement Directive III (hereinafter "CRD III") that introduces harmonised rules at EU level in respect of remuneration and incentivisation mechanisms for financial institutions and investment companies.
Against this background, in December 2013, the Bank of Italy subjected to public consultation certain amendments to the Provisions on Remuneration and Incentivisation Policies within Banks and Banking Groups. Following the conclusion of the consultation process, on 20 November 2014 it published its 7th update to Circular No. 285 of 17 November 2013, to which Chapter 2, entitled "Remuneration and Incentivisation Polices and Practices" (hereinafter also the "Provisions"), was added in Part I, Title IV, "Corporate Governance, Internal Controls, Risk Management". This update, which repeals the Order of March 2011, is largely aimed at adopting the changes introduced by Directive 2013/36/EU (known as "CRD IV"), approved on 26 June 2013. The new regulation includes provisions primarily relating to:

- the introduction, for Key Personnel only, of a maximum limit of 1:1 for the ratio of the variable to fixed component of remuneration;
- the power granted to the General Shareholders' Meeting for raising the said ratio above the level established in the preceding point, provided that certain conditions are met and in any event, up to no more than 2:1;
- reinforcement of the provisions governing ex-post adjustment mechanisms for risks (malus and claw-back) by adding qualitative indicators, tied to the conduct by personnel, to quantitative indicators, tied to the achievement of results;
- the establishment of limits on variable remuneration where banks fail to observe specific capital requirements;
- the application of regulatory technical standards (hereinafter also "RTSs") issued by the European Commission, by proposal from the EBA, concerning: (i) the qualitative and quantitative criteria for identifying the Key Personnel; and (ii) the characteristics of the financial instruments to be used for the payment of variable remuneration;

- the rules regarding remuneration policies applicable, among other persons, to Financial Advisors;
- the revision of other rules set forth in CRD III, such as, for instance, clarifications on the option to pay guaranteed variable remuneration, and the updating of public disclosure and reporting obligations.

The remuneration policies have therefore been prepared in accordance with the content and tenor of the above-mentioned Provisions. In some cases, the principle of proportionality, as defined therein, has been applied, while taking into account the characteristics, size, risk level and complexity of the business conducted by the Bank and Banking Group.

In this regard, it should also be recalled that the Corporate Governance Code for Listed Companies, in effect from 2011 and most recently updated in July 2014, requires the approval of a remuneration policy for Directors and key management personnel. Moreover, at the end of 2011, through Resolution No. 18049 of 23 December 2011, CONSOB laid down a comprehensive and systematic regulatory framework governing transparency, as required under Article 123-*ter* of the Finance Consolidation Law (TUF). Under the new framework, issuers are required to draw up a detailed remuneration report, without prejudice to their other reporting obligations imposed with regard to remuneration pursuant to industry-specific regulations applicable by reason of the activity carried out by the listed company. This led to the need to coordinate the provisions pertaining to remuneration, issued by the two distinct Regulatory Authorities.

Consequently, the remuneration policies have been drawn up in accordance with both the Provisions on Remuneration and Incentivisation Policies and Practices issued by the Bank of Italy on 20 November 2014 through its 7th update to Circular No. 285 of 17 November 2013, and the provisions of Article 84-*quater* of the implementation regulations for Legislative Decree No. 58 of 24 February 1998 (TUF) laying down rules for issuers.

In fact, this document has been drawn up with a view to ensuring simultaneous compliance with both the provisions governing remuneration policies within the banking industry (Bank of Italy's Instructions in force from time to time) and the regulatory provisions applicable to issuers.

All remuneration policies must be imperatively in line with the following factors:

- the Banking Group's mission, especially with regard to its commitment to generating consistently excellent results for all its stakeholders in both the short and the medium/long term, whilst also ensuring sound and prudent risk management, well-balanced corporate organisation, and the constant pursuit of strategic goals;
- the Banking Group's values, and more specifically, responsibility, reliability and commitment, to which not only the top management team, but all the banking group's personnel must always adhere, especially in their endeavours to meet their assigned objectives;
- the Banking Group's governance, as the banking group's corporate/organisational model, and internal regulatory framework orienting all business operations towards:
    - scrupulous and constant regulatory compliance;
    - strict application of the procedures regulating interaction between management functions, as well as amongst the different company structures;
    - the proper implementation of appropriately designed processes underlying the prevailing risk management and control system;
- ever greater sustainability, especially through policies prioritising growth that is sustainable over time, and enhancing the potential of the Group's personnel by rewarding individual

contributions to the organisation's success, including through appropriate remuneration, whilst discouraging conduct conducive to excess risk-taking.

The resulting remuneration policies in turn promote the aforesaid mission, values, governance and sustainability objectives, thereby giving rise to a virtuous cycle that leads to constant fine-tuning of remuneration practices on the one hand, and the consolidation of the bank's underlying corporate culture, on the other.

Accordingly, one of the primary objectives of the remuneration policy is to adequately reward sustainable performance. Towards such end, all remuneration policies are informed and shaped by the following guiding principles:

- internal fairness: remuneration must be commensurate with the job description in question, taking due account of the attendant burden of responsibility, and the competence and skill with which related duties are discharged. This applies to all personnel without distinction, and is therefore inclusive of top management, it being understood that the remuneration of employees must always be determined in strict compliance with all applicable national and corporate collective bargaining labour agreements;
- competitiveness: the assigned remuneration must be in line with remuneration levels prevailing on reference markets; towards this end, trends in remuneration levels prevailing in the industry of reference are monitored through general and industry-specific surveys of remuneration practices;
- coherence: meaning the transversal application of similar remuneration policies to comparable levels of job responsibility throughout the Banking Group, taking due account of the industrial sector and geographical area of reference, as well as other factors that could impact remuneration levels from time to time. These policies also promote staff development including through intercompany secondments;
- meritocracy: to be achieved through remuneration structures that commensurately reward the results obtained and the level of commitment and effort involved in attaining the same, whilst, at the same time, encouraging unwavering compliance with applicable regulations and procedures, as well as constant and focused risk assessment.

II. Persons to Whom Remuneration and Incentivisation Policies Apply

The Bank of Italy's Provisions apply to all "personnel", save for the rules detailing the remuneration structure designed solely for Key Personnel. In addition, in application of the principle of proportionality, banks establish their remuneration and incentivisation policies while taking account of their characteristics and size, as well as the risk level and complexity of the business they conduct, so as to achieve the objectives pursued by the regulations. The regulations divide banking groups into three categories for the purposes of application of the principle of proportionality: larger more complex banks, smaller less complex banks and medium-size banks.

In this classification scheme, Banca Generali falls into the category of medium-size banks (and is near in size to the lower limit of its class). For these banks, Provisions establish that the more detailed rules, pertaining to Key Personnel, may be applied subject to the percentages, and

deferment and retention periods equivalent to at least half those established, on an increasing scale based on the bank's or banking group's features.

As indicated above, the Bank of Italy Provisions refer to "personnel", a category that includes (i) all officers of company bodies vested with strategic oversight, management and control responsibilities; and (ii) all employees and collaborators. In this context, the bank identifies the Key Personnel to whom the more detailed rules are to apply. Financial advisors, with whom the company has agency contracts, are subject not only to the general principles, but also to the rules laid down in Section IV of the Provisions ("Remuneration Policy for Special Categories").

2.1 Identification of Key Personnel

In line with the Bank of Italy's Provisions, the Board of Directors of the Company carried out a self-assessment with the support of the Remuneration and Nomination Committee for the specific purpose of identifying "Key Personnel" who exert or could exert a significant impact on the banking group's risk profile, and therefore warrant the application of the more detailed rules.

The aforementioned Provisions clarify that, in identifying Key Personnel, banks are to apply the regulatory technical standards (RTSs) issued by the European Commission by proposal from the European Banking Authority (EBA). Accordingly, the Bank has conducted its own in-house analysis to identify Key Personnel on the basis of the qualitative and quantitative criteria set forth in the RTSs.

According to this self-assessment, the above-mentioned category of Key Personnel includes: the Chief Executive Officer and General Manager, the other members of the General Management (Joint General Manager and Joint General Manager of the Commercial Area), the Central Managers, the Area Managers, the managers of the main business lines, the managers in charge of control functions, including the Head of the Resources Department, as well as the main network managers. In detail, the Board of Directors identified the following categories of staff as Key Personnel who exert or could exert a significant impact on the bank's risk profile:
a) Key Managers: Chief Executive Officer and General Manager, other members of the General Management and Central Managers;
b) Other Key Personnel: this category has been determined to include (i) the heads of key operating/company units (main lines of business): in addition to the Joint General Manager of the Commercial Area, who is already included in the category Key Managers, these are the Head of the Finance Department, the Head of the Lending Department, and the General Manager of BG Fund Management Luxembourg S.A. (hereinafter also "BG FML"); and (ii) persons who report directly to the personnel indicated in point (i) above and who are regarded as having an impact on company risk due to their activities, autonomy and powers: these are the Head of the Private Banking Division and the Head of the Financial Planner Division. This category has also been determined to include the Head of the AM Division, since the activities, autonomy and powers assigned to this position have been regarded as having a substantial impact on the company's risk; ;
c) upper-level middle managers and managers in charge of control functions: the Heads of Company Risks, Internal Audit, and Resources Departments, as well as the Heads of Risk Management, and Compliance Services;
d) main managers operating in the Bank's distribution networks: these are the Sales Manager Italy and the local managers classified as Area Managers and Private Banking Managers.

2.2 Identification of Key Management Personnel

Pursuant to CONSOB Resolution No. 18049 of 23 December 2011, the term “Key Management Personnel” is to be construed in line with the definition set forth in Annex 1 to CONSOB Regulation No. 17221 of 12 March 2010, as further amended. Against this background, those persons having authority and direct or indirect responsibility for planning, directing, and controlling the activities of the company fall in the category of Key Management Personnel. In line with corporate policy, this category shall include all the Company’s Directors (whether executive or otherwise), the regular members of the Board of Statutory Auditors, the members of the General Management and the Central Managers.

For the intents and purposes of this document, the generic term “executives” must be construed in its technical sense, and therefore, may not be deemed to refer to company Directors and regular members of the Board of Statutory Auditors, it being understood that where the context demands, the meaning to be attributed to the said term will be appropriately specified.

III. The Decision-making Process Followed in Defining Remuneration and Incentivisation Policies

A variety of company functions and bodies bear responsibility for the determination, approval, implementation and subsequent assessment of remuneration policies which, moreover, depending on the corporate positions to which they apply, may be informed by input from specific functions.
The roles of the various corporate functions involved in defining, approving, implementing and subsequently assessing the remuneration policy are outlined below.

3.1 General Shareholders’ Meeting

Pursuant to the Bank of Italy Provisions, the General Shareholders’ Meeting is in charge of:
(i) establishing the remuneration due to the bodies it appoints;
(ii) approving the remuneration and incentivisation policies and remuneration plans based on financial instruments for bodies with roles of oversight, management and control, as well as the remaining personnel, in addition to the criteria for determining the compensation to be provided in the event of early termination of the contract or the post (so-called “golden parachute”).

Finally, under the Articles of Association, the General Shareholders’ Meeting decides on the proposal to set a limit on the ratio of the variable to fixed component of individual remuneration in excess of 1:1, in accordance with Section III, paragraph 1, of the Provisions.

3.2 Board of Directors

The Board of Directors draws up, submits to the General Shareholders’ Meeting and reviews at least annually the remuneration and incentivisation policy. Moreover, it bears responsibility for

its proper implementation; in detail, it determines the remuneration due to Directors vested with specific tasks and duties (including the members of Board Committees), as well as the overall remuneration of the General Manager, members of General Management, the Central Managers, and the heads of the main business lines and of control functions, in line with the provisions of relevant Shareholders' resolutions, with the support of the Remuneration and Nomination Committee, and after hearing the opinion of the Board of Statutory Auditors in such regard. It also sets the individual performance objectives to be attained by the said company functions.

Within the context of the decisions of the Shareholders' Meeting, it is then the responsibility of the Board of Directors to draw up guidelines for the recruitment and internal placement of personnel belonging to the Company's managerial category and carry out checks to ensure that the remuneration and incentivisation systems applicable to Key Personnel take due account of risk containment policies and are consistent with the Company's remuneration policy, long-term objectives of the bank and the Banking Group, corporate culture and overall internal control and corporate governance system. The Board of Directors also submits to the General Shareholders' Meeting an annual report on the implementation of remuneration policies, duly accompanied by an overview of the related quantitative data.

The Board of Directors is supported in its work by the Remuneration Committee and, for the purposes of a correct application of the principles and criteria envisaged by the regulation, by the relevant company functions, i.e., the Resources Department, the Governance and Company Risks Area, the Planning & Control Department, the Risk Management Service and the Compliance Service.

3.3 Remuneration Committee

Banca Generali has instituted a Remuneration and Nomination Committee within the Board of Directors, with responsibilities relating to both remuneration and nomination. The above-mentioned Committee is currently composed of three non-executive, independent members of the Board of Directors, and is, *inter alia*, responsible for advising and making recommendations and proposals to the Board of Directors on matters pertaining to remuneration.

The current Committee was appointed by the Board of Directors on 24 April 2012 and will remain in office until the approval of the Financial Statements for the year ended on 31 December 2014. It is made up as follows:

Name and Surname	**Position**
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.

The Committee met ten times in 2014, and has met five times so far this year.

