BANCA GENERALI

Annual Report at 31.12.2015

Banca Generali S.p.A.

ANNUAL REPORT
as of 31.12.2015

Annual Report as of 31.12.2015

Board of Directors – 10 March 2016

Banca Generali S.p.A.

Administration and control bodies

Board of Directors	**Paolo Vagnone**	Chairman
	Piermario Motta	Chief Executive Officer
	Giovanni Brugnoli	Director
	Philippe Donnet	Director
	Giancarlo Fancel	Director
	Anna Gervasoni	Director
	Massimo Lapucci	Director
	Annalisa Pescatori	Director
	Vittorio Emanuele Terzi	Director
Board of Statutory Auditors	**Massimo Cremona**	Chairman
	Mario Francesco Anaclerio	
	Flavia Minutillo	
General Manager	**Piermario Motta**	
Manager in charge of preparing the Company's financial reports	**Stefano Grassi**	

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


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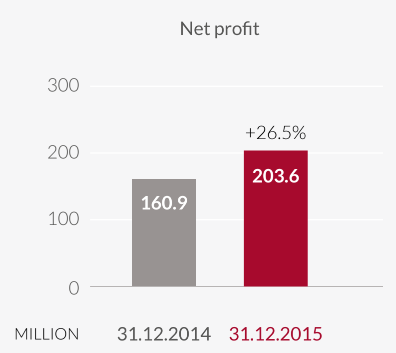
Group economic and financial highlights

Consolidated figures

(€ MILLION)	31.12.2015	31.12.2014	CHANGE %
Net interest income	66.2	107.0	-38.1
Net fees	370.8	257.3	44.1
Net income (loss) from trading activities and dividends	28.9	54.9	-47.4
Net banking income	465.9	419.2	11.1
Staff expenses	-80.9	-74.2	9.1
Other general and administrative expense	-134.0	-128.5	4.3
Amortisation and depreciation	-5.3	-4.4	20.1
Other operating income/expense	44.7	41.3	8.4
Net operating expenses	-175.6	-165.8	5.9
Operating result	**290.3**	**253.4**	**14.6**
Provisions	-45.6	-40.3	13.2
Adjustments	-6.5	-11.0	-41.1
Profit before taxation	**238.2**	**202.1**	**17.9**
Net profit	**203.6**	**160.9**	**26.5**

PERFORMANCE INDICATORS	31.12.2015	31.12.2014	CHANGE %
Cost/Income ratio	36.50%	38.50%	-5.1
EBTDA	295.7	257.8	14.7
ROE [a]	50.30%	44.50%	13.0
ROA [b]	0.52%	0.50%	4.0
EPS - earning per share (euro)	1.757	1.394	26.0

(a) Net return on equity, excluding net profit (share capital, share premium, reserves, valuation reserves, treasury shares) at the end of 2015 and 2014.
(b) Return on assets calculated on the average of Assoreti quarterly AuM.



Net inflows

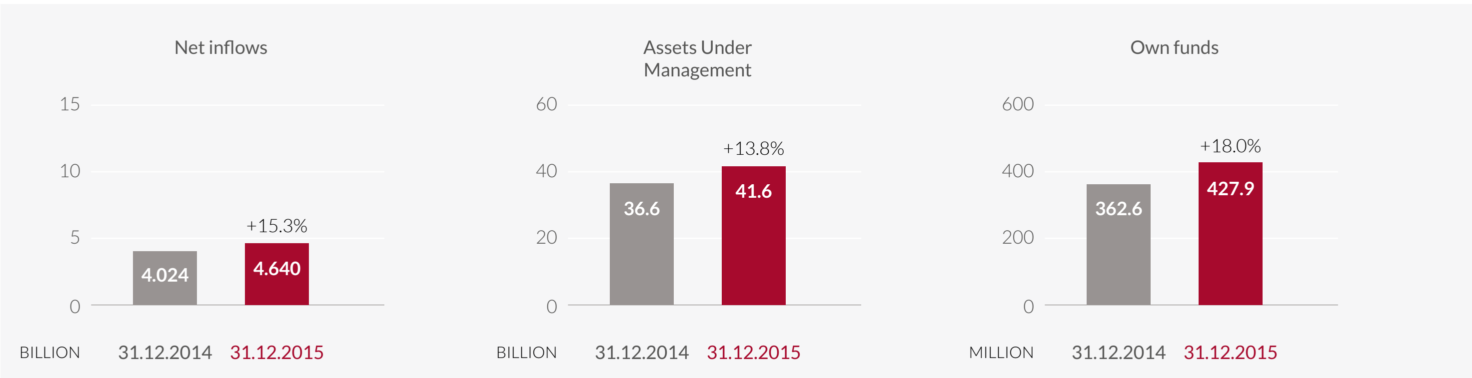
(€ MILLION)(ASSORETI DATA)	31.12.2015	31.12.2014	CHANGE %
Mutual funds and Sicavs	869	555	56.6
Asset management	-168	71	-336.6
Insurance / Pension funds	3,394	3,563	-4.7
Securities / Current accounts	545	-165	430.3
Total	**4,640**	**4,024**	**15.3**

Asset Under Management & Custody (AuM/C)

(€ BILLION)(ASSORETI DATA)	31.12.2015	31.12.2014	CHANGE %
Mutual funds and Sicavs	10.9	10.0	9.7
Asset management	3.6	3.8	-4.7
Insurance / Pension funds	17.3	13.7	26.1
Securities / Current accounts	9.8	9.1	7.5
Total	**41.6**	**36.6**	**13.8**

Net equity

(€ MILLION)	31.12.2015	31.12.2014	CHANGE %
Net equity	636.8	536.3	18.7
Own funds	427.9	362.6	18.0
Excess capital	212.8	157.9	34.8
Total Capital Ratio	15.9%	14.2%	12.3



Highlights 2015

NET INFLOWS
4,640
MILLION
+15.3%

TOTAL AUM
14,560
MILLION
+6.0%

NET AUM INFLOWS
4,095
MILLION
-2.2%

NET PROFIT
203.6
MILLION
+26.5%

OPERATING PROFIT BEFORE TAXATION
238.2
MILLION
+17.9%

OPERATING RESULTS
290.3
MILLION
+14.6%

TOTAL ASSETS

41,605
MILLION

+14.0%

OWN FUNDS

427.9
MILLION

+18.0%

NET EQUITY

636.8
MILLION

+18.7%

TOTAL CAPITAL RATIO

15.9%
12.3%

TIER 1

14.3%
+17.3%

NET OPERATING PROFIT

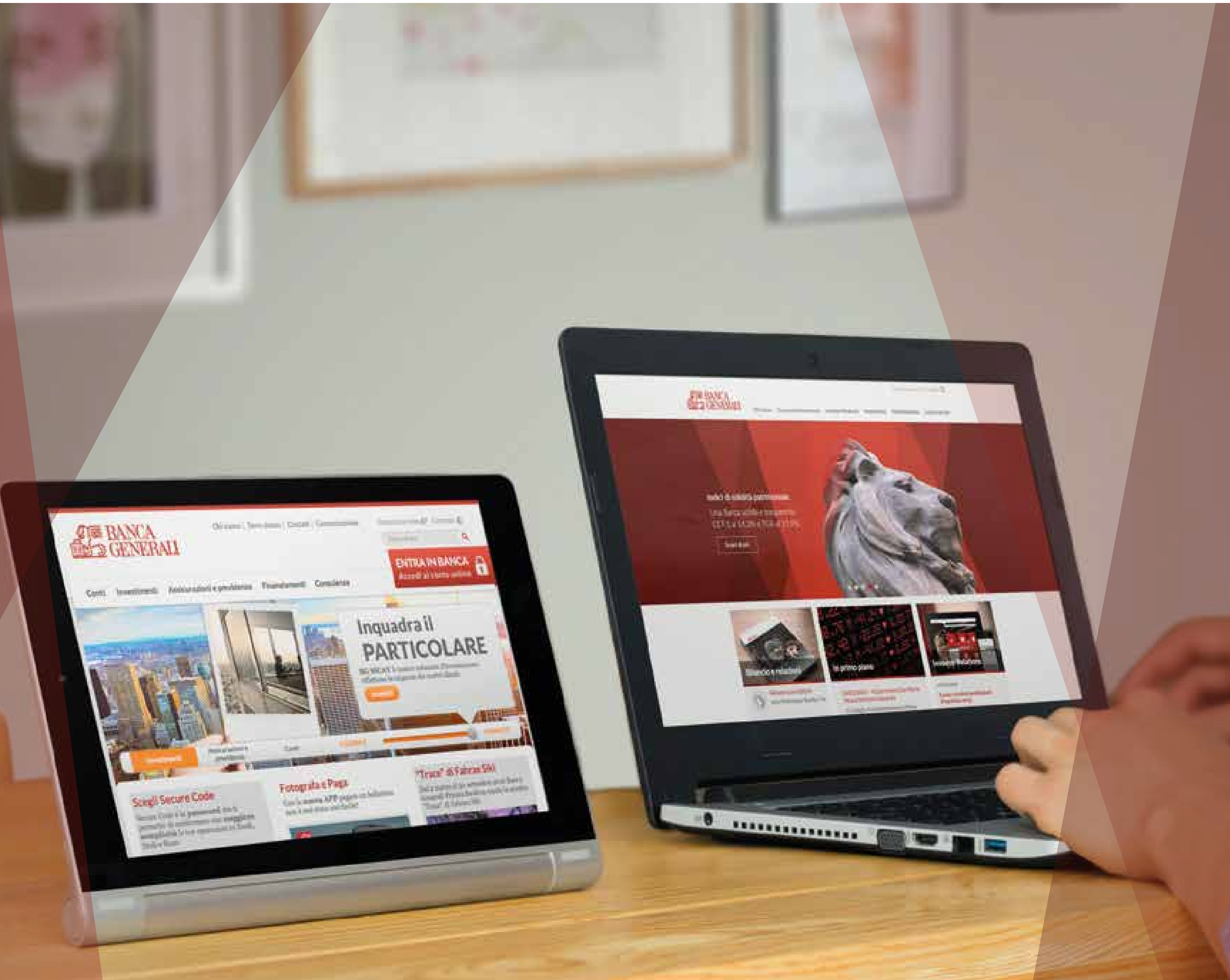
465.9
MILLION

+11.1%

NET OPERATING EXPENSES

175,6
MILLION

+5.9%


BANCA GENERALI
ENTRA IN BANCA
Inquadra il
PARTICOLARE
Scegli Secure Code
Fotografa e Paga

