Annual Financial Report as of 31 December 2008

Board of Directors
12 March 2009

The Annual Financial Report has been translated from the one issued in Italy, from the Italian into the English language solely for the convenience of international readers.

Banca Generali S.p.A.
Authorised share capital 116,878,836.00 euros, underwritten and paid-up share capital 111,313,176.00 euros
Registered offices at Trieste, Via Machiavelli 4 - Italy
Trieste Register of Companies, Tax Code and VAT No. 00833240328
Member of the Interbank Deposit Protection Fund
Bank Register No. 5358
Parent Company of the Banca Generali banking group registered in the Banking Group Register
Company managed and coordinated by Assicurazioni Generali S.p.A.

Company Boards

CHAIRMAN	Perissinotto Giovanni
CHIEF EXECUTIVE OFFICER	Girelli Giorgio Angelo
DIRECTORS	Baessato Paolo Borrini Amerigo Buscarini Fabio De Vido Andrea Lentati Attilio Leonardo Minucci Aldo Noto Alfio Riello Ettore
BOARD OF STATUTORY AUDITORS	Alessio Vernì Giuseppe (Chairman) D'Agnolo Paolo Venchiarutti Angelo Cerchiai Cristiano (Alternate Auditor) Giammattei Corrado (Alternate Auditor)
GENERAL MANAGER	Motta Piermario

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Group Economic and Financial Highlights

Consolidated figures	31/12/2008	31/12/2007	Var. %
(€ million)			
Net interest	61.2	43.1	*41.9*
Net commissions	112.4	148.4	*-24.3*
Dividends and net profit from trading	-7.8	-9.4	*-17.3*
Net banking income	165.8	182.1	*-9.0*
Staff expenses	-55.0	-53.6	*2.7*
Other general and administrative expense	-77.5	-67.5	*14.9*
Amortisation and depreciation	-5.3	-6.4	*-17.0*
Other operating income	8.8	7.6	*15.4*
Net operating expense	-129.1	-119.9	*7.7*
Operating profit	36.6	62.3	*-41.1*
Provisions	-13.4	-20.5	*-34.7*
Adjustments	-9.1	-0.6	*1.535.8*
Profit before taxation	14.1	41.3	*-65.8*
Net profit	7.9	15.3	*-48.1*
Cost / income ratio	74.7%	62.3%	*19.9*
EBITDA	42.0	68.7	*-38.9*
ROE	4.25%	7.96%	*-46.7*
EPS - Earnings per Share (euro)	0.072	0.139	*-48.2*

Net Inflows	31/12/2008*	31/12/2007	Change %
(€ million) (Assoreti data) * excluding Simgenia			
Mutual Funds and SICAVs	281	256	*10%*
Asset management	-1,584	-412	*285%*
Insurance / Pension funds	1,347	230	*487%*
Securities / Current accounts	642	1,487	*-57%*
Total	**686**	**1,561**	***-56%***

Assets Under Management & Custody (AUM/C)	31/12/2008	31/12/2007	Change %
(€ billion) (Assoreti data)			
Mutual Funds and SICAVs	5.6	8.1	*-30.8*
Asset management	2.7	4.5	*-40.7*
Insurance / Pension funds	5.1	4.4	*16.2*
Securities / Current accounts	6.8	7.5	*-9.0*
Total	**20.2**	**24.5**	*-17.5*

Net Equity	31/12/2008	31/12/2007	Change %
(€ million)			
Net equity	188.9	208.0	*-9.2*
Total capital for regulatory purposes	175.0	178.1	*-1.8*
Excess capital	59.7	64.6	*-7.6*
Solvency margin	12.14%	12. 55%	*-3.3*

Report on Operations
as of 31 December 2008

Board of Directors
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Consolidated Report on Operations 2008

Summary of 2008 Operations

The Banca Generali Group closed 2008 with net profit of 7.9 million euros — down 48.1% compared to 2007 — and equity of 188.9 million euros. The decline in net profit reflects the negative performance of the financial markets throughout 2008, with a peak in the last four months of the year, which also witnessed the defaults of several important international lenders and financial institutions, in many cases accompanied by bail-outs of these companies by their home governments.

As a consequence, net banking income decreased by 16.4 million euros compared to 31 December 2007 (-9%), falling from 182.1 million euros in 2007 to 165.8 million euros in 2008, primarily due to the decline in net commissions (-36.1 million euros or -24.3%), only partially offset by the increase in net interest income (+18.1 million euros, or +41.9%).

During the fourth quarter, due to the amendment of accounting standard IAS 39, certain securities held in the HFT and AFS portfolios and measured at fair value, amounting to 921.6 million euros, were reclassified to portfolios measured at amortised cost (HTM and Loans). This reclassification had an impact of 34.3 million euros on the profit and loss account and 4.5 million euros on net equity due to the ensuing decrease in write-downs at 31 December 2008.

General and administrative expense totalled 132.5 million euros at 31 December 2008, up 9.5% compared to 2007. Staff expenses went from 53.6 million euros in 2007 to 55 million euros in 2008.
Net provisions amounted to 13.4 million euros, a 34.7% decrease compared to financial year 2007, mainly attributable to lower provisions in connection with the development of the distribution network.

The total value of the assets managed by the Group for its customers amounted to 20.2 billion euros at 31 December 2008, which is the figure used for communications to Assoreti. In addition, at 31 December 2008, assets under administration and custody of the Assicurazioni Generali Group companies totalled approximately 8.0 billion euros, assets under management from captive clients amounted to 1.9 billion euros and 0.7 billion euros were held in mutual funds and discretionary accounts (GPF, GPM) distributed directly by management companies or parties outside the banking group, for an overall total of 30.8 billion euros.

According to Assoreti data, the Banca Generali Group is one of the market leaders in the distribution of financial products through its network of financial advisors, in terms of both assets under management (20.2 billion euros) and net inflows (approximately 0.7 billion euros in 2008).

Financial year 2008 was also characterised by the acquisition of Banca del Gottardo Italia S.p.A. by the subsidiary Banca BSI Italia S.p.A. and the resolution authorising the sale of 85% of the investment in Simgenia SIM, passed in December 2008, the authorisation procedure for which is underway.
As regards the first item, the acquisition of Banca del Gottardo Italia by the subsidiary Banca BSI Italia, effective 1 October 2008, represented a further step towards the expansion of the banking group's private banking operations, which had witnessed the acquisition of Banca BSI Italia in 2006.
This deal will allow the banking group to continue its successful pursuit of its mission of establishing itself as a leading bank for high-standing clients by offering a full, customised line of investment solutions and wealth management services, as well as that of ranking among industry leaders in terms of assets under management, expertise and brand awareness.
The acquisition of the equity investment in Banca del Gottardo Italia further expanded private banking operations through the addition of 20 professionals (salaried private bankers) and four bank branches located in the regions of Northern Italy, as well as infusing 1.6 billion euros in assets under management (as of the date of efficacy of the deal).

As regards the second item, the resolution authorising the disposal of 85% of the share capital of Simgenia SIM S.p.A. to several insurance companies belonging to the Assicurazioni Generali Group in Italy satisfies the need to create greater commercial synergies with the sales network, which, in Simgenia's case, consists of the financial advisors who serve primarily as agents and/or employees of the Generali Group's Insurance Companies.

The year also witnessed the continuation of activities arising from the enactment of Community Directive 2004/39/EC (Markets in Financial Instruments Directive – MiFID), which has led to significant changes to capital markets and investor protection.
In this new legislative context, the banking group, aware of the legislation's impact in organisational and commercial terms, as well as with the aim of increasing the protection of its clients, promptly implemented a series of measures aimed at a constantly increasing level of tranS.p.A.rency in client relations, involving massive training of the sales network and the bringing online of new computer programmes geared towards profiling clients and conducting evaluations of the appropriateness/suitability of the products distributed, as well as a revamping of the product line and the associated forms in accordance with the cited regulation.

In addition to the obligations introduced by MiFID, during the year, in compliance with the requirements of Law 262 (the "Savings Act"), as amended, the Group continued with its project of mapping accounting/administrative processes for the purpose of the preparation of the separate and consolidated financial statements, in order to provide the manager in charge of the financial reports with the tools needed to express an opinion of the adequacy of accounting and administrative procedures in the form of the attestation required by article 154-*bis* of the Consolidated Finance Act.

Finally, during the year, the banking group focused on developing its business, mainly through recruitment of qualified professionals, training for its financial advisor network, and optimisation of assets in its customer portfolios. In 2008, beside the acquisition of Banca del Gottardo Italia, which reinforced the business, the project aimed at strengthening the Private Banking channel, which involved recruitment of professionals from some of the top companies in our market, continued to be implemented; the costs incurred in connection with the development of the Private channel were fully charged to the period and funded by the Banking Group's ordinary operations.

With regard to the training of the financial advisor network, in 2008 the Group focused not only on developing the consulting abilities of its financial advisors, but also on the changes brought by MiFID.
With regard to the asset mix, the Group continued to assist customers in optimising their portfolios with the aim of obtaining an asset mix that best responds to financial and pension needs, as well as generating returns that are consistent with a range of risk/return profiles. To this end, the line of financial products offered by third-party and in-house product companies (primarily BG Investment Luxembourg) was further expanded.

Before analysing the Bank's sales and financial results for 2008, macroeconomic information for the main economic regions of the world is reported, to provide a better understanding of the factors that influenced the results of the Banking Group.

1. Macroeconomic conditions

Market conditions proved highly difficult in 2008, due to the worsening of the crisis affecting the U.S. financial industry, which spread to the real economy, resulting in a period of global economic slowdown: volatility remained high, equity indices accumulated significant losses, falling to 2002 levels, and the bond market served as a refuge, offering positive yields.

In the first quarter of the year, large international banks were at the epicentre of the stock market crisis and had to report substantial losses on financial activities associated with the US real estate industry. The level of losses reported made it necessary to implement extensive recapitalisation plans. A number of major US and European financial institutions found themselves in severe difficulty (Société Générale, UBS and Merrill Lynch) or had to be rescued (Bear Stearns) by the Federal Reserve, which implemented a strongly expansionary monetary policy in the period, and dropped its official rate from 4.25% to 2%.

Despite the credit crisis, the global economy recorded growth rates in the first half of 2008, exceeding expectations in both western and emerging countries. However, advance indicators began to signal a slowdown in the second half of the year, while the U.S. job market continued to show increasing unemployment. In emerging economies, the pace of economic growth fell, due to the decline in both domestic and foreign demand. Commodity prices dropped sharply: oil, after reaching nearly USD 150 p/b in July, pushing inflation expectations upwards, in December declined to approximately USD 35 p/b.

In September the crisis affecting the U.S. financial sector intensified: Lehman Brothers initiated bankruptcy procedures after the Fed and Treasury decided not to come to its aid. Tensions on the interbank market sharpened and the spreads between interbank and government rates reached record levels in the US and Europe (+330 BP in the US and +200 BP in the EU, compared with pre-crisis figures of +50 BP and +20 BP, respectively), attesting to the failure of the mechanism for the transmission of central bank monetary policy to the economic system. It was in this context that monetary policy authorities decided to inject increased liquidity into the system in the form of extraordinary short- and medium-term loans and the expansion of the range of assets accepted as collateral for loans.

Macroeconomic data confirmed that the global economy had entered a full-force recession in the fourth quarter of the year. Growth expectations were cut rapidly, consumer and business confidence indicators plummeted, orders by procurement managers hit all-time lows, consumption declined sharply, automotive sales fell severely, and unemployment rates continued to rise.

Authorities made constant efforts to limit the crisis and support the economy. Political authorities devised fiscal stimulus plans (spending on infrastructure, unemployment benefits, tax cuts), while the central banks of developed countries implemented sharp interest-rate cuts: the Fed reduced the cost of money to zero (bringing it to between 0 and 0.25%) while the ECB set it at 2%, down from 4% at the beginning of the year. The decline in commodity prices brought on by the global slowdown reduced inflation expectations, leaving central banks with ample room for manoeuvre. The US Treasury and Fed launched an USD 800 billion plan to stimulate growth. Expansionary monetary policies in emerging economies were limited by inflation rates that remained high (Latin America and Asia) or weak currencies (Emerging Europe). The governments of many countries (for example, China) launched significant fiscal stimulus plans.

Equity markets showed consistent downtrends due to the gradual deterioration of the growth scenario for developed economies. Beginning in September, this factor was exacerbated by a strong wave of risk aversion that led to a sharp correction of equity markets, which fell to their lowest levels since 2002-2003: in local currencies, the S&P500 was down 39%, the DJ Eurostoxx 50 by 44%, and the Nikkei 225 by 42% over the year.
Of the various industries, financial stocks were the most heavily penalised, followed by segments tied to the economic cycle (durable consumer goods, commodities, energy and industrials). Utilities, pharmaceuticals, and basic consumer goods were the most resistant. The equity indices of emerging countries all posted double-digit losses, with Russia down by 72%, China by 61%, India by 52% and Brazil by 41%.

Bond market yields, after rising in the second quarter due to heightened economic growth and inflation expectations, fell rapidly, driven by increased tensions on financial markets, pricing in a sharply declining macro-scenario: the 10-year US yield fell to 2.21% and, in Europe, the Bund fell to 2.95% (4.02% and 4.31%, respectively, at the beginning of the year).
The yield curve flattened out in the first half of the year and then peaked sharply due to the aggressively expansionary monetary policies implemented by central banks: two-year US yields fell to a low of 0.60% and European yields to 1.68%.

The corporate bond market was in great difficulty, as its suffering due to the liquidity crisis affecting the financial system was particularly acute, resulting in widening credit spreads to a record high and a growing lack of liquidity, with the bid-offer spread increasingly dramatically.
The primary market was virtually closed until November and the secondary market was completely frozen due to a lack of liquidity.

On currency markets, the euro appreciated against all of the main currencies over the first six months of the year, but the exodus of foreign investment then penalised the common currency in the second half of the year. Against the dollar in particular, after peaking at 1.60 in June, the euro declined to 1.25 in late October. The currencies of emerging economies were severely penalised by the worsening financial crisis in the second half of the year.

Economic Outlook

Financial market conditions will remain difficult in 2009. There are still no signs of the stabilisation of the economic cycle. Nonetheless, fiscal policy mobilisation was massive throughout the world, the price of energy has fallen significantly, and interest rates are very low. It is likely that these stimulus measures will

reach the real economy in the second part of the year, resulting in increased visibility and an improvement in confidence indicators.
Equity market valuations are attractive compared to long-term averages and present interesting growth potential. However, a prudent view is preferable in the near term due to the flow of negative data, which could continue to condition corporate earnings forecasts for some time.

2. Major Corporate Events

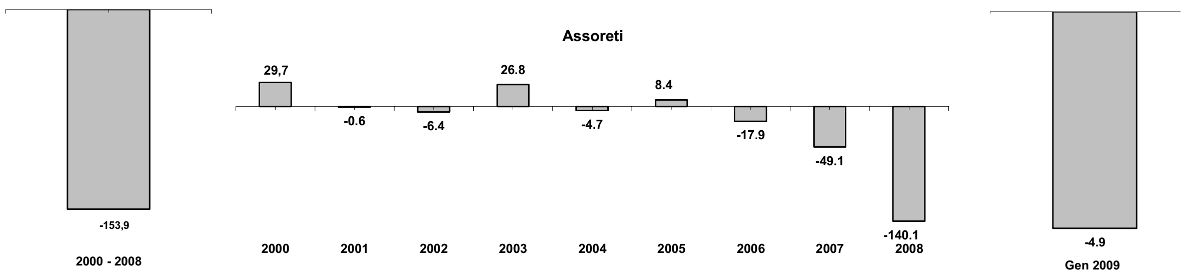
From the standpoint of corporate events, financial year 2008 was characterised by the acquisition of Banca del Gottardo Italia S.p.A. by the subsidiary Banca BSI Italia S.p.A. and the resolution authorising the disposal of an 85% stake of the equity investment in Simgenia passed in December 2008.
As regards the first item, the acquisition of Banca del Gottardo Italia S.p.A. by the subsidiary Banca BSI Italia effective 1 October 2008 represented a further step towards the expansion of the banking group's private banking operations, which had witnessed the acquisition of Banca BSI Italia in 2006.
The acquisition was made at the price of 62 million euros. As part of this transaction, a subordinated loan of 40 million euros was contracted through the subsidiary Banca BSI Italia from Generali Versicherung AG, a German company of the Generali Group.
The acquisition of Banca del Gottardo Italia was undertaken with Banca BSI SA, a company belonging to the Assicurazioni Generali Group.

As regards the second item, the resolution authorising the disposal of 85% of the share capital of Simgenia S.p.A. to several insurance companies belonging to the Assicurazioni Generali Group in Italy satisfies the need to create greater commercial synergies with the sales network, which, in Simgenia's case, consists of the financial advisors who serve primarily as agents and/or employees of the Generali Group's Insurance Companies.
The transaction is scheduled to be closed by the end of the first half of 2009, after the purchasers have obtained the necessary authorisation.
Banca Generali will continue to hold the remaining 15% stake in portfolio. Simgenia will therefore cease to be a part of the banking group at the effective date of the transaction.
The disposal may be considered a transaction between entities "under common control" and was accounted for in accordance with IFRS 5 in the financial statements for the year ended 31 December 2008.

3. Net Inflows, Assets Under Management, and Market Positioning in Distribution Through Financial Advisor Networks

The Asset Management Market
The retail asset management market is directly influenced by both financial market performance, as described above, and the commercial policies of the banking system, which holds the majority of the financial resources of households.
In 2008, net inflows were influenced by the particularly negative performance of both the equity and bond markets, on the one hand, accompanied by noticeable instability in the currency market and rising commodity prices, on the other, driving inflation in Italy and the EU to its highest level in more than ten years. The scenario deteriorated further over the last quarter, which witnessed the beginning of a serious recessionary phase, accompanied by a concurrent decline in interest rates, which, however, was not sufficient to secure an inversion of the downtrend in the market.
This critical market scenario was coupled with the increasing disengagement of the banking industry from the assets under management segment, marking a shift towards the distribution of more typical banking products (bank bonds in particular), driven in part by specific operational requirements due to the systemic financial crisis.

The Italian collective investment undertakings (UCITS) Market
On the whole, in 2008 the UCITS market in Italy showed a decrease of approximately 140 billion euros, exceeding 100% of total redemptions for 2007 (source: Assogestioni). In this context, it is worth reiterating that the 2007 results had been an all-time negative. Redemptions affected nearly all UCITS segments.



*Source: **Assoreti**. Reclassification of UCITS distribution data, comparison of FA networks and bank branches*

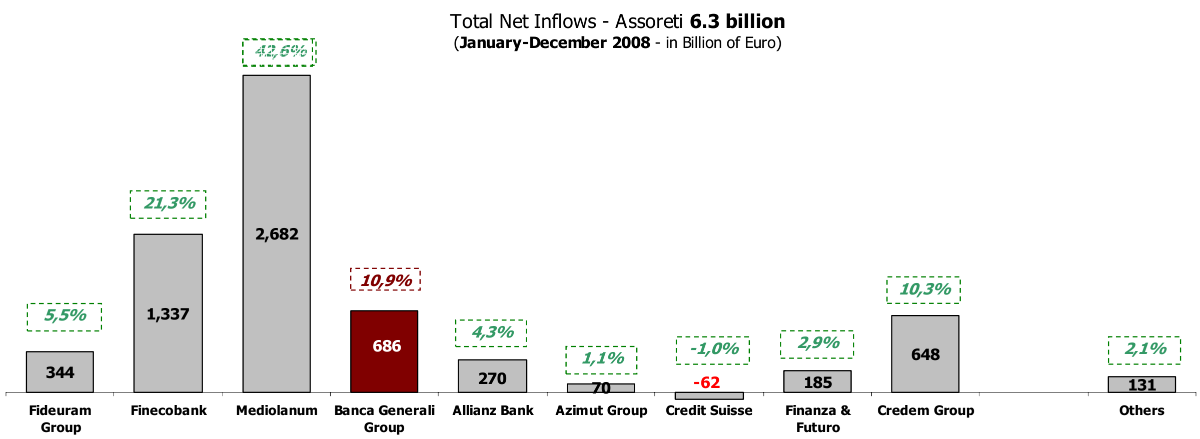
<u>The Assoreti Market</u>

Total inflows on the "Assoreti" market (distribution among financial advisors) declined more than 40% in 2008 compared to 6.3 billion euros in 2007. In further detail, outflows from assets under management, strictly defined (funds and asset management) amounted to 9.6 billion euros, offset by 15.9 billion euros in inflows into assets under administration instruments. Insurance products showed overall inflows (2.6 billion), largely (92%) due to traditional life policies and individual retirement plans, albeit also down sharply with respect to 2007 (-43%). These figures show that, in the context of a general decline in operations, an important shift is occurring towards the reallocation of investment from instruments classified to the assets under management category to those in the assets under administration category, which are generally less closely linked to market volatility (government securities).

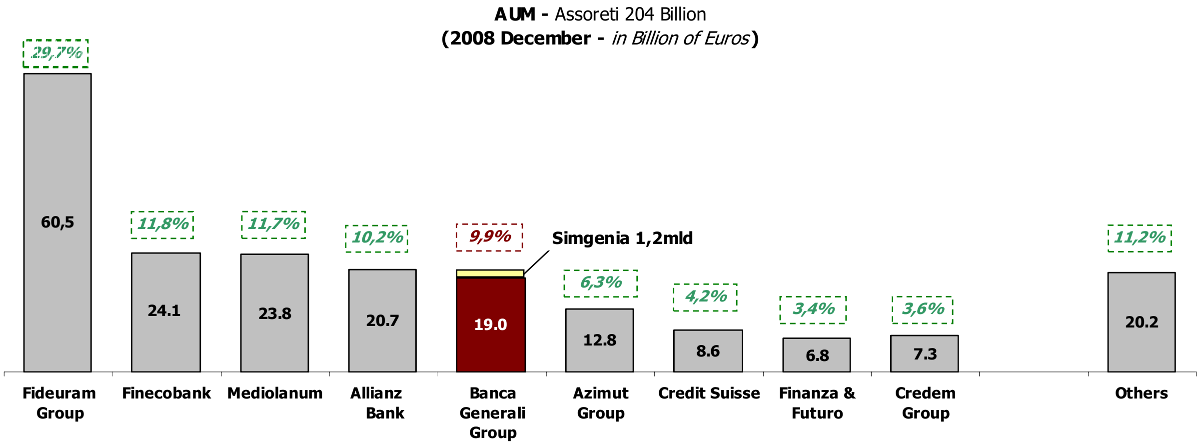
The Banca Generali Group

In this negative context, the Banca Generali Group (excluding Simgenia, the disposal of which was authorised in December) reported inflow figures that lead its market of operation (Assoreti), with net inflows of 686 million euros at December 2008 and market share of approximately 11% (confirming the 2007 figures). Of total net inflows, 94 million euros are attributable to Banca Generali and 592 million euros to Banca BSI Italia.

These inflows were achieved primarily from insurance products (1,347 million euros), compared to the same net outflows from assets under management (-1,303 million euros), and moderate net inflows into assets under administration (642 million euros). Market turbulence has led investors to privilege the underwriting of more cautious financial instruments: protected-capital funds (320 million euros) and especially insurance products (nearly 1.7 billion euros in new insurance policies written), in which the product line has achieved specific levels of excellence.



The Banca Generali Group also continues to rank among market leaders in terms of assets under management with market share of 9.9% (including 1.2 billion euros associated with Simgenia S.p.A, which is to be deconsolidated in 2009).



The following table provides a summary of the assets and their aggregates by product type as of December 2008. These assets refer to the so called "Assoreti market", i.e. the market covered by FA networks. As may be seen, there was a significant decline concentrated in the "assets under management" segment. This decline is due in part to the net outflows described above and in part to the sharp decrease in the financial markets of reference, such as, for example, the Italian stock market, which fell by approximately 50% compared the beginning of the year.
Lastly, it should be noted that part of the decrease in asset values was due to some changes in the accounting standard applied. Due to an organisational revision internal to Simgenia and the related criteria for counting and assigning clients, a part of the assets previously assigned to the "Assoreti perimeter" (the object of this analysis and associated solely with the distribution activity undertaken through Financial Advisors) was excluded from said perimeter. Said assets amounted to approximately 1.5 billion euros at December 2007. It should also be noted that, in order to develop support activities for the insurance broker networks of Assicurazioni Generali, control of Simgenia will be sold to the Generali Group Insurance Companies and therefore the company will no longer be a part of the Banking Group effective from the second quarter of 2009, after the authorisations of supervisory bodies have been secured.
Furthermore, Banca del Gottardo Italia S.p.A. was acquired effective 1 October 2008. The bank had approximately 1.5 billion euros in assets under management at 31 December. It should be noted that the bank was merged into Banca BSI Italia S.p.A. effective 1 January 2009.

(€ million)	31/12/2008	31/12/2007	% change vs 31/12/2007	
			Amount	%
Total asset management	**8,301**	**12,640**	**-4,339**	**-34.33%**
- Funds and SICAVs	5,636	8,148	-2,512	-30.83%
- GPF/GPM	2,665	4,492	-1,827	-40.68%
Total insurance products	**5,117**	**4,405**	**712**	**16.17%**
Total assets under administration and custody	**6,780**	**7,451**	**-671**	**-9.00%**
Total assets placed by the network	**20,198**	**24,496**	**-4,298**	**-17.54%**

4. Group Indirect Inflows

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

<u>Asset management and insurance products</u>

Banking Group asset management products

In the asset management sector, the banking group conducts wealth management operations through BG SGR, Banca BSI Italia, BG Fiduciaria, Banca del Gottardo Italia and BG Investment Luxembourg.
Specifically, BG Investment Luxembourg, which joined the Group on 27 November 2007, began its management activities on 1 March 2008 with the management of SICAVs on behalf of third parties. BG Fiduciaria, Banca BSI Italia and Banca del Gottardo Italia manage discretionary accounts (GPM and GPF), with or without a fiduciary designation, and discretionary accounts (GPM and GPF), respectively. Finally, BG SGR manages both mutual funds and discretionary accounts (GPM and GPF), also indirectly with a fiduciary designation.

(€ million)	31/12/2008	31/12/2007	Change	
			Amount	%
Funds and SICAVs	4,275	5,156	-881	-17.09%
- attributable to the banking group's GPF	639	1,682	-1,043	-62.02%
GPF/GPM	2,722	4,403	-1,681	-38.19%
Total assets managed by the banking group, net of discretionary accounts included in the GPF of the banking group	**6,358**	**7,877**	**-1,519**	**-19.29%**

Total assets in mutual funds managed by the banking group amounted to 4,275 million euros, including the management mandate received on funds and SICAVs formed by third parties and 639 million euros included in the banking group's discretionary/portfolio accounts.

In the discretionary/portfolio management area, the group focused on Asset Management of BG SGR, Banca BSI Italia, Banca del Gottardo Italia and BG Fiduciaria, and the relevant assets at 31 December 2008 amounted to 2,722 million euros, down 38.19% compared to 4,403 million euros at 31 December 2007.

Third-party asset management products

As part of its product brokerage and placement operations, the banking group sells third-party products in both the asset management and insurance areas.
Specifically, in the area of mutual funds governed by Italian law, the banking Group places mainly the products of the Generali Group, Fondi Alleanza SGR S.p.A., Generali Investimenti Alternativi, Eurizon (formerly Nextra) and Anima SGR. In the area of foreign UCITS, the banking group places the Luxembourg SICAV Generali Investments and the products of more than 20 international investment houses, of which those with the highest concentration of investment are Black Rock, JP Morgan, Julius Baer, Morgan Stanley, Pictet, Invesco, Schroeder and Fidelity.

Assets invested in third-party asset management products amounted to 3,212 million euros at the end of December, down by 45.85% compared to 31 December 2007. .
The Group's SICAV, BG Selection SICAV, only includes third-party funds.

(€ million)	31/12/2008	31/12/2007	% change vs 31/12/2007	
			Amount	%
Funds and SICAVs	3,006	5,674	-2,668	-47.02%
GPF/GPM	206	258	-52	-20.13%
Total third-party product asset management	**3,212**	**5,932**	**-2,720**	**-45.85%**

Third-party insurance products

Assets invested in third-party insurance and pension products primarily consist of the life products, unit-linked policies and index-linked policies of La Venezia Assicurazioni (which changed its name to GenertelLife at the beginning of 2009), and amounted to 5,117 million euros at the end of December 2008, marking an increase of 16.17% compared to the figure for December 2007.

(€ million)	31/12/2008	31/12/2007	% change vs 31/12/2007	
			Amount	**%**
Insurance products (unit linked, policies, etc)	5,117	4,405	712	16.17%
Total third-party insurance products	**5,117**	**4,405**	**712**	**16.17%**

Assets under administration and custody

Indirect inflows of assets under administration and custody consist of securities deposited by customers for custody and administration in portfolios opened with the parent company Banca Generali, Banca BSI Italia, and Banca del Gottardo Italia and, for a minimum amount, with other banks. At 31 December 2008, the market value was 12,155 million euros, a 13.68% decrease compared to 14,081 million euros at year-end 2007.
Total indirect inflows were influenced by the portfolio held by the Parent Company, three quarters of which comprise the Alleanza and Toro share packages.

Net of inflows associated with Captive and Corporate clients, indirect inflows at market value were on the rise (+5.91%) compared to 31 December 2007 (entirely due to the acquisition of Banca del Gottardo Italia).

(€ million)	31/12/2008	31/12/2007	% change vs 31/12/2007	
			Amount	**%**
Indirect inflows of assets under administration and custody of the banking group (market value)	**12,155**	**14,081**	**-1,926**	**-13.68%**
of which Captive / Corporate securities portfolios	8,095	10,247	-2,152	-21.00%
of which other customer securities portfolios	4,060	3,834	226	5.91%
Indirect inflows of assets under administration and custody (market value)	**36**	**36**	**0**	**0.00%**

5. Performance of Main Financial and Economic Aggregates

The schedules set forth below, along with the associated commentary, provide an analysis of the change in the main financial and economic aggregates for 2008 and a comparison with the figures at the end of the previous year.
In order to provide a more effective representation of results, a summary balance sheet is provided herein through appropriate reclassifications and in accordance with principles that better represent the content of the items in like-for-like manner.

The 2007 comparative consolidated balance sheet situation does not include the balance sheet aggregates of Banca del Gottardo Italia, which was acquired on 1 October 2008. Consequently, the necessary indications are provided concerning the impact of Banca del Gottardo Italia's main assets and liabilities on the balance sheet in the interest of improving the understanding of results.

Total consolidated assets amounted to 4.1 billion euros at the end of 2008, marking a decrease of 3.4% compared to the previous year.
In detail, total direct inflows from customers amounted to 3.7 billion euros, showing a moderate decline compared to 2007 (-2.5%), whereas total lending fell from 4.0 billion euros in 2007 to 3.8 billion euros, marking a decrease of 6.2%.

Assets	**31/12/2008**	**31/12/2007**	**Change**	
(€ thousand)			**Amount**	**%**
Financial assets held for trading	668,405	2,668,735	-2,000,330	-75.0%
Financial assets available for sale	799,460	107,687	691,773	642.4%
Held-to-maturity financial assets	606,353	0	606,353	100.0%
Loans to banks	948,499	913,893	34,606	3.8%
Loans to customers	767,461	345,656	421,805	122.0%
Equity investments	0	34	-34	-100.0%
Property, equipment and intangible assets	59,059	21,681	37,378	172.4%
Tax receivables	57,458	35,949	21,509	59.8%
Other assets	156,313	117,683	38,630	32.8%
Financial assets held for sale	5,020	0	5,020	
Total assets	**4,068,028**	**4,211,318**	**-143,290**	**-3.4%**

Liabilities and net equity	**31/12/2008**	**31/12/2007**	**Change**	
(€ thousand)			**Amount**	**%**
Due to banks	16,993	14,289	2,704	18.9%
Due to customers	3,671,132	3,765,585	-94,453	-2.5%
Financial liabilities held for trading	848	7,686	-6,838	-89.0%
Tax payables	7,488	5,555	1,933	34.8%
Financial assets held for sale	4,324	0	4,324	
Other liabilities	129,934	157,919	-27,985	-17.7%
Special purpose provisions	48,384	52,317	-3,933	-7.5%
Valuation reserves	-6,754	945	-7,699	-814.7%
Reserves	61,051	65,729	-4,678	-7.1%
Additional paid-in capital	22,804	22,804	0	0.0%
Share capital	111,313	111,313	0	0.0%
Treasury shares (-)	-7,424	-8,112	688	-8.5%
Net profit (loss) for the year (+/-)	7,935	15,288	-7,353	-48.1%
Total liabilities and net equity	**4,068,028**	**4,211,318**	**-143,290**	**-3.4%**

5.1 Direct Inflows

Direct inflows from customers amounted to 3,671 thousand euros, a 2.5% decrease from 94.4 thousand euros at year-end 2007.

The direct inflows associated with Banca del Gottardo Italia amounted to 332.0 million euros and consist chiefly of sight deposits in the technical form of current accounts and 176.9 million euros in certificates of deposit in foreign currencies.

Net of the above components, inflows from customers declined by 426.4 million euros.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Transfer accounts	2,909,405	2,838,970	70,435	2.5%
Repurchase agreements	426,541	821,487	- 394,946	-48.1%
AUM current accounts	44,223	28,568	15,655	54.8%
Term deposits	14,296	72,959	- 58,663	-80.4%
Generali Versicherung subordinated loan	40,775	-	40,775	
Other debts	57,798	3,601	54,197	1505.1%
Debt securities				
Certificates of deposit	178,094	-	178,094	
Total direct inflows	**3,671,132**	**3,765,585**	**- 94,453**	**-2.5%**

This decrease may be attributed to the contraction of deposits originating with associates of the Generali Group, primarily consisting of sight or short-term deposits, which represent a significant portion of the Group's direct net inflows.
Historically, this aggregate has shown considerable volatility associated with the insurance group's shifting liquidity management needs.
Net inflows from related parties amounted to 1,117.9 million euros at year-end, marking a decline of 224.6 million with respect to the figures for 2007, entirely attributable to funding originating with the parent company, Assicurazioni Generali.
The weight of "captive" net inflows consequently fell from 35.6% to 30.4% of total net inflows.
Dealings with Generali Group companies are on an arm's-length basis.

Traditional transfer current accounts amounted to 2,909.4 million euros at year-end (75.4%), while inflows from repurchase agreements increased to 426.5 million, compared to 821.5 million euros for the previous year.
The decrease in current account term deposits from 73.0 million euros in 2007 to 14.3 million euros in 2008 was attributable to deposits from Generali group companies.

On 1 October 2008, the Group, through Banca BSI Italia, obtained a subordinated loan in the amount of 40 million euros from the German insurance associate Generali Versicherung AG, the purpose of which was to support capital ratios at the consolidated level.
The loan was contracted in the "*schuldshein*" (financing) contractual form, which calls for repayment in five annual instalments beginning on 1 October 2011, and is subordinated if the bank defaults. The interest rate agreed upon is equal to the 12-month EURIBOR plus 225 basis points.

Net inflows of securities consist of certificates of deposit in a foreign currency (yen) mainly placed by the subsidiary Banca del Gottardo Italia.
In detail, these are specific structured products that combine a normal certificate of deposit in a foreign currency (yen) with a derivative security (DCS – domestic currency swap) aimed at eliminating exchange-rate risk.
Hedging derivatives, amounting to 11.0 million euros in consolidated assets and 2.3 million euros in liabilities, are carried in order to deal with the exchange-rate risk associated with these securities.

5.2 Lending and Financial Activities

Total interest-bearing financial assets and loans, which consist of loans to banks, loans to customers, and financial assets allocated to various portfolios (held-for-trading, available-for-sale, and held-to-maturity) amounted to 3,790.2 million euros at the end of 2008, marking a decline of 245.8 million euros, or 6.1%.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Financial assets held for trading	**668,405**	**2,668,735**	**- 2,000,330**	**-75.0%**
Assets available for sale (AFS)	**799,460**	**107,687**	**691,773**	**642.4%**
Financial assets held to maturity (HTM)	**606,353**	**-**	**606,353**	**100%**
Loans to banks	**948,499**	**913,893**	**34,606**	**3.8%**
Other assets	858,070	*913,893*	- 55,823	-6.1%
Assets of Banca del Gottardo (net of cancellation)	12,014	-	*12,014*	*100%*
Reclassified financial assets (IAS39)	*78,415*	-	*78,415*	*100%*
Loans to customers	**767,461**	**345,656**	**421,805**	**122.0%**
Other assets	334,554	345,656	- 11,102	-3.2%
Assets of Banca del Gottardo (net of cancellation)	214,143	-	*214,143*	*100%*
Reclassified financial assets (IAS39)	*218,764*	-	218,764	100%
Total interest-bearing financial assets and loans	**3,790,178**	**4,035,971**	**- 245,793**	**-6.1%**

The structure of this item has changed significantly with respect to the previous year due to the reclassification of a portion of the financial assets in the held-for-trading and available-for-sale portfolios in accordance with the amendments to IAS 39 and IFRS 7 issued by the IASB (International Accounting Standards Board) on 13 October 2008 and ratified into European law by Regulation (EC) no. 1004/2008 of 15 October 2008.

The integration of Banca del Gottardo Italia essentially affected the item loans to customers through the contribution of 214.1 million at year-end, which represented the entire increase for the year not attributable to the effects of the reclassification.

Lastly, the development of the loans and financial assets aggregate was influenced in the amount of 55.5 million euros by the reclassification of operating receivables from product companies to the item “Other assets”, undertaken on the financial statements at 31 December 2008 in implementation of a recent amendment to the regulations governing the preparation of the financial statements of banks issued by the Bank of Italy.

5.2.1 Reclassification of the financial asset portfolio

The action taken by the IASB, whose accounting aspects have been explained in Part A of the Notes — Accounting Policies, seeks to propose a solution to the problem of the loss of significance of market prices in a context of illiquidity and panic selling. In such extreme situations, market values are no longer an adequate reflection of the fair value of financial instruments and risk distorting the representation of such instruments on the financial statements of companies that apply IAS/IFRS, thereby causing anomalous fluctuations in profit and loss and net equity.

The change introduced by the IASB consequently permits, under “rare circumstances”, the reclassification (previously not allowed) of financial instruments allocated to the trading portfolio, with the impact of variations taken through the profit and loss account, to the other accounting portfolios set out in IAS 39.
In further detail, these are portfolios characterised by a different method of measurement based on amortised cost, in which listed debt securities held to maturity (HTM) and unlisted debt securities classifiable as loans (loans and receivables) may be classified, and the portfolio of assets classified as available-for-sale (AFS), with changes in fair value through net equity rather than profit and loss.
Such reclassifications are now allowed in those “rare circumstances” in which, due to unusual events unlikely to recur in the near term, a financial instrument is no longer held for trading or available for sale and the company therefore believes it may hold it for the foreseeable future or until maturity. The current financial crisis has been designated by the IASB as such an unusual event.
Due to the exceptional situation represented by the financial market crisis, retroactive first-time application of the amendment was allowed effective no earlier than 1 July 2008.

Banca Generali has decided to proceed with the reclassification of part of the accounting portfolios of assets held for trading and assets available for sale (AFS), in the total amount of 928.9 million euros, determined on the basis of fair value as of the date of the transfer.
The reclassification of debt securities involved only financial assets issued by non-governmental entities with maturities no earlier than 31 December 2009.
Securities for which an active market of listing could not be identified due to the financial crisis have been classified among loans and receivables, while the remainder has been reallocated to the portfolio of held-to-maturity assets.
The transfer was undertaken effective 1 July 2008, except for securities belonging to the AFS portfolio and transferred to the held-to-maturity portfolio, the transfer of which was effective 30 September 2008, inasmuch as said reclassification was already allowed under the previous version of IAS 39.
In addition, certain equity investments that the Group no longer considers to be held for trading were reallocated to the AFS portfolio.
The new portfolio allocation more accurately reflects the Group's investment policy.
Corporate bonds allocated to the treasury portfolio and purchased with a view to income-generation capacity in the form of interest have been reallocated primarily to the held-to-maturity portfolio. The portfolio of ABS (asset-backed securities) was largely reallocated to loans to customers due to the nature of these instruments, which is that of indirect loans.

The transfer of financial instruments from the held-for-trading portfolio resulted in the consolidation of capital losses recognised on the profit and loss account of 14.6 million euros as of the date of transfer. These losses were consequently recognised as realised losses.
The transfer of securities from the AFS portfolio resulted in the recognition of negative net equity reserves of 3.8 million euros.
Any change in the fair value of the transferred assets would have entailed at 31 December 2008 an increase in write-downs through profit and loss of 34.3 million euros (for securities reclassified from HFT) and of 4.5 million euros through net equity (for securities reclassified from AFS).

5.2.2 Financial assets and liabilities held for trading

Financial assets and liabilities held for trading reached 667.6 million euros, including debt securities for almost 661.9 million euros, or 99% of total cash, equity securities and OICR for 5.6 million euros, and positive/negative amounts on outstanding derivative contracts transacted for the same purpose.

The trading portfolio decreased by 2,000.3 million euros over the previous year, of which 692.5 million euros may be attributed to the value of securities reclassified to other portfolios, as well as to the change in the Group's investment choices. The lack of liquidity and severe decline in prices that have characterised international markets have in any event resulted in the gradual abandonment of operations in this portfolio, in order to focus investments on the portfolio of assets available for sale.
The bond portfolio consists primarily of securities issued by governments and leading Italian and international banks with high credit rating (92% with ratings between AAA and A+/A-), and includes 179.7 million euros in securities involved in repurchase agreements with clients and classified among financial assets transferred but not derecognised.
The trading portfolio also contains 42.4 million euros in ABS (asset-backed securities), primarily with senior standing.

Lastly, in late 2008, a non-performing position was identified, consisting of a bond issued by the Icelandic bank Landesbanki, which suspended payments in November 2008 and is currently undergoing a liquidation procedure organised by the country's authorities.
Given the uncertain outcome of this situation, the bond, which had been carried at 1.9 million euros, was almost entirely written down.

<u>*Breakdown of trading portfolio*</u>

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Government securities	436,132	1,485,198	-1,049,066	-70.6%
Debt securities issued by banks	151,848	690,158	-538,310	-78.0%
Bonds of other issuers	73,945	453,318	-379,373	-83.7%
Equity securities – shares	4,230	35,849	-31,619	-88.2%
Equity securities – OICR	1,393	3,080	-1,687	-54.8%
Total cash assets held for trading	**667,548**	**2,667,603**	**-2,000,055**	**-75.0%**

Trading derivatives – positive fair value	857	1,132	-275	-24.3%
Total trading portfolio	**668,405**	**2,668,735**	**-2,000,330**	**-75.0%**
Trading derivatives – negative fair value	-848	-7,686	6,838	-89.0%
Total assets/liabilities held for trading	**667,557**	**2,661,049**	**-1,993,492**	**-74.9%**

5.2.3 Financial assets available for sale

The portfolio of financial assets available for sale amounted to 799.5 million euros at the end of the year, up by 691.8 million euros with respect to the previous year.
The impact of the securities reclassified to the portfolios of financial assets held to maturity and loans and receivables amounted to 212.5 million euros at the reporting date, whereas the value of the equity securities reclassified to the trading portfolio was 5.5 million euros.

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change**	
			Amount	**%**
debt securities				
Government securities	605,553	-	605,553	-100%
Debt securities issued by banks	126,286	26,334	99,952	379.6%
Bonds of other issuers	49,306	68,042	- 18,736	-27.5%
Total debt securities	**781,145**	**94,376**	**686,769**	**727.7%**
Equity investments	**2,247**	**1,964**	**283**	**14.4%**
- CSE – 5.00%	1,930	1,930	-	0.0%
- GBS	246	-	246	-100%
- Other minor securities (Caricese, Swift,Eu-ra etc)	71	34	37	108.8%
Private-equity investments	**7,282**	**5,107**	**2,175**	**42.6%**
- Athena Private Equity S.A. - 4,66%	7,282	5,107	2,175	42.6%
Other securities available for sale	**8,786**	**6,240**	**2,546**	**40.8%**
- Assicurazioni Generali	849	1,364	- 515	-37.8%
- Enel S.p.A	2,680	4,876	- 2,196	-45.0%
- Other equity securities	5,257	-	5,257	-100%
Total equity securities	**18,315**	**13,311**	**5,004**	**37.6%**
Total available-for-sale financial assets	**799,460**	**107,687**	**691,773**	**642.4%**

The portfolio of debt securities consists primarily of government securities and corporate bonds issued by Italian and international banks and financial institutions with high credit ratings (98% with ratings between AAA and A+/A-) having maturities falling primarily between 2009 and 2012 and an average residual life of slightly less than 1.75 years.

Equity securities available for sale consist of equity securities that are not held for trading, including securities reclassified to the trading portfolio.

Financial assets available for sale are measured at fair value with a balancing entry to a specific positive or negative net equity reserve.
During 2008, a total of 5.6 million euros in net decreases in fair value associated with the debt securities portfolio, and 3.6 million euros in decreases associated with the measurement of securities reclassified to other portfolios, were recognised.
The portfolio of equity securities also showed decreases in fair value of 4.7 million euros.

The portfolio includes two non-performing positions consisting of debt securities issued by Lehman Brothers Holding with an amortised cost of 8.4 million euros, written down by 7.1 million euros.

5.2.4 Held-to-maturity assets (HTM assets)

The portfolio of held-to-maturity assets amounted to 606.4 million euros at year-end and consists solely of securities reclassified from other portfolios.
The portfolio of debt securities consists primarily of corporate bonds issued by Italian and international banks

and financial institutions with high credit ratings (91% with ratings between AAA and A+/A-) having maturities falling between 2010 and 2017 and an average residual life of slightly less than 3 years.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Debt securities issued by banks	493,955	-	493,955	100%
Bonds of other issuers	112,398	-	112,398	100%
Total debt securities	**606,353**	**-**	**606,353**	**100%**

5.2.5 Loans to customers

Loans to customers stood at 767.5 million euros and rose by 421.8 million euros on 2007, due to the following factors:

- the reclassification of 218.8 million euros in debt securities from the portfolios held for trading and available for sale;
- the acquisition of Banca del Gottardo Italia's loan portfolio amounting to 214.1 million euros;
- the reclassification of operating receivables from product companies to the item "Other assets", resulting in a negative impact of 55.5 million euros with respect to the 2007 figures, as required in the Bank of Italy's note "Rules for the Financial Statements of Banks and Financial Firms".

Net of the above changes, loans to customers increased by 44.3 million euros, largely attributable to the increase in the daily margins required by Borsa Italiana for operation (+33.1 million euros). The remainder of the increase is due to the increase in loans in the form of short-term mortgages and loans by the parent company, Banca Generali.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Financing	**432,678**	**238,422**	**194,256**	**81.5%**
Current accounts	245,327	137,830	107,497	78.0%
Loans	82,253	43,706	38,547	88.2%
Pooled financing	44,342	38,826	5,516	14.2%
Other short term grant in aid receivables	18,503	17,501	1,002	5.7%
Personal loans	42,253	559	41,694	7458.7%
Non-performing loans	**30,214**	**606**	**29,608**	**4885.8%**
Life insurance participating policy	**28,307**	**27,104**	**1,203**	**4.4%**
Reclassified debt securities	**218,764**	**0**	**218,764**	
Other	**57,498**	**79,524**	**-22,026**	**-27.7%**
Operating loans	0	55,472	-55,472	-100.0%
Interest-bearing daily margin, Borsa Italiana	56,113	22,995	33,118	144.0%
Interest-bearing caution deposits	615	1,057	-442	-41.8%
Other	770	0	770	
Total	**767,461**	**345,656**	**421,805**	**122.0%**

The portfolio of loans to customers associated with Banca del Gottardo Italia 's operations consists of 108.3 million in current account overdrafts, 41.9 million euros in mortgages, 34.4 million in other short-term loans, and 29.4 in non-performing positions.
Banca del Gottardo Italia 's loans are highly concentrated (the first 50 clients represent 69.45% of its total positions) due to the bank's client type and the limited extent of its overall dealings.

Doubtful loans

Net doubtful loans amounted to 30.2 million euros, or 3.9% of total loans to customers, up on the previous year, essentially due to the acquisition of Banca del Gottardo Italia, to which 29.4 million euros of the total figure may be attributed.

In detail, Banca del Gottardo Italia's gross exposures due to bad loans amounted to 20.7 million, adjustments to 12.2 million, and net exposure to 8.5 million.
Positions classified as substandard amounted to a gross exposure of 22.5 million euros, adjustments of 2.2 million euros, and a net exposure of 20.3 million euros.
In 2008, due in part to the deterioration of the economic situation, and of the real-estate sector in particular, some positions previously classified as performing had to be reclassified as substandard.
There were thirty substandard positions and fifteen bad positions at year-end. The analytical measurement of doubtful loans, supported, where necessary, by the acquisition of adequate technical opinions (from attorneys and real-estate appraisers), did not result in any further adjustments to either bad or substandard positions. This was also made possible by the guarantee provided by BSI SA concurrent with the sale of Banca del Gottardo Italia S.p.A., which covered in full all positions in the doubtful loans portfolio.

Banca Generali's bad loan positions amounted to a net total of 0.2 million euros and originate primarily in current account overdrafts due to the use of credit cards.

(€ thousand)	31/12/2008	31/12/2007	Change amount
Bad loans	8,729	229	8,500
Substandard loans	20,861	49	20,812
Expired loans/out standing over 180 days	624	328	296
Total non-performing loans	30,214	606	29,608
Performing loans	737,247	345,050	392,197
Loans to customers	**767,461**	**345,656**	**421,805**

The portfolio of debt securities

The bond portfolio includes 172.9 million euros in ABS (asset-backed securities) reclassified from the portfolio held for trading, with a limited mezzanine note component (27.9 million euros).
The portfolio has a high credit rating (88% of issuers have ratings between AAA and A+/A-) and was analysed at year-end, without resulting in the detection of any positions individually characterised by lasting impairment.
Nonetheless, a provision for the collective impairment of securities of 1.1 million euros was allocated to cover any latent losses, determined on the basis of the segmentation of the portfolio by rating class.

5.2.6 Interbank Position

At the end of 2008, the net interbank position stood at 931.5 million euros, marking an increase of 31.9 million euros compared to 2007, mainly due to the following factors:

- the reclassification of debt securities from the portfolios held for trading and available for sale (78.4 million euros);
- Banca del Gottardo Italia's exposure (12.0 million euros);
- the reclassification of operating receivables from product companies to the item "Other assets", resulting in a negative effect of 12.7 million euros with respect to the 2007 figures.

Net of these changes, interbank position decreased by 14.2 million euros.

Net interbank position showed significant changes over the year related not only to the volatility of customer deposits, but also of the temporary stoppage of the interbank market caused by the international financial crisis. Banca Generali is one of the top ten providers of funds on the Italian interbank market.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Repayable on demand	**357,929**	**358,706**	**- 777**	**-0.2%**
Demand deposits with banking instit.	70,100	260,000	- 189,900	-73.0%
Demand deposit with ECB	194,000	-	194,000	0.0%
Transfer accounts	93,829	98,706	- 4,877	-4.9%
Time deposits	**512,139**	**542,490**	**30,351**	**-5.6%**
Deposits with central banks	40,950	15,045	25,905	172.2%

Term deposits	471,189	527,445	- 56,256	-10.7%
Debt securities	**78,415**	**-**	**78,415**	
Other operating receivables	**16**	**12,697**	**- 12,681**	**-99.9%**
Total due to banks	**948,499**	**913,893**	**34,606**	**3.8%**
Transfer accounts	551	1,512	- 961	-63.6%
Term current accounts	11,783	7,651	4,132	54.0%
Subordinated loan	4,659	4,650	9	0.2%
Other operating debts	-	476	- 476	-100.0%
Total due to banks	**16,993**	**14,289**	**2,704**	**18.9%**
Net interbank position	**931,506**	**899,604**	**31,902**	**3.5%**

5.6 Property, Equipment and Intangible Assets

Property, equipment and intangible assets amounted to 59.1 million euros, including 38.6 million euros in the group's goodwill.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Property and equipment				
- Furniture and fittings	4,666	5,001	-335	-6.7%
- ADP machines and equipment	407	341	66	19.4%
- Miscellaneous machines and equipment	2,080	2,341	-261	-11.1%
Total property and equipment	**7,153**	**7,683**	**-530**	**-6.9%**
Intangible assets				
- Goodwill	38,632	7,541	31,091	412.3%
- Transactions with customers of Banca del Gottardo Italia	8,581	-	8,581	100.0%
- CSE long-term charges	2,898	4,129	- 1,231	-29.8%
- Software costs	531	406	125	30.8%
- No-load commissions to be amortised	243	1,536	- 1,293	-84.2%
-Other assets and assets under processing	1,021	386	635	164.5%
Total intangible assets	**51,906**	**13,998**	**37,908**	**270.8%**
Total property, equipment and intangible assets	**59,059**	**21,681**	**37,378**	**172.4%**

The increase in the intangible assets aggregate is substantially attributable to the effects of the acquisition of Banca del Gottardo Italia, described in further detail in Part A – Accounting Policies of the notes.

The transaction was undertaken by virtue of the agreement between the Generali Group and Swiss Life SA governing the acquisition of the group controlled by Banca del Gottardo Italia SA through BSI BA, as announced on 7 November 2007 and closed on 10 March 2008. On 1 July 2008, the Group integration was completed with the merger of Banca del Gottardo Italia Sa into BSI SA.
Banca del Gottardo's assets and liabilities acquired by BSI SA have therefore been recognised at their carrying values at the time of initial recognition in the consolidated financial statements of the common parent company, Assicurazioni Generali S.p.A, on the basis of the PPA – Purchase Price Allocation, drafted pursuant to IFRS3, following the business combination.
In further detail, when allocating the purchase price for the Group, the value of the following items was

determined:

- the value of the intangible assets represented by contractual relationships with Banca del Gottardo Italia's clients was 9.5 million euros;
- the deferred taxes to be allocated in connection with the neutral tax regime for the above-mentioned intangible assets were 3.0 million euros;
- the goodwill attributable to Banca del Gottardo Italia, net of the foregoing two items, was 31.4 million euros.

In a business combination, contractual dealings with clients represent an intangible asset, as defined by IAS 38, from which it is likely that the buyer will derive future economic benefits. In detail, the value of such dealings was made on the basis of an estimate of the profitability of the assets managed by Banca del Gottardo Italia, analysed by asset class.
The useful life of such assets, over which they are expected to generate economic benefits, was estimated on a ten-year period, according to the company's client type and recent incorporation.

Breakdown of goodwill

(€ thousand)	31/12/2008	31/12/2007
Prime Consult and Ina SIM	2,991	2,991
Simgenia S.p.A.	-	261
BG Fiduciaria SIM S.p.A.	4,289	4,289
Banca del Gottardo	31,352	
Total	**38,632**	**7,541**

As provided for in IAS 36, the goodwill arising from the aforementioned transaction and the foregoing transactions was tested for impairment without detecting any lasting decreases with respect to carrying value. The goodwill associated with the acquisition of Simgenia has been classified to the assets of the discontinued business unit.

Eliminating the effects of the acquisition of Banca del Gottardo Italia, aggregate intangible assets decreased by 1.8 million euros, mainly due to a reduction in charges associated with the development of a legacy system (CSE), which have reached an advanced stage of amortisation, and no-load commissions.
Depreciation and amortisation for the year amounted to 5.4 million euros, broken down into 3.1 million euros of amortisation and 2.3 million euros in depreciation.
Expenses for leasehold improvements not attributable to specific property and equipment, reclassified pursuant to Bank of Italy instructions under the item "other assets", amounted to 2.1 million euros at 31 December 2008.

5.7 Special Purpose Provisions

The provisions allocated at year-end amounted to 48.4 million euros and consist of 5.0 million euros in commitments to staff in connection with termination indemnity, 7.9 million euros in expenses allocated in connection with variable compensation of management and employee bonuses, 5.3 million euros in allocations to account for legal disputes, and 30.2 million euro in allocations to account for expenses benefiting the network of financial advisors.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Provision for termination indemnity	5,048	5,707	-659	-11.5%
Other provisions for liabilities and contingencies	43,336	46,610	-3,274	-7.0%
- provisions for staff expenses	*7,870*	*7,083*	*787*	*11.1%*
- provision for legal disputes	*5,316*	*3,922*	*1,394*	*35.5%*
- other provisions for liabilities and contingencies	*30,150*	*35,605*	*-5,455*	*-15.3%*
Total provisions	**48,384**	**52,317**	**-3,933**	**-7.5%**

In further detail, these latter allocations include 22.8 million in commitments assumed by the Banking Group in connection with recruitment plans aimed at expanding portfolios in the medium term.
Such plans call for the payment of various types of incentives (hiring bonuses, deferred bonuses, asset volume bonuses, etc.) in connection with the achievement of net inflow objectives and retention of the Financial Advisors. The deferred bonus provision is related to retention within the network and the continuing achievement of net inflow objectives over the long term (5-7 years).
The aggregate also includes allocations for incentive programmes based on the network's performance for the period (1.6 thousand euros) and net allocations to account for termination indemnities owed to advisors.

Provisions for legal disputes include an allocation of 1.2 million euros to cover the expenses associated with a case of embezzlement by a private banker formerly employed by the bank, which occurred in January 2009.
The allocation accounts for the circumstance that most of the funds stolen from clients were frozen at foreign and Italian banks and the incident is covered by insurance. For this reason, the amount allocated is sufficient to cover any diverted funds that are not recovered or indemnified by the insurance company, as well as the lost profits of clients.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Provision for staff expenses	**7,870**	**7,083**	**787**	**11.1%**
Provisions for legal disputes	**5,316**	**3,922**	**1,394**	**35.5%**
Provision for risks related to litigations connected with advisors' embezzlements	3,298	2,496	802	32.1%
Provision for risks related to legal disputes with advisors	479	503	-24	-4.8%
Provision for risks related to legal disputes with employees	619	394	225	57.1%
Provision for other legal disputes	920	529	391	73.9%
Provision for termination indemnity of advisors	**5,088**	**6,006**	**-918**	**-15.3%**
Provision for termination indemnity	4,939	5,785	-846	-14.6%
Provision for portfolio overcommission indemnities	149	221	-72	-32.6%
Provision for commissions to be paid out	**25,062**	**29,233**	**-4,171**	**-14.3%**
Provision for network development incentives	9,807	14,740	-4,933	-33.5%
Provision for deferred bonus	12,943	10,775	2,168	20.1%
Provision for commissions - travel incentives and tenders	1,610	2,248	-638	-28.4%
Provision for commissions - commission plans	593	1,079	-486	-45.0%
Provision for loyalty bonuses	109	391	-282	-72.1%
Other provisions for liabilities and contingencies	**-**	**366**	**-366**	**-100.0%**
Total	**43,336**	**46,610**	**-3,274**	**-7.2%**

Tax Dispute

In 2008, the subsidiary Banca del Gottardo Italia was placed under a global audit for 2008. In this regard, the Bank believes that the Revenue Service's allegations are groundless and has therefore decided to challenge the audit in legal venues.
In any event, any expenses that the banking group may incur due to the dispute would be covered by the guarantee provided by the seller, BSI SA. For the above reasons, no sums were allocated in connection with the tax dispute.

5.8 Net Equity

Group net equity at 31 December 2008 amounted to 188.9 million euros, a 19.0 million euro decrease compared to the year-end 2007 figure.

	31/12/2008	31/12/2007	Change	
			Amount	%
1. Share capital	111,313	111,313	-	0.0%
2. Additional paid-in capital	22,804	22,804	-	0.0%
3. Reserves	61,051	65,729	- 4,678	-7.1%
4. (Treasury shares)	- 7,424	- 8,112	688	-8.5%
5. Valuation reserves	- 6,754	945	- 7,699	-814.7%
6. Equity instruments	-	-	-	0.0%
7. Net profit (loss) for the period	7,935	15,288	- 7,353	-48.1%
Total net equity	**188,925**	**207,967**	**- 19,042**	**-9.2%**

Consolidated net equity decreased, primarily due to the decline in net profit, the distribution of the 2008 dividend by the parent company, Banca Generali, the buy-back of treasury shares, and changes in valuation reserves.

At Banca Generali's General Shareholders' Meeting of 22 April 2008, which was held to approve the 2007 Annual Report, a dividend payment of 19.9 million euros was decided upon. The amount exceeded the consolidated net profit figure for 2007 by 4.6 million euros.

The negative performance of the financial markets also increased net negative reserves to account for the measurement at fair value of the portfolios of assets available for sale (AFS), which are stated net of the associated tax effect.
Said reserves are related to equity securities in the amount of 2.5 million euros, compared to a positive reserve of 1.0 million euros at the end of 2007, and to debt securities in the amount of 4.3 million euros. The reserve associated with debt securities also includes 2.5 million euros in decreases in fair value that were recognised due to the transfer of securities from the AFS portfolio to the portfolios held to maturity and loans and receivables (net of the relative tax effect). According to IAS 39, these reserves will be absorbed over time through an amortisation process over the estimated residual life of the reclassified securities.

Increases in net equity were related to reserves for share-based payment plans (IFRS 2) as an offsetting entry to charges for stock-option/stock-granting plans recognised in the profit and loss account (2.4 million euros).

Capital for regulatory purposes amounted to 175.0 million euros at 31 December 2008 on the basis of projected total dividends to be distributed of 6.6 million euros.
The regulatory aggregate decreased by 3.17 million euros with respect to the situation at the end of 2007, due not only to the development of the balance sheet aggregates examined above, but also to the effects of the integration of Banca del Gottardo Italia, which resulted at 31 December 2008 in the recognition of a total of 40.1 million euros in goodwill and intangible assets, to be deducted from tier 1 capital. A new subordinated loan of 40 million euros, which may be considered when calculating tier 2 capital, was obtained to offset the above reduction.
The loan was provided by the German insurance associate Generali Versicherung AG and its purpose is to support capital ratios at the consolidated level.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Tier 1 capital	130,343	173,044	- 42,701	-24.68%
Tier 2 capital	44,614	5,085	39,529	777.36%
Tier 3 capital	-	-	-	0.00%
Total capital for regulatory purposes	**174,957**	**178,129**	- 3,172	-1.78%
B.1 CREDIT RISK	83,038	56,189	26,849	47.78%
B.2 MARKET RISKS	5,458	50,989	- 45,531	-89.30%
B.3 OPERATING RISK	26,795	-	26,795	100.00%
B.4 OTHER PRUDENTIAL REQUIREMENTS	-	6,371	- 6,371	-100.00%
B.4 TOTAL PRUDENTIAL REQUIREMENTS	115,291	113,549	1,742	1.53%
EXCESS OVER PRUDENTIAL REQUIREMENTS	59,666	64,579	- 4,913	-7.61%
Overall committed capital	34,10%	36,25%	-2,15%	-5.93%
Capital committed to credit risk	47,5%	31,54%	15,92%	50.46%
Capital committed for market risk	3,1%	28,62%	-25,51%	-89.10%
Capital Committed for operating risk	15,3%	n/a	n/a	n/a
Risk-weighted assets	1,441,138	1,419,368	21,770	1.53%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	9.04%	12.19%	0	-25.81%
Regulatory capital/Risk-weighted assets (Total capital ratio)	12.14%	12.55%		

There were 59.7 million euros in excess of the amount required by the Oversight Authority to cover credit and market risks. The solvency ratio was 12.14%, compared to the minimum requirement of 8%.

Reconciliation Statement Between Parent Company Net Equity and Net Profit and the Consolidated Net Equity and Net Profit

(€ thousand)	31 December 2008		
	Capital and reserves	**Net profit**	**Net equity**
Banca Generali S.p.A. Financial Statements	**172,088**	**12,028**	**184,116**
Differences between net equity and book value of companies consolidated using the line-by-line method	**26,473**	**-**	**26,473**
- Goodwill	*35,902*		*35,902*
- Income carried forward of subsidiary companies	*- 8,704*	*-*	*- 8,704*
- Stock granting reserve for 175th anniversary	*205*		*205*
- Acquisition of BSI and Banca del Gottardo Italia	*- 930*	*-*	*- 930*
Dividends from consolidated companies	**18,994**	**- 18,994**	**-**
Consolidated companies result for the year	**-**	**15,081**	**15,081**
Valuation reserves - consolidated companies	**-**	**-**	**-**
Consolidation adjustments	**- 36,565**	**- 180**	**- 36,745**
- Goodwill	*- 35,902*		*- 35,902*
- Amortisation of intangible asset Banca del Gottardo Italia	*-*	*- 164*	*- 164*
. Cancellation of own shares	*- 773*		*- 773*
- Acquisition of BG Investment Luxembourg	*-*	*34*	*34*
- BSI BSI Italia Stock Option Plans	*110*	*- 50*	*60*
Banca Generali Consolidated Financial Statements	**180,990**	**7,935**	**188,925**

6. Operating Performance

The following tables and notes provide an analysis of the Group's operating results for 2008, compared to those for 2007.
In order to provide a more effective representation of the operating performance, a summary profit and loss account is provided through appropriate reclassifications and in accordance with principles that better represent the content of the items in like-for-like manner.

In the interest of providing more closely comparable data, as provided for in IFRS 5, the 2007 figures have been restated in order to separate the profit and loss result associated with the Simgenia business unit, which in 2008 was classified to separate item, as profit/loss of discontinued operations.

The comparative 2007 profit and loss situation does not, however, include the economic effects of the acquisition of Banca del Gottardo, which occurred on 1 October 2008, and which had an impact of 0.6 million euros on the consolidated profit and loss account for the fourth quarter of the year.
In the interest of a more thorough understanding of the results, the necessary indications concerning changes in the main profit and loss account items on a like-for-like basis are provided.

	31/12/2008	31/12/2007	Change		31/12/2007
			Amount	%	
		Restated			Official
Net interest	**61,203**	**43,136**	**18,067**	**41.9%**	**43,136**
Net commissions	**112,354**	**148,431**	**-36,077**	**-24.3%**	**152,938**
Dividends	35,218	2,845	32,373	1137.9%	2,845
Net result from banking operations	-43,016	-12,274	-30,742	250.5%	-12,332
Net operating income	**165,759**	**182,138**	**-16,379**	**-9.0%**	**186,587**
Staff expenses	-55,042	-53,577	-1,465	2.7%	-57,135
Other general and administrative expense	-77,509	-67,465	-10,044	14.9%	-70,836
Net adjustments of property, equipment and intangible assets	-5,344	-6,435	1,091	-17.0%	-7,081
Other operating expense/income	8,782	7,608	1,174	15.4%	7,704
Net operating expense	**-129,113**	**-119,869**	**-9,244**	**7.7%**	**-127,348**
Operating profit	**36,646**	**62,269**	**-25,623**	**-41.1%**	**59,239**
Net adjustments for non-performing loans	-2,079	-559	-1,520	271.9%	-559
Net adjustments of other assets	-7,065	-	-7,065	100.0%	-
Net provisions	-13,365	-20,455	7,090	-34.7%	-21,395
Gain (loss) from equity investments	-35	-	-35	100.0%	-
Operating profit before taxation	**14,102**	**41,255**	**-27,153**	**-65.8%**	**37,285**
Income taxes for the period on current operations	-2,297	-20,828	18,531	-89.0%	-21,997
Profit (loss) from non-current discontinued operations, net of tax	-3,870	-5,139	1,269	-24.7%	-
Net profit	**7,935**	**15,288**	**-7,353**	**-48.1%**	**15,288**

The Group closed 2008 with a consolidated net profit of 7.9 million euros, down sharply from the 15.3 million euros reported at the end of 2007 (-48.1%).
On the whole, the Banca Generali Group's consolidated profit and loss aggregates were significantly influenced by the intensification of the international financial market crisis.

Consolidated operating profit amounted to 36.6 million euros, down by 25.6 million euros on the previous year (-41.1%) due to the considerable decrease in net operating income (-9.0%), accompanied by an increase in operating expenses (+7.7%), significantly influenced by the expenses of merging Banca del Gottardo Italia.
The effects of the crisis firstly impacted aggregate net commissions, down 36.1 million euros (-24.3%) compared to the same period in the previous year.

The net result of banking operations, which amounted to a net loss of 7.8 million, net of dividends, nonetheless showed a slight improvement on the loss of 9.7 million euros reported at the end of 2007, due in part to the positive effect of the application of the amendment to IAS 39. This negative result was, however, in addition to the negative effects of the impairment of the Lehman Brothers securities held, which had an impact of 7.1 million euros on the result for the period, and the allocation of a provision for impaired securities of 1.1 million euros to cover latent losses.

EBITDA (income before taxes, net provisions, adjustments on loans/other assets, property, equipment and intangible assets) amounted to 41.9 million euros, with a slight decrease compared to 69.8 million euros for the previous year.

6.1 Net Interest

Net interest income amounted to 61.2 million euros, a 18.1 million euro increase (+41.9%), compared to the previous year.
Banca Del Gottardo Italia's contribution to the development of net interest income amounted to 2.2 million euros in the fourth quarter of 2008. On a like-for-like basis, net interest income increased by 16.9 million euros, or 36.8%.

(€ thousand)	31/12/2008	31/12/2007 Restated	Change Amount	%	31/12/2007 Official
Financial Assets Held for Trading	59,412	91,244	- 31,832	-34.9%	91,244
AFS financial assets	30,983	425	30,558	7190.1%	425
Held-to-maturity assets (HTM assets)	14,918	-	14,918	0.0%	-
Financial assets classified among loans	10,032	-	10,032	0.0%	-
Total financial assets	115,345	91,669	23,676	25.8%	91,669
Loans to banks	41,794	25,627	16,167	63.1%	25,627
Loans to customers	19,603	14,938	4,665	31.2%	14,938
Other assets	458	157	301	191.7%	157
Total interest income	**177,200**	**132,391**	**44,809**	**33.8%**	**132,391**
Due to banks	1,298	928	370	39.9%	928
Due to customers and securities issued	70,104	55,247	14,857	26.9%	55,247
Repurchase agreements - banks	9,487	12,298	- 2,811	-22.9%	12,298
Repurchase agreements - customers	33,113	20,782	12,331	59.3%	20,782
Hedging derivatives	1,995	-	1,995	0.0%	-
Other liabilities	-	-	-	0.0%	-
Total interest expense	**115,997**	**89,255**	**26,742**	**30.0%**	**89,255**
Net interest	**61,203**	**43,136**	**18,067**	**41.9%**	**43,136**

The rise in net interest was marked by the significant increase in interest rates on the interbank market, which characterised most of the year due to the prevalence of short-term, floating-rate exposures among the Group's loans.
In particular, net interest on interbank exposures rose by 18.6 million, or 150.1%, and net interest on debt securities, allocated to the Group's various portfolios, climbed by 23.7 million, or 25.8% on 2007. The effect on the profit and loss account of the recognition of the reclassified securities portfolio at the effective interest rate was 3.3 million euros.

The ensuing increase in the average interest rates paid by the Group and customers' greater propensity for liquidity also resulted in a rapid expansion in the cost of customer deposits, marking an increase of 14.8 million euros (+26.9%) on 2007.

6.2 Net Commissions

Aggregate commissions stood at 112.3 million euros, down by 36.1 million euros (-24.3%) compared to the previous year.

Banca Del Gottardo Italia's contribution to the development of net commissions amounted to 1.4 million euros in the fourth quarter of 2008. On a like-for-like basis, net commissions decreased by 37.5 million euros, or -25.2%.

(€ thousand)	31/12/2008	31/12/2007 Restated	Change Amount	Change %	31/12/2007 Official
Asset management	119,845	142,017	- 22,172	-15.6%	142,017
Placement of securities	52,966	72,335	- 19,369	-26.8%	84,649
Distribution of third-party financial products	39,244	54,835	- 15,591	-28.4%	55,285
Dealing in securities and currencies	4,857	5,333	- 476	-8.9%	5,333
Order collection, custody, and securities administration	17,274	16,550	724	4.4%	16,550
Collection and payment services	3,315	2,497	818	32.8%	2,497
Other services	1,152	2,114	- 962	-45.5%	2,114
Total commission income	**238,653**	**295,681**	**- 57,028**	**-19.3%**	**308,445**
Commissions for external offer	113,189	139,315	- 26,126	-18.8%	147,572
Collection and payment services	1,839	1,834	5	0.3%	1,834
Dealing in securities and custody	4,774	3,713	1,061	28.6%	3,713
Asset management	4,320	41	4,279	10436.6%	41
Other	2,177	2,347	- 170	-7.2%	2,347
Total commission expense	**126,299**	**147,250**	**- 20,951**	**-14.2%**	**155,507**
Net commissions	**112,354**	**148,431**	**- 36,077**	**-24.3%**	**152,938**

The decline in revenues by 57.0 million euros (-19.3%) was related to the solicitation and management of the investments of households, a segment particularly severely affected by the international financial market crisis.

Income from the Group's individual and collective asset management businesses declined 22.2 million euros or 15.6%, fully concentrated in individual asset management portfolios, whereas group-managed OICR showed growth thanks to the significant progress made by Luxembourg SICAVs.

Turning to the placement and distribution of third-party services, the decline of 35.0 million euros on 2007 pertained to all product types but was primarily attributable to the lesser contribution of the placement of third-party OICR (-17.1 million euros, or 30.8%) and the distribution of insurance products (-12.3 million euros, or 27.1%), which contracted sharply in the second half of the year.

(€ thousand)	31/12/2008	31/12/2007 Restated	Change Amount	Change %	31/12/2007 Official
Asset management, own					
1. Collective asset management (OICR, pension funds)	86,014	82,774	3,240	3.9%	82,774
2. Individual asset management	33,831	59,243	- 25,412	-42.9%	59,243
Commissions on asset management	119,845	142,017	- 22,172	-15.6%	142,017
1. Placement of third-party OICR	38,583	55,730	- 17,147	-30.8%	68,044
2. Bond placement	14,383	14,749	- 366	-2.5%	14,749
3. Other placement operations	-	1,856	- 1,856	- 100.0%	1,856
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	1,073	3,520	- 2,447	-69.5%	3,643
5. Distribution of third-party insurance products	33,125	45,426	- 12,301	-27.1%	45,753
6. Distribution of other third-party financial products	5,046	5,889	- 843	-14.3%	5,889
Placement and distribution of third-party products	92,210	127,170	- 34,960	-27.5%	139,934
Total	**212,055**	**269,187**	**- 57,132**	**-21.2%**	**281,951**

Income on other banking services provided to customers is essentially attributable to trading commissions, the receipt of orders, and custody and administration, and remained substantially stable with respect to the previous year. Among other services, commissions on correspondent bank services decreased.

(€ thousand)	31/12/2008	31/12/2007 Restated	Change Amount	Change %	31/12/2007 Official
Trading services	22,131	21,883	248	1.1%	21,883
Other services	4,467	4,611	-144	-3.1%	4,611
Total traditional banking operations	**26,598**	**26,494**	**104**	**0.4%**	**26,494**

Underwriting commissions (-32.4%) decreased more than management commissions (-17.8%) as the ratio of commissions on traditional banking operations increased. Incentive commissions refer to the SICAVs managed by BG Investment Luxembourg and the OICR for which BG SGR has a management mandate.

(€ thousand)	31/12/2008	31/12/2007 Restated	Change Amount	Change %	31/12/2007 Official
Underwriting commissions	40,652	60,169	-19,517	-32.4%	61,408
Management commissions	164,440	200,042	-35,602	-17.8%	211,567
Incentive commissions	5,228	9,052	-3,824	-42.2%	9,052
Other commissions (other banking and financial services)	28,333	26,418	1,915	7.2%	26,418
Total	**238,653**	**295,681**	**-57,028**	**-19.3%**	**308,445**

Lastly, commissions paid decreased by 20.9 million euros (-14.2%), mainly due to a reduction in "commissions for external offer" and post-sale assistance paid to the distribution network (-26.1 million euros, or 18.8%), which are more rigid compared to the decrease in asset management revenues.

The increase in commission expenses associated with asset management is essentially related to the commissions charged to BG Investment Luxembourg for management of SICAVs.

6.3 Dividends

Total dividends amounted to 35.2 million euros, mostly attributable to equity securities traded as part of total return swap transactions, illustrated in detail in the next section.
Net of this component, the remaining dividend balance, which did not change significantly compared to the same period of the previous year, refers to distributions by investee companies classified as available-for-sale financial assets (2.1 million euros) and dividends from trading assets.

(€ thousand)	31/12/2008	31/12/2007 Restated	Change Amount	Change %	31/12/2007 Official
Dividends of financial assets available for sale	2,247	1,365	882	64.6%	1,365
Dividends from trading	647	754	-107	-14.2%	754
Dividends on TRS operations	32,324	726	31,598	4,352.3%	726
Total dividends	**35,218**	**2,845**	**32,373**	**1,138%**	**2,845**

6.4 Net profit from trading and financial operations

Net profit from trading includes gains and losses on sales and capital gains/loss on assessments of fair value of financial assets and liabilities held for trading or available for sale, as well as profit and loss from the transfer of financial assets available for sale and the result of hedging operations.

In 2008, trading operations resulted in a net loss of 43.0 million euros, compared with a net loss of 12.3 million euros at the end of 2007, which was already affected by the initial severe effects of the financial crisis, marking a net decline of 30.7 million euros.

(€ thousand)	31/12/2008	31/12/2007	Change		31/12/2007
		Restated	Amount	%	Official
Net income (loss) on financial assets	-71,594	282	-71,876	-25487.9%	282
Gain (loss) on financial assets	-5,542	-24,050	18,508	-77.0%	-24,108
Income (loss) on derivatives	31,651	1,241	30,410	2450.4%	1,241
Gain (loss) on derivatives	26	8,434	-8,408	-99.7%	8,434
Securities transactions	**-45,459**	**-14,093**	**-31,366**	**222.6%**	**-14,151**
Currency transactions	**921**	**769**	**152**	**19.8%**	**769**
Result from trading	**-44,538**	**-13,324**	**-31,214**	**234.3%**	**-13,382**
Net profit from hedging	3	-	3	100%	
Income (loss) from repurchases	1,519	1,050	469	44.7%	1,050
Income (loss) of financial operations	**-43,016**	**-12,274**	**-30,742**	**250.5%**	**-12,332**

However, this result should be viewed in the light of the significant dealings in total return swap derivatives in 2008, which did not occur to a significant extent in 2007.
These transactions involve the payment to the counterparties of all equity amounts and dividend amounts on the basket of equity securities chosen, against receipt of a floating amount of interest on the capital invested for the term of the contract. As part of the swap, Banca Generali purchased a corresponding amount of the underlying securities on the market.
The trading of the underlying securities generated a loss of 60.4 million euros, while the associated dividends amounted to 32.3 million euros. The derivative component, on the other hand, generated an equity amount of 66.7 million euros and a dividend amount of 35.0 million euros.

Therefore, considering the related dividends, the total result of total return swap transactions amounted to a gain of 3.6 million euros, and the net loss on trading activities decreased to 12.2 million euros, as illustrated in the following table.

(€ thousand)	Gains from trading	Capital gains	Loss from trading	Capital loss	Net result 31/12/2008	Net result 31/12/2007	Change
1. Debt securities transactions	3,784	1,181	-888	-4,285	-208	-15,369	15,161
Debt securities - reclassification IAS39	-	-	-12,543		-12,543	-	-12,543
2. Equity securities transactions	5,253	44	-7,156	-2,383	-4,242	-1,777	-2,465
Equity securities	5,167	44	-5,126	-2,383	-2,298	-2,931	633
Equity securities – reclassification IAS39	-	-	-2,030	-	-2,030	577	-2,607
Options on equity securities	86	-	-	-	86	577	-491
3. Other transactions	94	-	-103	-	-9	15	-24
4. Total Return Swaps (TRS)	99,044	-	-95,412	-	3,632	528	3,104
Equity securities (TRS transactions)	-	-	-60,385	-	-60,385	-8,030	-52,355
Dividends	32,324				32,324	726	31,598
Equity swap	66,720	-	-35,027	-	31,693	7,832	23,861
5. UCITS unit quota transactions	482	-	-46	-99	337	2,547	-2,210
6. Interest Rate Swaps (IRS)	8	-	-127	-	-119	1,081	-1,200
7. Currency transactions	1,016	191	-104	-165	938	954	-16

Derivatives	95	191	-104	-165	17	185	-168
Exchange gains and losses	921	-	-		921	769	152
Result from trading	**109,681**	**1,416**	**-116,379**	**-6,932**	**-12,214**	**-12,021**	**-193**

The negative performance of trading operations, at any rate, due to the deepening of the international financial crisis, which, combined with the deterioration of expectations for the global economy, adversely affected stock- and bond-market performance.
Excluding the equity swap component, the net loss was caused by losses and net losses on the trading portfolio of 15.8 million euros.

The debt securities segment posted an overall net loss of 12.8 million euros due to net losses on measurement at fair value of 3.1 million euros and net realised losses of 9.6 million euros.
However, this figure also includes 12.5 million euros in net losses recognised upon the reclassification of assets from held-for-trading portfolios at amortised cost (HTM, Loans).

The net loss for the equities segment amounted to 4.2 million euros, attributable to net capital losses of 2.3 million euros and net losses of 1.9 million euros, of which 2 million euros was recognised upon the reclassification of equity investments from the trading portfolio to the available-for-sale portfolio.

Moreover, had the reclassification allowed under IAS 39 not been undertaken, the measurement at fair value of the trading portfolio would have resulted in the recognition on the profit and loss account of 34.3 million euros in additional net write-downs, of which 4.5 million pertaining to the equity segment.

6.5 Impairment of Lehman Brothers Securities

To complete the analysis of the result from on financial operations, it will also be necessary to discuss the effects of the default of the U.S. investment bank Lehman Brothers, which took the markets by surprise on 15 September.
As of the above date, the Group held corporate bonds issued by Lehman Brothers with a nominal value of 9.0 million euros and an amortised cost of 8.4 million euros, allocated to the available-for-sale (AFS) portfolio and measured at fair value with a balancing entry to net equity.
The impairment loss on said bonds was calculated on the basis of a prudential recovery rate of 15%.

These financial instruments were therefore written down by 7.1 million euros on the profit and loss account, net of the previously allocated equity valuation reserves amounting to 0.3 million euros.
The above amount was recognised in a specific item of the profit and loss account, which was reclassified to account for impairment adjustments.

6.6 Operating Expenses

Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses, overall increased by 9.2 million euros compared to 2007 (+7.7%).
Banca Del Gottardo Italia's contribution to the development of operating expenses amounted 3.7 million euros in the fourth quarter of 2008. On a like-for-like basis, the aggregate increased by 5.5 million euros, or 4.6%.

The ratio of operating expenses, before adjustments to property, equipment and intangible assets, to net banking income (cost/income ratio) went to 74.7% at the reporting date, from 62.3% for 2007 (74% LfL).

(€ thousand)	31/12/2008	31/12/2007	Change		31/12/2007
		Restated	Amount	%	Official
Staff expenses	-55,042	-53,577	-1,465	2.7%	-57,135
Other general and administrative expense	-77,509	-67,465	-10,044	14.9%	-70,836
Net adjustments of property, equipment and intangible assets	-5,344	-6,435	1,091	-17.0%	-7,081
Other income and expenses	8,782	7,608	1,174	15.4%	7,704

Operating expense	**- 129,113**	**- 119,869**	**- 9,244**	**7.7%**	**- 127,348**

In this context, staff expenses (salaried employees, atypical workers and directors) rose by 1.5 million euros with respect to the previous year (+2.7%). However, Banca Del Gottardo Italia's contribution to the development of operating expenses amounted to 2.2 million euros in the fourth quarter of 2008. On a like-for-like basis, the aggregate decreased by 0.8 million euros, or -1.5%.

The Group's salaried employees amounted to 820 resources, marking an increase of 90 resources on 2007, chiefly due to the absorption of the 82 employees of Banca del Gottardo Italia. The Luxembourg subsidiary, which began to operate during the year, also contributed to the development of the group's workforce.

	31/12/2008	**31/12/2007**	**Change**		**31/12/2007**
		Restated	**Amount**	**%**	**Official**
Managers	55	42	13	31.0	42
3rd and 4th level executives	117	90	27	30.0	90
Other employees	648	598	50	8.4	598
Total	**820**	**730**	**90**	**12.3**	**730**

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change**		**31/12/2007**
		Restated	**Amount**	**%**	**Official**
1) Employees	***53,389***	***51,525***	***1,864***	***3.6%***	***55,307***
Wages and salaries	30,660	29,549	1,111	3.8%	31,655
Social security charges	7,877	7,797	80	1.0%	8,369
Termination indemnity	381	588	- 207	-35.2%	578
Contributions to outside supplemental pension funds	3,320	2,700	620	23.0%	2,839
Costs related to payment agreements based on own financial instruments	590	1,497	- 907	-60.6%	1,564
Provision for staff expenses	6,933	6,061	872	14.4%	6,399
Other employee benefits	3,628	3,333	295	8.9%	3,903
2) Other staff	**- 161**	***362***	***- 523***	***-144.5%***	***138***
3) Directors and Auditors	**1,814**	***1,690***	***124***	***7.3%***	***1,690***
of which costs related to payment agreements based on own financial instruments	- 322	*8*	- 330	-4125.0%	*8*
Total	**55,042**	**53,577**	**1,465**	**2.7%**	**57,135**

Other general and administrative expense amounted to 77.5 million euros, an increase of approximately 10.0 million euros, compared to the previous year (+14.9 %); the contribution of Banca del Gottardo Italia in the last quarter of 2008 amounted to 1.4 million euros. On a like-for-like basis, the aggregate increased by 8.6 million euros, or 12.8%.

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change**		**31/12/2007**
		Restated	**Amount**	**%**	**Official**
Administration	**13,417**	**6,389**	**7,028**	**110.0%**	**7,160**
Advertising	3,282	697	2,585	370.9%	735
Consultancy and professional advice expense	6,406	1,721	4,685	272.2%	1,755
Audit	502	567	-65	-11.5%	626
Other general costs (insur. T&E)	3,227	3,404	-177	-5.2%	4,044
Operations	**30,857**	**30,754**	**103**	**0.3%**	**31,811**
Rent and usage of premises	13,715	12,494	1,221	9.8%	12,643

Outsourced services	7,785	7,570	215	2.8%	7,983
Post and telephone	2,418	3,208	-790	-24.6%	3,255
Print material and contracts	1,619	967	652	67.4%	1,047
Other operating expenses	5,320	6,515	-1,195	-18.3%	6,883
Information system and equipment	**25,111**	**22,379**	**2,732**	**12.2%**	**23,922**
Outsourced IT services	17,547	15,989	1,558	9.7%	16,468
Fees for financial databases and other IT services	4,122	3,612	510	14.1%	3,829
Software maintenance and servicing Sw	1,843	1,084	759	70.0%	1,909
Other expenses (equipment rental, maintenance, etc.)	1,599	1,694	-95	-5.6%	1,716
Taxes and duties	**8,124**	**7,943**	**181**	**2.3%**	**7,943**
Total other general and administrative expense	**77,509**	**67,465**	**10,044**	**14.9%**	**70,836**

The increase in administrative expenses was significantly influenced by the costs of integrating Banca del Gottardo Italia, the costs of the marketing campaign for the launch of the new Luxembourg SICAV, and the costs incurred for IT services.

Depreciation and amortisation amounted to 5.3 million euros, down 1.1 million compared to the same period of 2007 (-17.0 %), mainly due to a decrease in the amortisation expense on no-load commissions.

(€ thousand)	31/12/2008	31/12/2007 Restated	Change Amount	%	31/12/2007 Official
Adjustments/reversals to property and equipment	2,266	2,265	1	0.0%	2,300
Adjustments/reversals to intangible assets	3,078	4,170	-1,092	-26.2%	4,781
Total	**5,344**	**6,435**	**-1,091**	**-17.0%**	**7,081**

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

This aggregate amounted to 8.8 million euros at year-end, marking an increase of 1.2 million euros on the previous year.

(€ thousand)	31/12/2008	31/12/2007 Restated	Change Amount	%	31/12/2007 Official
Recovery of expenses and inflow from customers	3,263	4,101	-838	-20.4%	4.101
Recovery of taxation from customers	7,037	6,499	538	8.3%	6.499
Indemnities and recovery of costs from advisors	1,639	1,333	306	23.0%	1.333
Training of insurance agents	-	-	-	0.0%	605
Contingent assets	1,558	2,085	-527	-25.3%	2.235
Indemnities and compensation	599	-	599	0.0%	-
Other income	736	53	683	1288.7%	66
Total	**14,832**	**14,071**	**761**	**5.4%**	**14,839**
Adjustments of leasehold improvements	1,432	1,413	19	1.3%	1,413
Charges from accounting adjustments with customers	1,130	322	808	250.9%	446
Charges for staff leaving incentives	108	1,058	-950	-89.8%	1,158
Contingent liabilities	2,513	2,552	-39	-1.5%	2,992
Indemnities and compensation	645	985	-340	-34.5%	986
Consolidation adjustments	-67	65	-132	-203.1%	65

Other operating expenses	289	68	221	325.0%	75
Total	**6,050**	**6,463**	**-413**	**-6.4%**	**7,135**
Other net operating income	**8,782**	**7,608**	**1,174**	**15.4%**	**7,704**

The factors that contributed to the development of the aggregate include the indemnity obtained to close out the Fideuram settlement and the allocation of the recovery stamp duty on placement contracts from customers (MiFID).

6.6 Operating Income and Net Profit for the Year

As illustrated in the foreword, at 31 December 2008 **operating income** amounted to 36.6 million euros, a decrease of 25.6 million euros compared to 2007 (-41.1%). . On a like-for-like basis, the aggregate would have decreased 40.9%.

Operating profit before taxation amounted to 14.1 million euros, after 13.4 million euros net provisions, down sharply on the previous year, and adjustments of the value of loans and financial assets of 9.2 million euros.

(€ thousand)	31/12/2008	31/12/2007	Change		31/12/2007
		Restated	Amount	%	Official
Net operating income	165,759	182,138	16,379	-9.0%	186,587
Operating expense	-129,113	-119,869	-9,244	7.7%	-127,348
Operating profit	**36,646**	**62,269**	**-25,623**	**-41.1%**	**59,239**
Net adjustments for non-performing loans	-2,079	-559	-1,520	271.9%	-559
Net adjustments of other assets	-7,065	-	-7,065	0.0%	-
Net provisions	-13,365	-20,455	7,090	-34.7%	-21,395
Gain (loss) from the disposal of equity investments	-35	-	-35	0.0%	-
Operating profit before taxation	**14,102**	**41,255**	**-27,153**	**-65.8%**	**37,285**
Income taxes for the period on current operations	-2,297	-20,828	18,531	-89.0%	-21,997
Income (loss) of groups of available for sale assets, net of taxes	-3,870	-5,139	1,269	-24.7%	
Net profit	**7,935**	**15,288**	**-7,353**	**-48.1%**	**15,288**

Net provisions include 11.8 million euros in commission expenses associated with short- and medium-term incentive programmes related to the expansion of the sales network and decreased sharply due to the gradual conclusion of the plans agreed upon in previous years.
In addition, allocations were made to provisions to account for legal disputes, the increase in which is partly attributable to a case of embezzlement that occurred late in the year, in connection with which the Group decided to make a prudential allocation.