With regard to remuneration, the Committee has the following tasks:
1. submitting opinions and recommendations to the Board of Directors in respect of the remuneration packages of the Chairman of the Board of Directors and Chief Executive Officer;
2. expressing opinions and proposals on the general principles for determining the remuneration payable to the Key Management Personnel, upon prior proposal from the Chief Executive Officer;
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 the 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 in charge of the Company's financial reports and, after consulting with the Internal Audit and Risk Committee, by the Heads of the Internal Audit & Risk Management functions;
7. providing opinions on the determination of severance indemnities to be offered in the event of early termination of the contract, assessing, where necessary, the effects of such early termination on the rights accrued under share-based incentive plans;
8. providing assessments — for the matters falling within its purview — 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 over 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. ensuring appropriate functional and operational links with the relevant company structures in charge of preparing and monitoring remuneration policies and practices;
13. 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.

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. The Committee puts forward advisory opinions and recommendations on matters falling within its purview, on a regular basis, and draws up the minutes of meetings and the reports required to ensure the conduct of the Bank's business.

Upon approval of the Financial Statements for the year ended 31 December 2014, Banca Generali will appoint its new company bodies, and thus will renew the composition of the Board Committees. In this regard, it should be noted that, in accordance with the new "Supervisory Provisions for Banks" laid down in Bank of Italy Circular No. 285/2013, following the appointment of the new Board of Directors, which is to remain in office for the three-year period 2015-2017, Banca Generali will institute a new Remuneration Committee, separately from the Nomination Committee, and appoint the new members of the Committee.

3.4 Chief Executive Officer

Identifying the objectives to be assigned to individual Managers, as part of the policy determined by the Shareholders' Meeting and the parameters identified by the Board of Directors is the responsibility of the Chief Executive Officer, supported by the Resources Department, Governance and Company Risks Area, Planning & Control Department, Risk Management Service and Compliance Service for the parts within their respective remit.

The process of assigning the objectives to be met in order to receive variable remuneration and determining the maximum amount of such variable component is formally conducted and documented.

3.5 Board of Statutory Auditors

The Board of Statutory Auditors is tasked with expressing opinions on the remuneration of Directors vested with special responsibilities, it being pointed out that the said opinions are provided even with regard to the remuneration of the General Manager.
The Board of Statutory Auditors also expresses an opinion on the remuneration of heads of control functions.

3.6 Internal Audit Functions

Without, in any event, exceeding the bounds of their respective spheres of competence, the Bank's control functions collaborate to ensure the appropriateness, regulatory conformity and proper implementation of all remuneration policies and practices.
More specifically:
• the Compliance function is tasked, *inter alia*, with verifying that the corporate incentive system is in line with objectives of compliance with applicable regulations, the Articles of Association and the self-regulatory provisions, with a view to appropriately containing the legal and reputational risks that arise, above all, in the course of dealings and relationships with customers. The Compliance function submits the results of its assessments to the relevant

company boards, recommending corrective action where appropriate, it being understood that the said results are also reported to the General Shareholders' Meeting on an annual basis;
• the Internal Audit function is in charge, *inter alia*, of verifying, at least once a year, the compatibility of remuneration practices with approved policies and industry-specific regulations. This function also submits the results of its assessments to the relevant company boards and officers, recommending corrective actions where appropriate, it being understood that the said results are also reported to the General Shareholders' Meeting on an annual basis;
• the Risk Management function is responsible for checking the appropriateness of not only the risk indicators of reference but also the related parameters to which performance levels are to be linked when establishing objectives.

3.7 Human Resources and Other Functions

The Resources Department provides technical assistance and prepares the support materials that inform remuneration policies.
Remuneration policies are also impacted by input from the Planning & Controlling Department, which contribute towards identifying the quantitative parameters pertaining to the strategic objectives to which the variable component of remuneration is to be correlated, and determining the expense budget.

IV. Mechanisms for Linking Remuneration to Performance

The remuneration system is designed on the basis of the Bank's corporate values and objectives, long-term strategies and risk management policies.
More specifically, overall remuneration is made of fixed and variable components, the weight of which is correlated with the strategic weight of the job description in question, and, in the case of certain managers, may include benefits arising under Stock Option Plans and Long Term Incentive Plans designed to link remuneration to the long-term performance of the company or the corporate group to which it belongs.

Short-term variable remuneration is based on the Management by Objectives mechanism which rewards the attainment of the economic and financial results budgeted for the financial year in question, whilst medium-to-long term variable remuneration is provided through specific tools such as Stock Option Plans and Long Term Incentive Plans, as described in greater detail below.
The indicators used in both cases are selected with a view to properly weighting the risks faced by the company and the corporate group to which it belongs.

As a result, variable remuneration linked to the performance of the Bank and the Banking Group is determined taking due account of the risks assumed and the liquidity required to cover ongoing business operations, and with a view to avoiding conflicts of interest based on the principles described below.

4.1 Determination of the Bonus Pool

Each year, the Board of Directors determines a total bonus pool, in keeping with the remuneration policies, according to a bottom-up approach, to be disbursed provided that the necessary financial stability and liquidity conditions have been satisfied and the requirements for each position have been met.
The total bonus pool therefore may not be increased based on the Company's performance, but it may be eliminated if the access gates discussed in the following section are not reached.

4.2 Access Gates

For Key Personnel and other managers, as well as all employees, Banking Group's network managers and Financial Advisors, the right to receive the bonus is linked not only to the results actually achieved, but also to the attainment of an access gate, common to all the aforesaid personnel, and set by the Banking Group with a view to (i) linking bonus entitlements to multi-year performance indicators, and (ii) taking due account of current and potential risks, interest-rates and the cash flow required to cover the Banking Group's business operations.

The Banking Group's access gates reflect the following two indicators:

a) Capital ratio: *Total Capital Ratio*[39], aimed at measuring the extent of the Bank's capital in relation to the degree of risk of the assets held — minimum target ratio of 11.4%;
b) Liquidity ratio: *Liquidity Coverage Ratio*[40], to increase short-term resilience of the liquidity risk profile of the bank, while ensuring it has sufficient, high-quality liquid assets to overcome any 30-day long acute stress situation — minimum ratio of 105%.

The access gate thus consists of two ratios indicative of the Bank's solidity and liquidity and, accordingly, its capacity to pay out the variable component of the remuneration (so-called "sustainability").

An on/off threshold is set for each ratio. The requirement for access to the bonus accrued during the year is that both ratios are above the minimum threshold set when the final earnings figures for the year are recorded. The access gate does not only condition the bonus for the year in question, but also, from one year to the next, the portions of bonuses accrued in previous years and paid out on a deferred basis in subsequent years.

4.3 Deferral and Share-based Variable Remuneration

As a general rule, and without prejudice to the more stringent provisions applicable to Key Personnel and, as specified in greater detail below, all employees with a variable remuneration based on the Management by Objectives mechanism and/or on a discretionary basis, and for

[39]Total Capital Ratio: meaning the Regulatory Capital / Risk Weighted Assets (RWAs) (both the variables are subject to regulatory disclosure and are specified in the Notes and Comments to the Financial Statements, Part F — Information on Net Equity; the figures used for calculation purposes are those reported to the Bank of Italy and drawn from the consolidated financial statements as at the end of the year).

[40]Liquidity Coverage Ratio: meaning the ratio between the stock of [1] highly liquid assets (that is to say, easily disposed of for cash on the open market, even during periods of tension, and ideally, subject to placement with a central bank) and [2] the sum total of net outflows during the 30 calendar days following a specified stress scenario. The said ratio, proposed under the regulatory evolution known as Basel 3, is indicative in nature (first application on the basis of figures as of 31 March 2014); account is taken of the consolidated figures forwarded to the Bank of Italy at the end of the financial year).

the Banking Group's main network managers, who accrue, within any given financial year, a bonus in excess of 75,000.00 euros, are subject to deferral for a period determined, pursuant to the principle of proportionality, as follows: 60% — provided that the access gate conditions described above are met — in the following financial year, subject to Board verification of the economic results and the adequacy of capital levels for the year in which the said bonuses were earned; 20% subject to verification of the results in terms of capital adequacy for the following financial year; and the remaining 20%, after a further year, subject to verification of full satisfaction of financial solidity results of the Banking Group.

Any and all deferred bonus instalments shall be deemed to bear interest at the mean 6-month Euribor rate recorded during the calendar year preceding the year in which the related instalment is paid, increased by 0.85%.
If the actual *bonus* accrued falls below or equals the stated threshold of 75,000.00 euros, it is paid in full after the Board of Directors verifies the profit or loss results for the year in question and determines that the access gate targets have been met.

For Key Personnel and the main network managers, 25% of the variable remuneration linked to short-term objectives will be paid in Banca Generali shares, according to the following assignment and retention mechanism:

- 60% of the bonus will be paid up-front during the year after that of reference, 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;
- 20% of the bonus will be deferred for one year: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;
- the remaining 20% of the bonus will be deferred by two years: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year.

If the actual bonus accrued, also by Key Personnel, is below the indicated threshold of 75,000.00 euros, it will be paid in full up front during the year after that of reference, in cash, once the Board of Directors has verified P&L performance during the year of accrual and satisfaction of the access gates.

4.4 Cap Mechanism to Ensure Compliance with the Ratio of Variable to Fixed Remuneration

The company has established a cap mechanism, applicable to its Key Personnel, as defined in the Provisions cited above, on the ratio of total variable to fixed total remuneration (including all forms of payment or benefit disbursed, directly or indirectly, in cash, financial instruments, or assets in kind not linked to the achievement of individual or company performance results, or the award of which is subject to annual qualitative assessment or other parameters, such as term of service).

The cap mechanism ensures that the ratio of total variable compensation paid in a given year (including both up-front and deferred payments) to total fixed remuneration in that same year does not exceed 1:1 (or, where expressly authorised, 2:1). Accordingly, this mechanism, which is applied on a cash basis, also takes account of the effects of bonuses accrued in years prior to the introduction of the cap, as well as of deferred bonuses.
The mechanism refers to the variable remuneration instruments awarded from the year in which the cap mechanism was introduced. Consequently, all shares of variable remuneration

accrued in years prior to 2015, but not yet disbursed due to deferral, are sterilised for the purposes of this calculation.
Likewise, if the 1:1 (or, where expressly authorised, 2:1) ratio of variable to fixed remuneration is in future modified, in an unfavourable manner, for one or more individuals, having regard to the year in which the ratio of variable to fixed remuneration is changed, all shares of variable remuneration accrued in years prior to the year concerned, but not yet disbursed due to deferral, will be sterilised for the purposes of the calculation.

4.5 Malus and Claw-back Mechanisms

The variable component of the remuneration of all employees qualifying for variable remuneration under incentive plans based on the Management by Objectives and/or on a discretionary basis, and the Banking Group's network managers and Financial Advisors, is subject to not only a specific malus mechanism entailing forfeiture of bonuses in the event of malfeasance or wilful misconduct to the Bank's detriment, but also express provisions entitling the Bank to claw back bonus payments made during the year in question and the previous one, in the event that the beneficiary is found to (i) have engaged in malfeasance or wilful misconduct to the Bank's detriment, (ii) have engaged in behaviour that resulted in a significant loss for the bank, or (iii) failed to comply with rules concerning banking transparency, anti-money laundering and remuneration policies, in accordance with the Supervisory Provisions for Banks. Likewise, the Bank may demand the return of bonuses paid during the current or previous year in cases of material errors in figuring the items used to calculate the Group's access gates.

4.6 Principle of Propriety and the Containment of Reputational Risks

Remuneration and incentive structures for sales staff are designed to ensure compliance with the principle of propriety in customer relations, as well as to contain legal and reputational risks, through the implementation of policies entailing the application of specific, formally stated, quantifiable and verifiable rules and parameters (e.g., number of complaints) which have an impact on the right to collect the incentivisation.

V. Salient Features of the Remuneration System

As outlined above, the remuneration package consists of fixed components and variable components. 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.

5.1 Fixed Remuneration Components

Based on this method, the fixed components refer to the remuneration of the position, responsibilities and 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 fixed component must account for a sufficient proportion of overall remuneration to attract and retain executive talent and provide adequate remuneration for job responsibilities even in the absence of additional bonuses or other incentives in light of substandard performance, so as to discourage risk-taking in excess of the Company's capabilities, with a view to meeting short and medium-to-long-term targets.

Among the fixed components of remuneration, the bank has introduced a "service allowance" to the configuration of remuneration packages for managers with supervisory functions and the executive in charge of accounting records. The allowance is a component of fixed remuneration that is in addition to traditional gross annual remuneration and is tied to the specific role in question (the allowance is assigned to compensate a specific role and/or the related responsibilities; it may be renegotiated, with annual or other frequency, according to changes in the specific requirements of the role, but entitlement to collect it ceases if the beneficiary is assigned to a role within the company to which a service allowance does not apply).

The total fixed remuneration provided to personnel includes not only gross annual remuneration, but also service allowances, Director's remuneration, housing allowances (or sublease agreements), company collective supplementary pension benefits, health cover, and company life insurance and policies entailing an indemnity in the event of death or permanent disability, pursuant to the Memorandum of Understanding for the Generali Group's Executive Personnel of 2 August 2010, adopted for Banking Group executives as well on 1 December 2010.
Therefore, a significant portion of fixed remuneration components consists of the benefits package, which represents a significant element in terms of fixed remuneration (about 15% for middle managers and professional areas, and around 25% for managers). In detail, for managers this includes health cover, supplementary pension benefits, life insurance, as well as insurance for accidents at work and outside work, and a company car.

The National Collective Labour Agreement for Credit Institutions, supplemented by the Supplementary Company Contract, is applied for middle manager grades and professional areas.