Chairman's Letter

Dear Shareholders,

Banca Generali had its best year ever in 2015, and we are particularly proud of our commercial, earnings and capital position results. Last year's excellent performance is not an isolated event. Rather, it reflects the quality of a process and strategic focus that in the past four years have nearly tripled net profits and doubled total asset volumes. The reinforcement of our financial advisor network, our focus on excellence and new products and services, as well as commitment to technological development of increasingly exclusive solutions set apart the business model adopted by the bank, which has carved out a position for itself in Italy as the number-one full- fledged private bank in terms of service quality and innovation.

Business growth figures confirm the validity of our strategic decisions. In 2015, the company reported net inflows of over 4,600 million euros. The attention garnered from Private customers and highly-skilled professionals mirrors the bank's attractiveness and growth potential. In a very competitive industry, Banca Generali further increased its market share in the networks segment from 10.2% to 12.1% over the past three years.

The focus on financial planning was welcomed by customers and was accompanied by efficient operational management. Net profit increased by 27% to 204 million euros, a new high even after extraordinary charges associated with contribution to the banking crisis Resolution Fund (BRRD) and Interbank Deposit Protection Fund (FITD). The bank also continued to strengthen its capital position, untouched by speculation concerning the solidity of the system, thanks to the quality and transparency of its assets. CET1 capital ratio was 14.3% and total capital ratio 15.9%, respectively 100% and 50% above the ECB's minimum requirements for the Company.

Based on these results, it has been proposed that a dividend of 140 million euros, or 1.20 euros per share, be distributed. Banca Generali's shareholder remuneration policy is once more among the most generous on the market, particularly in the financial sector.

Turning to the bank's prospects, the increasing market difficulties are heightening households' need for specialised support, a trend favourable to companies recognised for their professionalism and reputation such as Banca Generali. After the boost provided by expansionary measures by central banks in the first half of 2015, stock exchanges encountered further uncertainty relating to the slowdown of emerging countries and falling price of oil. Volatility returned to centre stage not just on stock markets, but also bond markets, due to the increase in interest rates by the U.S. Federal Reserve in December. Aversion to risk intensified the search for fixed-income safe-haven investments, driving interest rates on many government bonds below zero, and not only for the shortest maturities. The fall in government bond yields, which also affected Italy, represents an epochal change for Italian households, traditionally accustomed to focusing on this type of solution, which is no longer sufficient to ensure sound investment performance.

Critical market issues are in addition to new challenges on the regulatory front. The introduction of the new European Directive on bank crisis resolution and bail-ins came suddenly, forcing extraordinary intervention at the end of 2015 in the cases of four local banks struggling with serious problems. The scope and media attention dedicated to the procedures heightened households' doubts concerning the financial system, driving a new awareness on the importance of choosing a sound bank.

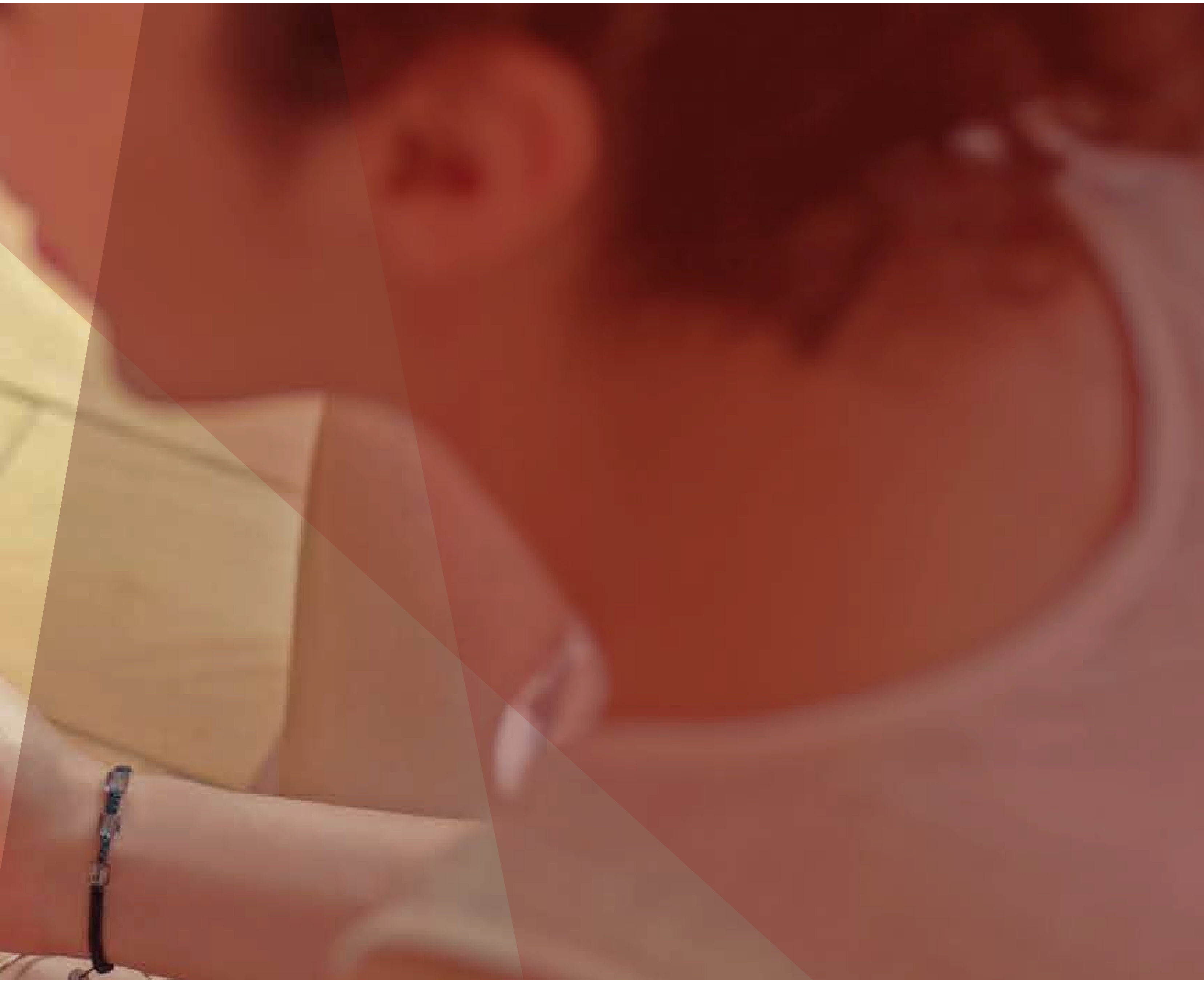
Against the background of the challenges of a highly complex scenario that affects the entire system, Banca Generali's strategic focus and characteristics stand out more strongly. Its proven experience and ability in managing investments even in difficult market situations, aided by the versatility of its products and services and the professional skills of its financial advisors, allow the company to offer a comprehensive response to any households' investment needs. The prudent management of the company is marked by the almost complete absence of non-performing loans, the clear positions in its proprietary portfolio — composed of short-term, highly-rated government securities — extremely sound capital indicators and transparency towards customers. Furthermore, the bank has never placed a single senior or subordinated bond of its own, just as it has never requested a capital increase from the market and shareholders, who instead have been able to count on significant dividends at the end of each year.

Given this capital solidity and the strong strategic drive towards advisory services focussed on protecting investments and towards the private banking business, we are looking to the future with optimism and confidence. The determination and commitment shown both by the management and employees, whom I would like to congratulate and wholeheartedly thank for their dedication, make Banca Generali a model of professionalism and integrity and a leader in the Italian asset management industry.

Paolo Vagnone
Chairman


PERSONAL ADVISORY
DIAGNOSI
PIANIFICAZIONE
REPORT
Asset Allocation
PTF Attuale
PTF Proposto
PTF Attuale vs PTF Proposto

1



1.

Report on operations
as of 31.12.2015

Board of Directors
10 March 2016

1.1

Consolidated report on operations

1. The Banca Generali Group in 2015

1.1 The banking Group's strategy

Banca Generali stands out in the Italian banking industry thanks to its strong focus on financial advisory and planning solutions, which make it the number-one and largest private bank on the Italian stock exchange in terms of service quality and innovation.

The bank is a benchmark in the asset management sector, thanks to its comprehensive and versatile range of banking, investment management and insurance products. Its strong emphasis on providing custom-tailored financial advice is supported by the role played by its networks of experienced, skilled professionals.

The company's range of products also includes a wide range of third-party products, according to the **open-architecture model**. Its specialised approach to meeting pension and investment needs focuses on both affluent and private-banking customers, under a model specifically designed to provide households with access to the quality offered by the top end of the market.