(€ thousand)	31/12/2008	31/12/2007	Change		31/12/2007
		Restated	Amount	%	Official
Provisions for risk related to commissions to be assigned	11,833	18,300	-6,467	-35.3%	19,143
Provisions for legal disputes	2,271	260	2,011	770.1%	301
Provisions for termination indemnity and overfees	-739	1,895	-2,634	-139.0%	1,927
Other provisions for liabilities and contingencies	-	-	-	0.0%	24
Total	**13,365**	**20,455**	**-7,090**	**-34.66%**	**21,395**

Net adjustments for impairment amounted to 9.2 million euros, of which 7.1 million euros refers to the impairment of the Lehman debt securities in the AFS portfolio, as discussed above. In addition, a provision for impairment of 1.1 million euros has been allocated for the portfolio of debt securities reclassified to loans and receivables, which, however, did not show any specific situations of impairment, in order to cover any latent losses.
Write-downs of commissions receivable from financial advisors, agents and product companies claimed by the parent company, Banca Generali, in the amount of 2.1 million euros, also contributed to this result.

(€ thousand)	Value adjustments	Restated reversals	Net adjustments 2008	Adjustments 2007
Specific adjustments/reversals	-	-	-	-
Lehman impairment	-7,065	-	-7,065	-
Valuation of fun. receivables (FAs, product companies)	-2,162		-2,162	-
Valuation of substandard loans of Banca del Gottardo		900	900	-
Banking portfolio	-123	53	-70	-422
Portfolio adjustments/reversals	-	-	-	-
Collective valuation of debt securities reclass. IAS 39	-1,070		-1,070	-
Coll. credit valuat. of banking portfolio	-	323	323	-137
Total	**-10,420**	**1,276**	**-9,144**	**-559**

Income taxes for the period, consisting of IRES and IRAP, are estimated at 2.3 million euros (of which 1.8 million IRAP), including 7.9 million euros in estimated current tax liabilities, offset by 5.4 million euros in prepaid and deferred taxes.

The significant decrease in the tax rate with respect to the previous year may be attributed to various factors, first and foremost of which is the reform of the tax code enacted by the 2008 Finance Act, which resulted in a decrease in IRES/IRAP tax rates (from 33% to 27.5% and 4.25% to 3.90%, respectively). In this regard, it should be noted that the ensuing discontinuance of prepaid taxation had already resulted in 3.7 million euros in increased expenses on the profit and loss account in 2007. The reorganisation of the Group's activities, involving the launch of operations by the Luxembourg management company, also contributed.

(€ thousand)	31/12/2008	31/12/2007	Change		31/12/2007
		Restated	Amount	%	Official
Current taxation	-7,820	-21,162	13,342	-63.0%	-22,272
Prior period taxes	148	50	98	196.0%	50
Changes of prepaid taxation (+/-)	2,856	-3,316	6,172	-186.1%	-3,380
Changes of deferred taxation (+/-)	2,519	3,600	-1,081	-30.0%	3,605
Taxes for the period (-)	**-2,297**	**-20,828**	**18,531**	**-89%**	**-21,997**

Earnings per Share

Financial year 2008 ended with a consolidated **net profit** of 7.9 million euros.
As a result, earnings per share rose from 13.9 to 7.2 euros.

	31/12/2008	31/12/2007
Net profit for the period (€ thousand)	7,935	15,288
Net profit attributable to ordinary shares	7,935	15,288
Average number of outstanding shares	110,238,240	109,961,177
EPS - Earnings per Share (euro)	**0.072**	**0.139**
Average number of outstanding shares, diluted capital	110,238,240	109,961,177
EPS - Diluted earnings per share (euro)	**0.072**	**0.139**

6.7 Cash Flows

At the end of 2008, cash flows from operating activities amounted to 89.4 million euros.

On the whole, at year-end, the cash flows generated by operations (+54.1 million euros), outflows from securities held for trading (+343.7), and the net interbank position (+173.0) were absorbed by the decline in amounts due to customers (-416.3 million euros) and net operating assets and liabilities (-99.3).

During the year, cash flows used in investment activities amounted to 61.0 million euros mostly attributable to the purchase of the equity investment in Banca del Gottardo Italia, whereas cash flows used in financing activities amounted to 20.9 million. Financing activities included dividend distributions (19.9 million) and purchases of treasury shares. Total net cash generated in the year amounted to 0.5 million euros.

(€ thousand)	31/12/2008	31/12/2007
Cash flows generated by operations:	**54,064**	**2,839**
Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities	343,670	- 640,666
Cash flows generated by (+) used for (-) loans to banks	225,120	- 15,093
Cash flows generated by (+) used for (-) loans to customers	34,272	15,506
Cash flows generated by (+) used for (-) amounts due to banks	- 52,063	- 26,232
Cash flows generated by (+) used for (-) amounts due to customers	- 416,342	712,753
Cash flows generated by (+) used for (-) other operating assets and liabilities	- 99,290	- 31,409
Liquidity generated by/used for operating activities	**89,431**	**17,698**
Liquidity generated by/used for investing activities	**- 61,042**	**- 4,894**
Liquidity generated by/used for financing activities	**- 20,875**	**- 14,856**
Net cash liquidity generated/used	**506**	**- 2,052**
Cash and deposits	**8,315**	**7,809**

7. Transactions with Related Parties

7.1 Disclosure of Transactions with Related Parties

In compliance with Article 2391-*bis* of the Italian Civil Code, Article 71 of CONSOB (Italy's stock market regulator) Regulation No. 11971/99 (Rules for Issuers) and the recommendations contained in the Corporate Governance Code for listed companies, on 18 July 2006, the Banca Generali's Board of Directors approved the *Code of Conduct for Transactions with Related Parties*, with the objective of:
(i) regulating the implementation of transactions with related parties by Banca Generali or by its subsidiaries, identifying internal rules suitable for ensuring tranS.p.A.rency, the substantial and procedural accuracy of transactions, and especially of "significant" transactions, i.e. those with a relevant impact on the profit and loss account, the balance sheet, and the company's financial position.
(ii) establishing the procedures for complying with disclosure requirements, including those required under applicable laws and regulations.

In compliance with CONSOB Resolution No. 15232 of 29 November 2005, "related parties" includes parties defined as such by IAS 24 — Related Party Disclosures.
In compliance with this standard, the following are defined as related parties of the banking group:

- the Parent Company, Assicurazioni Generali S.p.A.;
- companies that are either directly or indirectly controlled by Assicurazioni Generali (subsidiaries);
- companies belonging to the banking group (Banca BSI Italia, BG SGR, BG Investment Luxembourg investment, Simgenia, BG Fiduciaria, and Sant'Alessandro Fiduciaria, Banca del Gottardo Italia).

For the purpose of IAS 24, related parties also include executives of the banking Group with strategic responsibilities:

- the members of the Board of Directors and Board of Auditors;
- the Company's General Manager and executives invested with managerial powers and/or credit-approval powers directly by the Companies' Board of Directors;
- executives with strategic responsibilities for the Subsidiary Companies, as identified by the administrative organs of the latter from time to time and notified to the Companies;
- executives with strategic responsibilities for the parent company, as identified by the administrative organ of the latter from time to time and notified to the Companies.

In implementing the principles set out in the aforementioned Code, the banking group follows specific procedures to allow the regular flow of information regarding related-party transactions from subsidiaries to the Parent Company and from the Parent Company to its control boards.

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

As part of its normal business operations, the group has numerous financial and commercial relationships with the companies previously defined as related parties.

In the banking area, such relationships include current accounts, the custody and administration of securities, stock brokerage and commercial portfolio collection.
As regards the distribution and sale of financial services, a number of agreements were established regarding the placement by the financial advisors of asset-management and insurance products and banking products and services.
The Group's operations also involve the outsourcing of IT and administrative services, centralised with the consortium GBS – General Business Solutions, insurance (Assicurazioni Generali, Genertel), the leasing of management and branch offices (Assicurazioni Generali, Generali Properties, Immobiliare 19) and other lesser services from Generali Group companies.
There are also many cases of secondment of personnel to and from banking group companies and the subsidiaries of the Generali Group.

The Parent Company, Banca Generali, and its subsidiaries Banca BSI Italia and BG Sgr are participating in the national tax consolidation scheme of Assicurazioni Generali, as introduced by Legislative Decree No. 344/2003, for the three-year period 2007-2009.
The programme is governed by a specific set of Rules and Procedures and involves the aggregation of the taxable income of all participating Group companies and a single IRES (corporate income tax) payment by the Parent Company in its capacity as "consolidating entity".

Transactions with related parties are part of the ordinary course of business of the companies in the Group and of Banca Generali are carried out at fair market conditions.
Additional information on related-party transactions is included in Part H of the Notes.

7.2 Unusual, atypical or extraordinary transactions

No transactions other than those completed as part of normal banking relationships with private and corporate customers were carried out during 2008. Specifically, no related-party transactions were carried out that could be defined as atypical or unusual or as having an "impact on the safety of the company's assets or the completeness or accuracy of accounting and other information related to the issuer", which would therefore require disclosure to the market pursuant to Article 71-*bis* of CONSOB Regulation No. 11971/99 (and subsequent amendments).

However, transactions considered extraordinary under the Code of Conduct for Related Parties were undertaken.
As previously disclosed in ample detail, on 1 October 2008 Banca del Gottardo Italia was acquired through the subsidiary Banca BSI Italia for a price of 62 million euros.
Banca BSI SA was the merging company in the transaction, which will therefore qualify as a business combination of entities under common control within the Generali Group.
To fund the acquisition, the Board issued a subordinated loan by Banca BSI Italia in the amount of 40 million euros, subscribed in full by German subsidiary Generali Versicherung AG.
Thereafter, Banca BSI authorised the absorption of Banca del Gottardo Italia, which took place effective 1 January 2009.
Information on the above transactions was disclosed to the market in accordance with law.

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

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

8. Comments on the Parent Company's Operations

Given the nature of the Banca Generali Banking Group's operations, the consolidated report is certainly better suited to illustrating the company's earnings performance than the parent company's separate report. Consequently, the following comments on Banca Generali's separate operations should be read as completing and supplementing the information provided in the comments on the consolidated figures.
Comments on the Parent Company's key profit and loss, balance sheet, and sales figures are provided below.
On 19 December 2008, Banca Generali's Board of Directors authorised the disposal of 85% of Simgenia Società di Intermediazione Mobiliare S.p.A. to other Generali Group companies.
The disposal may be considered a transaction between entities "under common control" and was accounted for in accordance with IFRS 5 in the financial statements for the year ended 31 December 2008.
In further detail, the entirety of the equity investment in Simgenia was reclassified to the item assets held for sale, inasmuch as the transaction was considered the disposal of a controlling equity investment and the subsequent repurchase of a minority interest.
Dividends distributed by the company during the reporting year and the previous year have been reclassified to net profit or loss from assets held for sale.
The comparative profit and loss account as of 31 December 2007 and the relative details of the Notes have been restated accordingly.

8.1 Sales Figures

Turning to sales figures, against the backdrop of a difficult situation on financial markets, Banca Generali reported net inflows of 94 million euros, accounting for 13.7% of the total posted by the Banking Group.
These inflows were achieved primarily from insurance products (1,025 million euros), compared to the same net outflows from assets under management (-991 million euros), and moderate net inflows into assets under administration (60 million euros). From this standpoint, the Banca Generali S.p.A. Group has reported a performance that partially diverges from that of the market at large, influenced by its specific product range. Market turbulence has led investors to privilege the underwriting of more cautious financial instruments: capital protected products (282 million euros) and, most significantly, insurance products (almost 1.3 billion euros in new business).
In terms of assets under management distributed through the network of financial advisors, Banca Generali was responsible for 11.2 billion, or 55.4% of the entire Banking Group's total assets under management, achieving market share of 5.4%.
At year-end, Banca Generali's sales network consisted of 1,358 financial advisors, with an average of 8.3 million in assets under management each.
Banca Generali S.p.A.'s financial advisor network covers an extensive area in Italy and is supported by a total of 156 bank branches and Advisor Offices.

The schedules set forth below, along with the associated commentary, provide an analysis of the change in the main financial and economic aggregates for 2008 and a comparison with the figures at the end of the previous year.
In order to provide a more effective representation of results, a summary balance sheet is provided herein through appropriate reclassifications and in accordance with principles that better represent the content of the items in like-for-like manner.

8.2 Balance Sheet Figures

Total assets decreased by 7.9% compared to year-end 2007, from 4,021 million euros to 3,702 million euros at the end of 2008.
In detail, total direct inflows from customers went from 3,046 million euros in 2007 to 2,524 million euros, down 17.1%, while total lending decreased by 10.1% from 3,838 million euros in 2007 to 3,450 million euros in 2008.

Assets	31/12/2008	31/12/2007	Change	
(€ thousand)			Amount	%

Financial assets held for trading	662,089	2,659,835	- 1,997,746	-75.1%
Financial assets available for sale	799,039	107,403	691,636	644.0%
Held-to-maturity assets (HTM assets)	606,353		606,353	100%
Loans to banks	907,848	831,335	76,513	9.2%
Loans to customers	474,342	238,995	235,347	98.5%
Equity investments	131,992	68,229	63,763	93.5%
Property, equipment and intangible assets	10,313	11,816	- 1,503	-12.7%
Tax receivables	25,658	17,402	8,256	47.4%
Non-current assets held for sale	5,456		5,456	100%
Other assets	78,831	86,032	- 7,201	-8.4%
Total assets	**3,701,921**	**4,021,047**	**- 319,126**	**-7.9%**

Net Equity and Liabilities (€ thousand)	**31/12/2008**	**31/12/2007**	**Change** Amount	%
Due to banks	885,117	641,194	243,923	38.0%
Due to customers	2,524,360	3,045,689	- 521,329	-17.1%
Financial liabilities held for trading	849	7,780	- 6,931	-89.1%
Tax payables	1,885	3,616	- 1,731	-47.9%
Other liabilities	85,286	102,030	- 16,744	-16.4%
Special purpose provisions	20,308	22,438	- 2,130	-9.5%
Valuation reserves	- 6,754	945	- 7,699	-814.7%
Reserves	51,377	51,261	116	0.2%
Additional paid-in capital	22,804	22,804	-	0.0%
Share capital	111,313	111,313	-	0.0%
Treasury shares (-)	- 6,652	- 7,339	687	-9.4%
Net profit (loss) for the year (+/-)	12,028	19,316	- 7,288	-37.7%
Total net equity and liabilities	**3,701,921**	**4,021,047**	**- 319,126**	**-7.9%**

Direct Inflows

Direct inflows from customers amounted to 2,524.4 thousand euros, a 17.1% decrease from 521.3 thousand euros at year-end 2007.

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change** Amount	%
Current accounts	2,247,913	2,365,159	- 117,246	-5.0%
Repurchase agreements	210,196	606,802	- 396,606	-65.4%
Term deposits	8,801	72,959	- 64,158	-87.9%
Other debts	57,450	769	56,681	7370.7%
Total direct inflows	**2,524,360**	**3,045,689**	**- 521,329**	**-17.1%**

Traditional transfer current accounts amounted to 2,247.9 million euros at year-end (89%), while inflows from repurchase agreements increased to 210.2 million, compared to 606.8 million euros for the previous year. The increase in other debts from 0.8 million to 57.5 million euros was related to the issue of cheques drawn against the bank's own accounts on behalf of Generali Group companies. The Assicurazioni Generali Group's share of direct inflows amounted to 42.7%, primarily in the form of current accounts under market conditions.

Lending

Financial assets and loans, including loans to banks and customers and the portfolio of financial assets held for trading and held-to-maturity financial assets amounted to 3,449.7 million euros at year-end 2008, down 387.9 million euros (-10.1%), compared to the end of last year.

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change**

			Amount	%
Loans to banks	907,848	831,335	76,513	9.2%
Loans to customers	474,342	238,995	235,347	98.5%
Trading	662,089	2,659,835	- 1,997,746	-75.1%
Available-for-sale assets	799,039	107,403	691,636	644.0%
Held-to-maturity assets	606,353	-	606,353	100.0%
Total interest-bearing financial assets and loans	**3,449,671**	**3,837,568**	**- 387,897**	**-10.1%**

Interbank Position

At the end of 2008, net interbank position stood at 22.7 million euros, marking a decrease of 167.4 million euros compared to 2007.
In further detail:

- loans to banks increased by 76.5 million euros from 831.3 to 907.8 million euros
- amounts due to banks increased (+243.9 million) from 641.2 to 885.1 million euros over the same period.

The increase in interbank debt may be attributed to the concentration of the financial assets of the subsidiaries Banca BSI Italia S.p.A. and Banca del Gottardo Italia S.p.A. with Banca Generali.

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change**	
			Amount	**%**
Repayable on demand	**118,594**	**292,412**	**- 173,818**	**-59.4%**
. Demand deposits	70,100	260,000	- 189,900	-73.0%
. Transfer accounts	48,494	32,412	16,082	49.6%
Other	**789,254**	**538,923**	**250,331**	**46.5%**
. Deposits with central banks	227,864	2,888	224,976	7790.0%
. Term deposits	482,975	528,024	- 45,049	-8.5%
. Operating loans	-	8,011	- 8,011	-100.0%
. Debt securities	76,541	-	76,541	100.0%
. Assets transferred but not written off	1,874	-	1,874	100.0%
Total due to banks	**907,848**	**831,335**	**76,513**	**9.2%**
Transfer accounts	533,386	347,329	186,057	53.6%
Term deposits	22,008	7,651	14,357	187.6%
Repurchase agreements	329,723	286,214	43,509	15.2%
Other debts	-	-	-	0.0%
Total due to banks	**885,117**	**641,194**	**243,923**	**38.0%**
Net interbank position	**22,731**	**190,141**	**- 167,410**	**-88.0%**

Loans to Customers

Loans to customers amounted to 474.3 million euros, up 235.3 million euros (+98.5%) on the end of the previous year, primarily driven by the transfer of the portfolio of from held-for-trading to loans to customers.

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change**	
			Amount	**%**
Financing	172,250	159,676	12,574	7.9%
Current accounts	*77,019*	*79,488*	*- 2,469*	*-3.1%*
Pooled financing	*44,342*	*38,827*	*5,515*	*14.2%*
Mortgage loans	*37,572*	*40,857*	*- 3,285*	*-8.0%*
Other short-term financing	*13,317*	*504*	*12,813*	*2542.3%*
Non-performing loans	701	549	152	27.7%
Debt securities	247,071	27,104	219,967	811.6%
Other	54,320	51,666	2,654	5.1%
Operating loans	*-*	*27,662*	*- 27,662*	*-100.0%*

Interest-bearing daily margin, Borsa Italiana	*53,486*	*22,995*	*30,491*	*132.6%*
Interest-bearing caution deposits	*267*	*327*	*- 60*	*-18.3%*
Other	*567*	*682*	*- 115*	*-16.9%*
Total loans to customers	**474,342**	**238,995**	**235,347**	**98.5%**

The item Other, which mainly consists of daily interest-bearing margins paid to Borsa Italiana in connection with securities and derivatives transactions, showed an increase of 2.7 million euros, net of the reclassification of operating receivables from product companies to the item "Other assets".

Net exposure to doubtful loans amounted to 0.7 million euros, corresponding to only 0.15% of loans to customers.

Net bad loans and substandard loans amounted to 0.7 million euros, net of write-downs for a total of 1.05 million euros; the ratio to total net exposure is negligible. Bad loans mainly originated from current account overdrafts in connection with credit card use.

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change**	
			Amount	**%**
Bad loans	204	229	- 25	-10.9%
Substandard loans	474	45	429	953.3%
Expired loans/outstanding over 180 days	23	275	- 252	-91.6%
Total non-performing loans	701	549	152	27.7%
Performing loans	473,641	238,446	235,195	98.6%
Total loans to customers	**474,342**	**238,995**	**235,347**	**98.5%**

Financial Asset and Liabilities

In consideration of the fact that all own securities portfolio operations have been transferred to the Parent Company, Banca Generali, the comment on the composition and results of said operations at the level of the Parent Company coincides with that provided at the consolidated level. Consequently, the reader is referred to the consolidated report for the comment on financial assets and liabilities.

Equity Investments

Equity investments amounted to 132 million euros, as shown in the following table.

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change**	
			Amount	**%**
Controlling interest	**131,992**	**68,195**	**63,797**	**93.6%**
Simgenia S.p.A.	-	5,456	- 5,456	-100.0%
Bg Fiduciaria SIM S.p.A.	11,779	11,779	-	0.0%
Bg Sgr S.p.A.	15,893	15,893	-	0.0%
Banca BSI Italia S.p.A.	102,155	32,902	69,253	210.5%
S. Alessandro Fiduciaria S.p.A.	165	165	-	0.0%
BG Investment Luxembourg S.A.	2,000	2,000	-	0.0%
Investments in associates	**-**	**34**	**- 34**	**-100.0%**
EU-RA	-	34	- 34	-100.0%
Total equity investments	**131,992**	**68,229**	**63,763**	**93.5%**

In 2008, Banca Generali made 63.7 million euros in new investments in its equity investment portfolio.
The most significant transaction was providing funding to Banca BSI Italia S.p.A. in the form of a share capital increase of 58.9 million euros and the replenishment of losses of 10.3 million euros for the acquisition by Banca BSI Italia S.p.A. of Banca del Gottardo Italia, undertaken effective 1 October 2008.

At the end of the year, the Bank authorised the disposal of 85% of the equity investment in Simgenia, which resulted in the recognition of said investment under the item concerning non-current assets and assets held for sale.

Property, Equipment and Intangible Assets

Property, equipment and intangible assets amounted to 10.3 million euros, decreasing 1.5 million euros in the year, 3.7 million of which attributable to depreciation and amortisation for the year.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	**%**
Property and equipment				
- Furniture and fittings	2,449	2,911	-462	-15.9%
- ADP machines and equipment	110	141	-31	-22.0%
- Miscellaneous machines and equipment	1,454	1,674	-220	-13.1%
Total property and equipment	**4,013**	**4,726**	**-713**	**-15.1%**
Intangible assets				
- Goodwill	2,991	2,991	-	0.0%
- CSE long-term charges	2,948	3,200	- 252	-7.9%
- Software costs	140	207	- 67	-32.4%
- No-load commissions to be amortised	219	689	- 470	-68.2%
- Trademarks	2	3	- 1	-33.3%
Total intangible assets	**6,300**	**7,090**	**-790**	**-11.1%**
Total property, equipment and intangible assets	**10,313**	**11,816**	**-1,503**	**-12.7%**

Changes in property, equipment and intangible assets

(€ thousand)	Property and equipment	Intangible assets	Goodwill	Total
Net amount at year-start	4,726	4,099	2,991	11,816
Increases	780	1,437	-	2,217
Purchases	780	1,437		2,217
Decreases	1,493	2,227	-	3,720
Sales	1	-		1
Adjustments	1,492	2,227		3,719
of which: a) depreciation and amortisation	1,492	2,227		3,719
Amount at year-end	**4,013**	**3,309**	**2,991**	**10,313**

Expenses for leasehold improvements not attributable to specific property and equipment, reclassified pursuant to Bank of Italy instructions under the item “other assets”, amounted to 1.2 million euros at 31 December 2008.

Special Purpose Provisions

At 31 December 2008, provisions to special purpose funds amounted to 20.3 million euros, including 3.2 million euros for commitments for termination indemnities and 17.1 million euros for provisions for other liabilities and contingencies.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	**%**
Provision for termination indemnity	3,246	3,535	- 289	-8.2%
Other provisions for liabilities and contingencies	17,062	18,903	- 1,841	-9.7%
Total provisions	**20,308**	**22,438**	**- 2,130**	**-9.5%**

The latter fell by 1.8 million euros, or 9.7%, compared to the previous year.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Provision for staff expenses	**3,481**	**3,977**	**- 496**	**-12.5%**
Provision for legal disputes	**3,484**	**3,252**	**232**	**7.1%**
Provision for risks connected with advisers' embezzlements	1,613	2,011	- 398	-19.8%
Provision for other legal disputes with FA	476	503	- 27	-5.4%
Provision for risks related to legal disputes with staff	539	209	330	157.9%
Provision for other legal disputes	856	529	327	61.8%
Provision for termination indemnity of advisors	**3,483**	**4,464**	**- 981**	**-22.0%**
Provision for termination indemnity	3,334	4,243	- 909	-21.4%
Provision for portfolio overcommission indemnities	149	221	- 72	-32.6%
Provision for commissions to be paid out	**6,614**	**6,881**	**- 267**	**-3.9%**
Provision for network development incentives	5,233	4,598	635	13.8%
Provision for commissions – travel incentives	1,099	1,004	95	9.5%
Provision for commissions — other	173	1,031	- 858	-83.2%
Provision for loyalty bonuses	109	248	- 139	-56.0%
Other provisions for risks and charges	**-**	**329**	**- 329**	**-100.0%**
Provision for director stock option programme	-	329	- 329	-100.0%
Total	**17,062**	**18,903**	**- 1,841**	**-9.7%**

Net Equity

Banca Generali's net equity at 31 December 2008 amounted to 184.1 million euros, a 14.2 million euro decrease compared to 2007.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
1. Share capital	111,313	111,313	-	0.0%
2. Additional paid-in capital	22,804	22,804	-	0.0%
3. Reserves	51,377	51,261	116	0.2%
4. (Treasury shares)	- 6,652	- 7,339	687	-9.4%
5. Valuation reserves	- 6,754	945	- 7,699	-814.7%
6. Equity instruments	-	-	-	0.0%
7. Net profit (loss) for the period	12,028	19,316	- 7,288	-37.7%
Total net equity	**184,116**	**198,300**	**- 14,184**	**-7.2%**

This decrease is substantially attributable to both the decline in net profit, which fell from 19.3 million to 12 million euros, and the distribution of dividends for the previous year, authorised by the ordinary shareholders' meeting called to approve the 2007 Financial Statements, in the amount of 19.9 million, and the change in the negative valuation reserve for AFS securities of 7.7 million.

Capital for Regulatory Purposes

Capital for regulatory purposes amounted to 171.2 million euros at 31 December 2008, on the basis of projected total dividends to be distributed of 6.6 million euros.
The regulatory aggregate increased by 0.4 million euros, with respect to the situation as of the end of 2007.

The figure exceeds the minimum risk capital requirements set by the Oversight Authority by 91.9 million euros. Total capital ratio amounted to 17.28%, compared to a minimum requirement of 8%, net of the lump-sum reduction of 25% required by the new regulations (Basel 2) for banks belonging to banking groups. In 2007, the minimum requirement was 7% and there were no capital requirements for operational risk or lump-sum reduction of 25%.

	31/12/2008	31/12/2007
Tier 1 capital	171,141	170,286
Tier 2 capital	38	516
Tier 3 capital	-	-
Total capital for regulatory purposes	**171,179**	**170,802**
B.1 CREDIT RISK	82,851	42,036
B.2 MARKET RISKS	5,502	50,470
B.3 OPERATING RISK	17,305	
B.4 OTHER PRUDENTIAL REQUIREMENTS	-	6,372
Forfait deduction	- 26,415	
B.4 TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3)	79,244	98,878
EXCESS OVER PRUDENTIAL REQUIREMENTS	91,935	71,924
Overall committed capital	46.29%	57.89%
Excess	53.71%	42.11%
Capital committed to credit risk	48.4%	24.6%
Capital committed for market risk	3.2%	29.5%
Capital committed for operating risk	10.1%	
Risk-weighted assets	990.547	1.412.543
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	17.28%	12.06%
Regulatory capital/Risk-weighted assets (Total capital ratio)	**17.28%**	**12.09%**

8.3 Profit and Loss Account Figures

The following tables and notes provide an analysis of the Group's operating results for 2008, compared to those for the same period of 2007.
In order to provide a more effective representation of the operating performance, a summary profit and loss account is provided through appropriate reclassifications and in accordance with principles that better represent the content of the items in like-for-like manner.

Financial year 2008 closed with a net profit of **12 million** euros, a decrease compared to the previous year (19.3 million euros). However, the earnings performance for the year was negatively affected by the turbulent state of international financial markets beginning in the second half of the year.

Operating income amounted to **25.6 million euros** in 2008, down by 8.6 million euros on the previous year (-25.2%), with a decline in net commissions of 35.2 million euros (-44.3%), partially offset by the increase in net interest by 16.5 million euros (+52.0%).

Operating profit before taxation amounted to **11.5 million euros**, declining by 16.2 million euros, primarily due to the adjustments of the value of the defaulted Lehman security in the amount of 7.1 million euros.

Lastly, EBTDA, calculated as earnings before income taxes, net accruals to provisions, adjustments for loans and property, equipment and intangible assets, amounted to **29.3 million euros**, down compared to the previous year (-25.2%).

(€ thousand)	31/12/2008	31/12/2007	Change Amount	Change %
Interest income	165,744	120,250	45,494	37.8%
Interest expense	- 117,569	- 88,554	- 29,015	32.8%
Net interest	**48,175**	**31,696**	**16,479**	**52.0%**
Commission income	127,585	182,560	- 54,975	-30.1%
Commission expense	- 83,225	- 102,988	19,763	-19.2%
Net commissions	**44,360**	**79,572**	**- 35,212**	**-44.3%**
Dividends	53,207	14,173	39,034	275.4%

Net result from banking operations	- 43,604	- 14,065	- 29,539	-210.0%
Net operating income	**102,138**	**111,376**	**- 9,238**	**-8.3%**
Staff expenses	- 34,741	- 37,528	2,787	-7.4%
Other general and administrative expense	- 53,152	- 49,369	- 3,783	7.7%
Net adjustments of property, equipment and intangible assets	- 3,719	- 5,037	1,318	-26.2%
Other operating expense/income	15,097	14,760	337	2.3%
Net operating expense	**- 76,515**	**- 77,174**	**659**	**-0.9%**
Operating profit	**25,623**	**34,202**	**- 8,579**	**-25.1%**
Net adjustments for non-performing loans	- 2,961	- 554	- 2,407	434.5%
Net adjustments of other assets	- 7,065	-	- 7,065	100.0%
Net provisions	- 4,032	- 5,920	1,888	-31.9%
Gains (loss) of equity investments	- 27	-	- 27	100.0%
Operating profit before taxation	**11,538**	**27,728**	**- 16,190**	**-58.4%**
Income taxes for the period on current operations	- 500	- 9,751	9,251	-94.9%
Profit (loss) of groups of assets available for sale	990	1,339	- 349	-26.1%
Net profit	**12,028**	**19,316**	**- 7,288**	**-37.7%**

Net Interest

Net interest income amounted to **48.2 million euros**, a 16.5 million euro increase (+52.0%), compared to the previous year.

In the context of this increase, the cost of funding rose by 32.8%, primarily due to the sharp increase in the cost of funding from customers of 13 million and that in repurchase agreements with banks and customers of 12.4 million euros (+37.6%).
However, the rise in interest expense was offset by the increase in the return on the HFT, AFS and HTM securities portfolios of 17.6 million euros, that of loans to customers of 8.3 million euros and, lastly, that of loans to banks of 19.5 million euros.
The change in the interest on the various portfolios of financial assets reflects the reclassification of the securities portfolios in 2008 due to the amendment of IAS 39, as commented upon at the consolidated level.

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change**	
			Amount	**%**
Financial assets held for trading	58,938	86,797	- 27,859	-32.1%
AFS financial assets	30,979	425	30,554	7189.2%
Held-to-maturity financial assets	14,918	-	14,918	100.0%
Loans to banks	41,440	21,975	19,465	88.6%
Loans to customers	19,262	10,964	8,298	75.7%
Other assets	207	89	118	132.6%
Total interest income	**165,744**	**120,250**	**45,494**	**37.8%**
Due to banks	14,538	10,953	3,585	32.7%
Due to customers and securities issued	57,758	44,710	13,048	29.2%
Financial liabilities relative to transferred assets not written off	45,273	32,891	12,382	37.6%
Total interest expense	**117,569**	**88,554**	**29,015**	**32.8%**
Net interest	**48,175**	**31,696**	**16,479**	**52.0%**

Net Commissions

The commissions aggregate stood at **44.4 million euros**, down 35.2 million euros (-44.3%) compared to the previous year, primarily due to the negative performance of financial markets in 2008.

(€ thousand)	**31/12/2008**	**31/12/2007**	**Change**	
			Amount	**%**
Placement of securities and UCITS	60,987	78,159	-17,172	-22.0%

Distribution of third-party financial products	47,253	86,009	-38,756	-45.1%
Dealing in securities and currencies	4,785	5,325	-540	-10.1%
Order collection, custody, and securities administration	10,807	9,130	1,677	18.4%
Collection and payment services	2,865	2,212	653	29.5%
Other services	888	1,725	-837	-48.5%
Total commission income	**127,585**	**182,560**	**-54,975**	**-30.1%**
Commissions for external offer	76,360	97,220	-20,860	-21.5%
Collection and payment services	1,666	1,681	-15	-0.9%
Dealing in securities and custody	3,743	2,638	1,105	41.9%
Other	1,456	1,449	7	0.5%
Total commission expense	**83,225**	**102,988**	**-19,763**	**-19.2%**
Net commissions	**44,360**	**79,572**	**-35,212**	**-44.3%**

Total commission income reached 127.6 million euros, down by 55 million euros on the corresponding figure for the previous year (-30.1%), entirely attributable to the decline in income on the solicitation and management of investments by households (-34.1%), which were penalised by the decrease in assets under management, primarily driven by market depreciation. .

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
1. Placement of third-party UCITS	49,070	64,128	-15,058	-23.5%
2. Bond placement	11,917	12,175	-258	-2.1%
3. Other placement operations	-	1,856	-1,856	-100.0%
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	15,075	42,391	-27,316	-64.4%
5. Distribution of third-party insurance products	27,167	37,759	-10,592	-28.1%
6. Distribution of other third-party financial products	5,011	5,859	-848	-14.5%
Total	**108,240**	**164,168**	**-55,928**	**-34.1%**

Income on traditional banking operations was up slightly by 0.9 million euros (+5.2%), due to the increase in income on trading and custody services.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Trading services	15,592	14,455	1,137	7.9%
Other services	3,753	3,937	- 184	-4.7%
Total traditional banking operations	**19,345**	**18,392**	**953**	**5.2%**

Lastly, the commissions aggregate witnessed a decline in commission expenses, due to out-of-branch offers remitted to the distribution network of 20.9 million euros (-21.5%), driven by the decrease in commission income on the solicitation and management of investments by households.

Dividends

Dividends collected amounted to **53.2 million euros** and consist of profits distributed by Banking Group companies in connection with their results for the previous year (18 million euros) and dividends collected under equity-swap transactions (32.3 million euros).
Dividends on assets available for sale refer to dividends on equity investments in the parent company, Assicurazioni Generali, ENEL, and especially Athena Private Equity.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Dividends of financial assets available for sale	2,247	1,365	882	64.6%
Dividends from trading	645	753	- 108	-14.3%
Dividends from equity investments	17,991	11,329	6,662	58.8%
Dividends from equity swaps	32,324	726	31,598	4352.3%

Total dividends	**53,207**	**14,173**	**39,034**	**275.4%**

Net Profit from Trading and Financial Operations

In consideration of the fact that all own securities portfolio operations have been transferred to Banca Generali, the comment on the results of said operations at the level of the Parent Company coincides with that provided at the consolidated level. Consequently, the reader is referred to the consolidated report for the comment on net profit from trading and financial operations.

Operating Expenses

Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses amounted to **76.5 million euros**, down by 0.7 million euros compared to 2007 (-0.9%).

The cost-income ratio, i.e. the ratio of expenses, before adjustments to property, equipment and intangible assets, to net banking income, stood at 71.3% worsening compared to 64.8% reported in 2007.

(€ thousand)		31/12/2008	31/12/2007	Change Amount	%
Staff expenses	-	34,741	-37,528	2,787	-7.4%
Other general and administrative expense	-	53,152	-49,369	-3,783	7.7%
Net adjustments of property, equipment and intangible assets	-	3,719	-5,037	1,318	-26.2%
Other income and expenses		15,097	14,760	337	2.3%
Operating expense	**-**	**76,515**	**-77,174**	**659**	**-0.9%**

Salaried employees fell from 560 to 548, marking a decline of 12 resources at year-end.

	31/12/2008	31/12/2007		Change Amount	%
Managers	21	21		-	0,0%
3rd and 4th level executives	42	45	-	3	-6.7%
1st and 2nd level executives	41	44	-	3	-6.8%
Other employees	444	450	-	6	-1.3%
Total	**548**	**560**	**-**	**12**	**-2.1%**

In this context, staff expenses (salaried employees, atypical workers and directors) fell by 2.8 million euros (-7.4%).

(€ thousand)		31/12/2008	31/12/2007	Change Amount	%
1) Employees		**34,144**	**36,893**	**-2,749**	**-7.5%**
Wages and salaries		20,287	21,179	-892	-4.2%
Social security charges		5,379	5,516	-137	-2.5%
Termination indemnity		120	217	-97	-44.7%
Contributions to outside supplemental pension funds		2,320	1,993	327	16.4%
Costs related to payment agreements based on own financial instruments		590	1,360	-770	-56.6%
Other employee benefits		5,448	6,628	-1,180	-17.8%
2) Other staff	**-**	**627**	**-594**	**-33**	**5.6%**
3) Directors		**1,224**	**1,229**	**-5**	**-0.41%**
of which costs related to payment agreements based on own financial instruments	-	329	0	-329	100.0%
Total		**34,741**	**37,528**	**-2,787**	**-7.4%**

Staff expenses include a charge under IFRS 2 for stock-option plans reserved for the Group's executives (0.6 million euros).
Other **general and administrative expense** amounted to 53.1 million euros, an increase of about 3.8 million euros (7.7%), compared to the previous year. The increase in the item Consultancy and professional advice expense reflects the cost of projects carried out in 2008 in various areas.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Administration	**7,715**	**5,595**	**2,120**	**37.9%**
Advertising	500	535	-35	-6.5%
Consultancy and professional advice expense	4,942	2,211	2,731	123.5%
Corporate boards and auditing firms	227	278	-51	-18.3%
Insurance	1,457	1,936	-479	-24.7%
Other general costs (insur. T&E)	589	635	-46	-7.2%
Operations	**20,597**	**21,646**	**-1,049**	**-4.8%**
Rent and usage of premises	10,090	9,683	407	4.2%
Outsourced services (administrative, back office)	5,481	6,133	-652	-10.6%
Post and telephone	1,243	1,684	-441	-26.2%
Print material and contracts	711	687	24	3.5%
Other operating expenses	3,072	3,459	-387	-11.2%
Information system and equipment	**18,470**	**16,114**	**2,356**	**14.6%**
Outsourced IT services	13,662	12,152	1,510	12.4%
Fees for financial databases and other IT services	2,724	2,339	385	16.5%
Software maintenance and servicing Sw	1,026	465	561	120.6%
Other expenses (equipment rental, maintenance, etc.)	1,058	1,158	-100	-8.6%
Taxes and duties	**6,370**	**6,014**	**356**	**5.9%**
Total other general and administrative expense	**53,152**	**49,369**	**3,783**	**7.7%**

Depreciation and amortisation amounted to 3.7 million euros, down 1.3 million compared to 2007 (-26.2%), mainly due to the end of the amortisation period.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Adjustments/reversals to property and equipment	1,492	1,527	-35	-2.29%
Adjustments/reversals to intangible assets	2,227	3,510	-1,283	-36.55%
Total	**3,719**	**5,037**	**- 1,318**	**-26.2%**

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

Other net operating income amounted to 15.1 million euros at year-end, up 0.3 million euros on the corresponding figure for 2007 (+2.3%).

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
Adjustments of leasehold improvements	752	873	- 121	-13.9%
Indemnities and compensation for litigation and claims	466	628	- 162	-25.8%

Charges for staff leaving incentives	-	586	-	586	-100.0%
Charges from accounting adjustments with customers	775	150		625	416.7%
Contingent liabilities and non-existent assets	1,717	1,174		543	46.3%
Other operating expenses	9	2		7	350.0%
Total	**3,719**	**3,413**		**306**	**9.0%**
Fees for outsourcing services	7,978	8,342	-	364	-4.4%
Recovery of expenses and inflow from customers	2,369	2,372	-	3	-0.1%
Recovery of taxation from customers	5,640	5,364		276	5.1%
Indemnities and cost recoveries from Financial Advisors	822	553		269	48.6%
Insurance compensation and indemnities	599	101		498	493.1%
Contingent assets and non-existent liabilities	1,017	1,175	-	158	-13.4%
Other income	391	266		125	47.0%
Total	**18,816**	**18,173**		**643**	**3.5%**
Other net operating income	**15,097**	**14,760**	**-**	**337**	**2.3%**

Operating profit and net profit for the year

As illustrated in the foreword, **operating profit** for 2008 amounted to **25.6 million euros**, a decrease of 8.6 million euros compared to the prior year (-25.1%).

(€ thousand)		31/12/2007		31/12/2006	Change	
					Amount	%
Net operating income		102,138		111,376	-9,238	-8.3%
Operating expense	-	76,515	-	77,174	659	-0.9%
Operating profit		**25,623**		**34,202**	**-8,579**	**-25.1%**
Net adjustments for non-performing loans	-	2,961	-	554	-2,407	434.5%
Breakdown of net adjustments for impairment of available-for-sale financial assets	-	7,065		-	-7,065	-100.0%
Net provisions	-	4,032	-	5,920	1,888	-31.9%
Gain (loss) from disposals or repurchases	-	27		-	-27	-100.0%
Operating profit before taxation		**11,538**		**27,728**	**-16,190**	**-58.4%**
Income taxes for the period on current operations	-	500	-	9,751	9,251	-94.9%
Profit (loss) of groups of assets available for sale		990			990	0.0%
Net profit		**12,028**		**17,977**	**-5,949**	**-33.1%**

Operating profit before taxation stood at 11.5 million euros, down 16.2 million euros compared to 2007, due to the significant adjustments of securities classified to the AFS portfolios.

Accruals for the year amounted to 4.0 million euros and were primarily related to network incentive plans, end-of-service indemnities, and over-commissions for advisors.

Profit (loss) of groups of assets available for sale amounted to 1 million euros and consists of the dividends collected in 2008 from the subsidiary Simgenia, the disposal of which is in progress (1.3 million euros in 2007).

Income taxes for the year, consisting of IRES (corporate income tax) and IRAP (regional production tax) have been estimated at 0.5 million euros, representing 0.3 million in estimated current taxes, 0.3 million in deferred tax assets and liabilities, and, lastly, a positive balance of 0.1 million for prior-year taxes.

Financial year 2008 ended with a **net profit** of 12.0 million euros.

Cash Flows

At the end of 2008, cash flows from operating activities amounted to 71.4 million euros.
On the whole, at year-end, cash generated by operations (+43.2 million euros), inflows from banks (242 million euros), the decline in financial assets (333.2 million euros), and, to a lesser extent, the decline in loans to customers, were absorbed by the outflows from amounts due to customers (518.2 million euros).
Moreover, during the year, investment activities used 50.0 million in cash, resulting from the difference between the dividends collected from subsidiaries (19.0 million euro) and new equity investments (-69.2 million euro) and property, equipment and intangible assets (-2.2 million euro).
Outflows amounted to 20.9 million euros, consisting of dividends paid (19.9 million euros) and the purchase of treasury shares (1 million euros).

(€ thousand)	31/12/2008	31/12/2007
Cash flows generated by operations:	**43,195**	**13,049**
Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities	333,235	-869,336
Cash flows generated by (+) used for (-) loans to banks	-85,566	-353,326
Cash flows generated by (+) used for (-) loans to customers	80,372	16,322
Cash flows generated by (+) used for (-) amounts due to banks	242,009	488,335
Cash flows generated by (+) used for (-) amounts due to customers	-518,169	759,014
Cash flows generated by (+) used for (-) other operating assets and liabilities	-23,684	-50,758
Liquidity generated by/used for operating activities	**71,392**	**3,299**
Liquidity generated by/used for investing activities	**-49,962**	**7,959**
Liquidity generated by/used for financing activities	**-20,890**	**-14,083**
Net cash liquidity generated/used	**540**	**-2,825**
Cash and deposits	**7,469**	**6,929**

Other Information

Equity investments paid to members of administrative and control bodies, general managers and key management personnel (Art. 79 of CONSOB resolution)

NAME AND SURNAME	INVESTEE COMPANY	No. OF SHARES OWNED AT THE END OF THE PREVIOUS YEAR	No. OF SHARES PURCHASED	No. OF SHARES SOLD	No. OF SHARES OWNED AT THE END OF THE CURRENT YEAR
Milanesi Gregorio	Banca Generali	800	-	-	800
Perissinotto Giovanni	Banca Generali	4,000	-	-	4,000
Motta Piermario	Banca Generali	-	15,000	-	15,000

Transactions with Subsidiary Companies, the Parent Company and Its Subsidiaries

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

As part of its normal operations, the Bank has numerous financial and commercial transactions with the companies in the banking group (Simgenia, BG Fiduciaria SIM, Banca BSI Italia, BG Sgr, Sant'Alessandro Fiduciaria S.p.A., Banca del Gottardo Italia S.p.A. and BG Investment Luxemburg Sa), the parent company Assicurazioni Generali S.p.A. and companies that are controlled by Assicurazioni Generali but in which Banca Generali has no equity investments.

Specifically, all items recorded in the accounts that are attributable to transactions with related companies originated from the following types of transactions:

- current accounts with the companies of the banking group, the parent company Assicurazioni Generali and its main Italian subsidiaries for the deposit and management of group financial flows (cash pooling);
- securities custody and administration and securities brokerage relationships with the parent company and with numerous group companies, including for the most part the Italian asset management companies (Generali SGR) and the foreign asset management companies (AM Generali Invest, Kapitalanlage, Generali Finances);
- custody and administration of financial instruments in the service of the stock granting plan for Generali group employees;
- commercial portfolio collection for the group's real estate companies;
- conventions with Generali Sgr, BG SGR, Fondi Alleanza, Banca BSI Italia and BG fiduciaria SIM for the placement of asset management products through the financial advisers network;
- an agreement with the SICAV Generali Investments Sicav governing the offering of the firm's units to the public in Italy;
- conventions with La Venezia Assicurazioni, Generali Vita, and Genertel for the placement of insurance and pension products.
- IT system outsourcing contracts with GBS — Generali Business Solution Srl — for the management of the non-legacy information system infrastructure (office automation) and the GGSnet data transmission network;
- administrative outsourcing contracts with GBS Srl, BG SGR, Banca Bsi Italia;
- insurance contracts with Assicurazioni Generali and Genertel;
- leasing contracts with the head offices of Assicurazioni Generali, Generali Properties, and Immobiliare 19;
- financial consultancy and financial database outsourcing transactions with Generali Sgr;
- transactions with the parent company Assicurazioni Generali in relation to the participation of the bank in the "tax consolidation" scheme.

Transactions with related parties are part of the ordinary course of business of the companies in the Group and of Banca Generali and are carried out at fair market conditions. No transactions considered atypical or unusual with respect to normal business operations were carried out with these counterparties.
The reader is referred to Section H of the Notes to the Separate Financial Statements for the aggregate balance sheet and profit and loss account figures for transactions with subsidiaries, the parent company, and the latter's subsidiaries.

Privacy Obligations

In compliance with Legislative Decree 196/2003 "Personal Data Protection Code", in March 2008, the Bank prepared the Programmatic Document on Security, in accordance with the requirements specified in current data-protection regulations (Article 34 and Attachment B of Regulation 19 "Technical Regulations Concerning Minimum Requirements for Security Measures" of Legislative Decree 196/2003).
The Company continued to fully comply with all obligations imposed on organisations that process personal information.

9. Performance of Subsidiary Companies

9.1 Performance of BG SGR

Bg SGR, a company specialising in mutual funds, SICAVs, and managed funds portfolios, reported 10.7 million euros in net profit in 2008. At the end of the period, net equity amounted to approximately 28.1 million euros and total balance sheet assets to 39.3 million euros.
Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBTDA), amounted to 16.1 million euros.
Net banking income amounted to approximately 26.2 million euros, whereas general and administrative expense was 10.5 million euros, including about 3.7 million euros for staff expenses.
Altogether, assets under management at 31 December 2008 amounted to 2,264 million euros, a 63.04% decrease from 6,126 million euros at 31 December 2007.

9.2 Performance of Bg Fiduciaria SIM

BG Fiduciaria, a company specialising in individual discretionary accounts (GPM and GPF), mainly in a custodial capacity, reported 600 thousand euros in net profit in 2008. Total assets under management amounted to 443.3 million euros, down compared to 801.4 million euros in 2007, and net equity was 7.8 million euros.
Operating results before taxes, net provisions, value adjustments and depreciation and amortisation (EBTDA), totalled 976 thousand euros, compared to 1,666 thousand euros in 2007.
Net banking income amounted to 3.4 million euros, whereas general and administrative expense was 2.6 million euros, including 1.4 million euros for staff expenses.

9.3 Performance of Simgenia SIM

Simgenia, a company specialising in the distribution of financial and banking products through financial advisors who mainly act as agents and/or employees of Generali Group Insurance Companies, reported around 0.8 million euros in net loss in 2008. Total assets under management amounted to 1.9 billion euros, down compared to 3.1 billion euros in 2007, and net inflows reached 934.8 million euros. Net equity amounted to approximately 5.9 million euros.
Operating profit before taxes, net provisions, value adjustments and depreciation and amortisation (EBTDA) amounted to 44 million euros, down from 3.8 million euros recorded for 2007.
Net banking income amounted to 7.2 million euros, whereas general and administrative expense was approximately 7.6 million euros, including 3.2 million euros for staff expenses.

9.4 Performance of Banca BSI Italia

Banca BSI Italia, a bank specialising in the distribution of financial and banking products to private clients through both the financial advisors and the relationship managers who engage in the sale of financial products to clients as the company’s direct employees, ended 2008 with a net loss of 18.8 million euros, compared with a net loss of 11.1 million euros the previous year, primarily due to the decline in assets under management due to market performance and the costs incurred and provisions allocated in connection with the plan to expand the network of private bankers, which Banca BSI Italia acquired from Banca Generali following the transfer of the private banking business unit in early 2007. Consequently, total assets under management placed by financial advisors amounted to 6.2 billion euros at the end of the year, compared with 7 billion euros the previous year, with net inflows of 592 million euros.
Net equity was 71.7 million euros, compared to 21.6 million euros the previous year, due, on the one hand, to the rise ensuing from the share capital increase (58.9 million euros) and the replenishment of losses (10.3 million euros), and, on the other, to the decrease arising from the loss for the year (18.8 million euros). This level of capitalisation, in addition to the contracting of a subordinated loan of 40 million euros, may be attributed to the acquisition of Banca del Gottardo Italia S.p.A., undertaken by Banca BSI Italia on 1 October 2008.

Operating results before taxes, net provisions, adjustments, depreciation and amortisation
(EBTDA) stood at a negative 14.7 million euros, down by 2.1 million euros on 2007.
Net banking income amounted to 15.3 million euros, whereas general and administrative expense was 31.3 million euros, including 10.7 million euros for staff expenses.

9.5 Performance of Sant’Alessandro Fiduciaria S.p.A.

Sant’Alessandro Fiduciaria, a company specialising in custodian capacity of assets, closed financial year 2008 with 8 thousand euros in net profit and net equity amounting to about 162.5 thousand euros.
Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBTDA) was a profit of 17 thousand euros, up compared to a loss of approximately 11 thousand euros reported in 2007.
Net banking income amounted to 163 thousand euros, whereas general and administrative expense was 146 thousand euros.

9.6 Performance of BG Investment Luxembourg Sa

BG Investment Luxembourg Sa, a company under Luxembourg law specialising in the management of SICAVs, was formed in November 2007 and began operating in the first months of 2008.
BG Investment Luxembourg Sa reported 22.6 million euros in net profit for 2008. At the end of the period, net equity amounted to approximately 24.6 million euros and total balance sheet assets to 39.3 million euros.

Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBTDA), amounted to 25.1 million euros.
Net banking income amounted to approximately 30.6 million euros, whereas general and administrative expense was 5.5 million euros, including about 2.1 million euros for staff expenses.
Total assets under management amounted to 2,977 million euros at 31 December 2008, whereas there were no assets under management at 31 December 2007.

9.7 Performance of Banca del Gottardo Italia S.p.A.

Banca del Gottardo Italia S.p.A., a bank specialising in the distribution of financial and banking products to private clients through relationship managers who sell financial products to clients as direct employees of the company, ended 2008 with a net profit of 0.43 million euros, compared to a net loss of 0.83 million euros the previous year, primarily due to the lesser write-downs of loans recognised in 2008; net equity amounted to 39.4 million euros (including the voluntary decrease in share capital by 15 million euros authorised but not yet executed), compared to 38.9 million euros the previous year.
Total assets under management amounted to 1.5 billion euros at year-end, compared to 1.9 billion euros the previous year, primarily due to the decline in assets driven by market performance.

Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBTDA) stood at a positive 1.7 million euros, down from 5.6 million euros in 2007.
Net banking income amounted to 15.8 million euros, whereas general and administrative expense was 14.8 million euros, including 9.5 million euros for staff expenses. .

Banca del Gottardo Italia joined the banking group on 1 October 2008, following the acquisition of the entirety of its share capital by the subsidiary Banca BSI Italia; it was absorbed into the subsidiary Banca BSI Italia on 1 January 2009.

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

10.1 Treasury shares

At 31 December 2008, the Banca Generali banking group had 775,146 treasury shares worth a total of 7.4 million euros recognised in liability item 200 in the balance sheet. In connection with this item, a reserve for the purchase of treasury shares was created, in compliance with article 2357-*ter* of the Italian Civil Code. Such reserve has been recognised under the liabilities item 170.

Shares purchased by Banca Generali

At the end of 2008, Banca Generali held 697,146 treasury shares worth a total of 6,652 thousand euros, in connection with which a reserve for the purchase of treasury shares was created in compliance with article 2357-*ter* of the Italian Civil Code.

Shares consists of:
- purchases undertaken on the screen-based market from 15 November 2006 to 31 December (inclusive) in execution of the resolution passed by the ordinary shareholders' meeting of Banca Generali on 18 July 2006 in order to implement the stock-granting plan benefiting the Chief Executive Officer and General Manager, as authorised by the Board of Directors (667,880 shares worth 6,532 thousand euros);
- the residual unallocated shares in service of the stock-granting incentive plan benefiting the network of financial advisors and network managers of the subsidiary Prime Consult S.p.A., absorbed in 2001 (29,266 shares worth 120 thousand euros).

It should be noted that 1,200,000 shares worth 3,873 thousand euros, of which 949,971 shares had already been granted at the end of financial year 2007, were originally purchased by the absorbed Prime Consult S.p.A. in 2001 in service of the above plan.
In connection with the first two tranches of the stock-granting plan, shares in the bank had already been granted at the end of 2007, with a further 250,029 shares remaining.
Since the maximum number of shares still to be granted had been estimated at 436,500, the shareholders' meeting of 22 April 2008 authorised the purchase of the treasury shares required for full execution of the last

tranche of grants under the Plan coming due on 15 December 2008, pursuant to articles 2357 and 2357-*ter* of the Italian Civil Code.
Pursuant to such authorisation, 197,532 treasury shares were repurchased during the year for 1,016 thousand euros, for an average book value of 5.14 euros each.
In financial year 2008, financial advisors were granted a total of 418,295 shares in service of the plan.

Shares acquired by other companies of the Group

At the end of financial year 2008, the subsidiary Banca BSI Italia held 78,000 shares in the Parent Company, Banca Generali, worth a total of 0.8 million euros, of which 60,000 shares were purchased under the authorisation provided by the shareholders' meeting on 29 January 2007 in service of the stock-option plan benefiting the company's Chairman, and 18,000 shares were purchased in execution of the resolution passed by the shareholders' meeting on 4 October 2007.
Pursuant to Article 2359-*ter* of the Italian Civil Code, a restricted provision was allocated in the same amount in relation to the purchase of Parent Company shares.

10.2 Parent Company's Shares

Shares purchased by Banca Generali

At 31 December 2008, Banca Generali held 44,188 in its Parent Company, Assicurazioni Generali, classified among financial assets available for sale.
The carrying value of these shares was 1,201 thousand euros, whereas their book value, corresponding to the fair value of the shares, was 848 thousand euros, net of negative fair value reserves of 353 thousand euros.

Banca Generali began purchasing the Parent Company's shares in 2002 following various resolutions passed by the General Shareholders' Meeting.
In particular, the General Shareholders' Meetings held on 30 September 2003 and 27 May 2005 authorised directors to purchase a maximum of 40,000 common shares of the Parent Company in relation to two stock-option plans offered to the Chief Executive officer for 2004 and 2005.
Pursuant to Article 2359-bis of the Italian Civil Code, a restricted provision was allocated in the same amount in relation to the ownership of Parent Company shares.

Shares acquired by other companies of the Group

At 31 December 2008, Banca BSI Italia held 2.143 shares in the Parent Company, Assicurazioni Generali, under the authorisation provided by the resolution of the shareholders' meeting of 17 May 2007, in the capacity of the fund charged with the repurchase of non-negotiable fractions of shares in Assicurazioni Generali arising from scrip issues.
These shares have been allocated to the portfolio of financial assets held for trading and measured at their fair value of 42 thousand euros.
Pursuant to Article 2359-*ter* of the Italian Civil Code, a restricted provision was allocated in the same amount in relation to the purchase of Parent Company shares.

11. Products and Marketing

The product line was further expanded in 2008, with the goal of best meeting clients' diversification needs, particularly in light of the highly volatile market environment.

Asset management

In 2008, the asset management line was characterised by product innovation in the form of the launch of the Group's new Luxembourg SICAV, BG Selection SICAV, which currently includes 14 retail global and industry-specific funds of funds.
The process of rationalising the BG SGR line of mutual funds was also initiated through a merger that resulted in a streamlined offering (from 16 to 8 mutual funds) and will be completed in 2009.
The acquisition of Banca del Gottardo Italia by the subsidiary Banca BSI Italia was also taken as an opportunity to revamp the Individual Portfolio Management Service with the aim of supplementing the two banks' management skills. The new range of separately managed account services now consists of two families for a total of 12 lines capable of meeting the differing needs of clients in terms of risk profile, management style and degree of autonomy.

Over the same period, new third-party sub-funds continued to be launched for the multi-brand platform, leading to the addition of more than 60 sub-funds of SICAVs already distributed by the company and two new SICAVs.

Lastly, clients were given the option of investing in funds and SICAVs distributed by the Bank via remote channels (the call centre and the Internet).

Insurance products

The insurance products segment witnessed the launch of two updated versions (one in January and one in October) of the Ri.alancio policy, which guarantees capital and provides guaranteed minimum annual appreciation, in response to a volatile, constantly changing market environment.

The development of the insurance product line in 2008 also focused on traditional products (LOB I) and linked products (LOB III): BG/BSI Valore (traditional), which guarantees capital and invests in the Concrete New Separate Portfolio, and BG/BSI Evolution (linked), which combines exposure to equity markets with the protection of capital at maturity.

Agreements have also been devised to facilitate the transfer and requalification of polices in the post-sales stages currently in the Banca Generali Group's portfolio, whether lapsing in 2008 or still active, into products of the new line.

Assets under administration and custody

The range of very short term investment products (repurchase agreements) was consolidated through the revamped offering of products with especially competitive returns introduced during the first half of the year.

In light of the acquisition Banca del Gottardo Italia, whose product line included the DCS (Domestic Currency Swaps), the range of products of BSI Plusvalore was revamped in order to further expand the product line of Banca BSI dedicated to private clients and to ensure the continuity of service for former clients of Banca del Gottardo Italia.

The second half of 2008 witnessed the formal renewal of the distribution and materiality agreement with Intesa SanPaolo and the extension of this agreement to all of the Group's local banks.

The distribution of medium-/long-term bonds, aimed at meeting demand for investments with protected capital at maturity, also continued in the second half of the year.

Throughout 2008, the Group also worked diligently to implement legislative changes (anti-laundering, MiFID) and make all consequent updates to contracts and provide customers with tranS.p.A.rency-related information.

IT systems

In 2008 the computer interface used directly by clients (Client Front End) and the sales network (Advisor Front End) was brought into line with the rules introduced by the MiFID regulations.

The current websites for use by the clients of Banca Generali and Banca BSI Italia were expanded to include the new Fondi Online order placement service and a project to thoroughly revamp the Banking Group's websites was launched with the aim of creating a genuine "network" of websites that are innovative,

consistent in terms of presentation and content, and attuned to the needs of the Group's various target users.
The first result of this project was the August launch of the Banca Generali Group's new institutional website (www.bancagenerali.com), created to host new content and functions, which received the Best Improver award in the 2008 H&H Italy Top 80 Webranking.

The main work done on the Advisor Front End, in addition to customary maintenance and upgrades, was related to the implementation of functions preliminary to Online Order Placement operations by the Network (Integrated Contract Management).

Distribution Network Training

The training of the Banca Generali Group's distribution networks in the first half of the year was characterised by two large-scale training programmes: the first focused on the new 2008 product range, providing in-depth coverage of its technical aspects and the sales opportunities of the BG Selection SICAV and BG SICAV system; the second, which provided an update on the MiFID, was a continuation of training activities in this field that had already been carried out in the second half of 2007.

In the second part of the year, the entire network was given a course on the new insurance products BG/BSI Evolution and BG/BSI Valore.

In addition to commercial training, the entire network was involved in compulsory online training courses in relation to the annual update required by ISVAP and anti-money laundering legislation. These large-scale programmes alternated with management training courses, particularly for network management structures.

Communications

On the occasion of the launch of the new Luxembourg SICAV, BG Selection, champion football player Alessandro del Piero lent his image for use in communication activity in support of ARC and ARC10, two flexible sub-funds of the SICAV in which he has directly invested.
In April, del Piero also appeared in a video in the twofold role of investor and football player on the mini-website devoted to the two products (www.bgarc-arc10.com).
Related content and images were also used in support of the Network's marketing operations in illustrative materials for the products ARC and ARC10 (brochures, leaflets, posters).

Trade marketing

In 2008, alongside the consistently numerous local marketing initiatives developed directly by the Network, Banca Generali and Banca BSI Italia organised displays at three important industry gatherings: the ITF in Rimini (May) and Naples (December) and the first EFPA National Convention in Verona (June).

Banca Generali's high-profile athletic sponsorship programme continued with the ongoing sponsorship of a crew participating in Trieste regatta "La Barcolana", while Banca BSI Italia organised a prestigious Invitational Golf Tour.

In the area of social responsibility, the Banca Generali Group continues to cooperate with AISM by supporting initiatives launched by the association, including the sale of products with benefits to charity at all Group locations.

12. Human Resources

12.1 Employees

At 31 December 2008, the Bank's workforce was composed of 55 Managers, 117 3rd and 4th level Executives and 648 employees at other levels; of the last category, 72 were 1st and 2nd level Executives, and 75 were working under fixed-term contracts (23 of these as substitutes for employees on maternity leave or leaves of absence). The increase in employees with respect to the previous year to the extent of 90 resources is substantially attributable to the entry of Banca del Gottardo Italia S.p.A. to the banking group effective 1 October 2008.

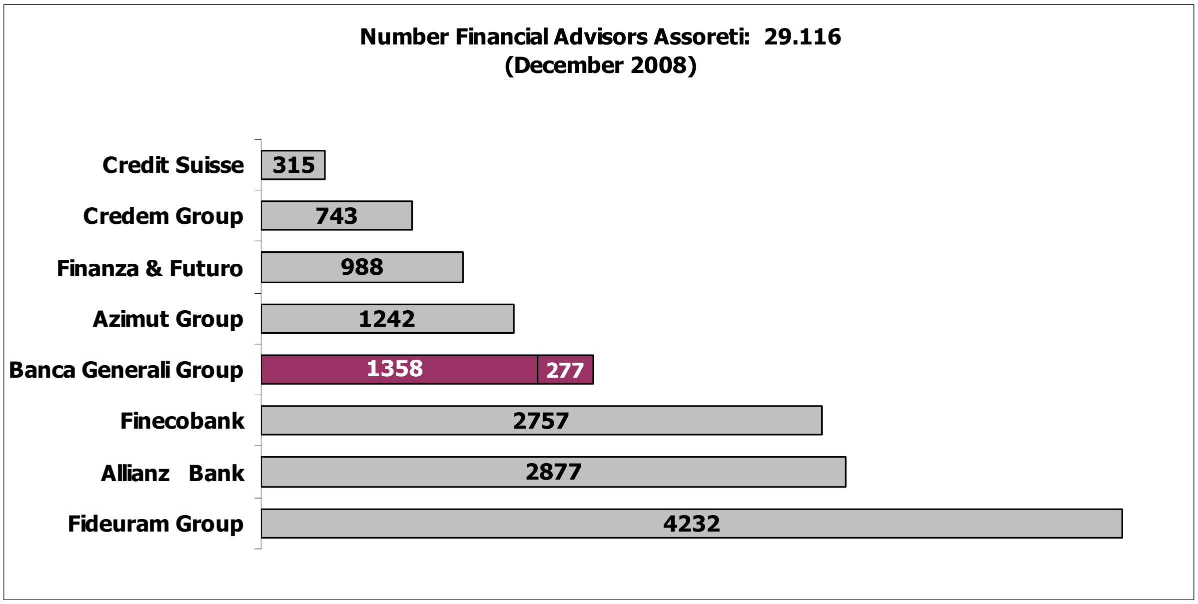
	Banca Generali	BG Sgr	BG Fiduciaria	Banca BSI Italia	Simgenia	SAF	BG Lux	BdG	*Total*
MANAGERS	21	9	1	15	1	0	2	6	***55***
3^{RD} AND 4^{TH} LEVEL EXECUTIVES	42	4	5	31	7	0	4	24	***117***
OTHER	485	17	4	42	38	1	9	52	***648***
Total	***548***	***30***	***10***	***88***	***46***	***1***	***15***	***82***	***820***

In 2008, an intensive training programme was implemented involving a total of 14,000 hours of training.
Technical, linguistic and information technology courses were held in order to ensure the best management of specific aspects of various company functions. Legislative refresher courses were also provided in e-learning and classroom format to the entire company population on MiFID, Decree Law 231, and the prevention of money laundering.
A process of drafting a chart of the technical skills associated with the entire banking area was also begun with the aim of organising timely training courses specific to the various functions' needs beginning in 2009.
Training activities also supported the development of the managerial skills required to fill such positions, including through international training courses.
The courses were organised by Generali Group Innovation Academy and, for the technical part, with top outside consulting companies, experts in their fields.
The process of mapping managerial skills within the population of managers, executives and white-collar employees aimed at a specific course of professional development also continued. Feedback and development interviews continued to be held for the launch of personalised development plans.
The first quarter of 2008 saw the launch of the Group's annual employee performance evaluation process.
In May, two years after the previous survey, another climate survey was conducted in collaboration with the Generali Group in order to obtain a clear view of the company climate and the alignment of personnel with our business's strategic objectives.
The results of the survey showed significant development in activities aimed at supporting personal professional skills, in addition to greater personal involvement in the company life of our Group.
As for the previous survey, a series of actions has been planned in 2009, focused on the priorities that emerged from the survey, pertaining to the area of process innovation and organisational integration.

In December the usual meeting was held with all employees and top management in order to review the main stages of the process carried out in 2008 and the macro-projects scheduled for 2009.

12.2 Financial Advisors and Relationship Managers

The Banca Generali Group owns one of the largest Financial Advisor and Relationship Managers distribution networks in the Italian market: 1,358 Financial Advisors with Banca Generali, 2,729 with Simgenia, 277 with Banca BSI Italia and 20 with Banca del Gottardo, the latter of which were merged with those of Banca BSI Italia effective 1 January 2009, for a grand total of 4,386 professionals.



The data refer solely to Financial Advisors with Banca Generali and Banca BSI Italia.

The following table provides a summary of the primary figures for the Banca Generali Group's distribution networks, updated through 31 December:

	No. of FAs/ Bank./Rel.Man.	Assets (mln euro)	Assets per Advisor (mln euro)
Banca Generali	1,358	11,224	8.3
BSI Italia	277	6,206	22.4
Simgenia	2,729	1,232	0.5
Banca del Gottardo Italia	20	1,536	76.8

Simgenia's Financial Advisors focus mainly on their activity as Insurance Agents, while assets under management are of secondary importance. As such, they are located only where the agencies of the Generali Group companies (Assicurazioni Generali, Alleanza, INA) are located, and their activities are intended to be supplementary to the insurance business. This explains the lower average assets-under-management figure for the Simgenia network. As previously disclosed, Simgenia will be sold to the Group's Insurance Companies and will therefore be deconsolidated from the Banking Group in 2009.

The Banca Generali Group's financial advisors (except Simgenia) cover an extensive area in Italy and are supported by a total of 193 bank branches and Advisor Offices.

Region	Banca Generali / BSI Italia Branches	Advisor Offices
Abruzzo	1	2
Calabria	1	4
Campania	4	12
Emilia Romagna	5	19
Friuli Venezia Giulia	2	4
Lazio	3	5
Liguria	3	15
Lombardy	7	18
Marche	1	4
Piedmont	4	13
Puglia	2	8
Sardinia		1

Sicily	1	6
Tuscany	2	17
Trentino Alto Adige		2
Umbria	1	2
Valle D'Aosta		2
Veneto	5	17
Overall total	**42**	**151**

13.Organisation and ICT

During 2008, the Banking Group's interventions in the area of organisation were focused on the following issues:

1. Integration of Banca del Gottardo Italia into Banca BSI Italia following its merger
2. First phase of implementation of the Kondor + (Reuters) application platform for managing the Bank's own portfolio
3. Strengthening of the Trading Desk and Finance Department through IT projects and organisational changes designed to increase operating efficiency
4. Completion of projects aimed at managing administrative and accounting risks (as per Italian Law 262/2005) and initiation of new projects focusing on the assessment and mitigation of operating risks to fulfil the requirements of Basel II and ICAAP
5. Implementation of a leading application platform (ARIS) for the management and centralised updating of company processes and circulars
6. Enhancement of the functionality of the "Internet Banking" platform, with particular emphasis on the addition of new functionality to support the online management of mutual funds and SICAVs
7. A project to be completed in 2009 involving the development of a new, more sophisticated web platform for customers (for Internet Banking, On-Line Trading and information); the project has already seen the launch of the Group's new website.

With regard to the first point, the target organisational model for the new Private Bank was developed based on an analysis of the current organisational structure of Banca BSI Italia (merging bank) and Banca del Gottardo Italia (merged bank) and by maximising the strengths of both banks and identifying synergies.
The organisational impacts of the acquisition were then estimated through an analysis that included the areas of the Parent Company, Banca Generali, that perform operating and administrative activities on an in-service basis for Banca BSI Italia.
The steps necessary for migrating data from the merged bank's computer systems to those of the merger bank were also identified and carried out.

The second and third points address the Bank's need to maximise its own portfolio and performance in the financial markets. This is being accomplished by supplying the Finance Department with more adequate support tools for managing bond portfolios as well as new applications and automated tools designed to simplify and strengthen the Bank's trading activities on stock and bond markets.

The fourth and fifth items also address — in a more general sense — the Group's desire to take all necessary steps to guarantee the mitigation of the major risks to which it is exposed as a result of its activities.
In detail, in 2008, the Group continued its activities aimed at identifying and evaluating a model for managing administrative and accounting risks in order to fulfil the requirements of Italian Law 262/2005; the organisational model that must be put in place to ensure the continuous monitoring of such risks was also identified.

New projects were also initiated with the aim of identifying and reducing operating risks and implementing new support tools designed to continuously monitor such risks; in this case as well, the related organisational processes to be put in place were determined.

The sixth point and, in particular, the seventh point address the Group's desire to support its business by adding new functionality that, in view of the evolution of the market and the advances made by the Group's main competitors, meets the needs of an increasingly sophisticated clientele by enhancing usability and the sending of orders.

14. Annual Audits

The Banca Generali Group’s internal audits are performed by its Internal Audit Service, which is responsible for the ongoing independent evaluation of the Group’s internal control system to guarantee that it is adequate, fully operational and in correct working order. The Internal Audit Service is furthermore responsible for working with the bank’s operating units in implementing control and risk management mechanisms and notifying the Board of Directors, the Board of Statutory Auditors, the Internal Control Committee (for the Parent Bank), and Top Managers with possible improvements to risk management policies.
The extent of the changes introduced by the Joint CONSOB-Banca d’Italia Regulations and implemented in early 2008 by the organisational structures of Banca Generali charged with internal controls have permitted Internal Audit to further bring to the fore its role of ensuring the consistency and centrality of the internal control system and the development orientation of the assurance mechanisms that guarantee that the functionality of the internal control system is constantly aligned with company control requirements. The evolution of the Service’s role is clearly demonstrated by Internal Audit’s new work model, known as the Supervisory Model, which identifies three correlated key elements (processes, risks and controls) and ensures better communication of risk disclosure to all levels, thereby permitting better management of monitoring processes by the process owners.

In 2008, assurance action was conducted in accordance with the Supervisory Model and the annual audit plan. Internal Audit was particularly involved in providing assurance with respect to the adequacy of controls and their ability to effectively and efficiently identify risk situations. Attention was focused on verifying the presence of adequate line controls and the effective mitigation of risk factors brought to light in previous periods.
The evaluation of the quality of the internal control system for operational processes primarily involved the functioning of the sales network of Financial Advisors and had the aim of identifying and removing any irregular conduct and mitigating the risk of fraud.
Inspections carried out on the distribution networks were also an occasion for providing consulting and training support and increasing Financial Advisors’ awareness of areas included in the evaluations. Auditing activity led to a general improvement in monitored behaviour reflected in an overall decrease in the value of indicators of anomaly remote checks.

Assurance activities also included planned audits of investment and banking processes. Audits were carried out also in the areas of back office, management services and branches, administrative/accounting processes and information systems. The purpose of the audit activities was to determine the quality and effectiveness of controls and, where possible, propose solutions for improving risk management. Finally, the Service focused on following up on improvements implemented as a result of previous audits.
The purpose of monitoring information system, which was carried out with the support of a leading consulting firm, is to assess conditions for physical and logical security, risks in and control of the information system environment, to check regulatory compliance, the vulnerability risks of the internal information system, and measures to be implemented to guarantee an adequate general level of system security.

Systematic consultations, a natural extension of assurance and investigation services, were conducted during the year. These activities involved ongoing projects and the implementation of second-tier controls.

As required by internal regulations, Internal Audit constantly monitored the risk of money laundering by evaluating the presence of any suspicious transactions, liaising with the competent supervisory entities, and

collaborating with the Compliance Service to develop a culture of preventing this risk in the relevant operational structures.
At the same time, Internal Audit monitored the evaluation process for transactions analysed in connection with market abuse legislation.

15. Main Risks and Uncertainties

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

- The banking group is exposed to **market risk** (currency, interest rate, and price) and credit risk in its entire own securities portfolio. In detail, in connection with securities at fair value classified to the portfolios HFT and AFS, the group's profit and loss account and net equity are primarily exposed to risks arising from the fluctuation of market prices, whereas in connection with securities classified to the portfolios at amortised costs and AFS, the group's profit and loss account and net equity are primarily exposed to the risk of impairment. The Finance function is responsible for identifying and managing market risk, while the Risk Management function is tasked with second-tier control. Given the current market conditions, and in particular exposures to ABS, classified to the loans portfolio, which primarily have as their underlying assets residential mortgages, commercial loans and leases in the euro area (chiefly Italy), they may in the future undergo impairment, exposing the company to the risk of losses on its profit and loss account. This securities portfolio is monitored on at least a quarterly basis in order to detect the deterioration of the quality of the credit underlying the securities through the analysis of several indicators (delinquency rate, cumulative default, etc.). ABS that show deterioration of such indicators are analysed on at least a monthly basis.

- The **competitive environment** in which the banking group operates is going through a highly difficult period, due especially to the continuation of the ongoing financial crisis, a situation which inevitably entails risks as to the achievement of economic objectives. The banking group is seeking to combat such risks by taking the action described in the paragraph on the business outlook.

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

- The banking group also has an adequate level of capitalisation, with a tier 1 ratio of 9% and a total capital ratio of 12.14%.
- The banking group is exposed to what are known as **operating risks**, i.e. the possibility of incurring economic losses arising from the inadequacy or failure of processes, human resources or internal systems, or from external events. This type of risk is intrinsic to the activity undertaken by the banking group, which involves the use of human resources, processes, systems, and tangible and intangible assets.
  The Risk Management function, performed by Banca Generali, is responsible for identifying, measuring, and controlling operating risks, while the operating functions are tasked with first-tier management and control.
  In order to increase the efficacy of the safeguards in place, the Company's Board of Directors has approved a Business Continuity Plan; in addition, it has entered into a contract providing specific insurance cover of operating risks arising from the actions of third parties or brought upon third parties and of damages caused by suppliers of infrastructure and services.
- The **support provided by the Group's legal and compliance functions** ensures adequate monitoring of and timely attention to the specific legislation in the industry in which banking group companies operate.

16. Outlook

Financial year 2009 will be primarily characterised by limited production of wealth at the level of individual households and a low propensity towards financial risk on the part of investors.
Given this scenario, the action taken by the banking group will be aimed substantially at modifying the level of company costs through the following measures:

- the completion of the integration of Banca del Gottardo Italia S.p.A. into Banca BSI Italia, with the aim of reducing redundant costs and structures;
- the disposal of a stake of 85% and resulting deconsolidation of the subsidiary Simgenia;
- the reorganisation of the banking group's individual discretionary accounts;
- the rationalisation of the distribution structure throughout the territory;
- the retooling of compensation schemes for management structures in the direction of a system increasingly directly linked to the creation of value.

The banking group's concurrent efforts on the revenue front during 2009 will follow the guidelines set out below:

- the development of the operations of BG Investment Luxemburg, both in terms of new products and an increase in inflows;
- the consolidation of insurance product offerings, including pension-related products;
- the increase of the share of wallet of the banking group's existing clients, primarily as regards the assets under administration component;
- the development of market share, to be achieved primarily, albeit not exclusively, on an organic basis.

The above-mentioned initiatives to increase inflows will be coupled by a strict containment and cost cutting measures, so as to effectively face the current turbulent situation.
With a view to achieving cost synergies and rationalising the organisational structure, the authorization process for the merger of Banca BSI Italia into the Parent Company Banca Generali will start in 2009. The reorganisation will continue to entail two sales divisions differentiated by target customers.

17. Proposal for the Distribution of Profits

Shareholders,
We invite you to approve the financial statements as of 31 December 2008, which include the accounting statements, the Notes to the Financial Statements and related attachments, as well as this Report on Operations, both taken as a whole and with regard to the individual entries. We therefore propose allocating net profit for the year as follows:

Net profit for the year	**12,027,780**
to legal reserve	601,389
retained earnings	4,788,528
	6,637,863
allocation to the 110,631,043 outstanding ordinary shares € 0.06 per share, including the amount to own shares as per Section 2357-*ter* of the Italian Civil Code	6,637,863

The amount will be paid net of applicable legal withholdings as of 21 May 2009.

Trieste, 12 March 2009

BOARD OF DIRECTORS

Annual Financial Report as of 31 December 2008

Report on Operations Part 2

ANNUAL REPORT ON THE CORPORATE GOVERNANCE SYSTEM AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF LISTED COMPANIES
pursuant to Articles 124-bis of Legislative Decree No. 58/1998, 89-bis of the Rules on Issuers, approved by CONSOB with Resolution 11971 of 14 May 1999 as further amended and extended.

Board of Directors
12 March 2009

Banca Generali S.p.A., with registered offices in Trieste, 4 Via Machiavelli

Website: www.bancagenerali.com

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GLOSSARY

Code: The Corporate Governance Code of listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.
Civil Code: the Italian Civil Code.
Board: the Board of Directors of the Issuer.
Issuer: the issuer of listed shares to which the Report refers.
Period: the financial period to which the Report refers.
Instructions to the Market Rules: the Instructions to the Rules for the Markets organised and managed by Borsa Italiana S.p.A.
Rules for the Markets: the Rules of the Markets organised and managed by Borsa Italiana S.p.A.
CONSOB Rules on Issuers: the Regulation on issuers issued under CONSOB resolution No. 11971 of 1999 as further amended and extended.
CONSOB Rules for Markets: the Regulation on markets issued under CONSOB resolution No. 16191 of 2007.
Report: the Corporate Governance Annual Report; which companies are required to prepare pursuant to articles 124-*bis* of TUF, 89-*bis* of CONSOB Rules on Issuers and Article IA.2.6. of the Instructions on the Rules for Markets.
TUF: the Legislative Decree No. 58 of 24 February 1998 (Consolidated Law on Finance).
TUB: Legislative Decree No. 385 of 1 September 1993 (Consolidation Law on Banking).

INTRODUCTION

This report has been prepared in compliance with the obligation to provide, on an annual basis, information on the Company's corporate governance system and compliance with the Corporate Governance Code of Listed Companies (the "Code"), an obligation imposed on companies issuing listed shares, pursuant to the current Instructions on the Rules for Markets organised and managed by Borsa Italiana S.p.A. (Title IA.2.6) as well as pursuant to article 124-bis of Legislative Decree no. 58 of 24 February 1998, as further amended and extended (the "Finance Consolidation Act" - Testo Unico della Finanza or "TUF").
This report also includes the information on company ownership, as required pursuant to article 123-bis of the TUF.
Banca Generali S.p.A. (the "Company") was admitted for listing on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in November 2006, and on such occasion adopted the Code[1], having determined that bringing its corporate governance system (and that is to say, the framework of rules, principles and procedures making up a company's management and internal control system) in line with the international best practices of business administration on which the Code is based is a basic pre-requisite for achieving the Company's goals.
These goals in fact include not only the creation of value for shareholders and customer satisfaction, but also the quest for excellence in terms of the transparency of decision-making processes, the efficiency of internal control systems and the probity and rigour in third party and intercompany transactions and/or transactions entailing a potential conflict of interests, as well as constant professionalism, probity and respect in all relationships with shareholders, customers and, in general, all the Company's stakeholders. Fully aware that no corporation can hope to boost its reputation for reliability without implementing effective and efficient operating rules and procedures, the Company also adopted the Code of Ethics of the Generali Group that sets forth the basic ethical principles to be rigorously followed throughout the Group (the "Code of Ethics")[2], such as, for instance the principles of professionalism and the enhancement of human resources, the protection of the health of workers, free enterprise and competition, transparency and correctness of information disclosed.

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

- a first section providing summary information on the Company's goals and organisation;
- the second section contains the information on company ownership, as required pursuant to article 123-*bis* of the Italian Finance Consolidation Act (TUF);
- a third section containing more detailed information on the organisation and concrete functioning of structures and bodies contemplated in the Code.

* * *

[1] In the edition last updated in 2006.
[2] A copy of the Code of Ethics is available on the corporate website at www.bancagenerali.com, section "*Corporate Governance*"- *Corporate Governance System – Company Regulations"*.

SECTION 1

BANCA GENERALI'S GOVERNANCE STRUCTURE

As known, with a view to reinforcing minimum standards of corporate organisation and governance, and ensuring "healthy and prudent management" (article 56 of the Consolidation Law on Banking – TUB), by Order No. 264010 of 4 March 2008, entitled "Supervisory Provisions on the corporate organisation and governance of banks", the Bank of Italy established a regulatory framework under which organisation is to play a central role in strategic corporate policy-making and risk assessment and management within the banking and financial industry.

Briefly put, pursuant to the aforesaid Bank of Italy Order, industry operators are required to implement: (i) a clear definition of functions and responsibilities; (ii) the appropriate balancing of delegated powers; (iii) the balanced composition of corporate organs; (iv) an integrated and effective internal control system; (v) comprehensive and ongoing risk assessment and management; (vi) a compensation structure in line with risk-management policies and long-term corporate strategy; (vii) adequate reporting systems and information flows.

Given that the Articles of Association must be amended in order to ensure compliance with the new statutory and regulatory framework, on 28 January 2009, the Board of Directors passed a resolution to move the Shareholders' Meeting to amend certain articles of the Articles of Association and requested the Bank of Italy to issue the related certificate of conformity.

The Articles to be amended include: 12 (regarding the chairmanship of the Shareholders' Meeting), 13 (regarding the powers and duties of the Shareholders' Meeting), 15 (regarding the appointment of the Board of Directors), 16 (regarding the Chairman of the Board of Directors), 18 (regarding the tasks of the Board of Directors), 21 (regarding the tasks of the Board of Statutory Auditors).

Save where otherwise specified, the information contained in this Report, is updated as at the date of its approval by the Company's Board of Directors (12 March 2009).

Organisation of the Company

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

As a public limited company subject to Italian law, and a bank subject to Legislative Decree no. 385 of 1 September 1993 and related implementing provisions (TUB), Banca Generali has set up a governance system firmly grounded on the said principles.

Banca Generali's organisational structure is made of the following main corporate boards ad officers:

A. Board of Directors;
B. Chairman of the Board of Directors;
C. Chief Executive Officer;
D. Remuneration Committee;
E. Internal Control Committee;
F. Shareholders' Meeting;
G. Board of Statutory Auditors.

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

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

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

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

The Company is not endowed with an Executive Committee, and does not envisage appointing one at present.

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

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

The Remuneration Committee expresses opinions and submits non-binding proposals to the Board, pertaining to the remuneration packages of the Chairman of the Board, the Chief Executive Officer and

General Manager; it periodically also assesses the policies used to determine the remuneration packages of key Company executives, with strategic responsibilities.
The Internal Control Committee is tasked with assisting the Board of Directors in laying down guidelines for the internal control system; expressing an opinion on the appropriateness of the internal control system and monitoring the proper and uniform application of accounting policies within all group companies. The committee also issues an opinion on the timetable of operations submitted by the independent auditors and monitors the effectiveness of the auditing process.
The Shareholders' Meeting (the "Shareholders' Meeting") passes resolutions expressing the intentions of the shareholders. Resolutions approved by the Shareholders' Meeting pursuant to statutory provisions and the Articles of Association, are binding on all the Company's shareholders, including those abstaining or dissenting.
Responsibility for internal control lies with the Board of Statutory Auditors, appointed by the Shareholders' Meeting, for a three-year term. The Board of Statutory Auditors is not responsible for auditing the Company's accounts, a task entrusted to Independent Auditors duly registered with the specific professional rolls set by the Italian market regulator, CONSOB. The Independent Auditors are bound to monitor the proper bookkeeping of the Company's accounts, during the course of the financial year, and to ensure that the Company's books faithfully reflect management trends. The Independent Auditors are also in charge of checking that the figures carried in the annual and consolidated financial statements present a true and fair account of the Company's books and that all accounting documents are compliant with applicable regulations.
The powers and operating procedures of the corporate organs are governed by law, the Articles of Association and the resolutions approved by the relevant organs.
The Articles of Association are available at the Company's registered office and can also be consulted on the Company's website (www.bancagenerali.com) under section "*Corporate Governance*" – *"Corporate Governance System*".

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

SECTION 2

INFORMATION ON COMPANY OWNERSHIP (PURSUANT TO ARTICLE 123-*BIS* TUF) AT 04 MARCH 2009

Structure of the share capital

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to Euro 111,313,176.00, divided into 111,313,176 ordinary shares of a par value of Euro 1.00 each.

	No. of shares	% of share capital	Listed (specify on which markets)	Rights and obligations
Ordinary shares	111.313.176	100	Listed on MTA organised and managed by Borsa Italiana S.p.A. – STAR segment	All the rights contemplated under the Italian Civil Code and Articles of Association.

Banca Generali holds 682,133 treasury shares, which it acquired in order to implement the approved Stock Granting Plans. The voting rights attaching to the said shares have been suspended pursuant to section 2357-*ter* of the Italian Civil Code.

The Extraordinary Shareholders' Meeting of 18 July 2006 approved a capital increase, in one or more tranches, in the maximum nominal amount of Euro 5,565,660.00 to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers" and the "Stock Option Plan for Banca Generali S.p.A.'s Employees". For further information on the aforesaid share-based incentive plans, see part I of the Notes to the Banca Generali's financial statements for 2008, and the Press Release issued on 17 September 2007, drawn up pursuant to CONSOB resolution No. 15915 of 3 May 2007, regarding the allotment of financial instruments to company managers, employees and collaborators, pursuant to the Plans submitted for approval to the corporate organ in charge of the implementation thereof prior to 1 September 2007, available for consultation on the company's website (www.bancagenerali.com) under the section "*Investor Relations*" – "*Press releases*".

Restrictions on the Transfer of Securities

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

a) the Stock Granting Plan reserved for specific financial advisors provides that should the recipient intend to sell all or some of the granted shares, the said recipient must first inform Banca Generali thereof, since the latter retains the right to indicate a third-party purchaser at the same terms and conditions and at the market price;

Significant Equity Investments in the Share Capital

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

Shareholders holding more than 2% of the Company's voting stock, directly or indirectly and including through third party intermediaries, trust companies and subsidiaries, as per the Shareholders' Register and the notices received pursuant to law as at 4 March 2009, are indicated in the table below:

Declarant	Direct shareholder	% of ordinary stock	% of voting stock
Assicurazioni Generali S.p.A.	Assicurazioni Generali S.p.A.	59.7549	60.1233
Intesa Sanpaolo SpA	Intesa Sanpaolo SpA (*)	6.9898	7.0329
Janus Capital Management	Janus Capital Management	2.3846	2.3993

** Pursuant to Section 121, paragraph 3, of Legislative Decree No. 58/98, the voting rights attaching to the stake in excess of 2%, have been suspended.*

Securities Bearing Special Rights

No securities bearing special rights of control have been issued.

Shares Held by Employees: Mechanism for the Exercise of Voting Rights

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

Restrictions on Voting Rights

Pursuant to article 10 of the Company's Articles of Association and article 23 of the Rules adopted by the Bank of Italy and by CONSOB with the Provision dated 22 February 2008, Shareholders with voting rights may attend the Meeting provided that:

a) they can provide legal proof of their entitlement to vote;

b) the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received at the company's registered office at least two days prior to the date set for the first call of the Meeting, or by such other deadline specified in the notice of calling, in accordance with applicable statutory provisions.