Social security coverage and pension benefits are therefore uniformly regulated for each different category of staff, in strict compliance with the provisions set forth in applicable collective bargaining labour agreements.

5.2 Variable Remuneration Components

Variable components are intended to reward short as well as medium-to-long term results. Performance is assessed — taking due account of the population segment and time-span in question — on the basis of the results attained by individuals and the corporate structures they serve, as well as, in the case of high-level executives, the results achieved by the company/group as a whole.

The ratio of the variable to total fixed components of remuneration must be commensurate with the employee's job description and the strategic responsibilities inherent to his or her position within the organisational structure: as a general rule, this ratio ought to range from no more than 30% for middle management and professional-level positions, except sales staff, and asset managers within the AM Division, BG Fiduciaria SIM and BG FML, whose variable remuneration could well account for 100% of overall remuneration, if all assigned target results are achieved.
Within the maximum overall ratio allowed between the fixed and variable components for some positions, participation in Long Term Incentive Plans could be added to the variable component.

The aim of the recurring variable components of remuneration and long-term incentives (such as, for example, long term incentive plans, stock option plans and deferred bonus systems) is to balance directly the interests of the shareholders and those of management.

The above mentioned Management by Objectives mechanism, consistent with the achievement of the earnings and financial results indicated by the budget for the reference year and with indicators reflecting the weighting of business risks, is used for the Chief Executive Officer, the General Manager, as well as for all managers. The Management by Objectives system is linked to the Balanced Scorecards principle. This tool is intended to translate the strategies set forth in the Group's industrial plan into a set of operating objectives that, taking due account of company risks, are able to materially influence the Group's overall performance. The objectives, defined to reflect the strategic goals set forth in the Group's industrial plan mentioned above, are assigned to the relevant managers on an annual basis on individual Scorecards. The purpose of this tool is to achieve maximum strategic alignment of management, as all the managerial positions help to create shareholder value by achieving objectives that are both quantitative and qualitative, but are in any event measurable. These objectives permeate down through the business and the impact of individual positions on the achievement of the respective objectives is identified.

The variable remuneration is linked on a straight-line basis to the degree to which the individual objectives are achieved. The objectives and the relevant targets are defined based on the guidelines described below, differentiated according to the sphere of work and responsibility attributed to the manager.

The Management by Objectives Plan for Relationship Managers operating within the Private Banking Division and for asset managers within the AM Division and BG FML is based on measurable quantitative targets defined in line with the P&L and financial results budgeted for the financial year in question.

Among long-term incentives the following are underway:

- stock options plans for employees, Financial Advisors and Network Managers, introduced when Banca Generali's ordinary shares were listed on the electronic share market (MTA);
- a stock option plan reserved for Relationship Managers of the Private Banking Division, Financial Advisors and Network Managers.

Moreover, some managers can be included in the Long Term Incentive Plans (hereinafter LTIPs). The system, the use of which is in line with the most widespread practice at the international level, is aimed at pursuing value growth objectives, while also aligning the economic interest of LTIP participants with that of the Shareholders. This tool aims to reinforce the relationship between the remuneration of management and expected performance according to the three-year plan (absolute performance), as well as the relationship between remuneration and value generation in relation to a group of peers (relative performance).

This tool is also subject not only to access gates, with the result that failure to meet pre-set stability targets entails forfeiture of the related bonus, but also to *malus* and claw-back mechanisms.

On an exceptional basis, so as to attract key figures from the market, specific one-off incentive payments may be permitted at the time of recruitment. These incentive payments, that are envisaged in exceptional cases only, may be granted exclusively in case of recruitment of new staff, and solely during the first year of service.

5.3 Ratio of the Variable to Fixed Component of Remuneration

In the above-mentioned Bank of Italy's Provisions, the introduction for Key Personnel of a cap of 1:1 ratio of the variable to fixed component of remuneration is particularly important.

The Bank has taken the following measures to ensure that this ratio is maintained:

a) variable remuneration less than or equal to this threshold for personnel in general;

b) in any case, a cap mechanism designed to ensure compliance with the 1:1 ratio of the overall variable component to the overall fixed component of remuneration, as illustrated above;

c) with regard only to individual and specific company functions (the Chief Executive Officer, as well as the General Manager, the Joint General Manager of the Commercial Area, the Head of the Bank Area, 2 Sales Managers Italy, 6 Area Managers, 8 Private Banking Managers) the General Shareholders' Meeting will be submitted a motion, duly supported by a statement of grounds, to depart from the ratio of 1:1 of the variable to fixed component of remuneration, raising the same up to a maximum of 2:1. This proposal, submitted by the deadline set by the Bank of Italy, is based on the grounds set out in the specific report, and in particular on the consideration that in a specialist market such as that in which the bank operates, where it must compete with international players, a remuneration package competitive with those of its competitors, for individuals in key roles in its company organisation or managerial roles in its commercial areas, allows the bank to attract and retain individuals with the professionalism and skills suited to the Company's needs and ensure that its business results are achieved, in a manner consistent with applicable regulations.
   Even the remuneration of these functions will be in any case subject to the cap mechanism described above, to ensure compliance with the aforesaid threshold.

5.4 Directors' and Officers' (D&O) Liability Insurance

In line with generally accepted best practices on financial markets and taking due account of the features of the Bank's and Group's business operations, on 24 April 2007, the General Shareholders' Meeting authorised the Board of Directors to provide general liability insurance cover to the Company's Directors, the members of the Board of Statutory Auditors and General Manager (D&O Liability Insurance), featuring the following main terms and conditions:

a) duration: 12 months renewable on an annual basis, until the General Shareholders' Meeting resolves to revoke its previous authorisation;
b) maximum insured amount: 10 million euros per claim/year, for all the insured persons, with sub-limits for claims based on labour law violations;
c) non-applicability of cover in the event of wilful misconduct or gross negligence.

5.5 Early Termination Package

Severance benefits are defined pursuant to the applicable regulatory framework, with the exception of the possibility of an agreement with individual corporate managers, regarding an early termination package in case their relationship is terminated or otherwise modified and subjected to more unfavourable terms, at the Bank's initiative, based on the guidelines illustrated below.
In the event of early termination of the contract, the benefits that may be accorded to the interested party, in compliance with current provisions of laws and contracts, shall be as envisaged by way of notice in the applicable provisions of laws and/or the national collective labour contract, plus a maximum amount equivalent to 24 months of recurring remuneration (defined as gross annual remuneration increased by the average amount actually collected by way of the short-term component of variable remuneration in the past three years).

Since the positions of Chief Executive Officer and General Manager are filled by the same person, when calculating the amount that may be accorded to the interested party, account shall be taken of the total sum of amounts due by way of gross annual remuneration, compensation for the office of Director and the average amount actually collected by way of the short-term component of variable remuneration in the past three years for each of the offices concerned.

The agreement governing the payment of that sum shall include clauses calling for a general waiver of all rights related in any manner, directly and/or indirectly, to the employment relationship or the office of Chief Executive Officer and the severance thereof, as well as of all rights, claims and/or actions against the company and other Group companies in any capacity directly or indirectly related to the employment relationship or the office of Chief Executive Officer and the definitive, accepted severance thereof. The waiver shall be extended to rights relating to compensation for damages, as well as rights of an economic nature associated with the above relationships and the severance thereof.

The aforesaid amount must be paid in accordance with the above-mentioned Bank of Italy Provisions, with particular regard to provisions governing the connection between performance compensation and risks, the deferral of disbursement and the payment of compensation partly in cash and partly in financial instruments.

5.6 Reference Policies

The Banking Group's remuneration policy has been defined, insofar as financial and credit market practices are concerned, on the basis of the results of the ABI-HAY study, with a view to establishing benchmark indicators for the fixed and variable components of the remuneration of the Group's managers with administrative, sales or asset-management responsibilities.

In addition, the components of the package for Key Management Personnel were determined also with the support of specific studies conducted by an independent expert.
Lastly, the main benefits of the Group's executives, middle managers and employees (specified, where applicable, in their respective supplementary employment contracts) have been established in light of policies defined by the Group to which they belong.

VI. Reasons Underlying Variable Remuneration Structures, Performance Indicators and the Main Benchmarks Used

The variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives are achieved. The Management by Objectives mechanism, which forms the basis of the variable component of the remuneration (hereunder also referred to as "Bonus") of managers and Chief Executive Officer, is based on defining and allocating to each manager specific objectives, each one of which is attributed a target, and each with a special weighting.

The objectives and the relevant targets are defined based on the guidelines described below, differentiated according to the sphere of work and responsibility attributed to the manager.

A percentage of the variable remuneration, as stated below, is linked to quantitative objectives pertaining to the results of the Banking Group. In detail:

- net inflows of the Banca Generali Group;
- cost income;
- consolidated net profit;
- operating profit;
- Return on Risk Capital (the ratio between operating profit and risk capital, where the second value represents the amount of own capital that the Bank will have to commit to cover a certain amount of risks).

These objectives contribute to determining no less than 80% of the short-term variable remuneration of the Chief Executive Officer and General Manager, and 15% to 35% of the short-term variable remuneration of the other managers.
This rule does not apply to Relationship Managers serving the Private Banking Division and assets managers of the AM Division and BG FML. This is because, with a view to measuring performance and risks through variables that are consistent with the decision-making powers vested in each of these functions, quantitative objectives established in terms of the results carried in the consolidated financial statements of the Banking Group may be replaced by individual quantitative objectives associated with the individual function discharged within the group.

The remaining portion of the short-term variable remuneration is linked to the attainment of quantitative and qualitative objectives established in light of the job description of each beneficiary, with a view to ensuring that the related bonuses are based, as far as possible, on performance and risk indicators that are consistent with the decision-making powers vested in each manager.
In particular, in relation to the position filled, the quantitative objectives refer to net inflows, revenues and/or cost objectives for which the manager is responsible based on the company budget for the reference year.
The qualitative objectives, which usually set valuation criteria, refer to projects concerning the Banking Group and require the collaboration of all the managers, each one regarding the area within his/her remit, or projects falling under the responsibility of individual departments but which are of general importance.
The exceptions to these general criteria are the objectives assigned to the Head of Governance and Company Risks Area, the Manager in charge of preparing the Company's financial reports, the managers responsible for the control functions, and the Head of the Resources Department, who are not linked to company or group P&L results.
The quantitative and qualitative objectives are formalised in personal Scorecards on an annual basis. Each objective is assigned a "weight" indicating its level of priority when compared to the others, as well as performance levels (minimum, target and maximum) expressed through appropriate indicators. Expected levels of performance are indicated, for each objective, together with the minimum threshold to be achieved to qualify for bonus entitlements, the ceiling above which results are to be considered over performance, and any and all caps on bonuses, where applicable.

With regard to the criteria for the assessment of the performance levels achieved for bonus assignment purposes, the results obtained in respect of each objective are verified and duly weighted in the financial year following the year of reference, and the sum of the weighted results achieved in respect of each objective then constitutes the overall performance level which serves as the basis for quantifying the bonus due, subject to satisfaction of the pre-established access gates to be met in order to qualify for bonuses (attainment of the minimum threshold affording access to bonus entitlements). The foregoing procedure is designed to ensure a direct correlation between results obtained and bonuses earned.
The performance levels identified in the objectives are directly linked to the forecasts of the budget approved by the Board of Directors and the achievement of the results, when linked to the P&L results, is verified based on the consolidated financial statements of the Banking Group.
As regards the variable remuneration of middle executives and employees belonging to the professional areas (other than those included in any of the categories specified below), the system used for the calculation of the bonuses, which takes place at annual intervals, is also linked to the performance appraisal process and decided on a discretionary basis, with the exception of the Management by Objectives plan reserved for Relationship Managers who work in the Private Banking Division, as well as a Management by Objectives plan reserved for asset managers working in the AM Division and BG FML.
Variable remuneration linked to long-term performance, especially the bonuses payable under the LTIP, shall be determined in function of objectives established in terms of the results achieved by the Group for the three-year period of reference. In addition, the actual appropriation of the shares is contingent upon annual verification of access gates. The Plan is based on the following fundamental aspects:

- it is rolling and divided into cycles, each of which lasts three years;
- requires that the incentive deriving from the satisfaction of objectives be disbursed through the assignment of shares;

- defines the objectives on which to render the disbursement of the incentive contingent at the beginning of the three years of reference of each cycle;
- establishes the number of shares to be assigned at the beginning of each three-year period.

VII. Information on Remuneration by Role and Functions

7.1 Members of the Board of Directors

Board member's remuneration is determined at the time of appointment by the General Shareholders' Meeting, in accordance with Article 2389, Paragraph 1, of the Italian Civil Code, as a fixed sum plus refund of any out-of-pocket expenses incurred in the performance of their duties, also taking due account of industry-specific surveys and analyses.
Non-executive Directors (including the Chairman) and independent members of the Board of Directors are entitled only to fixed remuneration, in addition to a refund of out-of-pocket expenses incurred for the performance of their duties, and, accordingly, are not entitled to any form of variable remuneration linked to the attainment of specific objectives. Directors who are not vested with delegated executive powers (including the Chairman) are not entitled to any form of share-based incentives.
Directors who also sit on Board Committees are entitled to additional emoluments — in the form of either a pre-established lump-sum, or otherwise, attendance fees for each Board meeting they attend — over and above the remuneration they receive as Board members, in light of the tasks assigned to the Board Committees in question, and the commitment that membership of such committees entails, especially in terms of attendance at meetings and preparatory activities to be completed ahead of committee meetings; said additional emoluments must be established taking due account of industry-specific surveys and analysis of the remuneration of Directors, and more specifically, Directors sitting on Board Committees.
The remuneration policy applicable to the Chairman provides for fixed annual remuneration, determined also on the basis of comparative analysis of the remunerative practices prevailing within the industry for such positions. Lastly, it must be pointed out that all Board of Directors' members are covered by D&O liability insurance, as illustrated above.