Banca Generali was among the first Italian companies in the industry to introduce this new model, firmly established on the world's most advanced capital markets — and the United States foremost among them — to Italy. This model is consistent with EU Investment Services Directive (MiFID), which acknowledges and promotes advisory as an investment service, demonstrating its desire **to anticipate and set market development trends**. Innovation and a technology-oriented approach are key aspects of the bank's strategy and positioning, allowing it to develop cutting- edge solutions and tools for the benefit of its professionals and customers.

Within this general view, there are some key traits that identify the business approach:

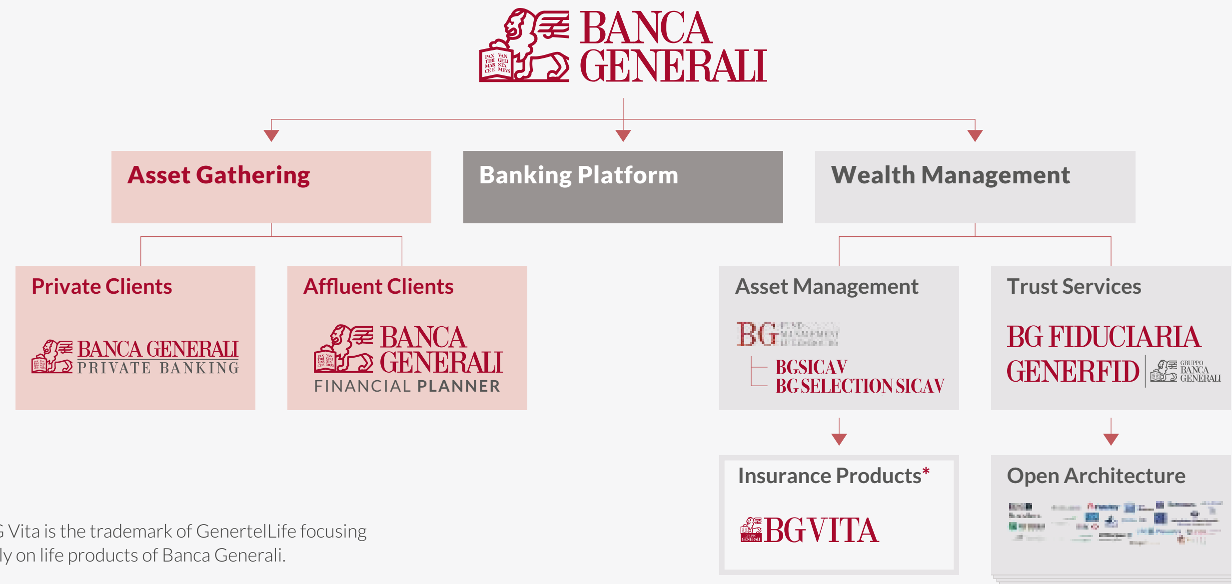
> offering **professional advisory services** through its Financial Advisors, identifying and meeting the customers' long-term financial needs, not just as a general approach, but also through the use of specific, cutting-edge methods and tools (e.g., the BG Personal Advisory service);
> concentrating distribution on the **role of Financial Planners/Private Bankers** as actual main figures for such constant, professional and personalised advisory service throughout Italy and undertaking the significant training and information investments required by this strategy;
> offering a **comprehensive range of** investment and pension **products and services** of the Group and international market leaders;
> developing important **management know-how** and pursuing ongoing product innovation to benefit customers;
> devoting ongoing attention to all of the **innovations that modern technology** offers to operators and customers to increase the level of efficiency, operating simplicity, transparency and extensive information;
> fully exploiting and realising the characteristics inherent to the **Generali brand**, which is synonymous with reliability, solidity and expertise.

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

Banca Generali's financial products and services cover a wide range of needs, thanks to their broad diversification: from mutual funds/Sicavs to discretionary accounts and insurance and pension products. A total of nearly 1,300 products and services of the Bank and over 40 management companies, banks and insurers, are offered.

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

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



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

1.2 Committing to sustainability

For many years, Banca Generali has been committed to integrating the operational and financial aspects of its business with a focus on social responsibility and environmental issues with a view to sustainability for future generations. From this standpoint, Banca Generali's strategic directives have been devised on the basis of principles inspired by the Global Reporting Initiative (GRI):

> pursuing sustainable growth in the long term, while reducing the risks tied to the volatility of the economic scenario in which the bank operates; and
> realising the full potential of all those who work at the bank, by developing their skills and providing the proper recognition of each individual's contribution to the organisation's success.
> focusing on the social context in which it is based by participating in welfare, cultural and sports initiatives in favour of the community;
> favouring the reduction of direct and indirect environmental impacts by taking steps to minimise the consumption of energy, paper and water, and pollutant emissions.

In order to achieve these goals, the bank interacts actively with all of its stakeholders, in their twofold roles as shapers and beneficiaries of the bank's activity, with the aim of involving them in a virtuous process of creating sustainable value for everyone.

The guidelines that inspire the bank in its relations with its stakeholders are worth reiterating.

Banca Generali is particularly aware of the importance of its core business, i.e., protecting and safeguarding its **customers**' savings, which represent a source of peace of mind and well-being for their families. In light of this fundamental principle, Banca Generali is focused on providing highly qualified professional advice and a range of cutting-edge products in order to keep abreast of the changing financial and regulatory context.

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

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

Considerable attention is also dedicated to ensuring that **suppliers** adhere to the principles of the Code of Ethics that Banca Generali has adopted and promotes with conviction.

In its relationships with its **shareholders**, Banca Generali is inspired by its commitment to creating value, sustainable remuneration, transparency and constant dialogue with the financial community.
It bears also recalling that in 2015 Banca Generali continued the fruitful exchange established in recent years with the association "E.DI.VA – Etica Dignità e Valore Associazione Stakeholders Aziende di Credito Onlus", which has long been deeply committed to promoting the issues of corporate social responsibility and ethical finance in the banking industry.

Inspired by E.DI.VA itself, in 2015 Banca Generali promoted and supported a study aimed at analysing banking models that have placed social responsibility at the heart of their operations, in Italy and internationally. The study begins with an analysis of microcredit, which has proved an important tool for promoting economic growth and the fight against poverty, particularly in developing countries. The study analysed the microcredit model developed by the Graamen Bank of Nobel Prize winner Muhammad Yunus and investigated similar models of support for the social economy from around the world. In Italy, the study takes an in-depth look at the histories of Banca Etica and Banca Prossima, two banks focused on supporting the social economy and protecting the environment. In both cases, the study shows that a focus on social responsibility and environmental issues has been successfully combined with low credit risk, a solid capital basis and appropriate economic returns.

The increasing importance of the issues of social finance at the global level is clearly shown by the publication in February 2015 of the OECD report on social finance (Social Impact Investment: Building the Evidence Base), which provides an analysis of the social investment market. The study was discussed with the association E.DI.VA., with which the Bank is assessing how best to follow up on the issue for the Italian market.

1.3 Summary of 2015 operations

The Banca Generali Group closed 2015 with a net profit of 203.6 million euros, an all-time record performance in the history of the banking Group, with strong progress in all profitability and capital ratios.

This performance was the result of the internal efforts that in the past four years led to a nearly threefold increase in net inflow levels, a 60% rise in AuM and constant growth of the number of top professionals who choose the bank as the place to practice their professions.

The reporting year was characterised by particularly complex market conditions: a robust bull stock market in the first half of year, followed by extreme volatility in the second half, exacerbated by a number of hotbeds of uncertainty, and the emergence of the unprecedented new scenario of negative interest rates.
Since the beginning of the year, expectations of the launch of quantitative easing (QE) by the ECB have resulted in a sharp reduction in interest rates of different maturities all along the curve, in addition to triggering a sustained financial market rally.
However, in the second quarter of the year, the tensions caused first by the re-emergence of the Greek crisis (Grexit) and then by the sweeping Chinese financial market crisis, plummeting oil and commodity prices, slowing international economy, uncertainties in the banking sector relating to the first bail-in procedures and, finally, factors of a geopolitical nature (Middle East and migrant crisis) resulted in a situation of high volatility that led to a pronounced market correction in the third quarter.

In this scenario, in which yields on government bonds — previously a safe haven for Italian investors — dropped dramatically towards zero, the banking group succeeded in establishing itself as a model for meeting the strong demand for asset management and advisory services in response to the complex financial situation.

At year-end, net inflows thus exceeded 4.6 billion euros, with a strong performance even in the fourth quarter (1.6 billion euros), characterised by high volatility and persistent stock market uncertainty.
Customers continued to show interest in the versatility of managed solutions, especially the multi-line policy BG Stile Libero, which registered net inflows of over 2.2 billion euros, and the Sicav segment promoted by the Banking Group (+0.8 billion euros).

Net banking income rose to 465.9 million euros, with a sizeable increase of 46.7 million euros compared to 2014 (+11.1%), driven both by the non-recurring components, which particularly influenced the first quarter of the year, and the strong performance of asset management fee income. The latter rose by over 99.5 million euros (+27.7%), in line with the growth reported

in the Banking Group's average AuM invested in insurance and asset management products.

Favourable market conditions also led to an excellent result of trading activities and dividends (28.9 million euros), which nonetheless did not replicate the record results reported for the first half of 2014. By contrast, as forecast, net interest income continued to decline (-38.1%), as a result of both the persistent scenario of lower interest rates induced by the QE and the decrease in average assets resulting from the end of LTROs.

Net operating expenses amounted to 175.6 million euros, marking a more moderate increase (+5.9%), essentially due to the mandatory contributions to the new resolution and deposit insurance funds required by European directives (8.7 million euros), which this year also included the extraordinary contributions levied on the Bank at year-end.