Moreover, the Company's ownership structure at 4 March 2009, indicates that:

- Banca Generali holds 682,133 treasury shares, which it acquired in order to implement the approved Stock Granting Plans. The voting rights attaching to the said shares have been suspended pursuant to section 2357-*ter* of the Italian Civil Code.
- since the stake held by Intesa SanPaolo S.p.A. falls within the scope of article 121 of Legislative Decree No. 58/98, paragraph 3, at present, the voting rights attendant to the said stake are suspended in respect of the portion exceeding 2% of Banca Generali's total share capital.

Shareholders' Agreements

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

Appointment and Replacement of Directors and amendments to the Articles of Association

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

Board members must possess the legal requisites also, within the limits established by law, in terms of independence.

Members of the Board of Directors are appointed on the basis of lists of candidates. Those shareholders who alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company by current applicable regulations, are entitled to submit a list. Each shareholder (as well as (i) shareholders belonging to the same group, the latter term being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of Legislative Decree no. 58 of 24 February 1998, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may submit, either on their own or jointly with other shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, under pain of disqualification of the list. The lists must contain a number of candidates no higher than the number of members to be elected, listed by progressive number with a specific indication of the candidates who meet the statutory requirements of independence. Each candidate may appear on only one list, upon penalty of ineligibility.

The lists submitted by shareholders must be filed at the registered office and published in at least one newspaper with national circulation, at least fifteen days prior to the date set for the Shareholders' Meeting in first call. Should the outgoing Board of Directors submit its own list, the same must be lodged with the Company's registered office and published in at least one national daily newspaper, at least twenty days prior to the scheduled date of the Shareholders' Meeting at first call.

In order to prove their entitlement to submit lists, shareholders must file at the registered office the documentation proving legal ownership of their shareholdings at least fifteen days prior to the scheduled date of the Shareholders' Meeting at first call. Within the same term, shareholders who submitted the lists, shall also file at the registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations filed by each candidate, in which each candidate accepts his/her nomination and also certifies, under his/her own responsibility, the inexistence of causes of incompatibility and of ineligibility, possession of the requisites of integrity and

professionalism which prevailing laws require for the office of director of the Company, as well as those of independence, if applicable, provided for by the law and by the codes of conduct promoted by companies managing regulated markets or by trade categories, to which the Company adheres.
Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of Legislative Decree No. 58 of 24 February 1998, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) shall be entitled to vote for only one list. Should only one list be submitted, all the members of the Board of Directors shall be appointed from the said list. Should, on the other hand, two or more lists be submitted, the first candidates on the list obtaining the greatest number of votes, equal to eight ninths of the number of members of the Board of Directors determined by the Shareholders' Meeting — with rounding down in the case of split number — will be elected Board members. The remaining directors will be taken from other lists, not linked in any way, not even indirectly, with the shareholders who submitted or voted for the list which gained the highest number of votes, and to this end the votes obtained by said lists will subsequently be divided by one, two, three and so on, according to the number of directors to be elected. The ratios obtained in this way will be progressively assigned to the candidates of each of the lists, according to the respectively established order of said lists. The ratios thus attributed to the candidates of the various lists will be set out in a single decreasing list. In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled. Should it emerge that, at the end of voting, a sufficient number of independent Directors, within the meaning of applicable regulations, has not been elected, the director bearing the highest serial number in the list that obtained the greatest number of votes, and who does not meet the requirements of independence, shall be replaced by the next candidate on the same list, who does meet the said requirements. If necessary, this procedure shall be repeated until all the vacancies of independent directors on the Board, have been filled. Should it not be possible to cover all the vacancies on the Board, even after following the procedure mentioned above, the Shareholders' Meeting shall proceed with the appointment of the remaining directors, at the proposal of the shareholders in attendance and by resolution approved by simple majority.
If during the term of office one or more Board members should leave office for whatsoever reason, they will be replaced according to the procedures established by law. If the leaving director was taken from the minority list that had obtained the greatest number of votes, replacement will occur with appointment of the first eligible candidate taken from the same list as the leaving director and willing to accept office or, where this is not possible, with the appointment of the first eligible candidate who is willing to accept office, and taken, in serial order, from the list to which the first unappointed candidate belonged. The term of the replacement director shall expire together with the term of the directors in office at the time of the replacement Director's appointment to the Board.
Where it is not possible to proceed as described above, either because of too few candidates being presented on the lists or as a result of non-acceptance of appointments, the Board of Directors shall co-opt, within the meaning of article 2386 of the Italian Civil Code, a director selected by the Board in accordance with the criteria established under law. The director thus coopted shall remain in office through to the next Shareholders' Meeting that shall either confirm or replace him following the ordinary procedures and with ordinary majorities, in departure from the list-based voting system mentioned in Article 15 of the Articles of Association.
Amendments to the Articles of Association are regulated pursuant to applicable regulations.

Powers to Increase the Share Capital and Authorisation for the Acquisition of Treasury Shares
The Board of Directors has not been empowered to increase the share capital within the meaning of section 2443 of the Italian Civil Code.
Pursuant to sections 2357 et seq. of the Italian Civil Code, on 18 July 2006, the ordinary shareholders' meeting authorised Banca Generali to acquire 667,800 ordinary shares issued by Banca Generali SpA, of face value of euro 1.00 each, in order to allow for the implementation of a Stock Granting Plan reserved for the CEO and the General Manager, and approved by the Board of directors on 24 May 2006, entailing the assignation, free of charge, of no more than 667,880 ordinary shares in Banca Generali, of a face value of euro 1.00 each, the said acquisition being made subject to the following terms and conditions:
a) within the limits of the distributable profits and reserves as per the last approved financial statements, at a unit price per ordinary share ranging between no less than the par value of the share, that is to say, euro 1.00 and no more than euro 17.20;
b) within the imperative time period of eighteen months following the related shareholders' resolution;
c) the corresponding unavailable reserve is established pursuant to section 2357-*ter* of the Italian Civil Code;
d) should the treasury shares be acquired following the listing of Banca Generali shares for trading on the Electronic Share Market (MTA) organised and managed by Borsa Italiana S.p.A., pursuant to article 132 of

Legislative Decree No. 58/1998 and article 144-*bis*, paragraph 1(b) and (c) of the Rules on Issuers set forth in CONSOB resolution No. 11971 of 14 May 1999 as further amended and extended, the related transactions are effected in accordance with operating procedures established under the organisational and management rules of the markets themselves, so as to ensure that all shareholders are subjected to equal treatment. Accordingly, the acquisitions may be made exclusively, and even several times, on regulated markets organised and managed by Borsa Italiana S.p.A., in accordance with the latter's operating procedures which do not allow for the direct matching of buy orders with pre-established sell orders.
Again pursuant to section 2357-*ter* of the Italian Civil Code, the same shareholders' meeting also authorised the Company to assign, free of charge, to the CEO and General Manager, the aforesaid shares, by the deadlines and in accordance with the terms and conditions set forth in the Stock Granting Rules approved by the Board of Directors on 24 May 2006.
At 31 December 2008, the Company held 697,146 treasury shares.

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

Directors' Severance Indemnities in the Event of Resignation, Dismissal or Severance as a Result of a Takeover Bid
Provision has been made to cover the Chief Executive Officer's severance indemnity, in the amount of € 175,000.000 per year (or 25% of his annual salary), payable by way of premium on a life insurance policy featuring the Chief Executive Officer himself as the direct beneficiary.
The Issuer has not entered into any other agreements with directors, providing for severance indemnities payable in the event of resignation or dismissal without just cause, or severance as a result of a corporate takeover bid.

SECTION III

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF LISTED COMPANIES AND FURTHER INFORMATION

BOARD OF DIRECTORS

Role of the Board of Directors

The Board of Directors, made of the 10 members listed in the Table below, plays a central role in the Company's corporate governance system. The Board was appointed by resolution approved by the Shareholders' Meeting on 3 October 2006, that entered into effect on 15 November 2006 (date of commencement of trading of the Company's shares on the electronic share market organised and managed by Borsa Italiana S.p.A.) and shall remain in office until the approval of the financial statements for the year ended 31 December 2008.

Following the resignation of a director before the end of his term, on 20 July 2007, pursuant to article 15, paragraph 14, of the Articles of Association and section 2386 of the Italian Civil Code, the Board of Directors coopted a new Board member who was subsequently confirmed in office by the Shareholders' Meeting of 22 April 2008, for a term expiring on the date of approval of the financial statements for the year ended on 31 December 2008.

The Board of Directors is vested with full powers of ordinary and extraordinary management of the Company and has the authority to deliberate on all matters pertaining to the corporate purpose that are not reserved to the exclusive competence of the Shareholders' Meeting as required by regulations in force. The Board is also the only corporate organ empowered to pass resolutions also on the setting up or closure of secondary offices, and for appointing the Board members invested with powers of corporate representation and signature, as well as on mergers, in the cases permitted under law, on the amendment of the provisions of the Articles of Association that may be incompatible with new imperative regulatory requirements.

Pursuant to paragrah 1.C.1, (a), (b) and (f) of the Code, article 18 of the Articles of Association invests the Board with broad decision-making powers susceptible of significantly impacting the life of the Company and the Group, including, in particular, the power to define the general operating guidelines and approve the Company's strategic, industrial and financial plans, as well as transactions that could have a significant impact on the Company's equity or economic or financial position, including transactions with related parties; the power to define the Company's general organisational layout, approve and amend internal rules and regulations, as well as set up advisory or coordinating committees or commissions.

In particular, pursuant to the Articles of Association, save in the emergency situations contemplated in article 18, paragraph 8 of the same, the Board alone is invested with decision-making powers in respect of: a) establishing the general management policies, approving the Company's strategic, industrial and financial plans and the transactions of considerable economic, equity and financial importance, including those with related parties; b) appointing, when it sees fit, a General Manager, Joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement; c) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Executive in charge of drawing up the company's accounting documents, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and the monitoring of actual compliance with administrative and accounting procedures; d) setting up, relocating and closing down branches, agencies and offices; e) authorising company representatives and representatives of companies belonging to the Banking Group fulfilling managerial, executive and supervisory roles and other parties identified by law to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases; f) purchasing, building, selling and transferring property, excepting the judicial and extrajudicial actions and transactions necessary to credit recovery; purchasing or selling shareholdings that cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company branches; entering into agreements pertaining to joint ventures or strategic alliances; g) establishing the general organisational structure and approving and amending internal regulations; h) creating committees or commissions with consultation or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components, the duration, the powers and authority of said committees or commissions at the time they are set up; i) approving supplementary corporate contracts and general trade union agreements.

In its capacity as leader of the Banking Group, the bank's Board of Directors is also assigned exclusive competence over resolutions concerning the purchase and sale of shareholdings by subsidiaries belonging to the banking group, as well as the establishment of the criteria for coordinating and managing the banking group companies and for implementing the instructions issued by the Bank of Italy in the interest of group stability.

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

Moreover, on 16 February 2007, in order to ensure even greater compliance of the Board's corporate governance procedures with the principles entrenched in the Code, the Board approved the "Operating Rules of the Board of Directors of Banca Generali S.p.A." (the "Board Rules") that provide, *inter alia*, that:

i) pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness of the Company's organisational, administrative and accounting layout, in light of the information received from the competent corporate organs (article 6.2 of the Board Rules);
ii) the Board is bound to assess general management trends, with special emphasis on potential conflicts of interests and periodically comparing results against expectations, in accordance with the provisions of article 1.C. 1(e), of the Code (article 8.2 of the Board Rules);
iii) since the Company is also the Parent Company of the Banking Group, the Company's Board is further invested with decision-making powers in respect of the acquisition and disposal of participating interests, as well as the policies for the coordination and management of Group companies and compliance with Bank of Italy instructions, with a view to ensuring the stability of the Group.

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

Functioning of the Board of Directors

Pursuant to Article 17 of the Articles of Association, Board meetings are to be held — in general — on a monthly basis.

On 16 February 2007, in order to ensure that the Board's operating procedures comply with the principles entrenched in the Code, the Board approved the "Operating Rules of the Board of Directors of Banca Generali S.p.A." (the "Board Rules").

The aforesaid Board Rules provide, *inter alia*, that:

i) pursuant to article 1.C.2 of the Code, appointments to Board may only be accepted after the appointees have determined that they are in a position to devote the time required to ensure the diligent performance of their tasks and duties as Board members, especially in light of the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including overseas) and in financial institutions, banks, insurance companies and large corporates, as well as their other professional activities (article 3.2 of the Board Rules);
ii) in order to enable Board members to make informed decisions and choices, the Chairman shall ensure that all of them are provided timely information on the items placed on the agenda of Board meetings (article 4.2 of the Board Rules);
iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a shareholder agreement, each Board member shall be bound to exercise decision-making powers in total autonomy and independence, making decisions that are reasonably likely to result — as a priority objective — in the creation of value for all the shareholders, in the medium-to-long term (article 5 of the Board Rules);
iv) pursuant to article 1.C.1(g) of the Code, the Board is bound to express, on an annual basis, its opinion on the appropriateness of its size, membership, and operations and those of any and all Board Committees, as well as on the appropriateness and effectiveness of the Board Rules (article 8.2 of the Board Rules).

In compliance with the said provision, and the provisions of the Order issued by the Governor of the Bank of Italy on 4 March 2008, during the Board meeting held on 23 February 2009, the Board approved the "Self-assessment Report of the Board of Directors of Banca Generali S.p.A." (the "Self-assessment") drawn up taking due account of the outcome of the consultation forwarded by the Chairman of the Board of Directors to all Directors requesting the latter to express their opinions, on a voluntary basis and in strict confidence, on a series of matters related to the size, membership and operations of the Board of Directors, as well as the size and operations of the Board Committees, and expressed the following opinion:

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

- having considered, first and foremost, the size of the administrative organ that seems commensurate with the dimensions and operations of the Company, and also in keeping with the Company's role as Parent Company of the banking group of the same name, insofar as it allows for adequate monitoring and management of the Group's business operations and trends;
- having considered, secondly, the membership of the same administrative organ, which may be deemed appropriate, in light not only of the inclusion of a sufficient number of directors meeting the requirements for independence, but also thanks to the wide variety of professional competencies featured on the Board of Directors, allowing for an authoritative and knowledgeable approach to the various matters that the Board of Directors is called upon to deal with from time to time, as well as the prevalence of non-executive directors who act as a counterweight in respect of executive directors and the bank's top management in general;
- having considered the efficient functioning of the administrative organ which is regulated by specific Rules in addition, obviously, to applicable statutory and regulatory provisions,
- having examined, as a panel body, the answers to the questionnaires that each Board member filled in, individually on a confidential basis;
- bearing in mind the considerations set forth by the Independent Directors,

expresses a clean opinion, with nothing to report on:

- the size and functioning of the Board of Directors of Banca Generali S.p.A., as well as any and all delegated organs and/or Board committees set up;
- the ability of Board members to properly discharge their assigned tasks and functions, in terms of professionalism, time available, and where applicable, independence;
- the appropriateness and effectiveness of the provisions contained in the Rules of the Board of Directors.

Pursuant to article 1.C.3 of the Code, the Board Rules establish the maximum number of corporate positions a Company Director may hold, as indicated in the following table:

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

The Board Rules further provide that, in determining the total number of companies in which appointees to the Company's Board hold directorships or auditorships, no account may be taken of companies belonging to the Company's Group. Appointments to the corporate organs of several companies belonging to a single corporate group, other than the Company's Group, are, in practice, generally considered as a single appointment (article 3.4 of the Board Rules).

The Board meetings are held periodically and in general, once a month in compliance with the statutory requirements and pursuant to a schedule of works defined on an annual basis. In 2008, Banca Generali's Board met 12 times. Meetings lasted for about 1 hour, 40 minutes, on average. A total of 11 Board meetings are scheduled for the financial year underway, with four having taken place to date.

The table below provides information on the attendance of Directors at the Board meetings held in 2008. Absentee Directors provided justification for non-attendance.

([3]) Companies with no less than two hundred employees for no less than a year.

Member	Office held	% participation to BoD's meetings
Giovanni Perissinotto	Chairman Executive Director	91.67%
Giorgio Angelo Girelli	Chief Executive Officer Executive Director	100%
Paolo Baessato	Non-executive Director	58.34%
Amerigo Borrini	Executive Director	83.33%
Fabio Buscarini	Non-executive Director	66.67%
Andrea de Vido	Non-executive Director Member of the Remuneration Committee	100.00%
Attilio Leonardo Lentati	Non-executive Director Independent director Chairman of the Remuneration Committee Member of the Internal Control Committee	91.67%
Aldo Minucci	Non-executive Director	83.33%
Alfio Noto	Non-executive Director Independent director Member of the Remuneration Committee Chairman of the Internal Control Committee	100.00%
Ettore Riello	Non-executive Director Independent director Member of the Internal Control Committee	58.34%

In addition to the activities dealt with in the various chapters of this Report, in discharging its tasks pursuant to the Articles of Association and the supervisory regulations governing banking in Italy, the Board of Directors, also:
a) periodically passed resolutions pertaining to the Company's organisational layout, with specific emphasis on corporate functions involved in providing services to the entire banking group headed by the Company;
b) in respect of related-party transactions having considerable economic, strategic and financial significance, on 6 May 2008, passed a resolution approving the acquisition of full ownership of Banca del Gottardo Italia S.p.A. by the Company's subsidiary Banca BSI Italia S.p.A.;
c) in respect of related-party transactions having considerable economic, strategic and financial significance, on 19 December 2008 passed a resolution approving the disposal of 85% of share capital of the subsidiary Simgenia SIM Simgenia SIM S.p.A.; d) on 19 December 2008, approved a new conflict-of-interest policy for the banking group, in compliance with obligations arising under Directive 2004/39/EC (MiFID) and the related implementing provisions, especially the CONSOB-Bank of Italy Joint Rules, issued pursuant to article 6, paragraph 2-*bis* of the TUF (the so-called Joint Rules);
e) passed resolutions in respect of the internal control system of the Company and the other entities making up the banking group headed by the Company, as specified in greater detail in the chapter entitled "Internal Control System", below;
f) examined general business trends, on a quarterly basis, especially in light of information received from the Chief Executive Officer, as well as carried out quarterly comparisons of results achieved against expectations and forecasts.
The Shareholders' Meeting did not issue any general prior authorisation to depart from the prohibition on competition entrenched in section 2390 of the Italian Civil Code.

Appointment of the Board of Directors, Number of Directors and Term of Office
Under the Articles of Association, the Company is managed by the Board made up of no less than seven and no more than twelve members, appointed by the Shareholders' Meeting which must first establish the number of members making up the Board.
Pursuant to article 15 of the Articles of Association and in accordance with the provisions of article 6 of the Code, Board members are appointed through what is known as list voting, on the basis of the mechanism described in the chapter entitled "Appointment and replacement of Directors, and amendments to the Articles of Association" contained in Section II of this Report.
Together with each list must be filed information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; exhaustive information on the

personal and professional features of the candidates included in the list; a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; the declarations filed by each candidate, in which each candidate accepts his/her nomination and also certifies, under his/her own responsibility, the inexistence of causes of incompatibility and of ineligibility, possession of the requisites of integrity and professionalism which prevailing laws require for the office of director of the Company, as well as those of independence, if applicable, provided by the law and by the codes of conduct promoted by companies managing regulated markets or by trade categories, to which the Company adheres.
The Articles of Association require the lists of candidates to be lodged with Banca Generali's registered office, and published in at least one national daily newspaper, no less than fifteen calendar days prior to the scheduled date of the Shareholders' Meeting at first call. Should the outgoing Board of Directors submit its own list, the same must be lodged with the Company's registered office and published in at least one national daily newspaper, at least twenty days prior to the scheduled date of the Shareholders' Meeting at first call.
The appointment mechanism based on the so-called voting lists ensures transparency as well as timely and adequate information on the personal and professional profiles of the candidates for directorships.
The Board of Directors has not set up any internal committee to examine proposed appointments to the Board, finding no need for the same. This decision was based on the fact that the current regulatory framework, together with the Articles of Association that impose the mechanism based on voting lists, provide for sufficient transparency of the procedure for the proposal and selection of candidates.
Board members are appointed for a maximum term of three years expiring on the date of the Shareholders' Meeting called for the approval of the financial statements pertaining to the last financial year of their term, and are eligible for re-appointment.
Any and all directors who cease to serve in office for any reason or cause whatsoever during their three year term, shall be replaced pursuant to law.
The Board of Directors is required to appoint a Secretary who need not necessarily be a Board member.

Chairman of the Board of Directors
Having acknowledged the resignation of the Board members in office, with effect from the date of commencement of trading of shares in the Company on the electronic share market, the Shareholders' Meeting of 3 October 2006 established that the Board would be made up of ten members and appointed a new Board with effect as from the said date of commencement of trading of shares in the Company on the electronic share market. On 22 April 2008, the Shareholders' Meeting resolved to maintain the number of Board of Directors' members at ten, and confirmed the appointment of Ettore Riello (previously coopted by the Board of Directors on 20 July 2007 to replace Ugo Ruffolo who resigned) as a new company director.
As already indicated above, the term of the Board of Directors is due to expire on the scheduled date of the Shareholders' Meeting called for the approval for the financial statements for financial year 2008.
The table below lists the Board members and the office held at 31.12.2008.

Director	In office from	Office held
Giovanni Perissinotto	15 November 2006	Chairman Executive Director
Giorgio Girelli	15 November 2006	Chief Executive Officer Executive Director
Fabio Buscarini	15 November 2006	Non-executive Director
Amerigo Borrini	15 November 2006	Executive Director
Paolo Baessato	15 November 2006	Non-executive Director
Andrea de Vido	15 November 2006	Non-executive Director Member of the Remuneration Committee
Attilio Leonardo Lentati	15 November 2006	Non-executive Director Independent director Chairman of the Remuneration Committee Member of the Internal Control Committee
Aldo Minucci	15 November 2006	Non-executive Director
Alfio Noto	15 November 2006	Non-executive Director Independent director Member of the Remuneration Committee Chairman of the Internal Control Committee
Ettore Riello	22 April 2008	Non-executive Director Independent director Member of the Internal Control Committee

All Company Directors are fully aware of the duties and responsibilities attaching to their office and actively participate in initiatives designed to help them deepen their knowledge and grasp of Company operations and dynamics, so as to enable them to make fully informed decisions.
Since the Company is an Italian bank, in compliance with article 26 of Legislative Decree No. 385 of 1 September 1993 and related implementing provisions (Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998), its Board members are selected on the basis of very high standards of professionalism and competency and must have acquired, on the overall, at least three years' experience (i) as a company director, corporate officer or high level executive; (ii) in professional practice in the banking, financial, real estate, insurance sectors or other fields pertinent to the Company's business; (iii) in academia, especially in the fields of law or economics; (iv) as a senior civil servant with public undertakings specialising in the banking, financial, real estate, insurance sectors, or with public administrations, bodies or undertakings that are not directly involved in the aforesaid sectors, provided that the job description pertaining to the position held, entailed the management of economic and financial resources. The persons appointed as Chairman of the Board and Chief Executive Officer, must have acquired at least five years' experience in the above fields and/or positions.
Moreover, pursuant to the provisions of article 26 of Legislative Decree No. 385 of 1 September 1993 and article 147-*quinquies* TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation No. 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998.
Summary information on the personal and professional profiles of the Company's Directors is provided below, with an indication, as recommended in paragraph 1.C.2 of the Code, of the directorships and auditorships held by the same in other companies listed on regulated markets, including overseas, as well as in financial institutions, banks, insurance companies or large corporations other than Group companies.

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

Pirelli & C. S.p.A.	Non-executive Director
Intesa Sanpaolo S.p.A.	Non-executive Director

Giorgio Angelo Girelli. Born in Milan on 26 July 1959, graduated in Business Management at the *Università Commerciale* Luigi Bocconi, in Milan in 1983. He developed his professional career in consulting companies such as Arthur Young & Co. and Roland Berger & Partner Inc, where he became partner. In 2000, he joined the Banca Generali Group, serving as Chief Executive Officer of Banca Generali. He also holds directorships in other Group companies (BG SGR, BG Fiduciaria, Banca BSI Italia, BG Investment Luxembourg), as well as Generali Group companies, and other companies outside the Group, as specified below:

Banca Profilo S.p.A.	Non-executive Director

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

Banca di Trento e Bolzano S.p.A.	Non-executive Director
Cassa di Risparmio di Fermo S.p.A.	Non-executive Director
Finanziaria B.T.B S.p.A.	Non-executive Director
Immobiliare Lombarda	Director and member of the Executive Committee
Intesa Distribution Services S.r.l.	Chairman
Intesa Real Estate S.r.l	Chairman
Nextra International Sicav	Non-executive Director
Obiettivo Nord Est SICAV	Vice President
Sudameris S.A.	Non-executive Director
Sorin S.p.A	Non-executive Director
Moneta S.p.A.	Vice President
CEIB – Central European International Bank – Budapest	Non-executive Director

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

Premuda S.p.A.	Non-executive Director
Autovie Venete	Non-executive Director
Flandria	Non-executive Director
Perseo S.p.A.	Non-executive Director
Generland	Manager
Net Engineering International S.r.l.	Non-executive Director

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

Cartiere Burgo Group S.p.A.	Non-executive Director
Impre Finanziaria d’Impresa S.p.A.	Vice President

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

Abbacus Commerciale Finanziaria S.p.A.	Executive Director
Agorà Investimenti S.p.A.	Executive Director
Agenzia Italia S.p.A.	Executive Director
Banca Credinvest S.A.	Non-executive Director
Banca di Treviso S.p.A.	Non-executive Director
Cadorfin S.r.l	Executive Director
David S.p.A.	Executive Director
Eurholding S.p.A.	Executive Director
Ferak S.p.A.	Non-executive Director
Finanziaria Internazionale Holding S.p.A.	Executive Director
Finanziaria Internazionale Alternative Investments SGR S.p.A.	Executive Director
Finanziaria Internazionale Securitisation Group S.p.A.	Executive Director
Finleasing S.r.l	Executive Director
Finleasing Italia S.p.A.	Executive Director
Finvest Fiduciaria S.p.A.	Executive Director
Gabetti Property Solutions S.p.A.	Non-executive Director
Garbuio Immobiliare S.r.l	Non-executive Director
Garbuio S.p.A.	Non-executive Director
Medcentro S.p.A.	Executive Director
Marco Polo Holding S.r.l	Executive Director
Rete S.p.A.	Executive Director
Securitisations Services S.p.A.	Non-executive Director
Sipi Investimenti S.p.A.	Executive Director
Sviluppo Industrial Parks S.r.l.	Executive Director
Thesee Limited	Non-executive Director
Urvait Service S.p.A.	Executive Director
Networking European Infrastructures Partners - NEIP II S.A., SICAR	Non-executive Director

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

Sofipa SGR S.p.A. – Gruppo Bancario UniCredit	Vice President
I-Faber S.p.A. – Gruppo Unicredit	Chairman

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

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

Alfio Noto. Born in Patti (ME) on 6 July 1933, Alfio Noto graduated in Law through the University of Palermo. He formerly served as a senior civil servant with the Bank of Italy, becoming Director of the Milan branch.

From 1993 to 1997 he sat on the Board of Borsa at the Milan Securities Exchange; from 1997 to 2000 he served as Chairman of the Board of Banco di Sicilia S.p.A., and from 2000 to 2006, as Chairman of Leonardo SGR S.p.A.. He currently holds directorships in other companies, as specified below.

Aedes S.p.A.	Chairman of the Board of Directors
Banca Mediolanum S.p.A.	Non-executive Director
TESA SpA.	Non-executive Director

Ettore Riello. Born in Forte dei Marmi (LU) on 1 April 1956, Ettore Riello earned his degree at the age of twenty-three in Business Administration at the Ca' Foscari University in Venice. In March 2000 he acquired the entire family Group through an alliance with the American Carlyle investment fund; the corporate reorganization that followed led to the creation of a single company - Riello S.p.A. — for which Ettore Riello has served as President since 2000. He currently sits on the Boards of other companies, as specified below.

Riello S.p.A.	Chairman of the Board of Directors and Chief Executive Officer
Riello Group S.p.A.	Chairman of the Board of Directors and Chief Executive Officer
Riello International S.p.A.	Chairman of the Board of Directors
Palladio Finanziaria S.p.A.	Non-executive Director
Manin 11 S.r.l.	Non-executive Director
Maglificio Miles S.p.A.	Non-executive Director
Fit Service S.p.A.	Non-executive Director
Coge Engineering S.r.l.	Non-executive Director

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

Non-executive and Independent Directors
Article 9.1 of the Board Rules requires the Board to be made up primarily of non-executive directors.
In accordance with the provisions of paragraph 2.C.1 of the Code, for the intents and purposes of the Board Rules, executive directors are defined to include:

i) the Chief Executive Officers and Chairmen of the Company or a strategic subsidiary thereof, in the case where the same are personally invested with delegated powers or play a specific role in shaping corporate policy and strategy;
ii) Directors who also serve as executives within the Company or within a strategic subsidiary thereof, or even within the Parent Company, in the case where the position also involves Banca Generali;
iii) the Directors who sit in the Executive Committee, if appointed, in the case where no Chief Executive Officer is appointed or where, in light of the frequency of Executive Committee meetings and the items placed on the agenda thereof, membership of the said Executive Committee entails systematic involvement in routine day-to-day company management.

Within the meaning of the definitions set forth above, the Company's Board at 31 December 2008 was made up of three executive and seven non-executive directors. The said situation still prevails to date.
In compliance with the recommendations set forth in the Code, the number and acknowledged expertise of the Company's non-executive Directors lend their opinions decisive weight in the Board's decision-making process.
Non-executive Directors help ensure that Board resolutions are always in keeping with the interests of the Company. By contributing their specialist know-how, non-executive Directors help ensure that Board members are in a position to make informed decisions reached after due reflection.
Three non-executive Board members are also independent within the meaning of the Code (paragraph 3.C.1) which is also reflected in article 10 of the Board Rules, pursuant to which, a Director may not, as a general rule, be considered independent in the following cases (although the same are not to be deemed imperatively applicable), and that is to say, where the Director in question:
a) directly or indirectly, including through subsidiaries, trust companies and third party intermediaries, controls the Company or is in a position as to exert a significant influence over the same, or is party to a shareholder agreement under which one or more parties are afforded control of or a significant influence over the Company;
b) is, or has been in the preceding three financial years, a key executive of the Company or a strategic subsidiary thereof, or a company subjected to common control with the Company, or a company or body that, even together with others on the basis of a shareholder agreement, controls the Company or is in a position as to exert a significant influence over the same;

c) directly or indirectly (for instance through subsidiaries or companies in which he serves as a key executive, or professional partnerships or consultancy firms in which he is a partner), maintains or has maintained in the previous financial year, significant commercial, financial or professional relationships with: (i) the Company, or one of its subsidiaries or one of its key executives; (ii) a person or party that, including together with others on the basis of a shareholder agreement, controls the company, or — in the case where the said party is a body corporate or legal entity — with the key executives thereof; or is or has been an employee of the aforesaid persons or parties, during the current or previous three financial years;
d) currently receives or has received in the previous three financial years, from the Company or a subsidiary or corporate parent thereof, significant compensation in addition to the "fixed" emoluments due to non-executive Directors of the Company, including as part of stock option or other plans linked to corporate performance;
e) has been a Director of the Company for more than nine years during the past twelve years;
f) is an Executive Director in another company in which an Executive Director of the Company also holds a directorship;
g) is a shareholder or Director of a company or entity belonging to the network of the company or firm appointed as the Company's Independent Auditors;
h) is a close family member of a person in one of the situations described above.
For the intents and purposes of the above, the "key executives" of a corporation or entity shall include: the Chairman of the entity, or the Chairman of its Board of Directors, as well as the entity's legal representatives, executive directors, managers and executives with strategic responsibilities.
The Board Rules pursuanto to the Code (paragraph 3.C.6) require the Company's Independent Directors to meet at least once a year, without the presence of other Directors.
In compliance with the said requirement, Banca Generali's Independent Directors met separately on 19 December 2008, to discuss the following matters:
- appropriateness of the number of Independent Directors;
- identification of the criteria for determining whether or not the requirements of independence are met;
- functioning of the reporting system and information flows towards the Board of Directors;
- transactions with Subsidiaries.
Moreover, in light of article 3.C.4 of the Code, the Board Rules require the Board to examine, at the time of the appointment of any independent directors and, in accordance with the policies and procedures set forth in the same Board Rules, any and all the information and declarations submitted by appointee independent directors, or otherwise acquired by the Board, with a view to ensuring that the requirements for independence have been fully met, and to further check, on a yearly basis, that the said independent directors continue to qualify as such.
The Board Rules also require the Chairman to ensure that the Board of Statutory Auditors is placed in a position to independently verify the outcome of the aforesaid checks, as recommended in article 3.C.5 of the Code.
In compliance with the said provisions, at the time of each appointment, the Board of Directors checked that each of the directors who had declared themselves independent, in fact, fully met all the statutory requirements of independence. Moreover, on 23 February 2009, during the annual check of satisfaction of independence requirements, the Board of Directors, acting as a panel, determined that the following directors met all the related requirements: Attilio Leonardo Lentati, Alfio Noto and Ettore Riello. This check was carried out in light of the requirements imposed under sections 147-*ter*, paragraph 4 and 148, paragraph 3, of Legislative Decree 58/1998 as well as the parameters indicated in the application criteria of article 3 of the Code.
On 21.02.2009, the Board of Statutory Auditors confirmed the outcome of the self-assessment and other checks carried out by the Board.

Delegated Powers
The Board has delegated executive powers to the Chairman of the Board, Giovanni Perissinotto, and the Chief Executive Officer, Giorgio Angelo Girelli. As at 31 December 2008, another Board member was found to qualify as an Executive Director, as a result of his Chairmanship of a subsidiary, invested with delegated powers on an individual basis (and more specifically, Amerigo Borrini, Chairman of the Board of Directors of the subsidiary BG Fiduciaria SIM S.p.A.).
At the date hereof, three of the Company's Board of Directors' members qualified as Executive Directors.

Chairman of the Board of Directors
The Chairman of the Board of Directors was appointed by the Shareholders' Meeting of 3 October 2006.
In addition to the powers vested by law and the articles of association, the Board has invested its Chairman, Giovanni Perissinotto, with powers to coordinate the activities of the Company's corporate organs, oversee the implementation of the resolutions approved by the Shareholders' Meeting and the Board, ensure the prompt and proper execution of the decisions made by the Chief Executive Officer, monitor business

operations and compliance with strategic policy guidelines. Accordingly, the Chairman is tasked with:

i) monitoring general business operations and laying down management policies in concert with the Chief Executive Officer;
ii) laying down general guidelines for routine business operations;
iii) overseeing relations with public bodies, shareholders and managing the Company's public relations in general;
iv) promoting and coordinating the Company's communications strategies, enhancing the Company's public image and managing the Company's press and media relations;
v) dealing with matters of routine company management brought to his attention, from time to time, by the Chief Executive Officer;
vi) issuing guidelines for the recruitment and deployment of Company personnel, save in respect of matters involving Level IV Managers and Executives, which are reserved to the sole competence of Board of Directors.

Moreover, under article 18, paragraph 8 of the Articles of Association, the Chairman of the Board is vested with exceptional emergency decision-making powers pertaining to all matters falling outside the scope of the powers delegated to the Chief Executive Officer and not reserved to the sole and exclusive competence of the Board as a whole, under imperative statutory provisions. The Board will be informed of such decisions at the next board meeting.

Pursuant to article 23 of the Articles of Association, powers of representation and signature before the Courts, public authorities and third parties, are vested in the Chairman of the Board of Directors.

The Company has not appointed a lead independent director within the meaning of article 2.C.3, of the Corporate Governance Code of Listed Companies, although the current Chairman of the Company's Board, Giovanni Perissinotto, also serves as the Chief Executive Officer and sits on the Executive Committee of the Company's Parent Company, Assicurazioni Generali S.p.A..

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

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

Chief Executive Officer

Pursuant to article 18, paragraph 5, of the Articles of Association, the Board may, within the limits imposed under law and the Articles of Association themselves, delegate the powers not strictly reserved to its competence pursuant to statute, to one or more Chief Executive Officers, as well as to an Executive Committee, establishing the powers and term in office, of the same.

By resolution of 27 November 2006, the Company's Board invested Chief Executive Officer Giorgio Girelli with full powers:

i) to oversee the implementation of Board resolutions by Company Management;
ii) to prepare, in concert with the Chairman of the Board, the strategic guidelines to be approved by the Board in respect of the bank's strategic planning and to lay down the guidelines to be followed by the General Manager;
iii) to determine and orient, within the framework of the guidelines established by the Board, the Company's human resources management policies and to directly oversee the Company's internal control, corporate and legal affairs, finance and human resources departments;
iv) at the behest of the General Manager, where applicable, to examine and issue opinions on any and all transactions and business to be submitted for approval to the competent decision-making organs;
v) to liaise with any and all public authorities and bodies, the Bank of Italy, the Italian market regulator CONSOB, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;
vi) to represent the Company before any and all offices of the Financial Administration and to effect any and all tax filings and related formalities; to resist tax assessments and audits and to settle

tax disputes;

vii) to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;

viii) to forward to the Board, at the General Manager's request, his own opinions, proposals and recommendations regarding the business plan, the annual budget, the draft and consolidated financial statements;

ix) to represent the Company at the shareholders' meetings of other companies and entities, exercising all the related rights and issuing all the related proxies for participating in the said general meetings;

x) to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy as well as with bodies specialising in the administration of securities, negotiating and stipulating any and all related contractual terms and conditions;

xi) to bring, defend and resist legal action at any and all instances and degrees, before any and all national, Community or foreign ordinary, administrative and taxation courts, including appellate jurisdictions, and with the right to retain and dismiss counsel, make filings and motions, lodge complaints and claims, as well as withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings as well as to proceed at arbitration and file claim and/or settle any and all disputes up to the maximum amount of € 150,000.00 per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;

xii) to process and authorise the write-off of bad debts and to totally or partially write off any and all loans granted, with the consequent waiver of any and all guarantees acquired, as well as to issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees in rem, up to the threshold of € 20,000.00 per transaction, net of interest and expenses, in light of: the full exhaustion of any and all avenues of recourse for obtaining relief either individually or together with other creditors, or the futility of legal action for debt recovery in consideration of the economic and financial situation of the debtors or the out-of-court settlement of disputes to Company's satisfaction;

xiii) to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefor;

xiv) to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;

xv) within the framework of the budget approved by the Board, to cover the Company's current expenses;

xvi) within the framework of the approved budget and up to the threshold of € 200,000.00 for each individual asset, to acquire, dispose of, barter or otherwise exchange or transfer personal property, including personal property subject to registration, to collect amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;

xvii) within the framework of the approved budget, to negotiate and enter into, amend and terminate lease agreements, tender agreements as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangibles, the acquisition of intangibles, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of € 200,000.00 per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc), or payments required pursuant to law;

xviii) to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiations up to the ceiling of € 200,000.00 per contract and/or commitment;

xix) to write-off amounts due to the Company from employees as a result of errors not due to wilful misconduct or gross negligence, up to the ceiling of € 20,000.00 per transaction;

xx) to establish guidelines for the granting of discounts, facilitations, reductions, etc. to customers, within the limits laid down by the Board from time to time;

xxi) to approve loans within the limits imposed under lending rules and regulations, from time to time;

xxii) to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;

xxiii) within the framework of the approved budget, and at the behest of the Chief Executive Officer, to enter into, amend or terminate individual employment contracts not pertaining to level IV executives or managers, and further making decisions in respect of the promotion, subjection to disciplinary action or dismissal of employees;

xxiv) at the behest of the General Manager, to submit to the Board proposals pertaining to the recruitment, career advancement, disciplinary measures and dismissals in respect of level IV executives and managers;

xxv) within the limits of his delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;

xxvi) to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;

xxvii) within the limits of his delegated powers or with the approval of the relevant corporate organ, to approve loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;

xxviii) to issue demand drafts for amounts not exceeding € 150,000.00 per draft, or € 300,000.00 in the case where the full amount of the demand draft is immediately charged to a current account held in the applicant's name with the bank;

xxix) to execute cash withdrawals and advance notices of cash withdrawals on management accounts held with the Bank of Italy, and on the centralised treasury accounts mentioned in the Bank of Italy form 144 dir.;

xxx) to execute the transactions contemplated under Bank of Italy forms 145, 146, 147 and 148 dir.;

xxxi) to sign, in the name and on behalf of the Company, any and all routine correspondence as well as any and all deeds and documents pertaining to the exercise of his powers;

xxxii) to exercise any and all powers conferred on him by the Board on an *ad hoc* or ongoing basis;

xxxiii) to delegate to third parties who need not necessarily be Company employees, the completion of specific tasks or categories of tasks that fall within the scope of the powers conferred on him pursuant to the foregoing points, establishing, in advance, the limits to the powers thus delegated.

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

Pursuant to article 23 of the Articles of Association the Chief Executive Officer is invested with full powers to represent and sign on behalf of the Company in respect of any and all the powers invested in him.

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

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

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

Compensation of the Board of Directors and Stock Option Plans

Pursuant to article 1, paragraph 1.C.1 of the Corporate Governance Code of Listed Companies and article 20 of the Articles of Association, the remuneration due to Directors entrusted with specific tasks shall be determined by the Board of Directors in consultation with the Board of Statutory Auditors.

Bank of Italy Order No. 264010 of 4 March 2008 also requires banking sector operators to adopt and implement compensation mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, under the new regulations, in addition to establishing the remuneration due to the members of the corporate organs it appoints, the Ordinary Shareholders' Meeting must also approve the compensation policies applicable to directors, and employees, as well as outside consultants and

collaborators other than employees. As a result, the next Ordinary Shareholders' Meeting will be called upon to issue an opinion on the aforesaid policies, as well.
By Board resolution of 27 November 2006, approved pursuant to article 7.P.3 of the Code, the Board set up the Remuneration Committee tasked with, inter alia, making recommendations to the Board in respect of the remuneration packages of Chief Executive Officers and other Board members entrusted with specific tasks (see, below, "Remuneration Committee").
Pursuant to article 7.C.2 of the Code, the compensation due to non-executive directors may not be linked to the Company's performance.
On the other hand, in order to motivate executive directors and key managers to strive to attain strategic corporate targets, in accordance with the provisions of articles 7.P.2 and 7.C.1 of the Code, on 24 May 2006, Banca Generali approved a Stock Granting Plan for the Chief Executive Director and the General Manager, Piermario Motta, with a view to bring their personal interests in line with the goal of creating value for the Company's shareholders. The Plan awards the Chief Executive Officer, Giorgio Girelli, a maximum number of 389,596 ordinary shares in the Company of a face value of € 1.00 each, or such lower number of shares that — on the basis of Offer Price — amount, on the overall, to no more than € 4,000,000.00, whilst also awarding the General Manager, Piermario Motta, a maximum of 278,284 ordinary shares in the Company of a face value of € 1.00 each, or such lower number of shares that — on the basis of Offer Price – amount, on the overall, to no more than € 3,000,000.00.
The shares shall be assigned within 5 years following the commencement of trading of shares in the Company on the electronic share market, and provided that, at the time of assignation the assignee still serves the Company as a Director or employee (save in the event where the relationship was terminated by the Company for reasons other than wilful misconduct or gross negligence on the part of the assignee).
Furthermore, in order to provide information that is as complete as possible, it must be pointed out that, on the same date, 24 May 2006, the Board approved two stock option plans, both subjected to the condition precedent of the commencement of trading of shares in the Company on the electronic share market (such condition precedent having been met on 15 November 2006): (i) the first of these is reserved to employees of Banca Generali Group companies, whilst (ii) the second is reserved to Banca Generali's financial advisors, area managers and business managers.
In order to cover the aforesaid Stock Option Plans, on 18 July 2006, the Company's Extraordinary Shareholders' Meeting approved a capital increase, in one or more tranches, in the maximum nominal amount of € 5,565,660.00, through the issue of a maximum number of 5,565,660 ordinary shares of a face value of € 1.00 each, as follows:
a) an issue in the maximum nominal amount of € 4,452,530.00, represented by a maximum number of 4,452,530 ordinary shares of a face value of € 1.00 each, with specific exclusion of the option rights afforded to shareholders pursuant to section 2441, paragraph 5, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", reserved to the financial advisors of Banca Generali Group, all of the above in one or more tranches, with the last being effected no later than 30 May 2011;
b) an issue in the maximum nominal amount of € 1,113,130.00, represented by a maximum number of 1,113,130 ordinary shares of a face value of € 1.00 each, with specific exclusion of option rights afforded to shareholders pursuant to section 2441, paragraph 8, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A. Employees", reserved to Banca Generali employees, all of the above in one or more tranches, with the last being effected no later than 30 November 2012.
The price of the aforesaid options shall be determined at a whole number reflecting the arithmetic mean of the listed prices of shares in the Company on the electronic share market from the date of assignment of the stock options to the same day of the previous month.
The exercise of the options is subject to the attainment of overall targets and, in the case of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", even personal targets.
Pursuant to the applicable Rules, the Delegated Organs awarded:

- 2,617,940 option rights in application of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers";
- 884,000 option rights in application of the "Stock Option Plan for Banca Generali S.p.A. Employees".

In total, 3,501,940 stock options were awarded pursuant to the aforesaid Plans.
Lastly, as a result of the merger of Prime Consult SIM S.p.A., as of 31 December 2002, the Company has assumed the merged company's commitments under the stock granting plan approved by the latter on 13 June 2001 in favour of its network managers and financial advisors. The plan may not, in any event, involve a number of shares exceeding 3% of the Company's share capital.
Beneficiaries of the plan include: (i) financial advisors in the exclusive service of Prime Consult as at 1 October 2000; (ii) former Prime Consult network managers; (iii) financial advisors falling within the aforesaid categories in the period between 1 October 2000 and 31 December 2001.
The shares were issued in three tranches, to persons who met or maintained specific individual targets. The Delegated Organ awarded, free of charge, 1,383,279 ordinary shares in Banca Generali.

In accordance with the recommendations set forth in paragraphs 7.P.2 and 7.C.1 of the Corporate Governance Code, and again, with a view to encouraging Executive Directors and key management personnel to become more directly involved in achieving the Company's strategic targets, after having examined the Remuneration Committee's proposals and heard the opinion of the Board of Statutory Auditors, the Company's Board of Directors established the Chief Executive Officer's remuneration, subjecting a significant portion on the same to the attainment of specific targets determined by the Board of Directors itself, with 20% being linked to the Generali Group's performance objectives, and the remaining 80% to quantitative and qualitative goals pertaining to the Banca Generali Banking Group. The remuneration of the Chief Executive Officer and other company executives are similarly linked to the achievement of performance targets.

Further information on the emoluments received by Board members and the General Manager during the course of the financial year, is provided in Part H of the Explanatory Notes to Banca Generali's Financial Statements for 2008.

For information on the overall remuneration received by key management personnel — such as, Stefano Grassi, Deputy General Manager coordinating the Sales Department and Marketing Department, and Giancarlo Fancel, Deputy General Manager coordinating the Administration Department, the Organisation Department and the Planning & Control Department – see Part H of the Explanatory Notes to Banca Generali's Financial Statements for 2008.

Transactions with Related Parties

Pursuant to the provisions of section 2391-*bis* of the Italian Civil Code and the recommendations contained in the Code, on 18 July 2006, the Board approved the rules of conduct to be followed in the case of Transactions with Related Parties and the procedure for complying with the obligations imposed under article 150 TUF governing the conclusion, including through subsidiaries, of transactions in which a director has an interest on his own behalf or on behalf of a third party, and that is to say, Transactions with Related Parties, with a view to ensuring transparency and substantive and procedural propriety in all such cases (the "Code on Transactions with Related Parties").

More specifically, the Code in question regulates the conclusion of transactions with counterparties falling within the scope of "related party" within the meaning of IAS/IFRS 24 pursuant to which a party is related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:
    (i) controls, is controlled by, or is under common control with the entity (this includes parents, subsidiaries and associates);
    (ii) has an interest in the entity that gives it significant influence over the entity; or
    (iii) has joint control over the entity;
(b) the party is an associate of the entity;
(c) the party is a joint venture in which the entity is a venturer;
(d) the party is a member of the key management personnel of the entity or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

The Code on Transactions with Related Parties sets forth specific provisions regarding decision-making powers, the obligation to provide grounds for decisions and the documents to be prepared.

First and foremost, the Code defines a "Transaction with Related Parties" as a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. It then identifies three categories of Transactions with Related Parties:

(i) Ordinary Transactions with Related Parties, that is to say, usual and typical transactions that are a normal feature of the Company's routine business, as well as transactions between the Company and/or Interested Companies and other related parties not exceeding € 5,000,000.00 (five million/00) a year;
(ii) Extraordinary Transactions with Related Parties, that is to say transactions that are not part of the Company's routine business within the meaning of point (i);
(iii) Significant Transactions with Related Parties, that is to say, the extraordinary transactions that, in light of their subject-matter, amount, procedures or time of completion, could have an impact on the Company's equity or the completeness and correctness of the information, including accounting information, pertaining to Banca Generali.

The Code then goes on to establish that all resolutions pertaining to Transactions with Related Parties are, as a general rule, reserved to the sole competence of the administrative organ of the Company and/or its subsidiaries involved in the transaction (collectively, the "Interested Companies").

Furthermore, the Code provides that no "Significant Transaction with Related Parties" involving Interested Companies other than Banca Generali, may be effected without prior authorisation from the Company's Board.
For the purposes of the aforesaid authorisation and in compliance with the recommendations set forth in the Code, the Company's administrative organ must be adequately informed about (i) the nature of the relationship, (ii) the operating procedures of the transaction, (iii) the terms and conditions, including the time and amounts involved in the transaction; (iv) the assessment procedure followed, (v) the interests and grounds underlying the transaction as well as (vi) any risks arising from the transaction, for the Interested Company and/or Banca Generali.
Should, one or more of the counterparties to the transaction subject to Board authorisation, be related to one or more members sitting on the Board making the decision, or, in any event, should one or more members of the said Board hold an interest, even if only potential or indirect, on their own behalf or on behalf of third parties, the said Board members shall be bound to make timely and full disclosure thereof to the Company's administrative and internal control organs, specifying the nature, origin, extent and terms of the interest they hold.
The Code on Transactions with Related Parties, moreover, provides, that in the case of Ordinary Transactions with Related Parties, the related decision-making and executive powers could be delegated to one or more members of the administrative organ of the Interested Company, under joint or sole signature, in derogation of the said administrative organ's competence over such matters, it being however understood that no such delegation may be made to persons holding an interest, including if only potential or indirect, on their own behalf or on behalf of third parties, in the conclusion of the said transaction and in the case where the transaction falls within the scope of article 136 of the Banking Consolidation Law (*Testo Unico Bancario* - TUB).
Should, the nature, value or other features of Transactions with Related Parties, so warrant, in order to avoid the risk of the transaction being effected at terms and conditions other than arm's length terms, the competent administrative organ shall avail of the advice of independent experts, with acknowledged professionalism and experience in respect of the matters involved in the decision, who must be required to show that they are in fact independent and free from conflicts of interest with regard to the transaction.
Lastly, the Code on Transactions with Related Parties requires the Company's Board to disclose, in its annual report prepared pursuant to section 2428 of the Italian Civil Code, all Transactions with Related Parties effected during the financial year, including through Interested Companies other than the Company. Towards such end, Interested Companies, other than the Company are required to forward to Banca Generali's Board, within seven calendar days following the end of each calendar quarter, a summary note indicating (i) executive activities and developments regarding Transactions with Related Parties authorised by the competent administrative organ or effected in exercise of powers delegated as described above; (ii) any and all initiatives launched; (iii) any and all projects launched; (iv) any and all difficulties or problems encountered, as well as (v) any and all other useful information regarding the said transactions.
In light of, inter alia, the information received pursuant to the preceding paragraph, the Company's Board of Directors shall submit to the Board of Statutory Auditors, in a timely manner and in any event, at least on a quarterly basis, a report on the Transactions with Related Parties effected during the quarter, including through Interested Companies, as well as on the ongoing performance — at the end of the quarter — of Transactions with Related Parties which, by their very nature, must be implemented over time or periodically. More specifically, the Board's report shall focus on the interests underlying Transactions with Related Parties, the nature of the relationships with counterparties, as well as the operating procedures (including the terms and conditions, including economic terms, governing performance), and on the assessment procedures followed.
The Company's Board of Statutory Auditors shall monitor compliance with the provisions of the Code and shall submit a report in such regard to the Shareholders' Meeting mentioned in section 2429, paragraph 2, of the Italian Civil Code.
Lastly, the adoption and/or amendment of the Code on Transactions with Related Parties, especially amendments of the procedures for the approval and performance of Transactions with Related Parties effected by the Company or its subsidiaries, are subject to the opinion of the Internal Control Committee set up within the Board of Directors and made up entirely of independent directors (see, below, "Internal Control Committee").
The Code on Related Parties Transactions can be viewed on the corporate website (www.bancagenerali.com), section "*Corporate Governance – Corporate Governance System – Company Regulations"*

BOARD COMMITTEES
The Code sets forth a recommendation for listed companies to set up certain Committees within their Boards of Directors, to be assigned responsibility for certain specific matters.
The roles of these Committees, set up for the purposes of improving the functioning of the Board, are primarily consultative and recommendatory.
In particular, the Code recommends the setting up of an Internal Control Committee and a Remuneration Committee, whilst leaving it up to individual companies to decide whether or not they also need a Nomination Committee.
As already noted, the Board did not deem it necessary to set up a specific Nomination Committee insofar as current regulations and the provisions contained in the Articles of Association — in particular, the appointment mechanism based on voting lists — seem sufficient to ensure transparency in the selection and presentation of the candidates.
On the other hand, the Board set up both the Internal Control Committee and the Remuneration Committee, requiring the same to be made up entirely of non-executive directors.

Internal Control Committee
The Board of Directors has set up, within the Board itself, an Internal Control Committee invested with consultative and recommendatory functions in respect of internal controls.
Appointees to the Internal Control Committee must not only be non-executive directors, but must also meet the further requirement of independence as defined in the Corporate Governance Code, which also requires STAR-segment listed companies, such as Banca Generali, as well as companies controlled by the latter (paragraph 8.P.4), to ensure that, in all cases where the Board of Directors is made up of between nine and fourteen members, at least three of the said members qualify as Independent Directors.
The current Remuneration Committee was appointed by the Board of Directors on 22.04.2008, and is made up as follows:

Name and Surname	**Office held**
Alfio Noto	Chairman Non-executive and Independent Director
Attilio Leonardo Lentati	Member of the Committee Non-executive and Independent Director
Ettore Riello	Member of the Committee Non-executive and Independent Director

The Board of Directors has determined that at least Attilio Leonardo Lentati has accumulated appropriate experience in accountancy and finance.
Ms Cristina Rustignoli, the Board Secretary, also serves as Internal Control Committee secretary.
The functioning of the Internal Control Committee is regulated by specific rules (the “Internal Control Committee Rules”) approved by the Board on 27 November 2006 and subsequently amended during the Board meeting of 20 February 2008.
The Committee plays a consultative and recommendatory role towards the Board on internal control matters, and more specifically, assists the Board in laying down the guidelines of the internal control system, periodically checking the appropriateness and effectiveness of the same and ensuring that the Company’s main risks (credit, financial and operating risks) are promptly identified and suitably managed, in concert with the specific corporate departments involved.
The Committee is tasked with ensuring that the Board is provided with adequate information to make informed assessments and decisions in respect of the internal control system, the approval of the financial statements and half-yearly reports as well as in dealing with independent auditing firms. In this context, the Internal Control Committee:

1. assists the Board in carrying out the tasks incumbent on the latter pursuant to the Corporate Governance Code of Listed Companies, in respect of the internal control system;
2. assesses the work programme prepared by the persons responsible for Compliance, Internal Audit and Risk Management and receives their periodic reports for further submission to the Board for its approval;
3. assesses, together with the company executive in charge of drawing up the Company’s corporate accounting documents and the independent auditors, the proper and uniform application of accounting policies throughout all Group Companies, for the purpose of drawing up the consolidated financial statements;
4. assesses the proposals put forward by auditing firms to obtain the audit engagement, within the

framework of the Company's procedures for appointing the independent auditors in charge of certifying the consolidated financial statements and half-yearly reports, with specific reference to the subject-matter of the appointments and the related economic terms and conditions;

5. assesses the work programme for carrying out the audit and the results thereof as set out in the auditors' report and their letter of suggestions;
6. monitors the effectiveness of the auditing process;
7. reports to the Board of Directors on its activity and the adequacy of the internal control system at least once every six months, at the time the annual and half-yearly accounts are approved, expressing its opinion on matters delegated to it;
8. at the request of the Chief Executive Officer, expresses opinions on specific aspects pertaining to the identification of the main corporate risks, and the conception, setting up and management of the internal control system;
9. expresses an opinion on proposals to adopt or amend the "Code on Transactions with Related Parties", especially in the case of amendments pertaining to the approval and conclusion of Transactions with Related Parties by the Company or its subsidiaries;
10. may be consulted in respect of specific "Significant Transactions with Related Parties" within the meaning of the "Code on Transactions with Related Parties" approved by the Board of Directors;
11. may be consulted on specific transactions directly or indirectly entailing a conflict of interests;
12. advises, upon request, the Chief Executive Officer, the Head of the Compliance Department, the Head of the Internal Audit Department and the Head of the Risk Management Department on issues or questions that must be dealt with before being submitted to the Board of Directors for its information and/or approval;
13. performs the other duties entrusted to it by the Board of Directors;
14. undertakes whatsoever may be required pursuant to the resolution establishing its powers and responsibilities, and whatsoever may be necessary or useful for implementing the said resolution.

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

Committee meetings are generally held at least four times a year and, in any event, with the timeliness necessary to allow a full treatment and discussion of any and all matters on which the Committee may be requested or required to report of the Board of Directors.

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

In 2008 the Internal Control Committee met eight times, respectively:

- on 22 January 2008 with the following items on the agenda:
  (i) re-definition of the internal control system in light of the provisions of the CONSOB-Bank of Italy Joint Rules issued pursuant to article 6, paragraph 2-*bis* of the TUF;
- on 20 February 2008 with the following items on the agenda:
  (i) Internal Control Department's report on complaints received in the second half of 2007;
  (ii) motion to amend the Internal Control Committee Rules;
  (iii) information about the complaint letter sent by a customer to the weekly publication Plus 24;
- on 12 March 2008 with the following items on the agenda:
  (i) examination of the annual report of the internal audit function, the annual report of the compliance function and the timetable of internal control activities for 2008;
  (ii) annual report of the Banca Generali's Internal Control Department regarding activities undertaken in respect of subsidiaries;
  (iii) check of the adequacy of the accounting policies followed in drawing up the financial statements;
  (iv) new procedures for checking appropriateness;
  (v) the F.A.R.G.(Financial Accounting Risk Governance) Project;
  (vi) audit of the "Reporting Package";
  (vii) report within the meaning of article 2.2.7 of the Internal Control Committee Rules;
- on 19 June 2008 with the following items on the agenda:
  (i) presentation of the Compliance Policy and Rules; presentation of the complaints procedure;
  (ii) periodic report on the activities undertaken by the Compliance Office;
  (iii) periodic report on the activities undertaken by the Internal Control Office;
- on 28 July 2008 with the following items on the agenda:
  (i) check of the adequacy of the accounting policies followed in drawing up the financial statements;
  (ii) report within the meaning of article 2.2.7 of the Internal Control Committee Rules;

(iii) periodic report on the activities undertaken by the Internal Control Office;
(iv) presentation of the Risk Management Rules;
(v) continuation of the project for monitoring administrative and accounting risks (Law 262/05);

- on 18 September 2008 with the following items on the agenda:
(i) periodic report on the activities undertaken by the Compliance Department;
(ii) compliance check of procedures and processes involved in determining overall capital position;
(iii) outcomes of requested checks on transaction in black-listed securities;
- on 24 October 2008 with the following items on the agenda:
(i) ICAAP;
(ii) conflict-of-interest project;
(iii) periodic report by the Internal Audit Service;
(iv) updating of the compliance checks of procedures and processes involved in determining overall capital position;
- on 16 December 2008 with the following items on the agenda:
(i) presentation of amendments to the Finance Rules;
(ii) information on the timetable for the audit of banking processes;
(iii) report on mistakes in the execution of orders;
(iv) update on the conflict-of-interest project.

All the Committee meetings, the proceedings of which were duly recorded in minutes, were attended by all Committee members, save for the meeting of 22 January 2008, which was attended by only two of the Committee members, the third having justified his absence.
The Internal Control Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks.

Remuneration Committee
Banca Generali's Board of Directors has also set up, within the Board itself, a Remuneration Committee tasked with assisting the Board in laying down Company policy in respect of the remuneration of the Company's directors, officers and top management.
The current Remuneration Committee was appointed by the Board of Directors on 27 November 2006, and is made up as follows:

Name and Surname	**Office held**
Attilio Leonardo Lentati	Chairman of the Committee Non-executive and Independent Director
Alfio Noto	Member of the Committee Non-executive and Independent Director
Andrea de Vido	Member of the Committee Non-executive Director

Ms Cristina Rustignoli, the Board Secretary, also serves as Remuneration Committee secretary.
In compliance with the provisions of paragraph 7.P.3 of the Code, all three members of the Remuneration Committee are non-executive directors and a majority of them are also independent.
The Committee's responsibilities include advising and making recommendations and proposals to the Board of Directors on matters pertaining to remuneration. More specifically, the Remuneration Committee is entrusted with the following tasks and responsibilities:

1. submitting non-binding opinions and recommendations to the Board of Directors in respect of the remuneration packages of the Chairman of the Board and Chief Executive Officer: The Committee's opinions and recommendations must be based on the independent judgement of its members, who must take into account, inter alia, the following considerations: (i) the significance of the role played by corporate officer involved within the Company's organisational structure; (ii) the contribution of the said corporate officer to the Company's performance; (iii) the economic results attained; (iv) the attainment of specific pre-set targets established by the Board of Directors;
2. monitoring the proper implementation of the decisions made by the Board in respect of submitted proposals and recommendations;
3. submitting an opinion to the Board in respect of the amount of the remuneration of Board members entrusted with special duties, or are appointed to specific positions pursuant to the Articles of Association;
4. submitting, after consultation with the Chief Executive Officers non-binding opinions and recommendations in respect of the remuneration packages of General Managers, based on the

independent judgement of Committee members in light of: (i) the responsibilities and risks attendant to the tasks and duties of the General Managers in question; (ii) results obtained as compared against pre-set targets; and (iii) additional services rendered beyond the sphere of normal duties and tasks;

5. periodic assessment of the remuneration policies applied to key personnel, monitoring the proper application of the said policies on the basis of information provided by the Chief Executive Officers, and submitting general recommendations to the Board in respect of the same;
6. submitting non-binding opinions and recommendations on stock option and share assignment plans;
7. submitting the report on activities undertaken, as well as notices, and reasoned opinions, proposals and recommendations to the Board with the timeliness necessary to allow the Board to take cognisance of the same and make informed decisions;
8. any and all other tasks and duties entrusted to the Committee by the Board through specific resolutions.

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

Committee meetings are generally held at least once a year and, in any event, with the timeliness necessary to allow for a full treatment and discussion of any and all matters on which the Committee may be requested or required to report to the Board of Directors.

Apart from Committee members, the Chairman of the Board of Statutory Auditors shall attend Committee meetings. Upon invitation, non-members may also attend Committee meetings so as to provide assistance with regard to specific items placed on the agenda.

Directors do not take part in Committee meetings at which recommendations in respect of their own compensation are drawn up for submission to the Board of Directors.

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

In 2008 the Remuneration Committee met two times, respectively:

- on 22 January 2008 with the following items on the agenda:
  (i) definition of performance targets for 2008 and definition of the variable compensation of the Chief Executive Officer and General Manager;
  (ii) update on the logic underlying Management by Objective for the Banca Generali Banking Group's executives, and on the link to the variable compensation for 2008;
  (iii) motion for an increase in the Chief Executive Officer's compensation, pursuant to section 2389, paragraph 3, of the Italian Civil Code;
- on 16 April 2008 with the following items on the agenda:
  (i) check of the 2007 targets assigned to Chief Executive Officer and General Manager, and consequent determination of their variable compensation;
  (ii) update on the attainment of the 2007 targets assigned to the Banca Generali Banking Group's executives, and on the link to variable compensation;

The meetings, the proceedings of which were recorded in minutes, were attended by all the Committee members.

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

CORPORATE DEPARTMENTS AND PROCEDURES

Confidential Information

Handling of Confidential Information

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

In accordance with these provisions, and pursuant to article 114 and article 115-*bis* of the Finance Consolidation Law (TUF) as well as articles 66 *et seq.* and 152-*bis et seq.* of CONSOB Regulation No. 11971/99 as further amended (the "Rules on Issuers"), on 18 July 2006, the Board approved the rules of conduct to be followed in the management and public disclosure of inside information (the "Code on Inside Information").

The Code on Inside Information is aimed at regulating the obligations of persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries.

More specifically, the Code on Inside Information sets forth specific provisions for the handling of corporate information, with a view to: (i) preventing the abuse of information and market manipulation; (ii) regulating the handling and processing of inside information, as well as (iii) establishing the disclosure, both within the company and to the public, of documents and information pertaining to the Company and/or its subsidiaries, with specific reference to inside information. The Code on Inside Information is also designed: (i) to ensure the timely, complete and adequate processing of inside information, with a view to avoiding asymmetrical information; and (ii) to protecting the market and investors through adequate disclosure of the events involving the Company, with a view to enabling investors to make informed investment decisions.

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

<u>Definition of Inside Information</u>

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

<u>Persons subject to the Code on Inside Information</u>

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

<u>Handling of Inside Information</u>

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

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

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

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

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

Internal Dealing
In accordance with the provisions of articles 114, paragraph 7, TUF, and 152-*sexies et seq*. of the Rules on Issuers, on 18 July 2006, the Board also approved the rules of conduct to be followed in respect of internal dealing (the "Internal Dealing Code"), subsequently amended by resolution of the Board of Directors on 20 February 2008.
The said Internal Dealing Code defines "Relevant Persons" (which include, in particular, the members of the Board of Directors and the Board of Statutory Auditors of the Issuer, persons performing managerial responsibilities within the Company as well as the independent auditors), and persons closely associated therewith, who are bound to give notice to the Company, CONSOB and the public, any and all Significant Transactions involving shares issued by the Issuer or other financial instruments thereto related, that they may effect, including through third party intermediaries.
The Internal Dealing Code identifies as significant transactions any and all purchases, sales, subscriptions, exchanges or barters of Banca Generali shares or financial instruments linked to shares, effected, including through third party intermediaries, by Relevant Persons and Persons closely associated with Relevant Persons.
On the other hand, the definition of Significant Transactions excludes transactions:
(i) amounting, on the overall, to no more than 5,000.00 (five thousand/00) euros per calendar year, taking into account, for the purposes of determining whether or not the said threshold has been exceeded, all the transactions effected during the twelve months immediately following the date of the last transaction;
(ii) effected free of charge, such as gifts and legacies, and the assignment free of charge of shares and subscription rights as well as the exercise of any and all such rights deriving from stock option plans, it being understood that, in all the cases contemplated in this point, any subsequent re-sale must be deemed to fall within the scope of the Code;
(iii) effected between Relevant Persons and Persons closely associated with Relevant Persons;
(iv) effected by the Company and its subsidiaries.
The Internal Dealing Code also contains rules governing the management, handling and disclosure of information pertaining to the said transactions.
Pursuant to the Internal Dealing Code, no Significant Transactions (as defined in the Code) may be effected during the 30 days immediately preceding the scheduled dates of any and all Board meetings called (i) to examine the draft separate and consolidated financial statements or half-yearly reports; and (ii) to formulate the proposal for the distribution of dividends, and within the 15 days immediately preceding the scheduled dates of the Board meetings called to examine the quarterly reports as at 31 March and 30 September of each year. The aforesaid Code, furthermore, empowers the Board of Directors to further prohibit or restrict purchases, sales, exchanges or other transactions entailing a transfer of title in shares issued by the Company or in financial instruments linked to the said shares, by the said relevant persons, including through third party intermediaries, during specific periods of the year and/or on occasions marking specific events in the Issuer's corporate life.
The Board of Directors has appointed the Head of the Legal Affairs and Compliance Department to implement the provisions of the Code.

Internal Control System
As required pursuant to the Italian Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has adopted an internal control system capable of continuously monitoring typical business risks.
The internal control system is a structured set of organisational functions, procedures and rules of conduct aimed at ensuring proper and healthy corporate governance in line with pre-set targets, through adequate processes for identifying, measuring, managing and monitoring the main business risks. The system forms an integral part of the Company's operations and entails the involvement of all corporate structures and sectors, each of which is called upon to ensure constant and continuous risk monitoring, within the limits of its specific sphere of competence.
Within this framework, Banca Generali has set up an internal control system, fully compliant with the provisions of article 8 of the Code and, moreover, specifically designed to ensure healthy and prudential corporate management of the bank and the group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.
Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors on 24 January 2008 (with effect as of 1 March 2008) with a view to bringing the same in line with new regulations introduced through the provisions for the implementation of MiFID in Italy and, as required pursuant to the said provisions and applicable supervisory regulations, is made up of:
(i) *checks involving the business line*: systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper completion of the

transactions effected by the same production structures, or incorporated into procedures, or performed as part of middle/back-office processes;

(ii) *risk management checks*: checks carried out by the heads of individual operating units and by the Risk Management Department, as part of the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating departments, as well as in order to maintain the operations of individual production units in line with the risk/return targets set for specific types of risk (credit risk, market risk, operating risk);

(iii) Compliance checks: checks carried out by the Compliance Department on the conformity of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-imposed rules of conduct;

(iv) *internal auditing*: checks carried out by the Internal Audit Department with a view to ensuring, also through on-site inspections, the propriety of the Company's operations, risk trends, the overall functioning of the internal control system, whilst at the same time identifying abnormal trends, breaches of procedure and regulations, as well as assessing the effectiveness of internal checks and balances.

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

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

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

Responsibility for the Internal Control System resides with the Board of Directors that is in charge of:

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

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

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

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

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

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

The Compliance Service also handles centralised compliance management for the entire Banking Group.

On 24 January 2008, the Board of Directors appointed Paolo Rupil to head the Compliance Service as of 1 March 2008.

On 24 June 2008, the Board of Directors approved the Banking Group's Compliance Policy and related Compliance Rules (subsequently amended by Board resolution of 19 December 2008), ordering the timely notification thereof to all subsidiaries, with a view to ensuring that the said Policy and Rules are fully implemented throughout the banking group.

On 27 August 2008, the Board of Directors appointed Antonino Fici to head, with effect as of 1 September 2008, the Risk Management Department which had temporarily been placed under the responsibility of the Internal Auditor.

The auditing method on which internal auditing activities are based, is defined under the Internal Audit Rules

(approved by the Board of Directors on 23 February 2009) and the supervisory model, also approved by the Board of Directors and constantly implemented in light of developments in oversight compliance and best auditing practices (COSO Report, professional standards).
On 25 September 2003, the Board of Directors appointed Francesco Barraco, head of the Internal Control Department and Head of the Internal Audit Department, with effect as from 1 October 2003.
As already noted, in compliance with the Code's recommendations regarding internal control, on 27 November 2006, the Board set up within itself, an Internal Control Committee in charge of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "Internal Control Committee", above).
Moreover, with regard to risks, the Chief Executive Officer may also avail of the advice of the Risks Committee established by Board resolution of 23 September 2008 with a view to coordinating the banking group's risk management and control system, and identifying and implementing appropriate risk containment measures.
As recommended by the Code, article 16 of the Board Rules requires:
- the Board to assess the adequacy of the internal control system in light of the Company's features, drawing up a specific report on the same on an annual basis;
- the Director to whom the Internal Audit department reports on an operating basis, to undertake the following tasks in addition to his/her regulatory duties, and that is to say:
    1. identify the main corporate risks, taking due account of the business operations of the Company and its subsidiaries, and submit periodic reports on the same to the Board of Directors and the Internal Control Committee;
    2. implement the guidelines laid down by the Board of Directors in designing, setting up and managing the internal control system, and constantly monitor the overall adequacy, effectiveness and efficiency of the same, whilst also adapting the said system to changes in operating conditions and in the applicable statutory and regulatory framework;
    3. to recommend to the Board, after hearing the opinion of the Internal Control Committee, the appointment, dismissal and remuneration of a person in charge of internal control;
- the person in charge of Internal Control:
    1. is tasked with monitoring the constant adequacy, full functionality and effective operation of the internal control system;
    2. is not to be assigned responsibilities for any operating department and not to be hierarchically answerable to the head of any operating department, including the administration and finance department;
    3. is to be afforded direct access to any and all the information that may be useful for the performance of his duties;
    4. is to be endowed with adequate resources for the performance of his assigned duties;
    5. answers to the Internal Control Committee, the Board of Statutory Auditors and the Director to whom the Internal Audit function reports. In particular, he/she reports on risk management procedures and compliance with risk containment plans, expressing an opinion on the appropriateness of the Internal Control System for determining an acceptable overall risk profile.

The Board of Directors feels that the Company's current internal control system is, on the overall, appropriate in light of the size, structure and requirements of Banca Generali and the banking group of which it is the parent company.

Organisational and management model
Legislative Decree No. 231 of 8 June 2001 introduced the principle that corporations may be held liable for specifically listed offences committed or attempted in their interest and/or for their benefit by individuals entrusted with corporate representation, administration and management, or individuals subjected to the management or oversight of one of the latter.
The same Decree provides for exemption from this form of liability in the case of entities which have adopted and effectively implemented organisational and management models designed to prevent the aforesaid offences.
The adoption of an Organisational and Management Model (hereinafter the "Model") is not an obligation or duty, but a right, that the Company has decided to exercise in order, not only to restructure and formalise, where necessary, a system of preventive checks aimed at preventing conduct entailing administrative liability for the Company pursuant to the Decree, but also to ensure the Company's own integrity, and to boost the effectiveness and the transparency of corporate operations.
On 19 June 2006, the Board of Directors approved the Company's Organisational and Management Model, drawn up in light of the Company's specific operating conditions and requirements. The model was updated on 24 June 2008.
Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid main goal underlying its adoption. The Model is made up of a structured set of principles, rules,

provisions and organisational layouts pertaining to the management and oversight of business operations, and is contained in an illustrative document that sets forth the general rules that make it impossible for the offences to be committed without fraudulently violating the model.
In accordance with the provisions of the aforesaid Decree, the task of supervising compliance with the Model and updating the same, must be entrusted to an independent and qualified body set up within the entity, and endowed with autonomous powers of initiative and oversight.
The Company has therefore set up a panel to act as a Supervisory Board (reporting to the Board of Directors), defining the tasks and functioning thereof. The Company has opted to appoint to the said Supervisory Board, persons who hold positions within the Company's organisational structure, that, for technical and/or organisational reasons, enable them to make meaningful contributions to performing the tasks and attaining the goals of the Supervisory Board.
Accordingly, the Board has decided that the Company's Supervisory Board shall consist of a panel made up of a Director, the Head of the Legal Affairs Department and the Head of the Internal Audit department, as per the following table:

Name and Surname	**Office held**
Aldo Minucci	Chairman
Francesco Barraco	Internal Auditor
Cristina Rustignoli	Head of the Legal Affairs and Compliance Department

In carrying out its tasks, the Supervisory Board is to avail of the support of other corporate departments.

Independent Auditors
In light of the changes in the regulatory framework following the entry into force of the Italian Legislative Decree 303/2006, the Ordinary Shareholders' Meeting held on 24 April 2007 extended the appointment of the auditing firm Reconta Ernst & Young S.p.A., appointed with the resolution passed at the Shareholders' Meeting of 18 July 2006, to the date of approval of the financial statements for the year ending 2014. As a consequence of this extension, the total number of consecutive years subject to auditing is nine, and therefore the extention is in accordance with the provisions of article 159, paragraph 4 of Italian Legislative Decree No. 58 of 24 February 1998, as amended by the law No. 262 of 28 December 2005, and the recent Legislative Decree No. 303 of 29 December 2006, published in the Official Journal on 10 January 2007.

Executive in charge of drawing up the company's accounting documents
Article 154-*bis* of Legislative Decree No.58 of 24 February 1998, introduced by Law No. 262 of 28 December 2005, requires *inter alia*:
a) the Executive in charge of drawing up the company's accounting documents to issue a written statement attesting that any and all notices and information the Company discloses on the market in respect of its annual and/or interim financial reports corresponds to the documentary results, books and accounting records;
b) the Executive in charge of drawing up the company's accounting documents and the relevant administrative bodies appointed for such purpose, to issue a joint statement to be attached to the annual financial statements, the condensed half-yearly financial statements and, where applicable, the consolidated financial statements, attesting that adequate accounting and administrative procedures were properly applied during the period of reference and that the Company's financial statements reflect its actual books and accounting records, and provide a true and fair view of the balance sheet, profit and loss account and cash flow statement of the company and the Group;
c) the Board of Directors to oversee the appropriateness of the powers and resources made available to the Executive in charge of drawing up the company's accounting documents and the proper implementation of "administrative and accounting procedures".
Pursuant to Article 24, paragraph 3 of the Articles of Association, the Board of Directors, after consultation with the Board of Statutory Auditors, shall appoint and dismiss the Executive in charge of drawing up the company's accounting documents, in compliance with Article 154-*bis* of Legislative Decree No. 58 of 24 February 1998, establishing the powers and resources of the same.
Paragraph 4 of the same Article provides that the said Executive shall be selected from amongst the company executives in possession of the following professional qualifications:

- suitable professional experience for a suitable length of time or, in any event, of no less than three years, in activities of administration, management or control or professional activities in the banking, insurance and financial sectors; or
- specific know-how in the field of financial reporting and auditing, in respect of listed issuers or their subsidiaries and in the management or oversight of related administrative procedures, acquired over at least five years of experience in positions of responsibility for operating structures within the company, the group or other comparable corporations or entities in terms of business sector and organisational structure.

The said Executive must furthermore meet the requirements of integrity imposed under regulations governing the assumption of corporate offices. Loss of the requisite of integrity determines fall from office.

On 24 January 2007, pursuant to the Articles of Association, and taking into consideration the opinion of the Board of Statutory Auditors, the Board of Directors appointed Giancarlo Fancel to serve, as of 1 February 2007, as Executive in charge of drawing up the company's accounting documents, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, after having ensured that he was fit and proper for such appointment within the meaning of article 24 of the Articles of Association, and determining the powers and resources to be made available to him for the discharge of his assigned duties.

Giancarlo Fancel is the Deputy General Manager in charge of coordinating the Planning & Control, Administrative and Organisation Department, tasked with ensuring the proper and timely preparation of the Company and the banking group's accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

Following the entry into force of Legislative Decree No. 195 of 6 November 2007 which implemented the Transparency Directive (2004/109/EC) and amended article 154-*bis* of Legislative Decree 58/1998, on 20 February 2008, the Company's Board of Directors revised the powers and responsibilities invested in Giancarlo Fancel as Executive in charge of drawing up the company's accounting documents, in which capacity he is required:

(i) to coordinate and oversee the activities of the Administrative and Planning & Control Departments, answering to the General Manager in respect of the results and activities of the same;

(ii) to implement Board resolutions, in the course of all activities falling within his remit, in accordance with the guidelines imparted by the Chief Executive Officer and the General Manager;

(iii) in the course of all activities falling within his remit, to recommend to the General Manager, measures designed to ensure the optimal organisation of the activities of the Company's offices, on the basis of functional criteria that, by breaking down tasks, allows for concurrent and subsequent checks as well as the determination of individual responsibilities;

(iv) as Executive in charge of drawing up the company's accounting documents, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, to ensure that any and all notices and information the Company discloses to the market in respect of its annual and/or interim financial reports, are accompanied by a written statement issued by him, and attesting that the said notices and information corresponds to the documentary results, books and accounting records;

(v) as Executive in charge of drawing up the company's accounting documents, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, to draw up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial reports as well as any and all other financial notices;

(vi) as Executive in charge of drawing up the company's accounting documents, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, to certify, in a specific report drawn up in accordance with the form established by the Italian stock-market regulator CONSOB and attached to the annual financial statements, the condensed half-yearly financial statements and the consolidated financial statements, the appropriateness and proper application of the procedures mentioned in the preceding point, during the period of reference of the financial statements in question, further attesting that the latter provide a true and fair view of the balance sheet, profit and loss account and cash flow of the issuer and all the companies making up the reporting entity;

(vii) to certify that the documents were drawn up in accordance with the international accounting principles applicable within the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;

(viii) to certify that the Directors' report on operations attached to the annual financial statements and the consolidated financial statements includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;

(ix) to certify that the interim Directors' report on operations attached to the condensed half-yearly financial statements includes a reliable analysis of the information mentioned in article 154-*ter*, paragraph 4, of Legislative Decree 58/1998;

(x) to assume any commitment, including of an economic nature, and undertake whatsoever else that may be necessary or useful for discharging the tasks mentioned in 154-*bis* of Legislative Decree 58/1998;

(xi) for the purposes of discharging the tasks and/or exercising the powers mentioned in article 154-*bis* of

Legislative Decree 58/1998, to avail of the support and collaboration of other corporate functions (including the Internal Audit Department) should intervention by the latter be deemed necessary or even merely useful towards such end.
In order to fully comply with the article in question, in early 2007, the Company launched an initiative known as the FARG – *Financial Accounting Risk Governance* Project, the management of which was entrusted to a project-specific structure charged with centrally coordinating all the related activities and supporting project-related worksites specifically established for such purpose. The project-specific structure has so far determined the scope of the analysis and the methods to be followed, and has also drawn up timetables and assigned budgets for attaining targets.
Given the complex structure of the banking group headed by the Company, the scope of the analysis in terms of significant companies and information, was determined on the basis of risk assessment that took account of both the quantitative and qualitative elements related to the Company's risk profile as defined by internal and external factors.
The appropriateness of administrative and accounting procedures was assessed using a process established by the Company on the basis of the Internal Control – Integrated Framework model drawn up by the Committee of Sponsoring Organisation of the Treadway Commission, which is generally accepted as a reference framework worldwide.
Project-specific activities were broken down into:
- "Appropriateness assessment": aimed at assessing the appropriateness of administrative and accounting procedures in the light of the features of the Company and the group;
- "Effectiveness assessment": aimed at ensuring the continued effectiveness and proper implementation of the administrative and accounting procedures in question, during the period of reference.

Relations with Shareholders and Institutional Investors

Investor relations

Banca Generali feels that it has a specific interest — as well as a duty towards the market — to engage in ongoing dialogue, based on a mutual understanding of roles and responsibilities, with its Shareholders, in general, as well as with institutional investors, such dialogue being placed within the framework of procedures for the public disclosure of corporate information and documents.
In particular, the Company avails of Shareholders' Meetings to provide Shareholders with information on the Company and its prospects, obviously, in compliance with the regulations governing inside information, and therefore, whenever necessary, by simultaneously disclosing the same information to the market. In furtherance of the above, the scheduled times, dates and venues of Shareholders' Meetings are selected with a view to facilitating attendance thereat by Shareholders; moreover, all the members of the Company's Board of Directors and Board of Statutory Auditors try to attend Shareholders' Meetings to the extent possible.
The Company Secretariat liases with Shareholders on a day-to-day basis through the Shareholder Relations and Management Division, set up within the Banking Group's Legal Affairs and Compliance Department.
On the other hand, the Investor Relations Department that reports directly to the Chief Executive Officer, is in charge of liasing with institutional investors.

INVESTOR RELATIONS
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Website

For several years now, the Company has used its website to allow the public to consult constantly updated information regarding the Company, its products and services.
Apart from a presentation and historical overview of the Company and the Group, the website hosts the most significant documents pertaining to Corporate Governance, all the press releases on the main corporate events as well as financial and accounting data.
The website also presents the Calendar of Events indicating the dates of meetings of Corporate Organs, such as Shareholders' and Board meetings called for the approval of the draft annual financial statements, the consolidated financial statements, the half-yearly and quarterly reports, as well as for making decisions in respect of purely financial matters.
In order to ensure the transparency and effectiveness of the information disclosed to the public, the site is constantly updated.

Participation in Shareholders' Meetings and Related Rules

Pursuant to article 18 of the Board Rules, the Company encourages Shareholders to attend all Shareholders' Meetings.

As a general rule, all the Directors shall attend Shareholders' Meetings. In particular, the Board shall report to the Shareholders' Meeting in respect of completed and scheduled activities and shall ensure that all Shareholders are provided adequate information on all pertinent matters so as to enable them to make informed decisions in respect of the items placed on the agenda of Shareholders' Meetings.

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In compliance with the recommendations of the Code, the Shareholders' Meeting of 3 October 2006 approved its own Regulations[4], setting forth the procedures to be followed in order to ensure orderly proceedings.

The said Regulations are aimed at regulating the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and ordered functioning of the same and, in particular, the right of each shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.

In particular, pursuant to provisions contained in the Regulations of the General Shareholders' Meeting, shareholders with the right to speak have the right to speak on each one of the issues placed up for discussion and make proposals on them. Entitled shareholders intending to take the floor must request the same from the Chairman, after the debate is opened following reading of the item on the agenda in respect of which the entitled shareholder in question wishes to speak, but before the Chairman declares the debate on such item closed. Such request must be made by the raising of hands, unless the Chairman orders written requests to be submitted. In the case where requests to take the floor are made by the raising of hands, the Chairman shall grant the floor to the person who first raises his hand; in the case where it is not possible to determine precisely which person was the first to raise his or her hand, the Chairman shall grant the floor in accordance with the order established by the Chairman himself, at his sole discretion. In the case where written requests to take the floor are required, the Chairman shall grant the floor in accordance with the order in which requests to speak were received. The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to persons with the right to speak according to their areas of expertise or when deemed useful by the Chairman, after the speech of each one or after all speeches have been given on each item of the agenda, according to the procedure laid down by the Chairman. Persons with the right to speak have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda, announces the period of time available for the speech of each person with the right to speak, normally not less than five minutes and not exceeding ten minutes. When such period of time has expired, the Chairman may invite the person with the right to speak to conclude within another five minutes.

The Board of Directors shall report to the Shareholders' Meeting on the past and scheduled activities, at the time of presentation of the Directors' Report on Operations accompanying the annual financial statements.

Board of Statutory Auditors

The Board of Statutory Auditors consists of three regular and two alternate Auditors, whose functions, duties and terms of office are defined by the law.

Regular and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regulations, may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office.

Auditors are appointed on the basis of lists of candidates, in accordance with the procedures set forth below.

Those shareholders who, alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company to submit lists of candidates for appointment of the Board of Directors, are entitled to submit a list. Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of Legislative Decree No. 58 of 24 February 1998 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may contribute to the submission of only one list. In the event of breach, account will not be taken of the relative backing given to any of the lists.

The lists are made up of two sections: one for the appointment of the regular Auditors and the other for the appointment of the alternate Auditors. The lists contain a number of candidates no higher than the number of members to be elected, listed by progressive number. Each candidate may appear on only one list, upon

[4] The Shareholders' Meeting Regulations are available both at the registered office and on the corporate website, section "*Corporate Governance- AGM – Attending the AGM*".

penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file at the registered office, certification attesting their ownership of their respective shareholdings, and (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence of causes of incompatibility and of ineligibility, as well as possession of the requisites of integrity and professionalism which prevailing laws require for the office of Auditor of the Company.
The lists, signed by the person submitting them, must be filed at the Company's registered office and published in at least one national daily newspaper, at least fifteen days prior to the date set for the Shareholders' Meeting in first call. In the case where, by the aforesaid deadline, submission has been made of only one list or only of lists submitted by shareholders associated amongst themselves, the relevant statutory and regulatory provisions shall apply.
Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of Legislative Decree No. 58 of 24 February 1998 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) shall be entitled to vote for only one list. The first two candidates on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes, shall be deemed elected regular Auditors. Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof, by majority of the votes cast, in accordance with law. In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list, and the Chairman of the Board of Statutory Auditors shall be the first candidate on the said list. Should, on the other hand, two or more lists be submitted for the appointment of the Board of Statutory Auditors, the first candidate on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes, will be elected alternate Auditors.
In the event of votes being equal between two or more lists the younger candidates will be elected until all the posts to be assigned have been filled.
The first candidate on the list obtaining the highest number of votes, from amongst those lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes on the overall, shall be elected Chairman of the Board of Statutory Auditors. In the event of votes being equal between two or more minority lists, the provisions of the previous paragraph will apply. In the event of submission of a single list, the first candidate specified therein will take the chairmanship.
In the case of the death, resignation or forfeiture of an acting Auditor, the alternate Auditor belonging to the same list as the replaced Auditor will succeed him, such alternate being appointed for a period coterminous with the term of the other acting Auditors in office at the time of his appointment as an acting Auditor, and moreover, serving as Chairman of the Board of Statutory Auditors. In the case where it is not possible to proceed as indicated above, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with immediate effect, and accordingly, a Shareholders' Meeting must be called to pass resolutions on the appointment of a new Board of Statutory Auditors pursuant to the voting list system set forth in this Article 21.
The members of the Board of Statutory Auditors must be selected from amongst persons who have acquired, on the overall, at least three years' experience:
a) professional activities or permanent university teaching in legal, economic, financial and technical/scientific subjects strictly pertinent to the Company's business activities;
b) senior management functions in public entities or public administration operating in sectors strictly pertinent to the Company's activity,
In such regard, article 21 of the Articles of Association provides that: (i) fields and sectors closely related to the Company's business activities shall include all those mentioned in point (a) above pertaining to banking, and economic sectors closely related thereto; (ii) economic sectors closely related to banking shall include the credit, parabanking, financial and insurance sectors.
Having accepted the resignation of the entire Board of Statutory Auditors with effect as from the date of commencement of trading of shares in the Company on the electronic share market, the Shareholders'

Meeting of 3 October 2006, appointed a new Board of Statutory Auditors with effect as from the same date of commencement of trading of shares in the Company on the electronic share market, (that is to say, 15 November 2006). The term of the Board of Statutory Auditors shall expire on the date of the Shareholders' Meeting called for the approval of the financial statements for the year 2008.
The current membership of the Board of Statutory Auditors, is set forth in the table below:

Name and Surname	**In office from**	**Office held**
Giuseppe Alessio Vernì	15 November 2006	Chairman
Paolo D'Agnolo	15 November 2006	Acting Auditor
Angelo Venchiarutti	15 November 2006	Acting Auditor
Cristiano Cerchiai	15 November 2006	Alternate Auditor
Corrado Giammattei	15 November 2006	Alternate Auditor

A summary profile of the members of the Board of Statutory Auditors, is provided below.