7.2 Members of the Board of Statutory Auditors

The remuneration of the Chairman of the Board of Statutory Auditors and other members of the Board of Statutory Auditors is set by the General Shareholders' Meeting at the time of appointment and for the whole term of office. Regular members of the Board of Statutory Auditors are not entitled to any form of variable remuneration.
They are entitled to refund of the expenses incurred in performance of their duties.
The members of the Board of Statutory Auditors also receive further remuneration, in addition to their compensation as members of the Company's control board, pursuant to currently applicable regulations, in consideration of the fact that the said Board also discharges the tasks and functions of the Supervisory Board instituted pursuant to Legislative Decree No. 231/2001.
Lastly, members of the Board of Statutory Auditors are covered by D&O liability insurance, as illustrated above.

7.3 Key Personnel

Further to all that has already been illustrated above in respect of the identification of "Key Personnel", the salient features of the remuneration structures applicable to each category falling within the said classification are indicated below.

7.3.1 Key Management Personnel

The variable component of Key Management Personnel is established pursuant to mechanisms that not only comply with all the regulatory requirements set forth above, but also provide for (i) the deferred payment of a significant portion of variable remuneration; and (ii) a portion of variable share-based remuneration.

Chief Executive Officer and General Manager

As explained above, the positions of Chief Executive Officer and General Manager are filled by the same person.
The Chief Executive Officer's remuneration consists of a recurring fixed remuneration and a short-term variable remuneration, linked to the degree to which the performance objectives expressed in the relevant Balanced Scorecard are achieved. This may reach a maximum of 50% of the fixed remuneration (equal to a 45% ratio of the short-term variable remuneration to the total fixed remuneration) if the maximum level of total performance objectives is achieved and does not provide for any guaranteed minimum. The principles of deferral, payment in Banca Generali shares, achievement of the access gate, as well as the malus and claw-back mechanisms illustrated above apply to such variable remuneration.
The General Manager's remuneration consists of an annual gross remuneration (RAL) and a short-term variable remuneration, linked to the degree to which the performance objectives, expressed in the relevant Balanced Scorecard, are achieved. This may reach a maximum of 50% of the RAL (equal to a 34% ratio of the short-term variable remuneration to the total fixed remuneration), if the maximum level of total performance is achieved and does not provide for any guaranteed minimum. The principles of deferral, payment in Banca Generali shares, achievement of the access gate, as well as the malus and claw-back mechanisms illustrated above apply to such variable remuneration.
In addition, the Board of Directors may establish a discretionary pension benefit for the position of Chief Executive Officer and General Manager, in order to develop a remuneration package increasingly focused on the long term, in the interest of Shareholders. Such benefit is funded by the Bank's periodic payments into a specific retirement policy of up to 45% of the fixed remuneration provided for the position of Chief Executive Officer. In accordance with the Bank of Italy's Provisions, and as a result of the applicable principle of proportionality, this benefit will be disbursed as follows once the pension conditions have been met: 50% as an up-front cash

payment and the remaining 50% through the granting of Banca Generali shares subject to a retention period of three years[41].
Moreover, a portion of the variable remuneration is determined on the basis of a Long Term Incentive Plan (LTIP). Bonus entitlements under the said LTIP range from 0% to 175% of the fixed component of remuneration. In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.
The ratio of the variable to fixed component of the remuneration of the Chief Executive Officer and General Manager, subject to Shareholders' approval, shall not exceed 2:1; any amount in excess shall be subjected to the cap mechanism described above.
Moreover, an agreement is currently in force with the Chief Executive Officer, providing for an indemnity in the event of early termination in that post, in addition to for a early termination package in accordance with the principles set forth in point 5.5 above.
The Chief Executive Officer and General Manager is also covered by D&O liability insurance, as illustrated above.
As General Manager, he also benefits from supplementary pension benefits equal to 13% of RAL, the benefit package for the Banking Group's managers and a sub-rental agreement for lodging in Milan.

Joint General Manager

The Joint General Manager's remuneration consists of an annual gross remuneration (RAL) and a short-term variable remuneration, linked to the degree to which the performance objectives — expressed in the relevant Balanced Scorecard — are achieved, as well as to the access gate scheme, the bonus deferral scheme and the payment in Banca Generali shares, as well as the malus and claw-back mechanisms. The variable remuneration may reach a maximum of 50% of the RAL (equal to a 42% ratio of the short-term variable remuneration to the total fixed remuneration), if the maximum level of total performance is achieved and does not provide for any guaranteed minimum.
Moreover, a portion of the variable remuneration is determined on the basis of a Long Term Incentive Plan (LTIP). Bonus entitlements under the said LTIP range from 0% to 175% of the fixed component of remuneration. In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.
The ratio of the variable to fixed component of the remuneration of the Joint General Manager, subject to Shareholders' approval, shall not exceed 2:1; any amount in excess shall be subjected to the cap mechanism described above.
The Joint General Manager also enjoys supplementary pension benefits equal to 13% of the RAL and the benefits package provided for the Banking Group's executives. The early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of severance may be agreed subject to compliance with the principles set forth in point 5.5 above.

Joint General Manager of the Commercial Area

[41] In the event of early termination before pension requirements have been met, the discretionary pension benefit will be disbursed as follows: 50% as an up-front cash payment and the remaining 50% through the granting of Banca Generali shares held in custody for a period of three years and subject to the application of the access gates and claw-back clauses established in the remuneration policy.

The remuneration of the Joint General Manager of the Commercial Area consists of an annual gross remuneration (RAL) and a short-term variable remuneration, linked to the degree to which the performance objectives — expressed in the relevant Balanced Scorecard — are achieved, as well as to the gate threshold scheme, the bonus deferral scheme and the payment in Banca Generali shares, as well as the malus and claw-back mechanisms. The variable remuneration may reach a maximum of 100% of the RAL (equal to a 81% ratio of the short-term variable remuneration to the total fixed remuneration), if the maximum level of total performance is achieved and does not provide for any guaranteed minimum.
Moreover, a portion of the variable remuneration is determined on the basis of a Long Term Incentive Plan (LTIP). Bonus entitlements under the said LTIP range from 0% to 175% of the fixed component of remuneration. In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.
The ratio of the variable to fixed component of the remuneration of the Joint General Manager of the Commercial Area, subject to Shareholders' approval, shall not exceed 2:1; any amount in excess shall be subjected to the cap mechanism described above.
An agreement is currently in force with the Joint General Manager of the Commercial Area, providing for an indemnity in the event of early termination of the contract, in accordance with the principles set forth in point 5.5 above.
The Joint General Manager of the Commercial Area also enjoys supplementary pension benefits equal to 13% of the RAL and the benefits package provided for the Banking Group's managers.

Central Managers

The remuneration of the Central Manager responsible for the CFO Area, also by virtue of his simultaneous function as Manager in charge of preparing the Company's financial reports pursuant to Article 154-*bis* of Legislative Decree No. 58/1998, consists of an annual gross remuneration (RAL), of a service allowance (as provided for in point 5.1) and a short-term variable remuneration, linked to the degree to which the performance objectives — expressed in the relevant Balanced Scorecard — are achieved. It is subject to the gate threshold scheme, the bonus deferral scheme and the payment in Banca Generali shares, as well as the malus and claw-back mechanisms.
The variable remuneration may reach a maximum of 33.3% of the RAL if the maximum level of total performance is achieved and does not provide for any guaranteed minimum. The established objectives are consistent with the tasks assigned and are independent of the results achieved by the bank; rather, they consist of project and service completion objectives, as well as company sustainability objectives.
The remuneration of the Central Manager responsible for the Governance and Company Risks Area consists of an annual gross remuneration (RAL), of a service allowance (as provided for in point 5.1) and a short-term variable remuneration, linked to the degree to which the performance objectives — expressed in the relevant Balanced Scorecard — are achieved. It is subject to the gate threshold scheme, the bonus deferral scheme and the payment in Banca Generali shares, as well as the malus and claw-back mechanisms.
The variable remuneration may reach a maximum of 33.3% of the RAL if the maximum level of total performance is achieved and does not provide for any guaranteed minimum. The established objectives are consistent with the tasks assigned and are independent of the results achieved by the bank; rather, they consist of project and service completion objectives, as well as company sustainability objectives.

The remuneration of the Central Manager of the Banking Area consists of an annual gross remuneration (RAL) and a short-term variable remuneration, linked to the degree to which the performance objectives — expressed in the relevant Balanced Scorecard — are achieved, as well as to the gate threshold scheme, the bonus deferral scheme and the payment in Banca Generali shares, as well as the malus and claw-back mechanisms. The variable remuneration may reach a maximum of 50% of the RAL (equal to a 42% ratio of the short-term variable remuneration to the total fixed remuneration), if the maximum level of total performance is achieved and does not provide for any guaranteed minimum.
Moreover, a portion of the variable remuneration is determined on the basis of a Long Term Incentive Plan (LTIP). Bonus entitlements under the said LTIP range from 0% to 175% of the fixed component of remuneration.
The ratio of the variable to fixed component of the remuneration of the Central Manager of the Banking Area, subject to Shareholders' approval, shall not exceed 2:1; any amount in excess shall be subjected to the cap mechanism described above.
Central Managers also enjoy supplementary pension benefits up to a maximum of 13% of the RAL and the benefits package provided for the Banking Group's managers. The current early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination of the contract may be agreed subject to compliance with the principles set forth in point 5.5 above.
Moreover, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

7.3.2 Other Key Personnel

The remuneration of the Managers included in this category consists of an annual gross remuneration (RAL) and a variable remuneration, linked to the degree to which the performance objectives indicated in the relevant Balanced Scorecards are achieved. The principles of deferral, payment in Banca Generali shares, achievement of the access gate, as well as the malus and claw-back mechanisms illustrated above, apply to such variable remuneration. Depending on the strategic weight and complexity of the job description in question, the variable component of remuneration may reach no more than 66% of annual gross remuneration (RAL) (equal to a maximum 51% ratio of the short-term variable remuneration to the total fixed remuneration) in the case of Banca Generali managers. It may reach 100% of annual gross remuneration (equal to a maximum 83% ratio of the short-term variable remuneration to the total fixed remuneration) for the Heads of the AM Division, the Private Banking Division and the Financial Planner Division.
In no circumstances, a guaranteed minimum is provided.
In addition, for some of the aforesaid managers the Board of Directors may also extend the variable component of remuneration to include participation in a Long Term Incentive Plan. In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.
The ratio of the variable to fixed component of the remuneration of those managers, shall not exceed 1:1; any amount in excess shall be subjected to the cap mechanism described above.
Managers also receive supplementary pension benefits up to 13% of their RAL and the benefit package provided for the Banking Group managers. The current early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination of the contract may be agreed subject to compliance with the principles set forth in point 5.5 above.

7.3.3 Managers and Upper-level Middle Executives in Charge of Control Functions

The remuneration of managers and upper-level middle executives falling within this category is made up of annual gross remuneration (RAL) (all-inclusive for managers) supplemented by a variable component linked to the achievement of the performance objectives specified in the relevant Balanced Scorecards. This variable component of remuneration is conditional upon the achievement of access gates, and is subject to deferral, as well as to the malus and claw-back mechanisms illustrated above.
According to the weight and complexity of the position filled, variable remuneration may be equal to no more than 33.3% of RAL, provided the maximum level of performance objectives be attained. No guaranteed minimum is provided for.
The established objectives for managers and upper-level middle executives in charge of control functions are consistent with the tasks assigned and are independent of the results achieved by the bank; rather, they consist of project and service completion objectives, as well as company sustainability objectives.

In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.
Managers included in this category also receive supplementary pension benefits of up to 13% of their RAL (up to 16.5% if they come from other Generali Group companies) and the benefit package for the Banking Group managers. The current early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination of the contract may be agreed subject to compliance with the principles set forth in point 5.5 above.

7.4 Other Personnel

7.4.1 Other Managers

The remuneration of the other managers consists of an annual gross remuneration (RAL) and a variable remuneration, linked to the degree to which the performance objectives indicated in the relevant Balanced Scorecards are achieved. This component of remuneration is conditional upon the achievement of access gates, and is subject to deferral, as well as the malus and claw-back mechanisms illustrated above. According to the weight and complexity of the position filled, variable remuneration may range from a minimum of 10% to a maximum of 70% of the RAL, provided the maximum level of performance objectives has been attained. No fixed guaranteed minimum is provided for.
In addition, for some of the aforesaid managers the Board of Directors may also extend the variable component of remuneration to include participation in a Long Term Incentive Plan.
In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.
They also enjoy supplementary pension benefits up to 13% of the RAL and the benefits package provided for the Banking Group's managers. The current early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination of the contract, may be agreed with managers belonging to this category subject to compliance with the principles set forth in point 5.5 above.