Provisions and net adjustments stood at 52.1 million euros, a limited increase of 0.8 million euros compared to 2014 due to the lower level of adjustments on non-performing exposures, offset by greater collective adjustments to the portfolio of financial assets and higher net provisions, primarily due to a plan promoted in the context of the company restructuring programme aimed at bringing the new organisational structure into line with the banking Group's strategic objectives.

At 31 December 2015, the total value of the Group's AuM — reference figure for Assoreti reports — amounted to 41.6 billion euros, up 13.8% compared to year-end 2014, placing the Group at the top of the market of reference, with a share of 13.9% in terms of net inflows and 9.6% in terms of total assets under management.
In addition, managed assets also included 1.4 billion euros in deposits of assets under administration of companies of the Generali Group and 1.4 billion euros in funds and Sicavs distributed directly by management companies, for an overall total of 44.4 billion euros.

1.4 Significant corporate transactions

In 2015, the banking Group, through the parent company, Banca Generali S.p.A., acquired an interest in an associate.

The target was IOCA Entertainment Limited, a company under UK, in which Banca Generali subscribed for a 35% interest, in the form of 3,500 shares with a par value of 1.00 pound sterling, for a total of 1,616,125 pound sterling, equivalent to approximately 2.2 million euros at the acquisition date, 19 October 2015.

In accordance with the Shareholders' Agreement, the company's board of directors is composed of three directors, one of whom is a representative of Banca Generali.

The remaining 65% interest (6,500 shares) is held by the UK-based IOCA Ventures Ltd (Jersey), which is entitled to appoint the other two directors.
The company is an e-commerce/social-networking start-up currently engaged in commercial development of “Dishball”, an app for smartphones and tablets.
The company was consolidated using the equity method, with a loss of approximately 40 thousand euros.

To provide a better understanding of the factors that influenced the banking Group’s results, before analysing the business and financial results for 2015, this report provides macroeconomic information about the main economic regions of the world.

2. Macroeconomic context

In 2015, global growth fell short of expectations. This outcome was due to a recovery that remained gradual in developed economies and markedly weaker growth in emerging economies.

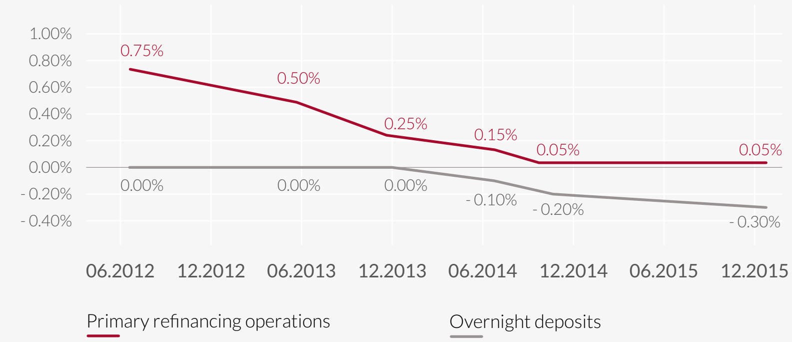
After a weak first quarter, the U.S. economy yielded a positive performance in the following quarters, driven by increased consumption, a recovery in the real-estate sector and an increase in bank lending, but slowed by lower capital expenditures — particularly in the energy sector due to the fall in the price of oil — and a reduction of net exports due to the stronger dollar. On the whole, the U.S. economy was solid, with a constantly improving job market in a scenario of lower inflation than expected as a result of the decline in energy prices.

The expansion of the economy in the Euro Area was characterised by a more even performance by member countries. Economic fundamentals are improving: unemployment is down, credit growth has returned to positive territory and the drop in the price of oil and weaker euro continue to provide a positive contribution. Due to the tensions caused in the summer by the risk of Greece exiting the euro area (so-called 'Grexit') and the slowdown of the Chinese economy, growth estimates were revised marginally downwards, yet remained positive and consistent with a scenario of gradual recovery.

In the final months of the year, sentiment indicators continued to improve.
In China, economic growth continues to slow as a result of the gradual transformation of the growth model from investment to consumption. Economic data, while not pointing to an abrupt downturn, continue to indicate a tendency towards slower growth, especially in the manufacturing sector and investments, while consumption and services continue to post solid growth. The authorities continued to implement monetary policy in support of the economy, lowering rates and mandatory reserve ratios for banks on several occasions. Furthermore, late in the year, they launched a policy of gradual depreciation of the yuan.
In many major emerging countries, the macroeconomic scenario was characterised by large trade deficits and rising inflation, followed by weak currencies accompanied by tighter monetary policies.
In contrast, in developed economies inflation was lower than expected, due above all to the significant decreases in the price of energy. In the United States, constant job creation brought the unemployment rate to levels normally compatible with salary growth, which only occurred late in the year and to a modest extent. The Federal Reserve, which had proposed a rate increase throughout the year, effectively decided to raise rates at its last meeting in 2015, thus marking the end of several years of zero interest rates.

As regards monetary policy of the Euro area, the ECB kept refinancing rates and deposit rates unchanged for most of the year, respectively at 0.05% and -0.2%. However, at its final meeting it decided to widen the spread further, cutting its rate on deposits by 10 bps to -0.30%.

Eurosystem official interest rates



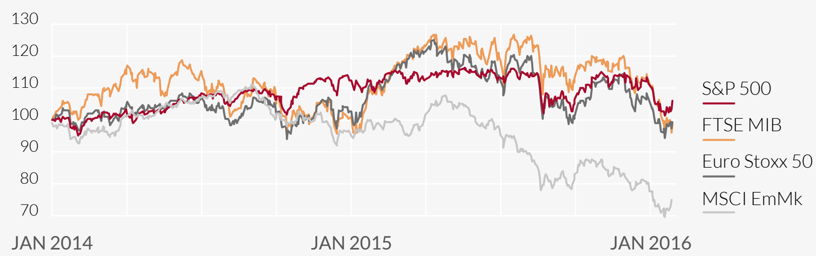
TLTROs (Targeted Longer Term Refinancing Operations) took place in March, June, September and December, for a total amount of 205 billion euros and at a fixed rate of 0.05% (Source: ECB); these operations provided additional liquidity to the banking system in order to encourage lending to the real economy.
The **QE** programme launched in March with the aim of mitigating constantly slowing inflation performance resulted in average purchases of 60 billion euros a month, of which approximately

40 billion euros committed to the purchase of government bonds. At its December meeting, the ECB also extended the original duration of the programme by six months, with purchases set to continue until March 2017.
The final months of the year saw the emergence of the first weak results of the ECB's policies: banks lowered their credit standards and credit growth returned to positive territory for the first time in more than three years.
As a result of the huge amount of liquidity injected into the system, rates in the **interbank market** continued their downward trend to then dip into negative territory. The 3-month Euribor went from 0.08% at the beginning of the year to -0.13% at the end of December.

Within this scenario characterising **bond markets**, interest rates had a sideways trend, closing the year essentially unchanged in both the United States and the Euro area, where there was greater volatility due to the QE programme announced by the ECB in the first half of the year, and then to the tensions surrounding the risk of a 'Grexit'.
U.S. ten-year bond rates fell from 2.17% at the beginning of the year to 2.27%, while the rate on German ten-year bonds rose from 0.54% to 0.63%. The ten-year BTP yield dropped from 1.89% to 1.60%, whereas the spread on German Bund decreased from 135 b.p. to 96 b.p..
Two-year rates moved more sharply in the opposite direction, due to greater exposure to the gap between the monetary policies implemented by the ECB and the Federal Reserve. In Germany, the yield on two-year Bunds fell from -0.07% at the beginning of the year to -0.33% at the end of December, whereas the yield on two-year Treasuries increased from 0.63% to 1.04% during the same period.

Equity markets in developed countries reported positive yields above those of emerging market countries. Amongst advanced economies, the North American and Japanese stock exchanges generated the strongest returns in euros: the S&P500 index rose 10.6% in euro, the NASDAQ 17.7% and Japan's Topix 21.3%. European stock exchanges also performed well: the benchmark index for the entire area (the DJ Stoxx 600) grew by 6.8%, while the Euro Area benchmark (the DJ Euro Stoxx) climbed 8%. During the period, emerging market stock exchanges showed a range of performances varying by geographical area: -7.53% for the MSCI Emerging Markets index in euro, 4.7% in India and 2.8% in China. Overall, the market sectors that performed best in Europe were travel and leisure, financial services, personal and household consumer goods and food, while raw materials, energy, utilities and banks posted below- average performance.

Stock market trends



Currency markets were dominated by the strength of the dollar which appreciated against almost all currencies, supported by expectations of rising interest rates. In contrast, emerging currencies depreciated overall against developed market currencies as a result of slower growth than expected and, in some cases, persistent foreign trade deficits. The euro/dollar exchange rate went from slightly over 1.21 at the beginning of the year to below 1.09 at period-end, with the euro depreciating by about 10% versus the U.S. currency. On the other hand, the euro appreciated against emerging currencies and the currencies of commodity-exporting developed economies (CAD, AUD and NOK), which were penalised by the fall in commodity prices.

The prices of **raw materials**, which had a sideway trend overall early in the first half of the year, subsequently declined sharply, primarily relating to the slowdown of Chinese growth, and, in many cases, excessive supply. The CRB index, representative of main commodities, declined by -23.4%. Gold fell from 1,184 dollars an ounce to 1,060 at year-end (- 10.5%), whereas oil (WTI) declined from 53.3 dollars at the beginning of the year to 37 dollars a barrel at the end of the period, a decrease of 30.5%.