Giuseppe Alessio Vernì. Born in Trieste on October 5, 1964, Giuseppe Alessio Vernì graduated in Economics from the University of Trieste in 1989. He is registered with the rolls of Certified Public Accountants and Commercial Experts of Trieste, as well as the list of Certified Auditors, the rolls of the Technical Consultants to the Civil Court of Trieste and the rolls of Auditors of Cooperative Societies. Within the framework of his professional activities, he has acquired experience in the field of accounting, business administration, finance, taxation and tax litigation, and as a valuer of corporations and extraordinary corporate transactions. Since 1993, he acts as an Official Receiver with the Civil Court of Trieste. He has held the office of Director of the Roll of Certified Public Accountants of Trieste for the three years from 2000 to 2003 and was elected to the current Board of the Roll of Certified Public Accountants and Commercial Experts of Trieste. He is currently the Chairman of the Boards of Statutory Auditors of Banca Generali S.p.A., Banca BSI Italia S.p.A., and S. Alessandro Fiduciaria S.p.A., and is also a Stautory Auditor of Simgenia S.p.A.. He is also a Statutory Auditor of Assicurazioni Generali and another listed company.

Paolo D'Agnolo. Born in Trieste on August 28, 1941, Paolo D'Agnolo is registered with the rolls of Accountants and Commercial Experts of Trieste, where he has worked as a consultant since 1964. He was subsequently registered with the rolls of the Technical Consultants to the Court of Trieste and the list of Certified Auditors. He has held top ranking positions for many years in numerous unlisted and listed companies, the latter since 1973. In particular, he has held positions in banks such as the Istituto Federale delle Casse di Risparmio delle Venezie Spa where he was Chairman of the Board of Statutory Auditors, Specialcredito Banca S.p.A. where he acted as Chairman of the Board of Directors and Cassa di Risparmio Banca S.p.A. where he acted as Deputy Chairman of the Board of Directors. In the insurance sector, he held the post of Statutory Auditor of Assicurazioni Generali S.p.A. He is currently a member of the control bodies of a large number of companies, including the listed company Banca Generali S.p.A.

Angelo Venchiarutti. Born in Rome on 20 September 1956, Angelo Venchiarutti graduated in Law from the University of Trieste in 1981. He earned a doctorate in Civil Law in May 1983, was appointed Associate Professor of Comparative Private Law in 1999 and subsequently tenured Professor of Private Law. He currently holds various positions with the University of Trieste where he has conducted a large number of university and other courses. He is also involved in research, and has published a large number of papers on civil law, comparative private law and commercial and insurance law. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company.

Cristiano Cerchiai. Born in Rome on 16 January 1965, Cristiano Cerchiai graduated in Economics from the Cà Foscari University of Venice in 1988. He is registered with the rolls of Certified Public Accountants of Venice as well as the list of Certified Auditors. He is currently a specialist in international tax planning and M&A corporate and tax matters with the law firm and tax consultancy LCA, and also serves on the internal control organs of various companies. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company.

Corrado Giammattei. Born in Turin on 30 October 1958, Corrado Giammattei graduated in Economics from the University of Trieste in 1984, and then qualified as a Certified Public Accountant in 1985. He currently serves as Chairman of the Board of Statutory Auditors of various companies. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company.

The members of the Board of Statutory Auditors undertake the tasks assigned to them pursuant to the Italian Civil Code, Legislative Decree No. 58/98 and the Articles of Association in full autonomy and independence, including from the shareholders who appointed them, maintaining, in accordance with the recommendations set forth in the Corporate Governance Code, a constant exchange of information between the Board of Statutory Auditors, the organs and functions of the Company undertaking tasks pertaining to internal control, and the independent auditors.
The Board of Statutory Auditors has properly undertaken its statutory supervisory activities.
In 2008, Banca Generali's Board of Statutory Auditors met 21 times. The table below provides information on the attendance of auditors at meetings of the Board of Statutory Auditors held in 2008.

Member	**Office held**	**% participation to Board of Statutory Auditors' meetings**
Giuseppe Alessio Vernì	Chairman	100%
Paolo D'Agnolo	Acting Auditor	95.24%
Angelo Venchiarutti	Acting Auditor	100%
Cristiano Cerchiai	Alternate Auditor	-
Corrado Gianmattei	Alternate Auditor	-

Mean attendance by auditors at Board meetings during the financial year 2008 was 97.22%.
On 27 October 2006, following its appointment, the Board of Statutory Auditors assessed the independence of its members. On 21 February 2009, the Board of Statutory Auditors declared itself satisfied that its members continued to meet the requirements of independence.
In carrying out the aforesaid assessments, the Board of Statutory Auditors applied all the criteria recommended in the Corporate Governance Code in respect of the independence of Directors.
Any Auditor who holds any interest, whether on his own behalf or on behalf of others, in any transaction effected by the Company, must give timely and exhaustive notice of the nature, origin and terms of the said interest, to the other Auditors and the Chairman of the Board of Directors. The same reporting obligations shall be binding, *mutatis mutandis*, on any Auditor falling within the scope of the cases contemplated in article 136 of Legislative Decree 385/1993.
The Board of Statutory Auditors has monitored the independence of the independent auditors, in terms of both compliance with the relevant requirements, and the nature and volume of non-auditing services rendered to the Company and its subsidiaries by the said independent auditors and entities belonging to the same network.
The Board of Statutory Auditors discharged its tasks in coordination with the Internal Audit function and the Internal Control Committee.

Trieste, 12 March 2009

THE BOARD OF DIRECTORS

Annex: OTHER PROVISIONS OF THE CORPORATE GOVERNANCE CODE

	YES	*NO*	*Summary of the reasons for eventual differences from the recommendations of the Code*
Proxy system and transactions with related parties			
Has the BoD granted proxies and defined:			
a) limits	X		
b) methods of execution	X		
c) and information release schedules?	X		
Is the BoD to examine and approve transactions of particular economic and financial importance (including transactions with related parties)?	X		
Has the BoD defined guidelines and standards for identifying "significant" transactions?	X		
Have the standards and guidelines been described in the report?	X		
Has the BoD defined specific procedures for assessing and approving transactions with related parties?	X		
Are these approval procedures for transactions with related parties described in the report?	X		
Procedures for the most recent appointment of Board Members (3 October 2006) and Auditors (3 October 2006)			
Were the candidates for Director recorded at least ten days in advance?			The current BoD was appointed before the Company's listing
Was sufficient information provided with the candidacies for Director?	X		
Was an indication of independent-status qualifications included with the candidacies for director?	X		
Were the candidates for Auditor recorded at least fifteen days in advance?			The current BoD was appointed before the Company's listing
Was sufficient information provided with the candidacies for Auditor?	X		
Shareholders' Meetings			
Has the company approved Regulations of the General Shareholders' meetings?	X		
Are these rules (or indications as to where they are available) included with the report?	X		
Internal Control			
Has the Company appointed the persons to be in charge of internal control?	X		
Are these people free of hierarchical connections to heads of operational units?	X		
Company unit in charge of internal control (as per Article 9.3 of the Code)	Internal Auditor		
Investor Relations			
Has the Company appointed a head of investor relations?	X		
Company unit and contact info (address/phone/fax/e-mail) of the head of investor relations	Investor Relations Giuliana Pagliari, Via Ugo Bassi n. 6, Milan, Tel. + 39 02 60765486, Fax +39 02 69 462 138, Investor.relations@bancagenerali.it		

Consolidated Financial Statements
31 December 2008

Accounting Statements

Board of Directors
12 March 2009

CONSOLIDATED BALANCE SHEET – ASSETS

	Assets (€ thousand)	**31.12.2008**	**31.12.2007**
10	Cash and deposits	8,315	7,809
20	Financial assets held for trading	668,405	2,668,735
40	Financial assets available for sale	799,460	107,687
50	Financial assets held to maturity	606,353	-
60	Loans to banks	948,499	913,893
70	Loans to customers	767,461	345,656
80	Hedging derivatives	11,020	-
100	Equity investments	-	34
120	Property and equipment	7,153	7,683
130	Intangible assets	51,906	13,998
	of which:	-	-
	- goodwill	38,632	7,541
140	Tax receivables	57,458	35,949
	a) current	23,445	3,427
	b) prepaid	34,013	32,522
150	Non-current assets held for sale and discontinued operations	5,020	-
160	Other assets	136,978	109,874
	Total assets	**4,068,028**	**4,211,318**

CONSOLIDATED BALANCE SHEET – NET EQUITY AND LIABILITIES

	Net Equity and Liabilities (€ thousand)	31.12.2008	31.12.2007
10	Due to banks	16,993	14,289
20	Due to customers	3,493,038	3,765,585
30	Securities issued	178,094	-
40	Financial liabilities held for trading	848	7,686
60	Hedging derivatives	2,325	-
80	Tax payables	7,488	5,555
	a) current	2,521	1,472
	b) deferred	4,967	4,083
90	Liabilities associated with non-current assets held for sale and discontinued operations	4,324	-
100	Other liabilities	127,609	157,919
110	Employee termination indemnity	5,048	5,707
120	Provisions for liabilities and contingencies:	43,336	46,610
	b) other provisions	43,336	46,610
140	Valuation reserves	-6,754	945
170	Reserves	61,051	65,729
180	Additional paid-in capital	22,804	22,804
190	Share capital	111,313	111,313
200	Treasury shares (-)	-7,424	-8,112
220	Net profit (loss) for the year (+/-)	7,935	15,288
	Total Net Equity and Liabilities	**4,068,028**	**4,211,318**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	(€ thousand)		31.12.2008		31.12.2007
10.	Interest income and similar revenues		177,200		132,391
20.	Interest expense and similar charges	-	115,997	-	89,255
30.	**Net interest income**		**61,203**		**43,136**
40.	Commission income		238,653		295,681
50.	Commission expense	-	126,299	-	147,250
60.	**Net commissions**		**112,354**		**148,431**
70.	Dividends and similar income		35,218		2,845
80.	Net income (loss) from trading activities	-	44,538	-	13,324
90.	Fair value adjustments in hedge accounting		3		-
100.	Gain (loss) from sales or repurchase of:		1,519		1,050
	a) loans	-	173		-
	b) financial assets available for sale		1,692		1,050
110.	Profits (Losses) on financial assets and liabilities designated at fair value		-		-
120.	**Net banking income**		**165,759**		**182,138**
130.	Net adjustments/reversal due to impairment of:	-	9,144	-	559
	a) receivables	-	2,079	-	559
	b) financial assets available for sale	-	7,065		-
140.	**Net income from banking operations**		**156,615**		**181,579**
170.	**Net income from banking and insurance operations**		**156,615**		**181,579**
180.	General and administrative expense:	-	132,551	-	121,042
	a) staff expenses	-	55,042	-	53,577
	b) other general and administrative expense	-	77,509	-	67,465
190.	Net provisions for liabilities and contingencies	-	13,365	-	20,455
200.	Net adjustments/reversal of property and equipment	-	2,266	-	2,265
210.	Net adjustments of intangible assets	-	3,078	-	4,170
220.	Other operating expense/income		8,782		7,608
230.	**Operating expense**	**-**	**142,478**	**-**	**140,324**
240.	Gain (loss) of equity investments	-	27		-
270.	Gains (loss) from disposal of investments	-	8		-
280.	**Profit (loss) from operating activities before income taxes**		**14,102**		**41,255**
290.	Income taxes for the year on operating activities	-	2,297	-	20,828
300.	**Profit (loss) from operating activities net of taxes**		**11,805**		**20,427**
310.	Income (Loss) after tax from discontinued operations	-	3,870	-	5,139
320.	**Net profit (loss) for the period**		**7,935**		**15,288**
340.	**Net profit (loss) for the year of the Parent Company**		**7,935**		**15,288**

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

(€ thousand)	share capital		share	reserves		Valuation Reserves			Equity	Treasury	Net profit	Sahreholders'
	a) ordinary shares	b) Other	premium reserve	a) retained Earnings	b) Other	a) available for sale	b) cash flow hedging	c) Other	Instruments	Shares	(loss) for the year	Equity
Amount as at 01.01.2008	**111,313**	**-**	**22,804**	**65,729**	**-**	**906**	**-**	**39**	**-**	**-8,112**	**15,288**	**207,967**
allocation of the net income of the previous year	-	-		966	-	-	-		-	-	-15,288	-14,322
- Reserves	-	-	-	966	-	-	-	-	-	-	-966	-
- Dividends & other allocations	-	-	-	-	-	-	-	-	-	-	-14,322	-14,322
Changes in Reserves	-	-	-	-842	-	-7,699	-	-	-	-	-	-8,541
Operations on shareholders' equity	-	-	-	-4,802	-			-	-	688	-	-4,114
- Issue of new shares	-	-	-	-1,704	-	-			-	1,704	-	-
- Purchase of treasury shares	-	-	-	-	-	-			-	-1,016	-	-1,016
- Extraordinary dividends	-	-	-	-5,537	-	-	-		-	-	-	-5,537
- Changes in equity instruments	-	-	-	-	-	-			-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-			-	-		-
- stock option	-	-	-	2,439	-				-			2,439
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	7,935	7,935
Amount as at 31.12.2008	**111,313**	**-**	**22,804**	**61,051**	**-**	**-6,793**	**-**	**39**	**-**	**-7,424**	**7,935**	**188,925**
	-		-	-		-		-		-	-	-

(€ thousand)	share capital		share	reserves		Valuation Reserves			Equity	Treasury	Net profit	Sahreholders'
	a) ordinary shares	b) Other	premium reserve	a) retained Earnings	b) Other	a) available for sale	b) cash flow hedging	c) Other	Instruments	Shares	(loss) for the year	Equity
Amount as at 01.01.2007	111,313	-	22,804	61,886	-	1,026	-	39	-	-5,851	14,023	205,240
allocation of the net income of the previous year	-	-		12,503	-	-	-		-	-	-14,023	-1,520
- Reserves	-	-	-	12,503	-	-	-	-	-	-	-12,503	-
- Dividends & other allocations	-	-	-	-	-	-	-	-	-	-	-1,520	-1,520
Changes in Reserves	-	-	-	-217	-	-120	-	-	-	-	-	-337
Operations on shareholders' equity	-	-	-	-9,296	853			-	-	-2,261	-	-10,704
- Issue of new shares	-	-	-	-1,600	-	-			-	1,600	-	-
- Purchase of treasury shares	-	-	-	-	-	-			-	-3,861	-	-3,861
- Extraordinary dividends	-	-	-	-9,475	-	-	-		-	-	-	-9,475
- Changes in equity instruments	-	-	-	-	-	-			-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-			-	-		-
- stock option	-	-	-	1,779	853				-			2,632
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	15,288	15,288
Amount as at 31.12.2007	**111,313**	**-**	**22,804**	**64,876**	**853**	**906**	**-**	**39**	**-**	**-8,112**	**15,288**	**207,967**

CONSOLIDATED CASH FLOW STATEMENT

Indirect method (€ thousand)	31.12.2008	31.12.2007
A. OPERATING ACTIVITIES		
1. Operations	**54,064**	**2,839**
Net profit (loss) for the period	7,935	15,288
Gain/loss on financial assets and liabilities held for trading	17,668	15,674
Gain/loss on hedging assets	2,945	-
Net adjustments due to impairment	9,144	559
Net adjustments of property, equipment and intangible assets	5,344	7,081
Net provisions for liabilities and contingencies and other costs/revenues	- 4,596	- 12,069
Taxes included in Taxes not paid	- 11,236	- 14,283
adjustments of discontinued operations	-	-
other adjustments	26,860	- 9,411
2. Liquidity generated by/used for financial assets (+/)	**536,728**	**- 649,677**
financial assets held for trading	1,272,049	- 569,593
financial assets measured at fair value	-	-
financial assets available for sale	- 924,148	- 70,153
Loans to banks: repayable on demand	777	341,894
Loans to banks: other receivables	224,343	- 356,987
Loans to customers	34,272	15,506
other assets	- 70,565	- 10,344
3. Net liquidity generated by/used for financial liabilities (+/)	**- 508,369**	**664,536**
due to banks: repayable on demand	- 39,797	- 15,092
due to banks: other payables	- 12,266	- 11,140
due to customers	- 416,342	712,753
Securities issued	- 7,008	-
financial liabilities held for trading	- 4,231	- 920
financial liabilities measured at fair value	-	-
Other liabilities	- 28,725	- 21,065
Net liquidity generated by/used for operating activities	**82,423**	**17,698**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**2,500**	**-**
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of heldtomaturity financial assets	2,500	-
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-	-
1. Liquidity used for	**- 63,542**	**- 4,894**
Purchase of equity investments	-	-
Purchase of heldtomaturity financial assets	-	-
Purchase of property and equipment	- 1,022	- 2,162
Purchase of intangible assets	- 520	- 2,626
Purchase of business units and equity investments in subsidiaries	- 62,000	- 106
Liquidity generated by/used for investment activities	**- 61,042**	**- 4,894**
C. FUNDING ACTIVITIES		
Issue/Purchase of treasury shares	- 1,016	- 3,861
Issue/Purchase of equity instruments	-	-
Distribution of Dividends and other	- 19,859	- 10,995
Liquidity generated by/used for funding activities	- 20,875	- 14,856
NET LIQUIDITY GENERATED BY/USED FOR IN THE PERIOD	**506**	**- 2,052**

Reconciliation

Cash and cash equivalents at yearstart	**7,809**	**9,861**
Liquidity generated by/used for in the year	506	- 2,052
Cash and cash equivalents effects of exchange rate fluctuations	-	-
Cash and cash equivalents at yearend	**8,315**	**7,809**

(+) liquidity generated; (-) liquidity used

Consolidated Financial Statements as of 31 December 2008

Notes and Comments

Board of Directors
12 March 2009

Part A – Accounting Policies

Part B – Information on the Balance Sheet

Part C – Information on the Profit and Loss Account

Part D – Segment Reporting

Part E – Information on Risks and Risk Hedging Policies

Part F – Information on Net Equity

Part G – Mergers of Companies or Business Units

Part H – Transactions with Related Parties

Part I – Payment Agreements Based on Own Equity Instruments

Part A – Accounting Policies

Part A.1 - General

Section 1 - Declaration of Compliance with International Accounting Standards

These consolidated financial statements have been drawn up in compliance with Italian Legislative Decree No. 38 of 28 February 2005, based on the International Accounting Standards issued by the International Accounting Standards Board (IASB) and interpretation of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the European Commission with Regulation No. 1606 of 19 July 2002.

The Bank of Italy, in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005, by Provision dated 22 December 2005, issued Circular No. 262/2005, entitled “Instructions for the Preparation of the Financial Statements and Consolidated Financial Statements of Banks and Parent Companies of Banking Groups”, which establishes binding rules governing the layout and compilation of financial statements and the content of the explanatory notes.

In preparing the annual financial statements, Banca Generali adopted the IAS/IFRS in force at 31 December 2008 (including SIC and IFRIC interpretations), which were endorsed by the European Union.

Section 2 - Preparation Criteria

The consolidated annual report consists of the following documents:
- Balance Sheet
- Profit and Loss Account
- Statement of Changes in Net Equity
- Cash Flow Statement
- Notes and Comments

The accounts are accompanied by a Directors’ report on the Group’s operations and financial situation.

The consolidated financial statements have been prepared in accordance with article 153-*ter* of Legislative Decree No. 58/98, enacted by Legislative Decree No. 195/07, which ratified the Transparency Directive into Italian law.
Said provision states that listed issuers having Italy as their home Member State have one hundred twenty days from the end of their financial year to approve their annual financial statements and publish an **annual financial report** including:
- the annual financial statements,
- the consolidated financial statements, if any,
- the Report on Operations and
- the attestation as per article 154-*bis*, paragraph 5.

The audit reports required by article 156 of the Consolidated Finance Act are published in their entirety together with the annual financial report.

According to the provisions of Article 3, paragraph 3-*bis*, of Legislative Decree No. 87/92, enacted by Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the Consolidated Report on Operations and the Separate Report on Operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.
The Banca Generali Group elected to exercise this option by presenting a single document. Consequently, the consolidated report on operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the consolidated annual report was prepared in euros. The amounts included in the financial statements and the figures in the Notes are expressed in thousands of euros. Unless otherwise stated, the amounts reported in the Report on Operations are expressed in thousands of euro.

The financial statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes, and in line with the general assumptions set out in the *Framework for the Preparation and Presentation of Financial Statements* drafted by the IASB. There were no derogations of the application of international accounting standards (IAS/IFRS).

The Directors' Report on Operations and the Notes on the Accounts include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the bank's situation.

The financial statements and Notes include figures for the period under review as well as comparative data at 31 December 2007.
In accordance with IFRS 5, the comparative profit and loss account figures at 31 December 2007 and the notes associated therewith have been restated to account for the disposal of the subsidiary Simgenia SIM S.p.A., as described in further detail in Section 5 below.
The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accruals-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.
In further detail, the directors are reasonably certain that the Group will continue to operate in its current form for the foreseeable future and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has been deemed insignificant and does not cast doubt on the Group's ability to operate as a going concern.

Content of the Financial Statements

Accounts that do not include amounts pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Changes in Net Equity is presented by inverting the rows and columns with respect to the presentation suggested by the Bank of Italy's Circular No. 262/2005.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.
Cash flows are broken down into:

- cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) financing activities that alter the company's equity capital.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.
Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the balance of unpaid taxes (current and deferred), interest and unpaid or uncollected commissions; these items have been disclosed separately and classified under operating activities.
These cash flows also do not include changes in operating assets and liabilities, but include those relating to financing activities, such as changes in operating loans and amounts payable to financial advisors and employees and any related advance payments.

Section 3 – Scope of Consolidation and Consolidation Methods

1. Scope of Consolidation

The companies consolidated by the Group in accordance with IAS 27 include the Parent Company, Banca Generali S.p.A. and the following subsidiaries:

Company Name	Registered office	Type of control	Shareholding relationship		% of votes
			Investor	% of ownership interest	Abs. Ord.
A. Companies in consolidated accounts					
A.1 recognised using the line-by-line method					
- Simgenia SIM S.p.A.	Trieste	1	Banca Generali	100.00%	100.00%
- BG Fiduciaria SIM S.p.A.	Trieste	1	Banca Generali	100.00%	100.00%
- BG SGR S.p.A.	Trieste	1	Banca Generali	100.00%	100.00%
- Banca BSI Italia S.p.A.	Milan	1	Banca Generali	100.00%	100.00%
- BG Investment Luxembourg S.A.	Luxemb.	1	Banca Generali	100.00%	100.00%
- Sant'Alessandro Fiduciaria S.p.A.	Milan	1	Banca Generali	100.00%	100.00%
- Banca del Gottardo Italia S.p.A..	Bergamo	1	- Banca BSI Italia S.p.A.	100.00%	100.00%

Legend: type of control:
(1) control pursuant to Section 2359, paragraph 1, No. 1 of the Italian Civil Code (majority voting rights at general shareholders' meeting)

The scope of consolidation has changed with respect to the previous year due to the acquisition of the entirety of the equity investment in Banca del Gottardo Italia S.p.A. on 1 October 2008.
The company was therefore included in the scope of consolidation for the first time effective from the above date.
Banca Generali's consolidated financial statements include the above company's balance sheet figures at 31 December 2008 and its earnings results for the fourth quarter of 2008.
A brief description of the accounting impact of the transaction is provided below in Section 5, "Other Information".

The consolidated accounts include the separate financial statements of the Parent Company and the subsidiaries at 31 December 2008, reclassified and adjusted where necessary to take account of consolidation requirements.
The figures for Banca del Gottardo Italia have been drawn from the balance sheet at 31 December 2008 and the profit and loss account for the fourth quarter of 2008, along with the associated details required for the preparation of the Consolidated Notes.

2. Other Information

Consolidation Methods

Subsidiaries are included in the accounts using the full consolidation method, whereby the balance sheet and profit and loss items are consolidated on a line-by-line basis.
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, influencing both the balance sheet and profit and loss account, were eliminated. Non-reconciled amounts were recognised respectively in other assets/liabilities and other revenues/expenses.

Dividends distributed by subsidiaries were eliminated from the consolidated profit and loss account and a corresponding adjustment was made to income reserves.

Business Combinations of Entities Under Common Control

Business combinations of entities under common control are not included in the scope of IFRS 3 *Business Combinations*, nor are they covered by other IFRS. They are accounted for in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*
The IAS/IFRS provide specific guidelines for transactions not covered by IFRS (included in paragraphs 10-12 of IAS 8*);* according to these guidelines, management is encouraged to consider the most recent pronouncements of other regulatory bodies that use a similar conceptual framework to define accounting standards.
In fulfilment of this requirement, we observed that the Financial Accounting Standards Board (FASB) has published an accounting standard regarding business combinations (FAS 141) that in some respects is similar to IFRS 3. Unlike IFRS 3, however, FAS 141 includes an appendix containing limited accounting guidelines for transactions under common control that were previously included in the Accounting Principles Board's (APB) Opinion 16. According to the pooling of interest method, for this type of transaction the assets and liabilities of business combinations are stated at historical (book) value instead of fair value, and goodwill is not recognised.

Intra-group combinations or other combinations of entities under common control within the Generali Group are therefore accounted for based on the book value of the entity transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (goodwill) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.

Section 4 - Events Occurred After the Balance Sheet Date

No events occurred after 31 December 2008 that would make it necessary to adjust the results presented in the consolidated financial statements at that date.

Section 5 - Other Information

Acquisition of Banca del Gottardo Italia S.p.A.

On 1 October 2008, through Banca BSI Italia S.p.A., Banca Generali acquired 100% of shares with voting rights of Banca del Gottardo Italia S.p.A. from BSI – Banca della Svizzera Italiana S.A., the Parent Company of the Swiss bank group carrying the same name, which is also part of the Generali Group.

The transaction was undertaken by virtue of the agreement between the Generali Group and Swiss Life SA governing the acquisition of the group controlled by Banca del Gottardo SA through BSI BA, as announced on 7 November 2007 and closed on 10 March 2008. On 1 July 2008, the transaction was completed by the merger of Banca del Gottardo SA into BSI SA.
On 6 May 2008, BSI SA then authorised the disposal of its Italian subsidiary, Banca del Gottardo Italia S.p.A., to Banca BSI Italia S.p.A.

The acquisition was settled in cash according to the following terms:

- 62 million euros paid on 1 October 2009 by Banca BSI Italia to acquire 100% of the share capital of Banca del Gottardo;
- 15 million euros by way of voluntary decrease in share capital authorised by Banca del Gottardo Italia on 30 September 2008 to benefit its parent company pro tempore, BSI SA; due to the restrictions established by Article 2456 of the Italian Civil Code, the share capital decrease had yet to be executed at 31 December 2008.

The seller also provided a guarantee of its receivables through 31 December 2009.

To complete the integration project, Banca del Gottardo was absorbed into Banca BSI Italia on 1 January 2009.

Formed in 2002, Banca del Gottardo Italia focuses on private banking and reported 1,900 million euros in assets under management and about 2,000 customers. The bank's presence is concentrated in northern Italy, and Lombardy in particular, where 61% of its assets under management originate, most markedly in connection with the segments UHNWI (Ultra High Net Worth Individual) and HNWI (High Net Worth Individual).

In order to carry out the above acquisition, the subsidiary Banca BSI Italia S.p.A. procured the following capital resources:

- an increase in equity of 69.9 million euros, undertaken on 30 September 2008 by Banca Generali in the form of a share capital increase and a payment to cover prior losses;
- the contracting of a subordinated loan of 40 million euros, disbursed by the German insurance associate Generali Versicherung AG on 1 December 2008, for a period of seven years, with a straight-line amortisation schedule calling for five annual payments, beginning in the third year, at an interest rate equal to the twelve-month EURIBOR plus a spread of 225 bps.

Accounting Treatment

The business combination transaction may therefore be considered a transaction between entities under common control, not governed by IFRS 3, and has consequently been accounted for according to the principle of the continuity of the values of the transferred entity.
Banca del Gottardo's assets and liabilities have therefore been recognised at their carrying values at the time of initial recognition in the consolidated statements of the common parent company, Assicurazioni Generali S.p.A, on the basis of the PPA – Purchase Price Allocation, drafted pursuant to IFRS3, following the business combination of the Banca del Gottardo Group.

In further detail, when allocating the purchase price for the Group, Assicurazioni Generali determined that:

- the value of the intangible assets represented by contractual relationships with Banca del Gottardo's clients was 9.5 million euros, amortised over 10 years;
- the deferred taxes to be allocated in connection with the neutral tax regime for the above-mentioned intangible assets were to come to 3.0 million euros;
- the goodwill attributable to Banca del Gottardo Italia, net of the foregoing two items, was 31.4 million euros.

Since the carrying value of Banca del Gottardo's assets and liabilities amounted to 38.8 million euros at the date of acquisition, and in light of the planned decrease in share capital of 15 million euros, the price of sale by BSI SA was contractually set at 62 million euros.

The price was confirmed as fair by the fairness opinion issued on 30 April 2008 by KPMG Advisory S.p.A., appointed for the task by Banca Generali.

Given the company's recent incorporation and the type of contractual dealings with its clients, the useful life of the intangible assets represented by client relationships was estimated at ten years.
Goodwill resulting from the consolidation of Banca del Gottardo was tested for impairment as at the balance sheet date.

Disposal of Simgenia SIM S.p.A.

On 19 December 2008, Banca Generali's Board of Directors authorised the disposal of 85% of Simgenia Società di Intermediazione Mobiliare S.p.A. to other Generali Group companies: 25% to Assicurazioni Generali S.p.A., 20% to Alleanza Assicurazioni S.p.A., 15% to INA Assitalia S.p.A., 15% to Toro Assicurazioni S.p.A. and 10% to FATA Assicurazioni S.p.A.
The transaction is scheduled to be closed by the end of the first half of 2009, after the purchasers have obtained the necessary authorisation.
Banca Generali will continue to hold the remaining 15% stake in portfolio. Simgenia will therefore cease to be a part of the banking group at the effective date of the transaction.

However, even after it has been deconsolidated, Simgenia will continue to distribute Banca Generali's banking and financial products, particularly the asset management products of BG Sgr and BG Investment Luxembourg, the individual portfolio management services of Banca BSI Italia and BG Fiduciaria SIM, and Banca Generali's banking services.

The total valuation of Simgenia, as established by using the Dividend Discount Model, amounted to 15.7 million euros, and the price at which 85% of the share capital will be transferred consequently amounts to 13.3 million euros. The company's net equity amounted to 5.9 million euros at 31 December 2008, net of the loss for the year of 0.8 million euros.

The disposal may be considered a transaction between entities “under common control”; in absence of a specific derogation it was accounted for in accordance with IFRS 5 in the financial statements for the year ended on 31 December 2008.

In further detail, the equity investment in Simgenia S.p.A. was consolidated on a line-by-line basis, but the company’s assets and liabilities were reclassified on the balance sheet to items concerning non-current assets held for sale and liabilities associated with non-current assets held for sale, along with the goodwill recognised upon consolidation. The composition of the above items is described in further detail in the Notes.

Upon reclassification, Simgenia’s assets and liabilities were measured in accordance with applicable IASs/IFRSs. In addition, the business unit associated with the investee has been measured at the lesser of the carrying value and realisable value of the equity investment, net of selling costs.

On the profit and loss account for the year ended 31 December 2008, the company’s earnings results have been stated in aggregate form under the item “profit and loss on non-current assets held for sale, net of taxes”, a suitably detailed explanation of which is provided in the Notes.

The company’s balance sheet components and earnings results have been stated net of infra-Group transactions, which have been eliminated.

Given Simgenia’s peculiar operating structure, this resulted in the recognition on the 2008 profit and loss account of a loss on the groups of non-current assets held for sale of 3.9 million (compared to the subsidiary’s loss for the year of 0.8 million euros), primarily due to the elimination of the company’s commission income on the distribution of the Group’s financial products.
The following table shows a reconstruction of the loss on the disposal of the group of assets held for sale on the basis of the subsidiary’s financial statement figures.

(€ thousand)	Book values	Cancellation	Net values
Interest income	232,597	- 232,597	-
Commission income	12,443,685	- 3,131,902	9,311,783
Interest expense	- 1,127	1,127	-
Commission expense	- 5,485,937	-	- 5,485,937
Gain (loss) on trading	- 33,459	-	- 33,459
Staff expenses	- 3,222,784	46,864	- 3,175,920
General and administrative expense	- 4,401,781	280,000	- 4,121,781
Depreciation and amortisation	- 659,012	-	- 659,012
Provisions	- 394,532	-	- 394,532
Other net operating income	512,764	- 57,704	455,060
Taxes	233,901	-	233,901
Net profit (loss) for the year	**- 775,685**	**- 3,094,212**	**- 3,869,897**

As required by IFRS 5, in order to ensure that the data are comparable, the comparative profit and loss account at 31 December 2007 and the associated Notes have also been restated according to the same criterion.

Non-recurring Significant Events and Transactions

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

National Tax Consolidation Option

In 2004 the Parent Company, Assicurazioni Generali, and the Italian companies belonging to the Group began participating in the “national tax consolidation regime” governed by Articles 117-129 of the TUIR (Italy’s income tax code), which was introduced into Italy’s fiscal legislation by Italian Legislative Decree No. 344/2003.
Banca Generali has participated in the Parent Company’s tax consolidation regime since 2004; in 2007 Banca BSI Italia S.p.A. and BG SGR S.p.A. were also given the option of participating.
Under the scheme, the aforementioned companies transfer their taxable profit (or tax losses) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Audit

The consolidated financial statements were audited by Reconta Ernst & Young.

PART A.2 – Main Items of the Aggregated Items

Accounting Policies

The accounting policies adopted for the preparation of the annual financial statements, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues have changed solely in connection with the amendments to IAS 39 and IFRS 7 enacted by Regulation of the European Commission No. 1004 of 15 October 2008, as illustrated in the following paragraph.

Amendments to IAS 39 and IFRS 7 of 13 October 2008

On 13 October 2008, the IASB (International Accounting Standard Board) approved an amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* and IFRS 7 – *Financial Instruments: Disclosures*, which in certain circumstances permits the reclassification of certain non-derivative instruments out of the portfolio of assets held for trading and measured at fair value through profit and loss.

The IASB's intervention partially eliminated a restriction previously established by IAS 39 against the reclassification of financial instruments out of the held-for-trading portfolio, which is characterised by the recognition of changes in fair value through profit and loss, to other accounting portfolios.
In further detail, these portfolios are characterised by a different method of measurement based on amortised cost, in which listed debt securities held to maturity (HTM) and unlisted debt securities classifiable as loans may be classified.
Securities belonging to these portfolios are not subject to periodic adjustment to changes in fair value through profit and loss, but rather are to undergo the impairment testing procedure in order to identify the existence of any permanent impairment losses.
In addition, financial assets may also be reclassified from held-for-trading to available-for-sale (AFS), in which changes in fair value are usually taken through net equity instead of profit and loss.

However, non-derivative instruments designated at fair value through profit and loss by virtue of the fair-value option (e.g., structured securities or other investments to hedge liabilities at fair value through profit and loss) may not be reclassified.

Such reclassifications are now allowed in those "rare circumstances" in which, due to unusual events unlikely to recur in the near term, a financial instrument is no longer held for trading or available for sale and the company therefore believes it may hold it for the foreseeable future or until maturity. The current financial crisis has been designated by the IASB as such an unusual event.
The amendment also permits the transfer of financial assets included in the "available-for-sale" (AFS) items where such assets are not listed on an active market and the company has the intention and ability to hold them for the foreseeable future or until maturity.

The amendments introduced were ratified into the European system and took on the force of law with the publication of EC Regulation No. 1004/2008 of 15 October 2008.
Due to the exceptional situation represented by the financial market crisis, retroactive first-time application of the amendment was allowed effective no earlier than 1 July 2008.

Reclassification from the held-for-trading portfolio (changes in fair value through profit and loss)		
Asset type	**Destination portfolio**	**Conditions**
Debt securities listed on active markets	HTM	Only in rare circumstances and only if the instrument satisfies the definition of HTM
Debt securities not listed on active markets	LOANS	Only in rare circumstances and if the instrument satisfies the definition of instrument not listed on an active market and the company has the intention and ability to hold it until maturity or for the foreseeable future
Equity securities	AFS	Only in rare circumstances
Reclassification from AFS portfolio (changes in fair value through net equity)		
Asset type	**Destination**	**Conditions**

	portfolio	
Debt securities listed on active markets	HTM	If the instrument satisfies the definition of HTM (reclassification already allowed under IAS 39)
Debt securities not listed on active markets	LOANS	If the instrument satisfies the definition of instrument not listed on an active market and the company has the intention and ability to hold it until maturity or for the foreseeable future

Accounting Treatment of Reclassifications

Where assets have been reclassified from HFT to AFS, HTM or Loans, the new book value has been taken as the fair value at the date of the reclassification. Changes in fair value already taken through profit and loss may not be reversed.
Where AFS assets have been transferred to HTM or Loans, the new book value has been taken as the fair value at the date of reclassification and the balance of the AFS equity reserve pertaining to the reclassified investments continues to be carried in net equity subsequent to the transfer and is then amortised over the life of the instrument. Amortisation of the AFS reserve is offset in profit and loss by the corresponding change in the amortised cost of the security, resulting from the application of the effective interest rate method.

Banca Generali's Position

Banca Generali has decided to proceed with the reclassification of part of the accounting portfolios of assets held for trading and assets available for sale (AFS), in the total amount of 928.9 million euros, determined on the basis of fair value as of the date of the transfer.

The reclassification of debt securities involved only financial assets issued by non-governmental entities with maturities no earlier than 31 December 2009.
Securities for which an active market of listing could not be identified due to the financial crisis have been classified among loans and receivables, while the remainder has been reallocated to held-to-maturity assets.
The transfer was undertaken effective 1 July 2008, except for securities belonging to the AFS portfolio and transferred to the held-to-maturity portfolio, the transfer of which was effective 30 September 2008, inasmuch as said reclassification was already allowed under the previous version of IAS 39.

In addition, certain equity investments that the Group no longer considers to be held for trading were reallocated to the AFS portfolio.

The following table provides a summary of the effects of reclassification by the type of asset portfolio of origin and destination and the effective date of reclassification. The figures for debt securities include coupon accruals through the date of reclassification (i.e., they are all-inclusive figures).

Type	Date effective	Portfolio of origin	Destination portfolio	Fair value	Loss to	Delta FV	Res. delta AFS
				Transf. date	Profit and loss account	At 30 Sept. 2008	At 30 Sept. 2008
Listed debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*)	01/07/2008	**TRADING**	**HTM**	447,561	- 5,430	2,521	
Unlisted debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*)	01/07/2008	**TRADING**	**LOANS**	237,694	- 7,113	3,647	
Listed debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*)	30/09/2008	**AFS**	**HTM**	153,971			
Unlisted debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*) (**)	01/07/2008	**AFS**	**LOANS**	82,415			9,146
Listed equities no longer considered as held for trading	01/07/2008	**TRADING**	**AFS**	7,218	- 2,030	776	776
				928,859	- 14,573	6,944	8,370

(*) A marginal portion of securities subsequently disposed of or purchased was transferred effective 30 September 2008
(**) Broken down into loans to banks and customers

The new portfolio allocation now more accurately reflects the Bank's investment policy.
Corporate bonds allocated to the treasury portfolio and purchased with a view to income-generation capacity in the form of interest have been reallocated primarily to the held-to-maturity portfolio. The portfolio of ABS (asset-backed securities) was largely reallocated to loans to customers due to the nature of these instruments, which is that of indirect loans.
The portfolio of government securities was kept in the portfolios held-for-trading and available-for-sale due to the possibility of liquidating them on short notice.

The transfer of financial instruments from the held-for-trading portfolio resulted in the consolidation of capital losses recognised on the profit and loss account of 14.6 million euros as of the date of transfer. These losses were consequently recognised as realised losses.
The transfer of securities from the AFS portfolio resulted in the recognition of negative net equity reserves of 3.8 million euros.

The situation at 31 December 2008

The reclassified portfolios were as follows at 31 December 2008:

Reclassified financial assets (€ thousand)	**From**	**To**	**Date of** transf.	**31/12/2008** Book value	**31/12/2008** **fair value**	**delta FV at 31/12/2008** **P&L**	**Net Equity**	**Interest** **Admin. cost**	**AFS reserve**
AFS – equity securities – reclass. IAS 39	TRA	AFS	1-Jul-08	5,527	5,527	-1,499	1,499	-	0
Debt securities HTM - reclass. IAS 39	TRA	HTM	1-Jul-08	464,807	449,756	-15,051	-	1,397	
Debt securities HTM - reclass. IAS 39	AFS	HTM	30-Sept-08	141,546	141,805		259	123	-799
Total portfolio HTM				606,353	591,561	-15,051	259	1,520	-799
Debt securities reclass. IAS 39	TRA	LOANS	1-Jul-08	223,606	205,886	-17,720	-	1,242	
Debt Securities reclass. IAS 39	AFS	LOANS	1-Jul-08	74,642	68,414		-6,228	575	-2,966
Total Loan portfolio (banks and customers)				298,248	274,300	-17,720	-6,228	1,817	-2,966
Total reclassified financial assets				**910,128**	**871,388**	**-34,270**	**-4,470**	**3,337**	**-3,765**

During the period since the effective date of the reclassification, the reclassified portfolio has decreased to a marginal extent due to the early redemption by the issuer of a limited number of securities.

Any change in the fair value of the transferred assets would have entailed at 31 December 2008 an increase in write-downs through profit and loss of 34.3 million euros (for securities reclassified from HFT) and of 4.5 million euros through net equity (for securities reclassified from AFS).

The measurement of reclassified securities at amortised cost also resulted in the recognition of increased interest of 3.3 million euros, resulting to the application of the effective interest rate method, net of the amortisation of the negative net equity fair value reserve for the former AFS portfolio.

The Process of Impairment of Reclassified Debt Securities

In accordance with IAS 39, the portfolio of debt securities reclassified to the portfolios assets held to maturity and loans to customers was subjected to analytical impairment testing in order to detect any permanent impairment to be recognised through profit and loss.
The measurement process involved the use of specific methods according to the type of securities in question:

- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

As regards this latter portfolio, the analytical testing took into account the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying asset (triggers, delinquencies, cumulative defaults, etc.), according to the most recent reports by Rating Agencies. The analysis did not lead to the identification of specific positions of impairment.

A collective writedown was also conducted of the same portfolio of ABSs classified among loans to customers in order to identify any impairment situations that had not yet become openly manifest.
To this end, in the absence of historical data series on insolvencies relating to the bank's securities portfolio, the probability of default (PD) and loss given default (LGD) rates were determined according to market statistics on the basis of the segmentation of the portfolio by rating classes.
This process led to the recognition of a collective provision for impairment for the portfolio of debt securities of 1.1 million euros.

Reclassification of Trade Receivables

In the recent Note "Rules for the Financial Statements of Banks and Financial Firms", the Bank of Italy announced amendments and additions to financial statement legislation, already in force for the financial statements for the year ended on 31 December 2008, which are to be contained in an update to Circular No. 262.
In particular, in the section pertaining to "Clarification on financial statements", the supervisory authority states that the item "Loans to customers" also includes trade receivables other than those associated with the payment for goods and services, to be allocated to the item "other assets".
This provision is apparently aimed at limiting the content of the item "Loans to customers" to the bank's effective core lending operations.
Short-term or on-sight commercial dealings pertaining to the provision of goods and services not involving the allocation of cash, and therefore not considered effective lending transactions, are consequently excluded.
To account for the above clarification, the consolidated financial statements for the year ended 31 December 2008 have been adjusted to reclassify trade receivables claimed from product companies in connection with the placement and distribution of asset management/insurance products, as well as commissions receivable not attributable to specific items included among loans to customers, from the item "Loans to customers" to the item "Other assets".

1. Financial Assets Held for Trading

Classification
This category includes only debt and equity securities and the positive value of derivative contracts held for trading purposes,

including those embedded in complex financial instruments. Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

Recognition
Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.
Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives that are not closely related to the host contract but meet the definition of a derivative are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

Measurement
Subsequent to initial recognition, financial assets held for trading are recognised at fair value.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price. Fair value measurements are generally determined using market quotations published by Bloomberg.
The book value of debt securities comprises accrued interest income.
The fair value of OICR or SICAVs coincides with the NAV as at the last day of stock exchange operation.

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

If there is no active market, estimation methods and valuation models that consider all risk factors relating to the instruments based on available market information are used. These include methods based on the quoted prices of instruments with similar characteristics, discounted cash flow analysis, option-pricing models and valuations of recent comparable transactions.

For inactive debt securities, for which no active market exists, alternative valuation methods are used. Specifically, their fair value is estimated based on the present value of expected future cash flows, using a discount margin equal to the market quotes of the Credit Default Swap (CDS) arranged in relation to the maturity date of the security; interpolation methods are used if necessary.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Derecognition
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

2. Financial Assets Available for Sale

Classification
This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.
Specifically, it includes:
- equity investments not held for trading;
- other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
- bonds not held for trading and not classified as assets held to maturity or measured with Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

Recognition
Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.
Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds 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.
On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.
Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).
If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the causes of impairment cease to apply due to an event that occurs after

impairment is recognised, reversals are taken through profit and loss (for loans or debt securities) or through net equity (for equity securities).
Under no circumstances may the amount of such reversals exceed the amortised cost that would have been attributable to the instrument
had no previous impairment been recognised.

Derecognition
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

3. Held-to-maturity Financial Assets

Classification
Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

Recognition
Initial recognition of these assets takes place on the settlement date.
Upon initial recognition, financial assets classified to this category are measured at their fair
value, including any directly attributable costs and income.
If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

Where a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or reimbursement option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

Measurement
After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.
Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or suffer impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.
If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised.

Derecognition
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

4. Receivables

Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments and are not listed in an active market and are not initially classified as financial assets *available for sale*.

This item also includes:

- repurchase agreements with a commitment to repurchase
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- trade receivables other than those associated with payment for the provision of goods and services, which are classified to the item “Other assets”.

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

Recognition

Loans are initially recognised at the date of disbursement or, in the case of debt securities, at the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.
This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from available-for-sale assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

Measurement

Subsequent to initial recognition, loans are recognised at *amortised cost*, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the *effective interest-rate method*) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing loans are sub-divided into the following categories:

- *Bad loans:* loans to parties in a state of insolvency or substantially equivalent situation;
- *Substandard loans:* loans to parties in situations of objective temporary difficulty, the elimination of which in an appropriate amount of time is foreseeable;
- *Restructured loans:* loans in which a syndicate of banks (or a “single lender”) grant a moratorium for the payment of the debt and then renegotiate said debt at below-market rates;
- *Expired loans:* loans to parties that, at the end of the period, show payables past due or expired by more than 180 days.

Loans 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 in the contractual rate, including if the loan becomes non-interest-bearing.
Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.
Write-backs due to the passage of time are taken among reversals.

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 occurred 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.

Derecognition
Loans are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

5. Financial Assets at Fair Value

At this time, none of the Bank's financial assets are classified under this category.

6. Hedging Transactions

Types of Hedging Transactions
The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items.
Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance-sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance-sheet items attributable to particular risks;

- hedges of a net investment in foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement
Derivatives are measured at fair value. Specifically:
- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flow) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:
- *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
- *retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

7. Equity Investments

Classification

In the consolidated financial statements, this item includes equity investments in associate companies.
Companies are considered associates when the bank holds 20% or more of the voting power and, due to specific legal or economic ties, is presumed to have significant influence.

At 31 December 2008, the Banking Group did not hold any equity investments in associates due to the reclassification of the investment in Eu-ra S.p.A. to available-for-sale assets following the decrease in the Group's interest in said company.

Recognition
Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

Measurement
Equity investments are measured at cost and adjusted for impairment.
When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the investment.
If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.
If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss.

Derecognition
Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.

8. Property and equipment

Classification
Property and equipment include technical systems, furniture, furnishings and equipment of any type.
They also include assets held for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

Recognition
Property and equipment are initially recognised at cost, which includes the purchase price as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

Measurement
Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.
They are systematically depreciated over their estimated useful life using the straight-line method.
At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.
If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition
Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from its disposal.

9. Intangible assets

Classification
Intangible assets include goodwill, application software that is expected to be used for more than one year, charges associated with upgrading legacy systems and trademarks.

Goodwill is the positive difference between the purchase price and fair value of the assets and liabilities acquired.
Other intangible assets are recognised when they are identifiable and arise from legal or contractual rights.
Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.
Other capitalised costs refer to charges with multi-year usefulness incurred for the development of the legacy IT system used by the bank in connection with its outsourcing contract, including costs associated with migration from other computer systems; these items are amortised over their estimated useful life of five-years.
Commissions paid to the network in relation to no-load asset-management products are considered as additional charges incurred to promote the signing of the related agreements; the future economic benefit associated with these expenses consists of the contractual rights to receive periodic commissions from the management company. Such expenses arise in relation to products (e.g., units of collective investment undertakings - OICR, discretionary accounts - GPF) for which the management company does not charge commissions at the time the investment is made, but rather charges "tunnel commissions" (in addition to usual "management commissions") when the customer divests in two to four years.
Commissions paid by the "distributor" to its sales network, which are commensurate to the commissions on corresponding "load" products, are not immediately offset by up-front fees paid by the management company; instead, these are recovered over time by means of the other two commission categories.

Recognition

Goodwill
An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).
In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets
Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement
Intangible assets are amortised on a straight-line basis over their useful lives.
Software expenses are typically amortised over a three-year period.
Other capitalised costs associated with legacy systems are amortised over a five-year period.
Multi-year no-load commissions are amortised based on the period the "tunnel" is in force and the estimated customers' time to divestment.
For *brands* acquired on the incorporation of subsidiaries, the useful life is estimated at ten years.
Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill
In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
The impairment test on goodwill is presented in Section 1.2 "Annual Changes in Goodwill" of Part G, in these Notes.

Other intangible assets
At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset's carrying amount exceeds its recoverable amount.

Derecognition
Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from its use.

10. Non-current Assets and Groups of Assets Available for Sale

The asset item "Non-current assets and groups of assets available for sale" and liability item "Liabilities associated with groups of assets available for sale" include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value, net of costs to sell.
The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year, is taken through profit and loss under a specific separate item, "Profit (Loss) on groups of assets available for sale, net of taxes".
The comparison data of the profit and loss account for 2007 underwent the same reclassification.

11. Current and Deferred Taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.
Provisions for income taxes are made based on a conservative estimate of current, advance and deferred tax payables, which are calculated using prevailing tax rates.

Specifically, deferred tax payables and receivables are calculated based on the temporary differences — without time limits — between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax receivables are recorded to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company Assicurazioni Generali — as a result of its exercise of the option provided by the Italian tax consolidation scheme — to generate ongoing taxable income.

Deferred tax payables are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.
Deferred tax receivables and payables are shown separately in the balance sheet and are not offset; deferred tax receivables are recorded under "tax receivables" and deferred tax payables are recorded under "tax payables".

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.
Deferred tax receivables and payables are systematically assessed to take account of any changes in tax legislation or rates as well as changes to the specific situations.
Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

12. Provisions for Liabilities and Contingencies

Employee termination indemnities
Under *IAS 19 "Employee Benefits*", until 31 December 2006 termination indemnity was considered as a "post-employment benefit" classified as a "defined benefit plan". The benefit was therefore reported in the financial statements based on the actuarial value determined using the "Projected Unit Credit Method".

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must — depending on the employees' choice — be allocated to a supplementary pension fund or maintained within the company and transferred to a special fund managed by Italy's national security institute (INPS).

The entry into force of the aforementioned reform led to a change in the accounting treatment of the termination indemnity, in terms of both the amounts accrued until 31 December 2006 as well as the amounts accrued starting on 1 January 2007.
Specifically:

- termination indemnities accrued by personnel <u>starting on 1 January 2007</u> are considered a <u>defined contribution plan</u>, whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund. The amounts accrued must, however, be determined <u>based on the contributions owed without applying an actuarial calculation</u>;
- termination indemnities accrued by personnel <u>up to 31 December 2006</u> are considered a "defined benefit plan", and therefore must be calculated using actuarial methods; however, after 31 December 2006, such methods no longer involve the proportional allocation of the benefit to the period of service worked. This is because the service period in question is considered fully completed as a result of the change in the accounting nature of termination indemnities accruing beginning on 1 January 2007.

As a result of the legislative changes, employees' termination indemnities must be recalculated at 31 December 2006 using the new actuarial method. The difference resulting from the actuarial calculation is deducted from the defined benefit plan, and, in accordance with IAS 19, the related gains or losses are charged to the profit and loss account based on the corridor method used by the group.

For group companies with fewer than 50 employees, the obligation continues to be calculated using the "projected unit credit method" (also known as the accrued benefit method pro-rated on service or as the benefit/years of service method), which considers each period of service rendered by employees as an additional unit of benefit entitlement and measures each unit separately to calculate the final obligation.

Other Provisions
Other provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.
Where the effect of the time value of money is material, provisions are discounted using current market rates. Provisions are recognised in the profit and loss account.
This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

13. Debt and Securities Issued

Classification
Due to banks, *Due to customers* and *Securities issued* include the various forms of interbank funding and direct customer deposits as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.

Recognition
These items are initially recognised when funding is received or the debt securities are issued.
Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.
For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement
Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is immaterial. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition
Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.
The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

14. Financial Liabilities Held for Trading

This item includes the negative value of trading derivative contracts measured at fair value.
If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

15. Financial Liabilities Measured at Fair Value

There are currently no financial liabilities measured at fair value.

16. Foreign Currency Transactions

Initial recognition
On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent measurement
At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.
The Group has no non-monetary items that are measured at historical cost or fair value.
Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year’s financial statements are recognised in profit or loss in the period in which they arise.

17. Other Information

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.

Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said securities, is recognised to the profit and loss account items associated with interest on an accruals basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.

The above costs, which have been classified among “Other assets”, as required by the Bank of Italy’s Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Share-based payments

In accordance with IFRS 2 (Share-based Payments) and IFRIC 11, share-based benefit plans for staff and financial consultants are recognised as costs in the profit and loss account based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

However, IFRS 2 is not applicable to the plan called “Prime Consult S.p.A. Stock Granting Plan” approved by the Board of Directors of the company that was later merged into Banca Generali in 2001.

The assignment of shares was not subject to IFRS 2, pursuant to the transitory rules set forth from paragraph 53 on, as the assignment took place before 14 November 2002 (commencement deadline of the new standard) and modified before 1 January 2005 (effective date of the new standard).

Revenue recognition

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. Specifically:

- interest payable is recognised on a pro-rated basis according to contractual interest rate, or the effective interest rate if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved
- service revenue commissions are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading commissions on securities trading are recognised when the service is rendered; portfolio management, advisory and mutual fund management commissions are recognised according to the length of the service. Commissions considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

Part B - Information on the Consolidated Balance Sheet
Assets
Section 1
Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

Items/Values	31.12.2008	31.12.2007
a) Cash	8,315	7,809
b) Demand deposits with central banks	-	-
Total	**8,315**	**7,809**

Section 2
Financial assets held for trading - Item 20

2.1 Financial assets held for trading: categories

		31.12.2008			31.12.2007	
Items/Values	**Listed**	**Unlisted**	**Total**	**Listed**	**Unlisted**	**Total**
A. Cash						
1. Debt securities	458,465	23,710	482,175	1,606,133	129,387	1,735,520
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	458,465	23,710	482,175	1,606,133	129,387	1,735,520
2. Equity securities	4,230		4,230	35,849		35,849
3. OICR quotas	-	1,393	1,393	60	3,020	3,080
4. Loans	-	-	-	-	-	-
1.1. Repurchase agreements	-	-	-	-	-	-
1.2. Other	-	-	-	-	-	-
5. Non-performing assets	-	60	60	-	-	-
6. Transferred assets not written off (*)	179,690	-	179,690	859,811	33,343	893,154
Total A	**642,385**	**25,163**	**667,548**	**2,501,853**	**165,750**	**2,667,603**
B. Derivatives			-			-
1. Financial derivatives	-	857	857	-	1,132	1,132
2. Credit derivatives	-	-	-	-	-	-
Total B	**-**	**857**	**857**	**-**	**1,132**	**1,132**
Total (A+B)	**642,385**	**26,020**	**668,405**	**2,501,853**	**166,882**	**2,668,735**

(*) Repurchase agreements with a commitment to repurchase

Measurement of fair value

The fair value of the trading portfolio is usually determined based on trading market quotations for cash assets.
However, for the reporting year, several bonds that are not listed on active markets were valued using
alternative measurement methods based on market parameters (cf. Part A.2 — Accounting Policies, in the Notes to the Financial Statements).
OICR market values are equal to the value of the quotas (NAV).

2.2 Financial assets held for trading: debtors/issuers

Items/Values	31.12.2008	31.12.2007
A. Cash		
1. Debt securities	**482,175**	**1,735,520**
a) Governments and central banks	296,367	874,995
b) Other public institutions		
c) Banks	115,862	449,051
d) Other issuers	69,946	411,474
2. Equity securities	**4,230**	**35,849**
a) Banks	10	25,725
b) Other issuers	4,220	10,124
- insurance companies	828	911
- financial companies	622	1,046
- non-financial companies	2,770	8,167
- Other entities	-	-
3. OICR quotas	**1,393**	**3,080**
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Non-performing assets	60	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	60	-
d) Other issuers	-	-
6. Transferred assets not written off	179,690	893,154
a) Governments and central banks	139,765	610,202
b) Other public institutions	-	-
c) Banks	35,926	241,107
d) Other issuers	3,999	41,845
Total A	**667,548**	**2,667,603**
B. Derivatives		
a) Banks	550	989
b) Customers	307	143
Total B	**857**	**1,132**
Total (A+B)	**668,405**	**2,668,735**

Non performing loans refer to a bond issued by the Icelandic bank, which
suspended payments in November 2008 and is currently undergoing a liquidation procedure organised by the country's authorities.

Section 2
Financial assets held for trading - Item 20

2.3 Financial assets held for trading: derivatives

Types of derivatives/Underlying assets	Interest rates	Currencies and gold	Equity securities	Receivables	Other	31.12.2008	31.12.2007
A) LISTED DERIVATIVES							
1) Financial derivatives:	-	-	-	-	-	-	-
with capital swap	-	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
without capital swap	-	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2) Credit derivatives:	-	-	-	-	-	-	-
with capital swap	-	-	-	-	-	-	-
without capital swap	-	-	-	-	-	-	-
Totale A	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B) UNLISTED DERIVATIVES							
1) Financial derivatives:	-	857	-	-	-	857	1,132
with capital swap	-	857	-	-	-	857	302
- options purchased	-	-		-	-	-	28
- other derivatives	-	857	-	-	-	**857**	274
without capital swap	-	-	-	-	-	-	830
- options purchased	-	-	-	-	-	-	126
- other derivatives	-	-	-	-	-	-	704
2) Credit derivatives:	-	-	-	-	-	-	-
with capital swap						-	-
without capital swap						-	-
Total B	**-**	**857**	**-**	**-**	**-**	**857**	**1,132**
Total (A + B)	**-**	**857**	**-**	**-**	**-**	**857**	**1,132**

2.4 Financial assets held for trading: year changes

	Debt securities	Equity securities	OICR quotas	Financing	Total
A. Amount at period-start	**2,628,674**	**35,849**	**3,080**	**-**	**2,667,603**
B. Increases	**1,537,718**	**1,288,562**	**797,127**	**-**	**3,623,407**
B1. Purchases	1,531,636	1,283,123	796,653	-	3,611,412
B2. Positive changes in fair value	1,181	44	-	-	1,225
B3. Other changes	4,901	5,395	474	-	10,770
					-
C. Decreases	**3,504,467**	**1,320,181**	**798,814**	**-**	**5,623,462**
C1. Sales	2,762,667	1,243,039	798,671	-	4,804,377
C2. Repayments	15,550	-	-	-	15,550
C3. Negative changes in fair value	4,285	2,383	99	-	6,767
C4 Transfer to other portfolios (*)	682,873	7,219			690,092
C4. Other changes	39,092	67,540	44	-	106,676
D. Amount at period-end	**661,925**	**4,230**	**1,393**	**-**	**667,548**

(*) Figures are stated net of accruals and discounts (ex-interest prices)

The item “C0.5 Transfer to other portfolios” was added in order to disclose the reclassification to portfolios of AFS financial assets (equity securities) in connection with the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008.
The amount stated consists of the FV of the securities transferred, net of dividend accruals and issue discounts (“ex-interest prices”).
The item “B.3 Other changes” includes final dividend accruals, final premiums/discounts, and gains on disposal.
The item “C.5 Other changes” includes initial dividend accruals, initial premiums/discounts, and losses on disposal.
In detail, this item includes losses arising from the reclassification of assets held for trading to other portfolios in the following amounts

debt securities	12,543
equity securities	2,030
total	14,573

The item also includes losses on the disposal of equity securities under equity-swap transactions.

Section 4
Financial assets available for sale – Item 40

4.1 Financial assets available for sale: categories

Items/Values	31.12.2008 Listed	31.12.2008 Unlisted	31.12.2008 Total	31.12.2007 Listed	31.12.2007 Unlisted	31.12.2007 Total
1. Debt securities	413,630	70,443	484,073	-	94,376	94,376
1.1 Structured securities	-	-	-			
1.2. Other debt securities	413,630	70,443	484,073			
2. Equity securities	8,786	9,529	18,315	6,241	7,070	13,311
2.1 Valued at fair value	8,786	-	8,786	6,241	-	6,241
2.2 Valued at cost		9,529	9,529		7,070	7,070
3. Loans	-	-	-	-	-	-
4. Non-performing assets	-	1,350	1,350	-	-	-
5. Transferred assets not written off (*)	199,086	96,636	295,722	-	-	-
Total	**621,502**	**177,958**	**799,460**	**6,241**	**101,446**	**107,687**

(*) Repurchase agreements with a commitment to repurchase

Measurement of fair value

The fair value of unlisted bonds on active markets was determined using valuation methods
based on market observation, as described in Part A.2 — Accounting Policies.
Equity securities listed on active markets were valued based on market prices

4.2 Financial assets available for sale: debtors/issuers

Items/Values	31.12.2008	31.12.2007
1. Debt securities	484,073	94,376
a) Governments and central banks	362,416	-
b) Other public institutions	-	-
c) Banks	80,454	26,334
d) Other issuers	41,203	68,042
2. Equity securities	18,315	13,311
a) Banks	3,888	-
b) Other issuers	14,427	13,311
- insurance companies	1,030	1,364
- financial companies	7,814	5,107
- non-financial companies	5,583	6,840
- Other entities		
3. OICR quotas		
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Non-performing assets	1,350	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	1,350	-
d) Other issuers	-	-
6. Transferred assets not written off	295,722	-
a) Governments and central banks	243,137	-
b) Other public institutions	-	-
c) Banks	44,482	-
d) Other issuers	8,103	-
Total	**799,460**	**107,687**

Due to the default of Lehman Brothers, two securities issued by Lehman Bros. Holding have been classified among non-performing assets:
- LEHMAN BROTHERS FRN 19.05.16 , for a nominal value of 7,000 thousand euros and valued at 1,050 thousand euros
- LEHMAN BROTHERS FRN 05/02/2014 , for a nominal value of 2,000 thousand euros and valued at 300 thousand euros

4.5 Financial assets available for sale: year changes

	Debt securities	Equity securities	OICR quotas	Financing	Total
A. Amount at period-start	94,376	13,311	-	-	107,687
B. Increases	1,906,094	10,244	-	-	1,916,338
B1. Purchases	1,888,343	2,919	-	-	1,891,262
B2. Positive changes in fair value	2,979	101	-	-	3,080
B3. Reversal value	-	-	-	-	-
- statement of operations	-	-	-	-	-
- net equity	-	-	-	-	-
B4. Transfer from other portfolios	-	7,219	-	-	7,219
B5. Other changes	14,772	5	-	-	14,777
C. Decreases	1,219,325	5,240	-	-	1,224,565
C1. Sales	966,139	-	-	-	966,139
C2. Repayments	54	466	-	-	520
C3. Negative changes in fair value	8,984	4,774	-	-	13,758
C4. Write-downs of non-performing loans	-		-	-	-
- statement of operations	7,065	-	-	-	*7,065*
- net equity	-	-	-	-	-
C5. Transfer to other portfolios (*)	236,348	-	-	-	236,348
C6. Other changes	735	-	-	-	735
D. Amount at period-end	**781,145**	**18,315**	**-**	**-**	**799,460**

(*) Figures are stated net of accruals and discounts (ex-interest prices)

The item "C.5 Transfer to other portfolios" refers to the reclassification to the portfolios HTM and L&R
in connection with the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008.
The amount stated consists of the FV of the securities transferred, net of dividend accruals and issue discounts ("ex-interest prices").
The item "B.4 Transfer from other portfolios" refers to the reclassification of equity securities previously classified to the trading portfolio.
Item C.4 relates to the impairment of the Lehman securities and differs from the amount charged to the profit and loss account due to the release of the positive FV reserve allocated during the previous year.
The item "B.5 Other changes" includes adjustments arising from the measurement of securities at amortised cost,
dividend accruals at the reporting date, and gains on disposal, in the amount of 1,692 thousand euros.
The item "C.6 Other changes" includes interest adjustments and initial dividend accruals.
The negative changes in FV stated in item C.3 include 3,630 thousand euros in negative FV reserves related to securities reclassified as HTM and
loans and receivables.

Section 5
Held-to-maturity financial assets – Item 50

5.1 Held-to-maturity financial asset: categories

	31.12.2008		31.12.2007	
Type of transaction/Values	Book Vakue	Fair value	Book Vakue	Fair value
1. Debt securities	545,934	531,122	-	-
1.1 Titoli strutturati	-		-	-
1.2 Altri titoli di debito	545,934	531,122	-	-
2. Loans	-	-	-	-
3. Non-performing assets	-	-	-	-
4. Transferred assets not written off (*)	60,419	60,440	-	-
Total	**606,353**	**591,562**	**-**	**-**

(*) Repurchase agreements with a commitment to repurchase

5.2. Held-to-maturity financial assets: Debtors/Issuers

Items/Values	**31.12.2008**	**31.12.2007**
1. Debt securities	545,934	-
a) Governments and central banks	-	
b) Other public institutions		
c) Banks	441,517	-
d) Other issuers	104,417	-
2. Loans	-	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
3. Non-performing assets	-	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
4. Transferred assets not written off	60,419	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	52,438	-
d) Other issuers	7,981	-
Total	**606,353**	**-**

5.4. Held-to-maturity financial assets: annual changes

	Titoli di debito	**Finanziamenti**	**Totale**
A. Amount at period-start	**-**	**-**	**-**
B. Increases	**608,853**	**-**	**608,853**
B1. Purchases	-	-	-
B2. Reversal value	-	-	**-**
B4. Transfer from other portfolios	601,006	-	**601,006**
B3. Other changes	7,847	-	7,847
C. Decreases	**2,500**	**-**	**2,500**
C1. Sales	-	-	-
C2. Repayments	2,500	-	**2,500**
C3. Adjustments	-	-	**-**
C4. Transfer to other portfolios (*)	-	-	**-**
C5. Other changes	-	-	**-**
D. Amount at period-end	**606,353**	**-**	**606,353**

(*) Figures are stated net of accruals and discounts (ex-interest prices)

The item “B.3 Transfer from other portfolios” refers to the reclassification to the portfolios held for trading and available for sale in connection with the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008. The amount stated consists of the FV of the securities transferred, net of dividend accruals and issue discounts (“ex-interest prices”). Other changes include interest accrued at the reporting date, calculated according to the effective interest rate.

Section 6
Loans to banks — Item 60

6.1 Breakdown of item loans to banks: categories

Type of transaction/Values	31.12.2008	31.12.2007
A. Loans to central banks	**234,949**	**15,045**
1. Term deposits	-	-
2. Compulsory reserve	40,949	15,045
3. Repurchase agreements	-	-
4. Other	194,000	-
B. Loans to banks	**713,550**	**898,848**
1. Current accounts and demand deposits	163,945	358,706
2. Term deposits	471,190	527,445
3. Other:	-	12,697
3.1 Repurchase agreements	-	
3.2 Financial leasing	-	-
3.3 Other	-	12,697
4. Debt securities	76,541	-
4.1 Structured	-	-
4.2 Other	-	-
5. Non-performing assets	-	-
6. Transferred assets not written off (*)	1,874	-
Total (book value)	**948,499**	**913,893**
Total (fair value)	**946,450**	**913,893**

(*) Repurchase agreements with a commitment to repurchase

The item "4. Debt securities" refers to the securities reclassified from the portfolios held for trading and AFS in connection with the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008.

Breakdown of item loans to banks - other transactions

Type of transaction/Values	31.12.2008	31.12.2007
Other short term grant in aid receivables	-	3,178
Operating receivables	-	9,423
other receivables	-	96
Total	**-**	**12,697**

Section 7
Loans to customers - Item 70

7.1 Loans to customers: categories

Type of transaction/Values	31.12.2008	31.12.2007
1. Current accounts	245,329	137,830
2. Repurchase agreements	-	-
3. Loans	82,253	43,706
4. Credit cards, personal loans and loans on wages	-	-
5. Finance leasing	-	-
6. Factoring	-	-
7. Other transactions	162,595	136,410
8. Debt securities	239,606	27,104
8.1 Structured securities	-	-
8.2 Other debt securities	239,606	27,104
9. Non-performing assets	30,213	606
10. Transferred assets not written off (*)	7,465	-
Total (book value)	**767,461**	**345,656**
Total (fair value)	**746,629**	**345,656**

(*) Repurchase agreements with a commitment to repurchase

The item "8. Debt securities" refers to a capitalisation policy in the amount of 28,306 euros and securities reclassified from the portfolios held for trading and AFS on the basis of the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008.

Non-performing loans included in item 9 are bad loans, substandard loans and expired loans over 180 days as detailed in Part E - credit risk.

Breakdown of item loans to customers - other transactions

Type of transaction/Values	31.12.2008	31.12.2007
Pooled financing	44,342	38,826
Personal loans	42,455	559
Other short term grant in aid receivables	18,503	17,501
Operating receivables	-	55,472
Interest-bearing daily margins Italian Stock Exchange	56,113	22,995
Interest-bearing caution deposits	615	374
Amounts to be collected	567	683
Total	**162,595**	**136,410**

7.2 Loans to customers: debtors/issuers

Items/Values	31.12.2008	31.12.2007
1. Debt securities	239,606	27,104
a) Governments	-	-
b) Other public institutions	-	-
c) Other issuers		
- non-financial companies	7,620	-
- financial companies	198,818	-
- insurance companies	33,168	27,104
- Other entities	-	-
2. Loans	490,177	317,946
a) Governments	-	-
b) Other public institutions	-	-
c) Other issuers	-	-
- non-financial companies	198,325	89,990
- financial companies	116,443	75,145
- insurance companies	1	14,311
- Other entities	175,408	138,500
3. Non-performing assets	30,213	606
a) Governments	-	-
b) Other public institutions	-	-
c) Other issuers	-	-
- non-financial companies	19,425	39
- financial companies	119	66
- insurance companies	-	-
- Other entities	10,669	501
4. Transferred assets not written off	7,465	-
a) Governments	-	-
b) Other public institutions	-	-
c) Other issuers	7,465	-
- non-financial companies	7,465	-
- financial companies	-	-
- insurance companies	-	-
- Other entities	-	-
Total	**767,461**	**345,656**

Section 8
Hedging derivatives - Item 80

8.1 Assets – Hedging derivatives: breakdown by type of contract and underlying assets

Types of derivatives/Underlying assets	Interest rates	Currencies and gold	Equity securities	Receivables	Other	31.12.2008	31.12.2007
A) LISTED DERIVATIVES						-	-
1) Financial derivatives:	-	-	-	-	-	-	-
with capital swap	-	-	-	-	-	-	-
- options purchased							
- other derivatives							
without capital swap	-	-	-	-	-	-	-
- options purchased							
- other derivatives							
2) Credit derivatives:	-	-	-	-	-	-	-
with capital swap							
without capital swap							
Total A	-	-	-	-	-	-	-
B) UNLISTED DERIVATIVES	-	***11,020***	-	-	-	***11,020***	-
1) Financial derivatives:	-	*11,020*	-	-	-	*11,020*	-
with capital swap	-	-	-	-	-	-	-
- options purchased						-	
- other derivatives						-	
without capital swap	-	11,020	-	-	-	11,020	-
- options purchased						-	
- other derivatives		11,020				11,020	
2) Credit derivatives:	-	-	-	-	-	-	-
with capital swap							
without capital swap							
Total B	**-**	**11,020**	**-**	**-**	**-**	**11,020**	**-**
Total (A+B) 31.12.2008	**-**	**11,020**	**-**	**-**	**-**	**11,020**	**-**
Total (A+B) 31.12.2007							

8.2 Assets – Hedging derivatives: breakdown of portfolios hedged and type of hedge

	Fair Value						Cash Flows	
	Specific							
Transactions/Type of hedge	**interest rate risk**	**exchange rate risk**	**credit risk**	**price risk**	**more than one risk**	**Unspecific**	**Specific**	**Unspecific**
1. Financial assets available for sale						X		X
2. Loans				X		X		X
3. Held-to-maturity financial assets	X			X		X		X
4. Portfoglio	X	X	X	X	X		X	
5. Foreign investments								
Total assets	-	-	-	-	-	-	-	-
1. Financial liabilities		11,020		X		X		X
2. Portfoglio	X	X	X	X	X		X	
Total liabilities	**-**	**11,020**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions								

Section 10
Equity investments - Item 100

10.3 Equity investments: year changes

	31.12.2008	31.12.2007
A. Amount at period-start	34	34
B. Increases	-	-
B.1 Purchases	-	-
B2. Reversal value	-	-
B3. Revaluations	-	-
B4. Other changes	-	-
C. Decreases	34	-
C1. Sales and repayments	-	-
C2. Adjustments	27	-
of which permanent write-downs	27	-
C3. Other changes	7	-
D. Amount at period-end	**-**	**34**
E. Total revaluations	-	-
F. Total adjustments	-	-

Section 12
Property and equipment - Item 120

12.1 Property and equipment: breakdown of assets valued at cost

Assets/Values	31.12.2008	31.12.2007
A. Operating assets		
1.1 Owned assets	7,153	7,683
a) land	-	-
b) buildings	-	-
c) furniture	4,665	5,001
d) electronic equipment	407	341
e) other	2,081	2,341
1.2 Leased assets	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**7,153**	**7,683**
B. Assets held as investments		
2.1 Owned assets	**-**	**-**
a) land	-	-
b) buildings	-	-
2.2 Leased assets	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
Total (A + B)	**7,153**	**7,683**

12.3 Operating assets: year changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross amount at period-start	-	-	**13,188**	**2,439**	**5,876**	**21,503**
A.1 Total net impairment	-	-	8,187	2,098	3,535	**13,820**
A.2 Net amount at period-start	**-**	**-**	**5,001**	**341**	**2,341**	**7,683**
B. Increases:	**-**	**-**	**996**	**302**	**539**	**1,837**
B.1 Purchases	-	-	563	110	497	1,170
B.2 Capitalised improvement costs						**-**
B.3 Reversal value	-	-	-	-	-	**-**
a) net equity	-	-	-	-	-	**-**
b) statement of operations						**-**
B.4 Fair value positive change in	-	-	-	-	-	**-**
a) net equity	-	-	-	-	-	**-**
b) statement of operations	-	-	-	-	-	**-**
B.5 Exchange gains	-	-	-	-	-	**-**
B.6 Transfer of buildings held as investments			-	-	-	**-**
B.7 Other changes	-	-	433	192	42	667
of which business combination transactions	-	-	433	192	42	667
C. Diminuzioni:	**-**	**-**	**1,332**	**236**	**799**	**2,367**
C.1 Sales	-	-	-	-	1	**1**
C.2 Depreciation	-	-	1,309	185	772	**2,266**
C.3 Adjustments for impairment in						**-**
a) net equity	-	-	-	-	-	**-**
b) statement of operations	-	-	-	-	-	**-**
C.4 Fair value negative changes in						**-**
a) net equity	-	-	-	-	-	**-**
b) statement of operations	-	-	-	-	-	**-**
C.5 Exchange losses						**-**
C.6 Transfers to:			23	40	20	**83**
a) property and equipment held as investments	-	-	-	-	-	**-**
b) assets held for sale	-	-	23	40	20	**83**
C.7 Other changes			-	11	6	**17**
of which business combination transactions				11	6	17
D. Net amount at period end	**-**	**-**	**4,665**	**407**	**2,081**	**7,153**
D.1 Total net impairment	-	-	9,496	2,283	-	**11,779**
D.2 Gross amount at period-end	**-**	**-**	**14,161**	**2,690**	**2,081**	**18,932**
E. Valued at cost			4,665	407	2,081	7,153

Section 13
Intangible assets - Item 130

13.1 Intangible assets: breakdown by type of asset

Assets/Values	31.12.2008 Limited duration	31.12.2008 Unlimited duration	31.12.2008 Total	31.12.2007 Limited duration	31.12.2007 Unlimited duration	31.12.2007 Total
A.1 Goodwill		38,632	38,632		7,541	7,541
A.2 Other intangible assets	13,274	-	13,274	6,457	-	6,457
A.2.1 Assets valued at cost:	13,274	-	13,274	6,457	-	6,457
a) Internally generated intangible assets			-			-
b) Other Assets	13,274	-	13,274	6,457	-	6,457
A.2.2 Assets valued at fair value :	-	-	-	-	-	-
a) Internally generated intangible assets			-			-
b) Other Assets	-		-	-		-
Total	**13,274**	**38,632**	**51,906**	**6,457**	**7,541**	**13,998**

13.2 Intangible assets: year changes

	Goodwill	Other intangible assets internally generated Limited duration	Other intangible assets internally generated Unlimited duration	Other intangible assets Other Limited duration	Other intangible assets Other Unlimited duration	Total
A. Amount at period-start	**7,541**			**44,273**	-	**51,814**
A.1 Total net impairment				37,816		37,816
A.2 Net amount at period-start	**7,541**	**-**	**-**	**6,457**	**-**	**13,998**
B. Increases	**31,352**	**-**	**-**	**10,803**	**-**	**42,155**
B.1 Purchases	-	-	-	1,983	-	**1,983**
B.2 Increase of internal intangible assets	-	-	-	-	-	**-**
B.3 Reversal value				-		**-**
B.4 Fair value positive changes in	-	-	-	-	-	**-**
- net equity	-	-	-	-	-	**-**
- profit and loss account	-	-	-	-	-	**-**
B.5 Exchange gains	-	-	-	-	-	**-**
B.6 Other changes	31,352	-	-	8,820	-	**40,172**
of which business combination transactions	*31,352*			*8,820*		40,172
C. Decreases	**261**	**-**	**-**	**3,986**	**-**	**4,247**
C.1 Sales	-	-	-		-	**-**
C.2 Adjustments	-	-	-	3,078	-	**3,078**
- Amortisation	-	-	-	3,078	-	**3,078**
- Write-downs	-	-	-	-	-	**-**
net equity	-	-	-	-	-	**-**
profit and loss account	-	-	-	-	-	**-**
C.3 Fair value negative changes	-	-	-	-	-	**-**
- net equity	-	-	-	-	-	**-**
- profit and loss account	-	-	-	-	-	**-**
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Other changes	261	-	-	908	-	**1,169**
D. Amount at period-end	**38,632**	**-**	**-**	**13,274**	**-**	**51,906**
D.1 Total net adjustments	-	-	-	40,655	-	**40,655**
E Gross amount at period-end	**38,632**			**53,929**		**92,561**
F. Valued at cost	38,632	-	-	13,274	-	51,906

Breakdown of consolidated goodwill

(€ thousand)	31.12.2008	31.12.2007
Prime Consult Sim e Ina sim	2,991	2,991
Simgenia Spa (*)	-	261
BG Fiduciaria Sim Spa	4,289	4,289
Banca del Gottardo	31,352	-
Total	**38,632**	**7,541**

(*) reclassified in groups of assets held for sale

Details of intangible assets - other assets

	31.12.2008	31.12.2007
Charges associated with the implementation of legacy CSE procedures	2,898	4,129
Relations with customers	8,581	
Commissions to be amortized	243	1,536
Other software costs	531	406
Other assets and assets under processing	1,021	386
Total	**13,274**	**6,457**

Section 14
Tax receivables and payables - Item140 (Assets) and Item 80 (Liabilities)

Breakdown of item 140 (Assets): tax receivables

Type of transaction/Values	31.12.2008	31.12.2007
Current taxation	**23,445**	**3,427**
- IRPEG reimbursement receivable from Tax Authorities	*5,425*	-
- IRES arising on National Tax Consolidation	*16,525*	*2,570*
- IRES	*34*	*1*
- IRAP	*1,461*	*856*
Deferred tax receivables	**34,013**	**32,522**
With impact on profit and loss account	30,358	32,159
- IRES	*28,244*	*29,412*
- IRAP	*2,114*	*2,747*
With impact on net equity	3,655	363
- IRES	*3,155*	*318*
- IRAP	*500*	*45*
Total	**57,458**	**35,949**

Current tax assets represent the net positive unbalance between IRES and IRAP taxes payable for the year net of related payments on account and withholdings.
Since Banca Generali, Banca BSI and BG sgr have adhered to the tax consolidation regime of Assicurazioni Generali, the net IRES receivable represents an asset related to the latter.
The receivable arising on the tax consolidation regime for the inclusion of Banca BSI loss for the year of Banca BSI Italia and Banca Generali, amounting to 5,633 thousand euros, or 83.5% of prepaid taxes relative to the tax losses of the two companies (6,747 thousand euros).
Overall, the estimated receivable arising on the national tax consolidation regime of Assicurazioni Generali amounted to 22,158 thousand euros.

Breakdown of item 80 (liabilities): tax payables

Type of transaction/Values	31.12.2008	31.12.2007
Current taxation	**2,521**	**1,472**
- IRES arising on National Tax Consolidation	-	-
- IRES	-	941
- IRAP	-	531
- Other direct taxes payable	36	-
- Subst. tax under section EC payable	2,485	-
Deferred tax payables	**4,966**	**4,083**
With impact on profit and loss account	3,926	3,673
- IRES	*3,519*	*3,317*
- IRAP	*407*	*356*
With impact on net equity	1,040	410
- IRES	*911*	*332*
- IRAP	*129*	*78*
Total	**7,487**	**5,555**

14.1 Breakdown of deferred tax receivables

	31.12.2008	31.12.2007
With impact on profit and loss account	**30,358**	**32,159**
Previous fiscal losses	9,101	7,702
Provisions for liabilities and contingencies	12,748	13,944
Write-down of securities	1,001	3,958
Credit devaluation	1,626	119
Goodwill	4,233	4,729
Stock granting plan for Directors	1,469	1,469
Other operating expenses	180	238
With impact on net equity	**3,655**	**363**
Measurement at fair value of financial assets available for sale	3,655	363
Total	**34,013**	**32,522**

Previous fiscal losses
Previous fiscal losses refer to the following companies:
6,526 thousand euros to Banca BSI (FY 2008)
221 thousand euros to Banca Generali (FY 2008)
2,354 thousand euros to Banca del Gottardo (FY 2008 and prior years)
In light of the merger of Banca del Gottardo into Banca BSI effective as of 1 January, 2009, the losses will be recovered by conferment to the National Tax Consolidation of Assicurazioni Generali.

14.2 Breakdown of deferred tax payables

	31.12.2008	31.12.2007
con effetto a conto economico	**3,926**	**3,673**
Capital gains by instalments	7	8
Intangible assets	2,694	-
Write-up of security portfolio and off-balance sheet transactions	202	2,530
Off-balance sheet provisions, adjustments and write-downs	314	543
Provision for termination indemnity	330	313
Goodwill	379	279
With impact on net equity	**1,040**	**410**
Measurement at fair value of financial assets available for sale	1,040	410
Total	**4,966**	**4,083**

Section 14
Tax receivables and payables - Item140 (Assets) and Item 80 (Liabilities)

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

	31.12.2008	31.12.2007
1. Amount at period-start	**32,159**	**29,376**
2. Increases	17,567	26,579
2.1 Deferred tax receivables for the period	13,944	20,415
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	13,944	20,415
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3,623	6,164
of which other	96	6
of which business combination transactions (Banca Del gottardo)	3,527	6,158
3. Decreases	**19,368**	**23,796**
3.1 Deferred tax receivables eliminated in the period	11,163	19,430
a) transfers	11,163	19,430
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	4,314
3.3 Other decreases	8,205	52
of which other	20	52
of which assets held for sale (Simgenia)	499	-
of which reclassified to assets for the Tax Consolidation	7,686	-
4. Amount at period-end	**30,358**	**32,159**
Change in deferred tax receivables (point 2 - point 3)	- 1,801	2,783
Effect of business combinations and transfer from net equity	4,657	- 6,163
Deferred tax receivables change in profit and loss account (Section 20.1)	2,856	- 3,380

Item “2.3 other increases” refers for 3,527 thousand euros to prepaid taxes of Banca del Gottardo as of 1 October 2008
Item “3.3 other decreases” refers for 499 thousand euros to the reclassification of Simgenia’s prepaid taxes due to the transfer of the business line to groups of assets held for sale (IFRS5)
The change by 7,686 thousand euros refers to the conferment of the fiscal loss of Banca BSI to the National Tax Consolidation of the Generali Group, as of the date of determination of the final payment of IRES 2007.
The change in deferred tax assets for the period differs from that reported in the profit and loss account in section 20.1 mainly involving the amounts reported in previous items.

14.4 Change in deferred taxes (offsetting entry to the profit and loss account)

	31.12.2008	31.12.2007
1. Amount at period-start	**3,673**	**7,276**
2. Increases	2,891	907
2.1 Deferred tax payables for the period	87	901
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	87	901
2.2 New taxes or increases in tax rates		
2.3 Other increases	2,804	6
of which business combination transactions (Banca Del gottardo)	2,804	6
3. Decreases	2,638	4,510
3.1 Deferred tax payables eliminated during the period	2,606	3,777
a) transfers	2,466	3,777
b) change in accounting criteria	-	-
c) other	140	-
3.2 Decreases in tax rates	-	690
3.3 Other decreases	32	43
of which non-current assets held for sale (Simgenia)	32	
4. Amount at period-end	**3,926**	**3,673**
Change in deferred tax payables (point 2 - point 3)	253	- 3,603
Effect of business combinations and transfer from net equity	- 2,772	- 2
Deferred tax receivables change in statement of operations (Section 20.1)	- 2,519	- 3,605

Item 2.3 Other increases refers to deferred tax payables amounting to 2,804 thousand euros for the acquisition of Banca del Gottardo. of which 2,769 thousand for intangible assets recognized upon consolidation (Relations with customers).
Item “3.3 other decreases” refers for 32 thousand euros to the reclassification of Simgenia’s deferred taxes due to the transfer of the business line to groups of assets held for sale (IFRS5)
The change in deferred taxes for the period differs from that reported in the profit and loss account in section 20.1 mainly involving the amounts reported in previous items.

Section 14

Tax receivables and payables - Item 140 (Assets) and Item 80 (Liabilities)

14.5 Changes in deferred tax receivables (offsetting entry to the net equity)

	31.12.2008	31.12.2007
1. Amount at period-start	**363**	**6,164**
2. Increases	3,453	431
2.1 Deferred tax receivables for the period	3,453	431
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	3,453	431
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
of which business combination transactions	-	-
3. Decreases	161	6,232
3.1 Deferred tax receivables eliminated in the period	161	-
a) transfers	161	-
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	68
3.3 Other decreases	-	6,164
of which transfer of taxes to profit and loss account	-	6,158
4. Amount at period-end	**3,655**	**363**

14.6 Changes in deferred tax payables (offsetting entry to the net equity)

	31.12.2008	31.12.2007
1. Amount at period-start	**410**	**178**
2. Increases	1,034	434
2.1 Deferred tax payables for the period	1,034	400
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,034	400
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	34
3. Decreases	404	202
3.1 Deferred tax payables eliminated during the period	404	-
a) transfers	404	-
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	104
3.3 Other decreases	-	98
4. Amount at period-end	**1,040**	**410**

Section 15

Non-current assets and groups of assets held for sale, and related liabilities
Item 150 (Assets) and Item 90 (Liabilities)

	31.12.2008	31.12.2007
A. Individual assets		
A.1 Equity Investments		
A.2 Property and equipment		
A.3 Intangible assets		
A.4 Other non-current assets		
Total A	**-**	**-**
B. Groups of assets (discontinued operating units)		
B.1 Financial assets held for trading		
B.2 Financial assets at fair value		
B.3 Financial assets available for sale	110	-
B.4 Held-to-maturity financial assets		
B.5 Loans to banks		
B.6 Loans to customers		
B.7 Equity investments		
B.8 Property and equipment	48	-
B.9 Intangible assets	815	-
B.10 Other assets	4,047	-
Total B	**5,020**	**-**
C. Liabilities of individual assets held for sale		
C.1 Debts		
C.2 Securities		
C0.3 Other liabilities		
Total C	**-**	**-**
D. Liabilities of groups of assets held for sale		
D.1 Due to banks		
D.2 Due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities measured at fair value		
D.6 Provisions for liabilities and contingencies	1,322	-
D.7 Other liabilities	3,002	-
Total D	**4,324**	**-**

Section 16
Other assets - Item 160

16.1 Breakdown of other assets composizione

	31.12.2008	31.12.2007
Fiscal items	**7,848**	**21,490**
Sums due from fiscal authorities for taxes to be refunded - IRPEG (1)	-	5,199
Sums due from fiscal authorities for taxes to be refunded - stock exchange contract tax	1,575	1,575
Sums due from fiscal authorities for taxes to be refunded - other	175	173
Advances paid to fiscal authorities – current account withholdings (3)		9,100
Advances paid to fiscal authorities - stamp duty	4,807	5,266
Advances paid to fiscal authorities – substitute taxes on loans	44	97
Altri crediti vs Erario	1,247	80
Leasehold improvements	**2,115**	**2,875**
Credits and advances to advisers and agents	**14,192**	**14,032**
Sums advanced to financial advisers	13,285	11,495
Amounts receivables from former financial advisers, to be collected	741	1,101
Receivables from former BPV network	94	558
Amounts receivable from INA agents’ network	72	878
Commercial loans due from product companies (2)	**31,669**	**-**
Amounts to be debited under processing	**40,518**	**49,344**
C/a cheques drawn on third parties under processing	2,450	8,008
Our c/a cheques under processing c/o service	11,338	5,235
Cheques - other amounts under processing	359	57
Amounts to be settled in the clearing house (debits)	7,935	21,022
Other amounts to be debited under processing	18,436	15,022
Amounts receivable for legal disputes related to non-credit transactions	**1,207**	**1,154**
Amounts receivable from advisers and former advisers	1,053	924
Advances on disputed positions	154	230
Sundry advances to suppliers and employees	**5,815**	**4,112**
Other amounts	**33,614**	**16,867**
Bg Security insurance policies as collateral for deferred bonus	21,520	8,251
Trade receivables that cannot be traced back to specific items	-	3,120
Amounts to be debited	10,747	3,399
Other accrued income and deferred charges	1,127	712
Idle caution deposits	59	77
Sundry amounts	106	343
Consolidation adjustments	55	965
Total	**136,978**	**109,874**

(1) These sums have been reclassified to current tax assets.
(2) Commercial loans due from product companies have been reclassified from loans to customers and other assets according to the recent notes updating the rules governing annual financial statements issued by the Supervisory Authority.
(3) At 31/12/2008 the item payments on account of withholding taxes has been stated by decreasing the corresponding payable to fiscal authorities.