7.4.2 Other Employees (Upper-level Middle Executives and Professional Areas)

The remuneration of other employees is regulated pursuant to the collective bargaining labour agreements applicable to credit companies, supplemented by the Supplementary Company Contract with specific regard to remuneration, as well as the Additional Agreements on regulatory and other benefits, entered into on the same date. In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

7.4.3 Relationship Managers

Employees falling within the category of Relationship Managers (whether they are managers or otherwise) and serving the Private Banking Division are covered under a Management by Objectives Plan.
Their remuneration is accordingly made up of fixed annual remuneration (RAL, all inclusive for managers) and a variable component determined on the basis of the extent to which the performance objectives specified in the relevant Balanced Scorecards have been attained. This variable component of remuneration is conditional upon the achievement of access gates, and is subject to deferral, as well as to the malus and claw-back mechanisms illustrated above.
The variable component of remuneration may reach a maximum of 100% of the annual gross remuneration. No guaranteed minimum is provided for.
In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.
Given that the most significant aspect of the job description of Relationship Managers involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, any and all business activities on which incentive portions of remuneration may be earned, must be conducted scrupulously in accordance with all applicable principles of professionalism and correctness in all customer relations, including with a view to enhancing customer loyalty. Towards such end: (i) alongside with traditional targets set in terms of net inflows and revenues, additional targets of correctness and regulatory compliance in all transactions, by assessing the number of complaints pertaining to the business transactions effected by individual Relationship Manager, with a view to determining the bonus due, and assessing compliance with anti-money laundering laws; (ii) a *malus* mechanism whereby, in addition to the above, bonuses are to be deemed forfeited if evidence of gross professional negligence or misconduct were to emerge. Furthermore, the Bank reserves the right in any event to withhold bonuses at its discretion in the following cases:

- the commencement of disciplinary proceedings or pending non-routine inspections against a Relationship Manager;
- glaring reputational harm occasioned to the Bank as a result of the conduct of a Relationship Manager;

(iii) a claw-back clause whereby the bank is entitled to demand the return of bonuses paid during the current or previous year in cases of malfeasance or wilful misconduct, behaviour resulting in a significant loss for the bank and failure to comply with banking transparency provisions and remuneration policies in accordance with the Supervisory Provisions for Banks.
Managers belonging to this category also enjoy supplementary pension benefits equal to 13% of RAL and the benefits package provided for the Banking Group's managers.

The current early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination of the contract, may be agreed with managers belonging to this category subject to compliance with the principles set forth in point 5.5 above.

7.4.4 Managers of the AM Division, BG Fiduciaria SIM and BG Fund Management Luxembourg

A specific incentive plan based on Management by Objectives has been instituted in favour of employees falling within the category of Managers of the AM Division (whether managers or otherwise), BG Fiduciaria SIM and BG FML.
Their remuneration is accordingly made up of fixed annual remuneration (RAL, all inclusive for managers) and a variable component determined on the basis of the extent to which the performance objectives specified in the relevant Balanced Scorecards have been attained. This variable component of remuneration is conditional upon the achievement of access gates, and is subject to deferral, as well as to the malus and claw-back mechanisms illustrated above.
The variable component of remuneration may reach a maximum of 100% of the annual gross remuneration. No guaranteed minimum is provided for.
In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

VIII. Financial Advisors

8.1 Information on the Type of Relationship

The Financial Advisors are linked to the company by an agency contract whereby the Financial Advisor is appointed permanently (and without representation) to promote and place in Italy, as part of his/her advisory service, and in an autonomous manner — on the Company's behalf and, on the Company's instructions, also in the interest of third party principal companies — financial instruments and services, banking products and services, insurance products and other products indicated in the contract, and also to provide customer service for customers acquired and/or assigned — with all the due diligence required to achieve company objectives.
The relationship may come to an end (as well as due to the occurrence of termination events provided for by the law) as a result of consensual resolution or a declaration of withdrawal of one of the two parties, in accordance with the notice periods specified, unless a breach of such gravity occurs that prevents the relationship continuing even on a temporary basis.
The sales structure is organised hierarchically with a separate division dedicated specifically to private customers.
Within the Financial Planner Division, Financial Advisors are classified according to rising levels of experience as *Junior Financial Planner*, *Financial Planner*, *Professional Financial Planner* and *Private Financial Planner*. The allocation to each one of the categories takes into account both the experience and the assets under management. Coordination of the Financial Advisors is delegated to a second-tier managerial structure consisting of the District Managers — responsible for individual local operating points and the related groups of Financial Advisors, who are assisted in some cases by supervisors, the Executive Managers — and a first-tier structure, Area Managers, who report to the Head of the Financial Planner Division. This structure operates in parallel to an additional structure consisting of Financial Advisors known as *Financial Planner Agents*, who carry out insurance business on behalf of Generali Group companies, and who report directly to a first-tier managerial structure represented by a *Sales Manager*, who in turn reports to the Head of the Financial Planner Division.
Within the Private Banking Division, individual Financial Advisors are coordinated by a first-tier managerial structure, consisting of Private Banking Managers, who report to the Sales Manager, who in turn reports to the Head of Private Banking Division.
These professional posts receive a special remuneration package as part of a common system of rules. The general principles are set out below.

8.2 Remuneration of Financial Advisors and Managers

The remuneration of Financial Advisors is fully variable due to their nature as independent contractors. It consists of fees of various kinds, which are influenced by the type of activity performed and the range of products placed. A Financial Advisor's remuneration is considered business income, which is figured by deducting variable or fixed business expenses (consider, for example, the costs of remunerating the advisor's own employees), and is subject to an entirely different tax treatment from salaries, to which it is not easily comparable.
The remuneration system is established at a general level, for all Financial Advisors belonging to a given category, and is not therefore directly tied to the share of the intermediary's risk profile attributable to the individual Financial Advisor. It has to combine the need to pay the Financial Advisors a remuneration proportionate to the Company's revenues, in line with rates

commonly applied in the reference market, with the need to avoid situations of potential conflict of interest.
The remuneration of the Financial Advisors consists of the following main items:
(i) sales fees: the Bank pays the Financial Advisor a portion of the fees paid by the customer at the time the financial products are subscribed. These fees differ according to the various types of product and may vary in relation to the amount paid and/or the client's assets. A fixed percentage of these fees is generally paid back to the Financial Advisor, on the basis of their professional roles and responsibilities;
(ii) management and maintenance fees: advisory and after-sales services rendered to customers are remunerated by way of monthly fees established not only in light of the value of the investments held by the customers in question, but also in function of the type of investment product involved and the professional roles and responsibilities covered by each Financial Advisor;
(iii) recurring fees: these are similar to the previous fees, but relate specifically to the management fees paid by customers for the portfolios managed;
(iv) consultancy fees: these are similar to the above, but refer to the specific consultancy services rendered against payment.
The fees in question are recurring and thus are not regarded as incentives.
Given that the most significant aspect of the job description of Financial Advisors involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, all the related professional activities must be conducted scrupulously in accordance with the relevant principles of professionalism and correctness in respect of customer relations, including with a view to building customer loyalty. Towards such end, in addition to conventional objectives in terms of net inflows, objectives of correctness and regulatory compliance have been introduced, with each Financial Advisor being subjected to the obligation to provide customers with adequate after-sales services. The contract regulating the relationship between the Financial Advisor and the Bank therefore includes mechanisms of fee reduction in the case when the Financial Advisor does not carry out this activity as required.
With reference to the remuneration of the direct promotion activities carried out by the Managers, the fees are apportioned in a manner similar to that of Financial Advisors mentioned above; the same general rules apply, with specific percentages, to the calculation of the fees they are entitled to for their promotion activities carried out through their supervision.
Given that, as in the case of Managers, the most significant aspect of the job description involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, all the related professional activities must be conducted scrupulously in accordance with the relevant principles of professionalism and correctness in respect of customer relations, including with a view to building customer loyalty. Towards such end, in addition to the conventional terms of net inflows, objectives of correctness and regulatory compliance have also been introduced, with all Managers being subjected to an obligation to direct the Financial Advisors placed under their supervision to provide customers with adequate after-sales services. The contract regulating the relationship between the Manager and the bank therefore includes mechanisms of fee reduction if the Financial Advisors placed under their supervision do not carry out this activity as required.
Moreover, within the framework of a process of gradually increasing the responsibilities of Managers in coordination and supervision activity, there are economic mechanisms aimed at contemplating any specific risks that emerge in the area being coordinated, including for the purpose of determining recurring remuneration. Incentive systems are also provided for the Financial Advisors and Managers, based on identified individual objectives for Financial Advisors and group objectives for Managers. These systems focus on services and products

designed to promote risk diversification/containment, with distinctions being drawn on the basis of the various service levels through which the said goals are pursued.
The goals in question must always be achieved while observing the need to maintain proper relations with customers and contain legal and reputational risks.
All the incentives are paid out only on condition that, on the dates scheduled for the payments, the agency relationship is properly in place, the notice period is not running and all the conditions required for achieving the result objectives set have occurred.
The right to collect the bonuses deriving from the aforementioned systems is contingent not only on the actual result achieved, but also on the reaching of the Banking Group's access gates, as discussed in point 4.1 above.
In addition, any and all business activities on which incentives may be earned must be conducted scrupulously in accordance with the principles of professionalism and correctness in respect of customer relations. Towards such end: (i) a malus mechanism has been implemented, entitling the Bank to withhold bonus payments due under incentive plans, in the event of malfeasance or wilful misconduct by the beneficiary against the Bank or its customers. Moreover, the Bank reserves the discretionary right to refuse to make bonus payouts to Financial Advisors who (i) are subjected to disciplinary measures or pending non-routine inspections; and/or (ii) as a result of their conduct, manifestly occasion reputational harm to the Bank. When determining the bonus accrued, the Bank also considers the number and amount of complaints attributable to the individual Financial Advisor, compliance with anti-money laundering statutes and (ii) claw-back clauses, whereby the Bank may demand the return of bonuses paid during the current and previous year in cases of (i) malfeasance or wilful misconduct by the Financial Advisor resulting in the payment of compensation and/or sums of any other nature by the Bank, (ii) behaviour resulting in a significant loss for the Bank, and (iii) failure to comply with the rules concerning banking transparency and remuneration policies laid down in the Supervisory Provisions for Banks. Likewise, the Bank may demand the return of bonuses paid during the current or previous year in cases of material errors in figuring the items used to calculate the Group's access gates.
In addition, Financial Advisors' and Managers' participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

8.3 Remuneration and Incentives of Area Managers, Sales Managers and Private Banking Managers

As mentioned above, the coordination of the networks of Financial Advisors within the Financial Planner Division is entrusted to Area Managers, or a Sales Manager, while that of the Financial Advisors within the Private Banking Division is entrusted to one Sales Manager, to whom the Private Banking Managers report.
Managers in these categories are subject to the same remuneration and incentivisation policies and rules outlined above.
However, given the importance of the role of oversight and coordination assigned to *Sales Managers*, *Area Managers* and *Private Banking Managers*, these positions are regarded as Key Personnel. Accordingly, their variable remuneration, linked to incentive plans, is subject to the same bonus deferral schemes, payment in Banca Generali shares, access gates and the malus and claw-back mechanisms illustrated above, as applicable to Key Personnel to whom a bonus of more than 75,000.00 euros accrues during a given year.
Participation in retention and/or loyalty plans may also be approved for these functions by resolution duly supported by a statement of grounds.

The ratio of the recurring and incentivisation components of the remuneration paid to such individuals, with the approval of the General Shareholders' Meeting, may not exceed 2:1. any amount in excess shall be subjected to the cap mechanism described above.

8.4 Additional Benefits to the Recurring Remuneration

The Financial Advisors and Managers benefit from accident, health and permanent disability insurance covers and receive social security and early termination benefits provided for under legislation. The above package is supplemented by a specific insurance policy covering the costs of Long Term Care in the event of disability or infirmity.
These measures are aimed at ensuring that, in addition to ordinary remuneration, Financial Advisors and Managers are also provided with a series of protections and insurance covers designed to consolidate their professional relationship with the Bank, whilst also encouraging consistent results over time, in line with the Bank's conviction that these supplementary benefits are conducive to a more effective and relaxed relationship with customers.

8.5 Personnel Retention Policies

A number of alternative retention schemes are used for Financial Advisors, as described below:
a) stock option plans related to the achievement of specific objectives;
b) the deferred loyalty bonuses, under which a predetermined amount is invested in a capitalisation policy and may be paid out seven years after the recruitment date and on condition that, on the settlement date, the Financial Advisor has maintained his professional relationship with the Banking Group and has achieved a significant objective in terms of the quantity and quality of the assets managed;
c) a form of additional and differentiated social security coverage is extended to qualifying Financial Advisors and Managers, with entitlements subjected to scaling on the basis of annual performance in terms of results, and maturing upon retirement, provided that the Financial Advisor or Manager remains with the Bank through to retirement.