Outlook

According to major international organisations, the slowdown of emerging economies will undermine global growth projections in the coming months, therefore calling for a further revision downwards. In particular, the slowdown in China and other major emerging economies, such as Brazil and Russia, is among the main causes of uncertainty surrounding global growth prospects.

The World Bank forecasts global GDP growth of 2.9% in 2016, up from 2.4% in 2015, but lower than the forecast published by the International Monetary Fund last autumn.

Amongst advanced economies, the Eurozone will continue to benefit from expansionary monetary policies, currency depreciation and low oil prices. In 2016, growth is projected to amount to 1.7%, compared to 1.5% estimated in 2015. In the United States, the World Bank estimates that growth will remain solid (2.7% in 2016 compared to 2.5% in 2015), owing in part to an appreciation of the currency and an increase of rates by the FED.

Emerging economies are expected to grow by 4.8% overall in 2016, an improvement on 4.3% in 2015 but at risk of downwards revisions if commodity prices should continue to fall.

In general, international organisations called for increased spending by countries with budget surpluses, in order to strengthen demand, and for debt reduction policies and structural reforms by countries with weak growth and debt issues.

3. Competitive positioning

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

3.1 The asset management market

The asset management industry enjoyed another record year, with growth of over 110 billion euros, an increase of 16% compared to 2014, in which total net inflows already amounted to over 96 billion euros. Attention should also be drawn to the total assets managed by the industry, which amounted to 967 billion euros at the end of 2015, a further increase of 22% on the already very strong performance reported in 2014. All product types, including Italian mutual funds and discretionary management accounts, posted significant increases due to both growth of net inflows and positive market performances, despite continuing volatility.
The over 110 billion euros of net inflows into the Italian asset management industry (Assogestioni market) was largely destined for UCITS, 60% of which consisted of international products.
The following table shows the evolution of assets under management over the past four years in terms of product/service type and the associated net inflows.

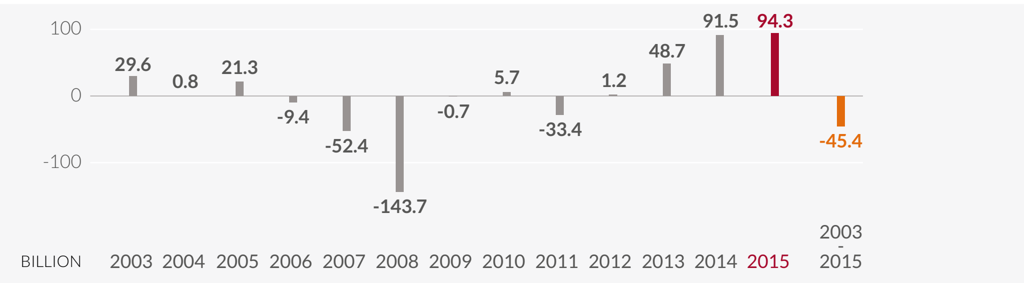
Evolution of Net Inflows and Assets under Management

	NET INFLOWS				ASSETS			
(€ MILLION)	12.2015	12.2014	12.2013	12.2012	12.2015	12.2014	12.2013	12.2012
Italian funds	26,280	32,226	10,721	-13,790	234,442	206,300	167,227	148,910
Foreign funds	67,984	54,571	35,245	15,135	608,143	474,825	389,605	332,989
Total funds	**94,264**	**86,797**	**45,966**	**1,345**	**842,585**	**681,125**	**556,832**	**481,899**
GPM	**16,643**	**9,421**	**1,763**	**-6,804**	**124,498**	**111,638**	**98,272**	**92,814**
Total	**110,907**	**96,218**	**47,728**	**-5,459**	**967,083**	**792,763**	**655,103**	**574,712**

Source: Assogestioni.

Low interest rates and returns on current accounts, essentially near zero, supported the movement into assets under management, which reported a record year in 2015, building on the already excellent results achieved in 2014.
Greater attention to this market was also spurred by the bail-in effect, which drove some assets previously held in current accounts into funds and discretionary management accounts. This trend favoured not only banks that have a model focused — albeit with differing approaches — on a combination of financial advisor networks and banking products, but also the soundest institutions that sold asset management products in their branches.
In this market context, with the objective of offering attractive returns to their customers, management companies have increasingly focused on investment formulas that enable dynamic exposures to a variety of asset classes, including equity. The interest of households towards these new investment products is confirmed by a significant rise in net inflows in the flexible funds category, which exceeded 51.5 billion euros on an annual basis, also driving the demand in the fourth quarter of 2015 with net inflows of 6.8 billion.

The UCITS market in Italy
in the past ten years (€ billion)



Source: Assogestioni

3.2 The Assoreti market

Financial Advisor networks set a new record in 2015, reporting total net inflows of 33.4 billion euros, the industry's strongest performance of all time. Investors preferred asset management and insurance products, which attracted net inflows of 29.3 billion euros, accounting for over 87% of total net inflows. Assets under administration and custody also performed well, drawing total net inflows of over 4 billion euros. In their activity aimed at attracting investments and new customers, the Financial Advisor networks benefitted from the effects of low interest rates, re-investment of maturing bonds, the rescues of four Italian regional banks and the enactment of bail-in regulations.

(€ MILLION)	31.12.2015	31.12.2014	CHANGE
Asset management	11,976	10,692	1,284
Insurance products	17,372	13,091	4,281
Assets under Administration and Custody	4,051	-78	4,129
Total	**33,399**	**23,705**	**9,694**

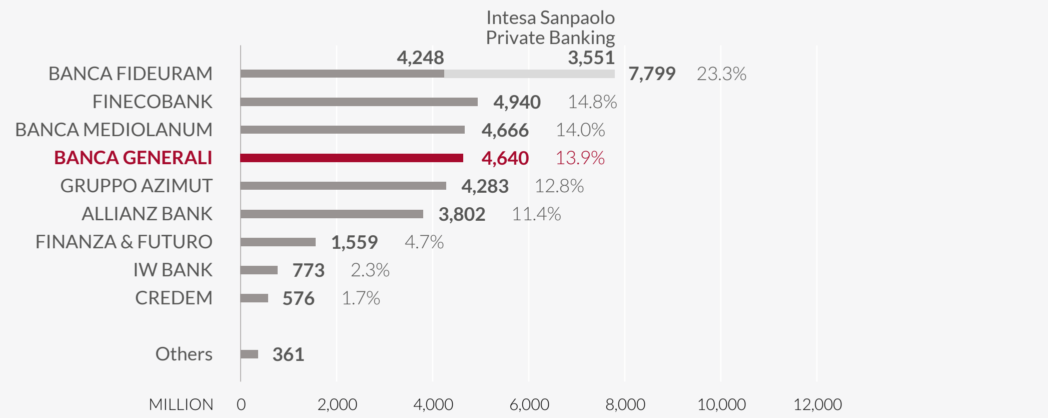
In terms of composition, the gradual declining interest rates and customers' heightened needs in terms of access to a range of products and services with high added value resulted in inflows especially in the assets management (UCITS and discretionary management accounts) and insurance segments.

3.3 Banca Generali

In a very complex scenario marked by extraordinary low interest rates, market volatility towards the end of the year and the possible bail-in effect, Banca Generali remained among the market leaders in terms of net inflows achieved through Financial Advisors, which amounted to 4,640 million euros, achieving a market share of 13.9%. The per capita net inflows per Financial Advisor was 2.705 million euros, exceeding by 84% the market average (1.473 million euros).

Total net inflows Assoreti
33.4 billion euros

December 2015 (€ million)



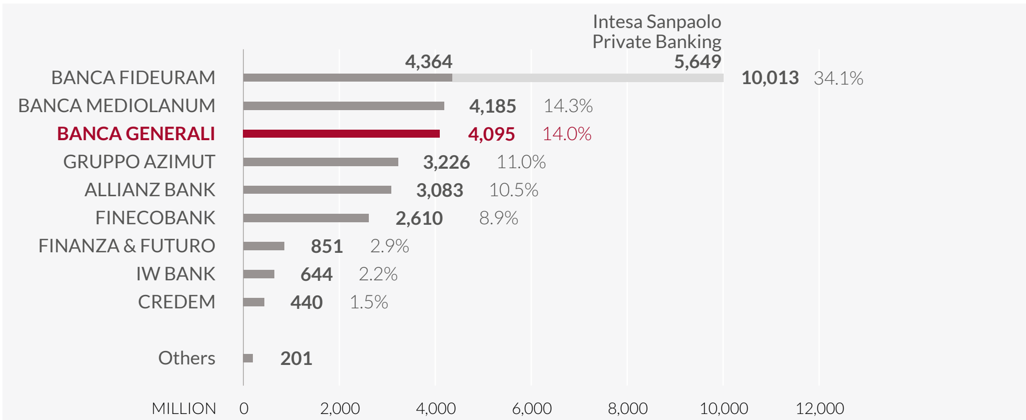
Source: Assoreti

The 2015 impressive growth in net inflows (4,640 million euros) exceeded the already excellent result reported in 2014 (4,024 million euros), proof of the quality and versatility of the products offered by Banca Generali, increasingly chosen as a reference point by customers interested in a composite portfolio approach for their assets, and by those talented Financial Advisors, eager to work with an innovative and very solid range of products for the overall balance of assets. The result was particularly outstanding as it was exclusively achieved with retail customers — thus without any contribution by the institutional and the online channels. Furthermore, it exceeded by over 600 million euros the excellent 2014 figure, which had benefitted from the 648 million euros contribution from the recruitment of former Simgenia financial advisors. Net of this transaction, the increase was 37% compared to 2014 and 105% compared to the last two-year period.