Part B - Information on the Consolidated Balance Sheet
Liabilities

Section 1
Due to banks - Item 10

1.1 Due to banks categories

Type of transaction/Values	31.12.2008	31.12.2007
1. Due to central banks	-	-
2. Due to banks	**16,993**	**14,289**
2.1 Current accounts and demand deposits	562	1,512
2.2 Term deposits	11,781	7,651
2.3 Loans	4,650	4,650
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Liabilities for transferred assets non written off	-	-
2.6 Other debts	-	476
Total	**16,993**	**14,289**
Fair value	**16,993**	**14,289**

1.2 Due to banks subordinated debts

Type of transaction/Values	31.12.2008	31.12.2007
Due to banks: subordinated debts	**4,650**	**4,650**
BSI Sa Lugano subordinated debt	*4,650*	*4,650*

Subordinated debts to banks refer to a subordinated loan of 4,650 thousand euros
issued to Banca BSI Italia by the previous shareholder BSI SA.
The loan has an indefinite maturity, with an early notice of 5 years for extinction.
The quarterly interest rate is equal to 3-month EURIBOR Euribor +25 basis points and is paid at the end of each quarter.

Section 2
Due to customers - Item 20

2.1 Due to customers categories

Type of transaction/Values	31.12.2008	31.12.2007
1. Current accounts and demand deposits	2,953,628	2,867,538
2. Term deposits	14,296	72,959
3. Third-party funds under administration		
4. Loans	40,775	-
5. Liabilities for repurchase commitments of own equity instruments	-	-
6. Liabilities for transferred assets non written off	426,541	821,487
6.1 Repurchase agreements	426,541	821,487
6.2 Other	-	-
7. Other debts	57,798	3,601
Total	**3,493,038**	**3,765,585**
Fair value	**3,493,038**	**3,765,585**

2.2 Due to customers – subordinated debts

Type of transaction/Values	31.12.2008	31.12.2007
Due to customers: subordinated debts	**40,000**	**-**
Subordinated loan Generali Versicherung	*40,000*	-

Subordinated debts to banks refer to a subordinated loan of 40,000 thousand euros granted by the German subsidiary
Generali versicherung. The loan envisages a repayment plan of 5 yearly tranches as of 1 October 2011
and an interest rate equal to 12-month EURIBOR + 225 basis points.

Section 3
Securities issued - Item 30

3.1 Securities issued: categories

Type of security/Values	31.12.2008		31.12.2007	
	Book value	Fair value	Book value	Fair value
A. Listed securities	-	-	-	-
1. bonds	-	-	-	-
1.1 structured	-	-	-	-
1.2 other	-	-	-	-
2. other securities	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
B. Unlisted securities	178,094	178,094	-	-
1. bonds	-	-	-	-
1.1 structured				
1.2 other	-	-	-	-
2. other securities	178,094	178,094	-	-
1.1 structured	-	-	-	-
1.2 other	178,094	178,094	-	-
Total	**178,094**	**178,094**	**-**	**-**

3.3 Details of item 30 “Securities issued”: securities with specific hedging

Type of security/Values	31.12.2008	31.12.2007
1. Securities with FV specific hedging	**178,094**	**-**
a) interest rate risk	-	-
b) exchange rate risk	178,094	-
c) multiple risk	-	-
2. Securities with specific hedging of financial flows	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**178,094**	**-**

Section 4
Financial liabilities held for trading — Item 40

4.1 Financial liabilities held for trading: categories

Type of transaction/Values	31.12.2008	31.12.2007
A. Cash liabilities		
1. Due to banks	-	-
2. Due to customers	-	12
3. Debt securities	-	-
3.1 Bonds	-	-
3.2 Other securities	-	-
Total A	-	12
B. Derivatives		
1. Financial	**848**	**7,674**
1.1 trading	848	7,674
1.2 related to the fair value option	-	-
1.3 other	-	-
2. Credit	-	-
1.1 trading	-	-
1.2 related to the fair value option	-	-
1.3 other	-	-
Total B	**848**	**7,674**
Total (A+B)	**848**	**7,686**

Section 4
Financial liabilities held for trading — Item 40

4.4 Financial liabilities held for trading: derivatives

Types of derivatives/Underlying assets	Interest rates	Currencies and gold	Equity securities	Receivables	Other	31.12.2008	31.12.2007
A) LISTED DERIVATIVES							
1) Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with capital swap	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
without capital swap	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2) Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with capital swap	-	-	-	-	-	-	-
without capital swap	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-
B) UNLISTED DERIVATIVES							
1) Financial derivatives:	**-**	**848**	**-**	**-**	**-**	**848**	**7,674**
with capital swap	-	848	-	-	-	848	349
- options issued	-	-	-	-	-	-	46
- other derivatives	-	848	-	-	-	848	303
without capital swap	-	-	-	-	-	-	7,325
- options issued		-	-	-	-	-	111
- other derivatives	-	-	-	-	-	-	7,214
2) Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with capital swap	-	-	-	-	-	-	-
without capital swap	-	-	-	-	-	-	-
Total B	**-**	**848**	**-**	**-**	**-**	**848**	**7,674**
Total (A + B)	**-**	**848**	**-**	**-**	**-**	**848**	**7,674**

Section 6
Hedging derivatives (from item 60 - Liabilities)

6.1 Derivati di copertura del passivo: composizione per tipologia di contratti e di attività sottostanti

Types of derivatives/Underlying assets	Interest rates	Currencies and gold	Equity securities	Receivables	Other	31.12.2008	31.12.2007
A) LISTED DERIVATIVES	-	-	-	-	-	-	-
1) Financial derivatives:	-	-	-	-	-	-	-
with capital swap	-	-	-	-	-	-	-
- options issued							
- other derivatives							
without capital swap	-	-	-	-	-	-	-
- options issued							
- other derivatives							
2) Credit derivatives:	-	-	-	-	-	-	-
with capital swap							
without capital swap							
Total A	-	-	-	-	-	-	-
B) UNLISTED DERIVATIVES	-	***2,325***	-	-	-	***2,325***	-
1) Financial derivatives:	-	*2,325*	-	-	-	*2,325*	-
with capital swap	-	-	-	-	-	-	-
- options issued							
- other derivatives							
without capital swap	-	2,325	-	-	-	2,325	-
- options issued							
- other derivatives		2,325				2,325	
2) Credit derivatives:	-	-	-	-	-	-	-
with capital swap							
without capital swap							
Total B	-	**2,325**	-	-	-	**2,325**	-
Total (A+B) 31.12.2008	-	**2,325**	-	-	-	**2,325**	-
Total (A+B) 31.12.2007							

6.2 Liabilities – Hedging derivatives: breakdown of portfolios hedged and type of hedge

Transactions/Type of hedge	Fair Value						Cash Flows	
	Specific					Unspecific	Specific	Unspecific
	interest rate risk	exchange rate risk	credit risk	price risk	more than one risk			
1. Financial assets available for sale								
2. Loans								
3. Held-to-maturity financial assets	X			X				
4. Portfoglio	X	X	X	X	X		X	
5. Foreign investments								
Total assets	-	-	-	-	-	-	-	-
1. Financial liabilities		2,325						
2. Portfolio	X	X		X	X		X	
Total liabilities	-	2,325	-	-	-	-	-	-
1. Expected transactions	-	-	-	-	-	-	-	-

Section 8
Tax payables — Item 80

Breakdown of tax payables - item 80

Section 14 (Assets) provides a breakdown of deferred taxation.

Type of transaction/Values	31.12.2008	31.12.2007
Current taxation	**2,521**	**1,472**
- IRES arising on National Tax Consolidation	-	-
- IRES	-	941
- IRAP	-	531
- Other direct taxes payable	36	-
- Subst. tax under section EC payable	2,485	-
Deferred tax payables	**4,966**	**4,083**
With impact on profit and loss account	3,926	3,673
- IRES	*3,519*	*3,317*
- IRAP	*407*	*356*
With impact on net equity	1,040	410
- IRES	*911*	*332*
- IRAP	*129*	*78*
Total	**7,487**	**5,555**

Section 10
Other liabilities — Item 100

10.1 Breakdown of other liabilities

	31.12.2008	31.12.2007
Trade payables	**34,416**	**40,673**
Due to suppliers	19,143	17,838
Due to agents and advisers	15,266	22,683
Due to insurance companies for premiums and claims to be settled	7	152
Due to staff and Social Security institutions	**7,039**	**8,780**
Due to staff for accrued holidays etc.	3,419	3,987
Contributions to be paid to social security institutions	1,719	2,536
Contributions to advisers to be paid to Enasarco	1,901	2,257
Tax authorities	**11,493**	**22,475**
Withholdings due to fiscal authorities	10,355	20,573
Notes to be paid in to collection services	508	1,844
VAT payable	630	58
Third-party assets available for customers	**8,365**	**35,005**
Sums made available to customers	7,196	31,188
Sums to be paid to La Venezia Assicurazioni	1,169	3,817
Amounts to be debited under processing	**48,638**	**48,573**
Bank transfers, cheques and other sums payable	6,639	3,638
Amounts to be settled in the clearing house (credits)	26,307	26,557
Liabilities from reclassification of portfolio subject to collection (SBF)	4,347	5,015
Other amounts to be debited under processing	11,345	13,363
Sundry items	**17,658**	**2,413**
Accrued expenses and deferred income that cannot be traced back to specific ite	173	170
Sundry items	1,315	1,296
Amounts to be credited	329	494
Amount due to BSI Sa for share capital reduction of Banca del gottardo	15,000	-
Consolidation adjustments	841	453
Total	**127,609**	**157,919**

Section 11
Provisions for termination indemnity — Item 110

11.1 Provisions for termination indemnity: year changes

	31.12.2008	31.12.2007
A. Amount at period-start	5,707	6,524
B. Increases	966	484
B.1 Provisions for the period	381	484
B.2 Other increases	585	-
of which business combination transactions	585	
C. Decreases	1,625	1,301
C.1 Amounts paid	585	1,110
C.2 Other decreases	1,040	191
of which business combination transactions	541	
D. Amount at period-end	**5,048**	**5,707**

11.2 Further information

The amount of termination indemnity can be considered as a non financial defined benefit plans after the termination of employment, in accordance with IAS 19.
The fund was measured based on the actuarial value using the methods described in Part A.2 of the Notes.

	31.12.2008
Current service cost	195
Interest cost	311
Curtailment effect	- 125
Actuarial gains & losses (Corridor method)	-
Total provisions for the period	**381**
Book value	5,048
Actuarial gains & losses not recognised (Corridor method)	43
Actuarial value	**5,091**
Value calculated Re. art. 2120 of the Italian Civil Code	6,318

Section 12
Provisions for liabilities and contingencies — Item 120

12.1 Breakdown of provisions for liabilities and contingencies

	31.12.2008	31.12.2007
1. Company provisions for pensions	**-**	**-**
2. Provisions for liabilities and contingencies	**43,336**	**46,610**
2.1 litigation	5,316	3,922
2.2 staff	7,870	7,083
2.3 other	30,150	35,605
Total	**43,336**	**46,610**

Breakdown of provisions for liabilities and contingencies

	31.12.2008	31.12.2007
Provision for staff expenses	**7,870**	**7,083**
Provisions for risks and contingencies related to legal dis	**5,316**	**3,922**
Provision for risks related to litigations connected with advisers	3,298	2,496
Provision for risks related to legal disputes with advisors	479	505
Provision for risks related to legal disputes with staff	619	394
Provision for other legal disputes	920	527
Provision for termination indemnity of advisors	**5,088**	**6,006**
Provision for termination indemnity	4,939	5,785
Provision for portfolio overcommission indemnities	149	221
Provision for customer loyalty programmes	**109**	**391**
Provision for loyalty bonuses	109	391
Provision for commissions to be paid out	**24,953**	**28,842**
Provision for commission related to network development ince	22,750	25,515
Provision for commission - travel incentives and tenders	1,610	2,248
Provision for commissions — other	593	1,079
Other provisions for liabilities and contingencies	**-**	**366**
Provision for directors stock option programme	-	329
Provisions for other contingencies and liabilities	-	37
Provision for stamp and other taxes		
Total	**43,336**	**46,610**

Section 12

Provisions for liabilities and contingencies — Item 120

12.2 Provisions for liabilities and contingencies: year changes

	Provisions for pensions	Other provisions	Total
A. Amount at period-start	**-**	**46,610**	**46,610**
B. Increases	**-**	**19,975**	**19,975**
B.1 Provisions for the period	-	19,975	19,975
B.2 Other increases	-	-	-
C. Decreases	**-**	**23,249**	**23,249**
C.1 Use in the period	-	21,600	21,600
C.2 Other decreases	-	1,649	1,649
D. Amount at period-end	**-**	**43,336**	**43,336**

Provisions for liabilities and contingencies - details of movements

	31.12.2007		Utilizations		Surplus		Other Change	Provisions	31.12.2008
Provision for staff expenses	**7,083**	-	5,808	-	699	-	338	7,632	7,870
Provisions for liabilities and contingencies related to legal dispu	**3,922**	**-**	**680**	**-**	**303**	**-**	**197**	**2,574**	**5,316**
Provision for risks related to litigations connected with advisers' embe	2,496	-	478	-	174	-	83	1,537	3,298
Provision for risks related to legal disputes with advisors	505	-	63	-	58			95	479
Provision for risks related to legal disputes with staff	394	-	110	-	10	-	115	460	619
Provision for other legal disputes	527	-	29	-	61		1	482	920
Provision for termination indemnity of advisors	**6,006**	**-**	**227**	**-**	**1,192**	**-**	**86**	**587**	**5,088**
Provision for termination indemnity	5,785	-	41	-	1,192	-	86	473	4,939
Provision for portfolio overcommission indemnities	221	-	186		-		-	114	149
Provision for customer loyalty programmes	**391**	**-**	**5**	**-**	**134**	**-**	**143**	**-**	**109**
Provision for loyalty bonuses	391	-	5	-	134	-	143	-	109
Provision for commissions to be paid out	**28,842**	**-**	**14,880**	**-**	**101**	**-**	**842**	**11,934**	**24,953**
Provision for commission - travel incentives and tenders	2,248	-	1,437	-	17	-	794	1,610	1,610
Provision for risks related to incentive plans	1,079	-	971	-	60	-	48	593	593
Provision for risks related to network development incentives	25,515	-	12,472	-	24		-	9,731	22,750
Other provisions for liabilities and contingencies	**366**		**-**	**-**	**329**	**-**	**43**	**6**	**-**
Provision for director stock option programme	338		-	-	329	-	15	6	-
Provision for other liabilities	28		-			-	28	-	-
Provision for stamp and other taxes	-		-						-
Total	**46,610**	**-**	**21,600**	**-**	**2,758**	**-**	**1,649**	**22,733**	**43,336**

12.4 Provisions for liabilities and contingencies — other provisions — details

<u>Provision for staff expenses</u>

The provision for staff expenses is allocated to cover charges for result bonus envisaged by the Group Contratto Integrativo Aziendale (Integrative Corporate Contract) and other bonuses and incentives for network managers and other employees based on their services for the period.

<u>Provisions for litigation</u>

This type of provisions for risks includes provisions earmarked on the basis of pending litigations connected with advisers' embezzlements after insurance coverage, as well as those with disputes currently underway with financial advisers and employees and other legal and extra-legal disputes with customers and other entities.

<u>Provisions for advisers' termination indemnity</u>

These provisions include additional allowances for the sales network costumers, the portfolio overvaluation allowance paid at certain conditions depending on the size of the portfolio managed at the date of severance, and other provisions established by merged company INA SIM (loyalty bonus) prior to incorporation. The decrease in the additional allowances for sales network customers may be attributed to the updating of the parameters used to conduct an actuarial appraisal of the amount of the provision (turnover rates) during the year.

<u>Provisions for commissions to be paid out</u>

These provisions refer mainly to Group commitments related to recruitment plans for middle-term expansion of managed portfolios.

These plans envisage different kinds of incentives (joining bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence in the company for one or more years (up to 5 or 7 years).

This amount includes also allocations for performance-based incentive programmes, including the "BG Premier Club Trip", and for other commission plans (supplementary allowances, stabilisers, objective-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuing employment in the network or the achievement of sales objectives.

<u>Other provisions for liabilities and contingencies</u>

Other provisions for liabilities and contingencies include personnel leaving-incentive agreements already finalised and the allowance for the stock-option plan under which parent company shares are reserved for the Chief Executive Officer.

Section 15
Group net equity — Items 140, 160, 170, 180, 190, 200 and 220

15.1 Breakdown of group net equity attributable to the company

Items/Values	31.12.2008	31.12.2007
1. Capital	111,313	111,313
2. Additional paid-in capital	22,804	22,804
3. Reserves	61,051	65,729
4. (Treasury shares)	- 7,424	- 8,112
a) Parent Company	- 6,652	- 7,340
b) Subsidiary Companies	- 772	- 772
5. Valuation reserves	- 6,754	945
6. Equity instruments	-	-
7. Net profit (Loss) for the period	7,935	15,288
Total	**188,925**	**207,967**

15.2 Breakdown of capital and treasury shares

	Unit value	Number	Nominal value	Book value (€ thousand)
Capital:				
- ordinary shares	1.00	111,313,176	111,313,176	111,313
Treasury shares				
- ordinary shares	1.00	- 775,146	- 775,146	- 7,424
		110,538,030	**110,538,030**	**103,889**

15.3 Capital - No. of Shares: year changes

Items/Type	Ordinary	Other
A. Existing shares at period-start	111,313,176	-
- paid up	111,313,176	-
- partially paid	-	-
A.1 Treasury shares (-)	- 995,909	-
B.2 Outstanding shares at period start	110,317,267	-
B. Increases	418,295	-
B.1 Newly issued shares		
- against payment:	-	-
- business combination transactions	-	-
- bond conversion	-	-
- exercise of warrant	-	-
- Other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	418,295	-
B.3 Other changes	-	-
C. Decreases	- 197,532	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	- 197,532	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at period-end	110,538,030	-
D.1 Treasury shares (+)	775,146	-
D.2 Existing shares at period-end	111,313,176	-
- paid up	111,313,176	-
- partially paid	-	

Section 15
Group net equity — Items 140, 160, 170, 180, 190 and 200

15.4 Capital: further information

At the reporting date, the share capital of the bank consisted of 111,313,176 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

The company bought 197,532 treasury shares for a total book value of 1,016 thousand euros in service of the stock-granting plan for former Prime advisors.
For tax purposes, this financial instruments are recognised in the trading portfolio to take into account the possibility that they could be allotted starting from the following financial year.
During the year the company also allotted the last tranche of the shares for the stock granting of financial advisors of the former Prime consult, as approved during 2001, which became effective after the bank's stocks began trading on the stock exchange.
The beneficiaries received a free allotment of 418,295 ordinary shares, with regular dividend entitlement, on a stock of 1,200,000 shares, repurchased in 2001, for a total amount of 1,704 thousand euros.

15.5 Income reserves: further information

	31.12.2007	Attributable gain	Hedging loss	Distribution of dividends	Purchases of treasury shares	Disposal of treasury shares	Other increases	Other decreases	31.12.2008
Legal reserve	15,905	966	-	-	-	-	-	-	16,871
Unavailable reserve for treasury shares	8,112	-	-	-	1,016	-1,704	-	-	7,424
Unavailable reserve for shares of the parent company	1,364	-	-	-	-	-	-	-	1,364
Available reserve	-		-	-	-	-	-	-	-
Extraordinary reserve	4,243	-	-	-1,523	-1,016	-	-	-	1,704
Contribution to stock grant AG	853						-		853
Merger surplus - Prime S.p.A.	10,690	-			-		-	-	10,690
Merger surplus - Altinia S.p.A.	65	-	-		-	-	-	-	65
Reserve for acquisition of BSI, Banca del Gottardo	112	-	-		-	-	-	-1,042	-930
Reserve shared based payments (IFRS2)	7,238	-	-		-	-	2,486	-	9,724
Reserve from first-time application	2,995	-	-		-	-		-	2,995
Reserve from income (loss) carried forward	14,152		-	-3,861	-	-	-	-	10,291
Total	**65,729**	**966**	**-**	**-5,384**	**-**	**-1,704**	**2,486**	**-1,042**	**61,051**

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Contribution to stock grant AG reserve refers to the value of the shares allotted by Parent Company Assicurazioni Generali to the employees of the Banca Generali Group, according to the stock granting plan for employees of the Group launched upon the occasion of 175th anniversary.

Section 15
Group net equity — Items 140, 160, 170, 180, 190 and 200

15.6 Breakdown of valuation reserves

Items/Type	31.12.2008	31.12.2007
1. Financial assets available for sale	- 6,793	906
2. Property and equipment	-	-
3. Intangible Assets	-	-
4. Coverage of investments abroad	-	-
5. Coverage of financial cash flows	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation laws	39	39
Total	**- 6,754**	**945**

15.7 Valuation reserves year changes

	31.12.2008			31.12.2007		
	Financial assets available for sale	Law B.S. Rev.	Total	Financial assets available for sale	Law B.S. Rev.	Total
A. Amount at period-start	**906**	**39**	**945**	**1,026**	**39**	**1,065**
B. Increases	**12,645**	**-**	**12,645**	**1,569**	**-**	**1,569**
B1. Fair value increases	-	-	-	1,206	-	1,206
B2. Other changes	12,645	-	12,645	363	-	363
C. Decreases	**20,344**	**-**	**20,344**	**1,689**	**-**	**1,689**
C1. Fair value decreases	17,879	-	17,879	1,353	-	1,353
C2. Other changes	2,465	-	2,465	336	-	336
D. Amount at period-end	**- 6,793**	**39**	**- 6,754**	**906**	**39**	**945**

15.8 Breakdown of reserves from financial assets available for sale

Assets/Values	31.12.2008			31.12.2007		
	Reserve positive	Reserve negative	Total	Reserve positive	Reserve negative	Total
1. Debt securities	-	- 4,009	4,009	-	- 107	- 107
2. Equity securities	-	- 2,784	2,784	1,013	-	1,013
3. OICR quotas	-	-	-	-	-	-
4. Loans	-	-	-			
Total	**-**	**- 6,793**	**6,793**	**1,013**	**- 107**	**906**

15.9 Reserves from financial assets available for sale: year changes

	31.12.2008				31.12.2007			
	Capital securities	OICR units	Debt securities	Total	Capital securities	OICR units	Debt securities	Total
1. Amount at period-start	**1,013**	**-**	**- 107**	**906**	**828**	**198**	**-**	**1,026**
2. Positive changes	**1,009**	**-**	**14,715**	**15,724**	**205**	**97**	**1,364**	**1,666**
2.1 Fair value increases	101	-	2,978	3,079	205	-	1,001	1,206
2.2 Transfer to profit and loss of negative reserves	-	-	7,519	7,519	-	-	-	-
due to impairment	-	-	7,065	7,065	-	-	-	-
due to disposal	-	-	454	454	-	-	-	-
2.3 Other changes	908	-	4,218	5,126	-	97	363	460
3. Decreases	**4,806**	**-**	**18,617**	**23,423**	**20**	**295**	**1,471**	**1,786**
3.1 Fair value decreases	4,774	-	16,184	20,958	-	-	1,156	1,156
3.2 Adjustments due to impairment	-	-	-	-	-	295	-	295
due to impairment	-	-	-	-	-	-	-	-
3.3 Transfer to profit and loss account of positive reserve: du	-	-	-	-	-	295	-	295
3.4 Other changes	32	-	2,433	2,465	20	-	315	335
D. Amount at period-end	**- 2,784**	**-**	**- 4,009**	**- 6,793**	**1,013**	**-**	**- 107**	**906**

Part B - Information on the Consolidated Balance Sheet
Other information

1. Guarantees issued and commitments

Transaction	**31.12.2008**	**31.12.2007**
1) Financial guarantees issued	**18,334**	**20,913**
a) Banks	130	-
b) Customers	18,204	20,913
2) Commercial guarantees issued	**18,070**	**14,960**
a) Banks	**-**	**-**
b) Customers	18,070	14,960
3) Irrevocable commitment to dispense funds	**25,777**	**10,545**
a) Banks	**7,295**	**1,827**
i) of certain use	1,103	1,612
ii) of uncertain use	6,192	215
b) Customers	**18,482**	**8,718**
i) of certain use	14	34
ii) of uncertain use	18,468	8,684
4) Underlying commitments to credit derivatives: hedging sales	**-**	**-**
5) Assets pledged as collateral of third-party obligations	**-**	**-**
6) Other commitments	**3,434**	**3,434**
of which securities receivable for put option issued	-	-
Total	**65,615**	**49,852**

Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
Commitments to grant unspecific-use funds to banks refer to the commitment with FITD Interbank Deposit Guarantee (6,192 thousand euros).
Commitments to customers refer to the commitment to subscribe further equity investments (Available for sale) in Athena Private Equity (2,718 thousand euros) and commitments of Banca del gottardo (15,750 thousand euros) referring to margins available on irrevocable credit lines granted to customers.
Other commitments refer to commitements to participate in placing and public sale offering guarantee consortia with other credit institutions

2. Assets pledged as collateral for own liabilities and commitments

Portfolio	**31.12.2008**	**31.12.2007**
1. Financial assets held for trading	179,690	-
2. Financial assets at fair value	-	-
3. Financial assets available for sale	295,722	-
4. Held-to-maturity financial assets	60,419	-
5. Loans to banks	1,874	-
6. Loans to customers	7,465	-
7. Property and equipment	-	-
8. Intangible assets	-	-
Total	**545,170**	**-**

Other information

4. Management and trading on behalf of third parties

Type of service	31.12.2008	31.12.2007
1. Trading of financial instruments on behalf of third parties		
a) purchases	**4,374,452**	**4,312,973**
1. settled	4,347,354	4,271,131
2. to be settled	27,098	41,842
b) sales	**3,836,896**	**4,477,685**
1. settled	3,826,127	4,457,848
2. to be settled	10,769	19,837
2. Portfolio management	**5,965,853**	**7,681,156**
a) individual	2,701,832	4,382,956
b) collective (*)	3,264,021	3,298,200

(*) This item does not include 639,650 thousand euros in funds accounted for in group individual GPM/GPF (1,858,191 thousand euros in 2007).

3. Custody and administration of securities	**5,320,045**	**3,685,931**
(Excluding asset management)		
a) third-party securities held in deposit:		
related to services provided as depository bank	**-**	**-**
1. issued by the bank that prepares the financial statements	-	-
2. Other	-	-
b) other third-party securities held in deposit: other	**5,320,045**	**3,685,931**
1. issued by the bank that prepares the financial statements	196,792	46,341
2. Other	5,123,253	3,639,590
c) third-party securities deposited with third parties	4,780,742	3,658,231
d) portfolio securities deposited with third parties	2,479,828	2,788,075
4. Other transactions		

This table shows the overall amount, at market value, of assets under custody and administration on behalf of third parties.

"Cash and cash equivalents for custody and administratio", amounting to 44,223 thousand euros is accounted for item 20 (liabilities) – Due to customers – is not inclulded in this item.

Securities under custody and administration are recognised at nominal value.

Part C – Information on the Consolidated Profit and Loss Account

Section 1
Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

	Performing financial assets		Non-performing financial assets	Other assets	31.12.2008	31.12.2007
	Debt securities	Financing				
1. Financial assets held for trading	59,412	-	-	-	59,412	91,244
2. Financial assets available for sale	30,983	-	-	-	30,983	425
3. Held-to-maturity financial assets	14,918	-	-	-	14,918	-
4. Loans to banks	2,798	41,794	-	-	44,592	25,627
5. Loans to customers	7,234	19,603	-	-	26,837	14,938
6. Financial assets at fair value	-	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-	-
8. Transferred financial assets not written off	-	-	-	-	-	-
9. Other assets	-	-	-	458	458	157
Total	**115,345**	**61,397**	**-**	**458**	**177,200**	**132,391**

1.3 Breakdown of interest income and similar charges: further information

	31.12.2008	31.12.2007
1.3.1 Interest income on financial assets in foreign currencies	3,815	906
1.3.2 Interest income on finance lease transactions	-	-
1.3.3 Interest income on third-party funds under administration	-	-
Total	**3,815**	**906**

1.4 Breakdown of interest expense and similar charges

	Debts	Securities	Other liabilities	31.12.2008	31.12.2007
1. Due to banks	1,298	-	-	1,298	928
2. Due to customers	69,901	203	-	70,104	55,247
3. Securities issued	-	-	-	-	-
4. Financial liabilities from trading	-	-	-	-	-
5. Financial liabilities measured at *fair value*	-	-	-	-	-
6. Financial liabilities relative to transferred assets not written off	42,600	-	-	42,600	33,080
7. Other liabilities	-	-	-	-	-
8. Hedging derivatives	-	-	1,995	1,995	-
Total	**113,799**	**203**	**1,995**	**115,997**	**89,255**

1.5 Breakdown of interest expense and similar charges: hedging differentials

	31.12.2008	31.12.2007
A. Hedging gains:		
A.1 Micro hedges for the fair value of assets	-	-
A.2 Micro hedges for the fair value of liabilities	-	-
A.3 Macro hedges for interest rate risk	-	-
A.4 Micro hedges for asset cash flows	-	-
A.5 Micro hedges for liabilities cash flows	-	-
A.6 Macro hedges for financial cash flows	-	-
Total hedging gains (A)	**-**	**-**
B. Hedging losses:		
B.1 Micro hedges for the fair value of assets	-	-
B.2 Micro hedges for the fair value of liabilities	1,995	-
B.3 Macro hedges for interest rate risk	-	-
B.4 Micro hedges of asset cash flows	-	-
B.5 Micro hedges for liabilities cash flows	-	-
B.6 Macro hedges for financial cash flows	-	-
Total hedging losses (B)	**1,995**	**-**
Total (A-B)	**1,995**	**-**

1.6 Breakdown of interest expense and similar charges: further information

	31.12.2008	31.12.2007
1.6.1 Interest expense on financial assets in foreign currencies	2,634	692
1.6.2 Interest expense on finance lease liabilities	-	-
1.6.3 Interest expense on third-party funds under administration	-	-
Total	**2,634**	**692**

Section 2
Commissions - Items 40 and 50

2.1 Breakdown of commission income

	31.12.2008	31.12.2007
a) Guarantees issued	156	212
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	234,186	291,131
1. Trading of financial instruments	4,852	5,322
2. Currency trading	5	11
3. Asset management	119,845	142,017
3.1. Individual	33,831	*59,243*
3.2. Collective	86,014	*82,774*
4. Custody and administration of securities	1,090	925
5. Depositary bank		
6. Placement of securities	52,966	72,335
7. Order collection	16,184	15,625
8. Consultancy activities	-	61
9. Distribution of third-party services	39,244	54,835
9.1.Asset management	*1,073*	*3,520*
9.1.1 Individual	834	*3,312*
9.1.2 Collective	239	*208*
9.2. Insurance products	33,125	*45,426*
9.3. Other products	5,046	*5,889*
d) Collection and payment services	3,315	2,497
e) Servicing related to securitisations	4	4
f) Factoring-related services		
g) Tax collection services	-	-
h) Other services	992	1,837
Total	**238,653**	**295,681**

2.2 Commission income: distribution channels of products and services offered

	31.12.2008	31.12.2007 restated
a) Group branches:	**2,848**	**2,975**
1. Asset management	2,693	645
2. Placement of securities	155	2,330
3. Third-party products and services	-	-
b) External offer:	**209,207**	**266,212**
1. Asset management	117,152	141,372
2. Placement of securities	52,811	70,005
3. Third-party products and services	39,244	54,835
c) Other distribution channels:	**-**	**-**
1. Asset management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
Total	**212,055**	**269,187**

2.3 Breakdown of commission expense

		31.12.2008	31.12.2007
a)	Guarantees received	-	-
b)	Credit derivatives	-	-
c)	Management and brokerage services:	122,283	143,069
	1. Trading of financial instruments	3,940	2,834
	2. Currency trading		
	3. Asset management:	4,320	41
	3.1 Own portfolio	4,320	41
	3.2 Third-party portfolio	-	-
	4. Custody and administration of securities	834	879
	5. Placement of financial instruments	-	-
	6. External offer of financial instruments, products, and services	113,189	139,315
d)	Collection and payment services	1,839	1,834
e)	Other services	2,177	2,347
Total		**126,299**	**147,250**

Section 3
Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

		31.12.2008	31.12.2007
A.	Financial assets held for trading (a)	32,971	1,480
B.	Financial assets available for sale	2,247	1,365
C.	Financial assets measured at fair value	-	-
D.	Shareholdings	-	-
Total		**35,218**	**2,845**

Section 4
Net profit from trading - Item 80

	31.12.2008	31.12.2007
Financial assets	- 77,136	- 23,768
Financial liabilities	-	
Currency transactions	921	769
Derivatives	31,677	9,675
Total	**- 44,538**	**- 13,324**

4.1 Breakdown of net profit from trading

	Capital gains	Income from trading	Capital loss	Loss from trading	Net result 31.12.2008	
1. Financial assets	**1,225**	**9,527**	**6,767**	**81,121**	**- 77,136**	-
1.1 Debt securities	1,181	3,784	4,285	13,431	- 12,751	
1.2. Equity securities	44	5,167	2,383	67,541	- 64,713	
1.3. OICR quotas	-	482	99	46	337	
1.4 Loans	-	-	-	-	-	
1.5 Other	-	94	-	103	- 9	
2. Financial liabilities from trading	**-**	**-**	**-**	**-**	**-**	
2.1 Debt securities	-	-	-	-	-	
2.2 Other	-	-	-	-	-	
3. Currency transactions	**-**	**921**			**921**	-
4. Derivatives	**191**	**66,909**	**165**	**35,258**	**31,677**	-
4.1 Financial derivatives:	191	66,909	165	35,258	31,677	
- on debt securities and interest rates	-	8	-	127	- 119	
- on equity securities and stock indexes	-	86	-	-	86	
- on currency and gold	191	95	165	104	17	
- other	-	66,720	-	35,027	31,693	
4.2 Credit derivatives	-	-	-	-	-	
Total	**1,416**	**77,357**	**6,932**	**116,379**	**- 44,538**	

Section 5
Net income from hedging - Item 90

5.1 Breakdown of net income from hedging

	31.12.2008	31.12.2007
A. Income from:		
A.1. Fair-value hedge derivatives	42	-
A.2. Hedged financial assets (fair value)	-	-
A.3. Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	41	-
Total income from hedging (A)	**83**	**-**
B. Charges from:		
B.1. Fair-value hedge derivatives	35	-
B.2. Hedged financial assets (fair value)	-	-
B.3. Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedge derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	45	-
Total charges from hedging (B)	**80**	**-**
C. Net result from hedging (A-B)	**3**	**-**

Section 6
Gain (loss) from transfer/repurchase - Item 100

6.1 Breakdown of gain (loss) from transfer/repurchase

	31.12.2008			31.12.2007		
	Gain	Loss	Net result	Gain	Loss	Net result
Financial assets						
1. Loans to banks	-	222	- 222	-	-	-
2. Loans to customers	49	-	49	-	-	-
3. Financial assets available for sale	2,890	1,198	1,692	1,050	-	1,050
3.1 Debt securities	2,890	1,198	1,692	-	-	-
3.2. Equity securities	-	-	-	-	-	-
3.4. OICR quotas	-	-	-	1,050	-	1,050
3.5 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-	-	-
Total assets	**2,939**	**1,420**	**1,519**	**1,050**	**-**	**1,050**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Section 8
Net adjustments/reversal value for impairment - Item 130

8.1 Breakdown of net adjustments to non-performing loans

	Adjustments			Reversal value				31.12.2008	31.12.2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		From interest	Other reversals	From interest	Other reversals		
A. Loans to banks									
B. Loans to customers	294	1,991	1,070		926	27	323	- 2,079	- 559
C. Total	**294**	**1,991**	**1,070**	**-**	**926**	**27**	**323**	**- 2,079**	**- 559**

8.2 Breakdown of net adjustments for impairment of available-for-sale financial assets

	Adjustments			Reversal value				31.12.2008	31.12.2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		From interest	Other reversals	From interest	Other reversals		
A. Debt securities	-	7,065	-	-	-	-	-	- 7,065	-
B. Equity securities		-	-	-	-	-	-	-	-
C. Due from banks	-		-	-	-	-	-	-	-
D. Loans to customers	-	-	-	-	-	-	-	-	-
E. Total	**-**	**7,065**	**-**	**- -**	**-**	**-**	**-**	**- 7,065**	**-**

Section 11
General and administrative expense - Item 180

Breakdown of general and administrative expense

	31.12.2008	31.12.2007 restated
180 a) Staff expense	55,042	53,577
180 b) Other general and administrative expense	77,509	67,465
Total	**132,551**	**121,042**

11.1 Breakdown of staff expenses

		31.12.2008	31.12.2007 restated
1) Employees		**53,389**	**51,525**
a) Wages and salaries		30,660	29,549
b) Social security charges		7,877	7,797
c) Termination indemnity		-	-
d) Retirement benefit plans		-	-
e) Provisions for termination indemnity		381	588
f) Provision for pensions and similar costs:		-	-
- defined contribution		-	-
- defined benefit		-	-
g) Amounts paid to supplementary external pension funds:		3,320	2,700
- defined contribution		3,320	2,700
- defined benefit		-	-
h) Costs related to payment agreements based on own equity instruments		590	1,497
i) Other employee benefits		10,561	9,394
2) Other staff	**-**	**161**	**362**
3) Directors and Auditors		**1,814**	**1,690**
Total		**55,042**	**53,577**

11.2 Average number of employees by category

	31.12.2008	31.12.2007
Employees	**776**	**714**
a) Managers	49	42
b) Total executives	169	161
of which 3rd and 4th level	104	91
c) Employees at other levels	558	511
Other employees	9	22
Total	**785**	**736**

Details of headcount

	31.12.2008	31.12.2007
Employees	**820**	**730**
a) Managers	55	42
b) Total executives	179	158
of which 3rd and 4th level	117	90
c) Employees at other levels	586	530
Other employees	**11**	**7**
of which seconded staff from other companies	2	2
Total	**831**	**737**

9.4 Other employee benefits

	31.12.2008	31.12.2007
Provision for expenses - CIA and Management bonus (MBO)	6,933	4,864
Provision for renewal of the national collective labour agreement - one-off payment	-	1,197
Expenses for missions - expense reimbursement and indemnities, and charges payable by the ba	1,306	1,247
Charges for staff supplementary pensions	1,205	940
Amounts replacing cafeteria indemnities, clothes and medical costs San.	544	587
Training expenses	245	314
Allowances and charitable gifts	106	173
Other expenses	222	72
Total	***10,561***	***9,394***

Section 11
General and administrative expense - Item 180

11.5 Breakdown of other general and administrative expenses

	31.12.2008	31.12.2007
Administration	**13,417**	**6,389**
- Advertising	3,282	697
- Consultancy and professional advice expense	6,263	1,721
- Financial consultancy expenses	143	-
- Corporate boards and auditing firms (1)	502	567
- Insurance	2,338	2,399
- Entertainment expenses	249	414
- Membership contributions	539	564
- Charity	101	27
Operations	**30,857**	**30,754**
- Rent and usage of premises and management of property	13,715	12,494
- Outsourced services (administration, call center)	7,785	7,570
- Post and telephone	2,418	3,208
- Print material	1,619	967
- Other expenses for sales network management	1,644	2,421
- Other expenses and purchases	3,676	4,094
Information system and equipment	**25,111**	**22,379**
- Expenses related to outsourced IT services	17,547	15,989
- Fees for IT services and databases	4,122	3,612
- Software maintenance and servicing	1,843	1,084
- Fees for equipment hired and software used	1,128	1,267
- Other maintenance	471	427
Indirect taxation	**8,124**	**7,943**
Total	**77,509**	**67,465**

(1) Beginning with the reporting year, the compensation of the Board of Statutory Auditors has been classified to personnel expenses along with the compensation of directors.

Section 12
Net provisions for liabilities and contingencies - Item 190

12.1 Breakdown of net provisions for liabilities and contingencies

	31.12.2008			31.12.2007 restated		
	Provisions	**Reversal**	**Net**	**Provisions**	**Reversal**	**Net**
Provisions for risk related to commissions to be assigned	11,934	- 101	11,833	19,216	- 916	18,300
Provision for risks related to legal disputes with subscribers	1,537	- 174	1,363	324	- 16	308
Provision for risks related to legal disputes with advisors	95	- 58	37	11	- 165	- 154
Provision for risks related to legal disputes with staff	460	- 10	450	120	-	120
Provision for risks related to legal disputes with others	482	- 61	421	185	- 152	33
Provisions for termination indemnity	473	- 1,192	- 719	1,765	-	1,765
Provision for overcommission risks	114	-	114	221	-	221
Provision for loyalty bonuses		- 134	- 134		- 91	- 91
Provisions for risks related to stock-option plan for Chief Executive Officer		-	-		- 11	- 11
Other provisions for liabilities and contingencies	-	-	-	9	- 45	- 36
Total	**15,095**	**- 1,730**	**13,365**	**21,851**	**- 1,396**	**20,455**

Section 13
Net adjustments/reversals value of property and equipment - Item 200

Breakdown of net adjustments/reversals value of property and equipment

	31.12.2008	31.12.2007
Adjustments/reversals to property and equipment	2,266	2,265
Adjustments/reversals to intangible assets	3,078	4,170
Total	**5,344**	**6,435**

13.1 Breakdown of net adjustments of property and equipment

	Depreciation	Adjustments due to impairment	Reversal value	Net result 31.12.2008
A. Property and equipment				
A.1 Owned	2,266	-	-	2,266
- operating	2,266			**2,266**
- investment				**-**
A.2 Leased	-	-	-	-
- operating				**-**
- investment				**-**
Total	**2,266**	**-**	**-**	**2,266**

14.1 Breakdown of net adjustments of intangible assets

	Amortisation	Adjustments due to impairment	Reversal value	Net result 31.12.2008
A. Intangible assets				
A.1 Owned	3,078	-	-	3,078
- generated in-house	-	-	-	**-**
- other	3,078	-	-	**3,078**
A.2 Leased	-	-	-	**-**
Total	**3,078**	**-**	**-**	**3,078**

Section 15
Other operating income and expenses - Item 220

15.1 Breakdown of other operating expenses

	31.12.2008	31.12.2007
Adjustments of leasehold improvements	1,430	1,338
Elimination of improvments to discontinued outlets	2	75
Charges for staff leaving incentives	108	1,058
Contingent liabilities and non-existent assets	2,513	2,552
Charges from accounting adjustments with customers	1,130	322
Indemnities and compensation	645	985
Consolidation adjustments	-67	65
Other operating expenses	289	68
Total	**6,050**	**6,463**

15.2 Breakdown of other operating income

	31.12.2008	31.12.2007
Recovery of expenses and inflow from customers	3,263	4,101
Recovery of taxation from customers	7,037	6,499
Portfolio valuation overcommission	235	188
Indemnities for advisers' notices	176	81
Recovery of costs from advisors	1,228	1,064
Fees for outsourcing services	272	-
Contingent assets and non-existent liabilities	1,558	2,085
Insurance compensation and indemnities	599	-
Other income	464	53
Total	**14,832**	**14,071**
Total other net income	**8,782**	**7,608**

Section 16
Gain (loss) on equity investments - Item 240

16.1 Breakdown of gain/loss from disposal of investments

	31.12.2008	31.12.2007
A. Gain	-	-
1. Revaluations	-	-
2. Gains from sale	-	-
3. Reversal value	-	-
4. Other positive changes	-	-
B. Charges	-27	-
1. Write-downs	-	-
2. Adjustments due to impairment	-27	
3. Losses from sale	-	-
4. Other negative changes	-	-
Net result	**-27**	**-**

Section 19
Gain/loss from disposal of investments - Item 270

19.1 Breakdown of gain/loss from disposal of investments

	31.12.2008	31.12.2007
A. Buildings	-8	-
- Gains from sale	-	-
- Losses from sale	8	-
B. Other assets	-	-
- Gains from sale		
- Losses from sale		
Net result	**-8**	**-**

Section 20
Income tax for the period for current operations - Item 290

20.1 Breakdown of income tax for the period for current operations

	31.12.2008	31.12.2007
1. Current taxation (-)	- 7,820	- 21,162
2. Change in prior period current taxes	148	50
3. Reduction of current taxes for the period (+)	-	-
4. Changes of prepaid taxation (+/-)	2,856	- 3,316
5. Changes of deferred taxation (+/-)	2,519	3,600
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**- 2,297**	**- 20,828**

Current taxation includes IRES, IRAP and foreign taxation on dividends received, as detailed in the following table.

20.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes for the year, including both current and deferred taxes, as set out in item 290 of the Profit & Loss Account and the theoretical IRES tax determined by applying the current applicable tax rate of 27,5% to the pre-tax profit.
The reconciliation statement is therefore expressed based on higher or lower current and deferrerd taxes debited or credited to the P&L account compared to the theoretical taxation.
The item Other adjustments refers to the lower figurative tax charge due to the cancellation of intra-group items regarding the discontinued group of assets, as the cancellation of costs of Group companies influences the current operating income, which is offset by Simgenia income, in the section regarding profit/(loss) of discontinued assets.

	31.12.2008	31.12.2007
Current taxation	**- 7,820**	**- 21,162**
IRES and equivalent foreign direct taxes	- 6,210	- 17,622
IRAP	- 1,518	- 3,506
other (withholding taxes on dividends; substitute tax under section EC)	- 92	- 34
Prepaid and deferred taxation	**5,375**	**284**
IRES	5,703	715
IRAP	- 328	- 431
Prior period taxes	**148**	**50**
IRES	130	133
IRAP	18	- 83
Income taxes	**- 2,297**	**- 20,828**
Theoretical tax rate	27.5%	33.0%
Profit (loss) before taxation	14,102	41,255
Theoretical taxation	**- 3,878**	**- 13,614**
Tax income (+) expense (-):		
Non-taxable income (*)	604	903
Rate change of companies under foreign law	4,438	-
Double taxation on 5% of Group dividends (L. 244/07)	- 262	-
Interest expense (3%) (Dl 133/08)	- 688	-
IFRS2 stock option plans and AG stock grant	- 654	- 846
Other non-deductible costs (cars, T&E, telephone, etc.)	- 1,105	- 1,719
IRAP	- 1,829	- 4,020
Deferred taxation adjustment IRES – for rate change (L. 244/07)	-	- 3,627
Prior period taxes	130	134
Other - foreign taxation	- 33	- 50
Other adjustments	903	2,011
Cancellation of deferred taxes from Section EC, net of subst. tax	77	-
Actual tax expense	**- 2,297**	**- 20,828**
Total actual tax rate	**16.3%**	**50.5%**
Actual tax rate (IRES only)	**3.6%**	**41.0%**
IRES actual tax rate, net of tax rate change	**3.6%**	**32.2%**

(*) Chiefly dividends on AFS equity investments with 95% exemption

Section 21
Profit (loss) of groups of available for sale assets, net of taxes – Item 310

21.1 Profit (loss) of groups of available for sale assets, net of taxes: breakdown

	31.12.2008	31.12.2007
1. Income	9,767	12,859
2. Expenses	- 13,871	- 16,829
3. Measurement of groups of assets available for sale and associated liabilities	-	-
4. Gains (losses) on disposal	-	-
5 Taxes and duties	234	- 1,169
Profit (loss)	**- 3,870**	**- 5,139**

Profit (loss) refers to the business line of the equity investment in Simgenia S.p.A., whose disposal was approved on 19/12/2008. The sale will be finalised in the first half of 2009.
A more detailed analysis of this transaction is given in the Notes - Part A Accounting policies, Section 4 – other aspects.
Income and charges are given net of intra-group cancellations.

21.2 Details of taxes related to groups of available for sale assets/liabilities

	31.12.2008	31.12.2007
1. Current taxation (-)	- 33	- 1,110
2. Changes of prepaid taxation (+/-)	279	- 64
3. Changes of deferred taxation (+/-)	- 12	5
4. Taxes for the year	**234**	**- 1,169**

Section 24
Earnings per Share

	31.12.2008	31.12.2007
Net profit for the period (€ thousand)	7,935	15,288
Net profit attributable to ordinary shares	7,935	15,288
Average number of outstanding shares	110,238,240	109,961,177
EPS - Earnings per share (euro)	**0.072**	**0.139**
Average number of outstanding shares, diluted capital	110,238,240	109,961,177
EPS - Diluted earnings per share (euro)	**0.072**	**0.139**

Part D - Consolidated Results by Line of Business

The Group currently operates in two main areas of business:

- Asset management, carried out by the "product" companies BG SGR and BG Fiduciaria SIM S.p.A., and prospectively BG Investment Luxembourg; this business line also includes asset management activity of Banca BSI Italia and Banca del Gottardo Italia;
- Banking activities and the sale of financial services, carried out through the Parent Company Banca Generali, the network of advisors employed directly by Banca Generali, the wealth managers network of Banca BSI Italia and Banca del Gottardo Italia, and the specialised distribution network of Simgenia's insurance channel.

The following tables include figures from the consolidated Balance Sheet and Profit and Loss Account for the two different business segments, gross of intersegment items. Intersegment items include commissions charged by each segment for the distribution of their products as well as other operating charges and income. Specific contractual agreements between Group companies govern the transfer prices applied to transactions between "product factories", companies that create asset management products, and companies responsible for customer relationships.

Distribution by Business Segment: Balance Sheet Figures

(€ thousand)	Group total	Banking and distribution	Asset management	Cancellation
Financial assets held for trading	668,405	662,257	6,149	0
Other financial assets	1,405,812	1,405,697	115	0
Loans to customers	767,461	767,461	0	0
Due to customers	-3,671,133	-3,667,269	44,223	40,359
Net interbank position	931,506	928,800	42,286	-39,580
Equity investments	0	29,672	0	-29,672
Property, equipment and intangible assets	59,059	54,400	370	4,289
Employees	820	758	62	0

Breakdown of Net Profit by Business Segment

Segment	**31/12/2008**	**31/12/2007**	**Change**	
(€ thousand)			**Amount**	**%**
Banking and distribution	- 26,759	-3,921	- 22,838	-582.5%
Asset management	34,694	19,209	15,485	80.6%
Group	**7,935**	**15,288**	**- 7,353**	**-48.10%**

Distribution by Business Segment: Profit and Loss Account Figures

(€ thousand)	Group 31/12/2008	Banking and distrib.	Asset management	Cancellation	Group 31/12/2007	Banking and distrib.	Asset management	Cancellations
Interest income	177,199	175,844	3,200	1,845	132,391	130,089	2,461	159
Interest expense	-115,996	-117,838	-13	-1,855	-89,255	-89,400	-13	-158
Net interest	**61,203**	**58,006**	**3,187**	**-10**	**43,136**	**40,689**	**2,448**	**1**
Commission income	238,653	164,704	117,998	44,049	295,681	241,963	139,190	85,472
Commission expense	-126,299	-111,535	-60,101	-45,337	-147,250	-142,469	-94,464	-89,683
Net commissions	**112,354**	**53,169**	**57,897**	**-1,288**	**148,431**	**99,494**	**44,726**	**-4,211**
Dividends	35,218	35,218	0	0	2,845	2,845	0	0
Net result from banking operations	-43,016	-42,929	-87	0	-12,274	-13,315	1,041	0
Net operating profit	**165,759**	**103,464**	**60,997**	**-1,298**	**182,138**	**129,713**	**48,215**	**-4,210**
Staff expenses	-55,042	-48,017	-7,025	0	-53,577	-47,564	-6,014	-1
Other general and administrative expense	-77,509	-68,025	-11,230	-1,746	-67,465	-61,133	-8,782	-2,450
Net adjustments of property, equipment and intangible assets	-5,343	-5,126	-217	-1	-6,436	-6,311	-125	0

Other operating expense/profit	8,781	9,053	602	875	7,608	9,183	-29	1,546
Net operating expense	**-129,113**	**-112,115**	**-17,870**	**-872**	**-119,870**	**-105,825**	**-14,950**	**-905**
Operating profit	**36,646**	**-8,651**	**43,127**	**-2,170**	**62,268**	**23,888**	**33,265**	**-5,115**
Net adjustments for non-performing loans	-2,079	-2,079	0	0	-559	-559	0	0
Net adjustments of other financial assets	-7,065	-7,065	0	0	0	0	0	0
Net provisions	-13,365	-13,280	-85	0	-20,455	-20,455	0	0
Gain (loss) from the disposal of equity investments	-35	-35	0	0	0	0	0	0
Operating profit before taxation	**14,102**	**-31,110**	**43,042**	**-2,170**	**41,254**	**2,874**	**33,265**	**-5,115**
Income taxes for the year on continuing operations	-2,297	6,051	-8,348	0	-20,828	-6,772	-14,056	0
Income (loss) from non-current assets	-3,870	-1,700	0	2,170	-5,138	-23	0	5,115
Profit (loss) for the year attributable to minority interests								
Net profit	**7,935**	**-26,759**	**34,694**	**0**	**15,288**	**-3,921**	**19,209**	**0**

Other Information (Assets under Management)

Asset Management Area

The Financial Asset Management Area includes assets attributable to the asset management and mutual investment funds business and SICAVs, which amounted to 6.4 billion euros.

(€ million)	31/12/2008	31/12/2007	Change	
			Amount	%
Funds and SICAVs	4,275	5,156	-881	-17.09%
- attributable to the banking group's GPF	639	1,682	-1,043	-62.02%
GPF/GPM	2,722	4,403	-1,681	-38.19%
Total assets managed by the banking group, net of discretionary accounts included in the GPF of the banking group	**6,358**	**7,877**	**-1,519**	**-19.29%**

**includes discretionary accounts (GPM) in current accounts totalling 45 million euros*

In 2008, this area generated commissions (net of the commissions remitted to the distribution network) amounting to 57.9 million euros, contributing approximately 34.7 million euros to net profit.

Banking and Distribution Area

This area includes the distribution of asset-management and insurance products through the networks of financial advisors of Banca Generali and Simgenia, through the wealth managers network employed by Banca BSI Italia and Banca del Gottardo Italia, and traditional banking activities, which include the management of assets under administration and custody (securities accounts and current accounts), stock brokerage, payment services, lending and financing. Total indirect inflows for the segment amounted to approximately 26.4 billion euros, of which about 5.2 billion euros consists of products relating to the wealth management area.

(€ million)	31/12/2008	31/12/2007	Change	
			Amount	%
Indirect inflows (under administration and custody)	12,190	14,117	-1,927	-13.65%
Indirect inflows (asset management)	9,066	12,759	-3,693	-28.95%
Indirect inflows (insurance products)	5,117	4,405	712	16.16%
Total, gross	**26,373**	**31,281**	**-4,908**	**-15.69%**
- amount already included in asset management segment	*5,177*	*6,827*	-1,650	-24.17%
Total, net	**21,196**	**24,454**	**-3,258**	**-13.32%**

In 2008, this area generated commissions (net of those remitted to financial advisors) of 53.2 million, decreasing net profits by 26.8 million euros.

However, this figure includes net accruals to provisions for liabilities and contingencies, most of which were aimed at the enhancement of the distribution network (13.4 million euros), and incorporates the entirety of the burden of the loss from banking operations (7.7 million euros), as well as adjustments for non-performing financial assets (7.1 million euros) and adjustments for loans (2.1 million euros).

PART E – Information on Risks and Risk Hedging Policies

Section 1 – Credit Risk

Qualitative Information

1. General Aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.
In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali Group's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.
In detail, loans are issued to high-standing retail customers, generally with collaterals, and, to a lesser extent, to corporate customers to which select loans were issued in 2008, backed by adequate guarantees. At any rate, the ratio of loans to customers to total loans remains relatively small.
As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

The Group has formally defined a credit risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets forth the guidelines for the identification, measurement, monitoring and reporting of credit risk.
The Group has also formally defined lending policy guidelines within the Rules and Procedures of Banca Generali SpA and Banca BSI Italia SpA, which assign specific responsibilities to each company unit involved.
The Group has defined an extensive system of powers and limits associated with loan authorisation.
In this context, the Bank has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In terms of the monitoring of loans after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.
The Lending Department monitors the performance of loans and reports on anomalous positions.
In addition to the Lending Department, first-tier control is also conducted by the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.
The Risk Management Service is responsible for second-tier controls and conducts specific independent control and monitoring of credit risk.
Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

2. Credit Risk Management Policies

Customer loans are issued by the Group's two banks (Banca Generali and Banca BSI Italia).
Each company within the Group has a lending department which is responsible for lending activities and managing the credit lines granted in accordance with the Lending Rules.
The lending department of each company manages and monitors credit, with a particular focus on doubtful loans.

With reference to adoption of IAS/IFRS, Banca Generali applied what has been developed in the Basel II framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are associated with issuers with high levels of creditworthiness.

Credit Risk Mitigation Techniques

In order to mitigate credit risk, collateral or personal guarantees are typically required to secure the loans granted.

Collateral can be in the form of real-estate mortgages or liens on securities, including managed funds portfolios. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collateral is in the form of securities, a discount is usually applied when the loan is issued and the market value of the securities is determined periodically.
After obtaining authorisation from the relevant supervisory authorities, in 2004 Banca BSI Italia signed an agreement with BSI SA called the Risk Participation Agreement. The agreement allows Banca BSI Italia to transfer a portion of the risk associated with certain loans to BSI SA.

As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

Non-performing financial assets

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

- bad loans;
- substandard loans;
- expired loans or outstanding over 180 days.

After value adjustments, overall impaired loans accounted for a negligible percentage of total loans to customers.

The process of identifying doubtful loan positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.
Total doubtful loans include current account overruns due to credit card use.
Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

Quantitative Information

A. Credit Quality

A.1 Exposure to non-performing and performing loans: balances, adjustments, performance, income and geographical breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (balance sheet amounts)

Portfolios/Quality	Bad loans	Substandard loans	Restructured loans	Expired loans	Country risk	Other assets	Total
1. Financial assets held for trading	60	-	-	-	3,013	665,332	668,405
2. AFS financial assets	1,350	-	-	-	5,048	793,062	799,460
3. Held-to-maturity financial assets	-	-	-	-	5,942	600,411	606,353
4. Loans to banks	-	-	-	-		948,499	948,499
5. Loans to customers	8,729	20,861	-	625		737,246	767,461
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	5,020	5,020
8. Hedging derivatives	-	-	-	-	-	11,020	11,020
Total at 31 December 2008	**10,139**	**20,861**		**625**	**14,003**	**3,760,590**	**3,806,218**
Total at 31 December 2007	**229**	**49**	**-**	**328**	**13,712**	**4,021,653**	**4,035,971**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

Portfolios/Quality	Non-performing assets				Other assets			Total (net exposure)
	Gross exposure	Special adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	1,956	1,896		60	X	X	668,345	668,405
2. AFS financial assets	8,415	7,065		1,350	798,110	-	798,110	799,460
3. Held-to-maturity financial assets				-	606,353	-	606,353	606,353
4. Loans to banks				-	948,499	-	948,499	948,499
5. Loans to customers	45,624	15,405	4	30,215	739,640	2,394	737,246	767,461
6. Financial assets at fair value				-	X	X	-	-
7. Financial assets held for sale				-	5,020	-	5,020	5,020
8. Hedging derivatives				-	X	X	11,020	11,020
Total at 31 December 2008	**55,995**	**24,366**	**4**	**31,625**	**3,097,622**	**2,394**	**3,774,593**	**3,806,218**
Total at 31 December 2007	**1,655**	**1,049**	**-**	**606**	**1,367,129**	**499**	**4,035,365**	**4,035,971**

A.1.3 Cash and off-balance sheet exposure with banks: gross and net amounts

Exposure/Values	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Bad loans	10,371	8,961	-	1,410
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Expired loans	-	-	-	-
e) Country risk	5,942	X	-	5,942
f) Other assets	1,717,131	X	-	1,717,131
TOTAL A	1,733,444	8,961	-	1,724,483
B. OFF-BALANCE SHEET EXPOSURE				
a) Non-performing loans	-	-	-	-
b) Other	7,172	X	-	7,172
TOTAL B	7,172	-	-	7,172

A.1.4 Cash exposure with banks: changes in gross non-performing loans subject to "country risk"

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans	Country risk
A. Gross exposure at year-start					**10,967**
- of which: positions transferred but not written off			-		-
B. Increases	**10,371**	**-**	**-**	**-**	5,942
B.1 Inflows from performing loans	10,371		-		-
B.2 Transfer from other categories of non-performing loans			-		-
B.3 Other increases			-		5,942
C. Decreases	**-**	**-**	**-**	**-**	10,697
C.1 Outflows to performing loans					-
C.2 Write-offs					-
C.3 Repayments					-
C.4 Gains from disposals					-
C.5 Transfer to other categories of non-performing loans					-
C.6. Other decreases					10,697
Gross exposure at year-end	**10,371**	**-**	**-**	**-**	**5,942**
- of which: positions transferred but not written off	-	-	-	-	-

A.1.5 Cash exposure with banks: change in total adjustments

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans	Country risk
A. Total adjustments at year-start	-	-	-	-	-
- of which: positions transferred but not written off	-	-	-	-	-
B. Increases	8,961	-	-	-	-
B.1. Adjustments	8,961			-	-
B.2. Transfers from other categories of non-performing loans	-	-	-	-	-
B.3. Other increases	-	-	-	-	-
C. Decreases	-	-	-	-	-
C.1. Reversal of adjustments	-	-	-	-	-
C.2. Reversal of collections	-	-	-	-	-
C.3. Write-offs	-	-	-	-	-
C.4. Transfer to other categories of non-performing	-	-	-	-	-

loans					
C.5. Other decreases	-	-	-	-	-
D. Total adjustments at year-end	**8,961**	**-**	**-**	**-**	**-**
- of which: positions transferred but not written off	-	-	-	-	-

A.1.6 Cash and off-balance sheet exposure with customers: gross and net amounts

Exposure/Values	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Bad loans	21,927	13,198	-	8,729
b) Substandard loans	23,068	2,207	-	20,861
c) Restructured loans	-	-	-	-
d) Expired loans	629	-	4	625
e) Country risk	8,062	-	-	8,062
f) Other assets	2,028,955	-	2,394	2,026,561
TOTAL A	2,082,641	15,405	2,398	2,064,838
B. OFF-BALANCE SHEET EXPOSURE				
a) Non-performing loans	2,354	-	-	2,354
b) Other	62,073	-	-	62,073
TOTAL B	64,427	-	-	64,427

A.1.7 Cash exposure with customers: changes in gross non-performing loans subject to "country risk"

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans	Country risk
A. Gross exposure at period-start	1,368	58	-	328	3,014
- of which: positions transferred but not written off	-	-	-	-	-
B. Increases	21,296	69,511	-	8,265	5,048
B.1 Inflows from performing loans	299	11,241	-	6,148	-
B.2 Transfers from other categories of non-performing loans	8,337	3,997	-	48	-
B.3 Other increases	12,660	54,273	-	2,069	5,048
C. Decreases	737	46,501	-	7,964	-
C.1 Outflows to performing loans	-	3,680	-	1,635	-
C.2 Write-offs	296	-	-	2,312	-
C.3 Repayments	441	33,489	-	86	-
C.4 Gains from disposals	-	-	-	-	-
C.5. Transfer to other categories of non-performing loans	-	8,385	-	3,931	-
C.6. Other decreases	-	947	-	-	-
D. Gross exposure at period-end	21,927	23,068	-	629	8,062
- of which: positions transferred but not written off	-	-	-	-	-

A.1.8 Cash exposure with customers: change in total adjustments

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans	Country risk
A. Total adjustments at year-start	1,140	9	-	-	-
- of which: positions transferred but not written off	-	-	-	-	-
B. Increases	12,288	2,736	-	14	-
B.1. Adjustments	126	4	-	-	-
	533	-	-	-	-
B.2. Transfers from other categories of non-performing loans					
B.3. Other increases	11,629	2,732	-	14	-
C. Decreases	230	538	-	10	-
C.1. Reversal of adjustments	21	-	-	-	-

C.2. Reversal of collections	27	3	-	-	-
C.3. Write-offs	182	-	-	-	-
C.4. Transfer to other categories of non-performing loans	-	-	-	-	-
C.5. Other decreases	-	535	-	10	-
D. Total adjustments at year-end	13,198	2,207	-	4	-
- of which: positions transferred but not written off	-	-	-	-	-

A.2 Classification based on internal and external ratings

Banca Generali does not yet have an internal rating system for evaluating its customers' credit standing.
The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

Exposures	**External rating classes**						**Without rating**	**Total**
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B		
Financial assets held for trading	**368,911**	**237,421**	**11,298**	**-**	**9,768**	**-**	**40,150**	**667,548**
Debt securities	368,911	237,421	11,298	-	9,768		34,524	661,922
UCIT units							1,396	1,396
Equity securities						-	4,230	4,230
AFS financial assets	364,103	401,871	8,552	-	-	-	24,933	799,459
Debt securities	364,103	401,871	8,552	-	-	-	6,618	781,144
UCIT units	-	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	18,315	18,315
Held-to-maturity assets (HTM assets)	**295,053**	**256,215**	**29,140**		**6,407**		**19,538**	**606,353**
Debt securities	**175,061**	**91,118**	**18,316**	**1,335**	**11,349**			**297,179**
Total	**1,203,128**	**986,625**	**67,306**	**1,335**	**27,524**	**-**	**84,621**	**2,370,539**

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.1 Guaranteed cash exposure with banks and customers

	Loan amount	Collateralised guarantees (1)			Personal guarantees (2)				**Total** (1)+(2)
					Guarantees				
		Buildings	Securities	Other assets	Governments	Other public institutions	Banks	Other entities	
1. Guaranteed loans to banks:	-	-	-	-	-	-	-	-	-
1.1 totally guaranteed	-	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-
2. Guaranteed loans to customers:	*339,831*	*100,823*	*166,128*	*16,406*	-	-	*180*	*43,632*	*327,169*
2.1 totally guaranteed	267,387	100,310	116,011	15,153	-	-	180	35,735	267,389
2.2 partially guaranteed	72,444	513	50,117	1,253	-	-	-	7,897	59,780

A.3.2 Guaranteed off-balance sheet exposures with banks and customers

	Loan amount	Collateralised guarantees (1)	Personal guarantees (2)	**Total** (1)+(2)
			Guarantees	

		Buildings	Securities	Other assets	Governments	Other public institutions	Banks	Other entities	
1. Guaranteed loans to banks:	-	-	-	-	-	-	-	-	-
1.1 totally guaranteed	-	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-
2. Guaranteed loans to customers:	*32,287*	*4,865*	*19,135*	*1,628*	-	-	*124*	*3,440*	*29,192*
2.1 totally guaranteed	27,337	4,865	17,280	1,628	-	-	124	3,440	27,337
2.2 partially guaranteed	4,950	-	1,855	-	-	-	-	-	1,855

A.3.3 Non-performing guaranteed cash exposure with banks and customers

	Loan Amount	Guaranteed Amount	Collateralised guarantees (1)			Guarantees (Fair Value) (2)			
						Guarantees			
			Buildings	Securities	Other assets	Governments	Other public institutions	Financial companies	Other entities
1. Guaranteed loans to banks::	-	-	-	-	-	-	-	-	-
1.1 over 150%									
1.2 from 100% to 150%									
1.3 from 50% to 100%	-	-	-	-	-	-	-	-	-
1.4 up to 50%	-	-	-	-	-	-	-	-	-
2. Guaranteed loans to customers:	*21,860*	*21,697*	*12,490*	-	*329*	-	-	*276*	*8,470*
2.1 over 150%	9,468	9,468	8,504						
2.2 from 100% to 150%	10,267	10,267	3,986		2			276	689
2.3 from 50% to 100%	1,812	1,812	-	-	177	-	-	-	6,281
2.4 up to 50%	313	150	-	-	150	-	-	-	1,500

B. Breakdown and Concentration of Loans

B.1. Sector breakdown of cash and off-balance sheet exposure to customers

	Gross exposure	Specific val. adjust.	Port. val. adjust.	Net exposure
A. Cash exposure		-	-	-
1. Government and central banks	1,041,684	-	-	1,041,684
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Restructured loans	-	-	-	-
d. Expired loans	-	-	-	-
e. Other loans	1,041,684	-	-	1,041,684
2. Other public institutions	-	-	-	-
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Restructured loans	-	-	-	-

d. Expired loans	-	-	-	-
e. Other loans	-	-	-	-
3. Financial companies	552,095	- 66	- 1,113	550,916
a. Bad loans	71	- 62	-	9
b. Substandard loans	112	- 4	-	108
c. Restructured loans	-	-	-	-
d. Expired loans	-	-	-	-
e. Other loans	551,912	-	- 1,113	550,799
4. Insurance companies	35,033	-	-	35,033
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Restructured loans	-	-	-	-
d. Expired loans	-	-	-	-
e. Other loans	35,033	-	-	35,033
5. Non-financial companies	263,300	- 11,410	- 764	251,126
a. Bad loans	15,372	- 11,336	-	4,036
b. Substandard loans	14,877	- 74	-	14,803
c. Restructured loans	-	-	-	-
d. Expired loans	593		- 4	589
e. Other loans	232,458	-	- 760	231,698
6. Other entities	190,528	- 3,929	- 521	186,078
a. Bad loans	6,485	- 1,799	-	4,686
b. Substandard loans	8,078	- 2,130	-	5,948
c. Restructured loans	-	-	-	-
d. Expired loans	36	-	-	36
e. Other loans	175,929	-	- 521	175,408
TOTAL A	**2,082,640**	**- 15,405**	**- 2,398**	**2,064,837**

	Gross exposure	Specific val. adjust.	Port. val. adjust.	Net exposure
A. Off-balance sheet loans		-	-	-
1. Government and central banks	1,076	-	-	1,076
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	1,076	-	-	1,076
2. Other public institutions	-	-	-	-
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	-	-	-	-
3. Financial companies	1,463	-	-	1,463
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	1,463	-	-	1,463
4. Insurance companies	16	-	-	16
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	16	-	-	16
5. Non-financial companies	38,080	-	-	38,080
a. Bad loans	-	-	-	-
b. Substandard loans	2,354	-	-	2,354
c. Other non-performing loans	-	-	-	-
d. Other loans	35,726	-	-	35,726
6. Other entities	23,791	-	-	23,791
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	23,791	-	-	23,791
TOTAL B	**64,426**	**-**	**-**	**64,426**

	Gross	Specific	Port. val.	Net

	exposure	val. adjust.	adjust.	exposure
Governments and central banks	1,042,760	-	-	1,042,760
Public institutions	-	-	-	-
Financial companies	553,558	- 66	- 1,113	552,379
Insurance companies	35,049	-	-	35,049
Non-financial companies	301,380	- 11,410	- 764	289,206
Other entities	214,319	- 3,929	- 521	209,869
Total (A+B)	**2,147,066**	**- 15,405**	**- 2,398**	**2,129,263**

B.3 Geographical breakdown of cash and off-balance-sheet exposure to customers

Exposure/Geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposure										
A.1 Bad loans	21,488	8,729	438	-	-	-	-	-	-	-
A.2 Substandard loans	23,016	20,809	51	51	1	1	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	629	625	-	-	-	-	-	-	-	-
A.5 Other exposure	1,247,867	1,246,570	712,696	711,601	75,979	75,979	471	471	-	-
Total A	**1,293,000**	**1,276,733**	**713,185**	**711,652**	**75,980**	**75,980**	**471**	**471**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	-	-		-	-	-	-	-	-	-
B.2 Substandard loans	2,354	2,354		-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-		-	-	-	-	-	-	-
B.4 Other exposure	61,902	61,902	171	171	-	-	-	-	-	-
Total B	**64,256**	**64,256**	**171**	**171**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31 December 2008	**1,357,256**	**1,340,989**	**713,356**	**711,823**	**75,980**	**75,980**	**471**	**471**	**-**	**-**
Total at 31 December 2007	**1,268,964**	**1,267,317**	**1,061,886**	**1,061,886**	**85,543**	**85,543**	**-**	**-**	**-**	**-**

B.4 Geographical breakdown of cash and off-balance-sheet exposure to banks

Exposure/Geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposure										
A.1 Bad loans	-	-	1,956	60	8,415	1,350	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	1,115,895	1,115,895	554,802	554,802	36,887	36,887	-	-	15,489	15,489
Total A	**1,115,895**	**1,115,895**	**556,758**	**554,862**	**45,302**	**38,237**	**-**	**-**	**15,489**	**15,489**
B. Off-balance sheet exposure										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	6,492	6,492	680	680						
Total B	**6,492**	**6,492**	**680**	**680**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31 December 2008	**1,122,387**	**1,122,387**	**557,438**	**555,542**	**45,302**	**38,237**	**-**	**-**	**15,489**	**15,489**
Total at 31 December 2007	**1,132,207**	**1,132,207**	**468,470**	**468,470**	**41,581**	**41,581**	**-**	**-**	**18,484**	**18,484**

B.5 Big risks (as per surveillance regulations)

Big Risks	**31/12/2008**	**31/12/2007**
a) Weighted amount	142,256	148,495
b) Number	6	6

C. Securitisation and Disposal of Assets

C.1 Securitisation

The securitisations portfolio contains only asset-backed securities (ABS) issued by European entities with underlying securities attributable exclusively to European originators.
The portfolio is made up of senior securities with ratings not less than investment grade. The portfolio includes products with underlying residential and commercial mortgages (RMBS/CMBS).

Type of underlying assets/Exposure	Cash exposure						Total net exposure
	Senior		Mezzanine		Junior		
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	
Cash exposure							
A. With own underlying assets:	-	-	-	-	-	-	
a) Non-performing loans	-	-	-	-	-	-	
b) Other	-	-	-	-	-	-	
B. With third-party underlying assets:	178,259	177,524	29,131	27,949	8,504	7,545	213,018
a) Non-performing loans	-	-	-	-	-	-	
b) Other	178,259	177,524	29,131	27,949	8,504	7,545	213,018

	portfolio	Type of underlying assets/Exposure	Isin code	Underlying	Cash exposure					
					Senior		Mezzanine		Junior	
					Book Value	Adjustments/Reversals	Book Value	Adjustments/Reversals	Book Value	Adjustments/Reversals
A.1	loans	AYT CAJAS N 10 FRN 30/06/2015	ES0312342001	mortgage	14,335	- 32				
A.2	loans	BANCAJA N6 TITULUZ FRN 20/02/2036	ES0312885017	RMBS	3,379	- 2				
A.3	loans	CAIXA D' ESTALVIS FRN 28/01/2043	ES0313252001	RMBS	1,467	- 1				
A.4	loans	ABS BBVA RMBS1 FRN 19/06/2050	ES0314147010	RMBS	910	- 2				
A.5	loans	ABS BBVA RMBS2 FRN 17/09/2050	ES0314148000	RMBS	213					
A.6	loans	ABS BBVA RMBS2 FRN 17/09/2050	ES0314148018	RMBS	1,906					
A.7	loans	BBVA AUTOS 1 FTA FRN 20/06/2016	ES0314204001	Loans (auto)	746					
A.8	loans	GC FTPYME SABDEL FRN 31/03/2039	ES0332234014	Loans	1,325					
A.9	loans	SANTANDER HIP3 FRN 18/01/2050	ES0338093018	RMBS	2,806	- 6				
A.10	loans	IM POP EMPRESAS 1 FRN 21/03/2033	ES0347843015	Loans	1,348					
A.11	loans	MBS BANCAJA FRN 23/07/2050	ES0361797014	RMBS/CMBS	9,674					
A.12	loans	AYT KUTXA HIPOTECARIO II FRN 15/10/2059	ES0370154009	RMBS	1,633	- 1				
A.13	loans	BBVA HIPOTECARIO 3FND FRN 15/03/2039	ES0370459002	Loans	789					
A.14	loans	PYMES BANESTO FRN 31/12/2031	ES0372260002	Loans	1,457					
A.15	loans	PYMES BANESTO FRN 31/12/2031	ES0372260010	Mortgage,personal loans	915					
A.16	loans	RURALPYME 2 FTA FRN 25/04/2030	ES0374352005	loans	604					
A.17	loans	AGRI SEC. FRN 14/12/2015 ABS	IT0003335897	Leasing	2,027					
A.18	loans	DOLOMITI FIN FRN 15/12/2017	IT0003399018	Leasing	3,523					
A.19	loans	BERICA 3 MB FRN 26/08/2031	IT0003422109	RMBS/CMBS	3,427					
A.20	trading	S.C.I.C ABS FRN 22/09/2023 CL 2A2	IT0003731426	Loans (private Italian companies)	1,138	- 34				
A.21	loans	LOCAT SEC VEHICLE FRN 12/12/2024 A	IT0003733083	Leasing	1,917					
A.22	loans	ABF FINANCE FRN 21/11/2019	IT0003755623	Leasing	1,728					
A.23	trading	SCIP CLASS A5 14.4.2005 ABS	IT0003837074	Real Estate	947					
A.24	trading	FIP FUND FRN 10/01/2023	IT0003872717	CMBS	14,932					
A.25	loans	FIP FUND FRN 10/01/2023	IT0003872774	CMBS	4,700	- 377				

A.26	loans	VELA MORT CL A FRN 30/07/2040	IT0003933998	RMBS	1,568	- 5				
A.27	loans	ASTI FINANCE FRN 27/09/2041	IT0003966477	RMBS	2,575	- 4				
A.28	loans	ITALF VEHIC CL A FRN 21/10/2022	IT0004010085	Leasing	1,335	- 20				
A.29	loans	FE GOLD FRN 30/07/2025 ABS	IT0004068612	Leasing	1,369					
A.30	loans	ATLANTE FINANCE FRN 28/07/2047	IT0004069032	RMBS/CMBS	2,687					
A.31	loans	CORDUSIO FRM 30/06/2035	IT0004087174	RMBS	2,462					
A.32	loans	ARCOBALENO FRN 28/10/2030	IT0004095672	Loans (Italian pharmacies)	1,203					
A.33	loans	VELA HOME FRN 25/10/2042	IT0004101991	RMBS	886					
A.34	loans	VELA HOME FRN 25/10/2042	IT0004102007	RMBS	861	- 4				
A.35	loans	LEASIMPRESA FRN 22/12/2025	IT0004123722	Leasing	1,525					
A.36	loans	MARCHE MUTUI 2 ABS FRN 25/11/2038	IT0004124977	RMBS	1,287	- 1				
A.37	loans	APULIA FINA FRN 20/07/2044	IT0004127574	RMBS/CMBS	1,464	- 1				
A.38	loans	AGRI FRN 08/12/2023	IT0004137417	Leasing	1,823					
A.39	loans	CORDUSIO RM FRN 31/12/2042 ABS	IT0004144892	RMBS	1,783	- 4				
A.40	loans	ABS VOBA FIN FRN 28/06/2043	IT0004153216	RMBS	358	- 1				
A.41	loans	LOCAT SV FRN 12/12/2028	IT0004153661	Leasing	429					
A.42	loans	LOCAT SV FRN 12/12/2028 A2	IT0004153679	Leasing	957					
A.43	loans	SESTANTE FRN 23/04/2046 CL A1	IT0004158124	RMBS	1,483	- 1				
A.44	loans	ABS INTESA MTG FRN A1 30/10/2033	IT0004180250	RMBS	142					
A.45	loans	ABS INTESA SEC MTG FRN A2 30/10/2033	IT0004180268	RMBS	961	- 1				
A.46	loans	ABS CLARIS FIN FRN 21/11/2053	IT0004189160	RMBS	774	- 1				
A.47	loans	BP MORT FRN 20/04/2043	IT0004215320	RMBS	6,071	- 15				
A.48	loans	CREDICO FUND.3 FRN 10/03/2015	IT0004237696	Bonds	9,593	- 7				
A.49	trading	QUARZO CL1 FRN 31/12/2019 ABS	IT0004284706	RMBS/CMBS	18,410	-				
A.50	loans	HOLLAND EURO FRN 18/11/2037	XS0177871950	RMBS	623					
A.51	loans	MAGELLAN MORT N 2 FRN 18/07/2036	XS0177944690	RMBS	1,612	- 3				
A.52	loans	LUSITANO MORT N 2 FRN 16/11/2036	XS0178545421	RMBS	2,435	- 11				
A.53	loans	SAECURE 3 FRN 25/11/2051	XS0178551825	RMBS	1,702					
A.54	loans	DELPHINUS I FRN 25/01/2009	XS0185357265	RMBS	2,016					
A.55	loans	ABS THEMELEION MTG FRN 27/12/2036	XS0194393640	RMBS	773	- 11				
A.56	loans	CARDS FRN 15/07/2013 FLOATING	XS0196806227	Cards	1,830	- 138				
A.57	loans	EMAC MORTG CL A FRN 25/01/2037	XS0207208165	RMBS	1,760	- 13				
A.58	loans	E-MAC MORTG FRN CL A 25/04/2038	XS0216513118	RMBS	2,178	- 13				
A.59	loans	ESTIA MORTG FRN 27/10/2040 CL A	XS0220978737	RMBS	1,441					
A.60	loans	A BEST TWO FRN 01/10/2015	XS0232767631	Loans (auto)	5,025					
A.61	loans	DECO 7 FRN 27/01/2018	XS0244895073	CMBS	1,091	- 1				
A.62	loans	BCC MORTGAGES FRN 08/03/2038	XS0256813048	RMBS	1,820	- 6				
A.63	loans	AIRE VALLEY MORTG FRN 20/09/2066	XS0264192989	RMBS	1,901					
A.64	loans	SC GERMANY AUTO FRN 10/07/2019	XS0266760700	Loans (auto)	1,909					

A.65	loans	ENTRY FNDG FRN 28/09/2013	XS0277614532	loans	2,101					
A.66	loans	ABS BLUEBONNET FRN 20/12/2016	XS0279760184	Mortgage	1,665					
A.67	loans	STORM FRN 12/04/2049	XS0283474723	RMBS	1,473	- 1				
A.68	loans	VCL N.9 CLASS -A FRN 21/04/2012	XS0284056776	Leasing (auto)	339					
A.69	loans	SAGRES PELICAN FRN 15/09/2054	XS0293657416	RMBS	651	- 3				
A.70	loans	WINDERM FRN 15/10/2019 CL A	XS0293895271	CMBS	1,722					
A.71	loans	ABS JUNO ECLIPSE FRN 24/11/2022	XS0299976836	CMBS	1,605	- 15				
A.72	loans	OPERA FIN ABS FRN 15/02/2012 CL C	XS0218490653	CMBS	-		2,978			
A.73	loans	OMEGA CAP FRN 05/07/2011	XS0257813682	Credit Linked Notes	-		3,930			
A.74	loans	PERMANENT FIN 3 FRN 10/06/2042	XS0179398580	RMBS	-		2,951			
A.75	loans	ABF FINANCE FRN 21/11/2019	IT0003755680	Leasing (private companies)	-		267	- 1		
A.76	loans	VELA MORT CL B FRN 30/07/2040	IT0003934020	RMBS	-		1,278	- 9		
A.77	loans	ABS LOCAT SEC V FRN CL B 12/12/2026	IT0003951123	Leasing	-		3,208	- 24		
A.78	loans	ITALF VEHIC CL C FRN 14/03/2023	IT0003963433	Leasing	-		806	- 14		
A.79	loans	ATLANTE FINANCE FRN 28/07/2047	IT0004069040	RMBS/CMBS	-		777	- 10		
A.80	loans	ABM LOCAT SEC FRN 12/09/2028 B	IT0004153687	Leasing	-		1,471	- 17		
A.81	loans	ABS DELPHINUS FRN 25/11/2090	XS0206650417	RMBS	-		1,975			
A.82	loans	GRANITE MAS FRN 20/12/2054	XS0229615603	RMBS	-		484	- 70		
A.83	loans	A BEST TWO FRN 01/10/2015 CLASS B	XS0232768365	Loans (auto)	-		931	- 3		
A.84	loans	LAMBDA FIN FRN 08/11/2029	XS0237016000	Loans	-		423	- 3		
A.85	loans	WINDERM FRN 15/10/2019 CL D	XS0293898457	CMBS	-		2,337	- 385		
A.86	loans	CORDUSIO SM FRN 30/06/2033	IT0003844963	RMBS	-		2,360	- 428		
A.87	loans	A BEST TWO FRN 01/10/2015 CLASS C	XS0232768878	Loans (auto)			1,773	- 219		
A.88	trading	SCIP CLASS B2 14.4.2005 ABS	IT0003837082	Real Estate	-				6,269	- 208
A.89	trading	LOCAT SEC VEHICLE FRN 12/12/2024 B	IT0003733091	Leasing	-				742	- 137
A.90	afs	BBVA HIPOTECARIO 3FND FRN 21/11/2038	ES0314227036	RMBS/CMBS	-				534	- 614
					177,524	- 735	27,949	- 1,182	7,545	- 959

C.1.3 Exposure resulting from the main securitisation, broken down by type of underlying assets

Type of underlying assets/Exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Book Value	Adjustments/Reversals	Book Value	Adjustments/Reversals	Book Value	Adjustments/Reversals
A. Cash exposure	177,524	- 735	27,949	- 1,182	7,545	- 959
B. Guarantees issued	-	-	-	-	-	-
C. Lines of credit	-	-	-	-	-	-

C.1.4 Exposure to securitisations broken down by financial-asset portfolio and type

Exposure/Portfolio	**Type of financial-asset portfolio**						
	Fin. assets held for trading	Financial assets at fair value	AFS financial assets	HTM financial assets	Receivables	**31/12/2008**	**31/12/2007**
1. Cash exposure	**42,437**	**-**	**534**	**-**	**170,045**	**213,016**	**259,359**
- senior	35,426	-	-	-	142,097	177,523	214,578
- mezzanine	-	-	-	-	27,948	27,948	36,104

- junior	7,011	-	534	-	-	7,545	8,677
2. Off-balance sheet exposure	-	-	-	-	-	-	-
- senior	-	-	-	-	-	-	-
- mezzanine	-	-	-	-	-	-	-
- junior	-	-	-	-	-	-	-

C.2 Transfer Operations

C.2.1 Transferred financial assets not written off

Technical type /Portfolio	Fin. assets held for trading			AFS financial assets			HTM fin. assets			Financial assets - banks			Financial assets - customers			Total
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A
A. Cash	179,690	-	-	295,722	-	-	60,419	-	-	1,874	-	-	7,465	-	-	545,170
1. Debt securities	179,690	-	-	295,722	-	-	60,419	-	-	1,874	-	-	7,465	-	-	545,170
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. OICR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31 December 2008	**179,690**	**-**	**-**	**295,722**	**-**	**-**	**60,419**	**-**	**-**	**1,874**	**-**	**-**	**7,465**	**-**	**-**	**545,170**
Total at 31 December 2007	**893,154**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**893,154**

C.2.2 Financial liabilities for transferred assets not written off

Liabilities/Assets portfolio	Financial assets held for trading	FVO financial assets	AFS financial assets	HTM financial assets	Loans to banks	Loans to customers	**Total**
1. Due to customers	**426,541**	**-**	**-**	**-**	**-**	**-**	**426,541**
a) for fully recognised assets	426,541	-	-	-	-	-	426,541
b) for partially recognised assets	-	-	-	-		-	-
2. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) for fully recognised assets	-	-	-	-	-	-	-
b) for partially recognised assets	-	-	-	-	-	-	-
Total at 31 December 2008	**426,541**	**-**	**-**	**-**	**-**	**-**	**426,541**
Total at 31 December 2007	**821,487**	**-**	**-**	**-**	**-**	**-**	**821,487**

Section 2 – Market Risk

Banca Generali Group's exposure to market risk is represented by the possibility that its own portfolios may suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods, and the volatility of risk factors).

The Group has established a market risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of market risk.
The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.
The Risk Management Service is responsible for second-tier controls.
The Internal Audit Service conducts independent controls (third-tier controls) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with credit ratings from BBB to AAA and asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.
The portfolio's exposure to the equities market remains limited with respect to the bond component and derivatives transactions are absolutely marginal in extent.
The Group's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.
The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.
The Banca Generali Group holds only small amounts of securities denominated in foreign currencies.
Market risks are measured based on a daily analysis of VaR (Value at Risk). VaR describes the maximum potential loss in value of a portfolio in the next ten working days in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

2.1 Interest Rate Risk – Regulatory Trading Book

Qualitative Information

A. General

The main activities of the banking group that increase its exposure to interest rate risk relating to its trading book include:
- management of the government bond book;
- management of the corporate bond and asset-backed-securities (ABS);
- dealings in interest rate derivatives, all of them over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Financial Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:
- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);
- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate corporate debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The average remaining duration of the securities portfolio is short as floating rate coupons outweigh fixed rate coupons.
This choice is aimed at reducing risk exposure and thus protecting the portfolio from unexpected changes in value caused by significant changes in interest rates.
The bank's investments in structured securities are negligible.

B. Management Processes and Interest Rate Risk Measurement Techniques

Market risk is measured through daily VaR (Value at Risk) carried out by Parent Company Banca Generali, which holds the majority of the trading book.