QUANTITATIVE INFORMATION

1. Goals Pursued Through Remuneration Policies and Criteria Applied

As illustrated in the document entitled "*The Banking Group's Remuneration Policies*" approved by the General Shareholders' Meeting on 24 April 2014, Banca Generali's remuneration policies for the financial year 2014 were aimed at striking the best possible balance between the interests of the Shareholders and management of the Banking Group, respectively, in line with the latter's mission, with specific reference to the objective of constantly delivering excellent results for stakeholders in the short, as well as medium-to-long term, whilst at the same time, ensuring sound and prudent risk management, a balanced business model and the alignment of strategic goals.
The 2014 remuneration policies were defined and implemented in accordance with the "Provisions on Remuneration and Incentivisation Policies and Practices within Banks and

Banking Groups" issued by the Bank of Italy on 30 March 2011 — and, within the limits indicated therein, the modifications to those Provisions subject to public consultation in December 2013 — as well as the requirements imposed under Article 84-*quater* of the implementing provisions of Legislative Decree No. 58 of 24 February 1998 (Finance Consolidation Law) regarding the statutory framework governing issuers, as amended pursuant to CONSOB Resolution No. 18049 of 23 December 2011. This document has thus been drawn up with a view to ensuring simultaneous compliance with both the provisions governing remuneration policies within the banking industry and the regulations applicable to Issuers.
The remuneration system was applied on the basis of the Bank's corporate values and objectives, long-term strategies and risk management policies.
More specifically, overall remuneration is made of fixed and variable components, the weight of which is correlated with the strategic weight of the position held, and, in the case of certain managers, includes benefits arising under Long Term Incentive Plans envisaging long-term performance of the company or corporate group to which it belongs.
All types of variable remuneration, defined both based on incentive plans through objectives linked to the performance of the Bank and the Banking Group, and on a discretionary basis through a process linked to that of performance assessment, are correlated with indicators, which aim at appreciating the weighting of risks of the company or corporate group to which they belong, and are determined taking due account of the risks assumed and the liquidity required to cover ongoing business operations, and with a view to avoiding conflicts of interest based on the following principles.

a) Access gates

In order to (i) ensure that the variable component of remuneration is linked to multi-year performance indicators, as well as (ii) take due account of current and future risks, the cost of capital and the liquidity required to finance the Banking Group's operations, the bonus entitlements of all employees receiving variable remuneration under the Management by Objectives plan, as well as those of all staff receiving bonus on a discretionary basis, together with those of Financial Advisors and network managers serving the Banking Group, shall be subject not only to the actual result attained, but also to the satisfaction of access gates tied to specific results of the Banking Group.

The Banking Group's access gate consists of the following two ratios: (i) the Total Capital Ratio, measuring the extent of the Bank's capital in relation to the degree of risk of the assets held — minimum target ratio of 11.4%, and the (ii) Liquidity Coverage Ratio, aimed at increasing short-term resilience of the bank's liquidity risk profile, while ensuring it has sufficient, high-quality liquid assets to overcome any 30-day long acute stress situation — minimum ratio of 105%.
The above-mentioned remuneration policy, approved by the General Shareholders' Meeting for financial year 2014, provides for each ratio to have an on/off threshold. The requirement for access to the bonus accrued during the year is that both ratios are above the minimum threshold set when the final P&L figures for the year are recorded. The access gate does not only condition the bonus for the year in question, but also, from one year to the next, the portions of bonuses accrued in previous years and paid out on a deferred basis in subsequent years.

The Banking Group's access gate also plays a role in the cycles of the LTIPs, pursuant to the same mechanism and subject to the same thresholds imposed for entitlement to short-term variable compensation.

Moreover, each cycle of the Generali Group's LTIPs is also subject to a specific access gate. The Banking Group's ratios, as defined above, have all been achieved for the year 2014; in fact, the following values result from the final figures as at 31 December 2014:
Total Capital Ratio of the Banca Generali Group: 14.2% (threshold: 11.4%)
Liquidity Coverage Ratio of the Banca Generali Group: 209.1% (threshold: 105%)

As a consequence of those ratios:

- bonus entitlements have been accrued for the year in question; and
- payment of the 2014 share of the 2012 and 2013 bonuses, which had been deferred in 2014, has come due, with respect to the gate for the Banking Group only;
- accrual and/or payment of LTIP cycles that fall due only upon satisfaction of the access gates for the financial year 2014, and described in greater detail below.

b) Deferral of variable remuneration

A portion of the variable component of the remuneration of all employees, the main network managers and Financial Advisors operating within the Banking Group who, during the year, have accrued bonuses in excess of 75,000.00 euros, shall be subject to deferral for a period of time that, in application of the principle of proportionality, has been defined as follows: 60% — provided that the Banking Group's access gates described above are met — in the following financial year, subject to Board of Directors' verification of the earnings results and the adequacy of capital levels for the year in which the said bonuses were earned; 20% subject to verification of the results in terms of capital adequacy of the Banking Group for the following financial year; and the remaining 20%, after a further year, subject to verification of full satisfaction of financial solidity results of the Banking Group.
Upon payment and in accordance with the provisions of the remuneration policies, the individual bonus deferred instalment will bear interest calculated at the mean 6-month EURIBOR rate recorded during the calendar year preceding the year in which related instalment is paid, increased by 0.85 percentage points.

c) Malus and claw-back mechanisms

Variable remuneration earned by all staff under the Management by Objectives plan and/or on a discretionary basis, as well as by network managers and Financial Advisors serving the Banking Group, shall be subject to specific malus and claw-back mechanism entailing the non-payment and/or the restitution of bonuses already paid, upon the occurrence of certain specific conditions set forth in the approved remuneration policies.

d) Principle of propriety and the containment of reputational risks

The remuneration and incentive systems for the distribution networks have also been formalised according to criteria of propriety in dealings with customers and the containment of legal and reputational risks through the inclusion of specific malus and claw-back clauses, which also called for the evaluation of the number of complaints attributable to the activity of each Relationship Manager and each Financial Advisor when determining the bonus accrued, in addition to the assessment of special situations in cases of disciplinary measures, extraordinary inspections and reputational damages.

e) Payment of a part of variable compensation in the form of financial instruments

A portion of the variable compensation of Key Managers, as indicated in detail below, is to be paid in the form of financial instruments, which, in accordance with the proportionality principle, have been identified as shares of the parent company, Assicurazioni Generali S.p.A., for Key Managers beneficiaries of LTIPs.

2. Information on Remuneration by Role and Functions

This section provides a brief overview of remuneration accrued in financial year 2014 in implementation of the remuneration policies approved.

Remuneration of Company Directors

The remuneration for members of the Board of Directors, including members of the Board Committees, was determined by following the procedures defined and described in the presentation of remuneration policies for 2014. Non-executive Directors, including the Chairman of the Board of Directors, were not entitled to any form of variable remuneration linked to the attainment of specific objectives nor to share-based incentivisation plans.
In particular, the total remuneration of the Chairman of the Board of Directors is 70,000 euros, which is paid back to the company in question.
The relevant year-end figures — including the information concerning the position of the Chairman of the Board of Directors — are set forth in detail in *TABLE 1 – Remuneration Paid to Members of Governing and Control Bodies, General Managers and Other Key Management Personnel*, to which the reader is referred.
A D&O policy has been contracted covering the members of the Board of Directors, as illustrated in the document presenting the remuneration policies for 2014. 3

Remuneration of Members of the Board of Statutory Auditors

The remuneration of the members of the Board of Statutory Auditors was established by the General Shareholders' Meeting at the time of the appointment of the said Board. The members of the Board of Statutory Auditors also receive further and different remuneration, in addition to their compensation as members of the Company's control board, in consideration of the fact that the said Board also discharges the tasks and functions of the Supervisory Board instituted pursuant to Legislative Decree No. 231/2001.
Regular Auditors were not entitled to any form of variable remuneration.
The relevant year-end figures are set forth in detail in *TABLE 1 – Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel*, to which the reader is referred.
A D&O policy has been contracted covering the members of the Board of Auditors, as illustrated in the document presenting the remuneration policies for 2014.

Remuneration of the Chief Executive Officer, General Manager and Other Key Management Personnel

Chief Executive Officer and General Manager

Piermario Motta serves both as Chief Executive Officer and General Manager. The Chief Executive Officer's remuneration is comprised of (i) a fixed component totalling 250,000 euros and (ii) the variable components specified below.
The gross remuneration established for the role of General Manager consists of (i) all-inclusive gross annual remuneration of 750,000 euros, (ii) the variable compensation indicated below, and (iii) other emoluments and benefits related to the position of executive of the Banking Group.
In particular, the short-term variable remuneration accrued on the basis of the results achieved totals 500,000 euros, divided equally among the positions of Chief Executive Officer and General Manager.
In 2014, as provided for in the document presenting the remuneration policies for the year, following the attainment of the previously established net inflow targets, an additional short-term bonus component of 100,000 euros was granted, divided evenly among the positions of Chief Executive Officer and General Manager.
In terms of long-term variable remuneration, Piermario Motta (i) has accrued, under the 2012 LTIP, a cash bonus of €1,079,597 (divided into equal parts for his service as Chief Executive Officer and General Manager), which must, under the terms of the plan in question, be invested between 15% and 30% in shares in Assicurazioni Generali; (ii) is a beneficiary of the 2013-2015 LTIP and 2014-2016 LTIP under which he is entitled to receive a free stock grant at the end of the three-year performance period, subject to the attainment of specific pre-set performance targets and thresholds. At the end of the performance periods – and subject to the attainment of the related targets, as well as the other terms and conditions regulating the LTIPs in question — the maximum number of shares to which he will be potentially entitled is 130,407 shares for the 2013-2015 LTIP and 105,755 shares for the 2014-2016 LTIP, respectively. For financial year 2014, the review of the level of attainment of the established targets and satisfaction of access gates resulted in the determination that 34,651 shares were to be set aside for the second year of the 2013-2015 LTIP and 28,101 shares were to be set aside for the first year of the 2014-2016 LTIP.
The value of the sub-rental agreement from which the General Manager benefits for lodging in Milan amounted to 94,646 euros in 2014. In addition, the General Manager's total remuneration includes 215,616 euros of other benefits provided for the executives of the Banking Group.

Other Key Management Personnel for 2014

Breakdown of Remuneration by Lines of Business of Key Personnel

In application of Article 450 of the CRR (Reg. EU No. 575/213), letter g), aggregate quantitative information on remuneration, broken down by lines of business related to Key Personnel, is set out in the *Attachment Article 450 CRR, letter g) Aggregate Quantitative Information on Remuneration, Broken Down by Business Area, Concerning "Key Personnel"*.

Breakdown of Remuneration by Category of Key Personnel

A breakdown of remuneration by category of Key Personnel for financial year 2014 is presented in *Attachment Article 450 CRR, letter h) Aggregate Quantitative Information on Remuneration, Broken Down by Category of "Key Personnel"* which refers to the remuneration of personnel that, pursuant to the Company's internal self-assessment process, has been placed in such category.
More specifically:
a) Key Managers: the Chief Executive Officer and General Manager, other members of the General Management and Central Managers; the managers included in this group represent the Bank's Top Managers and are also the Bank's Key Management Personnel;
b) the managers of the main business areas or company functions, directly reporting to the Chief Executive Officer, General Manager or Joint General Managers (if not included among Key Managers): the Head of the AM Division, the Head of the Private Banking Division, the Head of the Financial Planner Division and the Head of the Resources Department. This category does not include the heads of External Communications, Strategic Planning, and Investor Relations functions even tough they report directly to the Chief Executive Officer/Joint General Manager, given that the said functions do not significantly impact the Bank's risk profile. For the same reasons the heads of other functions who report directly to other members of the General Management are not included except for the functions listed in the preceding points. For the other companies of the Banca Generali Group: General Manager of BG Fund Management Luxembourg SA;
c) upper-level middle managers and managers in charge of control functions: the Head of Company Risk Department and Internal Audit, the heads of Risk Management, Compliance and Anti Money Laundering Services;
d) other Risk Takers: (i) managers (other than those listed above) who, from time to time, are members of the Credit Committee which has decision-making powers and Banca Generali's Risk Committee: at the date of this document: the Head of the Lending Department, and (ii) other managers of important business areas: the Head of the Finance Department. Other risk takers do not, however, include employees vested with limited delegated operating powers in respect of loans and finance, given not only the low-levels of their decision-making autonomy, which is subject to pre-established ceilings, but also their answerability to their direct managers who qualify as "Key Personnel" in one of the foregoing categories;
e) main managers operating in the Bank's distribution networks: Sales Manager Italy, Area Manager, Private Banking Manager, Project Manager Italy and Insurance Trainee.

There is a total of six persons considered as Key Personnel receiving remuneration of more than 1 million euros, five of whom fall into the bracket 1 to 1.5 million euros and one of whom falls into the bracket 2.5 to 3 million euros (the figures do not include the three-year LTIPs still ongoing, whereas the LTIPs that have ended due to accrual and are therefore payable have been included).

Remuneration for Other Employees

Turning to the remuneration of employees not considered Key Personnel, the following is an account of the main aggregates for the professional families Relationship Managers, Managers (managers from the AM Division, BG Fund Management Luxembourg, and BG Fiduciaria SIM) and other employees.

In particular, in the following figures the fixed portion refers to the gross annual remuneration collected, whereas the variable portion refers to the estimate of variable remuneration based on the management by objectives (MBO) mechanisms and of the discretionary variable remuneration also linked to the annual evaluation for those not benefiting from MBO mechanisms.

	No. of beneficiaries	**Fixed remuneration**	**Variable remuneration**
Relationship Managers	64	4,645,286.41	1,332,595.14
Managers	27	2,180,328.58	937,157.69
Other employees	799	28,841,547.96	2,508,980.13

3. Information on the Remuneration of Financial Advisors

The remuneration policies applicable to Financial Advisors were consistently implemented, in both qualitative and quantitative terms, as described in the document "Banking Group's Remuneration Policies" approved by the General Shareholders' Meeting on 24 April 2014.
Financial Advisors serve the Bank pursuant to an agency agreement providing for, *inter alia*, variable remuneration directly linked to various types of revenues, on a percentage basis. The said variable remuneration is however recurrent, insofar as it is directly linked to the assets entrusted to each Financial Advisor and the related advisory and placing activities. A small proportion also derives from fees on individual sale transactions. Moreover, Financial Advisors may also qualify for further remuneration under various incentive plans implemented by the company at its discretion, primarily with a view to rewarding excellence in professional performance during the relevant period.
By way of general information, it is worth noting that in 2014 the weight of fee expense (almost entirely in favour of Financial Advisors) on overall fee income, including in performance fees linked to market performance, increased compared to figures for 2013.