This result appears even more noteworthy if one considers the various segments of the asset management and insurance market — the core areas of Financial Advisor networks — of which Banca Generali has been at the forefront for years. Also in this regard, Banca Generali's market share stood at 14%, notwithstanding the increase in the number of companies included in the Assoreti market (inclusion of Intesa San Paolo Fideuram into the private banking channel).

Net AuM and insurance inflows Assoreti 29.3 billion euros

December 2015 (€ million)



Source: Assoreti

Specifically, Banca Generali's net inflows in 2015 were strongly influenced by asset management and insurance product segments. Risk diversification involved the expertise of the best international managers who gathered more than 700 million euros from direct investments in funds and Sicavs in 2015. The multi-line policy BG Stile Libero (2.2 billion euros in 2015, and 4.4 billion euros since its launch in March 2014) was again very successful this year thanks to its dynamic combination of insurance segregated accounts and multi-asset funds of top international investment firms.

Also positive were the net inflows from LOB I insurance products (1.2 billion euros) capable of guaranteeing protection and stability. Lastly, the strong flow of new customers was demonstrated by the 545 million euro increase of net inflows from administered assets, which was achieved without any commercial policy specifically dedicated to short- term deposits.

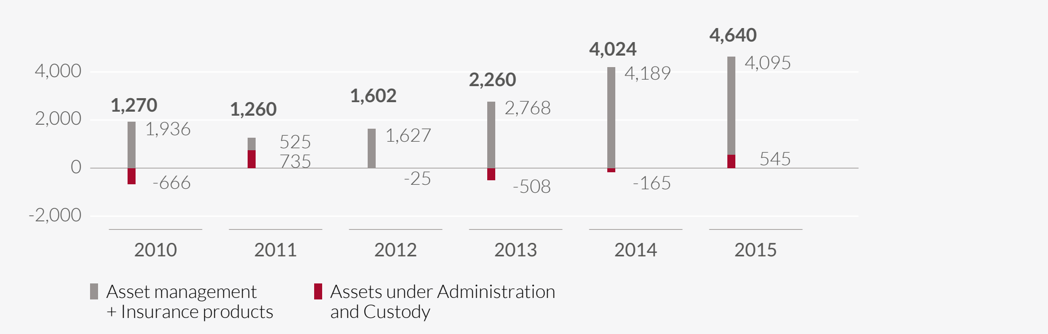
Net inflows of Banca Generali

	BG GROUP		CHANGE	
(€ MILLION)	31.12.2015	31.12.2014	AMOUNT	%
Funds and Sicavs	869	555	314	56.6%
GPF/GPM	-168	71	-239	-336.6%
Total Assets under Management	**701**	**626**	**75**	**12.0%**
Total insurance products	**3,394**	**3,563**	**-169**	**-4.7%**
Total Assets under Administration and Custody	**545**	**-165**	**710**	**-430.3%**
Total assets placed by the network	**4,640**	**4,024**	**616**	**15.3%**

A comparison of the results for the past five years shows that the increase in net inflow volumes, a sign of the growing success of Banca Generali's range of products and solutions, has gradually reached an exponential pace, as shown in the graph below.

Banca Generali's net inflows evolution 2010-2015

(€ million)



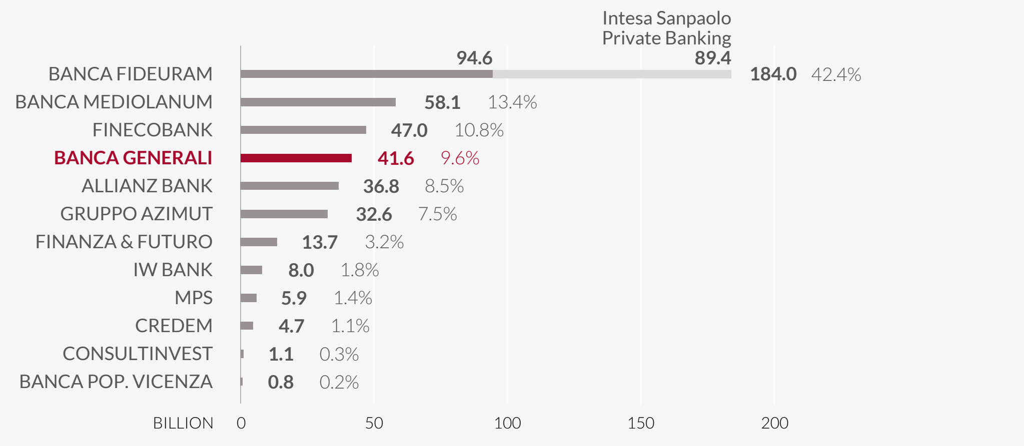
In 2015, AuM showed an excellent performance as well, with the Bank climbing to fourth place in the ranking of the top firms on the Financial Advisors market, and with market share rising to 9.6%, despite the extension of the Assoreti market following the increase in the number of companies included. The growth in Banca Generali's AuM volumes (+14%), which reached 41.6 billion euros, led to an increase of 5.0 billion euros compared to the previous year and of 15.4 billion euros over the past three-year period. CAGR was 16.7% in 2012-2015.

In detail, managed and insurance assets rose to 31.8 billion euros (+16%) and accounted for 76% of total AuM, increasing by 1pp compared to the previous year and by 7pps compared to year-start 2013, when they accounted for 69% of total AuM. In 2015, the positive performance of managed assets was driven by the success achieved by BG Stile Libero, which almost doubled its assets in the year to 4.3 billion euros (+96%). This innovative multi-line policy is highly appreciated by customers as a financial planning solution thanks to its flexibility to invest in multi-manager and multi-strategy funds, insurance segregated account, and a wide range of services and exclusive insurance coverage.

Assets under administration and custody grew to 9.8 billion euros (+7.6%) reflecting the constant acquisition of new customers, who tend to first bring liquidity and transfer their securities account, and then opt for accurate financial planning solutions.

Assoreti total AuM
434 billion euros

December 2015 (€ billion)



Source: Assoreti

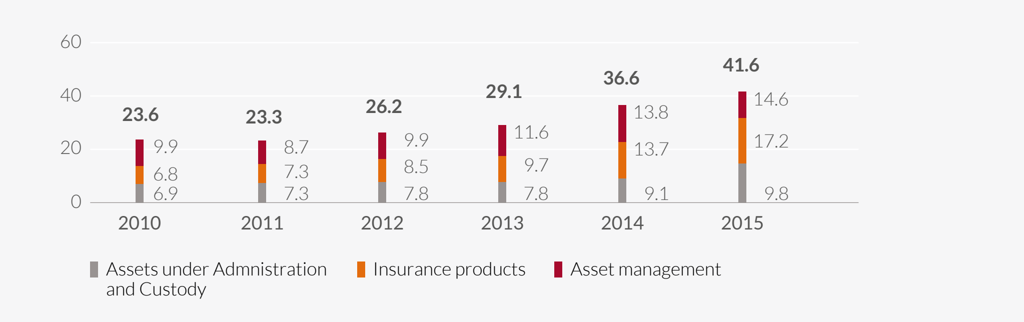
The following table summarises Banca Generali's AuM, updated through 2015, illustrating their composition by macro- aggregates with reference to the Assoreti market, i.e., the market related to the Financial Advisor operating area. Worth of note is the further growth reported by managed assets (+6%), insurance products (+26%) and assets under administration and custody (+8%). Strong average performances across all investment segments also drove the overall increase in total assets under management (+14%).

Banca Generali's AuM

	BG GROUP		CHANGE VS 31.12.2014	
(€ MILLION)	31.12.2015	31.12.2014	AMOUNT	%
Total Assets under Management	**14,560**	**13,772**	**788**	**6%**
Funds and Sicavs	10,923	9,955	968	10%
GPF/GPM	3,637	3,817	-180	-5%
Total insurance products	**17,263**	**13,694**	**3,569**	**26%**
Total Assets under Administration and Custody	**9,782**	**9,097**	**685**	**8%**
Total AuM placed by the network	**41,605**	**36,563**	**5,042**	**14%**

Banca Generali's total assets 2010-2015

(€ billion)



4. Operating performance

The Group's net profit at year-end 2015 was 203.6 million euros, up 26.5% compared to 2014, thus marking a record result in Banking Group's history [1] .

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Net interest	**66,230**	**107,005**	**-40,775**	**-38.1%**
Net fees	**370,762**	**257,268**	**113,494**	**44.1%**
Dividends	3,120	2,570	550	21.4%
Net income (loss) from trading activities and dividends	25,790	52,370	-26,580	-50.8%
Net operating income	**465,902**	**419,213**	**46,689**	**11.1%**
Staff expenses	-80,949	-74,182	-6,767	9.1%
Other general and administrative expense	-134,020	-128,458	-5,562	4.3%
Net adjustments of property, equipment and intangible assets	-5,310	-4,420	-890	20.1%
Other operating expenses/income	44,720	41,266	3,454	8.4%
Net operating expenses	**-175,559**	**-165,794**	**-9,765**	**5.9%**
Operating profit	**290,343**	**253,419**	**36,924**	**14.6%**
Net adjustments for non-performing loans	-1,121	-7,530	6,409	-85.1%
Net adjustments of other assets	-5,350	-3,465	-1,885	54.4%
Net provisions	-45,585	-40,268	-5,317	13.2%
Gain (loss) from equity investments	-46	-18	-28	155.6%
Operating profit before taxation	**238,241**	**202,138**	**36,103**	**17.9%**
Income taxes for the year	-34,682	-44,284	9,602	-21.7%
Gains from non-current assets held for sale	-	3,051	-3,051	-100.0%
Net profit	**203,559**	**160,905**	**42,654**	**26.5%**

Net operating income amounted to 465.9 million euros, with an increase of 46.7 million euros (+11.1%) compared to the previous year, influenced by several internal and market factors:

> the sharp increase in **management fees** by 99.8 million euros (+27.8%), driven by the significant rise in average AuM compared to 2014, which was attributable to the results achieved in terms of net inflows and the quality of the assets managed;

> the **non-recurring components** of operating result, recorded primarily in the first quarter of the year, owing to the extraordinary rise in performance fees (+70.3 million euros overall) and an excellent result of trading activity and dividends (28.9 million euros), both of which were supported by the equity and bond market rallies, triggered by the ECB's QE programme;

> the expected decline in **net interest income** (-40.8 million euros), affected both by the dramatic decline in returns offered by the Italian government bond market and the deleveraging resulting from the end of the LTROs.