VaR describes the maximum potential loss in value of a portfolio in the next ten working days in 99% of the cases. It is calculated based on the volatility of and past correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

	Fourth quarter 2008	Third quarter 2008	Second quarter 2008	First quarter 2008	Fourth quarter 2007	Third quarter 2007	Second quarter 2007	First quarter 2007
Average VaR	9,024	10,133	18,034	5,240	7,938	5,641	4,950	5,351

Precise VaR 99% 10 days at 31 December 2008 amounted to € 7,920 thousand.

1. *Regulatory trading portfolio: broken down by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives*

Type/Time-to-Maturity	Repayable on demand	Up to 3 months	Over 3 months, up to 6 months	Over 6 months, up to 1 year	Over 1 year, up to 5 years	Over 5 years, up to 10 years	Over 10 years	Unspecified maturity	Total
1. Cash assets	**-**	**401,940**	**163,503**	**54,144**	**11,220**	**635**	**13**	**-**	**631,455**
1.1 Debt securities									
- with early repayment option	-	9,411	-	-	-	-	-	-	9,411
- other entities	-	392,529	163,503	54,144	11,220	635	13	-	622,044
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**389,205**	**3,331**	**-**	**-**	**12**	**-**	**-**	**392,548**
2.1 PCT liabilities	-	389,205	3,331	-	-	-	-	-	392,536
2.2 Other liabilities	-	-	-	-	-	12	-	-	12
3. Financial derivatives	**-**	**136,695**	**19,581**	**17,341**	**504**	**-**	**90**	**-**	**174,211**
3.1 With underlying securities									
- Options									
+ long-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-
- other						-			
+ long-term positions	-	1,397	772	3,433	252	-	45	-	5,899
+ short-term positions	-	1,668	501	-	252	-	45	-	2,466
3.2 Without underlying securities									
- Options									
+ long-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-
- other									
+ long-term positions		66,815	9,154	6,954					82,923
+ short-term positions		66,815	9,154	6,954	-				82,923

2. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.
This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primarily risk factors, which for Banca Generali are interest-rate and price risk.
In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +/- 100 basis points in the rate curve, deemed reasonably possible given the current market scenario.
The next stage involves establishing the potential effects on the profit and loss account both in terms of the point change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.

In calculating the price risk associated with equities, a 10% change in market prices was deemed reasonable. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a +/- 10% shift in market prices would have an effect of +381/-381 thousand on the profit and loss account, net of the tax effect on the trading portfolio of equity securities.
A shift of +100/-100 basis points would have a total net effect of -1,511/+1,511 thousand euros on the trading portfolio of securities in terms of fair value change, and +672/-672 thousand euros in terms of matured interest.

(€ thousand)	Effect on the profit and loss account					Effect on net equity - AFS (*)	
	Trading	AFS	HTM+ loans	31/12/2008	31/12/2007	31/12/2008	31/12/2007
change in fair value of equities (+10%)	381	-	-	381	1,123	361	1,105
change in fair value of equities (-10%)	-381	-	-	-381	-1,123	-361	-1,105
change in fair value of debt securities/loans (+1%)	-1,511	-	-	-1,511	-4,915	-3,816	-222
change in fair value of debt securities/loans (-1%)	1,511	-	-	1,511	4,915	3,816	222
change in interest rate (+ 1%)	672	365	9,638	10,674	15,190	-	-
change in interest rates (-1%)	-672	-365	-9,579	-10,616	-15,190	-	-

(*) net of the tax effect

2.2 Interest Rate Risk – Banking Portfolio

Qualitative Information

A. General Aspect, Management Processes and Interest Rate Risk Measurement Techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.
This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Group's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and therefore net equity.

The Group has established a specific policy for managing interest-rate risk in the banking portfolio.
The Finance Department and Lending Department conduct first-tier controls of the management of interest rate risk.
The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.
The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the Group's banking portfolio arises from:
- trading on the interbank deposits market and
- customer lending activities;
- investment operations for the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the bank's objectives in terms of net interest income.

B. Fair Value and Cash Flow Hedging

2. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a +10%/-10% shift in market prices would have an effect of +526/-526 thousand on net equity, net of the tax effect on the banking portfolio of equity securities.
A shift of +100/-100 basis points would have an effect of +3,245/-3,245 thousand euros on the banking portfolio of debt securities.

Quantitative Information

1. Regulatory trading portfolio: broken down by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

Type/Time-to-Maturity	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	**1,118,458**	**1,270,296**	**289,332**	**47,393**	**339,170**	**3,568**	**859**	**49,678**	**3,118,754**
1.1 Debt securities									
- with early repayment option	-	25,964	-	-	-	-	-	-	25,964
- other entities	-	1,056,225	264,430	25,019	328,335	-	-	-	1,674,009
1.2 Loans to banks	769,310	59,825	-	-	-	-	-	40,949	870,084
1.3 Loans to customers	349,148	128,282	24,902	22,374	10,835	3,568	859	8,729	548,697
- current accounts	245,382	1,781	413	3,485	2,745	1,356	-	-	255,162
- other loans	103,766	126,501	24,489	18,889	8,090	2,212	859	8,729	293,535
- with early repayment option	5,463	90,206	23,318	1,631	701	2,212	859	-	124,390
- other entities	98,303	36,295	1,171	17,258	7,389	-	-	8,729	169,145
2. Cash liabilities	**2,954,965**	**190,273**	**13,898**	**44,650**	**-**	**-**	**-**	**-**	**3,203,786**
2.1 Due to customers									-
- current accounts	2,953,628	14,296	-	-	-	-			2,967,924
- other payables	775	-	-	40,000	-	-	-	-	40,775
- with early repayment option		-	-	-	-	-	-		-
- other entities	775	-	-	40,000	-	-	-	-	40,775
2.2 Due to banks									-
- current accounts	562	-	-	-	-	-	-	-	562
- other payables	-	11,781	-	4,650					16,431
2.3 Debt securities	-	164,196	13,898	-	-	-	-	-	178,094
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	164,196	13,898	-	-	-	-	-	178,094
2.4 Other liabilities									-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**972**	**-**	**-**	**-**	**-**	**-**	**-**	**972**
3.1 With underlying securities									-
- Options									-
+ long-term positions		972							972
+ short-term positions									-
- other									-
+ long-term positions									-
+ short-term positions									-
3.2 Without underlying securities									-
- Options									-
+ long-term positions									-
+ short-term positions									-
- other									-
+ long-term positions									-
+ short-term positions									-

2. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph was also performed on the banking portfolio for both the portfolio of financial assets available for sale (both equities and debt securities) and the portfolio of loans to customers and banks.
For the portfolio of financial instruments available for sale the impact of the assumed changes in fair value on net equity was also calculated.

On the whole, a +/- 10% shift in market prices would have an effect of +/- +361 thousand on net equity, net of the tax effect on the banking portfolio of equity securities.
A movement of +/- 100 basis points would have an effect of +9,638/-9,579 thousand euros on the banking portfolio of debt securities and loans in terms of net interest income and -3,816/+3,816 thousand euros in terms of net equity. In this regard, we believe the impact on the loan portfolio, which consists largely of loans to customers in the form of current account overdrafts and on-sight or very short-term loans to banks, to be insignificant.

The same criteria were also applied to a sensitivity analysis of net interest income, which resulted in a potential impact on the profit and loss account of 11.2 million euros, net of the tax effect.

	Effect on assets	Effect on liabilities	Effect on margin for FY 2008	Effect on margin for FY 2007
Change in interest rate (+ 1%)	10,674	- 21,953	- 11,278	- 10,712
Change in interest rate (- 1%)	- 10,616	21,953	11,337	10,712

2.3 Price Risk – Regulatory Trading Portfolio

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk** or **exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question or are due to factors that influence all similar financial instruments traded on the market.

"Price risk" arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc. and in relation to OICR units held in the portfolio, however, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

A. Regulatory trading portfolio: cash exposure in capital securities and UCITs

Type of exposure/Values	Book value	
	Listed	Unlisted
A. Capital securities	4,230	-
A.1 Shares	4,230	
A.2 Innovative capital instruments	-	-
A.3 Other capital securities	-	-
B. UCITs	-	1,368
B.1 Under Italian law	-	1,368
- open-ended harmonised	-	-
- open-ended non-harmonised	-	
- closed-ended	-	
- reserved	-	
- speculative	-	1,368
B.2 Other EU countries	-	-
- harmonised	-	-
- open-ended non-harmonised	-	
- closed-ended non-harmonised	-	
B.2 Non-EU countries	-	-
- open-ended	-	
- closed-ended	-	

Total	4,230	1,368

2.. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

Type of transaction/ Index	Listed			Unlisted
	Italy	EU countries	Non-EU countries	
A. Capital securities				
- long-term positions	889	2,387	954	-
- short-term positions	-	-	-	-
B. Capital security purchases/sales to be settled				
- long-term positions	-	14	-	-
- short-term positions	-	14	-	-
C. Other derivatives on capital securities				
- long-term positions	-	-	-	-
- short-term positions	1	-	-	-
D. Stock index derivatives				
- long-term positions	-	-	-	-
- short-term positions	-	-	-	-

3. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

For a sensitivity analysis of changes in fair value of the regulatory trading portfolio, the reader is referred to paragraph 2.1, subsection 2.

2.4 Price Risk – Banking Portfolio

The price risk associated with the banking book is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).
In further detail, the only listed securities consist of the equity investments in the parent company, Assicurazioni Generali, a limited package of Enel shares, and equity securities arising from the reclassification undertaken pursuant to the amendment to IAS 39.
The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

1. Banking portfolio: cash exposure in capital securities and UCITs

Type of exposure/Values	Book value	
	Listed	Unlisted
A. Capital securities	8,786	9,530
A.1 Shares	8,786	9,530
A.2 Innovative capital instruments	-	-
A.3 Other capital securities	-	-
B. UCITs	-	-
B.1 Under Italian law	-	-
- open-ended harmonised	-	
- open-ended non-harmonised	-	
- closed-ended	-	
- reserved	-	
- speculative	-	-
B.2 of other EU countries	-	-
- harmonised	-	-
- open-ended non-harmonised	-	
- closed-ended non-harmonised	-	
B.2 Non-EU countries	-	-
- open-ended	-	
- closed-ended	-	
Total	**8,786**	**9,530**

2. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

For a sensitivity analysis of changes in fair value of the regulatory trading portfolio, the reader is referred to paragraph 2.2, subsection 2.

2.5 Exchange Rate Risk

Exchange-rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.
The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.

Breakdown by currency of denomination for assets, liabilities, and derivatives

Items	Currency						Other	Total
	US dollar	Japanese yen	Swiss franc	Pound sterling	NZ dollar	AUD	currencies	currencies
A. Financial assets	**23,777**	**8,803**	**3,049**	**3,216**	**16**	**1**	**1,465**	**40,327**
A.1. Debt securities	35	-	-	-	-		-	35
A.2 Equity securities	280	930	-	-	-		-	1,210
A.3 Loans to banks	12,636	7,800	2,249	3,216	16	1	1,465	27,383
A.4 Loans to customers	10,826	73	800	-	-		-	11,699
A.5 Other financial assets	-	-		-			-	-
B. Other assets	**-**			**-**		**-**	**-**	**-**
C. Financial liabilities	**24,822**	**162,541**	**2,955**	**3,140**	**-**	**1,096**	**323**	**194,877**
C.1 Due to banks	10,820	84	804	-	-	-	-	11,708
C.2 Due to customers	7,425	7,349	2,151	3,140	-	1,096	323	21,484
C.3 Debt securities	6,577	155,108		-			-	161,685
D. Other liabilities	-	-	-	-	-	-	-	-
E. Financial derivatives	- 388	- 3,475	- 361	- 343	135		- 69	- 4,501
Options								
- long-term positions	-	-	-	-	-		-	-
- short-term positions	-	-	-	-	-		-	-
Other derivatives	- 388	- 3,475	- 361	- 343	135		- 69	- 4,501
- long-term positions	10,009	7,435	159,337	1,364	16,667		66	194,878
- short-term positions	10,397	10,910	159,698	1,707	16,532		135	199,379
Total assets	33,786	16,238	162,386	4,580	16,683	1	1,531	235,205
Total liabilities	35,219	173,451	162,653	4,847	16,532	1,096	458	394,256
Excess	- 1,433	- 157,213	- 267	- 267	151	- 1,095	1,073	- 159,051

2.6 Derivative Financial Instruments

A. Financial Derivatives

A.1. Regulatory and trading portfolio: notional amounts at period-end

Type of transaction/Underlying	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other amounts		Total at 31 December 2008		Total at 31 December 2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-		-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	1,368,993
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	43,988
- Purchased	-	-	-	-	-	-	-	-	-	-	-	18,994
° Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	18,994
° Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	24,994
° Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	24,994
° Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	2,208	-	28	-	-	38,717	-	-	2,236	38,717	1,886	33,845
- Purchases	1,103	-	14	-	-	16,416	-	-	1,117	16,416	1,647	20,411
- Sales	1,105	-	14	-	-	22,301	-	-	1,119	22,301	239	13,434
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31 December 2008	2,208	-	28	-	-	38,717	-	-	2,236	38,717	1,886	1,446,826

A.3 Financial derivatives: purchase and sale of underlying

Type of transaction/Underlying	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other amounts		Total at 31 December 2008		Total at 31 December 2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading portfolio:	2,208	-	28	-	-	38,717	-	-	2,236	38,717	1,886	1,446,826
1. Transactions with capital swap	2,208	-	28	-	-	38,717	-	-	2,236	38,717	1,886	53,845
- Purchases	1,103	-	14	-	-	16,416	-	-	1,117	16,416	1,647	27,411
- Sales	1,105	-	14	-	-	22,301	-	-	1,119	22,301	239	26,434
- Currencies against currencies	-	-	-		-	-	-	-	-	-	-	-
2. Transactions without capital swap		-	-	-	-	-	-	-	-	-	-	1,392,981
- Purchases	-	-	-	-	-	-	-	-	-	-	-	418,994
- Sales	-	-	-	-	-	-	-	-	-	-	-	973,987
- Currencies against currencies	-				-	-	-	-	-	-	-	-
B. Banking portfolio:									-	-	-	-
B.1 Hedging									-	-	-	-
1. Transactions with capital swap	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-		-	156,085	-	-	-	156,085	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without capital swap	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives									-	-	-	-
1. Transactions with capital swap	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without capital swap	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-

A.4 Over-the-Counter financial derivatives: positive fair value – counterparty risk

Counterparty/Underlying	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other amounts			Other underlying	
	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Offset	Future exposure
A. Regulatory trading portfolio														
A. 1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	-	-	-	-	-	-	550	-	-	-	-	-	-	-
A.4 Financial companies	-	-	-	-		-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	16	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	278	-	-	-	-	-	-	-
Total at 31 December 2008	-	-	-	-	-	-	844	-	-	-	-	-	-	-
Total at 31 December 2007	705	-	-	-	-	-	427	-	-	-	-	-	-	-
B. Banking portfolio														
B. 1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B2. Public institutions	-	-	-	-	-	-		-	-	-	-	-	-	-
B.3 Banks	-	-	-	-		-		-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-		-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-		-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	11,020	-	797	-	-	-	-	-
Total at 31 December 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31 December 2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.5 Over-the-counter financial derivatives: negative fair value – financial risk

Counterparty/Underlying	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other amounts			Other underlying	
	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Offset	Future exposure
A. Regulatory trading portfolio														
A. 1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	-	-	-	-	-	-	301	-	-	-	-	-	-	-
A.4 Financial companies	-	-	-	-		-	13	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	53	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	481	-	-	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31 December 2008	-	-	-	-	-	-	848	-	-	-	-	-	-	-
Total at 31 December 2007	7,214	-	60	-	-	-	471	-	10	-	-	-	-	-
B. Banking portfolio														
B. 1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B2. Public institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B.4 Financial companies	-	-	-	-		-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	2,324	-	757	-	-	-	-	-
Total at 31 December 2008	-	-	-	-	-	-	2,324	-	757	-	-	-	-	-
Total at 31 December 2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.6 Time-to-Maturity of financial derivatives "over the counter": (notional values)

Liabilities/Assets portfolio	Up to 1 year	Over 1 year, up to 5 years	Over 5 years	**Total**
A. Regulatory trading portfolio	**40,953**	**-**	**-**	**40,953**
A.1 Financial derivatives on debt securities and interest rates	2,208	-	-	2,208
A.2 Financial derivatives on equity securities and stock indices	28	-	-	28
A.3 Financial derivatives on exchange rates and gold	38,717	-	-	38,717
A.4 Financial derivatives on other valuables	-	-	-	-
B. Banking portfolio:	**156,085**	**-**	**-**	156,085
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equity securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	156,085	-	-	156,085
B.4 Financial derivatives on other valuables	-	-	-	-
Total at 31 December 2008	**197,038**	**-**	**-**	**197,038**
Total at 31 December 2007	**1,412,731**	**35,981**	**-**	**1,448,712**

Section 3 - Liquidity Risk

Liquidity risk is manifested in the form of the breach of payment obligations, which may be caused by an inability to procure funding (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk).
Liquidity risk also includes the risk of fulfilling payment obligations at above-market costs, incurring a high cost of funding, or (and, in some occasions, simultaneously) incurring capital losses on the divestment of assets.

The Group has established a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of liquidity risk.
The Finance Department (more specifically, the Treasury and Corporate Finance Office) conducts first-tier controls on operations of the Parent Company and is responsible for managing liquidity risk for several Group companies and keeping it within the assigned limits in accordance with strategic goals. The transactions set out in the Parent Company's Finance Rules, as approved by the Board of Directors, are as follows:

- transactions on the interbank deposit market (MID and EXTRA-MID);
- extraordinary advance transactions with fixed maturities with the Bank of Italy;
- repurchase agreement transactions for securities or currencies with the Bank of Italy;
- repurchase agreement transactions for securities or currencies with market counterparties.

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

The Internal Audit Service is responsible for third-tier controls of investment and fund-raising transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The Banca Generali Group is primarily a supplier of funds to the market and has historically had surplus liquidity. Liquidity management is aimed at optimising market cash flow and rates.
Part of cash on hand is allocated to interbank deposits in order to obtain the most efficient results in terms of treasury management.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with credit ratings from BBB to AAA and asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.
The securities portfolio also featured a moderate residual average maturity and a prevalence of floating-rate securities over fixed-income securities aimed at avoiding exposure to the risk of mismatching against the interest rates on the bank's liabilities.

The Group uses a maturity ladder to apply the guidelines set out in Annex D to the new prudential regulatory requirements[1] governing the measurement of net financial position.
The maturity latter permits an assessment of the balance of expected cash flows by comparing the assets and maturities whose maturities fall within each individual time range. The maturity ladder permits the determination of net balances and, consequently, of mismatches between expected inflows and outflows in each time range, as well as, through the construction of cumulative mismatches, the calculation of the net balance of funding requirements (or surpluses) over the holding period considered.

1. Breakdown of assets and liabilities by maturity

Item /Time-to-Maturity	On demand	Over 1 days up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indef. maturity	Total
Cash assets											
A.1 Government securities	-	-	-	-	9,983	37,503	249,400	259,976	71,882	-	628,744
A.2 Other debt securities – listed	-	-	-	73,353	90,402	215,218	169,192	685,283	89,669	-	1,323,117
A.3 Other debt securities	879	-	-	2,016	3,078	-	3,973	173,239	230,516	-	413,701
A.4 OICR quotas	1,393	-	-	-	-	-	-	-	-	-	1,393
A.5 Loans	-	-	-	-	-	-	-	-	-	-	-
- to banks	349,883	164,256	90,119	154,362	70,515	-	-	-	-	40,949	870,084
- to customers	306,881	1,767	658	15,610	19,288	21,200	39,072	46,097	39,600	30,217	520,390
Total	**659,036**	**166,023**	**90,777**	**245,341**	**193,266**	**273,921**	**461,637**	**1,164,595**	**431,667**	**71,166**	**3,757,429**
Cash liabilities										-	
B.1 Deposits										-	-
- from banks	792	-	238	10,282	1,030	-	-	-	4,650	-	16,992
- from customers	2,952,346	8,800	-	-	5,495	-	-	24,000	16,000	-	3,006,641
B.2 Debt securities	-	22,021	13,397	40,145	88,634	13,898	-	-	-	-	178,095
B.3 Other liabilities	57,517	66,851	72,271	142,408	141,695	301	-	-	-	-	484,043
Total	**3,010,655**	**97,672**	**88,906**	**192,835**	**236,854**	**14,199**	**-**	**24,000**	**20,650**	**-**	**3,685,771**
Off-balance sheet transactions											
C.1 Financial Derivatives With capital swap.								-	-	-	-
- long-term positions	824	1,703	374	60,676	5,057	9,564	7,051	527	48	-	85,824
- short-term positions	824	1,974	740	67,910	7,129	11,937	8,395	255	48	-	99,212
C.2 Financial derivatives to be collected	-	-	-	-	-	-	-	-	-	-	-
- long-term positions	-	-	-	-	-	-	-	-	-	-	-
- short-term positions	-	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitment to dispense funds	-	-	-	-	-	-	-	-	-	-	-
- long-term positions	3,269	-	-	290,084	-	1,459	9,000	1,562	170	165	305,709
- short-term positions	15,750	-	-	-	-	-	-	-	-	-	15,750
Total	**20,667**	**3,677**	**1,114**	**418,670**	**12,186**	**22,960**	**24,446**	**2,344**	**266**	**165**	**506,495**

[1] Circular no. 263 of 27 December 2006, "New Prudential Regulatory Provisions for Banks".

2. *Breakdown of financial liabilities by business*

Exposure/counterparty	Government and central banks	Other public institutions	Financial companies	Insurance companies	Non-financial companies	Other entities	Total
1. Due to customers	7	1,575	337,709	721,217	368,853	2,063,677	3,493,038
2. Securities issued	-	-	3,310	16,399	-	158,385	178,094
3. Financial liabilities held for trading	-	-	13	53	-	782	848
4. Financial liabilities at fair value	-	-	-	-	-	-	-
Total at 31 December 2008	**7**	**1,575**	**341,032**	**737,669**	**368,853**	**2,222,844**	**3,671,980**
Total at 31 December 2007	**15**	**26,993**	**271,477**	**1,092,771**	**265,791**	**2,116,224**	**3,773,271**

3. *Geographical breakdown of financial liabilities*

Exposure/counterparty	Italy	Other European countries	America	Asia	Rest of the world	Total
1. Due to customers	3,318,448	169,833	4,338	18	401	3,493,038
2. Due to banks	1,339	15,654		-	-	16,993
3. Securities issued	161,695	16,399	-	-	-	178,094
4. Financial liabilities held for trading	494	354	-	-	-	848
5. Financial liabilities at fair value	-	-	-	-	-	-
Total at 31 December 2008	**3,481,976**	**202,240**	**4,338**	**18**	**401**	**3,688,973**
Total at 31 December 2007	**3,654,759**	**128,474**	**3,142**	**64**	**1,121**	**3,787,560**

Section 4 - Operating Risk

Operating risk can be defined as the possibility of loss resulting from the inadequacy or failure of processes, human resources or internal systems, or from external events. This category includes losses deriving from fraud, human error, interrupted operations, system breakdown, breaches of contract, and natural catastrophes. Operating risk includes legal risk, which may be defined as the risk of losses arising from breaches of laws or regulations, liability under contract or in tort, or other disputes.

Operating risk is intrinsically linked to all of the operations carried out by Group companies, that involve the use of human resources, processes, systems and tangible and intangible assets.

The Group has established an operating risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of operating risk.

The Organisation and IT Department ensures the efficient operation of application procedures and IT systems for the entire Banking Group, in support of organisational processes within the context of the management of operating risk.
The Legal and Compliance Department is tasked with contributing to the management of operating risks, to the extent of its competence, through the management and monitoring of law suits. Particular attention is devoted to the control and monitoring of the risk of fraud, a risk of particular importance to the Group, given its organisational configuration.
The Risk Management Service is responsible for third-tier controls of operating risk and is consequently tasked with identifying, measuring, controlling and managing operating risk.
The Internal Audit Service is responsible for third-tier controls of operating risk.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

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

Public Information Pursuant to Title IV of Circular No. 263 Dated 27 December 2006, as amended

Public Information Pursuant to Title IV of Circular No. 263 Dated 27 December 2006, as amended shall be published on the Bank's website (www.bancagenerli.com)

Part F – Information on Net equity

Section 1 – Consolidated Net Equity

A. Qualitative Information

The Group's capital management strategy aims to ensure that the capital and ratios of Banca Generali and the banks and financial companies it controls are consistent with its risk profile and regulatory requirements.
Banca Generali Group and the banks and financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the Bank of Italy.
Such rules require that banks maintain a certain level of capital for regulatory purposes, which is separate from the net equity stated in the financial statements. Regulatory capital requirements are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.
Moreover, the ratio of regulatory capital to consolidated risk-weighted assets must be at least 8%; the Bank of Italy verifies conformity with these requirements every six months.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis as well as safeguarding the related databases of historical information.
The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Additional analysis and control of the Group's capital adequacy is also carried out any time the Group carries out extraordinary transactions (e.g. acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
1. Share capital	111,313	111,313	0	0.00%
2. Additional paid-in capital	22,804	22,804	0	0.00%
3. Reserves	61,051	65,729	-4,678	-7.12%
4. (Treasury shares)	-7,424	-8,112	688	-8.48%
5. Valuation reserves	-6,754	945	-7,699	-814.71%
6. Equity instruments	0	0	0	0.00%
7. Net profit (loss) for the period	7,935	15,288	-7,353	-48.10%
Total net equity	**188,925**	**207,967**	**-19,042**	**-9.16%**

Section 2 – Net Equity and Bank Surveillance Coefficients

2.1 Capital for regulatory purposes

A. Qualitative Information

The Group's capital for regulatory purposes and capital ratios were calculated based on the balance sheet and profit and loss account, which were prepared in accordance with IAS/IFRS, and bearing in mind the new rules defined in the Circular Letter No. 263/06 concerning the "New Prudential Regulatory Requirements".
The objective of the new provisions is to ensure consistency between the criteria for determining capital for regulatory purposes and capital ratios and IAS.

Capital for regulatory purposes is calculated as the sum of positive items, which are included based on certain limitations, and negative items, which are included based on their quality; the positive items must be fully available to the bank in order for them to be used in calculating capital absorption.
Capital for regulatory purposes is made up of core capital (Tier I) and supplementary capital (Tier II) net of certain deductions. In particular:
- Tier 1 capital includes paid-up capital, additional paid-in capital, income reserves and capital reserves, innovative capital instruments, and net profit less treasury shares or own quotas, intangible assets and losses recorded in previous years and the current year;
- Tier 2 capital includes revaluation reserves, hybrid capital instruments and subordinated liabilities, less allowances for loan losses relating to country risk and other negative elements.

Deductions from Tier 1 and Tier 2 capital include equity investments and other items (innovative capital instruments, hybrid capital instruments and subordinated assets) issued by banks, financial companies and insurance companies and the so-called "prudential filters".

The prudential filters, which were specified by the Basel Committee in defining the criteria to be used by national supervisory authorities to ensure consistency among regulations, were introduced to safeguard the quality of regulatory capital and reduce the volatility that could result from the application of the new standards. The prudential filters provide certain adjustments that can be made to accounting entries prior to their use for regulatory purposes. In particular, the aspects of the new provisions that most affect Banca Generali Group include:
- for financial assets held for trading, both unrealised gains and losses are fully recognised;
- for financial assets available for sale, unrealised gains and losses are netted: if the result is a negative balance, it reduces Tier 1 capital; if it is positive, it contributes for 50% to Tier 2 capital. Furthermore, any unrealised gains and losses on loans classified as available-for-sale are sterilised;
- for hedges, unrealised gains and losses on cash-flow hedges, which are recorded in a specific reserve, are sterilised; no filter is applied to fair-value hedges.

Based on the supervisory instructions, the capital for regulatory purposes must amount to at least 8% of its risk-weighted assets (total capital ratio) in relation to credit risk, which is evaluated based on the category of the counterparty, maturity, country risk and guarantees received.

Banks are also required to comply with regulatory capital requirements connected to trading activities. Related market risks are calculated on the entire trading portfolio for each different type of risk: debt securities risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.

Banks are also required to set aside part of their regulatory capital to cover the operating risk, which, in the case of a Banking group, should be calculated using the basic method set forth by the Circular No. 263 of the Bank of Italy dated 27 December 2006.
Internal models may be used to calculate capital requirements for market risk; however, Banca Generali uses standard methods under all circumstances.

B. Quantitative Information

The following is a brief account of the structure of the Group's capital for regulatory purposes, broken down into its main tier 1 and tier 2 components.
Capital for regulatory purposes and capital requirements have been determined taking into account a dividend equal to 84% of the consolidated profit for the year, based on the same criteria adopted for 2007.
The following table illustrates the impact of the application of the prudential filters set out by the Basel Committee on the calculation of capital for regulatory purposes.

Composition of Capital for Regulatory Purposes

Items/Values	31/12/2008	31/12/2007
Tier 1 CAPITAL		
Share capital	111,313	111,313
Additional paid-in capital	22,804	22,804
Reserves	61,051	65,729
Net profit (loss) for the year	7,935	15,288
Dividends for pay-out	- 6,637	- 19,873
Total positive items	196,466	195,261
Treasury shares	- 7,424	- 8,112
Goodwill	- 38,632	- 7,541
Intangible assets	- 13,274	- 6,457
Negative fair value reserve for AFS debt securities	- 4,009	- 107
Negative fair value reserve for AFS equity securities	- 2,784	
Total negative items	- 66,123	- 22,217
Total Tier 1 capital	**130,343**	**173,044**
Tier 2 CAPITAL		
Valuation reserves	-	-
- revaluation reserve	39	39
positive fair value reserve for AFS equity securities	-	1,013
Subordinated loan	44,650	4,650
Total positive items	44,689	5,702
Inapplicable portion of positive AFS reserve	-	- 506
Other negative items	- 75	- 111
Total negative items	- 75	- 617
Total Tier 2 Capital	**44,614**	**5,085**
Tier 3 capital	**-**	**-**
Total capital for regulatory purposes	**174,957**	**178,129**

Prudential Filters

	31/12/2008	31/12/2007
A. Tier 1 capital before application of prudential filters	137,136	173,151
B. Prudential Tier 1 capital filters:	- 6,793	- 107
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	- 6,793	- 107
C. Tier 1 capital before deductions	130,343	173,044
D Deductions from Tier 1 capital	-	-
E. TIER 1 capital (C - D)	130,343	173,044
F. Tier 2 capital before application of prudential filters	44,614	5,591
G. Prudential filters of tier 2 capital:	-	- 506
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	- 506
H. Tier 2 capital before deductions	44,614	5,085
Deductions from Tier 2 capital	-	-
L. TIER 2 capital (H - I)	44,614	5,085
M. Total tier 1 capital and tier 2 capital after application of prudential filters	174,957	178,129

N. Items to deduct from total tier 1 and tier 2 capital	-	-
O. Capital for regulatory purposes	**174,957**	**178,129**
TIER 3 capital	-	-
Capital for regulatory purposes, including TIER 3	**174,957**	**178,129**

2.2. Capital Adequacy

A. Qualitative Information

At 31 December 2008, **capital for regulatory purposes** was 175.0 million euros, decreasing by 3.2 million euros compared to 31 December 2007.
The solvency ratio amounted to 12.14%, compared to a minimum requirement of 8%.

B. Quantitative Information

	31/12/2008		31/12/2007	
	Non weighted amounts	Weighted amounts	Non weighted amounts	Weighted amounts
A. RISK ACTIVITY	4,036,072	1,037,970	1,857,696	702,368
A.1 Credit and counterparty risk				
1. standardised method	3,862,591	986,765	1,857,696	702,368
2. internal rating method	-	-	-	-
2.1 basic	-	-	-	-
2.2 advanced	-	-	-	-
3. securitisation	173,481	51,205	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK		**83,038**		**56,189**
B.2 MARKET RISKS		**5,458**		**50,989**
1. Standard methodology	X	5,458	X	50,989
2. Internal models	X	-	X	-
3. Foreign exchange risk		-		
B.3 OPERATING RISK	X	**26,795**	X	-
1. Basic method	X	26,795	X	-
2. Standardised method	X	**-**	X	-
3. Advanced method	X	-	X	-
B.4 OTHER PRUDENTIAL REQUIREMENTS	X	**-**	X	**6,371**
B.5 TOTAL PRUDENTIAL REQUIREMENTS	X	**115,291**	X	**113,549**
C. RISK-WEIGHTED ASSETS AND REGULATORY CAPITAL RATIOS				
C.1 Risk-weighted assets	X	**1,441,138**	X	**1,419,368**
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	X	**9.04%**	X	**12.19%**
C.3 Capital for regulatory purposes/Risk-weighted assets (Total capital ratio)	X	**12.14%**	X	**12.55%**

Part G – Mergers of Companies or Business Units

1. Mergers of Companies or Business Units

No business combinations were carried out in 2008 that were accounted for under IFRS 3 *Business Combinations*.
The acquisition of Banca del Gottardo Italia by BSI SA, a Swiss subsidiary of the Assicurazioni Generali Group, is a business combination involving entities under common control, therefore IFRS 3 does not apply, as established by its paragraph 3b.

1.2 Annual Changes in Goodwill

(€ thousand)	
Amount at year-start	7,541
Increases	31,352
Purchases	31,352
of which business combinations	31,352
Reversal value	0
Fair value increases	0
Other changes	
Decreases	261
Sales	0
Adjustments	*0*
of which: a) depreciation and amortisation	*0*
b) write-downs	*0*
Fair value reductions	
Other changes	*261*
Amount at year-end	**38,632**

The banking group's goodwill amounted to 38.6 million euros at 31 December 2008, due to the acquisition of Banca del Gottardo Italia (+31.4 million euros) and the reclassification of goodwill associated with the subsidiary Simgenia S.p.A. to groups of assets available for sale pursuant to IFRS 5.

In detail, Banca del Gottardo's assets and liabilities have therefore been recognised at their carrying values upon initial recognition in the consolidated financial statements of the common parent company, Assicurazioni Generali S.p.A, on the basis of the PPA – Purchase Price Allocation, drafted pursuant to IFRS3, following the acquisition of the Swiss banking Group Banca del Gottardo.
As a result, the Group's goodwill is as shown in the following table.

(€ thousand)	31/12/2008	31/12/2007
Prime Consult and Ina sim	2,991	2,991
Simgenia S.p.A.	-	261
BG Fiduciaria Sim S.p.A.	4,289	4,289
Banca del Gottardo Italia	31,352	-
Total	**38,632**	**7,541**

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Goodwill is monitored at the central function level. However, as required by IAS, the net book values of goodwill were allocated to the following segments for impairment testing

- Prime Consult and INA SIM (distribution)
- BG Fiduciaria (asset management)
- Banca del Gottardo Italia (distribution/asset management).

Banca del Gottardo Italia

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered.

Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method as the control method.
In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of a company is a function of the dividend flows that it is capable of generating prospectively over the chosen holding period.
The empirical control method employed was the comparable market multiples method.

The earnings and cash flow projections for the CGU consisting of Banca del Gottardo Italia have been drawn from said bank's 2009-2011 financial projections.
The expected long-term growth rate after the explicit forecasting period employed to determine the terminal value was set at between 1.5% and 2.5%.
The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model, was estimated at between 8.5% and 9.5%.

Impairment tests carried out on the CGU specified did not indicate goodwill impairment.

The results of the sensitivity analysis required by IAS 36.134 f), conducted in order to determine that the result would be confirmed even in the event of a shift in the assumptions applied (long-term growth rate and cost of capital), were also positive.

Goodwill associated with BG Fiduciaria, Prime Consult and INA SIM

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered. Specifically, the following were used to determine value in use:

- the CGU's earnings and cash flow projections, extrapolated from the 2009-2011 forecast figures prepared by the Group's management;
- analytical methodologies based on discounting expected future cash flows;
- the cost of capital estimated at 9.0% - 10.0% based on the Capital Asset Pricing Model.
- a long-term growth rate, beyond the explicit forecasting period, estimated at between 2% and 2.5%.

The following factors were considered when calculating fair value:

- the comparable market and trading multiples method;
- a goodwill/assets under management (AUM) multiple drawn from a sampling of listed Italian and international companies operating in the industry and from a sampling of transactions undertaken in the assets under management industry in Italy in 2008.

Impairment tests carried out on the two CGUs specified did not indicate goodwill impairment.

The results of the sensitivity analysis required by IAS 36.134 f), conducted in order to determine that the result would be confirmed even in the event of a shift in the assumptions applied (long-term growth rate and cost of capital), were also positive.

Part H – Transactions with Related Parties

1. Disclosure of Directors and Executives Compensation

IAS 24 defines key management personnel as "those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors (whether executive or otherwise)" and establishes that key management personnel of an entity or an entity's parent are to be considered related parties.

In this regard, the governance code adopted by the Group, on the subject of dealings with related parties, identifies the following types of entities:

- the members of the Banca Generali's Board of Directors and Board of Auditors;
- the Company's General Manager and executives invested with managerial powers and/or credit-approval powers directly by the Banca Generali's Board of Directors;
- executives with strategic responsibilities for the Company's Subsidiary Companies, as identified by the administrative organs of the latter from time to time and notified to Banca Generali;
- executives with strategic responsibilities for the Company's parent company, as identified by the administrative organ of the latter from time to time and notified to Banca Generali.

In the banking group's financial statements, key management personnel were identified as the directors, statutory auditors, the general manager, and the two assistant general managers of Banca Generali, as well as persons holding similar positions at the Group's subsidiaries.

Key management personnel were also considered to include those of the parent company, Assicurazioni Generali, as explicitly disclosed in the latter's financial statements (i.e., the parent company's directors, statutory auditors, and general managers).
Disclosure for persons not filling positions with Banca Generali (directors, auditors) concerned current financial dealings (mortgages, etc.) only.

As required by IAS 24, the total compensation recorded in the consolidated profit and loss account for the year is disclosed below, broken down by personnel category and type.

(€ thousand)	31/12/2008				31/12/2007
	Directors	Auditors	Managers	Total	Total
Short-term benefits (current comp. and social security charges)	1,668	295	2,925	4,888	6,064
Post-employment benefits	175	-	317	492	538
Other long-term benefits	-	-	-	-	-
Severance indemnities	-	-	-	-	-
Share-based payments	- 322	-	- -	322	17
Total	**1,521**	**295**	**3,242**	**5,058**	**6,619**

2. Disclosure of Transactions with Other Related Parties

Other related parties are defined as per IAS 24, concerning related party disclosures in financial statements, adopted in compliance with the procedure established by Art. 6 of EC Regulation No. 1606/2002.

According to this standard, a party is related to an entity if:
a) directly or indirectly, through one or more intermediaries, the party:
(i) controls, is controlled by, or is under common control with the entity (this includes parents, subsidiaries and associates);
(ii) has an interest in the entity that gives it significant influence over the entity; or
(iii) has joint control over the entity;
b) the party is an associate of the entity as defined in IAS 28;
c) the party is a joint-venture in which the entity is a venturer as per IAS 31;
d) the party is a member of the key management staff of the entity or its parent;
e) the party is a close member of the family of any individual referred to in (a) or (d);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

In accordance with IAS 24, the banking group's related parties, in addition to the entities set out under d) in paragraph 1 above, consisted of the following:

- the Parent Company, Assicurazioni Generali S.p.A.;
- companies that are either directly or indirectly controlled by Assicurazioni Generali (subsidiaries);
- associate companies (Eura).

Disclosure of Transactions with Related Parties

1. Balance Sheet Data

(€ thousand)	Parent Company Assicurazioni Generali	Other associate companies Generali Group	Other related parties	31/12/2008	31/12/2007	Changes Amount	%
Financial assets held for trading	41	-	-	41	116	- 75	-64.7%
Financial assets available for sale	849	-	-	849	1,371	- 522	-38.1%
Loans to customers	28,308	1,028	228	29,564	53,065	- 23,501	-44.3%
Loans to banks	-	40,503	-	40,503	42,066	- 1,563	-3.7%
Tax assets (AG tax consolidation)	24,284	-	-	24,284			
Other assets	28	4,203		4,231	690	3,541	513.2%
Total assets	**53,510**	**45,734**	**228**	**99,472**	**97,308**	**- 22,120**	**2.2%**
Due to customers	452,948	664,932	4,073	1,121,953	1,341,646	- 219,693	-16.4%
Due to banks	-	15,641	-	15,641	5,226	10,415	199.3%
Financial liabilities held for trading	-	-		-	131	- 131	-100.0%
Other liabilities	557	4,102		4,659	4,597	62	1.3%
Total liabilities	**453,505**	**684,675**	**4,073**	**1,142,253**	**1,351,600**	**- 209,347**	**-15.5%**
Guarantees issued		**1,290**	**-**	**1,290**	**3,274**	**- 1,984**	**-60.6%**

2. Profit and Loss Account Data

(€ thousand)	Parent Company Assicurazioni Generali	Other associate companies Generali Group	31/12/2008	31/12/2007	Changes Amount	%
Interest income	1,525	2,598	4,123	1,565	2,558	163.5%
Interest expense	- 16,677	- 18,381	- 35,058	- 26,276	- 8,782	33.4%
Net interest	**- 15,152**	**- 15,783**	**- 30,935**	**- 24,711**	**- 6,224**	**25.2%**
Commission income	116	49,282	49,398	100,777	- 51,379	-51.0%
Commission expense	- 35	- 1,217	- 1,252	- 5,305	4,053	-76.4%
Net commissions	**81**	**48,065**	**48,146**	**95,472**	**- 47,326**	**-49.6%**
Dividends	40	-	40	30	10	33.3%
Gain (loss) on trading	-	-	-	-	-	0.0%
Operating income	**- 15,031**	**32,282**	**17,251**	**70,791**	**- 53,540**	**-75.6%**
General and administrative expense	- 3,450	- 12,735	- 16,185	- 14,117	- 2,068	14.6%
Personnel expenses (secondment)	- 20	687	667	- 457	1,124	-246.0%
Other net operating profit	50	169	219	375	- 156	-41.6%
Net operating expense	**- 3,420**	**- 11,879**	**- 15,299**	**- 14,199**	- 1,100	7.7%
Operating income	**- 18,451**	**20,403**	**1,952**	**56,592**	**- 54,640**	**-96.6%**

Direction and Coordination

Pursuant to Article 2497-*bis* of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.
A summary of the main items of this company's latest Financial Statements is reported hereunder.

HIGHLIGHTS OF ASSICURAZIONI GENERALI S.p.A.

(€ million)	FY 2007
Total gross premiums	9,759.7
Total gross premiums from direct business	7,502.5
Change on equivalent terms [(a)]	*4.9%*
Total gross premiums from indirect business	2.257,2
Change on equivalent terms [(a)]	*6.1%*
Acquisition and administration costs	1.402,1
Impact on premiums	*15.8%*
Life gross premiums	5,835,8
Change on equivalent terms [(a)]	*7.1%*

Life gross premiums from direct business		4.094,1
	Change on equivalent terms [a]	*5.4%*
Life gross premiums from indirect business		1.741.7
	Change on equivalent terms [a]	*11.2%*
Life acquisition and administration costs		615.2
	Impact on premiums	*11.0%*
Non-life gross premiums		3,923.9
	Change on equivalent terms [a]	*2.5%*
Non-life gross premiums from direct business		3,408.4
	Change on equivalent terms [a]	*4.3%*
Non-life gross premiums from indirect business		515.5
	Change on equivalent terms [a]	*-8.1%*
Non-life acquisition and administration costs		786.9
	Impact on premiums	*24.1%*
	Non-life loss ratio	*70.2%*
	Non-life net combined ratio	*94.3%*
Current financial result		3,133.1
Technical provisions		39,768.4
Investments		56,891.3
Capital and reserves		9,513.6
Net profit		1,401.1
Aggregate dividend		1,269.0
	Increase	*32.4%*
(*) At constant exchange rates.		

The highlights of the Parent Company Assicurazioni Generali S.p.A shown above were taken from the company's financial statements for the year ended 31 December 2007. These are available together with the Independent Auditor's Report as provided for by the law. Consequently, these figures are not subject to audit performed by the auditing firm entrusted by Banca Generali pursuant to Article 156 of Legislative Decree No. 58/98.

Part I – Payment Agreements Based on Own Equity Instruments

A. Qualitative Information

Payment Agreements Based on Own Equity Instruments

At 31 December 2008, Banca Generali activated share-based payment agreements consisting of two stock option plans reserved for financial advisors and some group managers, respectively, a stock-granting plan in favour of top management, and one stock-granting plan reserved for former Prime Consult Network financial advisors.
On 19 January 2007, Banca BSI's Board of Directors approved a stock-option plan for the bank's Chairman.
The main features of the aforementioned plans are detailed below.

1. Stock Option Plans for Employees and Financial Advisors

On 24 May 2006, Banca Generali's Board of Directors approved two stock option plans, both of which are conditional on the commencement of the trading of the company's stock on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A.

- under the first plan, which is reserved for employees of companies belonging to Banca Generali Group, a maximum amount of 1,113,300 ordinary shares can be issued;
- under the second plan, which is reserved for Banca Generali's financial advisors, area managers and business managers and the private bankers in the BSI channel, a maximum of 4,452,530 shares can be issued.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting passed a resolution for a splittable capital increase, subject to the admission of the company's shares to trading on the electronic share market (MTA) for a maximum notional amount of 5,565,660 euros, through the issuance of a maximum 5,565,660 ordinary shares with a par value of 1.00 euro.

These plans became operational with the commencement of the trading of the ordinary shares of Banca Generali on the electronic share market (MTA) on 15 November 2006. On 15 December 2006, 4,452,530 options were assigned to financial advisors and **818,500** options to Group executives; the strike price of both sets of options was 9.046 euros.

The options granted under the plan reserved for employees of banking group companies amounted to a total of **884,000** at the end of 2008. During the year, a total of **65,000** new option rights were granted at an average strike price of **5.593** euros and **33,000** rights held by three terminated executives were cancelled.

Option rights granted to financial advisors amounted to 2,617,940 at the end of the year, gross of expected future severances, and decreased considerably during the previous year due to the failure to achieve the individual quantitative targets for net inflows established upon granting.
In addition, the first tranche of options assigned to financial advisors, in the total amount of 872,446 rights, reached maturity in January 2009. These rights may be exercised through 31 March 2011.

1.1 Measurement of fair value

Valuation of the stock option plan was based on the fair value of the options assigned, calculated on the options assignment date.
The calculation is based on a model whose inputs include the strike price, time-to-maturity, the exercise period, the shares' spot price, their implied volatility, expected dividends, and the risk free interest rate. Other peculiar features of the plan are considered, such as different dates and exercise conditions. The binomial pricing model also takes into account the possibility of early exercise.

To calculate the initial value of plans, in consideration of the recent Banca Generali listing and so the lack of a significant historical series, the expected volatility was measured based on the prices of the most liquid 3-month options on the shares of listed issuers with similar structural features and 5-year options on the S&P MIB index. Interest rates are calculated using the interbank rate swap curve; the expected dividend is based on the bank's projections.
Therefore, the calculations for the plan reserved for employees were based on the option's fair value at 1.94 euros, while for the financial advisors' plan the fair value of 1.73 and 1.59 euros was used, based on the expected exercise date.

Effective market parameters drawn from the performance of the stock's list price and the most recent projections as to the development of company parameters shall be applied to subsequently granted options.
The new options assigned in the first few months of 2008 (January and April) have been measured at a fair value between 0.8 and 1.459 euros due to the severe volatility of the markets.

The impact on the profit and loss account is measured based on the maturity period of the options, i.e. the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

2. Stock Granting Plan Reserved for the Chief Executive Office and the General Manager

On 24 May 2006, the Board of Directors approved a Stock Granting Plan envisaging the allotment of up to 667,880 Banca Generali ordinary shares, with a nominal value of 1.00 euro each, in favour of Chief Executive Officer Giorgio Girelli and General Manager Piermario Motta.
Specifically:
(i) Chief Executive Officer Giorgio Girelli will be freely assigned up to 389,596 ordinary shares, with a par value of 1.00 euro each, or the least number of shares worth a total of not more than 4,000,000 euros, calculated based on the Offer Price;
(ii) General Manager Piermario Motta will be freely assigned up to 278,284 ordinary shares, with a par value of 1.00 euro each, or the least number of shares worth a total of not more than 3,000,000.00 euros, calculated based on the Offer Price.

The Banca Generali Shareholders' Meeting held on 18 July 2006 approved the plan, authorising the Board of Directors to buy back up to 667,880 Banca Generali ordinary shares to service it. The plan became operative with Banca Generali's admission to listing on the electronic share market.

The shares shall be assigned within 5 years following the commencement of trading of shares in the Company on the electronic share market, and provided that, at the time of assignation the assignee still serves the Company as a Director or employee (save in the event where the relationship was terminated by the Company for reasons other than wilful misconduct or gross negligence on the part of the assignee). There will be a one-year lock-up period from the assignment date on 50% of the shares assigned to each recipient. This period will end before the preset term if the mandate or employment terminates on the Company's initiative and for reasons other than the beneficiary's fraud or negligence.

At the end of 2008, the shares to service the plan had not yet been assigned to the beneficiaries.

2.1 Measurement of fair value

The stock granting plan in favour of the Chief Executive Officer and the General Manager changed from its original formulation: now the Chairman of the Board of Directors will assign the shares within a maximum period of five years.
This change is a modification of the vesting conditions that is not beneficial to the employee, which, in accordance with IFRS 2, section B44, requires that the "*entity shall nevertheless continue to account for the services received as consideration of the equity instruments granted as if that modification had not occurred*".
For this reason the charge arising from this stock granting plan was recognised as if the vesting conditions were satisfied at original grant date, coinciding with the suspension condition or Banca Generali's admission to trading on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A..
The full cost of the plan was consequently charged to financial year 2006.
The fair value of the shares was calculated according to the price set for the public offering on 11 November 2006, 8.0 euros. The plans consequently had a total value of 5,343 thousand euros, gross of the tax effect.

3. The stock granting plan for Prime Consult network advisors

The Board of Directors of the subsidiary Prime Consult SIM S.p.A. adopted a resolution on 16 June 2001 for the *stock granting plan for Prima Consult network advisors* and, after the merger on 31 December 2002, the Board of Directors of Banca Generali acknowledged and integrated it on 9 April 2004 and 22 May 2005.

The plan called for the free assignment of Banca Generali shares to network advisors and managers until 31 December 2001 who had achieved at that date specific individual targets and if the further conditions of the Banca Generali listing and the beneficiaries' having maintained the agreed inflow targets had been verified.
Specifically, according to the plan, qualifying advisors were issued a number of Banca Generali shares equal to the ratio between the value of the objective reached and the issue price of Banca Generali's shares on the stock market.
Stock granting was to be carried out in three annual tranches. On 12 October 2004, the bank's Board of Directors extended the time limits of the stock granting programme (conditional on the bank's listing on a regulated market) and established the following schedule for allocating the tranches:

- 1/3 of the shares included in the plan within 30 days of the company's listing on a regulated market; this allotment occurred on 15 December 2006;
- 1/3 of the shares included in the plan within 12 months of the first granting (15 December 2007);
- 1/3 of the shares included in the plan within 24 months of the first granting (15 December 2008).

The absorbed company originally purchased 1,200,000 shares in 2001 for a total of 3,873 euros in service of this plan.
In connection with the first two tranches of the stock-granting plan, 961,032 shares in the bank had already been granted at the date of approval of the financial statements, with a further 239,968 shares remaining (250,029 at the end of 200).
Since the maximum number of shares remaining to be allocated had been estimated in the amount of 436,500, the General Meeting of 22 April 2008 authorised (pursuant to Articles 2357 and 2357-ter of the Italian Civil Code) the purchase of the 197,532 shares needed to make up that number and comply with the stock granting plan.
Pursuant to such authorisation, 197,532 treasury shares were repurchased during the year for 1,016 thousand euros, for an average book value of 5.08 euros each.
In financial year 2008, financial advisors were granted a total of 418,295 shares in service of the plan.

The resolution of the board of directors concerning the stock granting of ordinary shares of the Bank to financial advisors was completed prior to 14 November 2002 — the date established for the application of the new IFRS 2 (*Share-based payments*) — and was modified prior to 1 January 2005, the date the standard became effective. The transaction was fully recognised in the profit and loss account by the merged company Prime Consult, in 2002. Based on the transitory provisions contained in paragraphs 53 et seq. of IFRS 2, this transaction can therefore be exempted from the application of this standard but it will have an impact exclusively in the balance sheet once the rights mature.

4. Parent Company Banca BSI Italia's Stock Option Plans

On 19 January 2007, Banca BSI's Board of Directors approved a stock-option plan for the bank's Chairman, who is not employed by the bank and was therefore not covered by the stock-option plan for the bank's managers.

The main aspects of the plan are:

- number of options allocated: 60,000 options on Banca Generali ordinary shares;
- allocation date: 19/01/2007 (date of the resolution by the Board of Directors and approval of the Plan Rules)
- strike price: average price of Banca Generali shares on Italy's stock market between the allocation date and the same day of the previous month (10.546 euros);
- maturity date of the options: no less than 3 years from the allocation date, i.e. not before 19/01/2010;
- procedures for exercising: in one or more tranches in the 3 years following the maturity date, i.e., from 19/01/2010 to 19/01/2013;
- vesting conditions:

- performance condition: achievement of 90% of group's consolidated 2006 budget (condition verified by Banca Generali's Board Meeting on 14/03/2007);
- service condition: maintenance of the office of Chairman of the Board, except in the case of dismissal for reasons not depending on and not attributable to the Chairman;

- other conditions: reinvestment of at least 50% of the gain realised on the sale of shares obtained through the exercise of options in other Banca Generali shares; obligation of not disposing of such shares in the 12 months following their purchase.

For the plan, Banca BSI acquired on the market 60,000 shares of the parent company Banca Generali for a book value of 588 thousand euros.

4.1 Measurement of fair value

The fair value of the options assigned was calculated according to the same methods employed for the Group's managers and financial advisors, as analysed in paragraph 1.1.
Based on the parameters set, the value of the option was initially calculated as 2.7848 euros.
The impact on the income statement was measured based on the options' maturity period, i.e. the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for recipients will not be realised.

B. Quantitative Information

As previously indicated, the charges associated with the stock granting plans reserved for top management, which, based on IFRS 2, were calculated at 5,343 thousand euros (pre-tax), were recognised in the profit and loss account in 2006, with a contra-entry in a separate reserve under net equity for share-based payments. Deferred taxes on these plans were set aside according to the plans' method of execution, namely the purchase of own shares on the market.

The charges recorded in the profit and loss account in 2008 in relation to the new stock option plans approved in 2006 for the Group's executives and financial advisors amounted to 2.4 million euros, of which 1.8 million euros to financial advisor plans and 0.6 million to executive plans.
Based on IFRS 2, these charges were recognised directly in a reserve under net equity, in which the item stock option amounted to 4.3 million euros at 31 December 2008.

The costs charged to the consolidated profit and loss account for the stock-option plan authorised by the subsidiary Banca BSI Italia totalled 108 thousand euros, based on the same procedures established for the employees of the parent company.

(€ thousand)	Top Managers	Average Prices	Financial Advisors	Average Prices	Employed Managers	Average Prices	Total 2008	Average Prices	Average Maturity
A. Amount at year-start	727,880	0.49	2,515,946	9,005	852,000	9,050	4,095,826	7.50	2010-13
B. Increases	-	-	190,326	9,005	65,000	5,593	255,326	14.60	-
B.1 Newly issued shares					65,000	5,593	65,000	5.59	2010-13
B0.2 Other changes			190,326	9,005	-		190,326	9.00	
C. Decreases	-	-	- 88,332	9,005	- 33,000	9,0046	- 121,332	9.00	-
C.1 Cancelled			- 88,332	9,005	- 33,000	9,005	- 121,332	9.00	2010-13
C.2 Exercised (*)							-	-	
C.3 Expired							-	-	
C.4 Other changes			-		-		-	-	
D. Amount at period-end	727,880	0.49	2,617,940	2.63	884,000	8.80	4,229,820	7.09	2010-13
E. Options that can be exercised at the end of the period		-	-	-	-	-	-	-	-
Strike price	53.0		1,786.05		590.39				

Trieste, 12 March 2009

THE BOARD OF DIRECTOR

ANNEX 1

DISCLOSURE OF COMPENSATION FOR AUDITING PURSUANT TO ARTICLE 160, PARAGRAPH 1-*BIS*

The following table shows a breakdown of the compensation paid to the independent auditors engaged to audit the financial statements in accordance with legislative decree No. 58/98, as well as to the entities in the network to which the auditing firm belongs:

Type of service	Service provider	Compensation (€ thousand)
Audit	Reconta Ernst & Young S.p.A.	429
Certification	Studio Legale e Tributario Ernst & Young S.p.A.	12
Tax consultancy		
Other services	Ernst & Young Financial-Business Advisors S.p.A.	271

Financial Statements as of 31 December 2008

Board of Directors
12 March 2009

Banca Generali S.p.A.
Authorised share capital 116,878,836.00 euros, underwritten and paid-up share capital 111,313,176.00 euros
Registered offices at Trieste, Via Machiavelli 4 - Italy
Trieste Register of Companies, Tax Code and VAT No. 00833240328
Member of the Interbank Deposit Protection Fund
Bank Register No. 5358
Parent Company of the Banca Generali banking group registered in the Banking Group Register
Company managed and coordinated by Assicurazioni Generali S.p.A.

Economic and Financial Highlights

Operating Highlights	**31/12/2008**	**31/12/2007**	***Change %***
(€ million)			
Net interest	48.2	31.7	*52.0*
Net commissions	44.4	79.6	*-44.3*
Dividends and net profit from trading	9.6	0.1	*8.791.7*
Net banking income	**102.1**	**111.4**	***-8.3***
Staff expenses	-34.7	-37.5	*-7.4*
Other general and administrative expense	-53.2	-49.4	*7.7*
Amortisation and depreciation	-3.7	-5.0	*-26.2*
Other operating income	15.1	14.8	*2.3*
Net operating expense	**-76.5**	**-77.2**	***-0.9***
Operating profit	**25.6**	**34.2**	***-25.1***
Provisions	-4.0	-5.9	*-31.9*
Net adjustments of loans and other assets	-10.0	-0.6	*1.709.7*
Profit before taxation	**11.5**	**27.7**	***-58.4***
Net profit	**12.0**	**19.3**	***-37.7***
Cost / income ratio	71.3%	64.8%	*10.0*
EBITDA	29.3	39.2	*-25.2*
ROE	6.85%	10.49%	*-34.7*
EPS - Earnings per Share (units of euro)	0.109	0.176	*-37.9*

Net Inflows

(€ million) (Assoreti data)	**31/12/2008**	**31/12/2007**	***Change %***
Mutual funds	-171	-378	*55%*
Asset management	-820	-300	*174%*
Insurance / Pension funds	1,025	146	*602%*
Securities / Current accounts	60	942	*-94%*
Total	**94**	**411**	***-77%***

Assets Under Management & Custody (AUM/C)

(€ billion) (Assoreti data)	**31/12/2008**	**31/12/2007**	***Change %***
Mutual funds	3.0	4.4	*-31.8*
Asset management	1.1	2.1	*-47.6*
Insurance / Pension funds	4.2	3.4	*23.5*
Securities / Current accounts	2.9	4.4	*-34.1*
Total	**11.2**	**14.3**	*-21.7*

Net Equity

(€ million)	**31/12/2008**	**31/12/2007**	***Change %***
Net equity	184.1	198.3	*-7.2*
Total capital for regulatory purposes	171.2	170.8	*0.2*
Excess capital	91.9	71.9	*27.8*
Solvency margin	17.28%	12.09%	*42.9*

Financial Statements
31 December 2008

Accounting Statements

Board of Directors
12 March 2009

BALANCE SHEET – ASSETS

	Assets	31.12.2008	31.12.2007
10.	Cash and deposits	7,468,789	6,929,200
20.	Financial assets held for trading	662,089,385	2,659,835,221
30.	Financial assets designated at fair value through profit and loss	-	-
40.	Financial assets available for sale	799,039,037	107,402,614
50.	Financial assets held to maturity	606,352,831	-
60.	Loans to banks	907,848,396	831,335,151
70.	Loans to customers	474,341,597	238,994,672
80.	Hedging derivatives	-	-
90.	Fair value change of financial assets in hedged portfolios (+/-)	-	
100.	Equity investments	131,992,304	68,228,993
110.	Property and equipment	4,013,272	4,726,081
120.	Intangible assets	6,299,420	7,089,803
	- goodwill	2,990,625	2,990,625
130.	Tax receivables	25,657,772	17,402,059
	a) current	13,730,003	6,051,549
	b) prepaid	11,927,769	11,350,510
140.	Non-current assets held for sale and discontinued operations	5,455,985	-
150.	Other assets	71,362,058	79,103,415
	Total assets	**3,701,920,846**	**4,021,047,209**

BALANCE SHEET – NET EQUITY AND LIABILITIES

	Net Equity and Liabilities	31.12.2008	31.12.2007
10.	Due to banks	885,116,594	641,193,855
20.	Due to customers	2,524,360,190	3,045,688,664
30.	Securities issued	-	-
40.	Financial liabilities held for trading	849,437	7,780,275
50.	Financial liabilities designated at fair value through profit and loss	-	-
60.	Hedging derivatives	-	-
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	-	-
80.	Tax payables	1,884,989	3,616,238
	a) current	36,456	-
	b) deferred	1,848,533	3,616,238
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100.	Other liabilities	85,285,626	102,029,709
110.	Employee termination indemnity	3,246,106	3,535,108
120.	Provisions for liabilities and contingencies:	17,061,685	18,903,127
	a) post employment benefits	-	-
	b) other provisions	17,061,685	18,903,127
130.	Valuation reserves	- 6,754,377	945,015
140.	Reimbursable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	51,377,107	51,261,123
170.	Additional paid-in capital	22,804,232	22,804,232
180.	Share capital	111,313,176	111,313,176
190.	Treasury shares (-)	- 6,651,699	- 7,338,883
200.	Net profit (loss) for the year (+/-)	12,027,780	19,315,570
	Total Net Equity and Liabilities	**3,701,920,846**	**4,021,047,209**

PROFIT AND LOSS ACCOUNT

		31.12.2008	31.12.2007
10.	Interest income and similar revenues	165,743,818	120,249,677
20.	Interest expense and similar charges	- 117,568,780	- 88,553,536
30.	**Net interest income**	**48,175,038**	**31,696,141**
40.	Commission income	127,585,197	182,560,323
50.	Commission expense	- 83,225,293	- 102,988,099
60.	**Net commissions**	**44,359,904**	**79,572,224**
70.	Dividends and similar income	53,206,633	14,173,334
80.	Net income (loss) from trading activities	- 45,123,591	- 14,065,520
90.	Fair value adjustments in hedge accounting	-	-
100.	Gain (loss) from sales or repurchase of:	1,519,178	-
	a) loans	- 173,384	-
	b) financial assets available for sale	1,692,562	-
	c) investments held to maturity	-	-
	d) financial liabilities	-	-
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-	-
120.	**Net banking income**	**102,137,162**	**111,376,179**
130.	Net adjustments/reversal due to impairment of:	- 10,026,176	- 554,429
	a) receivables	- 2,961,267	- 554,429
	b) financial assets available for sale	- 7,064,909	-
	c) investments held to maturity	-	-
	d) other financial activities	-	-
140.	**Net income from banking and insurance operations**	**92,110,986**	**110,821,750**
150.	General and administrative expense:	- 87,892,537	- 86,897,692
	a) staff expenses	- 34,740,515	- 37,528,350
	b) other general and administrative expense	- 53,152,022	- 49,369,342
160.	Net provisions for liabilities and contingencies	- 4,031,739	- 5,919,844
170.	Net adjustments/reversal of property and equipment	- 1,492,095	- 1,527,121
180.	Net adjustments of intangible assets	- 2,226,912	- 3,509,805
190.	Other operating expense/income	15,097,430	14,760,053
200.	**Operating expense**	**- 80,545,853**	**- 83.,94,409**
210.	Gain (loss) of equity investments	- 26,831	-
220.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-
230.	Goodwill impairment	-	-
240.	Gains (loss) from disposal of investments	- 476	-
250.	**Profit (loss) from operating activities before income taxes**	**11,537,826**	**27,727,341**
260.	Income taxes for the year on operating activities	**- 499,771**	**- 9,750,771**
270.	**Profit (loss) from operating activities net of taxes**	**11,038,055**	**17,976,570**
280.	Income (Loss) after tax from discontinued operations	989,725	1,339,000
290.	**Net profit (loss) for the period**	**12,027,780**	**19,315,570**

STATEMENT OF CHANGES IN NET EQUITY

	share capital		share	reserves		Valuation Reserves			Equity	Treasury	Net profit	Sahreholders'
	a) ordinary shares	b) Other	premium reserve	a) retained Earnings	b) Other	a) available for sale	b) cash flow hedging	c) Other	Instruments	Shares	(loss) for the year	Equity
Amount as at 01.01.2008	**111,313,176**	**-**	**22,804,232**	**51,261,123**	**-**	**906.281**	**-**	**38.734**	**-**	**-7,338,883**	**19,315,570**	**198,300,233**
Allocation of the net income of the previous year	-	-		- 557.569	-	-	-		-	-	-19,315,570	-19,873,139
- Reserves	-	-	-	965.779	-	-	-	-	-	-	- 965.779	-
- Dividends & other allocations	-	-	-	-1,523,348	-	-	-	-	-	-	-18,349,791	-19,873,139
Changes in Reserves				-		-7,699,392						-7,699,392
Operations on shareholders' equity	-	-	-	673.553	-			-	-	687.184	-	1,360,737
- Issue of new shares	-	-	-	-1,704,061	-	-			-	1,704,061	-	-
- Purchase of treasury shares	-	-	-	-	-	-			-	-1,016,877	-	-1,016,877
- Extraordinary dividends	-	-	-	-	-	-	-		-	-	-	-
- Changes in equity instruments	-	-	-	-	-	-			-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-			-	-		-
- stock option	-	-	-	2,377,614	-				-			2,377,614
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	12,027,780	12,027,780
Amount as at 31.12.2008	**111,313,176**	**-**	**22,804,232**	**51,377,107**	**-**	**-6,793,111**	**-**	**38.734**	**-**	**-6,651,699**	**12,027,780**	**184,116,219**

	share capital		share	reserves		Valuation Reserves			Equity	Treasury	Net profit	Sahreholders'
	a) ordinary shares	b) Other	premium reserve	a) retained Earnings	b) Other	a) available for sale	b) cash flow hedging	c) Other	Instruments	Shares	(loss) for the year	Equity
Amount as at 01.01.2007	**111,313,176**	**-**	**22,804,232**	**60,046,472**	**-**	**823.145**	**-**	**38.734**	**-**	**-5,851,311**	**1,600,765**	**190,775,213**
Allocation of the net income of the previous year	-	-		80.038	-	-	-		-	-	-1,600,765	-1,520,727
- Reserves	-	-	-	80.038	-	-	-	-	-	-	- 80.038	-
- Dividends & other allocations	-	-	-	-	-	-	-	-	-	-	-1,520,727	-1,520,727
Changes in Reserves				- 217.800		83.136						- 134.664
Operations on shareholders' equity	-	-	-	-8,647,587	-			-	-	-1,487,572	-	-10,135,159
- Issue of new shares	-	-	-	-1,600,043	-	-			-	1,600,043	-	-
- Purchase of treasury shares	-	-	-	-	-	-			-	-3,087,615	-	-3,087,615
- Extraordinary dividends	-	-	-	-9,474,926	-	-	-		-	-	-	-9,474,926
- Changes in equity instruments	-	-	-	-	-	-			-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-			-	-		-
- stock option	-	-	-	2,427,382	-				-			2,427,382
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	19,315,570	19,315,570
Amount as at 31.12.2007	**111,313,176**	**-**	**22,804,232**	**51,261,123**	**-**	**906.281**	**-**	**38.734**	**-**	**-7,338,883**	**19,315,570**	**198,300,233**

CASH FLOW STATEMENT

Indirect method	31.12.2008	31.12.2007
A. OPERATING ACTIVITIES		
1. Operations	**43,195,473**	**13,048,742**
Net profit (loss) for the period	12,027,780	19,315,570
Gain/loss on financial assets and liabilities held for trading	25,145,996	15,969,486
Gain/loss on hedging assets	-	-
Net adjustments due to impairment	10,026,176	554,429
Net adjustments of property, equipment and intangible assets	3,719,007	5,036,926
Net provisions for liabilities and contingencies and other costs/revenues	- 1,841,442	- 1,490,484
Taxes included in Taxes not paid	- 2,238,100	- 10,536,282
adjustments of discontinued operations	-	-
other adjustments	- 3,643,944	- 15,800,903
2. Liquidity generated by/used for financial assets (+/)	**313,041,781**	**- 1,202,889,544**
financial assets held for trading	1,257,501,792	- 776,021,509
financial assets measured at fair value	-	-
financial assets available for sale	- 916,486,091	- 93,314,637
Loans to banks: repayable on demand	272,051,610	- 4,895,402
Loans to banks: other receivables	- 357,617,429	- 348,430,385
Loans to customers	80,371,668	16,321,618
other assets	- 22,779,769	3,450,771
3. Net liquidity generated by/used for financial liabilities (+/)	**- 284,845,718**	**1,193,140,635**
due to banks: repayable on demand	243,922,739	233,685,309
due to banks: other payables	- 1,914,158	254,649,835
due to customers	- 518,169,333	759,014,256
Securities issued	-	-
financial liabilities held for trading	- 7,780,275	-
financial liabilities measured at fair value	-	-
Other liabilities	- 904,691	- 54,208,765
Net liquidity generated by/used for operating activities	**71,391,536**	**3,299,833**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**21,480,261**	**12,668,131**
Disposal of equity investments	-	-
Dividends received	18,980,261	12,668,131
Disposal of heldtomaturity financial assets	2,500,000	-
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-	-
1. Liquidity used for	**- 71,442,192**	**- 4,709,399**
Purchase of equity investments	- 69,226,377	- 2,166,161
Purchase of heldtomaturity financial assets	-	-
Purchase of property and equipment	- 779,286	- 1,349,776
Purchase of intangible assets	- 1,436,529	- 1,193,462
Purchase of business units and equity investments in subsidiaries	-	-
Liquidity generated by/used for investment activities	**- 49,961,931**	**7,958,732**
C. FUNDING ACTIVITIES		
Issue/Purchase of treasury shares	- 1,016,877	- 3,087,615
Issue/Purchase of equity instruments	-	-
Distribution of Dividends and other	- 19,873,139	- 10,995,653
Liquidity generated by/used for funding activities	**- 20,890,016**	**- 14,083,268**
NET LIQUIDITY GENERATED BY/USED FOR IN THE PERIOD	**539,589**	**- 2,824,703**

Reconciliation

Cash and cash equivalents at yearstart	6,929,200	9,753,903
Liquidity generated by/used for in the year	539,589	- 2,824,703
Cash and cash equivalents effects of exchange rate fluctuations	-	-
Cash and cash equivalents at yearend	**7,468,789**	**6,929,200**

Legenda: (+) liquidity generated; (-) liquidity used

Financial Statements
as of 31 December 2008

Notes and Comments

Board of Directors
12 March 2009

Part A – Accounting Policies

Part B – Information on the Balance Sheet

Part C – Information on the Profit and Loss Account

Part D – Segment Reporting

Part E – Information on Risks and Risk Hedging Policies

Part F – Information on Net Equity

Part G – Mergers of Companies or Business Units

Part H – Transactions with Related Parties

Part I – Payment Agreements Based on Own Equity Instruments

Part A – Accounting Policies

Part A.1 - General

Section 1 - Declaration of Compliance with International Accounting Standards

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

The Bank of Italy, in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005, by Provision dated 22 December 2005, issued Circular No. 262/2005, entitled "Instructions for the Preparation of the Financial Statements and Consolidated Financial Statements of Banks and Parent Companies of Banking Groups", which establishes binding rules governing the layout and compilation of financial statements and the content of the explanatory notes.

In preparing the annual financial statements, Banca Generali adopted the IAS/IFRS in force at 31 December 2008 (including SIC and IFRIC interpretations), which were endorsed by the European Union.

Section 2 - Preparation Criteria

The annual report consists of the following documents:

- Balance Sheet
- Profit and Loss Account
- Statement of Changes in Net Equity
- Cash Flow Statement
- Notes and Comments

The half-year report is accompanied by a Directors' report on the bank's operations and financial situation.

According to the provisions of Article 3, paragraph 3-*bis*, of Legislative Decree No. 87/92, enacted by Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the consolidated report on operations and the separate report on operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.
The Banca Generali Group elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the financial statements of Banca Generali S.p.A. were prepared in euros. All amounts in the financial statements are expressed in euro units, while the figures in the Notes and Directors' Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The financial statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes, and in line with the general assumptions set out in the *Framework for the Preparation and Presentation of Financial Statements* drafted by the IASB. There were no derogations of the application of international accounting standards (IAS/IFRS).

The Directors' Report on Operations and the Notes on the Accounts include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the bank's situation.

The financial statements and Notes include figures for the period under review as well as comparative data at 31 December 2007.
In accordance with IFRS 5, the comparative profit and loss account figures at 31 December 2007 and the notes associated therewith have been restated to account for the disposal of the subsidiary Simgenia S.p.A., as described in further detail in Section 4 below.

Content of the Financial Statements

Accounts that do not include amounts pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Changes in Net Equity is presented by inverting the rows and columns with respect to the presentation suggested by the Bank of Italy's Circular No. 262/2005.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.
Cash flows are broken down into:

- cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) financing activities that alter the company's equity capital.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.
Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the balance of unpaid taxes (current and deferred), interest and unpaid or uncollected commissions; these items have been disclosed separately and classified under operating activities.
These cash flows also do not include changes in operating assets and liabilities, but include those relating to financing activities, such as changes in operating loans and amounts payable to financial advisors and employees and any related advance payments.

Section 3 – Events Occurred after the Balance Sheet date

No events occurred after 31 December 2008 that would make it necessary to adjust the results presented in the financial statements of Banca Generali S.p.A. at that date.

Section 4 - Other Information

Disposal of Simgenia S.p.A.

On 19 December 2008, Banca Generali's Board of Directors authorised the disposal of 85% of Simgenia Società di Intermediazione Mobiliare S.p.A. to other Generali Group companies: 25% to Assicurazioni Generali S.p.A., 20% to Alleanza Assicurazioni S.p.A., 15% to INA Assitalia S.p.A., 15% to Toro Assicurazioni S.p.A. and 10% to FATA Assicurazioni S.p.A.
The transaction is scheduled to be closed by the end of the first half of 2009, after the purchasers have obtained the necessary authorisation.
Banca Generali will continue to hold the remaining 15% stake in portfolio. Simgenia will therefore cease to be a part of the banking group at the effective date of the transaction.

The total valuation of Simgenia, as established by using the Dividend Discount Model, amounted to 15.7 million euros, and the price at which the total stake will be sold consequently amounts to 13.3 million euros. The company's net equity amounted to 5.9 million euros at 31 December 2008, net of the loss for the year of 0.8 million euros.

The disposal may be considered a transaction between entities "under common control" and was accounted for in accordance with IFRS 5 in the financial statements for the year ended 31 December 2008.

In further detail, the entirety of the equity investment in Simgenia was reclassified to the item assets held for sale, inasmuch as the transaction was considered the disposal of a controlling equity investment and the subsequent repurchase of a minority interest. The equity investment must be valued at the lower of book value and realisable value, less costs to sell (in this case it is higher).

Dividends distributed by the company during the reporting year and the previous year have been reclassified to net profit or loss from assets held for sale.
The comparative profit and loss account as of 31 December 2007 and the relative details of the Notes have been restated accordingly.

Non-recurring Significant Events and Transactions

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

National Tax Consolidation Option

In 2004, the Parent Company Assicurazioni Generali and some Italian companies belonging to the Assicurazioni Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.
Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Audit

The financial statements of Banca Generali S.p.A. were audited by Reconta Ernst & Young.

PART A.2 – Main Items of the Aggregated Items

Accounting Policies

The accounting policies adopted for the preparation of the annual financial statements, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues have changed solely in connection with the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008, as illustrated in the following paragraph.

Amendments to IAS 39 and IFRS 7 of 13 October 2008

On 13 October 2008, the IASB (International Accounting Standard Board) approved an amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* and IFRS 7 – *Financial Instruments: Disclosures*, which in certain circumstances permits the reclassification of certain non-derivative instruments out of the portfolio of assets held for trading and measured at fair value through profit and loss.

The IASB's intervention partially eliminated a restriction previously established by IAS 39 against the reclassification of financial instruments out of the held-for-trading portfolio, which is characterised by the recognition of changes in fair value through profit and loss, to other accounting portfolios.
In further detail, these portfolios are characterised by a different method of measurement based on amortised cost, in which listed debt securities held to maturity (HTM) and unlisted debt securities classifiable as loans may be classified.
Securities belonging to these portfolios are not subject to periodic adjustment to changes in fair value through profit and loss, but rather are to undergo the impairment testing procedure in order to identify the existence of any permanent impairment losses.
In addition, financial assets may also be reclassified from held-for-trading to available-for-sale (AFS), in which changes in fair value are usually taken through net equity instead of profit and loss.

However, non-derivative instruments designated at fair value through profit and loss by virtue of the fair-value option (e.g., structured securities or other investments to hedge liabilities at fair value through profit and loss) may not be reclassified.

Such reclassifications are now allowed in those "rare circumstances" in which, due to unusual events unlikely to recur in the near term, a financial instrument is no longer held for trading or available for sale and the company therefore believes it may hold it for the foreseeable future or until maturity. The current financial crisis has been designated by the IASB as such an unusual event.
The amendment also permits the transfer of financial assets included in the "available-for-sale" (AFS) items where such assets are not listed on an active market and the company has the intention and ability to hold them for the foreseeable future or until maturity.

The amendments introduced were ratified into the European system and took on the force of law with the publication of EC Regulation No. 1004/2008 of 15 October 2008.
Due to the exceptional situation represented by the financial market crisis, retroactive first-time application of the amendment was allowed effective no earlier than 1 July 2008.

Reclassification from the held-for-trading portfolio (changes in fair value through profit and loss)		
Asset type	**Destination portfolio**	**Conditions**
Debt securities listed on active markets	HTM	Only in rare circumstances and only if the instrument satisfies the definition of HTM
Debt securities not listed on active markets	LOANS	Only in rare circumstances If the instrument satisfies the definition of instrument not listed on an active market and the company has the intention and ability to hold it until maturity or for the foreseeable future
Equity securities	AFS	Only in rare circumstances
Reclassification from AFS portfolio (changes in fair value through net equity)		
Asset type	**Destination portfolio**	**Conditions**
Debt securities listed on active markets	HTM	If the instrument satisfies the definition of HTM (reclassification already allowed under IAS 39)
Debt securities not listed on active markets	LOANS	If the instrument satisfies the definition of instrument not listed on an active market and the company has the intention and ability to hold it until maturity or for the foreseeable future

Accounting treatment of reclassifications

Where assets have been reclassified from HFT to AFS, HTM or Loans, the new book value has been taken as the fair value at the date of the reclassification. Changes in fair value already taken through profit and loss may not be reversed.
Where AFS assets have been transferred to HTM or Loans, the new book value has been taken as the fair value at the date of reclassification and the balance of the AFS equity reserve pertaining to the reclassified investments continues to be carried in net equity subsequent to the transfer and is then amortised over the life of the instrument. Amortisation of the AFS reserve is offset in profit and loss by the corresponding change in the amortised cost of the security (amortisation of the trading spread).

Banca Generali's position

Banca Generali has decided to proceed with the reclassification of part of the accounting portfolios of assets held for trading and assets available for sale (AFS), in the total amount of 928.9 million euros, determined on the basis of fair value as of the date of the transfer.

The reclassification of debt securities involved only financial assets issued by non-governmental entities with maturities no earlier than 31 December 2009.
Securities for which an active market of listing could not be identified due to the financial crisis have been classified among loans and receivables, while the remainder has been reallocated to held-to-maturity assets.
The transfer was undertaken effective 1 July 2008, except for securities belonging to the AFS portfolio and transferred to the held-to-maturity portfolio, the transfer of which was effective 30 September 2008, inasmuch as said reclassification was already allowed under the previous version of IAS 39.

In addition, certain equity investments that the Group no longer considers to be held for trading were reallocated to the AFS portfolio.

The following table provides a summary of the effects of reclassification by the type of asset portfolio of origin and destination and the effective date of reclassification. The figures for debt securities include coupon accruals through the date of reclassification (i.e., they are all-inclusive figures).

Type	Date effective	Portfolio of origin	Destination portfolio	Fair value transf. date	Loss to Profit and loss account	Delta FV at 30 Sept. 2008	AFS Res. delta at 30 Sept. 2008
Listed debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*)	01/07/2008	**TRADING**	**HTM**	447,561	- 5,430	2,521	
Unlisted debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*)	01/07/2008	**TRADING**	**LOANS**	237,694	- 7,113	3,647	
Listed debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*)	30/09/2008	**AFS**	**HTM**	153,971			
Unlisted debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*) (**)	01/07/2008	**AFS**	**LOANS**	82,415			9,146
Listed equities no longer considered as held for trading	01/07/2008	**TRADING**	**AFS**	7,218	- 2,030	776	776
				928,859	- 14,573	6,944	8,370

(*) A marginal portion of securities subsequently disposed of or purchased was transferred effective 30 September 2008

(**) Broken down into loans to banks and customers

The new portfolio allocation now more accurately reflects the Bank's investment policy.
Corporate bonds allocated to the treasury portfolio and purchased with a view to income-generation capacity in the form of interest have been reallocated primarily to the held-to-maturity portfolio. The portfolio of ABS (asset-backed securities) was largely reallocated to loans to customers due to the nature of these instruments, which is that of indirect loans.
The portfolio of government securities was kept in the portfolios held-for-trading and available-for-sale due to the possibility of liquidating them on short notice.

The transfer of financial instruments from the held-for-trading portfolio resulted in the consolidation of capital losses recognised on the profit and loss account of 14.6 million euros as of the date of transfer. These losses were consequently recognised as realised losses.
The transfer of securities from the AFS portfolio resulted in the recognition of negative net equity reserves of 3.8 million euros.

Subsequent events

The reclassified portfolios were as follows at 31 December 2008:

Reclassified financial assets (€ thousand)	**from**	**to**	**date** transf.	**31/12/2008** value	**31/12/2008 Fair value**	**delta FV at 31 Dec. 2008** PL	**Net equity**	**interests adm cost.**	**AFS reserve**
									-
AFS – equity securities – reclass. IAS 39	TRA	AFS	1/7	5,527	5,527	-1,499	1,499		
AFS –Afs reserve arising on reclass. IAS 39									-
Debt securities HTM - reclass. IAS 39	TRA	HTM	1/7	464,807	449,756	-15,051	-	1,397	
Debt securities HTM - reclass. IAS 39	AFS	HTM	30/9	141,546	141,805		259	123	-799
Total portfolio HTM				606,353	591,561	-15,051	259	1,520	-799
Debt Securities reclass. IAS 39	TRA	LOANS	1/7	223,606	205,886	-17,720	-	1,242	
Debt Securities reclass. IAS 39	AFS	LOANS	1/7	74,642	68,414		- 6,228	575	-2,966
Total Loan portfolio (banks and clients)				298,248	274,300	-17,720	- 6,228	1,817	-2,966
Total reclassified financial assets				**910,128**	**871,388**	**-34,270**	**- 4,470**	**3,337**	**- 3,765**

During the period since the effective date of the reclassification, the reclassified portfolio has decreased to a marginal extent due to the early redemption by the issuer of a limited number of securities.

Any change in the fair value of the transferred assets would have entailed at 31 December 2008 an increase in write-downs through profit and loss of 34.3 million euros (for securities reclassified from HFT) and of 4.5 million euros through net equity (for securities reclassified from AFS).

The measurement of reclassified securities at amortised cost also resulted in the recognition of increased interest due to the amortisation of the trading spread of 3.3 million euros, net of the amortisation of the negative net equity fair value reserve for the former AFS portfolio.

The process of impairment of reclassified debt securities

In accordance with IAS 39, the portfolio of debt securities reclassified to the portfolios assets held to maturity and loans to customers was subjected to analytical impairment testing in order to detect any permanent impairment to be recognised through profit and loss.
The measurement process involved the use of specific methods according to the type of securities in question:

- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

As regards this latter portfolio, the analytical testing took into account the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying asset (triggers, delinquencies, cumulative defaults, etc.), according to the most recent reports by Rating Agencies.
The analysis did not lead to the identification of specific positions of impairment.

A collective impairment test was also conducted of the ABSs debt portfolio classified among loans to customers in order to identify any impairment situations that had not yet become openly manifest.
To this end, in the absence of historical data series on insolvencies relating to the bank's securities portfolio, the probability of default (PD) and loss given default (LGD) rates were determined according to market statistics on the basis of the segmentation of the portfolio by rating class.
This process led to the recognition of a collective provision for impairment for the portfolio of ABSs of 1.1 million euros.

Reclassification of Trade Receivables

In a recent Note entitled "Rules for the Financial Statements of Banks and Financial Firms", the Bank of Italy announced amendments and additions to financial statement legislation, already in force for the financial statements for the year ended on 31 December 2008, which are to be contained in an update to Circular No. 262.
In particular, in the section pertaining to "Clarification on financial statements", the supervisory authority states that the item "Loans to customers" also includes trade receivables other than those associated with the payment for goods and services, to be allocated to the item "other assets".
This provision is apparently aimed at limiting the content of the item "Loans to customers" to the bank's effective core lending operations.
Short-term or on-sight commercial dealings pertaining to the provision of goods and services not involving the allocation of cash, and therefore not considered effective lending transactions, are consequently excluded.
To account for the above clarification, Banca Generali's financial statements have been adjusted to reclassify trade receivables claimed from product companies in connection with the placement and distribution of asset management/insurance products, as well as commissions receivable not attributable to specific items included among loans to customers, from the item "Loans to customers" to the item "Other assets".

1. Financial Assets Held for Trading

Classification
This category includes only debt and equity securities and the positive value of derivative contracts held for trading purposes,

including those embedded in complex financial instruments. Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

Recognition
Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.
Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives that are not closely related to the host contract but meet the definition of a derivative are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

Measurement
Subsequent to initial recognition, financial assets held for trading are recognised at fair value.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price. Fair value measurements are generally determined using market quotations published by Bloomberg.
The book value of debt securities comprises accrued interest income.
The fair value of UCITS or SICAVs coincides with the NAV as at the last day of stock exchange operation.

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

If there is no active market, estimation methods and valuation models that consider all risk factors relating to the instruments based on available market information are used. These include methods based on the quoted prices of instruments with similar characteristics, discounted cash flow analysis, option-pricing models and valuations of recent comparable transactions.

For inactive debt securities, for which no active market exists, alternative valuation methods are used. Specifically, their fair value is estimated based on the present value of expected future cash flows, using a discount margin equal to the market quotes of the Credit Default Swap (CDS) arranged in relation to the maturity date of the security; interpolation methods are used if necessary.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Derecognition
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

2. Financial Assets Available for Sale

Classification
This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.
Specifically, it includes:
- equity investments not held for trading;
- other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
- bonds not held for trading and not classified as assets held to maturity or measured with Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

Recognition
Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.
Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds 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.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.
Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).
If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss (for loans or debt securities) or through net equity (for equity securities).
Under no circumstances may the amount of such reversals exceed the amortised cost that would have been attributable to the instrument had no previous impairment been recognised.

Derecognition
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

3. Held-to-maturity Financial Assets

Classification
Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

Recognition
Initial recognition of these assets takes place on the settlement date.
Upon initial recognition, financial assets classified to this category are measured at their fair value, including any directly attributable costs and income.
If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

Where a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

Measurement
After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.
Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or suffer impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.
If the causes of impairment cease to apply due to an event that occurs after
impairment is recognised, reversals are taken through profit and loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised.

Derecognition
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

4. Receivables

Classification
This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments and are not listed in an active market and are not initially classified as financial assets *available for sale*.

This item also includes:
- repurchase agreements with a commitment to repurchase
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- trade receivables other than those associated with payment for the provision of goods and services, which are classified to the item "Other assets".

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

Recognition
Loans are initially recognised at the date of disbursement or, in the case of debt securities, at the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.
This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from available-for-sale assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

Measurement
Subsequent to initial recognition, loans are recognised at *amortised cost*, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the *effective interest-rate method*) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing loans are sub-divided into the following categories:

- Bad loans: loans to parties in a state of insolvency or substantially equivalent situation;
- Substandard loans: loans to parties in situations of objective temporary difficulty, the elimination of which in an appropriate amount of time is foreseeable;
- Restructured loans: loans in which a syndicate of banks (or a "single lender") grant a moratorium for the payment of the debt and then renegotiate said debt at below-market rates;
- Expired loans: loans to parties that, at the end of the period, show payables past due or expired by more than 180 days.

Loans 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 in the contractual rate, including if the loan becomes non-interest-bearing.
Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.
Write-backs due to the passage of time are taken among reversals.

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 occurred 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.

Derecognition
Receivables are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

5. Financial Assets at Fair Value

At this time, none of the Bank's financial assets are classified under this category.

6. Hedging Transactions

Types of Hedging Transactions
The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items.
Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance-sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance-sheet items attributable to particular risks;
- hedges of a net investment in foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement
Derivatives are measured at fair value. Specifically:

- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flow) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:

- *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
- *retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

7. Equity Investments

Classification
This item includes equity investments in subsidiary and associate companies.
Subsidiaries are entities in which the bank directly or indirectly holds more than half of the voting rights, or when, despite having a lower percentage of voting rights, the bank has the power to appoint the majority of directors or determine financial and operating policies of the entity. In assessing voting rights, "potential" rights that can be currently exercised or converted into actual voting rights at any time are taken into account.
Companies are considered associates when the bank holds 20% or more of the voting power and, due to specific legal or economic ties, is presumed to have significant influence.

Recognition
Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective.
Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

Measurement
Equity investments are measured at cost and adjusted for impairment.
When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the investment.
If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.
If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss.

Derecognition
Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.

8. Property and equipment

Classification
Property and equipment include technical systems, furniture, furnishings and equipment of any type.
They also include assets held for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

Recognition
Property and equipment are initially recognised at cost, which includes the purchase price as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

Measurement
Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.
They are systematically depreciated over their estimated useful life using the straight-line method.
At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.
If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition
Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from its disposal.

9. Intangible assets

Classification
Intangible assets include goodwill, application software that is expected to be used for more than one year, charges associated with upgrading legacy systems and trademarks.