	Total payout (with performance fees)	Total payout (without performance fees) (*)
2013	44.1%	49.7%
2014	46.9%	53.2%

(*) *Excluding data of the former Generali Investments Luxembourg*

With regard to the substantially recurrent component of the remuneration of the network, the following factors have been confirmed: (i) the mechanisms aimed at reducing the fees payable to Financial Advisors and their Managers in the event of substandard after-sales services to customers during 2014; (ii) within the framework of a process of gradually increasing the

responsibilities of network managers in coordination and oversight activity, the mechanisms aimed at contemplating any specific risks that emerge in the area being coordinated, including for the purpose of determining recurring remuneration.
Turning to the fee component tied to incentive systems, based on the identification of individual objectives (and group objectives, for managers), it is confirmed that it accounts for a relatively modest overall percentage of the Financial Advisors' total remuneration that rises as a function of the managerial position filled, and that the sales objectives rewarded for Financial Advisors related to inflows associated with macro-aggregates. The use of such macro-aggregates allows incentivisation policies to be prevented from fostering the distribution of the Group's products over the products of third parties and from resulting in efforts to sell single products.
More specifically, in the case of Financial Advisors serving in managerial positions at the end of 2014, incentives accounted for nearly 15% of overall ordinary remuneration.
On the other hand, in light of their crucial coordination and supervisory responsibilities, the variable remuneration of Sales Managers, Area Managers and Private Banking Managers determined pursuant to incentive plans has been subjected to both access gates relating to the Banking Group and the partial deferral of bonus payments.
As a result, the aforesaid variable remuneration accrued for 2014 in the amount of 4,558,916 euros overall for such functions was as follows: 60% paid in 2014; 20% will be paid after verification of satisfaction of the access gate for the following year; and the remaining 20%, after a further year, again subject to satisfaction of the access gate applicable for that year.
The Bank has confirmed that both Financial Advisors and Managers who are found to have wilfully engaged in conduct harmful to the Bank or its customers will lose all entitlements to payouts due under incentive plans. Moreover, the Bank reserves the discretionary right to refuse to make bonus payouts to Financial Advisors who (i) are subjected to disciplinary measures or pending non-routine inspections; and/or (ii) as a result of their conduct, manifestly occasion reputational harm to the Bank. Furthermore, pursuant to specific provisions, in the event of malfeasance on the part of a Financial Advisor that results in monetary liability for the Bank for any reason or cause whatsoever, the Bank is entitled to claw back bonus payments made during the year in which the malfeasance was committed, as well as the preceding year.

QUANTITATIVE INFORMATION

ATTACHMENT Article 450 (g) of CRR
AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION, BROKEN DOWN BY BUSINESS AREA, CONCERNING"KEY PERSONNEL"

Company	Business areas (*)	No. of beneficiaries	Fixed remuneration (**)	2014 variable remuneration (***)	Notes
Banca Generali	Member of the governing body	1	1.305.970	1.684.224	(1)
Banca Generali	Control functions	5	481.569	136.178	
Banca Generali	Corporate functions	6	1.665.678	903.314	(2)
Banca Generali	Investment banking	20	8.217.787	5.381.659	(3)
Banca Generali	Retail banking	1	156.521	60.000	
Banca Generali/BG FML	Asset management	2	546.475	495.456	

(*) Business areas set forth within the data bases of the Bank of Italy/EBA

(**) This item includes fringe benefits.

(***) The '2014 variable' component includes: i) MBO mechanisms applied based on the Balanced Scorecard (BSC) method, subject to deferment mechanism, where applicable; ii) incentive components to be granted upon achievement of pre-set quantitative objectives; iii) bonuses/other one-off bonuses; iv) performance bonus for Executives; and v) 2012-2014 tranches of the Long Term Incentive Plan (end of first three-year period).

(1) Information regarding Piermario Motta, who acts as Chief Executive Officer and General Manager.

(2) Information referring to: Joint General Manager (in office until 30 April 2014), Joint General Manager of the Commercial Area, Corporate Governance and Risk Area Central Manager, CFO Area Central Manager, Banking Area Central Manager and Head of HR Department.

(3) Information including the Bank's main distribution network managers.

ATTACHMENT ARTICLE 450 (h) OF CRR AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION, BROKEN DOWN BY CATEGORY OF "KEY PERSONNEL"

indicating the following:

i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries;
ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types;
iii) the amounts of outstanding deferred remuneration, split into vested and unvested portions;
iv) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;
v) new sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments;
vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person.

A) KEY MANAGERS (TOP MANAGEMENT)

Banca Generali: CEO (Piermario Motta); Key Managers: General Manager (Piermario Motta), other Joint General Managers and Central Managers (Head of Areas)

Company	Personnel category	No. of beneficiaries	i) Remuneration			ii) Amounts and type of variable component (**)				iii) Deferred remuneration (***)		iv) Deferred remuneration (****)			v) Indemnities				vi) Severance indemnities		
			fixed (*)	variable 2014	total	Cash	Shares	Share-linked instruments	Other types	assigned	not assigned	recognized	paid out	reduced	at beginning	No. of beneficiaries	at end	No. of beneficiaries	awarded	No. of beneficiaries	Highest amount
Banca Generali	CEO	1	255.433	839.799	1.095.232	839.799	-	-	-	49.900	130.000	49.900	-	-	-	-	-	-	-	-	-
Banca Generali	Key Managers	6	2.541.505	1.666.127	4.207.633	1.640.850	25.278	-	-	201.941	385.093	201.941	-	-	-	-	-	-	-	-	-

With reference to the 2013-2015 LTIP, the assessment of the level of achievement of pre-set objectives and the satisfaction of access gates for the second year was the base for calculating the number of shares to be allocated for the year, respectively in the amount of 34,651 for the CEO/General Manager, and 23,390 for Key Managers. The sum of the shares set aside during each of the three years of the cycle will be definitively awarded only at the end of the three-year period, following verification of the level of satisfaction of objectives in the third year.

With reference to the 2014-2016 LTIP, the assessment of the level of achievement of pre-set objectives and the satisfaction of access gates for the first year was the base for calculating the number of shares to be allocated for the year, respectively in the amount of 28,101 for the CEO/General Manager, and 14,050 for Key Managers. The sum of the shares set aside during each of the three years of the cycle will be definitively awarded only at the end of the three-year period, following verification of the level of satisfaction of objectives in the third year.

B) HEADS OF THE MAIN BUSINESS AREAS OR COMPANY FUNCTIONS, REPORTING DIRECTLY TO THE CHIEF EXECUTIVE OFFICER, THE GENERAL MANAGER AND THE JOINT GENERAL MANAGERS

Banca Generali: Head of AM Division, Head of Private Banking Division, Head of the Financial Planner Division and Head of the HR Department. This category does not include the executives/managers in charge of External Relations, Strategic Planning and Investor Relations whom have been found to exert only a reduced impact on the bank's risk profile; BG FML: General Manager.

Company	No. of beneficiaries	i) Remuneration			ii) Amounts and type of variable component (**)				iii) Deferred remuneration (***)		iv) Deferred remuneration (***)			v) Indemnities				vi) Severance indemnities		
		fixed (*)	variable 2014	total	Cash	Shares	Share-linked instruments	Other types	assigned	not assigned	recognized	paid out	reduced	at beginning	No. of beneficiaries	at end	No. of beneficiaries	awarded	No. of beneficiaries	Highest amount
Banca Generali / BG FML	5	1.146.881	842.444	1.989.325	842.444	-	-	-	128.756	255.102	128.756	-	-	-	-	-	-	-	-	-

C) MANAGERS AND UPPER-LEVEL MIDDLE EXECUTIVE IN CHARGE OF CONTROL FUNCTIONS

Banca Generali: Head of Corporate Risk Department, Internal Audit Department, Risk Management Department, Compliance and Anti-Money Laundering function.

Company	No. of beneficiaries	i) Remuneration			ii) Amounts and type of variable component (**)				iii) Deferred remuneration (***)		iv) Deferred remuneration (***)			v) Indemnities				vi) Severance indemnities		
		fixed (*)	variable 2014	total	Cash	Shares	Share-linked instruments	Other types	assigned	not assigned	recognized	paid out	reduced	at beginning	No. of beneficiaries	at end	No. of beneficiaries	awarded	No. of beneficiaries	Highest amount
Banca Generali	5	481.569	136.178	617.747	136.178	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

D) OTHER RISK TAKERS

Banca Generali: Managers (other than those specified above) who sit on Banca Generali's Loan Committee and Risk Committee (Head of Lending Department), as well as other managers in charge of important business lines (Head of Finance Division). Other risk takers do not, however, include employees vested with limited delegated operating powers in respect of loans and finance, given not only the low-levels of their decision-making autonomy, but also their answerability to their direct managers who qualify as "Key Personnel" in one of the foregoing categories;

Company	No. of beneficiaries	i) Remuneration			ii) Amounts and type of variable component (**)				iii) Deferred remuneration (***)		iv) Deferred remuneration (***)			v) Indemnities				vi) Severance indemnities		
		fixed (*)	variable 2014	total	Cash	Shares	Share-linked instruments	Other types	assigned	not assigned	recognized	paid out	reduced	at beginning	No. of beneficiaries	at end	No. of beneficiaries	awarded	No. of beneficiaries	Highest amount
Banca Generali	2	343.624	130.000	473.624	130.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

E) MAIN MANAGERS OPERATING IN THE BANK'S DISTRIBUTION NETWORKS

Banca Generali: 1 Sales Managers Italy, 6 Area Managers of the Financial Planner Division, 8 Private Banking Managers of the Private Banking Division, 1 Project Manager and 1 Insurance Manager.

Company	No. of beneficiaries	i) Remuneration			ii) Amounts and type of variable component				iii) Deferred remuneration (***)		iv) Deferred remuneration (****)			v) Indemnities				vi) Severance indemnities		
		fixed	variable 2014	total	Cash	Shares	Share-linked instruments	Other types	assigned	not assigned	recognized	paid out	reduced	at beginning	No. of beneficiaries	at end	No. of beneficiaries	awarded	No. of beneficiaries	Highest amount
Banca Generali	17	7.604.987	5.046.283	12.651.270	5.046.283		-	-	1.217.881	2.525.486	1.217.881	-	-	-	-	-	-	-	-	-

*) 2014 fixed remuneration consists of gross annual remuneration, emoluments, indemnities due to office held and fringe benefits.

**) In 2014 the variable component includes: i) MBO mechanisms applied based on the Balanced Scorecard (BSC) method, subject to deferment mechanism, where applicable; ii) incentive components to be granted upon achievement of pre-set quantitative objectives; iii) bonuses/other one-off bonuses; iv) performance bonus for executive; and v) 2012-2014 tranches of the Long Term Incentive Plan (end of first three-year period).

***) assigned/recognized: deferred instalments of the variable remuneration accrued in 2012 and 2013, for which the attainment of the gateway threshold has been verified and which will be paid in 2015.
"Not assigned" deferred instalments of the variable remuneration accrued in 2013 and 2014.

****) The portions included in the same item in the tables relating to the previous year have been duly paid in 2014, in accordance with the contractually agreed terms.

Upon payment, the individual deferred instalment will bear interest calculated at the mean 6-month EURIBOR rate recorded during the calendar year preceding the year in which related instalment is paid, increased by 0.85%.

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

The Manager responsible for preparing the company's financial reports (Stefano Grassi) declares, pursuant to Paragraph 2 of Art. 154-*bis* of the Italian Consolidated Law on Finance, that the accounting information contained in this document corresponds to the documentary results, books and accounting records.

Trieste, 23 April 2015

ANNEX 1 — OWN FUNDS: TERMS AND CONDITIONS OF ALL CET 1 AND TIER 2 CAPITAL INSTRUMENTS

1	Issuer	Banca Generali S.p.A.
2	Unique identifier	IT0001031084
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Additional Tier 1 Capital
5	Post-transitional CRR rules	Additional Tier 1 Capital
6	Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated	Solo and consolidated
7	Instrument type	Ordinary shares — Article 28 CRR
8	Amount recognised in regulatory capital (€/000)	115.677
	Nominal amount of instrument: original amount — currency of issue (€/000)	115.677
9	Nominal amount of instrument : original amount — currency of issue	EUR
	Nominal amount of instruments: translation into euro of original amount (€/000)	115.677
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	Net equity
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
	Optional call date	N/A
15	Contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS/DIVIDENDS	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate ad any related index	N/A
19	Existence of a dividend stopper	N/A
	Fully discretionary, partly discretionary or mandatory (in terms of timing)	N/A
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing - reasons for discretionality)	N/A
		N/A
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of the instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	N/A
36	Non-compliant transitioned featrures	N/A
37	If yes, specify non-compliant features	N/A
	N/A = information not applicable	

1	Issuer	Banca Generali S.p.A.
2	Unique identifier	n.a.
3	Governing law(s) of the instrument	Germna law — Schuldschein
	REGULATORY TREATMENT	
4	Transitional CRR rules	Tier 2 Capital
5	Post-transitional CRR rules	Tier 2 Capital
6	Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated	Solo and consolidated
7	Instrument type	subordinated loan(*) — Article 62CRR
8	Amount recognised in regulatory capital (€/000)	6.005
9	Nominal amount of instrument: original amount — currency of issue (€/000)	40.000
	Nominal amount of instrument : original amount — currency of issue	EUR
	Nominal amount of instruments: translation into euro of original amount (€/000)	40.000
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liabilities — amortised cost
11	Original date of issue	01/10/2008
12	Perpetual or dated	Dated
13	Original maturity date	01/10/2015
14	Issuer call subject to prior supervisory approval	No
	Optional call date	N/A
15	Contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS/DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate ad any related index	12M Euribor +225 bps
19	Existence of a dividend stopper	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	N/A
	Fully discretionary, partly discretionary or mandatory (in terms of timing - reasons for discretionality)	N/A
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of the instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, fully or partially	N/A
33	If write-down, permanent or temporary	N/A
34	If write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	Senior with respect to Tier 1 Capital instruments; junior with rispect to all unsecured senior instruments
36	Non-compliant transitioned featrures	N/A
37	If yes, specify non-compliant features	N/A
	N/A = information not applicable	