By contrast, net **operating expenses** amounted to 175.6 million euros, a very moderate increase (+5.9%), essentially as a result — considering the non-recurring expenses incurred in the previous year in relation to the acquisition of the Credit Suisse unit — of the obligations to contribute to the new resolution and deposit protection funds provided for in European directives (8.7 million euros), which this year also included the extraordinary contributions levied on the bank at year-end.

The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to 36.5% compared to 38.5% at the end of 2014, thus confirming the positive operating leverage effect, which saw the cost performance outpaced by the revenue performance.

Provisions and net adjustments amounted to 52.1 million euros, a limited increase of 0.8 million euros compared to 2014 due to the lower level of impairment losses on non-performing exposures, offset by greater collective adjustments on the portfolio of financial assets and higher net provisions.

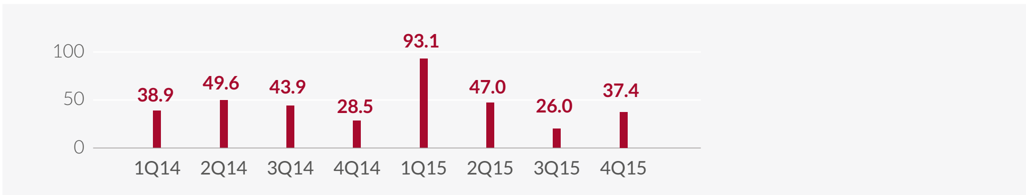
[1] On 1 July 2014, the partial de-merger by the Luxembourg subsidiary BGFM SA of the business unit responsible for managing funds/Sicavs placed by the Generali Group's insurance companies (former GIL business unit) was finalised; the said unit was therefore excluded from the banking Group's scope of consolidation, with retroactive effect for accounting purposes from 1 January 2014. Accordingly, the 2014 interim comparative accounting situations were restated and presented net of the profit and loss items associated with the business unit sold.

The latter increased essentially due to the adjustment of contractual indemnities measured according to actuarial methods, as a result of the changed market conditions and in relation to the launch of a plan promoted in the context of a company restructuring programme.

Operating profit before taxation was 238.2 million euros, up by 36.1 million euros compared to 2014. By contrast, the tax burden for the year decreased by 9.6 million euros, with an overall tax rate of 14.6%.

Q4 2015 net profit was 37.4 million euros, sharply increasing compared to Q4 2014 (+8.9 million euros).

Quarterly net profit
(€ million)



Quarterly evolution of the Profit and loss Account

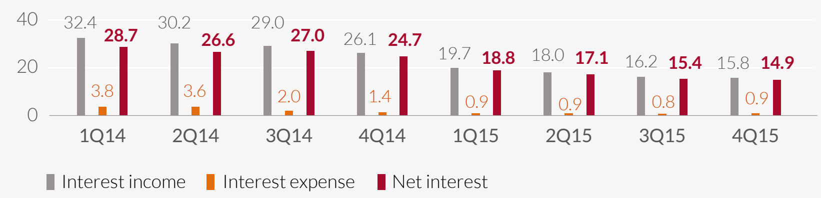
(€ THOUSAND)	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14	2Q14(*)	1Q14(*)
Net interest	**14,945**	**15,400**	**17,065**	**18,820**	**24,737**	**26,987**	**26,608**	**28,673**
Net fees	**81,431**	**55,324**	**96,965**	**137,042**	**61,033**	**67,956**	**70,677**	**57,602**
Dividends	1,946	32	1,083	59	1,753	45	751	21
Net income (loss) from trading activities and dividends	641	8	573	24,568	1,041	6,335	26,688	18,306
Net operating income	**98,963**	**70,764**	**115,686**	**180,489**	**88,564**	**101,323**	**124,724**	**104,602**
Staff expenses	-21,210	-20,815	-19,331	-19,593	-18,500	-18,310	-19,298	-18,074
Other general and administrative expense	-39,732	-31,071	-31,677	-31,540	-37,848	-30,630	-29,423	-30,557
Net adjustments of property, equipment and intangible assets	-1,915	-1,152	-1,135	-1,108	-1,294	-1,052	-1,043	-1,031
Other operating expenses/income	9,987	12,223	11,729	10,781	12,187	8,097	10,627	10,355
Net operating expenses	**-52,870**	**-40,815**	**-40,414**	**-41,460**	**-45,455**	**-41,895**	**-39,137**	**-39,307**
Operating result	**46,093**	**29,949**	**75,272**	**139,029**	**43,109**	**59,428**	**85,587**	**65,295**
Net adjustments for non-performing loans	1,347	-319	-637	-1,512	-2,952	-854	-3,379	-345
Net adjustments of other assets	-2,006	-2,166	656	-1,834	-2,768	70	-178	-589
Net provisions	-8,143	4,286	-20,167	-21,561	-10,453	-4,018	-15,410	-10,387
Gain (loss) from equity investments	-45	-	-1	-	-8	-	-	-10
Operating profit before taxation	**37,246**	**31,750**	**55,123**	**114,122**	**26,928**	**54,626**	**66,620**	**53,964**
Income taxes for the year	183	-5,747	-8,115	-21,003	-721	-11,682	-17,293	-14,588
Gains from non-current assets held for sale	-	-	-	-	2,336	975	228	-488
Net profit	**37,429**	**26,003**	**47,008**	**93,119**	**28,543**	**43,919**	**49,555**	**38,888**

(*) Profit and loss Account restated net of the contribution of the former GIL demerged business unit.

4.1 Net interest income

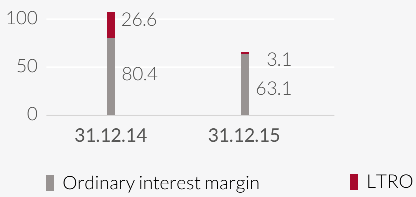
Net interest income was 66.2 million euros, down by 40.8 million euros compared to 2014 (-38.1%), due both to the decline of average AuM linked to the end of LTROs in February, and the constant decline in the profitability of investments as a result of the ongoing downtrend in interest rates.

Net interest (€ million)



In particular, the residual net interest income attributable to the LTROs now ended fell to approximately 3.1 million euros in 2015, a decrease of over 23 million euros compared to the end of 2014.

Interest margin breakdown (€ million)



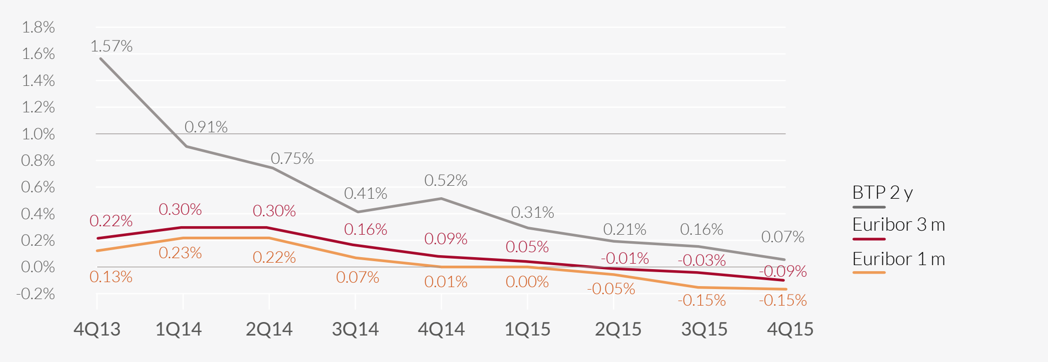
In 2015, interest rate performance in the Euro Area was significantly influenced by the launch of the ECB's QE programme, the non-conventional monetary policy announced as soon as September 2014.
Starting on 9 March, as part of QE, national central banks undertook an extensive public security purchasing programme, for a total of 40 billion euros a month, which quickly drove up the prices and reduced the yields on this class of assets, soon resulting in negative yields for maturities of up to more than two years in core euro countries.
The new intervention coupled with purchases of covered bonds and ABS, as well as the T-LTROs launched in the second half of 2014, which provided additional liquidity to the banking system injecting over 250 billion euros and encouraged lending to the real economy.
After a brief reversal of the trend at the end of the first half of the year, due to the turbulence caused by the Greek crisis, the decline in government bond yields resumed, driven by expectations of the enhancement of the QE in response to the weak signs of increased inflation and the slowing economic performance at international level.
The interest rate requested by the ECB to primary refinancing operations was at an all-time low of 0.05% since last year, whereas the rates paid on deposit operations with the same were lowered further into negative territory to reach an exceptional -0.30% in December. Further reductions are expected beginning at the end of Q1 2016.

Overall, this results in further flattening of the entire interest-rate curve, generating an anomalous situation of positive funding rates but negative lending rates on the interbank market.

Short-term interbank rates, which were at minimum levels at the end of December, further decreased to negative levels (one-month Euribor of -0.19% and three-month Euribor of -0.13% in December).