Goodwill is the positive difference between the purchase price and fair value of the assets and liabilities acquired.
Other intangible assets are recognised when they are identifiable and arise from legal or contractual rights.
Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.
Other capitalised costs refer to charges with multi-year usefulness incurred for the development of the legacy IT system used by the bank in connection with its outsourcing contract, including costs associated with migration from other computer systems; these items are amortised over their estimated useful life of five-years.
Commissions paid to the network in relation to no-load asset-management products are considered as additional charges incurred to promote the signing of the related agreements; the future economic benefit associated with these expenses consists of the contractual rights to receive periodic commissions from the management company.
Such expenses arise in relation to products (e.g., units of collective investment undertakings - OICR, discretionary accounts - GPF) for which the management company does not charge commissions at the time the investment is made, but rather charges "tunnel commissions" (in addition to usual "management commissions") when the customer divests in two to four years.

Commissions paid by the "distributor" to its sales network, which are commensurate to the commissions on corresponding "load" products, are not immediately offset by up-front fees paid by the "management company"; instead, these are recovered over time by means of the other two commission categories.

Recognition

Goodwill
An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).
In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets
Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement
Intangible assets are amortised on a straight-line basis over their useful lives.
Software expenses are typically amortised over a three-year period.
Other capitalised costs associated with legacy systems are amortised over a five-year period.
Multi-year no-load commissions are amortised based on the period the "tunnel" is in force and the estimated time to divestment.
For *brands* acquired on the incorporation of subsidiaries, the useful life is estimated at ten years.
Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill
In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Other intangible assets
At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset's carrying amount exceeds its recoverable amount.

Derecognition
Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from its use.

10. Non-current Assets and Groups of Assets Available for Sale

The asset item "Non-current assets and groups of assets available for sale" and liability item "Liabilities associated with groups of assets available for sale" include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value, net of costs to sell.
The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year, is taken through profit and loss under a specific separate item, "Profit (Loss) on groups of assets available for sale, net of taxes".

11. Current and Deferred Taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.

Provisions for income taxes are made based on a conservative estimate of current, advance and deferred tax payables, which are calculated using prevailing tax rates.
Specifically, deferred tax payables and receivables are calculated based on the temporary differences — without time limits — between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax receivables are recorded to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company Assicurazioni Generali — as a result of its exercise of the option provided by the Italian tax consolidation scheme — to generate ongoing taxable income.

Deferred tax payables are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.
Deferred tax receivables and payables are shown separately in the balance sheet and are not offset; deferred tax receivables are recorded under "tax receivables" and deferred tax payables are recorded under "tax payables".

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.
Deferred tax receivables and payables are systematically assessed to take account of any changes in tax legislation or rates as well as changes to the specific situations.
Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

12. Provisions for Liabilities and Contingencies

Employee termination indemnities
Under *IAS 19 "Employee Benefits*", until 31 December 2006 termination indemnity was considered as a "post-employment benefit" classified as a "defined benefit plan". The benefit was therefore reported in the financial statements based on the actuarial value determined using the "Projected Unit Credit Method".

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must — depending on the employees' choice — be allocated to a supplementary pension fund or maintained within the company and transferred to a special fund managed by Italy's national security institute (INPS).

The entry into force of the aforementioned reform led to a change in the accounting treatment of the termination indemnity, in terms of both the amounts accrued until 31 December 2006 as well as the amounts accrued starting on 1 January 2007.
Specifically:

- termination indemnities accrued by personnel starting on 1 January 2007 are considered a defined contribution plan, whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund. The amounts accrued must, however, be determined based on the contributions owed without applying an actuarial calculation;
- termination indemnities accrued by personnel up to 31 December 2006 are considered a "defined benefit plan", and therefore must be calculated using actuarial methods; however, after 31 December 2006, such methods no longer involve the proportional allocation of the benefit to the period of service worked. This is because the service period in question is considered fully completed as a result of the change in the accounting nature of termination indemnities accruing beginning on 1 January 2007.

As a result of the legislative changes, employees' termination indemnities was recalculated at 31 December 2006 using the new actuarial method. The difference resulting from the actuarial calculation is deducted from the defined benefit plan, and, in accordance with IAS 19, the related gains or losses are charged to the profit and loss account (including actuarial components that had not been previously recognized, in accordance with the corridor method).

Other Provisions
Other provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.
Where the effect of the time value of money is material, provisions are discounted using current market rates. Provisions are recognised in the profit and loss account.
This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

13. Debt and Securities Issued

Classification
Due to banks, *Due to customers* and *Securities issued* include the various forms of interbank funding and direct customer deposits as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.

Recognition
These items are initially recognised when funding is received or the debt securities are issued.
Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.
For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement
Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method,
with the exception of short-term liabilities where the time-value of money is immaterial. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition
Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.
The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

14. Financial Liabilities Held for Trading

This item includes the negative value of trading derivative contracts measured at fair value.
If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

15. Financial Liabilities Measured at Fair Value

There are currently no financial liabilities measured at fair value.

16. Foreign Currency Transactions

Initial recognition
On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent measurement
At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.
The Group has no non-monetary items that are measured at historical cost or fair value.
Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year’s financial statements are recognised in profit or loss in the period in which they arise.

17. Other Information

Treasury shares
Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Repurchase agreements
Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.
Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.
Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said securities, is recognised to the profit and loss account items associated with interest on an accruals basis.

Leasehold improvements
Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.
The above costs, which have been classified among “Other assets”, as required by the Bank of Italy’s Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Share-based payments
In accordance with IFRS 2 (Share-Based Payments) and IFRIC 11, share-based benefit plans for staff and financial consultants are recognised as costs in the profit and loss account based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.
Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

However, IFRS 2 is not applicable to the plan called “Prime Consult S.p.A. Stock Granting Plan” approved by the Board of Directors of the company that was later merged into Banca Generali in 2001.
The assignment of shares was not subject to IFRS 2, pursuant to the transitory rules set forth from paragraph 53 on, as the assignment took place before 14 November 2002 (commencement deadline of the new standard) and modified before 1 January 2005 (effective date of the new standard).

Revenue recognition
Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. Specifically:

- interest payable is recognised on a pro-rated basis according to contractual interest rate, or the effective interest rate if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved
- service revenue commissions are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading commissions on securities trading are recognised when the service is rendered; portfolio management, advisory and mutual fund management commissions are recognised according to the length of the service. Commissions considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

Part B - Information on the Balance Sheet
Assets

Section 1
Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

Items/Values	31.12.2008	31.12.2007
a) Cash	7,469	6,929
b) Demand deposits with central banks	-	-
Total	**7,469**	**6,929**

Section 2
Financial assets held for trading - Item 20

2.1 Financial assets held for trading: categories

	31.12.2008			31.12.2007		
Items/Values	**Quotati**	**Non Quotati**	**totale**	**Quotati**	**Non Quotati**	**totale**
A. Cash						
1. Debt securities	470,645	5,270	475,915	1,598,861	129,387	1,728,248
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	470,645	5,270	475,915	1,598,861	129,387	1,728,248
2. Equity securities	4,178	-	4,178	35,598	-	35,598
3. OICR quotas	-	1,393	1,393	-	1,491	1,491
4. Loans	-	-	-	-	-	-
1.1. Repurchase agreements	-	-	-	-	-	-
1.2. Other	-	-	-	-	-	-
5. Non-performing assets	-	60	60	-	-	-
6. Transferred assets not written off (*)	179,690	-	179,690	859,811	33,343	893,154
Totale A	**654,513**	**6,723**	**661,236**	**2,494,270**	**164,221**	**2,658,491**
B. Derivatives						
1. Financial derivatives	-	853	853	-	1,344	1,344
1.1. held for trading	-	853	853	-	1,344	1,344
1.2. pertaining to the fair value option	-	-	-	-	-	-
1.3. other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
1.1. held for trading	-	-	-	-	-	-
1.2. pertaining to the fair value option	-	-	-	-	-	-
1.3. other	-	-	-	-	-	-
Total B	**-**	**853**	**853**	**-**	**1,344**	**1,344**
Total (A+B)	**654,513**	**7,576**	**662,089**	**2,494,270**	**165,565**	**2,659,835**

(*) Repurchase agreements with a commitment to repurchase

Non-performing loans refer to a bond issued by the Icelandic bank Landesbanki, which in November 2008 suspended payments and is currently undergoing a liquidation procedure organised by the country's authorities.

Measurement of fair value

The fair value of the trading portfolio is usually determined based on trading market quotations for cash assets. However, for the reporting year, several bonds that are not listed on active markets were valued using alternative measurement methods based on market parameters (cf. Part A.2 — Accounting Policies, in the Notes to the Financial Statements). OICR market values are equal to the value of the quotas (NAV).

2.2 Financial assets held for trading: debtors/issuers

Items/Values	31.12.2008	31.12.2007
A. Cash		
1. Debt securities	**475,915**	**1,728,248**
a) Governments and central banks	290,218	867,732
b) Other public institutions	-	-
c) Banks	115,751	449,042
d) Other issuers	69,946	411,474
2. Equity securities	**4,178**	**35,598**
a) Banks	-	25,538
b) Other issuers	4,178	10,060
- insurance companies	786	847
- financial companies	622	1,046
- non-financial companies	2,770	8,167
- Other entities	-	-
3. OICR quotas	**1,393**	**1,491**
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Non-performing assets	**60**	**-**
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	60	-
d) Other issuers	-	-
6. Transferred assets not written of	**179,690**	**893,154**
a) Governments and central banks	139,765	610,202
b) Other public institutions	-	-
c) Banks	35,926	241,107
d) Other issuers	3,999	41,845
Total A	**661,236**	**2,658,491**
B. Derivatives		
a) Banks	853	1,344
b) Customers	-	-
Total B	**853**	**1,344**
Total (A+B)	**662,089**	**2,659,835**

Section 2
Financial assets held for trading - Item 20

2.3 Financial assets held for trading: derivatives

Types of derivatives/Underlying assets	Interest rates	Currencies and gold	Equity securities	Receivables	Other	31.12.2008	31.12.2007
A) LISTED DERIVATIVES	-	-	-	-	-	-	-
1) Financial derivatives:	-	-	-	-	-	-	-
with capital swap							
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
without capital swap							
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2) Credit derivatives:	-	-	-	-	-		
with capital swap	-	-	-	-	-	-	-
without capital swap	-	-	-	-	-	-	-
Totale A	-	-	-	-	-	-	-
B) UNLISTED DERIVATIVES	-	**853**	-	-	-	**853**	**1,344**
1) Financial derivatives:	-	853	-	-	-	853	**1,344**
with capital swap	-	853	-	-	-	853	408
- options purchased		-	-	-	-	-	28
- other derivatives		853		-	-	853	380
without capital swap	-	-	-			-	936
- options purchased	-	-		-	-	-	232
- other derivatives	-	-		-	-	-	704
2) Credit derivatives:	-	-	-	-	-		
with capital swap	-	-	-	-	-	-	-
without capital swap	-	-	-	-	-	-	-
Total B	-	**853**	-	-	-	**853**	**1,344**
Total (A + B)	-	**853**	-	-	-	**853**	**1,344**

2.4 Financial assets held for trading: year changes

	Debt securities	Equity securities	OICR quotas	Financing	Totale
A. Amount at period-start	**2,621,402**	**35,598**	**1,491**	**-**	**2,658,491**
B. Increases	**1,348,467**	**1,280,169**	**796,849**	**-**	**3,425,485**
B1. Purchases	1,345,698	1,279,876	796,376	-	3,421,950
B2. Positive changes in fair value	1,176	43	-	-	1,219
B3. Other changes	1,593	250	473	-	2,316
					-
C. Decreases	**3,314,204**	**1,311,589**	**796,947**	**-**	**5,422,740**
C1. Sales	2,573,541	1,239,555	796,825	-	4,609,921
C2. Repayments	15,245	-	-	-	15,245
C3. Negative changes in fair value	4,195	2,357	99	-	6,651
C4 Transfer to other portfolios (*)	682,873	7,219	-		690,092
C4. Other changes	38,350	62,458	23	-	100,831
D. Rimanenze finali	**655,665**	**4,178**	**1,393**	**-**	**661,236**

(*) Figures are stated net of accruals and discounts (ex-interest prices)

The item "C.4 Transfer to other portfolios" was added in order to disclose the reclassification to portfolios of AFS financial assets (equity securities) in connection with the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008.
The amount stated consists of the FV of the securities transferred, net of dividend accruals and issue discounts (ex-interest prices).
The item "B.3 Other changes" includes final dividend accruals, final premiums/discounts, and gains on disposal.
The item "C.5 Other changes" includes initial dividend accruals, initial premiums/discounts, and losses on disposal.
In detail, this item includes losses arising from the reclassification of assets held for trading to other portfolios in the following amounts

debt securities	12,543
equity securities	2,030
total	14,573

The item also includes losses on the disposal of equity securities under equity-swap transactions.

Section 4
Financial assets available for sale – Item 40

4.1 Financial assets available for sale: categories

	31.12.2008			31.12.2007		
Items/Values	**Listed**	**Unlisted**	**Total**	**Listed**	**Unlisted**	**Total**
1. Debt securities	413,630	70,442	484,072	-	94,376	94,376
1.1 Structured securities			-			-
1.2. Other debt securities	413,630	70,442	484,072	-	94,376	94,376
2. Equity securities	8,786	9,109	17,895	6,241	6,786	13,027
2.1 Valued at fair value	8,786	-	8,786	6,241	-	6,241
2.2 Valued at cost	-	9,109	9,109	-	6,786	6,786
3. OICR Quotas	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-
4. Non-performing assets	-	1,350	1,350	-	-	-
5. Transferred assets not written off (*)	199,086	96,636	295,722	-	-	-
Total	**621,502**	**177,537**	**799,039**	**6,241**	**101,162**	**107,403**

(*) Repurchase agreements with a commitment to repurchase

Measurement of fair value

The fair value of unlisted bonds on active markets was determined using valuation methods
based on market observation, as described in Part A.2 — Accounting Policies.
Equity securities listed on active markets were valued based on market prices

4.2 Financial assets available for sale: debtors/issuers

Items/Values	**31.12.2008**	**31.12.2007**
1. Debt securities	484,071	94,376
a) Governments and central banks	362,414	
b) Other public institutions		
c) Banks	80,454	26,334
d) Other issuers	41,203	68,042
2. Equity securities	17,895	13,027
a) Banks	3,888	
b) Other issuers	14,007	13,027
- insurance companies	1,030	1,364
- financial companies	7,813	5,107
- non-financial companies	5,164	6,556
- Other entities	-	-
3. OICR quotas	-	-
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Non-performing assets	1,350	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	1,350	-
d) Other issuers	-	-
6. Transferred assets not written off (*)	295,723	-
a) Governments and central banks	243,138	-
b) Other public institutions	-	-
c) Banks	44,482	-
d) Other issuers	8,103	-
Total	**799,039**	**107,403**

(*) Repurchase agreements with a commitment to repurchase

Due to the default of Lehman Brothers, two securities issued by Lehman Bros. Holding have been classified among non-performing assets:
- LEHMAN BROTHERS FRN 19/05/2016 , for a nominal value of 7,000 thousand euros and valued at 1,050 thousand euros
- LEHMAN BROTHERS FRN 05/02/2014 , for a nominal value of 2,000 thousand euros and valued at 300 thousand euros

4.5 Financial assets available for sale: year changes

	Debt securities	**Equity securities**	**OICR quotas**	**Financing**	**Totale**
A. Amount at period-start	**94,376**	**13,027**	**-**	**-**	**107,403**
B. Increases	1,906,093	10,109	-	-	1,916,202
B1. Purchases	1,888,344	2,782	-	-	1,891,126
B2. Positive changes in fair value	2,979	101	-	-	3,080
B3. Reversal value	-	-	-	-	-
- statement of operations	-	-	-	-	-
- net equity	-	-	-	-	-
B4. Transfer from other portfolios	-	7,219	-	-	7,219
B5. Other changes	14,770	7	-	-	14,777
C. Decreases	**1,219,325**	**5,241**	**-**	**-**	**1,224,566**
C1. Sales	966,139	-	-	-	966,139
C2. Repayments	54	467	-	-	521
C3. Negative changes in fair value	8,984	4,774	-	-	13,758
C4. Write-downs of non-performing loans	-		-	-	-
- statement of operations	7,065	-	-	-	*7,065*
- net equity	-	-	-	-	-
C5. Transfer to other portfolios (*)	236,348	-	-	-	236,348
C6. Other changes	735	-	-	-	735
D. Amount at period-end	**781,144**	**17,895**	**-**	**-**	**799,039**

(*) Figures are stated net of accruals and discounts (ex-interest prices)

The item “C.5 Transfer to other portfolios” refers to the reclassification to the portfolios HTM and L&R
in connection with the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008.
The amount stated consists of the FV of the securities transferred, net of dividend accruals and issue discounts (“ex-interest prices”).
The item “B.4 Transfer from other portfolios” refers to the reclassification of equity securities previously classified to the trading portfolio.
Item C.4 relates to the impairment of the Lehman securities and differs from the amount charged to the profit and loss account due to the release of the positive FV reserve allocated during the previous year.
The item “B.5 Other changes” includes adjustments arising from the measurement of securities at amortised cost,
dividend accruals at the reporting date, and gains on disposal, in the amount of 1,692 thousand euros.
The item “C.6 Other changes” includes interest adjustments and initial dividend accruals.
The negative changes in FV stated in item C.3 include 3,630 thousand euros in negative FV reserves related to securities reclassified as HTM and loans and receivables.

Section 5

Held-to-Maturity Financial Assets – Item 50

5.1 Held-to-maturity financial assets: categories

Type of transaction/Values	31.12.2008 Book Vakue	31.12.2008 Fair value	31.12.2007 Book Vakue	31.12.2007 Fair value
1. Debt securities	545,934	531,122	-	-
1.1 Titoli strutturati	-		-	-
1.2 Altri titoli di debito	545,934	531,122	-	-
2. Loans	-	-	-	-
3. Non-performing assets	-	-	-	-
4. Transferred assets not written off (*)	60,419	60,440	-	-
Total	**606,353**	**591,562**	**-**	**-**

(*) For repurchase agreements with a commitment to repurchase

5.2 Held-to-maturity financial assets: debtors/issuers

Items/Values	31.12.2008	31.12.2007
1. Debt securities	545,934	-
a) Governments and central banks	-	
b) Other public institutions		
c) Banks	441,517	-
d) Other issuers	104,417	-
2. Loans	-	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
3. Non-performing assets	-	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
4. Transferred assets not written off	60,419	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	52,438	-
d) Other issuers	7,981	-
Total	**606,353**	**-**

5.4 Held-to-maturity financial assets: year changes

	Titoli di debito	Finanziamenti	Totale
A. Amount at period-start	**-**	**-**	**-**
B. Increases	**608,853**	**-**	**608,853**
B1. Purchases	-	-	-
B2. Reversal value	-	-	**-**
B4. Transfer from other portfolios	601,006	-	**601,006**
B3. Other changes	7,847	-	7,847
C. Decreases	**2,500**	**-**	**2,500**
C1. Sales	-	-	-
C2. Repayments	2,500	-	**2,500**
C3. Adjustments	-	-	**-**
C4. Transfer to other portfolios (*)	-	-	**-**
C5. Other changes	-	-	**-**
D. Amount at period-end	**606,353**	**-**	**606,353**

(*) Figures are stated net of accruals and discounts (ex-interest prices)

The item “B.3 Transfer from other portfolios” refers to the reclassification to the portfolios held for trading and available for sale in connection with the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008. The amount stated consists of the FV of the securities transferred, net of dividend accruals and issue discounts (“ex-interest prices”). Other changes include interest accrued at the reporting date, calculated according to the effective interest rate.

Section 6
Loans to banks — Item 60

6.1 Breakdown of item loans to banks: categories

Type of transaction/Values	31.12.2008	31.12.2007
A. Loans to central banks	**227,864**	**2,888**
1. Term deposits	-	-
2. Compulsory reserve	33,864	2,888
3. Repurchase agreements	-	-
4. Other	194,000	-
B. Loans to banks	**679,984**	**828,447**
1. Current accounts and demand deposits	118,594	292,412
2. Term deposits	482,975	528,024
3. Other:	-	8,011
3.1 Repurchase agreements	-	-
3.2 Financial leasing	-	-
3.3 Other	-	8,011
4. Debt securities	76,541	-
4.1 Structured	-	-
4.2 Other	76,541	-
5. Non-performing assets	-	-
6. Transferred assets not written off (*)	1,874	-
Total (book value)	**907,848**	**831,335**
Total (fair value)	**905,799**	**831,362**

(*) For repurchase agreements with a commitment to repurchase

The item "4. Debt securities" refers to the securities reclassified from the portfolios held for trading and AFS in connection with the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008.

Breakdown of item loans to banks - other transactions

Type of transaction/Values	31.12.2008	31.12.2007
Other short term grant in aid receivables	-	3,178
Operating receivables	-	4,787
other receivables	-	46
Total	**-**	**8,011**

Section 7
Loans to customers - Item 70

7.1 Loans to customers: categories

Type of transaction/Values	31.12.2008	31.12.2007
1. Current accounts	77,019	79,488
2. Repurchase agreements	-	-
3. Loans	37,572	40,857
4. Credit cards, personal loans and loans on wages	-	-
5. Finance leasing	-	-
6. Factoring	-	-
7. Other transactions	111,979	90,997
8. Debt securities	239,606	27,104
8.1 Structured securities	-	
8.2 Other debt securities	239,606	27,104
9. Non-performing assets	701	549
10. Transferred assets not written off	7,465	-
Total (book value)	**474,342**	**238,995**
Total (fair value)	**453,510**	**238,995**

(*) For repurchase agreements with a commitment to repurchase

The item “8. Debt securities” refers to a capitalisation policy in the amount of 28,306 euros and securities reclassified from the portfolios held for trading and AFS on the basis of the amendments to IAS 39 enacted by Regulation of the European Commission No. 1004 of 15 October 2008.

Non-performing loans included in item 9 are bad loans, substandard loans and expired loans over 180 days as detailed in Part E - credit risk.

Breakdown of item loans to customers - other transactions

Type of transaction/Values	31.12.2008	31.12.2007
Pooled financing	44,342	38,827
Other short term grant in aid receivables	10,690	504
Interest-bearing daily margins Italian Stock Exchange	56,113	22,995
Operating receivables	-	27,662
Interest-bearing caution deposits	267	327
Amounts to be collected	567	682
Total	**111,979**	**90,997**

7.2 Loans to customers: debtors/issuers

Items/Values	31.12.2008	31.12.2007
1. Debt securities	239,606	27,104
a) Governments	-	-
b) Other public institutions	-	-
c) Other issuers	239,606	27,104
- non-financial companies	7,620	-
- financial companies	198,818	-
- insurance companies	33,168	27,104
- Other entities	-	-
2. Loans	226,570	211,342
a) Governments	-	-
b) Other public institutions	-	-
c) Other issuers	226,570	211,342
- non-financial companies	62,478	59,896
- financial companies	80,090	52,989
- insurance companies	1	10,057
- Other entities	84,001	88,400
3. Non-performing assets	701	549
a) Governments	-	-
b) Other public institutions	-	-
c) Other issuers	701	549
- non-financial companies	41	37
- financial companies	116	62
- insurance companies	-	-
- Other entities	544	450
4. Transferred assets not written off	7,465	-
a) Governments	-	-
b) Other public institutions	-	-
c) Other issuers	7,465	-
- non-financial companies	-	-
- financial companies	7,465	-
- insurance companies	-	-
- Other entities	-	-
Total	**474,342**	**238,995**

Section 10
Equity investments - Item 100

10.1 Equity investments in subsidiary companies, entities jointly controlled or subject to significant influence: disclosure on type of relations

Name	Registered office	% held	% of voting rights
A. Imprese controllate in via esclusiva			
1. Bg Fiduciaria Sim S.p.A.	Trieste	*100%*	*100%*
2. Bg Sgr S.p.A.	Trieste	*100%*	*100%*
3. Banca BSI Italia S.p.A.	Milano	*100%*	*100%*
4. Bg Investment Luxembourg S.A.	Lussemburgo	*100%*	*100%*
5. S. Alessandro Fiduciaria S.p.A.	Milano	*100%*	*100%*
6. Simgenia SIM S.p.A.	Mogliano	*100%*	*100%*

The entirety of the equity investment in Simgenia was reclassified to groups of assets available for sale following the resolution authorising the disposal thereof approved by the Banks' BoD on 19/12/2008.

10.2 Equity investments in subsidiary companies, entities jointly controlled or subject to significant influence: accounting disclosures

Name	Total assets	Revenue	Net profit (Loss)	Net equity	Book value	Fair value
A. Subsidiary companies wholly controlled						
1. Bg Fiduciaria Sim S.p.A. (1)	10,310	6,979	600	7,774	11,779	X
2. Bg Sgr S.p.A.	39,314	58,694	10,740	28,122	15,893	X
3. Banca BSI Italia S.p.A. (2)	993,685	86,932	- 18,782	71,746	102,155	X
4. S. Alessandro Fiduciaria S.p.A.	252	163	8	163	165	X
5. BG Investment Luxembourg S.A.	39,323	61,848	22,642	24,642	2,000	X
6. Simgenia SIM S.p.A.						
Total	1,082,884	214,616	15,208	132,447	131,992	-

(1) The difference between the carrying value and net equity is due to the goodwill paid to acquire the company.
(2) The difference between the carrying value and net equity is due to the losses recognised by the company in 2008 and the payment into the loss coverage account made by the Bank to cover the loss incurred in 2007.
Both equity investments were tested for impairment under IAS 36. The results of these tests were negative.

10.3 Equity investments: year changes

	31.12.2008	31.12.2007
A. Amount at period-start	68,229	46,063
B. Increases	69,253	22,384
B.1 Purchases	69,253	22,166
B2. Reversal value	-	-
B3. Revaluations	-	-
B4. Other changes	-	218
C. Decreases	5,490	218
C1. Sales and repayments	-	-
C2. Adjustments	27	-
of which permanent write-downs	27	-
C3. Other changes	5,463	218
D. Amount at period-end	131,992	68,229
E. Total revaluations	-	-
F. Total adjustments	-	66

Item B.1 refers to the recapitalisation of the equity investment in Banca BSI Italia S.p.A. undertaken on 30/09/2008 in the form of a capital increase in the amount of 58,937 thousand euros and a payment towards the coverage of losses in the amount of 10,316 thousand euros.
The item "B.4 Other changes" consists of the transfer of the equity investment in Simgenia S.p.A. to groups of assets available for sale (5,456 thousand euros) and the transfer of the equity investment in Eu-Ra to assets available for sale (7 thousand euros).

Breakdown of changes in equity investments

	31.12.2008	31.12.2007	Change
Bg Fiduciaria Sim S.p.A.	11,779	11,779	-
Simgenia S.p.a.	-	5,456	- 5,456
Bg Sgr S.p.A.	15,893	15,893	-
Banca BSI S.p.A.	102,155	32,902	69,253
S. Alessandro Fiduciaria S.p.A.	165	165	-
BG Investment Luxembourg S.A.	2,000	2,000	-
Eura	-	34	- 34
Total	**131,992**	**68,229**	**63,797**

Section 11
Property and equipment - Item 110

11.1 Property and equipment: breakdown of assets valued at cost

Assets/Values	31.12.2008	31.12.2007
A. Operating assets		
1.1 Owned assets	4,013	4,726
a) land	-	-
b) buildings	-	-
c) furniture	2,449	2,911
d) electronic equipment	110	141
e) other	1,454	1,674
1.2 Leased assets	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**4,013**	**4,726**
B. Assets held as investments		
2.1 Owned assets	-	-
a) land	-	-
b) buildings	-	-
2.2 Leased assets	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A + B)	**4,013**	**4,726**

11.3 Operating assets: year changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross amount at period-start	-	-	**9,889**	**688**	**4,297**	**14,874**
A.1 Total net impairment	-	-	6,978	547	2,623	**10,148**
A.2 Net amount at period-start	-	-	**2,911**	**141**	**1,674**	**4,726**
B. Increases:			**431**	**19**	**330**	**780**
B.1 Purchases			431	19	330	780
of which business combination transactions						
B.2 Capitalised improvement costs						-
B.3 Reversal value						-
a) net equity						-
b) statement of operations						-
B.4 Fair value positive change in						-
a) net equity						-
b) statement of operations						-
B.5 Exchange gains						-
B.6 Transfer of buildings held as investments						-
B0.7 Other changes					-	-
C. Decreases:			**893**	**50**	**550**	**1,493**
C.1 Sales			-	-	1	**1**
C.2 Depreciation			893	50	549	**1,492**
C.3 Adjustments for impairment in						-
a) net equity						-
b) statement of operations						-
C.4 Fair value negative changes in						-
a) net equity						-
b) statement of operations						-
C.5 Exchange losses						-
C.6 Transfers to:						-
a) property and equipment held as investments						-
b) assets held for sale						-
C0.7 Other changes			-	-	-	-
of which business combination transactions			-	-	-	-
D. Net amount at period end			**2,449**	**110**	**1,454**	**4,013**
D.1 Total net impairment			8,349	634	3,460	**12,443**
D.2 Gross amount at period-end			**10,798**	**744**	**4,914**	**16,456**
E. Valued at cost			**2,449**	**110**	**1,454**	**4,013**

Section 12
Intangible assets - Item 120

12.1 Intangible assets: breakdown by type of asset

Assets/Values	31.12.2008 Limited duration	31.12.2008 Unlimited duration	31.12.2007 Limited duration	31.12.2007 Unlimited duration
A.1 Goodwill		2,991		2,991
A.2 Other intangible assets	3,309	-	4,099	-
A.2.1 Assets valued at cost:	3,309	-	4,099	-
a) Internally generated intangible assets	-	-	-	-
b) Other Assets	3,309	-	4,099	-
A.2.2 Assets valued at fair value :	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other Assets	-	-	-	-
Total	**3,309**	**2,991**	**4,099**	**2,991**

12.2 Intangible assets: year changes

	Goodwill	Other intangible assets internally generated: Limited duration	Other intangible assets internally generated: Unlimited duration	Other intangible assets Other: Limited duration	Other intangible assets Other: Unlimited duration	Total
A. Amount at period-start	**2,991**			**37,311**		**40,302**
A.1 Total net impairment				33,212		33,212
A.2 Net amount at period-start	**2,991**	**-**	**-**	**4,099**	**-**	**7,090**
B. Increases	**-**	**-**	**-**	**1,437**	**-**	**1,437**
B.1 Purchases	-	-	-	1,437	-	**1,437**
B.2 Increase of internal intangible assets	-	-	-	-	-	**-**
B.3 Reversal value	-	-	-	-	-	**-**
B.4 Fair value positive changes in	-	-	-	-	-	**-**
- net equity	-	-	-	-	-	**-**
- profit and loss account	-	-	-	-	-	**-**
B.5 Exchange gains	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	-	-	-	2,227	-	**2,227**
C.1 Sales	-	-	-	-	-	**-**
C.2 Adjustments	-	-	-	2,227	-	**2,227**
- Amortisation	-	-	-	2,227	-	**2,227**
- Write-downs	-	-	-	-	-	**-**
net equity	-	-	-	-	-	**-**
profit and loss account	-	-	-	-	-	**-**
C.3 Fair value negative changes	-	-	-	-	-	**-**
- net equity	-	-	-	-	-	**-**
- profit and loss account	-	-	-	-	-	**-**
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	-	-	**-**
of which business combination transactions		-	-	-	-	
D. Amount at period-end	**2,991**	**-**	**-**	**3,309**	**-**	**6,300**
D.1 Total net adjustments				35,439		**35,439**
E Gross amount at period-end	**2,991**			**38,748**		**41,739**
F. Valued at cost	2,991	-	-	3,309	-	6,300

Details of intangible assets - other assets

	31.12.2008	31.12.2007
Charges associated with the implementation of legacy CSE procedures	2,948	3,200
Commissions to be amortized	219	689
Other software costs	140	207
Brands	2	3
Total	**3,309**	**4,099**

Section 13
Tax receivables and payables - Item130 (Assets) and Item 80 (Liabilities)

Breakdown of item 130 (Assets): tax receivables

Type of transaction/Values	31.12.2008	31.12.2007
Current taxation	**13,730**	**6,051**
- IRES arising on National Tax Consolidatior	9,756	5,507
- IRES	736	544
- IRAP	3,238	-
Deferred tax receivables	**11,928**	**11,351**
With impact on profit and loss accoun	8,274	10,988
- IRES	7,760	10,063
- IRAP	514	925
With impact on net equity	3,654	363
- IRES	3,154	318
- IRAP	500	45
Total	**25,658**	**17,402**

Current tax assets represent the net positive unbalance between IRES and IRAP taxes payable for the year net of related payments on account and withholdings.
Since Banca Generali, Banca BSI and BG sgr have adhered to the tax consolidation regime of Assicurazioni Generali, the net IRES receivable represents an asset related to the latter.
The receivable arising on the tax consolidation regime for the inclusion of tax loss for the year 2008, in the amount of 185 thousand euros, or 83.5% of the relative deferred tax assets, is also included in this item.
Overall, the estimated receivable arising on the national tax consolidation regime of Assicurazioni Generali amounted to 9,941 thousand euros.

Breakdown of item 80 (liabilities): tax payables

Type of transaction/Values	31.12.2008	31.12.2007
Current taxation	**36**	**-**
- IRES arising on National Tax Consolidatior	36	-
- IRAP	-	-
Deferred tax payables	**1,848**	**3,616**
With impact on profit and loss accoun	808	3,206
- IRES	736	2,850
- IRAP	72	356
With impact on net equity	1,040	410
- IRES	911	332
- IRAP	129	78
Total	**1,884**	**3,616**

13.1 Breakdown of deferred tax receivables

Items/Values	31.12.2008	31.12.2007
With impact on profit and loss accoun	**8,274**	**10,988**
Previous fiscal losses	221	-
Provisions for liabilities and contingencies	4,794	5,297
Write-down of securities	1,026	3,958
Credit devaluation	660	119
Other operating expenses	1,573	1,614
With impact on net equity	**3,654**	**363**
Measurement at fair value of financial assets available for sale	3,654	363
Total	**11,928**	**11,351**

13.2 Breakdown of deferred tax payables

Items/Values	31.12.2008	31.12.2007
With impact on profit and loss accoun	**808**	**3,206**
Write-up of security portfolio and off-balance sheet transactions	202	2,522
Off-balance sheet provisions, adjustments and write-downs	-	227
Goodwill	379	313
Provision for termination indemnity	227	136
Capital gains by instalments	-	8
With impact on net equity	**1,040**	**410**
Measurement at fair value of financial assets available for sale	1,040	410
Totale	**1,848**	**3,616**

Section 13

Tax receivables and payables - Item 130 (Assets) and Item 80 (Liabilities)

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

Items/Values	31.12.2008	31.12.2007
1. Amount at period-start	**10,988**	**27,637**
2. Increases	**3,553**	**5,950**
2.1 Deferred tax receivables for the period	3,475	5,944
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	3,475	5,944
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	78	6
3. Decreases	**6,267**	**22,599**
3.1 Deferred tax receivables eliminated in the period	6,251	7,942
a) transfers	6,251	7,942
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	2,143
3.3 Other decreases	16	12,514
of which business combination transactions (*)	-	*12,466*
4. Amount at period-end	**8,274**	**10,988**

(*) Effect of the transfer to Banca BSI Italia.

13.4 Change in deferred taxes (offsetting entry to the profit and loss account)

	31.12.2008	31.12.2007
1. Amount at period-start	**3,206**	**6,854**
2. Increases	**65**	**751**
2.1 Deferred tax payables for the period	65	745
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	65	745
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	6
3. Decreases	**2,463**	**4,399**
3.1 Deferred tax payables eliminated during the period	2,323	3,754
a) transfers	2,323	3,754
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	602
3.3 Other decreases	140	43
4. Amount at period-end	**808**	**3,206**

Section 13

Tax receivables and payables - Item 130 (Assets) and Item 80 (Liabilities)

13.5 Changes in deferred tax receivables (offsetting entry to the net equity)

	31.12.2008	31.12.2007
1. Amount at period-start	**363**	**6**
2. Increases	3,452	431
2.1 Deferred tax receivables for the period	3,452	431
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	3,452	431
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	161	74
3.1 Deferred tax receivables eliminated in the period	161	-
a) transfers	161	-
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	68
3.3 Other decreases	-	6
4. Amount at period-end	**3,654**	**363**

13.6 Changes in deferred tax payables (offsetting entry to the net equity)

	31.12.2008	31.12.2007
1. Amount at period-start	**410**	**80**
2. Increases	1,034	434
2.1 Deferred tax payables for the period	1,034	400
a) relative to prior years		
b) change in accounting criteria	-	-
c) other	1,034	400
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	34
3. Decreases	404	104
3.1 Deferred tax payables eliminated during the period	404	-
a) transfers	404	-
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	104
3.3 Other decreases	-	-
4. Amount at period-end	**1,040**	**410**

Section 15
Other assets - Item 150

15.1 Breakdown of other assets composizione

	31.12.2008	31.12.2007
Fiscal items	**5,069**	**20,003**
Sums due from fiscal authorities for taxes to be refunded - IRPEG (1)	-	5,088
Sums due from fiscal authorities for taxes to be refunded - stock exchange con	1,575	1,575
Sums due from fiscal authorities for taxes to be refunded - other	171	169
Advances paid to fiscal authorities – current account withholdings (3)	-	8,871
Advances paid to fiscal authorities - stamp duty	3,202	4,158
Advances paid to fiscal authorities – substitute taxes on loans	44	79
Other sums due from fiscal authorities	77	63
Leasehold improvements	**1,199**	**1,616**
Credits and advances to advisers and agents	**6,663**	**7,655**
Sums advanced to financial advisers	4,703	4,194
Amounts receivables from former financial advisers, to be collected	741	1,659
Amounts receivable from former advisers	1,147	924
Amounts receivable from INA agents' network	72	878
Commercial loans due from product companies (2)	**17,640**	**742**
Sundry advances to suppliers and employees	**4,240**	**3,050**
Amounts to be debited under processing	**13,017**	**12,294**
C/a cheques drawn on third parties under processing	1,320	7,002
Our c/a cheques under processing c/o service	11,338	5,235
Other amounts to be debited under processing	359	57
Other amounts to be debited under processing	**17,059**	**28,459**
Amounts to be settled in the clearing house (debits)	7,240	19,945
Clearing accounts for securities and funds procedure	8,926	6,921
Other amounts to be debited under processing	893	1,593
Amounts receivable for legal disputes related to non-credit transactions	154	230
Trade receivables that cannot be traced back to specific items	**3,004**	**2,246**
Other amounts	**3,317**	**2,808**
Bg Security insurance policies as collateral for deferred bonus	2,653	2,139
Other accrued income and deferred charges	602	407
Idle caution deposits	47	65
Sundry amounts	15	197
Total	**71,362**	**79,103**

(1) These sums have been reclassified to current tax assets.
(2) Commercial loans due from product companies have been reclassified from loans to customers and other assets according to the recent notes updating the rules governing annual financial statements issued by the Supervisory Authority.
(3) At 31/12/2008 the item payments on account of withholding taxes has been stated by decreasing the corresponding payable to fiscal authorities.

Section 16
Non-current assets and groups of assets available for sale and associated liabilities
Item 140 (Assets) and Item 90 (Liabilities)

16.1 Non-current assets and groups of assets available for sale: categories

	31.12.2008	31.12.2007
A. Individual assets		
A.1 Equity Investments	5,456	
A.2 Property and equipment		
A.3 Intangible assets		
A.4 Other non-current assets		
Total A	**5,456**	**-**
B. Groups of assets (discontinued operating units)		
B.1 Financial assets held for trading		
B.2 Financial assets at fair value		
B.3 Financial assets available for sale		
B.4 Held-to-maturity financial assets		
B.5 Loans to banks		
B.6 Loans to customers		
B.7 Equity investments		
B.8 Property and equipment		
B.9 Intangible assets		
B.10 Other assets		
Total B	-	-
C. Liabilities of individual assets held for sale		
C.1 Debts		
C.2 Securities		
C0.3 Other liabilities		
Total C	-	-
D. Liabilities of groups of assets held for sale		
D.1 Due to banks		
D.2 Due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities measured at fair value		
D.6 Provisions for liabilities and contingencies		
D.7 Other liabilities		
Total D	-	-
Total (A+B+C+D)	**5,456**	**-**

Non-current assets held for sale consist of the equity investment in Simgenia S.p.A.

Part B - Information on the Balance Sheet Liabilities

Section 1
Due to banks - Item 10

1.1 Due to banks categories

Type of transaction/Values	31.12.2008	31.12.2007
1. Due to central banks	-	-
2. Due to banks	**885,117**	**641,194**
2.1 Current accounts and demand deposits	533,386	347,329
2.2 Term deposits	22,008	7,651
2.3 Loans	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Liabilities for transferred assets non written off	329,723	286,214
2.5.1 Repurchase agreements	329,723	286,214
2.5.2. Other	-	-
2.6 Other debts	-	-
Total	**885,117**	**641,194**
Fair value	885,117	641,194

Section 2
Due to customers - Item 20

2.1 Due to customers categories

Type of transaction/Values	31.12.2008	31.12.2007
1. Current accounts and demand deposits	2,247,913	2,365,159
2. Term deposits	8,801	72,959
3. Third-party funds under administration	-	-
4. Loans	-	-
5. Liabilities for repurchase commitments of own equity instruments	-	-
6. Liabilities for transferred assets non written off	210,196	606,802
6.1 Repurchase agreements	210,196	606,802
6.2 Other	-	-
7. Other debts	57,450	769
Total	**2,524,360**	**3,045,689**
Fair value	2,524,360	3,045,689

Section 4
Financial liabilities held for trading — Item 40

4.1 Financial liabilities held for trading: categories

Type of transaction/Values	31.12.2008 Fair Value	31.12.2007 Fair Value
A. Cash liabilities		
1. Due to banks	-	-
2. Due to customers	-	-
3. Debt securities	-	-
3.1 Bonds	-	-
3.1.1. Structured	-	-
3.1.2. Other	-	-
3.2 Other securities	-	-
3.1.1. Structured	-	-
3.1.2. Other	-	-
Total A	-	-
B. Derivatives		
1. Financial	**849**	**7,780**
1.1 trading	849	7,780
1.2 related to the fair value option	-	-
1.3 other	-	-
2. Credit	**-**	**-**
1.1 trading	-	-
1.2 related to the fair value option	-	-
1.3 other	-	-
Total B	**849**	**7,780**
Total (A+B)	**849**	**7,780**

Section 4
Financial liabilities held for trading — Item 40

4.4 Financial liabilities held for trading: derivatives

Types of derivatives/Underlying assets	Interest rates	Currencies and gold	Equity securities	Receivables	Other	31.12.2008	31.12.2007
A) LISTED DERIVATIVES							
1) Financial derivatives:	-	-	-	-	-	-	-
with capital swap	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
without capital swap	-	-	-	-	-	-	-
- options issued	-	-	-	-		-	-
- other derivatives	-	-		-	-	-	-
2) Credit derivatives:	-	-	-	-	-	-	-
with capital swap	-	-	-	-		-	-
without capital swap	-	-		-	-	-	-
Total A	-	-	-	-	-	-	-
B) UNLISTED DERIVATIVES							
1) Financial derivatives:	-	849	-	-	-	849	7,780
with capital swap	-	849	-	-	-	849	344
- options issued		-	-			-	27
- other derivatives	-	849				849	317
without capital swap	-	-	-	-	-	-	7,436
- options issued		-	-			-	222
- other derivatives	-		-		-	-	7,214
2) Credit derivatives:	-	-	-	-	-	-	-
with capital swap	-	-	-	-		-	-
without capital swap	-	-		-	-	-	-
Total B	**-**	**849**	**-**	**-**	**-**	**849**	**7,780**
Total (A + B)	**-**	**849**	**-**	**-**	**-**	**849**	**7,780**

Section 8
Tax payables — Item 80

Breakdown of tax payables - item 80

Type of transaction/Values	31.12.2008	31.12.2007
imposte correnti	**36**	**-**
- IRES arising on National Tax Consolidation	36	-
- IRAP	-	-
Deferred tax payables	**1,848**	**3,616**
With impact on profit and loss account	808	3,206
- IRES	736	2,850
- IRAP	72	356
With impact on net equity	1,040	410
- IRES	911	332
- IRAP	129	78
Total	**1,884**	**3,616**

Section 14 (Assets) provides a breakdown of deferred taxation.

Section 10
Other liabilities — Item 100

10.1 Breakdown of other liabilities

	31.12.2008	31.12.2007
Trade payables	**22,044**	**25,600**
Due to suppliers	11,748	11,566
Due to agents and advisers	10,296	14,034
Due to staff and Social Security institutions	**4,107**	**5,737**
Due to staff for accrued holidays etc.	1,729	2,640
Contributions to be paid to social security institutions	1,041	1,528
Contributions to advisers to be paid to Enasarco	1,337	1,569
Tax authorities	**6,797**	**15,294**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	1,609	1,824
Withholding taxes to be paid to tax authorities on behalf of customers	4,711	11,669
Notes to be paid in to collection services Collection	461	1,768
VAT payable	16	33
Third-party assets available for customers	**8,178**	**12,522**
Sums made available to customers	7,009	8,705
Sums to be paid to La Venezia Assicurazioni	1,169	3,817
Amounts to be debited under processing	**42,797**	**41,230**
Bank transfers, cheques and other sums payable	6,203	2,936
Amounts to be settled in the clearing house (credits)	24,527	23,267
Liabilities from reclassification of portfolio subject to collection (SBF)	4,235	5,015
Other amounts to be debited under processing	7,832	10,012
Sundry items	**1,363**	**1,647**
Amounts to be credited	250	474
Sundry items	1,066	1,129
Accrued expenses and deferred income that cannot be traced back to specific items	47	44
Total	**85,286**	**102,030**

Section 11
Provisions for termination indemnity — Item 110

11.1 Provisions for termination indemnity: year changes

	31.12.2008	31.12.2007
A. Amount at period-start	3,535	4,283
B. Increases	119	217
B.1 Provisions for the period	119	217
B.2 Other increases	-	-
C. Decreases	408	965
C.1 Amounts paid	290	284
C.2 Other decreases	118	681
of which business combination transactions	-	*557*
D. Amount at period-end	**3,246**	**3,535**

11.2 Further information

The amount of termination indemnity can be considered as a non financial defined benefit plans after the termination of employment, in accordance with IAS 19.
The fund was measured based on the actuarial value using the methods described in Part A.2 of the Notes.

	31.12.2008	31.12.2007
Current service cost	-	137
Interest cost	119	152
Curtailment effect	- -	72
Actuarial gains & losses (Corridor method)	-	-
Total provisions for the period	**119**	**217**
Book value	3,246	3,535
Actuarial gains & losses not recognised (Corridor method)	293	154
Actuarial value	**3,539**	**3,689**
Value calculated Re. art. 2120 of the Italian Civil Code	**4,214**	**4,361**

Section 12
Provisions for liabilities and contingencies — Item 120

12.1 Breakdown of provisions for liabilities and contingencies

	31.12.2008	31.12.2007
1. Company provisions for pensions	**-**	**-**
2. Provisions for liabilities and contingencies	**17,062**	**18,903**
2.1 litigation	3,484	3,252
2.2 staff	3,481	3,977
2.3 other	10,097	11,674
Total	**17,062**	**18,903**

Breakdown of provisions for liabilities and contingencies

	31.12.2008	31.12.2007
Provision for staff expenses	**3,481**	**3,977**
Provisions for risks and contingencies related to legal disputes	**3,484**	**3,252**
Provision for risks related to litigations connected with advisers' embezzlements	1,613	2,011
Provision for risks related to legal disputes with advisors	476	503
Provision for risks related to legal disputes with staff	539	209
Provision for other legal disputes	856	529
Provision for termination indemnity of advisors	**3,483**	**4,464**
Provision for termination indemnity	3,334	4,243
Provision for portfolio overcommission indemnities	149	221
Provision for commissions to be paid out	**6,614**	**6,881**
Provision for commission related to network development incentives	5,233	4,598
Provision for commission - travel incentives and tenders	1,099	1,004
Provision for commissions — other	173	1,031
Provision for loyalty bonuses	109	248
Other provisions for liabilities and contingencies	**-**	**329**
Provision for directors stock option programme	-	329
Provision for stamp and other taxes	**-**	**-**
Total	**17,062**	**18,903**

Section 12

Provisions for liabilities and contingencies — Item 120

12.2 Provisions for liabilities and contingencies: year changes

	Provisions for pensions	Other provisions	Totale
A. Amount at period-start	**-**	**18,903**	**18,903**
B. Increases	**-**	**9,216**	**9,216**
B.1 Provisions for the period	-	9,216	9,216
B.2 Other increases	-	-	-
C. Decreases	**-**	**11,057**	**11,057**
C.1 Use in the period	-	8,326	8,326
C.2 Other decreases	-	2,731	2,731
of which business combination transactions		-	-
D. Amount at period-end	**-**	**17,062**	**17,062**

Provisions for liabilities and contingencies - details of movements

	31.12.2007	Utilizations	Surplus	Other Change	Provisions	31.12.2008
Provision for staff expenses	**3,977**	**- 3,461**	**- 516**	**-**	**3,481**	**3,481**
Provisions for liabilities and contingencies related to leg	**3,252**	**- 619**	**- 293**	**-**	**1,144**	**3,484**
Provision for risks related to litigations connected with advise	2,011	- 476	- 174	-	252	1,613
Provision for risks related to legal disputes with advisors	503	- 64	- 58	-	95	476
Provision for risks related to legal disputes with staff	209	- 50	-	-	380	539
Provision for other legal disputes	529	- 29	- 61	-	417	856
Provision for termination indemnity of advisors	**4,464**	**- 43**	**- 1,192**	**- 185**	**439**	**3,483**
Provision for termination indemnity	4,243	- 43	- 1,192	-	326	3,334
Provision for portfolio overcommission indemnities	221	-	-	- 185	113	149
Provision for commissions to be paid out	**6,881**	**- 4,202**	**- 218**	**1**	**4,152**	**6,614**
Provision for commission related to network development in	4,598	- 3,103	- 42	900	2,880	5,233
Provision for commission - travel incentives and tenders	1,004	- 1,004	-	-	1,099	1,099
Provision for risks related to incentive plans	1,031	- 90	- 42	- 899	173	173
Provision for loyalty bonuses	248	- 5	- 134		-	109
Other provisions for liabilities and contingencies	**329**	**-**	**- 268**	**- 61**	**-**	**-**
Provision for other liabilities	329	-	- 268	- 61	-	-
Total	**18,903**	**- 8,325**	**- 2,487**	**- 245**	**9,216**	**17,062**

12.4 Provisions for liabilities and contingencies — other provisions — details

Provision for staff expenses

The provision for staff expenses is allocated to cover charges for result bonus envisaged by the Group Contratto Integrativo Aziendale (Integrative Corporate Contract) and other bonuses and incentives for network managers and other employees based on their services for the period.

Provisions for litigation

This type of provisions for risks includes provisions earmarked on the basis of pending litigations connected with advisers' embezzlements after insurance coverage, as well as those with disputes currently underway with financial advisers and employees and other legal and extra-legal disputes with customers and other entities.

Provisions for advisers' termination indemnity

These provisions include additional allowances for the sales network customers, the portfolio overvaluation allowance paid at certain conditions depending on the size of the portfolio managed at the date of severance, and other provisions established by merged company INA SIM (loyalty bonus) prior to incorporation. The decrease in the additional allowances for sales network customers may be attributed to the updating of the parameters used to conduct an actuarial appraisal of the amount of the provision (turnover rates) during the year.

Provisions for commissions to be paid out

These provisions refer mainly to Group commitments related to recruitment plans for middle-term expansion of managed portfolios.

These plans envisage different kinds of incentives (joining bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence in the company for one or more years (up to 5 or 7 years).

This amount includes also allocations for performance-based incentive programmes, including the "BG Premier Club Trip", and for other commission plans (supplementary allowances, stabilisers, objective-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuing employment in the network or the achievement of sales objectives.

Other provisions for liabilities and contingencies

Other provisions for liabilities and contingencies include personnel leaving-incentive agreements already finalised and the allowance for the stock-option plan under which parent company shares are reserved for the Chief Executive Officer.

Provisions for tax disputes

There were no significant tax disputes at 31 December 2008.

Section 14
Net equity — Items 130,150, 160, 170, 180, 190 e 200

14.1 Breakdown of net equity attributable to the company

Items/Values	31.12.2008	31.12.2007
1. Capital	111,313	111,313
2. Additional paid-in capital	22,804	22,804
3. Reserves	51,377	51,261
4. (Treasury shares)	- 6,652	- 7,339
5. Valuation reserves	- 6,754	945
6. Equity instruments	-	-
7. Net profit (Loss) for the period	12,028	19,316
Total	**184,116**	**198,300**

14.2 Breakdown of capital and treasury shares

	Unit value	Number	Nominal value	Book value (€ thousand)
Capital:				
- ordinary shares	1.00	111,313,176	111,313,176	111,313
Treasury shares				
- ordinary shares	1.00	- 697,146	- 697,146	- 6,652
		110,616,030	**110,616,030**	**104,661**

14.3 Capital - No. of Shares: year changes

Items/Type	Ordinary	Other
A. Existing shares at period-start	111,313,176	-
- paid up	111,313,176	-
- partially paid	-	-
A.1 Treasury shares (-)	- 917,909	-
B.2 Outstanding shares at period start	110,395,267	-
B. Increases	418,295	-
B.1 Newly issued shares		
- against payment:	-	-
- business combination transactions	-	-
- bond conversion	-	-
- exercise of warrant	-	-
- Other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	418,295	-
B.3 Other changes	-	-
C. Decreases	- 197,532	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	- 197,532	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at period-end	110,616,030	-
D.1 Treasury shares (+)	697,146	-
D.2 Existing shares at period-end	111,313,176	-
- paid up	111,313,176	-
- partially paid	-	

Section 14
Net equity — Items 130,150, 160, 170, 180, 190 e 200

14.4 Capital: further information

At the reporting date, the share capital of the bank consisted of 111,313,176 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

The company bought 197,532 treasury shares for a total book value of 1,016 thousand euros in service of the stock-granting plan for former Prime advisors.
For tax purposes, this financial instruments are recognised in the trading portfolio to take into account the possibility that they could be allotted starting from the following financial year.
During the period, the company also allotted the last tranche of the shares for the stock granting of financial advisors of the former Prime consult, as approved during 2001, which became effective after the bank's stocks began trading on the stock exchange.
The beneficiaries received a free allotment of 418,295 ordinary shares, with regular dividend entitlement, on a stock of 1,200,000 shares, repurchased in 2001, for a total amount of 1,704 thousand euros.

14.5 Income reserves: further information

	31.12.2007	Attributable gain	Hedging loss	Distribution of dividends	Purchases of treasury shares	Disposal of treasury shares	Other increases	Other decreases	31.12.2008
Legal reserve	15,905	966	-	-	-	-	-	-	16,871
Unavailable reserve for treasury shares	7,339	-	-	-	1,016	- 1,704	-	-	6,651
Unavailable reserve for shares of the parent company	1,364	-	-	-	-	-	-	-	1,364
Available reserve	5,015	-	-	- 1,523	- 1,016	-	-	-	2,476
Extraordinary reserve	-	-	-	-	-	-	-	-	-
Contribution to stock grant AG	648	-	-	-	-	-	-	-	648
Reserve for acquisition	10,757	-	-	-	-	-	-	-	10,757
Reserve shared based payments (IFRS2)	7,238	-	-	-	-	-	2,377	-	9,615
Reserve from income (loss) carried forward	-	-	-	-	-	-	-	-	-
Reserve from first-time application	2,995	-	-	-	-	-	-	-	2,995
Total	**51,261**	**966**	**-**	**- 1,523**	**-**	**- 1,704**	**2,377**	**-**	**51,377**

Contribution to stock grant AG reserve refers to the value of the shares allotted by Parent Company Assicurazioni Generali to the employees of the Banca Generali Group, according to the stock granting plan for employees of the Group launched upon the occasion of 17th anniversary.

As required by article 2427, paragraph 7-*bis*, of the Italian Civil Code, the following table contains an analytical illustration of net equity items, including an indication of their origins, possible draw-downs and distribution, and draw-downs made during previous years.

Items/Values	31.12.2008	Possible draw-downs (1	Restricted portion	Available portion	Distributable portion	Draw-downs (2007-2005) dividends	losses
Share capital	**111,313**		**-**	**-**	**-**		
Additional paid-in capital (3)	**22,804**	**ABC (3)**	**-**	**22,804**	**-**		
Reserves	**51,377**	**-**	**8,015**	**43,362**	**26,491**	**- 11,996**	**-**
Legal reserve	16,871	B	-	16,871	-	-	-
Unavailable reserve for treasury shares	6,651	B	6,651	-	-	-	-
Unavailable reserve for shares of the parent company	1,364	B	1,364		-	-	-
Available reserve	2,476	ABC	-	2,476	2,476	-	-
Extraordinary reserve	-		-	-	-	-	-
Merger surplus - Prime S.p.A.	10,692	ABC	-	10,692	10,692	- 6,656	-
Merger surplus - Altinia S.p.A.	65	ABC	-	65	65	-	-
Contribution to stock grant AG	648	ABC	-	648	648	-	-
Reserve shared based payments (IFRS2)	9,615	ABC	-	9,615	9,615	-	-
Reserve from income (loss) carried forward	-		-	-	-	- 5,340	-
Reserve from first-time application	2,995	ABC	-	2,995	2,995	-	-
Valuation reserves	**- 6,754**		**- 6,793**	**39**	**39**		
Revaluation reserves	39	ABC	-	39	39	-	-
Negative fair value reserve for AFS debt securities (2)	- 4,326		- 4,326	-	-	-	-
Negative fair value reserve for AFS equity securities (2)	- 2,467		- 2,467	-	-	-	-
Net profit (loss) for the period	**12,028**	**ABC**		**12,028**	**11,427**		
Net equity for accounting purposes	**190,768**		**1,222**	**78,233**	**37,957**		

(1) Availability refers to possible draw-downs for:
A capital increases
B coverage of losses
C distribution to shareholders
(2) Restricted reserve pursuant to article 6 of Legislative Decree No. 38/2005
(3) May not be distributed until the legal reserve has reached 1/5th of share capital

Section 14
Net equity — Items 130,150, 160, 170, 180, 190 e 200

14.7 Breakdown of valuation reserves

Items/Type	31.12.2008	31.12.2007
1. Financial assets available for sale	- 6,793	906
2. Property and equipment	-	-
3. Intangible Assets	-	-
4. Coverage of investments abroad	-	-
5. Coverage of financial cash flows	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation laws	39	39
Total	**- 6,754**	**945**

14.8 Valuation reserves year changes

	31.12.2008			31.12.2007		
	Financial assets available for sale	Law B.S. Rev.	Total	Financial assets available for sale	Law B.S. Rev.	Total
A. Amount at period-start	**906**	**39**	**945**	**823**	**39**	**862**
B. Increases	**12,645**	**-**	**12,645**	**1,569**	**-**	**1,569**
B1. Fair value increases	-		-	1,206		1,206
B2. Other changes	12,645		12,645	363		363
C. Decreases	**20,344**	**-**	**20,344**	**1,486**	**-**	**1,486**
C1. Fair value decreases	17,879	-	17,879	1,156	-	1,156
C2. Other changes	2,465		2,465	330		330
D. Amount at period-end	**- 6,793**	**39**	**- 6,754**	**906**	**39**	**945**

14.9 Breakdown of reserves from financial assets available for sale

Items/Type	31.12.2008			31.12.2007		
	Reserve positive	Reserve negative	Total	Reserve positive	Reserve negative	Total
1. Debt securities		4,009	- 4,009	-	- 107	- 107
2. Equity securities	-	2,784	- 2,784	1,013	-	1,013
3. OICR quotas	-	-	-	-	-	-
Total	**-**	**6,793**	**- 6,793**	**1,013**	**- 107**	**906**

14.10 Reserves from financial assets available for sale: year changes

	31.12.2008				31.12.2007		
	Capital securities	Debt securities	OICR units	Total	Capital securities	Debt securities	Total
1. Amount at period-start	**1,013**	**- 107**	**-**	**906**	**823**	**-**	**823**
2. Positive changes	**1,009**	**14,715**	**-**	**15,724**	**205**	**1,364**	**1,569**
2.1 Fair value increases	101	2,978	-	3,079	205	1,001	1,206
2.2 Transfer to profit and loss of negative reserves	-	7,519	-	7,519	-	-	-
due to impairment	-	7,065	-	7,065	-	-	-
due to disposal	-	454	-	454	-	-	-
2.3 Other changes	908	4,218	-	5,126	-	363	363
3. Decreases	**4,806**	**18,617**	**-**	**23,423**	**15**	**1,471**	**1,486**
3.1 Fair value decreases	4,774	16,184	-	20,958	-	1,156	1,156
3.2 Adjustments due to impairment	-	-	-	-	-	-	-
due to impairment	-	-	-	-	-	-	-
due to disposal	-	-	-	-	-	-	-
3.3 Other changes	32	2,433	-	2,465	15	315	330
D. Amount at period-end	**- 2,784**	**- 4,009**	**-**	**- 6,793**	**1,013**	**- 107**	**906**

Part B - Information on the Balance Sheet
Other information

1. Guarantees issued and commitments

Transaction	31.12.2008	31.12.2007
1) Financial guarantees issued	**3,790**	**3,874**
a) Banks	-	-
b) Customers	3,790	3,874
2) Commercial guarantees issued	**391**	**6,141**
a) Banks	-	-
b) Customers	391	6,141
3) Irrevocable commitment to dispense funds	**7,449**	**10,150**
a) Banks	**4,717**	**4,887**
i) of certain use	1,009	1,431
ii) of uncertain use	3,708	3,456
b) Customers	**2,732**	**5,263**
i) of certain use	14	35
ii) of uncertain use	2,718	5,228
4) Underlying commitments to credit derivatives: hedging sales	**-**	**-**
5) Assets pledged as collateral of third-party obligations	**-**	**-**
6) Other commitments	**-**	**-**
of which securities receivable for put option issued	-	-
Total	**11,630**	**20,165**

Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
Commitments to grant unspecific-use funds to banks refer to the commitment with FITD Interbank Deposit Guarantee (3,708 thousand euros).
Commitments to customers refer to the undertaking to subscribe further shares in the equity investment (AFS) in Athena Private Equity (2,718 thousand euros).

2. Assets pledged as collateral for own liabilities and commitments

Portfolio	31.12.2008	31.12.2007
1. Financial assets held for trading	179,690	893,154
2. Financial assets at fair value	-	-
3. Financial assets available for sale	295,722	-
4. Held-to-maturity financial assets	60,419	-
5. Loans to banks	1,874	-
6. Loans to customers	7,465	-
7. Property and equipment	-	-
8. Intangible assets	-	-
Total	**545,170**	**893,154**

Other information

4. Management and trading on behalf of third parties

Type of service	31.12.2008	31.12.2007
1. Trading of financial instruments on behalf of third parties		
a) purchases	**4,374,452**	**4,312,973**
1. settled	4,347,354	4,271,131
2. to be settled	27,098	41,842
b) sales	**3,836,896**	**4,477,685**
1. settled	3,826,127	4,457,848
2. to be settled	10,769	19,837
2. Portfolio management	**-**	**-**
a) individual	-	-
b) collective	-	-
3. Custody and administration of securities	**2,580,227**	**2,164,377**
(Excluding asset management)		
a) third-party securities held in deposit:		
related to services provided as depository bank	**-**	**-**
1. issued by the bank that prepares the financial statements	-	-
2. Other	-	-
b) other third-party securities held in deposit: other	**2,580,227**	**2,164,377**
1. issued by the bank that prepares the financial statements	47,270	46,419
2. Other	2,532,957	2,117,958
c) third-party securities deposited with third parties	2,557,596	2,136,599
d) portfolio securities deposited with third parties	2,441,083	2,787,860
4. Other transactions		
1. Order collection activity e brokerage (amounts traded)	15,008,503	17,960,460

Part C – Information on Profit and Loss Account

Section 1
Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

	Performing financial assets		Non-performing financial assets	Other assets	31.12.2008	31.12.2007
	Debt securities	Financing				
1. Financial assets held for trading	58,938	-	-	-	58,938	86,797
2. Financial assets available for sale	30,979	-	-	-	30,979	425
3. Held-to-maturity financial assets	14,918	-	-	-	14,918	-
4. Loans to banks	2,798	38,642	-	-	41,440	21,975
5. Loans to customers	7,234	12,028	-	-	19,262	10,964
6. Financial assets at fair value	-	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-	-
8. Transferred financial assets not written off	-	-	-	-	-	-
9. Other assets	-	-	-	207	207	89
Total	**114,867**	**50,670**	**-**	**207**	**165,744**	**120,250**

1.3 Breakdown of interest income and similar charges: further information

	31.12.2008	31.12.2007
1.3.1 Interest income on financial assets in foreign currencies	3,478	906
1.3.2 Interest income on finance lease transactions	-	-
1.3.3 Interest income on third-party funds under administration	-	-
Total	**3,478**	**906**

1.4 Breakdown of interest expense and similar charges

	Debts	Securities	Other liabilities	31.12.2008	31.12.2007
1. Due to banks	14,538	-	-	14,538	10,953
2. Due to customers	57,758	-	-	57,758	44,710
3. Securities issued	-	-	-	-	-
4. Financial liabilities from trading	-	-	-	-	-
5. Financial liabilities measured at *fair value*	-	-	-	-	-
6. Financial liabilities relative to transferred assets not written off	45,273	-	-	45,273	32,891
7. Other liabilities	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	**117,569**	**-**	**-**	**117,569**	**88,554**

1.6 Breakdown of interest expense and similar charges: further information

	31.12.2008	31.12.2007
1.6.1 Interest expense on financial assets in foreign currencies	496	692
1.6.2 Interest expense on finance lease liabilities	-	-
1.6.3 Interest expense on third-party funds under administration	-	-
Total	**496**	**692**

Section 2
Commissions - Items 40 and 50

2.1 Breakdown of commission income

		31.12.2008	31.12.2007
a)	Guarantees issued	49	145
b)	Credit derivatives	-	-
c)	Management, brokerage and consultancy services:	123,832	178,623
	1. Trading of financial instruments	4,781	5,317
	2. Currency trading	4	8
	3. Asset management	-	-
	3.1. Individual	-	-
	3.2. Collective	-	-
	4. Custody and administration of securities	816	731
	5. Depositary bank	-	-
	6. Placement of securities	60,987	78,159
	7. Order collection	9,991	8,399
	8. Consultancy activities	-	-
	9. Distribution of third-party services	47,253	86,009
	9.1.Asset management	*15,075*	*42,391*
	9.1.1 Individual	14,893	*42,218*
	9.1.2 Collective	182	*173*
	9.2. Insurance products	27,167	*37,759*
	9.3. Other products	5,011	*5,859*
d)	Collection and payment services	2,865	2,212
e)	Servicing related to securitisations	4	4
f)	Factoring-related services	-	-
g)	Tax collection services	-	-
h)	Other services	835	1,576
Total		**127,585**	**182,560**

2.2 Commission income: distribution channels of products and services offered

	31.12.2008	31.12.2007
a) Group branches:	**-**	**2,292**
1. Asset management	-	-
2. Placement of securities	-	2,292
3. Third-party products and services	-	-
b) External offer:	**108,240**	**161,876**
1. Asset management	-	-
2. Placement of securities	60,987	75,867
3. Third-party products and services	47,253	86,009
c) Other distribution channels:	**-**	**-**
1. Asset management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
Total	**108,240**	**164,168**

2.3 Breakdown of commission expense

		31.12.2008	31.12.2007
a)	Guarantees received	-	-
b)	Credit derivatives	-	-
c)	Management and brokerage services:	80,103	99,858
	1. Trading of financial instruments	3,355	2,220
	2. Currency trading	-	-
	3. Asset management:	-	-
	3.1 Own portfolio	-	-
	3.2 Third-party portfolio	-	-
	4. Custody and administration of securities	388	418
	5. Placement of financial instruments	-	-
	6. External offer of financial instruments, products, and services	76,360	97,220
d)	Collection and payment services	1,666	1,681
e)	Other services	1,456	1,449
Total		**83,225**	**102,988**

Section 3
Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

		31.12.2008		31.12.2007	
		Dividends	OICR quotas	Dividends	OICR quotas
A.	Financial assets held for trading	32,969	-	1,479	-
B.	Financial assets available for sale	2,247	-	1,365	-
C.	Financial assets measured at fair value	-	-	-	-
D.	Shareholdings	17,991	X	11,329	X
Total		**53,207**	**-**	**14,173**	**-**

The dividends associated with the equity investment in Simgenia, in the amount of 990 thousand euros (1,339 thousand euros in 2007) have been reclassified in Section 190 “Income (loss) of groups of available for sale assets, net of taxes”.
The dividends on financial assets held for trading refer to 32,324 thousand euros in total return swap transactions.

Section 4
Net profit from trading - Item 80

4.1 Breakdown of net profit from trading

	Capital gains	Income from trading	Capital loss	Loss from trading	Net result 31.12.2008	Net result 31.12.2007
1. Financial assets	**1,219**	**9,278**	**6,651**	**80,712**	**- 76,866**	**- 23,859**
1.1 Debt securities	1,176	3,580	4,195	13,253	- 12,692	- 15,410
1.2. Equity securities	43	5,131	2,357	67,332	- 64,515	- 11,011
1.3. OICR quotas	-	473	99	24	350	2,547
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	94	-	103	- 9	15
2. Financial liabilities from trading	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
3. Currency transactions	**-**	**143**	**-**	**-**	**143**	**231**
4. Derivatives	**-**	**66,814**	**60**	**35,154**	**31,600**	**9,563**
4.1 Financial derivatives:	-	66,814	60	35,154	31,600	9,563
- on debt securities and interest rates	-	8	-	127	- 119	1,081
- on equity securities and stock indexes	-	86	-	-	86	577
- on currency and gold	-	-	60	-	- 60	73
- other	-	66,720	-	35,027	31,693	7,832
4.2 Credit derivatives	-	-	-	-	-	-
Total	**1,219**	**76,235**	**6,711**	**115,866**	**- 45,123**	**- 14,065**

(1) Hybrid derivatives pertaining to total return swap transactions.
(2) Includes currency options and currency outrights.

The losses on trading securities recognised on the date of reclassification to the portfolios of assets available for sale, held to maturity and loans to banks and customers have been charged to trading gains and losses in the following amounts:

equity securities:	2,030	€ thousand
debt securities	12,543	€ thousand
total	14,573	

Section 6
Gain (loss) from transfer/repurchase - Item 100

6.1 Breakdown of gain (loss) from transfer/repurchase

	31.12.2008			31.12.2007		
	Gain	Loss	Net result	Gain	Loss	Net result
Financial assets						
1. Loans to banks	-	222	- 222	-	-	-
2. Loans to customers	49	-	49	-		-
3. Financial assets available for sale	2,890	1,198	1,692	-	-	-
3.1 Debt securities	2,890	1,198	1,692	-	-	-
3.2. Equity securities	-	-	-	-	-	-
3.4. OICR quotas	-	-	-	-	-	-
3.5 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-	-	-
Total assets	**2,939**	**1,420**	**1,519**	**-**	**-**	**-**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Section 8
Net adjustments/reversal value for impairment - Item 130

8.1 Breakdown of net adjustments to non-performing loans

	Adjustments			Reversal value				31.12.2008	31.12.2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		From interest	Other reversals	From interest	Other reversals		
A. Loans to banks									
B. Loans to customers	287	1,980	1,070	27	26	-	323	- 2,961	- 554
C. Total	**287**	**1,980**	**1,070**	**27**	**26**	**-**	**323**	**- 2,961**	**- 554**

The adjustments to the portfolio refer to the collective impairment test of the portfolio of ABS (asset-backed securities), which under IAS 39 was reclassified among loans to customers
Specific adjustments refer primarily to write-downs of advanced commissions and operating receivables recognised under the item “Other assets”.

8.2 Breakdown of net adjustments for impairment of available-for-sale financial assets

	Adjustments			Reversal value				31.12.2008	31.12.2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		From interest	Other reversals	From interest	Other reversals		
A. Debt securities	-	7,065	-	-	-	-	-	- 7,065	-
B. Equity securities	-	-	-	-	-	-	-	-	-
C. Due from banks	-	-	-	-	-	-	-	-	-
D. Loans to customers	-	-	-	-	-	-	-	-	-
E. Total	**-**	**7,065**	**-**	**- -**	**-**	**-**	**-**	**- 7,065**	**-**

The adjustments to debt securities refer to the securities issued by Lehman Bros. Holding for a nominal value of 9,000 thousand euros.

Section 9
General and administrative expense - Item 150

Breakdown of general and administrative expense

	31.12.2008	31.12.2007
150 a) Staff expense	34,741	37,528
150 b) Other general and administrative expense	53,152	49,369
Total	**87,893**	**86,897**

9.1 Breakdown of staff expenses

	31.12.2008	31.12.2007
1) Employees	**34,144**	**36,893**
a) Wages and salaries	20,287	21,179
b) Social security charges	5,379	5,516
c) Termination indemnity	-	-
d) Retirement benefit plans	-	-
e) Provisions for termination indemnity	119	217
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	2,320	1,993
- defined contribution	2,320	1,993
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	590	1,360
i) Other employee benefits	5,449	6,628
2) Other staff	**- 627**	**- 594**
3) Directors and Auditors	**1,224**	**1,229**
of which stock granting for Directors	- 329	-
Total	**34,741**	**37,528**

9.2 Average number of employees by category

	31.12.2008	31.12.2007
Employees	**554**	**554**
a) Managers	21	22
b) Total executives	86	97
of which 3rd and 4th level	44	52
of which 1st and 2nd level	43	45
c) Employees at other levels	447	435
Other employees	**-9**	**-2**
Total	**554**	**554**

Details of headcount

	31.12.2008	31.12.2007
Employees	**548**	**560**
a) Managers	21	21
b) Total executives	83	89
of which 3rd and 4th level	42	45
of which 1st and 2nd level	41	44
c) Employees at other levels	444	450
Other employees	**- 11**	**- 7**
Contract and temporary workers	*-*	*3*
Seconded staff from other companies	*4*	*2*
Seconded staff to other companies	*- 15*	*- 12*
Total	**537**	**550**

9.4 Other employee benefits

	31.12.2008	31.12.2007
Provision for expenses - CIA and Management bonus (MBO)	2,965	3,020
Provision for renewal of the national collective labour agreement - one-off payment	-	957
Charges for staff supplementary pensions	758	688
Expenses for missions - expense reimbursement and indemnities, and charges payable by the	1,017	992
Amounts replacing cafeteria indemnities, clothes and medical costs San.	412	456
Training expenses	147	308
Allowances and charitable gifts	94	143
Other expenses	56	64
Total	***5,449***	***6,628***

Section 9
General and administrative expense - Item 150

9.5 Breakdown of other general and administrative expenses

	31.12.2008	31.12.2007
Administration	**7,715**	**5,595**
- Advertising	500	535
- Consultancy and professional advice expense	4,189	1,621
- Financial consultancy expenses	753	590
- Corporate boards and auditing firms (1)	227	278
- Insurance	1,457	1,936
- Entertainment expenses	124	289
- Membership contributions	368	320
- Charity	97	26
Operations	**20,597**	**21,646**
- Rent and usage of premises and management of property	10,090	9,683
- Outsourced services (administration, call center)	5,481	6,133
- Post and telephone	1,243	1,684
- Print material	711	687
- Other expenses for sales network management	1,340	1,747
- Other expenses and purchases	1,732	1,712
Information system and equipment	**18,470**	**16,114**
- Expenses related to outsourced IT services	13,662	12,152
- Fees for IT services and databases	2,724	2,339
- Software maintenance and servicing	1,026	465
- Fees for equipment hired and software used	679	840
- Other maintenance	379	318
Indirect taxation	**6,370**	**6,014**
Total	**53,152**	**49,369**

(1) Beginning with the reporting year, the compensation of the Board of Statutory Auditors has been classified to personnel expenses along with the compensation of directors.

Section 10
Net provisions for liabilities and contingencies - Item 160

10.1 Breakdown of net provisions for liabilities and contingencies

	31.12.2008			31.12.2007		
	Provisions	**Reversal**	**Net**	**Provisions**	**Reversal**	**Net**
Provisions for risk related to commissions to be assigned	4,152	- 84	4,068	5,307	- 818	4,489
	-	-	-			-
Provision for risks related to legal disputes with subscribers	252	- 174	78	323	- 16	307
Provision for risks related to legal disputes with advisors	95	- 58	37	11	- 165	- 154
Provision for risks related to legal disputes with staff	380	-	380	50	- 45	5
Provision for risks related to legal disputes with others	417	- 61	356	185	- 151	34
	-	-	-			-
Provisions for termination indemnity	325	- 1,192	- 867	1,120	-	1,120
Provision for overcommission risks	114	-	114	221	-	221
Provision for loyalty bonuses	-	- 134	- 134	-	- 91	- 91
	-	-				
Provisions for risks related to stock-option plan for Chief Executive Office	-	-	-		- 11	- 11
Total	**5,735**	**- 1,703**	**4,032**	**7,217**	**- 1,297**	**5,920**

Section 11
Net adjustments/reversals value of property and equipment - Item 170

11.1 Breakdown of net adjustments/reversals value of property and equipment

	Depreciation	Adjustments due to impairment	Reversal value	Net result 31.12.2008	Net result 31.12.2007
A. Property and equipment					
A.1 Owned	1,492	-	-	1,492	1,527
- operating	1,492			1,492	1,527
- investment				-	-
A.2 Leased	-	-	-	-	-
- operating				-	-
- investment				-	-
Total	**1,492**	**-**	**-**	**1,492**	**1,527**

Section 12
Net adjustments/reversals value of intangible assets - Item 180

12.1 Breakdown of net adjustments of intangible assets

	Amortisation	Adjustments due to impairment	Reversal value	Net result 31.12.2008	Net result 31.12.2007
A. Intangible assets					
A.1 Owned	2,227	-	-	2,227	3,510
- generated in-house	-	-	-	-	-
- other	2,227	-		2,227	3,510
A.2 Leased	-	-	-	-	-
Total	**2,227**	**-**	**-**	**2,227**	**3,510**

Breakdown of value adjustments of intangible assets - amortisation

	31.12.2008	31.12.2007
Long-term no-load commissions	525	1,847
Charges associated with the implementation of legacy CSE procedures	1,515	1,499
Other intangible assets	187	164
Total	**2,227**	**3,510**

Section 13
Other operating income and expenses - Item 190

13.1 Breakdown of other operating expenses

	31.12.2008	31.12.2007
Adjustments of leasehold improvements	752	873
Charges for staff leaving incentives	-	586
Contingent liabilities and non-existent assets	1,717	1,174
Charges from accounting adjustments with customers	775	150
Indemnities and compensation	466	628
Other operating expenses	9	2
Total	**3,719**	**3,413**

13.2 Breakdown of other operating income

	31.12.2008	31.12.2007
Fees for outsourcing services	7,978	8,342
Recovery of expenses and inflow from customers	2,369	2,372
Recovery of taxation from customers	5,640	5,364
Portfolio valuation overcommission	94	188
Indemnities for advisers' notices	176	81
Recovery of costs from advisors	552	284
Contingent assets and non-existent liabilities	1,017	1,175
Insurance compensation and indemnities	599	101
Other income	391	266
Total	**18,816**	**18,173**
Total other net income	**15,097**	**14,760**

Section 14
Gain (loss) on equity investments - Item 210

14.1 Breakdown of gain/loss from disposal of investments

	31.12.2008	31.12.2007
A. Gain	-	-
1. Revaluations	-	-
2. Gains from sale	-	-
3. Reversal value	-	-
4. Other positive changes	-	-
B. Charges	- 27	-
1. Write-downs	-	-
2. Adjustments due to impairment		
3. Losses from sale	- 27	-
4. Other negative changes	-	-
Net result	**- 27**	**-**

Section 17
Gain/loss from disposal of investments - Item 240

17.1 Breakdown of gain/loss from disposal of investments

	31.12.2008	31.12.2007
A. Buildings	-	-
- Gains from sale	-	-
- Losses from sale	-	-
B. Other assets	-	-
- Gains from sale		
- Losses from sale		
Net result	**-**	**-**

Section 18
Income tax for the period for current operations - Item 260

18.1 Breakdown of income tax for the period for current operations

	31.12.2008	31.12.2007
1. Current taxation (-)	-334	-9,262
2. Change in prior period current taxes	150	52
3. Reduction of current taxes for the period (+)	-	-
4. Changes of prepaid taxation (+/-)	-2,714	-4,189
5. Changes of deferred taxation (+/-)	2,398	3,648
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**-500**	**-9,751**

Current taxation includes IRES, IRAP and foreign taxation on dividends received, as detailed in the following table.

18.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes for the year,
including both current and deferred taxes, as set out in item 260 of the Profit & Loss Account and the theoretical IRES tax determined by applying the current applicable tax rate of 27,5% to the pre-tax profit.
The reconciliation statement is therefore expressed based on higher or lower current and deferrerd taxes debited or credited to the P&L account compared to the theoretical taxation.

	31.12.2008	31.12.2007
Current taxation	-334	-9,262
IRES and equivalent foreign direct taxes	493	-7,445
IRAP	-735	-1,783
Other (withholding taxes on dividends; substitute tax under section EC)	-92	-34
Prepaid and deferred taxation	-316	-541
IRES	-189	-556
IRAP	-127	15
Prior period taxes	150	52
IRES	132	-79
IRAP	18	131
Income taxes	**-500**	**-9,751**
Theoretical tax rate	**27.5%**	**33.0%**
Profit (loss) before taxation	**11,538**	**27,727**
Theoretical taxation	**-3,173**	**-9,150**
Tax income (+) expense (-):		
Non-taxable income (*)	5,301	4,627
Interest expense (net of the sum recovered under the tax consolidation programme)	-477	-
IFRS2 stock option plans and AG stock grant	-970	-801
Other non-deductible costs	-562	-1,148
IRES - deferred taxation, rate change adjustment	-	-1,491
IRAP (net of rate change adjustment of deferred taxation)	-844	-1,717
IRAP - deferred taxation, rate change adjustment	-	-51
Prior period taxes	132	52
Other taxes (foreign taxes and under section EC)	-92	-34
Reversal of deferred taxes under section EC	136	-
Other adjustments	49	-39
Actual tax expense	**-500**	**-9,751**
Total actual tax rate	**4.3%**	**33.5%**
Actual tax rate (IRES only)	**-2.6%**	**27.5%**

(*) Chiefly dividends on AFS equity investments with 95% exemption.

Section 19
Profit (loss) of groups of available for sale assets, net of taxes – Item 310

19.1 Breakdown of profit (loss) of groups of available for sale assets, net of taxes:

	31.12.2008	31.12.2007
1. Income	990	1,339
2. Expenses	-	-
3. Measurement of groups of assets available for sale and associated l	-	-
4. Gains (losses) on disposal	-	-
5. Taxes and duties	-	-
Net profit (Loss)	**990**	**1,339**

Income consists of dividends distributed by the subsidiary Simgenia in 2006 and 2007.

Section 21
Earnings per Share

	31.12.2008	31.12.2007
Net profit for the period (€ thousand)	12,028	19,316
Net profit attributable to ordinary shares	12,028	19,316
Average number of outstanding shares	110,316,240	109,961,177
EPS - Earnings per share (euro)	**0.109**	**0.176**
Average number of outstanding shares, diluted capital	110,316,240	109,961,177
EPS - Diluted earnings per share (euro)	**0.109**	**0.176**

PART D – Results by Line of Business and by Geographical Area

In this section, the results for the year are not broken down by business segment (primary segment) and geographical segment (secondary segment), as set out by IAS 14, since Banca Generali exclusively distributes financial and insurance bank products through its network of financial advisors within the Italian market.
The reader is therefore referred to the relevant section of the Consolidated Financial Statements for the breakdown of the results for the year by line of business at Group level.

PART E – Information on Risks and Risk Hedging Policies

Section 1 – Credit Risk

Qualitative Information

1. General Aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.
In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.
In detail, loans are issued to high-standing retail customers, generally with collaterals, and, to a lesser extent, to corporate customers to which select loans were issued in 2008, backed by adequate guarantees. At any rate, the ratio of loans to customers to total loans remains relatively small.
As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

The Group has formally defined a credit risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets forth the guidelines for the identification, measurement, monitoring and reporting of credit risk.
The Bank has also formally defined lending policy guidelines within the Lending Rules and Procedures that assign specific responsibilities to each company unit involved.
The Bank has defined an extensive system of powers and limits associated with loan authorisation.
In this context, the Bank has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In terms of the monitoring of loans after they have been disbursed, the Bank has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.
The Lending Department monitors the performance of loans and reports on anomalous positions.
In addition to the Lending Department, first-tier control is also conducted by the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Bank's overall credit exposure.
The Risk Management Service is responsible for second-tier controls and conducts specific independent control and monitoring of credit risk.
Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

2. Credit Risk Management Policies

The Bank has a lending department which is responsible for lending activities and managing the credit lines granted in accordance with the Lending Rules.
The lending department manages and monitors credit, with a particular focus on doubtful loans.

With reference to adoption of IAS/IFRS, Banca Generali applied what has been developed in the Basel II framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are associated with issuers with high levels of creditworthiness.

Credit Risk Mitigation Techniques

In order to mitigate credit risk, collateral or personal guarantees are typically required to secure the loans granted. Collateral can be in the form of real-estate mortgages or liens on securities, including managed funds portfolios. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collateral is in the form of securities, a discount is usually applied when the loan is issued and the market value of the securities is determined periodically.

As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

Non-performing financial assets

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

- bad loans;
- substandard loans;
- expired loans or outstanding over 180 days

After value adjustments, overall impaired loans accounted for a negligible percentage of total loans to customers.