(*) loan issued by Generali Versicherung AG

1	Issuer	Banca Generali S.p.A.
2	Unique identifier	n.a.
3	Governing law(s) of the instrument	German law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Tier 2 Capital
5	Post-transitional CRR rules	Tier 2 Capital
6	Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated	Solo and consolidated
7	Instrument type	Subordinated loan — Article 62 CRR
8	Amount recognised in regulatory capital (€/000)	43.000
9	Nominal amount of instrument: original amount — currency of issue (€/000)	43.000
	Nominal amount of instrument : original amount — currency of issue	EUR
	Nominal amount of instruments: translation into euro of original amount (€/000)	43.000
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liabilities — amortised cost
11	Original date of issuance	30/10/2015
12	Perpetual or dated	Dated
13	Original maturity date	30/10/2025
14	Issuer call subject to prior supervisory approval	Yes
	Optional call date	30/10/2020
15	Contingent call dates and redemption amount	n.a.
16	Subsequent call dates, if applicable	at each interest payment date after 30.10.2020
	COUPONS/DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed, then floating
18	Coupon rate ad any related index	3.481% up to 30.10.2020: 3M Euribor + 300 bps starting on the 6th year
19	Existence of a dividend stopper	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	n.a.
	Fully discretionary, partly discretionary or mandatory (in terms of timing - reasons for discretionality)	n.a.
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	n.a.
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	n.a.
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n.a.
25	If convertible, fully or partially	n.a.
26	If convertible, conversion rate	n.a.
27	If convertible, mandatory or optional conversion	n.a.
28	If convertible, specify instrument type convertible into	n.a.
29	If convertible, specify issuer of the instrument it converts into	n.a.
30	Write-down features	n.a.
31	If write-down, write-down trigger(s)	n.a.

32	If write-down, fully or partially	n.a.
33	If write-down, permanent or temporary	n.a.
34	If write-down, description of write-up mechanism	n.a.
35	Position in subordination hierarchy in liquidation	Senior with respect to Tier 1 Capital instruments; junior with rispect to all unsecured senior instruments
36	Non-compliant transitioned featrures	n.a.
37	If yes, specify non-compliant features	n.a.
	N/A = information not applicable	

(*) loan issued by Generali Beteiligungs AG

ANNEX 2 - OWN FUNDS: TRANSITIONAL DISCLOSURE TEMPLATE

	(€/000)	Amount at disclosure date
	Common Equity Tier 1 Capital (CET1): isntruments and reserves	
1	Capital instruments and the related share premium accounts	161.252
	of which: ordinary shares	*115.677*
2	Retained earnings	196.209
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	17.983
3a	Funds for general banking risk	0
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1	0
	Contribution of public capital benefiting of the grandfathering clause up to 1 January 2018	0
5	Minority interests (amount allowed in consolidated CET1)	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	47.552
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**422.996**
	Common Equity Tier 1 capital: regulatory adjustments	
7	Additional value adjustments (negative amount)	-2.271
8	Intangible assets (net of related tax liability) (negative amount)	-89.134
9	Regulatory adjustments for IAS 19	332
10	Deferred tax assets that rely on future profitabilityexcluding those arising from temporary differences(net of related tax liability where the conditionsin Article 38 (3) are met) (negative amount)	0
11	Fair value reserves related to gains or losses on cash flow hedges	0
12	Negative amounts resulting from the calculation of expected loss amounts	0
13	Any increase in equity that results from securitised assets (negative amount)	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0
15	Defined benefit pension fund assets (negative amount)	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-41
17	Holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0
20	[Empty set in the EU Regulation]	
20a	Exposure amount of the following items which qualify for a RW of 1.250%, where the institution opts for the deduction alternative	0
20b	of which: qualifying holdings outside the financial sector (negative amount)	
20c	of which: securitisation positions (negative amount)	
20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	
22	Amount exceeding the 15% threshold (negative amount)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Deferred tax assets	
25	*of which: deferred tax assets arising from temporary differences*	
25a	Losses for the current financial year (negative amount)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	

26	Regulatory adjustments applied to CET1 in respectof amounts subject to pre-CRR treatment	0
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-19.542
	of which: Unrealised gains on bonds issued by central governments within the European Union	-14.753
	of which: Unrealised gains on bonds issued by issuers other than central governments within the European Union	-3.159
	of which: Unrealised gains on equity securities and UCITS units	-1.630
26b	Amount to be deducted or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	-670
	of which: deduction of deferred tax assets associated with future profitability and not arising from temporary differences (Articles 469, para. 1a; 36, para. 1c; and 478, para. 1, of CRR)	
	of which: deduction of negative amounts resulting from the calculation of expected losses as per Articles 158 and 159 of CRR (Articles 469, para. 1a; 36, para. 1d; and 478, para. 1, of CRR)	
	of which: deduction of amount applicable to Direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities, and applicable to deferred tax assets associated to future profitability and arising on temporary differences (Articles 469, para. 1c; 36, para. 1c; and 478, paras. 1 and 2, of CRR)	
	of which: impacts due to excess with transitional adjustments	
27	Qualifying AT1 deductions that exceed the AT1capital of the institution (negative amount)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-111.326**
29	**Common Equity Tier 1 Capital (CET1)**	**311.670**

		Amount at disclosure date
	Additional Tier 1 (AT1) capital: instruments	
30	Capital instruments and the related share premium accounts	0
31	*of which: classified as equity under applicable accounting standards*	0
32	*of which: classified as liabilities under applicable accounting standards*	0
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	0
	Contribution of public capital benefiting of the grandfathering clause up to 1 January 2018	0
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0
35	of which: instruments issued by subsidiaries subject to phase-out	0
36	**Addtional Tier 1 (AT1) capital before regulatory adjustments**	**0**
	Additional Tier 1 (AT1) capital: regulatory adjustments	
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0
38	Holdings of the AT 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0
39	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution haa a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e., CRR residual amounts)	0
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No. 575/2013	0
	of which: residual amount associated with excess of expected lossed compared to value adjustment for IRB positions	0
41b	Residual amounts deducted from Additional Tier 1 capital with reagrd to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No. 575/2013	0
	of which: deduction of amount applicable to Direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities, and applicable to deferred tax assets associated to future profitability and arising on temporary differences (Articles 469, para. 1c; 36, para. 1c; and 478, paras. 1 and 2, of CRR)	0

	of which: impacts due to excess with transitional adjustments	0
41c	Amount to be deducted or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	0
	of which: possible filter for unrealised losses	0
	of which: possible filter for unrealised gains	0
	of which: other filters	0
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**
44	**Additional Tier 1 (AT1) capital**	**0**
45	**Tier 1 Capital (T1 = CET1 + AT1)**	**311.670**

		Amount at disclosure date
	Tier 2 (T2) capital: instruments and provisions	
46	Capital instruments and the related share premium accounts	49.005
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2	0
	Contribution of public capital benefiting of the grandfathering clause up to 1 January 2018	0
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0
49	*of which: instruments issued by subsidiaries subject to phase-out*	0
50	Credit risk adjustments	0
51	**Tier 2 (T2) capital before regulatory adjustments**	**49.005**
	Tier 2 (T2) capital: regulatory adjustments	
52	Direct and indirect holdings by an institution ofown T2 instruments and subordinated loans (negative amount)	0
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0
54a	*Of which, new holdings not subject to transitional arrangements*	*0*
54b	*Of which, holdings existing before 1 January 2013and subject to transitional arrangements*	*0*
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to the pre-treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	0
56a	Residual amounts deducted from Tier2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No. 575/2013	0
	of which: residual amount associated with excess of expected lossed compared to value adjustment for IRB positions	0
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No. 575/2013	0
	of which: deduction of amount applicable to Direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities, and applicable to deferred tax assets associated to future profitability and arising on temporary differences (Articles 469, para. 1c; 36, para. 1c; and 478, paras. 1 and 2, of CRR)	0
	of which: impacts due to excess with transitional adjustments	0
56c	IAmount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	1.916
	of which: possible filter for unrealised losses	0
	of which: unrealised gains on AFS assets subject to additional filter applicable nationally	1.916
	of which: other filters	0
57	**Total regulatory adjustments to Tier 2 (T2) Capital**	**1.916**

58	**Tier 2 (T2) Capital**	**50.921**
59	**Total Capital (TC = T1 + T2)**	**362.591**

		Amount at disclosure date
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e., CRR residual amounts)	0
	of which: items not deducted from CET1 (EU Regulation No. 575/2013, residual amounts) (items to be broken down line by line; eg.: deferred tax assets associated with future profitability net of relevant tax liabilities, indirect holdings of own CET1 instruments, etc.)	0
	of which: items not deducted from AT1 (EU Regulation No. 575/2013, residual amounts) (items to be broken down line by line; eg.: reciprocal cross holdings of T2 instruments, non-significant investments in other financial sector entities, etc.)	0
	Items not deducted from T2 capital items (EU Regulation No. 575/2013, residual amounts)	0
	(items to be broken down line by line; eg.: indirect holdings of the T2 instruments, investimenti non significativi nel capitale di altri soggetti del settore finanziario detenuti indirettamente, indirect non-significant investments in other financial sector entities, ecc.)	
60	**Total risk-weighted assets**	**2.558.325**
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	12,18%
62	Tier 1 (as a percentage of total risk exposure amount)	12,18%
63	Total capital (as a percentage of total risk exposure amount)	14,2%
64	Institution-specific buffer requirement	
	(CET1 requirement in accordance with Article 92 (1a), plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII buffer), expressed as a percentage of risk exposure amount)	7,0%
	of which: capital conservation buffer requirement	2,5%
	of which: countercyclical capital buffer requirement	
	of which: systemic risk buffer requirement	
67a	of which: Global Systemically Important Institution (G-SII)or Other Systemically Important Institution (O-SII) buffer	
68	Common Equity Tier 1 available to meet buffers(as a percentage of risk exposure amount)	5,2%
69	[Empty set in the EU Regulation]	
70	[Empty set in the EU Regulation]	
71	[Empty set in the EU Regulation]	
	Capital ratios and buffers	
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1.822
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	24.677
74	[Empty set in the EU Regulation]	
75	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	24.981
	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respectof exposures subject to standardised approach(prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)	
80	Current cap on CET1 instruments subject to phase-out arrangements	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	

82	Current cap on AT1 instruments subjectto phase-out arrangements
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)
84	Current cap on T2 instruments subject to phase-out arrangements
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)

ANNEX 3 — OWN FUNDS: OVERALL RECONCILIATION OF CET 1 , TIER 2 CAPITAL, FILTERS AND DEDUCTION ELEMENTS AND THE CONSOLIDATED BALANCE SHEET

ASSETS	Accounting data		Amount relevant or own unds purposes	Reference to the item "Transitional Own Funds Disclosure Template"
	Financial Statements perimeter	Regulatory perimeter		
130. Intangible assets	89,965	89,965	-89,965	8
of which goodwill	66,065	66,065	-66,065	8
Of which other intangibile assets	23,900	23,900	-23,900	8
140. Tax receivables	40,801	40,801	0	8
a) Tax receivables - current	2,180	2,180	n.a.	8
b) Tax receivables - deferred	38,621	38,621	0	8
of which: 3.2 Conversion into tax credits	13,012	13,012	0	8

LIABILITIES AND SHAREHOLDERS' EQUITY	Accounting data		Amount relevant or own unds purposes	Reference to the item "Transitional Own Funds Disclosure Template" Financial Statements perimeter
	Financial Statements perimeter	Regulatory perimeter		
20. Due to customers	4,285,398	4,285,398	51,312	46
of which: strumenti subordinati non oggetto di disposizioni transitorie	51,312	51,312	51,312	46
80. Tax liabilities	27,612	27,612	831	8
a) Tax liabilities - current	17,232	17,232	n.a.	
b) Tax liabilities - deferred	10,380	10,380	831	8
of which: tax liabilities related to goodwill and other intangibile assets	831	831	831	8
140, Valuation reserves	17,983	17,983	689	3, 9, 26a, 56c
of which: - 50% reserve from valuation of available-for-sale securities	19,542	19,542	1,916	26a, 56c
of which: net actuarial loss valuation reserves	-1,559	-1,559	-1,227	3,9
170, Reserves	196,209	0	0	2
180, Additional paid-in capital	45,575	0	0	1
190, Share capital	115,677	0	0	1
of which: ordinary shares	115,677	0	0	1
200, Treasury shares (-)	-41	-41	-41	16
210, Minority interests (+/-)	0	0	0	5, 34, 48
220, Net profit (loss) for the period (+/-)	160,905	160,905	47,552	5a
Of which profit for the period net of the dividend to be distributed calculated on the profit for the year	47,552	47,552	47,551	5a

OTHER ELEMENTS FOR BALANCING OWN FUNDS	Amount relevant or own unds purposes	Reference to the item "Transitional Own Funds Disclosure Template" Financial Statements perimeter
Total other elements, of which	**-2942**	
Regulatory value adjustments (Prudent Valuation)	-2272	7
Filter for double redemption	-670	26b