The process of identifying doubtful loan positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.
Total doubtful loans include current account overruns due to credit card use.
Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

Quantitative Information

A. Credit Quality

A.1 Exposure to non-performing and performing loans: balances, adjustments, performance, income and geographical breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (balance sheet amounts)

Portfolios/Quality	Bad loans	Substandard loans	Restructured loans	Expired loans	Country risk	Other assets	Total
1. Financial assets held for trading	60	-	-	-	3,013	659,016	662,089
2. AFS financial assets	1,350	-	-	-	5,048	792,641	799,039
3. Held-to-maturity financial assets	-	-	-	-	5,942	600,411	606,353
4. Loans to banks	-	-	-	-		907,848	907,848
5. Loans to customers	204	474	-	23		473,641	474,342
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	5,456	5,456
8. Hedging derivatives	-	-	-	-	-	-	-
Total at 31 December 2008	1,614	474		23	14,003	3,439,013	3,455,127
Total at 31 December 2007	229	45		275	13,712	3,823,307	3,837,568

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

Portfolios/Quality	Non-performing assets				Other assets			Total (net exposure)
	Gross exposure	Special adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	1,956	1,896		60	X	X	662,029	662,089
2. AFS financial assets	8,415	7,065		1,350	797,689	-	797,689	799,039
3. Held-to-maturity financial assets				-	606,353	-	606,353	606,353
4. Loans to banks				-	907,848	-	907,848	907,848
5. Loans to customers	1,745	1,044	-	701	474,887	1,246	473,641	474,342
6. Financial assets at fair value				-	X	X	-	-
7. Financial assets held for sale				-	5,456	-	5,456	5,456
8. Hedging derivatives				-	X	X	-	-
Total at 31 December 2008	12,116	10,005	-	2,111	2,792,233	1,246	3,453,016	3,455,127
Total at 31 December 2007	1,598	1,312	-	549	1,177,683	499	3,837,019	3,837,568

A.1.3 Cash and off-balance sheet exposure with banks: gross and net amounts

Exposure/Values	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Bad loans	10,371	8,961	-	1,410
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Expired loans	-	-	-	-
e) Country risk	5,942	X	-	5,942
f) Other assets	1,676,360	X	-	1,676,360
TOTAL A	**1,692,673**	**8,961**	**-**	**1,683,712**
B. OFF-BALANCE SHEET EXPOSURE				
a) Non-performing loans	-	-	-	-
b) Other	4,862	X	-	4,862
TOTAL B	**4,862**	**-**	**-**	**4,862**

A.1.4 Cash exposure with banks: changes in gross non-performing loans subject to "country risk"

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans	Country risk
A. Gross exposure at period-start	-	-	-	-	10,697
of which: transferred positions not written off		-	-	-	-
B. Increases	10,371	-	-	-	5,942
B.1 Inflows from performing loans	10,371	-	-	-	-
B.2 Transfer from other categories of non-performing loans	-	-	-	-	-
B.3 Other increases	-	-	-	-	5,942
C. Decreases	-	-	-	-	10,697
C.1 Outflows to performing loans	-	-	-	-	-
C.2 Write-offs	-	-	-	-	-
C.3 Repayments	-	-	-	-	-
C.4 Gains from disposals	-	-	-	-	
C.5 Transfer to other categories of of non-performing loans	-	-	-	-	-
C.6. Other decreases	-	-	-	-	10,697
Gross exposure at period-end	**10,371**	**-**	**-**	**-**	**5,942**
of which: transferred positions not written off	-	-	-	-	-

A.1.5 Cash exposure with banks: change in total adjustments

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans	Country risk
A. Total adjustments at year-start	-	-	-	-	-
- of which: positions transferred but not written off	-	-	-	-	-
B. Increases	8,961	-	-	-	-
B.1. Adjustments	8,961	-	-	-	-
B.2 Transfers from other categories of non-performing loans	-	-	-	-	-
B.3. Other increases	-	-	-	-	-
C. Decreases	-	-	-	-	-
C.1. Reversal of adjustments	-	-	-	-	-
C.2. Reversal of collections	-	-	-	-	-
C.3. Write-offs	-	-	-	-	-
C.4. Transfer to other categories of non-performing loans	-	-	-	-	-
C.5. Other decreases	-	-	-	-	-
D. Total adjustments at year-end	**8,961**	**-**	**-**	**-**	**-**
- of which: positions transferred but not written off					

A.1.6 Cash and off-balance sheet exposure with customers: gross and net amounts

Exposure/Values	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Bad loans	1,240	1,036	-	204
b) Substandard loans	482	8	-	474
c) Restructured loans	-	-	-	-
d) Expired loans	23	-	-	23
e) Country risk	8,062	-	-	8,062
f) Other assets	1,763,045	-	1,246	1,761,799
TOTAL A	1,772,852	1,044	1,246	1,770,562
B. OFF-BALANCE SHEET EXPOSURE				
a) Non-performing loans	-	-	-	-
b) Other	4,904	-	-	4,904
TOTAL B	4,904	-	-	4,904

A.1.7 Cash exposure with customers: changes in gross non-performing loans subject to "country risk"

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans	Country risk
A. Gross exposure at period-start	1,368	54	-	275	3,014
- of which: positions transferred but not written off	-	-	-	-	-
B. Increases	120	525	-	421	5,048
B.1 Inflows from performing loans	-	76	-	259	-
B.2 Transfers from other categories of non-performing loans	9	431	-	-	
B.3 Other increases	111	18	-	162	5,048
C. Decreases	248	97	-	673	-
C.1 Outflows to performing loans	-	-	-	222	-
C.2 Write-offs	216	-	-	-	-
C.3 Repayments	32	81	-	20	-
C.4 Gains from disposals	-	-	-	-	-
C.5. Transfer to other categories of non-performing loans	-	9	-	431	-
C.6. Other decreases	-	7	-	-	-
D. Gross exposure at period-end	1,240	482	-	23	8,062
- of which: positions transferred but not written off	-	-	-	-	-

A.1.8 Cash exposure with customers: change in total adjustments

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans	Country risk
A. Total adjustments at year-start	1,140	9	-	-	-
- of which: positions transferred but not written off	-	-	-	-	-
B. Increases	126	4	-	-	-
B.1. Adjustments	126	4	-	-	-
B.2. Transfers from other categories of non-performing loans	-	-	-	-	-
B.3. Other increases	-		-	-	-
C. Decreases	230	5	-	-	-
C.1. Reversal of adjustments	21	-	-	-	-
C.2. Reversal of collections	27	3	-	-	-
C.3. Write-offs	182	-	-	-	-
C.4. Transfer to other categories of non-performing loans	-	2	-	-	-
C.5. Other decreases	-	-	-	-	-
D. Total adjustments at year-end	1,036	8	-	-	-
- of which: positions transferred but not written off	-	-	-	-	-

A.2 Classification based on internal and external ratings

Banca Generali does not yet have an internal rating system for evaluating its customers' credit standing.
The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Cash and off-balance sheet exposures broken down by external rating classes

Exposures	**External rating classes**						**Without**	**Total**
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-	**rating**	
Financial assets held for trading	362,765	237,421	11,298	-	9,768	-	39,984	661,236
Debt securities	362,765	237,421	11,298	-	9,768		34,413	655,665
OICR quotas							1,393	1,393
Equity securities						-	4,178	4,178
AFS financial assets	364,103	401,871	8,552	-	-	-	24,514	799,040
Debt securities	364,103	401,871	8,552	-	-	-	6,618	781,144
OICR quotas	-	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	17,896	17,896
Held-to-maturity assets (HTM assets)	**295,053**	**256,215**	**29,140**		**6,407**		**19,538**	**606,353**
Debt securities	**175,061**	**91,118**	**18,316**	**1,335**	**11,349**			**297,179**
Total	**1,196,982**	**986,625**	**67,306**	**1,335**	**27,524**	**-**	**84,036**	**2,363,808**

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.1 Guaranteed cash exposure with banks and customers

	Loan amount	Collateralised guarantees (1)				Personal guarantees(2) Guarantees					**Total** (1)+(2)
		Buildings	Securities	Other assets	Total	Governments	Other public institutions	Banks	Other entities	Total	
1. Guaranteed loans to banks:	-	-	-	-	-	-	-	-	-	-	-
1.1 totally guaranteed	-	-	-	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed loans to customers:	107,142	36,366	50,068	11,776	98,210	-	-	-	8,721	8,721	106,931
2.1 totally guaranteed	104,876	35,961	48,473	11,743	96,177	-	-	-	8,699	8,699	104,876
2.2 partially guaranteed	2,266	405	1,595	33	2,033	-	-	-	22	22	2,055

A.3.2 Guaranteed off-balance sheet exposures with banks and customers

	Loan amount	Collateralised guarantees (1)				Personal guarantees(2) Guarantees					**Total** (1)+(2)
		Buildings	Securities	Other assets	Total	Governments	Other public institutions	Banks	Other entities	Total	
1. Guaranteed loans to banks:	-	-	-	-	-	-	-	-	-	-	-
1.1 totally guaranteed	-	-	-	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed loans to customers:	240	-	189	40	229	-	-	-	11	11	240
2.1 totally guaranteed	240	-	189	40	229	-	-	-	11	11	240
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-

B. Breakdown and Concentration of Loans

B.1. Sector breakdown of cash and off-balance sheet exposure to customers

A. Cash exposure	Gross exposure	Specific val.adjust.	Port.val.adjust.	Net exposure
A. Cash exposure		-	-	-
1. Government and central banks	1,035,535	-	-	1,035,535
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Restructured loans	-	-	-	-
d. Expired loans	-	-	-	-
e. Other loans	1,035,535	-	-	1,035,535
2. Other public institutions	-	-	-	-
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Restructured loans	-	-	-	-
d. Expired loans	-	-	-	-
e. Other loans	-	-	-	-
3. Financial companies	521,153	- 65	- 1,070	520,018
a. Bad loans	71	- 61	-	10
b. Substandard loans	109	- 4	-	105
c. Restructured loans	-	-	-	-
d. Expired loans	-	-	-	-
e. Other loans	520,973	-	- 1,070	519,903
4. Insurance companies	34,991	-	-	34,991
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Restructured loans	-	-	-	-
d. Expired loans	-	-	-	-
e. Other loans	34,991	-	-	34,991
5. Non-financial companies	95,521	- 49	-	95,472
a. Bad loans	66	- 49	-	17
b. Substandard loans	23	-	-	23
c. Restructured loans	-	-	-	-
d. Expired loans	1	-	-	1
e. Other loans	95,431	-	-	95,431
6. Other entities	85,652	- 930	- 176	84,546
a. Bad loans	1,103	- 925	-	178
b. Substandard loans	350	- 5	-	345
c. Restructured loans	-	-	-	-
d. Expired loans	21	-	-	21
e. Other loans	84,178	-	- 176	84,002
TOTAL CASH EXPOSURE	**1,772,852**	**- 1,044**	**- 1,246**	**1,770,562**

B. Off-balance sheet exposure	Gross exposure	Specific val.adjust.	Port.val.adjust.	Net exposure
		-	-	-
1. Government and central banks	709	-	-	709
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	709	-	-	709
2. Other public institutions	-	-	-	-
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	-	-	-	-
3. Financial companies	33	-	-	33
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	33	-	-	33
4. Insurance companies	-	-	-	-
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	-	-	-	-
5. Non-financial companies	3,912	-	-	3,912
a. Bad loans	-	-	-	-

b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	3,912	-	-	3,912
6. Other entities	250	-	-	250
a. Bad loans	-	-	-	-
b. Substandard loans	-	-	-	-
c. Other non-performing loans	-	-	-	-
d. Other loans	250	-	-	250
TOTAL OFF-BALANCE SHEET EXPOSURE B	**4,904**	**-**	**-**	**4,904**

	Gross exposure	Specific val.adjust.	Port.val.adjust.	Net exposure	Total 31/12/2007
Governments and central banks	1,036,244	-	-	1,036,244	1,477,936
Public institutions	-	-	-	-	-
Financial companies	521,186	-65	-1,070	520,051	540,367
Insurance companies	34,991	-	-	34,991	46,143
Non-financial companies	99,433	-49	-	99,384	119,510
Other entities	85,902	-930	-176	84,796	88,926
Overall total (A+B) at 31 December 2008	**1,777,756**	**-1,044**	**-1,246**	**1,775,466**	**2,272,882**
Overall total (A+B) at 31 December 2007	**2,274,430**	**-1,049**	**-499**	**2,272,882**	

B.3 Geographical breakdown of cash and off-balance-sheet exposure to customers

Exposure/Geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposure										
A.1 Bad loans	1,240	204	-	-	-	-	-	-	-	-
A.2 Substandard loans	431	422	52	52	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	23	23	-	-	-	-	-	-	-	-
A.5 Other exposure	991,649	991,474	703,008	701,938	75,978	75,978	471	471	-	-
Total A	**993,343**	**992,123**	**703,060**	**701,990**	**75,978**	**75,978**	**471**	**471**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	-	-		-	-	-	-	-	-	-
B.2 Substandard loans	-	-		-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-		-	-	-	-	-	-	-
B.4 Other exposure	4,890	4,890	14	14	-	-	-	-	-	-
Total B	**4,890**	**4,890**	**14**	**14**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31 December 2008	**998,233**	**997,013**	**703,074**	**702,004**	**75,978**	**75,978**	**471**	**471**	**-**	**-**
Total at 31 December 2007	**1,129,960**	**1,128,313**	**1,059,027**	**1,059,027**	**85,543**	**85,543**	**-**	**-**	**-**	**-**

B.4 Geographical breakdown of cash and off-balance-sheet exposure to banks

Exposure/Geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposure										
A.1 Bad loans	-	-	1,956	60	8,415	1,350	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	1,076,057	1,076,057	554,092	554,092	36,664	36,664	-	-	15,489	15,489
Total A	**1,076,057**	**1,076,057**	**556,048**	**554,152**	**45,079**	**38,014**	**-**	**-**	**15,489**	**15,489**
B. Off-balance sheet exposure										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	4,311	4,311	551	551						
Total B	**4,311**	**4,311**	**551**	**551**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31 December 2008	**1,080,368**	**1,080,368**	**556,599**	**554,703**	**45,079**	**38,014**	**-**	**-**	**15,489**	**15,489**
Total at 31 December 2007	**1,050,230**	**1,050,230**	**468,144**	**468,144**	**41,269**	**41,269**	**-**	**-**	**18,484**	**18,484**

B.5 Big risks (as per surveillance regulations)

Big Risks	31/12/2008	31/12/2007
a) Weighted amount	142,256	148,495
b) Number	6	6

C. Securitisation and Disposal of Assets

C.1 Securitisation

Banca Generali’s trading portfolio includes a number of securities issued in securitisations originated by third-party issuers.
These mainly consist of senior securities with high ratings and represent an alternative way for the bank to diversify its assets and loans.

Type of underlying assets/Exposure	Cash exposure						Total net exposure
	Senior		Mezzanine		Junior		
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	
Cash exposure							
A. With own underlying assets:	-	-	-	-	-	-	
a) Non-performing loans	-	-	-	-	-	-	
b) Other	-	-	-	-	-	-	
B. With third-party underlying assets:	178,259	177,524	29,131	27,949	8,504	7,545	213,018
a) Non-performing loans	-	-	-	-	-	-	
b) Other	178,259	177,524	29,131	27,949	8,504	7,545	213,018

C.1.3 Exposure resulting from the main securitisation, broken down by type of underlying assets

Type of underlying assets/Exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Book value	Adjust. reversals	Book value	Adjust. reversals	Book value	Adjust. reversals
A. Cash exposure	177,524	- 735	27,949	- 1,182	7,545	- 959
B. Guarantees issued	-	-	-	-	-	-
C. Lines of credit	-	-	-	-	-	-

	Portfolio	Type of underlying assets/Exposure	Isin	Underlying Assets	Cash exposure					
					Senior		Mezzanine		Junior	
					Book Value	Adjustments/Reversals	Book Value	Adjustments/Reversals	Book Value	Adjustments/Reversals
A.1	loans	AYT CAJAS N 10 FRN 30/06/2015	ES0312342001	mortgage	14,335	- 32				
A.2	loans	BANCAJA N6 TITULUZ FRN 20/02/2036	ES0312885017	RMBS	3,379	- 2				
A.3	loans	CAIXA D' ESTALVIS FRN 28/01/2043	ES0313252001	RMBS	1,467	- 1				
A.4	loans	ABS BBVA RMBS1 FRN 19/06/2050	ES0314147010	RMBS	910	- 2				
A.5	loans	ABS BBVA RMBS2 FRN 17/09/2050	ES0314148000	RMBS	213					
A.6	loans	ABS BBVA RMBS2 FRN 17/09/2050	ES0314148018	RMBS	1,906					
A.7	loans	BBVA AUTOS 1 FTA FRN 20/06/2016	ES0314204001	Loans (auto)	746					
A.8	loans	GC FTPYME SABDEL FRN 31/03/2039	ES0332234014	Loans	1,325					
A.9	loans	SANTANDER HIP3 FRN 18/01/2050	ES0338093018	RMBS	2,806	- 6				
A.10	loans	IM POP EMPRESAS 1 FRN 21/03/2033	ES0347843015	Loans	1,348					
A.11	loans	MBS BANCAJA FRN 23/07/2050	ES0361797014	RMBS/CMBS	9,674					
A.12	loans	AYT KUTXA HIPOTECARIO II FRN 15/10/2059	ES0370154009	RMBS	1,633	- 1				
A.13	loans	BBVA HIPOTECARIO 3FND FRN 15/03/2039	ES0370459002	Loans	789					
A.14	loans	PYMES BANESTO FRN 31/12/2031	ES0372260002	Loans	1,457					

A.15	loans	PYMES BANESTO FRN 31/12/2031	ES0372260010	Mortgage,personal loans	915					
A.16	loans	RURALPYME 2 FTA FRN 25/04/2030	ES0374352005	loans	604					
A.17	loans	AGRI SEC. FRN 14/12/2015 ABS	IT0003335897	Leasing	2,027					
A.18	loans	DOLOMITI FIN FRN 15/12/2017	IT0003399018	Leasing	3,523					
A.19	loans	BERICA 3 MB FRN 26/08/2031	IT0003422109	RMBS/CMBS	3,427					
A.20	trading	S.C.I.C ABS FRN 22/09/2023 CL 2A2	IT0003731426	Loans (private Italian companies)	1,138	- 34				
A.21	loans	LOCAT SEC VEHICLE FRN 12/12/2024 A	IT0003733083	Leasing	1,917					
A.22	loans	ABF FINANCE FRN 21/11/2019	IT0003755623	Leasing	1,728					
A.23	trading	SCIP CLASS A5 14.4.2005 ABS	IT0003837074	Real Estate	947					
A.24	trading	FIP FUND FRN 10/01/2023	IT0003872717	CMBS	14,932					
A.25	loans	FIP FUND FRN 10/01/2023	IT0003872774	CMBS	4,700	- 377				
A.26	loans	VELA MORT CL A FRN 30/07/2040	IT0003933998	RMBS	1,568	- 5				
A.27	loans	ASTI FINANCE FRN 27/09/2041	IT0003966477	RMBS	2,575	- 4				
A.28	loans	ITALF VEHIC CL A FRN 21/10/2022	IT0004010085	Leasing	1,335	- 20				
A.29	loans	FE GOLD FRN 30/07/2025 ABS	IT0004068612	Leasing	1,369					
A.30	loans	ATLANTE FINANCE FRN 28/07/2047	IT0004069032	RMBS/CMBS	2,687					
A.31	loans	CORDUSIO FRM 30/06/2035	IT0004087174	RMBS	2,462					
A.32	loans	ARCOBALENO FRN 28/10/2030	IT0004095672	Loans (Italian pharmacies)	1,203					
A.33	loans	VELA HOME FRN 25/10/2042	IT0004101991	RMBS	886					
A.34	loans	VELA HOME FRN 25/10/2042	IT0004102007	RMBS	861	- 4				
A.35	loans	LEASIMPRESA FRN 22/12/2025	IT0004123722	Leasing	1,525					
A.36	loans	MARCHE MUTUI 2 ABS FRN 25/11/2038	IT0004124977	RMBS	1,287	- 1				
A.37	loans	APULIA FINA FRN 20/07/2044	IT0004127574	RMBS/CMBS	1,464	- 1				
A.38	loans	AGRI FRN 08/12/2023	IT0004137417	Leasing	1,823					
A.39	loans	CORDUSIO RM FRN 31/12/2042 ABS	IT0004144892	RMBS	1,783	- 4				
A.40	loans	ABS VOBA FIN FRN 28/06/2043	IT0004153216	RMBS	358	- 1				
A.41	loans	LOCAT SV FRN 12/12/2028	IT0004153661	Leasing	429					
A.42	loans	LOCAT SV FRN 12/12/2028 A2	IT0004153679	Leasing	957					
A.43	loans	SESTANTE FRN 23/04/2046 CL A1	IT0004158124	RMBS	1,483	- 1				
A.44	loans	ABS INTESA MTG FRN A1 30/10/2033	IT0004180250	RMBS	142					
A.45	loans	ABS INTESA SEC MTG FRN A2 30/10/2033	IT0004180268	RMBS	961	- 1				
A.46	loans	ABS CLARIS FIN FRN 21/11/2053	IT0004189160	RMBS	774	- 1				
A.47	loans	BP MORT FRN 20/04/2043	IT0004215320	RMBS	6,071	- 15				
A.48	loans	CREDICO FUND.3 FRN 10/03/2015	IT0004237696	Bonds	9,593	- 7				
A.49	trading	QUARZO CL1 FRN 31/12/2019 ABS	IT0004284706	RMBS/CMBS	18,410	-				
A.50	loans	HOLLAND EURO FRN 18/11/2037	XS0177871950	RMBS	623					
A.51	loans	MAGELLAN MORT N 2 FRN 18/07/2036	XS0177944690	RMBS	1,612	- 3				
A.52	loans	LUSITANO MORT N 2 FRN 16/11/2036	XS0178545421	RMBS	2,435	- 11				
A.53	loans	SAECURE 3 FRN 25/11/2051	XS0178551825	RMBS	1,702					
A.54	loans	DELPHINUS I FRN 25/01/2009	XS0185357265	RMBS	2,016					

A.55	loans	ABS THEMELEION MTG FRN 27/12/2036	XS0194393640	RMBS	773	- 11				
A.56	loans	CARDS FRN 15/07/2013 FLOATING	XS0196806227	Cards	1,830	- 138				
A.57	loans	EMAC MORTG CL A FRN 25/01/2037	XS0207208165	RMBS	1,760	- 13				
A.58	loans	E-MAC MORTG FRN CL A 25/04/2038	XS0216513118	RMBS	2,178	- 13				
A.59	loans	ESTIA MORTG FRN 27/10/2040 CL A	XS0220978737	RMBS	1,441					
A.60	loans	A BEST TWO FRN 01/10/2015	XS0232767631	Loans (auto)	5,025					
A.61	loans	DECO 7 FRN 27/01/2018	XS0244895073	CMBS	1,091	- 1				
A.62	loans	BCC MORTGAGES FRN 08/03/2038	XS0256813048	RMBS	1,820	- 6				
A.63	loans	AIRE VALLEY MORTG FRN 20/09/2066	XS0264192989	RMBS	1,901					
A.64	loans	SC GERMANY AUTO FRN 10/07/2019	XS0266760700	Loans (auto)	1,909					
A.65	loans	ENTRY FNDG FRN 28/09/2013	XS0277614532	loans	2,101					
A.66	loans	ABS BLUEBONNET FRN 20/12/2016	XS0279760184	Mortgage	1,665					
A.67	loans	STORM FRN 12/04/2049	XS0283474723	RMBS	1,473	- 1				
A.68	loans	VCL N.9 CLASS -A FRN 21/04/2012	XS0284056776	Leasing (auto)	339					
A.69	loans	SAGRES PELICAN FRN 15/09/2054	XS0293657416	RMBS	651	- 3				
A.70	loans	WINDERM FRN 15/10/2019 CL A	XS0293895271	CMBS	1,722					
A.71	loans	ABS JUNO ECLIPSE FRN 24/11/2022	XS0299976836	CMBS	1,605	- 15				
A.72	loans	OPERA FIN ABS FRN 15/02/2012 CL C	XS0218490653	CMBS	-		2,978			
A.73	loans	OMEGA CAP FRN 05/07/2011	XS0257813682	Credit Linked Notes	-		3,930			
A.74	loans	PERMANENT FIN 3 FRN 10/06/2042	XS0179398580	RMBS	-		2,951			
A.75	loans	ABF FINANCE FRN 21/11/2019	IT0003755680	Leasing (private companies)	-		267	- 1		
A.76	loans	VELA MORT CL B FRN 30/07/2040	IT0003934020	RMBS	-		1,278	- 9		
A.77	loans	ABS LOCAT SEC V FRN CL B 12/12/2026	IT0003951123	Leasing	-		3,208	- 24		
A.78	loans	ITALF VEHIC CL C FRN 14/03/2023	IT0003963433	Leasing	-		806	- 14		
A.79	loans	ATLANTE FINANCE FRN 28/07/2047	IT0004069040	RMBS/CMBS	-		777	- 10		
A.80	loans	ABM LOCAT SEC FRN 12/09/2028 B	IT0004153687	Leasing	-		1,471	- 17		
A.81	loans	ABS DELPHINUS FRN 25/11/2090	XS0206650417	RMBS	-		1,975			
A.82	loans	GRANITE MAS FRN 20/12/2054	XS0229615603	RMBS	-		484	- 70		
A.83	loans	A BEST TWO FRN 01/10/2015 CLASS B	XS0232768365	Loans (auto)	-		931	- 3		
A.84	loans	LAMBDA FIN FRN 08/11/2029	XS0237016000	Loans	-		423	- 3		
A.85	loans	WINDERM FRN 15/10/2019 CL D	XS0293898457	CMBS	-		2,337	- 385		
A.86	loans	CORDUSIO SM FRN 30/06/2033	IT0003844963	RMBS	-		2,360	- 428		
A.87	loans	A BEST TWO FRN 01/10/2015 CLASS C	XS0232768878	Loans (auto)			1,773	- 219		
A.88	trading	SCIP CLASS B2 14.4.2005 ABS	IT0003837082	Real Estate	-				6,269	- 208
A.89	trading	LOCAT SEC VEHICLE FRN 12/12/2024 B	IT0003733091	Leasing	-				742	- 137
A.90	afs	BBVA HIPOTECARIO 3FND FRN 21/11/2038	ES0314227036	RMBS/CMBS	-				534	- 614
					177,524	- 735	27,949	- 1,182	7,545	- 959

C.1.4 Exposure to securitisations broken down by financial-asset portfolio and type

	Type of financial-asset portfolio						
Exposure/Portfolio	Fin. assets held for trading	Financial assets at fair value	Financial assets AFS	Financial assets HTM	Receivables	**31/12/08**	**31/12/07**
1. Cash exposure	**42,437**	**-**	**534**	**-**	**170,045**	**213,016**	**259,359**
- senior	35,426	-	-	-	142,097	177,523	214,578
- mezzanine	-	-	-	-	27,948	27,948	36,104
- junior	7,011	-	534	-	-	7,545	8,677
2. Off-balance sheet exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- senior	-	-	-	-	-	-	-
- mezzanine	-	-	-	-	-	-	-
- junior	-	-	-	-	-	-	-

C.2 Transfer Operations

C.2.1 Transferred financial assets not written off

Technical type /Portfolio	Fin. assets held for trading			AFS financial assets			HTM fin. assets			Financial assets - banks			Financial assets - customers			Total
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A
A. Cash	179,690	-	-	295,723	-	-	60,419	-	-	1,874	-	-	7,465	-	-	545,170
1. Debt securities	179,690	-	-	295,723	-	-	60,419	-	-	1,874	-	-	7,465	-	-	545,170
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. OICR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31 December 2008	**179,690**	**-**	**-**	**295,723**	**-**	**-**	**60,419**	**-**	**-**	**1,874**	**-**	**-**	**7,465**	**-**	**-**	**545,170**
Total at 31 December 2007	**893,154**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C.2.2 Financial liabilities for transferred assets not written off

Liabilities/Assets portfolio	Financial assets held for trading	FVO financial assets	AFS financial assets	HTM financial assets	Loans to banks	Loans to customers	**Total**
1. Due to customers	**210,196**	**-**	**-**	**-**	**-**	**-**	**210,196**
a) for fully recognised assets	210,196	-	-	-	-	-	210,196
b) for partially recognised assets	-	-	-	-		-	-
2. Due to banks	**329,723**	**-**	**-**	**-**	**-**	**-**	**329,723**
a) for fully recognised assets	329,723	-	-	-	-	-	329,723
b) for partially recognised assets	-	-	-	-	-	-	-
Total at 31 December 2008	**539,919**	**-**	**-**	**-**	**-**	**-**	**539,919**
Total at 31 December 2007	**893,154**	**-**	**-**	**-**	**-**	**-**	**-**

Section 2 – Market Risk

Banca Generali's exposure to market risk is represented by the possibility that its own portfolios may suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods, and the volatility of risk factors).

The Group has established a market risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of market risk.
The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.
The Risk Management Service is responsible for second-tier controls.
The Internal Audit Service conducts independent controls (third-tier controls) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Bank's Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with credit ratings from BBB to AAA and asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.
The portfolio's exposure to the equities market remains limited with respect to the bond component and derivatives transactions are absolutely marginal in extent.
The Bank's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.
The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.
Banca Generali holds only small amounts of securities denominated in foreign currencies.
Market risks are measured based on a daily analysis of VaR (Value at Risk). VaR describes the maximum potential loss in value of a portfolio in the next ten working days in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

2.1 Interest Rate Risk – Regulatory Trading Book

Qualitative Information

A. General

The main activities of the banking group that increase its exposure to interest rate risk relating to its trading book include:
- management of the government bond book;
- management of the corporate bond and asset-backed-securities (ABS);
- dealings in interest rate derivatives, all of them over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Financial Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:
- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);
- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate corporate debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The average remaining duration of the securities portfolio is short as floating rate coupons outweigh fixed rate coupons. This choice is aimed at reducing risk exposure and thus protecting the portfolio from unexpected changes in value caused by significant changes in interest rates.
The bank's investments in structured securities are negligible.

B. Management Processes and Interest Rate Risk Measurement Techniques

Trading risks are measured based on a daily analysis of VaR (Value at Risk) estimates.

VaR describes the maximum potential loss in value of a portfolio in the next ten working days in 99% of the cases. It is calculated based on the volatility of and past correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

	Fourth quarter 2008	Third quarter 2008	Second quarter 2008	First quarter 2008	Fourth quarter 2007	Third quarter 2007	Second quarter 2007	First quarter 2007
Average VaR	9,024	10,133	18,034	5,240	7,938	5,641	4,950	5,351

Quantitative Information

1. Regulatory trading portfolio: broken down by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

Type/Time-to-Maturity	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	-	**401,962**	**163,503**	**54,044**	**5,070**	**635**	**13**	-	**625,227**
1.1 Debt securities									
- with early repayment option	-	9,441	-	-	-	-	-	-	9,441
- other entities	-	392,521	163,503	54,044	5,070	635	13	-	615,786
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	-	**173,583**	**3,331**	-	-	**12**	-	-	**176,926**
2.1 PCT liabilities	-	173,583	3,331	-	-	-	-	-	176,914
2.2 Other liabilities	-	-	-	-	-	12	-	-	12
3. Financial derivatives	-	**72,550**	**9,784**	**10,308**	**504**	-	**90**	-	**93,236**
3.1 With underlying securities	-	2,606	814	-	504	-	90	-	4,014
- Options									
+ long-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-
- other									
+ long-term positions	-	1,303	407	-	252	-	45	-	2,007
+ short-term positions	-	1,303	407	-	252	-	45	-	2,007
3.2 Without underlying securities	-	69,944	8,970	10,308	-	-	-	-	89,222
- Options									
+ long-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-
- Other									
+ long-term positions	-	34,972	4,485	5,154	-				44,611
+ short-term positions	-	34,972	4,485	5,154	-				44,611

2. Regulatory trading portfolio: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.
This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primarily risk factors, which for Banca Generali are interest-rate and price risk.
In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +/- 100 basis points in the rate curve, deemed reasonably possible given the current market scenario.
The next stage involves establishing the potential effects on the profit and loss account both in terms of the point change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.

In calculating the price risk associated with equities, a 10% change in market prices was deemed reasonable. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a +/- 10% shift in market prices would have an effect of +0.4/-0.4 thousand on the profit and loss account, net of the tax effect on the trading portfolio of equity securities.
A shift of +100/-100 basis points would have a total net effect of +1.5/-1.5 million euros on the trading portfolio of debt securities.

(€ thousand)	Effect on the profit and loss account					Effect on net equity - AFS (*)	
	Trading	AFS	HTM+ loans	31/12/2008	31/12/2007	31/12/2008	31/12/2007
change in fair value of equities (+10%)	381	0	0	381	1,123	361	1,105
change in fair value of equities (-10%)	-381	0	0	-381	-1,123	-361	-1,105
change in fair value of debt securities/loans (+1%)	-1,511	0	0	-1,511	-4,915	-3,816	-222
change in fair value of debt securities/loans (-1%)	1,511	0	0	1,511	4,915	3,816	222
change in interest rate (+ 1%)	672	365	7,404	8,440	13,372	0	0
change in interest rates (-1%)	-672	-365	-7,345	-8,382	-13,372	0	0

(*) net of the tax effect

2.2 Interest Rate Risk – Banking Portfolio

Qualitative Information

A. General Aspect, Management Processes and Interest Rate Risk Measurement Techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.
This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and therefore net equity.

The Group has established a specific policy for managing interest-rate risk in the banking portfolio.
The Finance Department and Lending Department conduct first-tier controls of the management of interest rate risk.
The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.
The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the Bank's banking portfolio arises from:
- trading on the interbank deposits market and
- customer lending activities;
- investment operations for the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the bank's objectives in terms of net interest income.

B. Fair Value and Cash Flow Hedging

The bank does not currently engage in fair value or cash flow hedging.

Qualitative Information

1. Banking portfolio: broken down by time-to-maturity (according to repricing date) of financial assets and liabilities

Type/Time-to-Maturity	Repayable on demand	Up to 3 months	Over 3 months, up to 6 months	Over 6 months, up to 1 year	Over 1 year, up to 5 years	Over 5 years, up to 10 years	Over 10 years	Unspecified maturity	Total
1. Cash assets	**908,388**	**1,177,466**	**287,733**	**40,182**	**335,963**	**325**	**859**	**34,068**	**2,784,984**
1.1 Debt securities									
- with early repayment option	-	25,964	-	-	-	-	-	-	25,964
- other entities	-	1,056,225	264,430	25,019	328,335	-	-	-	1,674,009
1.2 Loans to banks	734,183	61,386	-	-	-	-	-	33,864	829,433
1.3 Loans to customers					-	-	-	-	-
- current accounts	76,301	602	193	420	-	-	-	-	77,516
- other loans	-	-	-	-	-	-	-	-	-
- with early repayment option	-	24,750	21,939	-	239	325	859	-	48,112
- other entities	97,904	8,539	1,171	14,743	7,389	-	-	204	129,950
2. Cash liabilities	**2,791,534**	**20,584**	**-**	**-**	**-**	**-**	**-**	**-**	**2,812,118**
2.1 Due to customers									-
- current accounts	2,247,889	8,801	-	-	-	-			2,256,690
- other payables	-	-	-	-	-	-	-	-	-
- with early repayment option		-	-	-	-	-	-		-
- other entities	35	-	-	-	-	-	-	-	35
2.2 Due to banks									-
- current accounts	533,386	-	-	-	-	-	-	-	533,386
- other payables	10,224	11,783	-	-					22,007
2.3 Debt securities									-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying securities									-
- Options									-
+ long-term positions									-
+ short-term positions									-
- other									-
+ long-term positions									-
+ short-term positions									-

3.2 Without underlying securities									-
- Options									-
+ long-term positions									-
+ short-term positions									-
- other									-
+ long-term positions									-
+ short-term positions									-

2. Banking portfolio: internal models and other methods of sensitivity analysis

2. Regulatory trading portfolio: internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a +10%/-10% shift in market prices would have an effect of +0.4/-0.4 million on net equity, net of the tax effect on the banking portfolio of equity securities.
A shift of +100/-100 basis points would have an effect of +7.7/-7.7 million euros on the banking portfolio of debt securities.

	Assets	Liabilities	Margin
Change in interest rate (+ 1%)	8,440	- 20,453	- 12,013
Change in interest rate (- 1%)	- 8,382	20,453	12,071

2.3 Price Risk – Regulatory Trading Portfolio

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk** or **exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question or are due to factors that influence all similar financial instruments traded on the market.

“Price risk” arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc. and in relation to OICR quotas held in the portfolio,
however, the Bank’s exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

1. Regulatory trading portfolio: cash exposure in capital securities and OICRs

Type of exposure/Values	Book value		
	Listed	Unlisted	Total
A. Capital securities	4,178	-	4,178
A.1 Shares	4,178	-	4,178
A.2 Innovative capital instruments	-	-	-
A.3 Other capital securities	-	-	-
B. OICRs	-	1,369	1,368
B.1 Under Italian law	-	1,369	1,368
- open-ended harmonised	-	-	-

- open-ended non-harmonised	-		-
- closed-ended	-		-
- reserved	-		-
- speculative	-	1,368	1,368
B.2 of other EU countries	-	-	-
- harmonised	-	-	-
- open-ended non-harmonised	-		-
- closed-ended non-harmonised	-		-
B.2 Non-EU countries	-	-	-
- open-ended	-	-	-
- closed-ended	-		-
Total	**4,178**	**1,369**	**5,546**

2. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

Type of transaction/ Index	Listed						Unlisted
	Italy	France	Germany	the Netherlands	Japan	Other	
A. Capital securities							
- long-term positions	837	1,051	920	416	471	483	-
- short-term positions	-	-	-	-	-	-	
B. Capital security purchases/sales to be settled		-	-	-	-	-	
- long-term positions	-	14	-	-	-	-	
- short-term positions	-	14	-	-	-	-	
C. Other derivatives on capital securities			-				
- long-term positions	-	-	-	-	-	-	
- short-term positions	-	-	-	-	-	-	
D. Stock index derivatives			-				
- long-term positions	-	-	-	-	-	-	
- short-term positions	-	-		-	-	-	

3. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

For a sensitivity analysis of changes in fair value of the regulatory trading portfolio, the reader is referred to paragraph 2.1, subsection 2.

2.4 Price Risk – Banking Portfolio

The price risk associated with the banking book is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).
In further detail, the only listed securities consist of the equity investments in the parent company, Assicurazioni Generali, a limited package of Enel shares, and equity securities arising from the reclassification undertaken pursuant to the amendment to IAS 39.
The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of

financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

1. Banking portfolio: cash exposure in capital securities and OICRs

Type of exposure/Values	Book value		
	Listed	Unlisted	Total
A. Capital securities	8,786	146,556	155,342
A.1 Shares	8,786	146,556	155,342
A.2 Innovative capital instruments	-	-	-
A.3 Other capital securities	-	-	-
B. OICRs	-	-	-
B.1 Under Italian law	-	-	-
- open-ended harmonised	-	-	-
- open-ended non-harmonised	-	-	-
- closed-ended	-	-	-
- reserved	-	-	-
- speculative	-	-	-
B.2 of other EU countries	-	-	-
- harmonised	-	-	-
- open-ended non-harmonised	-	-	-
- closed-ended non-harmonised	-	-	-
B.2 Non-EU countries	-	-	-
- open-ended	-	-	-
- closed-ended	-	-	-
Total	**8,786**	**146,556**	**155,342**

2. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

For a sensitivity analysis of changes in fair value of the regulatory trading portfolio, the reader is referred to paragraph 2.2, subsection 2.

2.5 Exchange Rate Risk

Exchange-rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.
The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.

Breakdown by currency of denomination for assets, liabilities, and derivatives

Items	Currency						Other	Total
	US dollar	Japanese yen	Swiss franc	Pound sterling	NZ dollar		currencies	currencies
A. Financial assets	**19,804**	**12,060**	**2,779**	**2,889**	**16**	**-**	**1,201**	**38,749**
A.1. Debt securities	35	-	-	-	-		-	35

A.2 Equity securities	280	930	-	-	-		-	1,210
A.3 Loans to banks	19,488	11,130	2,779	2,889	16		1,201	37,503
A.4 Loans to customers	1	-	-	-	-		-	1
A.5 Other financial assets	-	-		-			-	-
B. Other assets	**-**			**-**		**-**	**-**	**-**
C. Financial liabilities	**19,663**	**11,128**	**2,785**	**2,970**	**22**	**-**	**1,199**	**37,767**
C.1 Due to banks	13,199	11,128	2,511	1,564	22		1,193	29,617
C.2 Due to customers	6,464	-	274	1,406	-		6	8,150
C.3 Debt securities	-			-			-	-
D. Other liabilities	-	-	-	-	-	-	-	-
E. Financial derivatives	- 10	- 1	20	- 2	- 1		-	6
Options								
- long-term positions	-	-	-	-	-		-	-
- short-term positions	-	-	-	-	-		-	-
Other derivatives	- 10	- 1	20	- 2	- 1		-	6
- long-term positions	5,611	5,205	2,264	907	8,260		62	22,309
- short-term positions	5,621	5,206	2,244	909	8,261		62	22,303
Total assets	25,415	17,265	5,043	3,796	8,276	-	1,263	61,058
Total liabilities	25,284	16,334	5,029	3,879	8,283	-	1,261	60,070
Excess	131	931	14	- 83	- 7	-	2	988

2.6 Derivative Financial Instruments

A. Financial Derivatives

A.1. Regulatory and trading portfolio: notional amounts at period-end

Type of transaction/Underlying	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other amount s		Total at 31 December 2008		Total at 31 December 2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-		-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	1,368,994
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	0	-	-	-	-	-	49,988
- Purchased	-	-	-	-	-	0	-	-	-	-	-	24,994
° Plain vanilla	-	-	-	0	-	0	-	-	-	-	-	24,994
° Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	24,994
° Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	13,000
° Exotic	-	-	-	-	-	-	-	-	-	-	-	11,994
12. Forward contracts	2,020	-	28	-	-	44,611	-	-	2,048	44,611	1,523	21,236
- Purchases	1,009	-	14	-	-	22,309	-	-	1,023	22,309	1,466	11,267
- Sales	1,011	-	14	-	-	22,302	-	-	1,025	22,302	57	9,969

- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,020	-	28	-	-	44,611	-	-	2,048	44,611	1,523	1,440,218

A.3 Financial derivatives: purchase and sale of underlying

Type of transaction/Underlying	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other amounts		Total at 31/12/08		Total at 31/12/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading portfolio:	2,020	-	28	-	-	44,611	-	-	2,048	44,611	-	1,796,763
1. Transactions with capital swap	2,020	-	28	-	-	44,611	-	-	2,048	44,611	-	120,783
- Purchases	1,009	-	14	-	-	22,309	-	-	1,023	22,309	1,466	24,267
- Sales	1,011	-	14	-	-	22,302	-	-	1,025	22,302	57	22,969
- Currencies against currencies	-	-	-		-	-	-	-	-	-	-	-
2. Transactions without capital swap		-	-	-	-	-	-	-	-	-	-	1,675,980
- Purchases	-	-	-	-	-	-	-	-	-	-	-	407,000
- Sales	-	-	-	-	-	-	-	-	-	-	-	985,982
- Currencies against currencies	-				-	-	-	-	-	-	-	-
B. Banking portfolio:									-	-	-	-
B.1 Hedging									-	-	-	-
1. Transactions with capital swap	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without capital swap	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives									-	-	-	-
1. Transactions with capital swap	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without capital swap	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-

A.4 Over-the-Counter financial derivatives: positive fair value counterparty risk

Counterparty/Underlying	Debt securities and interest rates	Equity securities and equity indices	Exchange rates and gold	Other amounts	Other underlying

	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Gross	Offset	Future exposure
A. Regulatory trading portfolio															
A. 1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	-	-	-	-	-	-	854	-	-	-	-	-	-	-	-
A.4 Financial companies	-	-	-	-		-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A 31 December 2008	-	-	-	-	-	-	854	-	-	-	-	-	-	-	-
Total A 31 December 2007	705	-	-	-	-	-	640	-	10	-	-	-	-	-	-
B. Banking portfolio															
B. 1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B2. Public institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-		-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B 31 December 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B 31 December 2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.5 Over-the-counter financial derivatives: negative fair value – financial risk

Counterparty/Underlying	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other amounts			Other underlying		
	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Gross	Offset	Future exposure	Gross	Offset	Future exposure
A. Regulatory trading portfolio															
A. 1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
A.2 Public institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
A.3 Banks	-	-	-	-	-	-	849	-	-	-	-	-		-	-
A.4 Financial companies	-	-	-	-		-		-	-	-	-	-		-	-
A.5 Insurance companies	-	-	-	-	-	-		-	-	-	-	-		-	-
A.6 Non-financial companies	-	-	-	-	-	-		-	-	-	-	-		-	-
A.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Total A 31 December 2008	-	-	-	-	-	-	849	-	-	-	-	-	-	-	-
Total A 31 December 2007	7,214	-	60	-	-	-	566	-	10	-	-	-	-	-	-
B. Banking portfolio															

B. 1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
B2. Public institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
B.3 Banks	-	-	-	-	-	-		-	-	-	-	-		-	-
B.4 Financial companies	-	-	-	-		-		-	-	-	-	-		-	-
B.5 Insurance companies	-	-	-	-	-	-		-	-	-	-	-		-	-
B.6 Non-financial companies	-	-	-	-	-	-		-	-	-	-	-		-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Total B 31 December 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B 31 December 2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.6 Time-to-Maturity of financial derivatives "over the counter": (notional values)

Liabilities/Assets portfolio	Up to 1 year	Over 1 year, up to 5 years	Over 5 years	**Total**
A. Regulatory trading portfolio	**46,659**	**-**	**-**	**46,659**
A.1 Financial derivatives on debt securities and interest rates	2,020	-	-	2,020
A.2 Financial derivatives on equity securities and stock indices	28	-	-	28
A.3 Financial derivatives on exchange rates and gold	44,611	-	-	44,611
A.4 Financial derivatives on other valuables	-	-	-	-
B. Banking portfolio:	**-**	**-**	**-**	-
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equity securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other valuables	-	-	-	-
Total at 31 December 2008	**46,659**	**-**	**-**	**46,659**
Total at 31 December 2007	**1,405,759**	**35,982**	**-**	**1,441,741**

Section 3 - Liquidity Risk

Liquidity risk is manifested in the form of the breach of payment obligations, which may be caused by an inability to procure funding (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk).
Liquidity risk also includes the risk of fulfilling payment obligations at above-market costs, incurring a high cost of funding, or (and, in some occasions, simultaneously) incurring capital losses on the divestment of assets.

The Group has established a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of liquidity risk.
The Finance Department (more specifically, the Treasury and Corporate Finance Office) conducts first-tier controls and is responsible for managing liquidity risk for several Group companies and keeping it within the assigned limits in accordance with strategic goals. The transactions set out in the Parent Company's Finance Rules, as approved by the Board of Directors, are as follows:

- transactions on the interbank deposit market (MID and EXTRA-MID);
- extraordinary advance transactions with fixed maturities with the Bank of Italy;
- repurchase agreement transactions for securities or currencies with the Bank of Italy;
- repurchase agreement transactions for securities or currencies with market counterparties.

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

The Internal Audit Service is responsible for third-tier controls of investment and fund-raising transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The Banca Generali Group is primarily a supplier of funds to the market and has historically had surplus liquidity. Liquidity management is aimed at optimising market cash flow and rates.
Part of cash on hand is allocated to interbank deposits in order to obtain the most efficient results in terms of treasury management.
The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with credit ratings from BBB to AAA and asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.
The securities portfolio also featured a moderate residual average maturity and a prevalence of floating-rate securities over fixed-income securities aimed at avoiding exposure to the risk of mismatching against the interest rates on the bank's liabilities.

The Bank uses a maturity ladder to apply the guidelines set out in Annex D to the new prudential regulatory requirements[1] governing the measurement of net financial position.
The maturity latter permits an assessment of the balance of expected cash flows by comparing the assets and maturities whose maturities fall within each individual time range. The maturity ladder permits the determination of net balances and, consequently, of mismatches between expected inflows and outflows in each time range, as well as, through the construction of cumulative mismatches, the calculation of the net balance of funding requirements (or surpluses) over the holding period considered.

1. Breakdown of assets and liabilities by maturity

Item /Time-to-Maturity	On demand	Over 1 days up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indef. maturity	Total
Cash assets											
A.1 Government securities	-	-	-	-	9,983	37,503	249,400	254,001	71,882	-	622,769
A.2 Other debt securities – listed	-	-	-	73,353	90,402	215,218	169,192	685,283	89,669	-	1,323,117
A.3 Other debt securities	879	-	-	2,016	3,078	-	3,973	173,239	230,516	-	413,701
A.4 OICR quotas	1,392	-	-	-	-	-	-	-	-	-	1,392
A.5 Loans	-	-	-	-	-	-	-	-	-	-	-
- to banks	314,532	164,256	90,119	156,147	70,515	-	-	-	-	33,864	829,433
- to customers	145,758	-	-	1,629	7,775	11,914	16,233	16,665	26,595	701	227,270

[1] Circular no. 263 of 27 December 2006, "New Prudential Regulatory Provisions for Banks".

Total	**462,561**	**164,256**	**90,119**	**233,145**	**181,753**	**264,635**	**438,798**	**1,129,188**	**418,662**	**34,565**	**3,417,682**
Cash liabilities											
B.1 Deposits	-	-	-	-	-	-	-	-	-		-
- from banks	533,615	-	119	21,145	515	-	-	-	-		555,394
- from customers	2,247,912	8,800	-	-	-	-	-	-	-		2,256,712
B.2 Debt securities	-	-	-	-	-	-	-	-	-		-
B.3 Other liabilities	57,476	69,853	67,018	169,017	214,949	19,067	-	-	-		597,380
Total	**2,839,003**	**78,653**	**67,137**	**190,162**	**215,464**	**19,067**	**-**	**-**	**-**		**3,409,486**
Off-balance sheet transactions											
C.1 Financial Derivatives - With capital swap	-	-	-	-	-	-	-	-	-	-	-
- long-term positions	-	1,325	-	32,470	2,499	4,892	5,154	254	48	-	46,642
- short-term positions	-	1,324	-	32,470	2,499	4,893	5,154	255	48	-	46,643
C.2 Financial derivatives to be collected	-	-	-	-	-	-	-	-	-	-	-
- long-term positions	-	-	-	-	-	-	-	-	-	-	-
- short-term positions	-	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitment to dispense funds	-	-	-	-	-	-	-	-	-	-	-
- long-term positions	-	-	-	-	-	-	-	-	-	165	165
- short-term positions	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**2,649**	**-**	**64,940**	**4,998**	**9,785**	**10,308**	**509**	**96**	**165**	**93,450**

2. Breakdown of financial liabilities by business

Exposure/counterparty	Government and central banks	Other public institutions	Financial companies	Insurance companies	Non-financial companies	Other entities	Total
1. Due to customers	6	724	279,297	677,863	309,263	1,257,207	2,524,360
2. Securities issued	-	-	-	-	-	-	-
3. Financial liabilities held for trading	-	-	-	-	-	849	849
4. Financial liabilities at fair value	-	-	-	-	-	-	-
Total at 31 December 2008	6	724	279,297	677,863	309,263	1,258,056	2,525,209
Total at 31 December 2007	15	748	213,183	1,091,972	214,978	1,532,573	3,053,469

3. Geographical breakdown of financial liabilities

Exposure/counterparty	Italy	Other European countries	America	Asia	Rest of the world	Total
1. Due to customers	2,384,098	136,453	3,471	18	320	2,524,360
2. Due to banks	874,126	10,991	-	-	-	885,117
3. Securities issued	-	-	-	-	-	-
3. Financial liabilities held for trading	548	301	-	-	-	849
5. Financial liabilities at fair value	-	-	-	-	-	-
Total at 31 December 2008	**3,258,772**	**147,745**	**3,471**	**18**	**320**	**3,410,326**
Total at 31 December 2007	**3,571,322**	**121,171**	**985**	**64**	**1,120**	**3,694,662**

Section 4 - Operating Risk

Operating risk can be defined as the possibility of loss resulting from the inadequacy or failure of processes, human resources or internal systems, or from external events. This category includes losses deriving from fraud, human error, interrupted operations, system breakdown, breaches of contract, and natural catastrophes. Operating risk includes legal risk, which may be defined as the risk of losses arising from breaches of laws or regulations, liability under contract or in tort, or other disputes.

Operating risk is intrinsically linked to all of the Bank's operations that involve the use of human resources, processes, systems and tangible and intangible assets.

The Group has established an operating risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of operating risk.

The Organisation and IT Department ensures the efficient operation of application procedures and IT systems in support of organisational processes within the context of the management of operating risk.
The Legal and Compliance Department is tasked with contributing to the management of operating risks, to the extent of its competence, through the management and monitoring of law suits. Particular attention is devoted to the control and monitoring of the risk of fraud, a risk of particular importance to the Bank, given its organisational configuration.
The Risk Management Service is responsible for third-tier controls of operating risk and is consequently tasked with identifying, measuring, controlling and managing operating risk.
The Internal Audit Service is responsible for third-tier controls of operating risk.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

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

Part F – Information on Net equity

Section 1 – Net Equity

A. Qualitative Information

The main objective of the bank's management strategy for net equity is to ensure that its equity and ratios are consistent with its risk profile and regulatory requirements.
The bank is subject to the equity adequacy requirements established by the Basel Committee in accordance with the guidelines set forth by the Bank of Italy.
Such rules require that banks maintain a certain level of capital for regulatory purposes, which is separate from the net equity stated in the financial statements. Regulatory capital requirements are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.
Moreover, the ratio of regulatory capital to risk-weighted assets must be at least 8%; the Bank of Italy verifies conformity with these requirements every three months.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis as well as safeguarding the related databases of historical information.
The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Additional analysis and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g. acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

A detailed breakdown of the company's net equity is provided in Section 14 of Part B of the Notes on net equity and liabilities, including annual changes in reserves.

(€ thousand)	31/12/2008	31/12/2007	Change	
			Amount	%
1. Share capital	111,313	111,313	-	0.0%
2. Additional paid-in capital	22,804	22,804	-	0.0%
3. Reserves	51,377	51,261	116	0.2%
4. (Treasury shares)	- 6,652	- 7,339	687	-9.4%
5. Valuation reserves	- 6,754	945	- 7,699	-814.7%
6. Equity instruments	-	-	-	0.0%
7. Net profit (loss) for the period	12,028	19,316	- 7,288	-37.7%
Total net equity	**184,116**	**198,300**	**- 14,184**	**-7.2%**

Section 2 – Net Equity and Bank Surveillance Coefficients

2.1 Capital for Regulatory Purposes

A. Qualitative Information

The Group's capital for regulatory purposes and capital ratios were calculated based on the balance sheet and profit and loss account, which were prepared in accordance with IAS/IFRS, and bearing in mind the new rules (previously released in letter No. 1157011 of 1 December 2005) defined in the update to Circular Letter No. 155/91 relating to the "Instructions on Reporting Regulatory Capital and Capital Ratios".
The objective of the new provisions is to ensure consistency between the criteria for determining capital for regulatory purposes and capital ratios and IAS. Capital for regulatory purposes, as in the previously released rules, is calculated as the sum of positive items, which are included based on certain limitations, and negative items, which are included based on their quality; the positive items must be fully available to the bank in order for them to be used in calculating capital absorption.
Capital for regulatory purposes consists of Tier 1 capital, Tier 2 capital, net of several deductions, and Tier 3 capital. In further detail:

- Tier 1 capital includes paid-up capital, additional paid-in capital, income reserves and capital reserves and minority interests, less treasury shares or own quotas, intangible assets and losses recorded in previous years and the current year;
- Tier 2 capital includes revaluation reserves, hybrid capital instruments and subordinated

liabilities, less allowances for loan losses relating to country risk and other negative elements;
- Tier 3 capital includes subordinated liabilities that may not be calculated as part of Tier 2 capital and Tier 3 liabilities.

Deductions from Tier 1 and Tier 2 capital include equity investments and other items (innovative capital instruments, hybrid capital instruments and subordinated assets) issued by such entities and the so-called “prudential filters”.
The prudential filters, which were specified by the Basel Committee in defining the criteria to be used by national supervisory authorities to ensure consistency among regulations, were introduced to safeguard the quality of regulatory capital and reduce the volatility that could result from the application of the new standards. The prudential filters provide certain adjustments that can be made to accounting entries prior to their use for regulatory purposes. In particular, the aspects of the new provisions that most affect Banca Generali are as follows:
- for financial assets held for trading, both unrealised gains and losses are fully recognised;
- for financial assets available for sale, unrealised gains and losses are netted: if the result is a negative balance, it reduces Tier 1 capital; if it is positive, it contributes for 50% to Tier 2 capital.
Furthermore, any unrealised gains and losses on loans classified as available-for-sale are sterilised;
- for hedges, unrealised gains and losses on cash-flow hedges, which are recorded in a specific reserve, are sterilised; no filter is applied to fair-value hedges.
Based on the supervisory instructions, Banca Generali’s capital for regulatory purposes, since the bank is part of a banking group, must amount to at least 8% of its risk-weighted assets (total capital ratio) in relation to credit risk, which is evaluated based on the category of the counterparty, maturity, country risk and guarantees received, with a forfait reduction of 25%.
Banks are also required to comply with regulatory capital requirements connected to trading activities. Related market risks are calculated on the entire trading portfolio for each different type of risk: debt securities risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.
Internal models may be used to calculate capital requirements for market risk; however, Banca Generali uses standard methods under all circumstances.

B. Quantitative Information

The following is a brief account of the structure of the Group’s capital for regulatory purposes, broken down into its main tier 1 and tier 2 components.
Capital for regulatory purposes amounted to 171.2 million euros at 31 December 2008, net of the planned distribution of 6.6 million euros in dividends, marking an increase of 0.4 million euros with respect to the situation at the end of 2007.
In further detail, the increase in negative fair value reserves for AFS securities of 7.7 million euros was offset by a decrease in the dividend to be distributed to shareholders of 6.6 million euros, representing approximately 55% of profits for the year. Conversely, profits were distributed in their entirety in 2007.

Items/Values	31/12/2008	31/12/2007	31/12/2007
Tier 1 capital	171,140	170,286	854
Tier 2 capital	39	516	- 477
Tier 3 capital	-	-	-
Total capital for regulatory purposes	**171,179**	**170,802**	**377**
Net equity for accounting purposes	**184,116**	**198,300**	**- 14,184**

Composition of Capital for Regulatory Purposes

Items/Values	31/12/2008	31/12/2007
Tier 1 CAPITAL		
Share capital	111,313	111,313
Additional paid-in capital	22,804	22,804
Reserves	51,377	51,261
Net profit (loss) for the year	12,028	19,316
Dividends for pay-out	- 6,637	- 19,873
Total positive items	190,885	184,821
Treasury shares	- 6,652	- 7,339
Goodwill	- 2,991	- 2,991
Intangible assets	- 3,309	- 4,099
Negative fair value reserve for AFS debt securities	- 4,009	- 107
Negative fair value reserve for AFS equity securities	- 2,784	
Total negative items	- 19,745	- 14,536
Total Tier 1 capital	**171,140**	**170,286**
Tier 2 CAPITAL		
Valuation reserves	-	-
- revaluation reserve	39	39
positive fair value reserve for AFS equity securities	-	1,013
Total positive items	39	1,052
inapplicable portion of positive AFS reserve	-	- 507
Other negative items	-	- 29
Total negative items	-	- 536
Total Tier 2 Capital	**39**	**516**
Tier 3 capital	**-**	**-**
Total capital for regulatory purposes	**171,179**	**170,802**

Prudential Filters

The following table illustrates the impact of the application of the prudential filters set out by the Basel Committee on the calculation of capital for regulatory purposes.

	31/12/2008	31/12/2007
A. Tier 1 capital before application of prudential filters	177,933	170,393
B. Prudential Tier 1 capital filters:	- 6,793	- 107
B0.1 Positive IAS/IFRS prudential filters (+)	-	-
B0.2 Negative IAS/IFRS prudential filters (-)	- 6,793	- 107
C. Tier 1 capital before deductions	171,140	170,286
D Deductions from Tier 1 capital	-	-
E. TIER 1 capital (C - D)	171,140	170,286
F. Tier 2 capital before application of prudential filters	39	1,023
G. Prudential filters of tier 2 capital:	-	- 507
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	- 507
H. Tier 2 capital before deductions	39	516
Deductions from Tier 2 capital	-	-
L. TIER 2 capital (H - I)	39	516
M. Total tier 1 capital and tier 2 capital after application of prudential filters	171,179	170,802
N. Items to deduct from total tier 1 and tier 2 capital	-	-
O. Capital for regulatory purposes	**171,179**	**170,802**
TIER 3 capital	-	-
Capital for regulatory purposes, including TIER 3	**171,179**	**170,802**

2.2. Capital Adequacy

A. Qualitative Information

Total capital adequacy requirements for credit, market and operating risks set by the Supervisory Authority amounted to 79.2 million euros, resulting in a surplus of capital for regulatory purposes of 91.9 million euros, net of the lump-sum reduction of 25% applicable to Italian groups.

B. Quantitative Information

	31/12/2008		31/12/2007	
	Non weighted amounts	Weighted amounts	Non weighted amounts	Weighted amounts
A. RISK ACTIVITY	3,702,510	1,035,639	1,519,143	600,512
A.1 Credit and counterparty risk				
1. standardised method	3,529,030	984,434	1,519,143	600,512
2. internal rating method	-	-	-	-
2.1 basic	-	-	-	-
2.2 advanced	-	-	-	-
3. securitisation	173,481	51,205	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK		**82,851**		**42,036**
B.2 MARKET RISKS		**5,502**		**50,470**
1. Standard methodology	X	5,502	X	50,470
2. Internal models	X	-	X	-
3. Foreign exchange risk		-		
B.3 OPERATING RISK	X	**17,305**	X	-
1. Basic method	X	17,305	X	-
2. Standardised method	X	**-**	X	-
3. Advanced method	X	-	X	-
B.4 OTHER PRUDENTIAL REQUIREMENTS	X	**-**	X	**6,372**
B.5 TOTAL PRUDENTIAL REQUIREMENTS (3)	X	**79,244**	X	**98,878**
C. RISK-WEIGHTED ASSETS AND REGULATORY CAPITAL RATIOS				
C.1 Risk-weighted assets	X	**990,547**	X	**1,412,543**
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	X	**17.28%**	X	**12.06%**
C.3 Capital for regulatory purposes/Risk-weighted assets (Total capital ratio)	X	**17.28%**	X	**12.09%**

(3) The reduction of requirements by 25% has been considered for 2008.

Part G – Mergers of Companies or Business Units

1. Mergers of Companies or Business Units

No business combinations were carried out in 2008 that were accounted for under IFRS 3 *Business Combinations*.

1.2 Annual Changes in Goodwill
Goodwill recognised in the financial statements of Banca Generali refer to the merger of controlled SIMs Prime consult S.p.A. and INA SIM S.p.A., and did not change over the year.

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered. Specifically, the following were used to determine value in use:

- the CGU's earnings and cash flow projections, extrapolated from the 2009-2011 forecast figures prepared by the Group's management;
- analytical methodologies based on discounting expected future cash flows;
- the cost of capital estimated at 8.5% - 9.5% based on the Capital Asset Pricing Model;
- a long-term growth rate, beyond the explicit forecasting period, estimated at between 2% and 2.5%.

The following factors were considered when calculating fair value:

- the comparable market and trading multiples method;
- a goodwill/assets under management (AUM) multiple drawn from a sampling of listed Italian and international companies operating in the industry and from a sampling of transactions undertaken in the assets under management industry in Italy in 2008.

Impairment tests carried out on the two CGUs specified did not indicate goodwill impairment.

The results of the sensitivity analysis required by IAS 36.134 f), conducted in order to determine that the result would be confirmed even in the event of a shift in the assumptions applied (long-term growth rate and cost of capital), were also positive.

Part H – Transactions with Related Parties

1. Disclosure of Directors and Executives Compensation

IAS 24 defines **key management personnel** as "*those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors (whether executive or otherwise)*" and establishes that key management personnel of an entity or an entity's parent are to be considered related parties.
In this regard, the governance code adopted by the bank, on the subject of dealings with related parties, identifies the following types of entities:

- the members of the Company's Board of Directors and Board of Auditors;
- the Company's General Manager and Managers invested with managerial powers and/or credit-approval powers directly by the Company's Board of Directors;
- executives with strategic responsibilities for the Company's Subsidiary Companies, as identified by the administrative organs of the latter from time to time and notified to the Company;
- executives with strategic responsibilities for the Company's parent company, as identified by the administrative organ of the latter from time to time and notified to the Company.

In the Financial Statements of Banca Generali, its Directors, Auditors, General Manager and Assistant General Managers have been qualified as key management personnel.

Key management personnel were also considered to include those of the parent company, Assicurazioni Generali, as explicitly disclosed in the latter's financial statements (i.e., the parent company's directors, statutory auditors, and general managers).
Disclosure for persons not filling positions with Banca Generali (directors, auditors) concerned current financial dealings (mortgages, etc.) only.

As required by IAS 24, the total compensation recorded in the consolidated profit and loss account for the year is disclosed below, broken down by personnel category and type.

(€ thousand)	31/12/2008				31/12/2007
	Directors	**Auditors**	**Other managers with strategic responsibilities**	**Total**	**Total**
1. Short-term benefits (current comp. and social security charges)	1,261	117	1,912	3,290	3,543
2. Post-employment benefits	175	-	263	438	429
3. Other long-term benefits	-	-	-	-	-
4. Severance indemnities	-	-	-	-	-
5. Share-based payments -	329	-	- -	329	59
Total	**1,107**	**117**	**2,175**	**3,399**	**4,031**

Pursuant to article 78 of the Rules for Issuers (No. 11971), as amended by resolution No. 15520 of 27 July 2006, following the introduction of IASs/IFRSs, companies listed on regulated markets must include a table stating the compensation paid to members of their administrative and control bodies, general managers, and other key management personnel (data for the latter only in aggregated form).

Emoluments for positions held must include:

(i) emoluments pertinent to the period as authorised by the shareholders' meeting, or pursuant to article 2389, paragraph 2, of the Italian Civil Code, if not yet paid and (ii) any right to a share of profits, (iii) attendance bonuses, and (iv) lump-sum reimbursements of expenses.

The amount of the sums indicated under (ii) must be stated on an accruals basis even if the shareholders' meeting that is to approve the financial statements and the distribution of profits for the administrative body has yet to be held. If the shareholders' meeting resolves on a different allocation of the profits for the year, the table must be modified accordingly.

The column *non-monetary benefits* must include fringe benefits (according to whether these are considered taxable income) and any insurance policies.

Bonuses and other incentives include the share of remuneration that accrues on a one-off basis. Under no circumstances is this column to include the values of stock options granted or exercised.

Other compensation must include: (i) emoluments for positions held with listed and unlisted subsidiaries; (ii) salaries (gross of social-security contributions and taxes for which the employee is liable, excluding mandatory collective social-security expenses for which the company is liable and allocations to the provision for post-employment benefits); (iii) end-of-term indemnities; (iv) and any other additional remuneration arising from other services rendered.

Compensation paid to members of administrative and control bodies, general managers and key management personnel

(Article 78 of CONSOB resolution No. 11971 of 14 May 1999, as amended – Annex 3C – Table 1)

Surname and name	Office held	Period during which office was held	Term of office	Emoluments for the position held at the company drafting the financial statements	Non-monetary benefits (4)	Bonuses and other incentives	Other compensation (3)	Total	Notes
PERISSINOTTO Giovanni	**Banca Generali**								
	Chairman	1/1/-31/12/2008	Approval of 2008 Financial Statements	25,000				25,000	(1)
GIRELLI Giorgio Angelo	**Banca Generali**							-	
	CEO	1/1/-31/12/2008	Approval of 2008 Financial Statements	700,000	-	244,200	175,000	1,119,200	(2) (8)
	Director	1/1/-31/12/2008	Approval of 2008 Financial Statements	25,000	-	-	-	25,000	(1)
	Banca BSI							-	

	Director	1/1- 31/12/2008	Approval of 2010 Financial Statements	-			8,814	8,814	(1)(7)
	BG Sgr							-	
	Director	1/1/-31/12/2008	Approval of 2010 Financial Statements	-			10,000	10,000	(1)
BAESSATO Paolo	**Banca Generali**							-	
	Director	1/1/-31/12/2008	Approval of 2008 Financial Statements	25,000				25,000	(1)
BORRINI Amerigo	**Banca Generali**							-	
	Director	1/1/-31/12/2008	Approval of 2008 Financial Statements	25,000				25,000	(1) (8)
BUSCARINI Fabio	**Banca Generali**							-	
	Director	1/1 - 31/12/2008	Approval of 2008 Financial Statements	25,000				25,000	(1)
DE VIDO Andrea	**Banca Generali**							-	
	Director	1/1/-31/12/2008	Approval of 2008 Financial Statements	25,000				25,000	(6)
	Compensation Committee			6,000				6,000	(6)
LENTATI Leonardo	**Banca Generali**							-	
	Director	1/1- 31/12/2008	Approval of 2008 Financial Statements	25,000				25,000	(5)
	Internal Control Committee			18,000				18,000	(5)
	Compensation Committee			6,000				6,000	(5)
MINUCCI Aldo	**Banca Generali**							-	
	Director	1/1/-31/12/2008	Approval of 2008 Financial Statements	25,000				25,000	(1) (9)
NOTO Alfio	**Banca Generali**							-	
	Director	1/1- 31/12/2008	Approval of 2008 Financial Statements	25,000				25,000	(5)
	Internal Control Committee			18,000				18,000	(5)
	Compensation Committee			6,000				6,000	(5)
	Banca BSI							-	
	Director	1/1/- 31/12/2008	Approval of 2010 Financial Statements	-			12,000	12,000	
RIELLO Ettore	**Banca Generali**							-	
	Director	1/1/- 31/12/2008	Approval of 2008 Financial Statements	25,000				25,000	
	Internal Control Committee			18,000				18,000	
MOTTA Pier mario	**Banca Generali**							-	
	General Manager	1/1/-31/12/2008	………..	-	142,210	132,800	1,019,444	1,294,454	(3)(4)(9)
	Banca BSI							-	
	CEO	1/1/-31/12/2008	Approval of 2010 Financial Statements	-			8,814	8,814	(1)(7)
	BG Sgr							-	

	Director	1/1/-31/12/2008	Approval of 2010 Financial Statements	-			10,000	10,000	(1)
ALESSIO VERNI' Giuseppe	**Banca Generali**							-	
	Chairman of the Board of Statutory Auditors.	1/1/-31/12/2008	Approval of 2008 Financial Statements	40,000			-	40,000	(5)
	Banca BSI Italia							-	
	Standing auditor	16/04/ - 31/12/2008	Approval of 2010 Financial Statements	-			8,524	8,524	(5)
	Simgenia							-	
	Standing auditor	1/1/-31/12/2008	Approval of 2010 Financial Statements	-			4,544	4,544	(5)
	S. Alessandro Fiduciaria							-	
	Chairman of the Board of Statutory Auditors.	1/1/-31/12/2008	Approval of 2008 Financial Statements	-			2,453	2,453	(5)
d'AGNOLO Paolo	**Banca Generali**							-	
	Standing auditor	1/1/-31/12/2008	Approval of 2008 Financial Statements	30,000			-	30,000	(5)
VENCHIARUTTI Angelo	**Banca Generali**							-	
	Standing auditor	1/1/-31/12/2008	Approval of 2008 Financial Statements	30,000			-	30,000	(6)
	BG Fiduciaria			-				-	
	Standing auditor	1/1/-31/12/2008	Approval of 2010 Financial Statements	-			5,000	5,000	(6)
	S. Alessandro Fiduciaria							-	
	Standing auditor	1/1/-31/12/2008	Approval of 2008 Financial Statements	-			1,808	1,808	(6)
Key management personnel	**Banca Generali**			-	34,971	51,300	196,809	283,080	(3)(4)
				1,122,000	177,181	428,300	1,463,210	3,190,691	

Notes:

(1) The party in question pays compensation back to the company in question.
(2) "Other compensation" includes the payment of premiums for the year under the end-of-term indemnity insurance policy taken out to benefit the CEO.
(3) The item "Other compensation" includes:
a) salaries, without considering social-security expenses for which the company is liable and the pertinent share of the allocation to the provision for post-employment benefits;
b) cancelled holiday and other leave, reimbursement of travel expenses and other official expenses.
(4) The item "Non-monetary benefits" includes:
a) contributions for social security and supplementary pension plans and other company policies;
b) other company fringe benefits and company travel expenses.
(5) The item "Emoluments for the position held" is net of VAT and social-security contributions and also includes travel indemnities and reimbursements.
(6) Under independent service contract coordinated by the employer.
(8) The party in question does not receive any compensation for participating in the BoD of BG Fiduciaria.
(9) The party in question does not receive any compensation for participating in the BoD of Simgenia.

Stock options granted to members of the administrative body, general managers and key management personnel
(Article 78 of CONSOB resolution No. 11971 of 14 May 1999, as amended – Annex 3C – Table 2)

Article 78 of the Rules for Issuers (No. 11971), as amended by resolution No. 15520 of 27 July 2006, also calls for the issuer to disclose stock-option plans in the form of the free granting of shares or the offer of options for the purchase or subscription of shares of the issuer or of a subsidiary of the issuer provided for members of the administrative body, general managers, and key management personnel (in aggregate form for the latter).

No new shares were granted in financial year 2008.
The options for the free allotment of shares in Banca Generali granted to the Chief Executive Officer and General Manager have not been exercised.
The survey excluded options granted to a key management personnel member transferred to another Assicurazioni Generali Group company, for whom the Steering Committee for the Stock-Option Plan reserved for the banking group's employees decided to maintain entitlement.

		Options held at year-start			Options granted during the year			Options exercised during the year			Options expired	Options held at year-end		
Name and surname	Office held	Number of options	Average strike price	Average maturity	Number of options	Average strike price	Average maturity	Number of options	Average strike price	Average market price for the year	Number of options	Number of options	Average strike price	Average maturity
Giorgio Girelli	Chief Executive Officer	389,596	-	2007-2011	-	-		-	-	-	-	389,596	0	2007-2011
Piermario Motta	General Manager	278,284	-	2007-2011	-	-		-	-	-	-	278,284	0	2007-2011
Key management personnel (*)		30,000	10.589	2009-2012				-	-	-	-	30,000	10.5890	2009-2012
		697,880	-	-	-	-	-	-	-	-	-	697,880	-	-

(*)The initial figures were modified to exclude 50,000 shares allotted in 2006 to a manager who became a key management personnel member in financial year 2007 and left this position in 2008 to be transferred to another Generali Group company. Stock options granted for this reason have not been cancelled.

Disclosure under article 79, paragraph 1, of the Rules for Issuers

In respect to the provision in question, we report that no transactions to encourage the purchase or subscription of shares in Banca Generali pursuant to article 2358, paragraph 3, of the Italian Civil Code were undertaken during the year.

2. Disclosure of Transactions with Related Parties

In compliance with Article 2391-*bis* of the Italian Civil Code, Article 71 of CONSOB (Italy's stock market regulator) Regulation No. 11971/99 (Rules for Issuers) and the recommendations contained in the Corporate Governance Code for listed companies, on 18 July 2006, the Banca Generali's Board of Directors approved the *Code of Conduct for Transactions with Related Parties*, with the objective of:
(i) governing the undertaking of transactions with related parties by Banca Generali or its subsidiaries by setting internal rules appropriate to ensuring the transparency and the substantial, and procedural propriety of such transactions and, in particular "significant" transactions, i.e. those of the greatest relevance in terms of earnings and financial position ("extraordinary" and "relevant" transactions);
(ii) establishing the procedures for complying with disclosure requirements, including those required under applicable laws and regulations.

In compliance with CONSOB Resolution No. 15232 of 29 November 2005, "related parties" includes parties defined as such by IAS 24 — Related Party Disclosures.

According to this standard, a party is related to an entity if:
a) directly or indirectly, through one or more intermediaries, the party:
(i) controls, is controlled by, or is under common control with the entity (this includes parents, subsidiaries and associates);
(ii) has an interest in the entity that gives it significant influence over the entity;
(iii) has joint control over the entity;
b) the party is an associate of the entity as defined in IAS 28;
c) the party is a joint-venture in which the entity is a venturer as per IAS 31;
d) the party is a member of the key management staff of the entity or its parent;
e) the party is a close member of the family of any individual referred to in (a) or (d);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

The related parties are the Parent Company Assicurazioni Generali S.p.A. and its direct or indirect subsidiaries and the subsidiaries of the Bank (Simgenia, BG Fiduciaria, BG SGR, Banca BSI Italia, Banca Del Gottardo Italia s.p.A., Sant'Alessandro Fiduciaria and BG Investment Luxembourg SA).

With reference to these transactions, the main balance sheet and profit and loss account aggregates that are separately identifiable are summarised below.

1. Companies of the Banking Group and of the Assicurazioni Generali Group

1.1 Assets and liabilities

(€ thousand)	Parent Company Assicurazioni Generali	Subsidiary companies Banking Group	Other associate companies Generali Group	31/12/2008	31/12/2007	Changes Amount	%
Financial assets held for trading	-	302	-	302	471	- 169	-35.9%
Financial assets available for sale	849	-	-	849	1,371	- 522	-38.1%
Loans to customers	28,308	-	-	28,308	47,476	- 19,168	-40.4%
Loans to banks		11,834	40,336	52,170	43,272	8,898	20.6%
Tax assets (AG tax consolidation)	6,080	-	-	6,080	-	6,080	0.0%
Other assets	15	8,102	3,407	11,524	690	10,834	1570.1%
Total assets	**35,252**	**20,238**	**43,743**	**99,233**	**93,280**	**5,953**	**6.4%**
Due to customers	452,948	45,932	624,846	1,123,726	1,365,010	- 241,284	-17.7%
Due to banks	-	872,808	10,991	883,799	632,385	251,414	39.8%
Financial liabilities held for trading		555	-	555	356	199	55.9%
Other liabilities	529	1,141	1,743	3,413	4,598	- 1,185	-25.8%
Total liabilities	**453,477**	**920,436**	**637,580**	**2,011,493**	**2,002,349**	**9,144**	**0.5%**
Guarantees issued		**-**	**1,290**	**1,290**	**3,274**	**- 1,984**	**-60.6%**

1.2 Costs and revenues

(€ thousand)	Parent Company Assicurazioni Generali	Subsidiary companies Banking Group	Other associate companies Generali Group	31/12/2008	31/12/2007	Changes Amount	%
Interest income	1,525	84	2,598	4,207	1,843	2,364	128.3%
Interest expense	- 16,677	- 30,044	- 17,366	- 64,087	- 45,863	- 18,224	39.7%
Net interest	**- 15,152**	**- 29,960**	**- 14,768**	**- 59,880**	**- 44,020**	- 15,860	36.0%
Commission income	63	35,167	37,755	72,985	120,082	- 47,097	-39.2%
Commission expense	-	- 706	- 33	- 739	- 778	39	-5.0%
Net commissions	**63**	**34,461**	**37,722**	**72,246**	**119,304**	- 47,058	-39.4%
Dividends	40	18,980	-	19,020	12,699	6,321	49.8%
Gain (loss) on trading		-	-	-	-	-	0.0%
Operating income	**- 15,049**	**23,481**	**22,954**	**31,386**	**87,983**	**- 56,597**	**-64.3%**
General and administrative expense	- 2,212	- 750	- 9,081	- 12,043	- 10,327	- 1,716	16.6%
Personnel expenses (secondment)	- 20	465	400	845	787	58	7.4%

Other net operating profit	-	7,998	-	7,998	8,366	-368	-4.4%
Net operating expense	**-2,232**	**7,713**	**-8,681**	**-3,200**	**-1,174**	-2.026	172.6%
Operating income	**-17,281**	**31,194**	**14,273**	**28,186**	**86,809**	**-58.623**	**-67.5%**

2. Key management personnel and other related parties

(€ thousand)	Key management personnel	Other related parties	31/12/2008	31/12/2007	Changes Amount	%
Loans to customers	228		228	619	-391	-63.2%
Due to customers	4,073		4,073	2,753	1,320	47.9%
Guarantees issued						
Guarantees received						

Direction and Coordination

Pursuant to Article 2497-*bis* of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.
A summary of the main items of this company's latest Financial Statements is reported hereunder.

HIGHLIGHTS OF ASSICURAZIONI GENERALI S.p.A.

(€ million)		FY 2007
Total gross premiums		9,759.7
Total gross premiums from direct business		7,502,5
	Change on equivalent terms [(a)]	*4,9%*
Total gross premiums from indirect business		2,257,2
	Change on equivalent terms [(a)]	*6.1%*
Acquisition and administration costs		1,402,1
	Impact on premiums	*15.8%*
Life gross premiums		5,835.8
	Change on equivalent terms [(a)]	*7,1%*
Life gross premiums from direct business		4,094,1
	Change on equivalent terms [(a)]	*5,4%*
Life gross premiums from indirect business		1,741,7
	Change on equivalent terms [(a)]	*11,2%*
Life acquisition and administration costs		615,2
	Impact on premiums	*11.0%*
Non-life gross premiums		3,923.9
	Change on equivalent terms [(a)]	*2.5%*
Non-life gross premiums from direct business		3,408.4
	Change on equivalent terms [(a)]	*4.3%*
Non-life gross premiums from indirect business		515.5
	Change on equivalent terms [(a)]	*-8.1%*
Non-life acquisition and administration costs		786.9
	Impact on premiums	*24.1%*
	Non-life loss ratio	*70.2%*
	Non-life net combined ratio	*94.3%*
Current financial result		3,133.1
Technical provisions		39,768.4
Investments		56,891.3
Capital and reserves		9,513.6
Net profit		1,401.1
Aggregate dividend		1,269.0
	Increase	*32.4%*

(*) At constant exchange rates.

The highlights of the Parent Company Assicurazioni Generali S.p.A shown above were taken from the company's financial statements for the year ended 31 December 2007. These are available together with the Independent Auditor's Report as provided for by the law. Consequently, these figures are not subject to audit performed by the auditing firm entrusted by Banca Generali pursuant to Article 156 of Legislative Decree No. 58/98.

Part I – Payment Agreements Based on Own Equity Instruments

A. Qualitative Information

Payment Agreements Based on Own Equity Instruments

At 31 December 2008, Banca Generali activated share-based payment agreements consisting of two stock option plans reserved for financial advisors and some group managers, respectively, a stock-granting plan in favour of top management, and one stock-granting plan reserved for former Prime Consult Network financial advisors.
On 19 January 2007, Banca BSI's Board of Directors approved a stock-option plan for the bank's Chairman.

The main features of the aforementioned plans are detailed below.

1. Stock Option Plans for Employees and Financial Advisors

On 24 May 2006, Banca Generali's Board of Directors approved two stock option plans, both of which are conditional on the commencement of the trading of the company's stock on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A.

- under the first plan, which is reserved for employees of companies belonging to Banca Generali Group, a maximum amount of 1,113,300 ordinary shares can be issued;
- under the second plan, which is reserved for Banca Generali's financial advisors, area managers and business managers and the private bankers in the BSI channel, a maximum of 4,452,530 shares can be issued.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting passed a resolution for a splittable capital increase, subject to the admission of the company's shares to trading on the electronic share market (MTA) for a maximum notional amount of 5,565,660 euros, through the issuance of a maximum 5,565,660 ordinary shares with a par value of 1.00 euro.

These plans became operational with the commencement of the trading of the ordinary shares of Banca Generali on the electronic share market (MTA) on 15 November 2006. On 15 December 2006, 4,452,530 options were assigned to financial advisors and **818,500** options to Group executives; the strike price of both sets of options was 9.046 euros.

The options granted under the plan reserved for employees of banking group companies amounted to a total of **884,000** at the end of 2008. During the year, a total of **65,000** new option rights were granted at an average strike price of **5.593** euros and **33,000** rights held by three terminated executives were cancelled.

Option rights granted to financial advisors amounted to 2,617,940 at the end of the year, gross of expected future severances, and decreased considerably during the previous year due to the failure to achieve the individual quantitative targets for net inflows established upon granting.
In addition, the first tranche of options assigned to financial advisors, in the total amount of 872,446 rights, reached maturity in January 2009. These rights may be exercised through 31 March 2011.

1.1 Measurement of fair value

Valuation of the stock option plan is based on the fair value of the options assigned, calculated on the options assignment date.
The calculation is based on a model whose inputs include the strike price, time-to-maturity, the exercise period, the shares' spot price, their implied volatility, expected dividends, and the risk free interest rate. Other peculiar features of the plan are considered, such as different dates and exercise conditions. The binomial pricing model also takes into account the possibility of early exercise.

To calculate the initial value of plans, in consideration of the recent Banca Generali listing and so the lack of a significant historical series, the expected volatility was measured based on the prices of the most liquid 3-month options on the shares of listed issuers with similar structural features and 5-year options on the S&P MIB index. Interest rates are calculated using the interbank rate swap curve; the expected dividend is based on the bank's projections.
Therefore, the calculations for the plan reserved for employees were based on the option's fair value at 1.94 euros, while for the financial advisors' plan the fair value of 1.73 and 1.59 euros was used, based on the expected exercise date.

Effective market parameters drawn from the performance of the stock's list price and the most recent projections as to the development of company parameters shall be applied to subsequently granted options.
The new options assigned in the first few months of 2008 (January and April) have been measured at a fair value between 0.8 and 1.459 euros due to the severe volatility of the markets.

The impact on the profit and loss account is measured based on the maturity period of the options, i.e. the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

2. Stock Granting Plan Reserved for the Chief Executive Office and the General Manager

On 24 May 2006, the Board of Directors approved a Stock Granting Plan envisaging the allotment of up to 667,880 Banca Generali ordinary shares, with a nominal value of 1,00 euro each, in favour of Chief Executive Officer Giorgio Girelli and General Manager Piermario Motta.
Specifically:
(i) Chief Executive Officer Giorgio Girelli will be freely assigned up to 389,596 ordinary shares, with a par value of 1.00 euro each, or the least number of shares worth a total of not more than 4,000,000 euros, calculated based on the Offer Price;

(ii) General Manager Piermario Motta will be freely assigned up to 278,284 ordinary shares, with a par value of 1.00 euro each, or the least number of shares worth a total of not more than 3,000,000.00 euros, calculated based on the Offer Price.

The Banca Generali Shareholders' Meeting held on 18 July 2006 approved the plan, authorising the Board of Directors to buy back up to 667,880 Banca Generali ordinary shares to service it. The plan became operative with Banca Generali's admission to listing on the electronic share market.

The shares shall be assigned within 5 years following the commencement of trading of shares in the Company on the electronic share market, and provided that, at the time of assignation the assignee still serves the Company as a Director or employee (save in the event where the relationship was terminated by the Company for reasons other than wilful misconduct or gross negligence on the part of the assignee). There will be a one-year lock-up period from the assignment date on 50% of the shares assigned to each recipient. This period will end before the preset term if the mandate or employment terminates on the Company's initiative and for reasons other than the beneficiary's fraud or negligence.

At the end of 2008, the shares to service the plan had not yet been assigned to the beneficiaries.

2.1 Measurement of fair value

The stock granting plan in favour of the Chief Executive Officer and the General Manager changed from its original formulation: now the Chairman of the Board of Directors will assign the shares within a maximum period of five years.
This change is a modification of the vesting conditions that is not beneficial to the employee, which, in accordance with IFRS 2, section B44, requires that the "*entity shall nevertheless continue to account for the services received as consideration of the equity instruments granted as if that modification had not occurred*".
For this reason the charge arising from this stock granting plan was recognised as if the vesting conditions were satisfied at original grant date, coinciding with the suspension condition or Banca Generali's admission to trading on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A..
The full cost of the plan was consequently charged to financial year 2006.
The fair value of the shares was calculated according to the price set for the public offering on 11 November 2006, 8.0 euros. The plans consequently had a total value of 5,343 thousand euros, gross of the tax effect.

3. The stock granting plan for Prime Consult network advisors

The Board of Directors of the subsidiary Prime Consult SIM S.p.A. adopted a resolution on 16 June 2001 for the *stock granting plan for Prima Consult network advisors* and, after the merger on 31 December 2002, the Board of Directors of Banca Generali acknowledged and integrated it on 9 April 2004 and 22 May 2005.

The plan called for the free assignment of Banca Generali shares to network advisors and managers until 31 December 2001 who had achieved at that date specific individual targets and if the further conditions of the Banca Generali listing and the beneficiaries' having maintained the agreed inflow targets had been verified.
Specifically, according to the plan, qualifying advisors were issued a number of Banca Generali shares equal to the ratio between the value of the objective reached and the issue price of Banca Generali's shares on the stock market.
Stock granting was to be carried out in three annual tranches. On 12 October 2004, the bank's Board of Directors extended the time limits of the stock granting programme (conditional on the bank's listing on a regulated market) and established the following schedule for allocating the tranches:

- 1/3 of the shares included in the plan within 30 days of the company's listing on a regulated market; this allotment occurred on 15 December 2006;
- 1/3 of the shares included in the plan within 12 months of the first granting (15 December 2007);
- 1/3 of the shares included in the plan within 24 months of the first granting (15 December 2008).

The absorbed company originally purchased 1,200,000 shares in 2001 for a total of 3,873 euros in service of this plan.
In connection with the first two tranches of the stock-granting plan, 961,032 shares in the bank had already been granted at the date of approval of the financial statements, with a further 239,968 shares remaining (250,029 at the end of 2007).
Since the maximum number of shares remaining to be allocated is estimated in the amount of 436,500, the General Meeting of 22 April 2008 authorised (pursuant to Articles 2357 and 2357-ter of the Italian Civil Code) the purchase of the 197,532 shares needed to make up that number and comply with the stock granting plan.
Pursuant to such authorisation, 197,532 treasury shares were repurchased during the period for 1,016 thousand euros, for an average book value of 5.08 euros each.
In financial year 2008, financial advisors were granted a total of 418,295 shares in service of the plan.

The resolution of the board of directors concerning the stock granting of ordinary shares of the Bank to financial advisors was completed prior to 14 November 2002 — the date established for the application of the new IFRS 2 (*Share-based payments*) — and was modified prior to 1 January 2005, the date the standard became effective. The transaction was fully recognised in the profit and loss account by the merged company Prime Consult, in 2002. Based on the transitory provisions contained in paragraphs 53 et seq. of IFRS 2, this transaction can therefore be exempted from the application of this standard but it will have an impact exclusively in the balance sheet once the rights mature.

B. Quantitative Information

As previously indicated, the charges associated with the stock granting plans reserved for top management, which, based on IFRS 2, were calculated at 5,343 thousand euros (pre-tax), were recognised in the profit and loss account in 2006, with a contra-entry in a separate reserve under net equity for share-based payments. Deferred taxes on these plans were set aside according to the plans' method of execution, namely the purchase of own shares on the market.

The charges recognised in the profit and loss account in 2008 in relation to the new stock option plans approved in 2006 for the Group's executives and financial advisors amounted overall to 2.4 million euros, of which 1.8 million euros to financial advisor plans and 0.6 million to executive plans.
Based on IFRS 2, these charges were recognised directly in a reserve under net equity, in which the item stock option amounted to 4.3 million euros at 31 December 2008.

	Top Managers	Average Prices	Financial Advisors	Average Prices	Employed Managers	Average Prices	Total 2008	Average Prices	Average Maturity
A. Amount at year-start	667,880	-	2,515,946	9.0046	852,000.00	9.050	4,035,826	7.52	2010-13
B. Increases	-	-	190,326	9.0046	65,000.00	5.593	255,326	14.60	-
B.1 Newly issued shares					65,000.00	5.593	65,000	5.59	2010-13
B.2 Other changes			190,326	9.0046	-		190,326	9.00	
C. Decreases	-	-	- 88,332	9,0046	- 33,000.00	9,0046	- 121,332	9,00	-
C.1 Cancelled			- 88,332	9,0046	- 33,000.00	9.00	- 121,332	9.00	2010-13
C.2 Exercised (*)							-	-	
C.3 Expired							-	-	
C.4 Other changes			-		-		-	-	
D. Amount at period-end	667,880	-	2,617,940	9.08	884,000.00	8,80	4,169,820	7.11	2010-13
E. Options that can be exercised at the end of the period		-	872,446	872,446	-	-	-	-	-
Strike price			1,786		590.39		2,376		

Trieste, 12 March 2009

THE BOARD OF DIRECTORS

ANNEX 1

DISCLOSURE OF COMPENSATION FOR AUDITING PURSUANT TO ARTICLE 160, PARAGRAPH 1-*BIS*

The following table shows a breakdown of the compensation paid to the independent auditors engaged to audit the financial statements in accordance with legislative decree No. 58/98, as well as to the entities in the network to which the auditing firm belongs:

Type of service	Service provider	Compensation (€ thousand)
Audit	Reconta Ernst & Young S.p.A.	135
Certification	Studio Legale e Tributario Ernst & Young S.p.A.	12
Tax consultancy		
Other services	Ernst & Young Financial-Business Advisors S.p.A.	271

Attestation to the Annual Financial Report Pursuant to Article 81-ter of CONSOB Regulation 11971 Dated 14 May 1999, as Amended

1. The undersigned Giorgio Angelo Girelli, in his capacity as Chief Executive Officer and Giancarlo Fancel, in his capacity as Manager in charge of preparing the accounting documents of Banca Generali S.p.A., hereby declare, taking into account the provisions set out in article 154-bis, paragraphs 3 and 4 of the legislative decree dated 24 February 1998, No. 58, that the administrative and accounting procedures for preparing the Annual Financial Report at 31 December 2008:
   - are appropriate in light of the features of the company, and
   - have been applied

2. The appropriateness of administrative and accounting procedures for preparing the Annual Financial Report at 31 December 2008 was assessed using a process established by Banca Generali based on the *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission*, which is generally accepted as a reference framework worldwide.

3. The undersigned further declare that:

   3.1 the Annual Financial Report at 31 December 2008:
   a) reflects the accounting books and records;
   b) was prepared in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to EC Regulation No. 1606/2002, the provisions of Legislative Decree No. 38 of 28 February 2005, the "*Instructions for Preparing the Financial Statements and Consolidated Financial Statements for Banks and Parent Companies of Banking Groups*", which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005 (such instructions were issued in Circular Letter No. 262/05 through a Provision dated 22 December 2005), the Italian Civil Code and further applicable provisions, regulations and circular letters issued by ISVAP and provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and consolidated companies.

   3.2 that the Directors' report on operations includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;

12 March 2009

The Chief Executive Officer
Giorgio Angelo Girelli

Manager in charge of preparing
the company's financial documents
Giancarlo Fancel