Returns of Italian bonds with a residual maturity of two years decreased to 0.08% in December, following a slight increase to 0.29% in June. Overall, the reduction in returns for 2015 exceeded 70% compared to the 2014 average.

Interest rate evolution
(quarterly average)



In this context, interest income decreased by 48.0 million euros, due not only to lower yields, but also to the declining volume of average loans, following the end of the LTROs.
The decline in interest income on the high-yield government securities portfolio, previously classified as HTM, was offset by a prudent extension of the maturities on variable rate securities and diversification of the corporate bond portfolio.
Interest on loans to customers showed resilience due to the increase in average exposures compared to 2014, though lower rates were applied.
Symmetrically, the cost of inflows decreased to one-third compared to 2014 (-67.2%), with a general decline in expenses across all sectors of operation, from interbank transactions and transactions in the form of repurchase agreements (-2.2 million euros), to ordinary inflows from customers (-4.5 million euros), with the sole exception of subordinated loans obtained to back the Banking Group's extraordinary transactions.

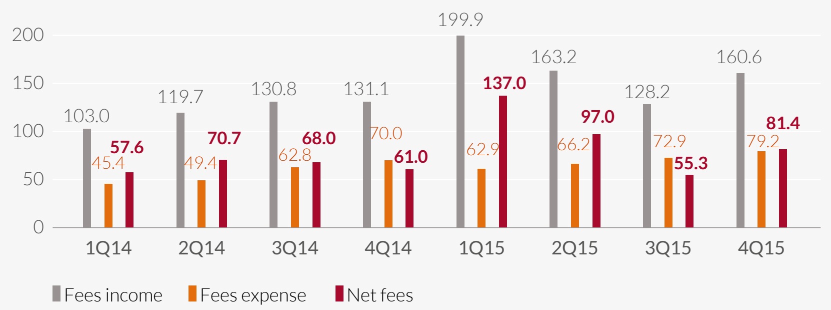
			CHANGE	
(€ THOUSAND)	2015	2014	AMOUNT	%
HFT financial assets	256	554	-298	-53.8%
AFS financial assets	23,032	27,894	-4,862	-17.4%
HTM financial assets	19,800	59,875	-40,075	-66.9%
Financial assets classified among loans	2,812	4,529	-1,717	-37.9%
Total financial assets	**45,900**	**92,852**	**-46,952**	**-50.6%**
Loans to banks	71	612	-541	-88.4%
Loans to customers	23,728	24,246	-518	-2.1%
Hedging derivatives	-	-	-	n.a.
Other assets	44	2	42	2,100.0%
Total interest income	**69,743**	**117,712**	**-47,969**	**-40.8%**
Due to ECB	49	1,811	-1,762	-97.3%
Due to banks	693	535	158	29.5%
Repurchase agreements - banks	59	2,102	-2,043	-97.2%
Due to customers	820	5,336	-4,516	-84.6%
Repurchase agreements - customers	-	240	-240	-100.0%
Subordinated loan	1,864	683	1,181	172.9%
Other liabilities	28	-	28	n.a.
Total interest expense	**3,513**	**10,707**	**-7,194**	**-67.2%**
Net interest income	**66,230**	**107,005**	**-40,775**	**-38.1%**

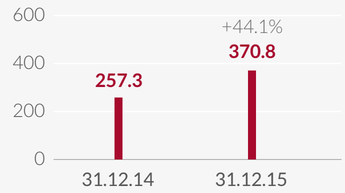
4.2 Net fees

The fee aggregate amounted to 370.8 million euros, increasing by 44.1% compared to 2014.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Collective and individual portfolio management fees	395,486	279,970	115,516	41.3%
Fees on the placement of securities and UCITSs	64,588	60,472	4,116	6.8%
Fees on the distribution of third-party financial products	158,202	112,001	46,201	41.3%
Fees on trading and securities custody	20,358	22,465	-2,107	-9.4%
Fees for other banking services	13,326	9,711	3,615	37.2%
Total fee income	**651,960**	**484,619**	**167,341**	**34.5%**
Fees for external offer	247,229	198,617	48,612	24.5%
Fees for dealing in securities and custody	6,290	7,349	-1,059	-14.4%
Fees for portfolio management	25,272	18,518	6,754	36.5%
Fees for other banking services	2,407	2,867	-460	-16.0%
Total fee expense	**281,198**	**227,351**	**53,847**	**23.7%**
Net fees	**370,762**	**257,268**	**113,494**	**44.1%**

Quarterly net fees (€ million)





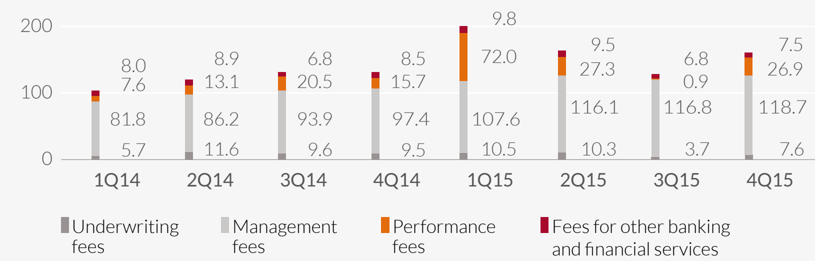
Fee income increased by 167.3 million euros (+34.5%) overall, driven by the sharp growth of management fees (+27.8%) and the extraordinary contribution of performance fees (+123.6%), the latter being primarily generated in the first quarter of the year.

In detail, management fees rose by 99.8 million euros, triggered by the significant increase in average AuM invested in asset management and insurance products (+26%), only partially offset by the market correction reported in particular in the second half of the year.

By contrast, incentive fee performance was influenced by the extraordinary financial market rally that began in early 2015, as a result of the expectations generated by the QE programme. However, at the end of June, tensions surrounding the re-emergence of the Greek crisis and then the great Chinese financial market crisis, along with expectations of a slowing global economic cycle, started to heighten volatility, essentially offsetting the effect of the market rally in the subsequent quarters.
By contrast, underwriting fees dropped compared to 2014, chiefly due to the corporate strategy aimed at reducing bond placements (-7.0 million euros).

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Underwriting fees	31,989	36,270	-4,281	-11.8%
Management fees	459,129	359,309	99,820	27.8%
Performance fees	127,158	56,864	70,294	123.6%
Fees for other banking and financial services	33,684	32,176	1,508	4.7%
Total	**651,960**	**484,619**	**167,341**	**34.5%**

Fee income structure (€ million)



Fee income from the solicitation of investment and asset management of households increased by 165.8 million euros (+36.7%), driven by the excellent results recorded in all segments of the Group's core business.

			CHANGE	
(€ THOUSAND)	2015	2014	AMOUNT	%
1. Collective asset management	356,540	240,073	116,467	48.5%
2. Individual asset management	38,946	39,897	-951	-2.4%
Asset management fees	**395,486**	**279,970**	**115,516**	**41.3%**
1. Placement of UCITSs	61,029	49,948	11,081	22.2%
of which placement of UCITSs promoted by the Group	10,164	6,752	3,412	50.5%
3. Placement of bonds and equity securities	3,559	10,524	-6,965	-66.2%
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	720	708	12	1.7%
5. Distribution of third-party insurance products	157,171	111,136	46,035	41.4%
6. Distribution of other third-party financial products	311	157	154	98.1%
Fees for the placement and distribution of financial services	**222,790**	**172,473**	**50,317**	**29.2%**
Asset management fee income	**618,276**	**452,443**	**165,833**	**36.7%**

The excellent result recorded by the **Sicavs** promoted by the Banking Group (+116.5 million euros or 48.5%) benefitted from both the aforementioned extraordinary contribution of performance fees and excellent results in terms of inflows and increase in average AuM.
Even net of non-recurring components, the management fees associated with Sicavs increased by 45.1 million euros (+24.4%), due to the rise in the volume of assets under management, which reached 11.8 billion euros (+33.7% compared to the end of 2014).

Within the insurance product segment, the multi-line policy **BG Stile Libero** continued to meet with great success, gathering over 4.3 billion euros since its launch in March 2014, of which 2.2 billion euros in the year, in addition to a sharp growth in LOB I products reported in the fourth quarter. Income arising from the distribution of **Genertellife** insurance products reached 155.5 million euros, with an increase of 40.5% (+44.8 million euros) compared to 2014.

Moreover, 2015 proved extremely positive in terms of UCITS placement, which showed a 22.2% improvement (+11.1 million euros) compared to 2014.
Individual asset management (-2.4%), while benefiting from the contribution provided by the former Credit Suisse accounts, decreased as a result of the process of revising the product line in view of the launch of new multi-line management accounts in 2016.

Other fees from banking services offered to customers include trading, order collection and custody and administration fees, in addition to fees charged to customers for account-keeping expenses and other services. The aggregate amounted to 33.7 million euros.

Fees for the intermediation and custody of customers' financial assets amounted to 20.4 million euros, down slightly from 22.5 million euros at the end of the previous year (-6.9%) due to the decline, in terms of both volumes and margins, in services rendered to Italian and international UCITS administered by the banking and insurance Group's management companies (-2.0 million euros). However, this decline was largely offset by a significant increase in business with retail customers and discretionary portfolio management.

Lastly, with regard to the segment it bears noting the growth of advisory fees from operations with former CSI customers and the activities provided to the Generali Group regarding the policies Valore Futuro's underlying assets.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Dealing in securities and currencies	14,403	15,208	-805	-5.3%
Order collection and securities custody fees	5,955	7,257	-1,302	-17.9%
Collection and payment services	3,370	3,481	-111	-3.2%
Fee income and account-keeping expenses	2,577	2,845	-268	-9.4%
Consultancy	4,658	1,619	3,039	187.7%
Other services	2,721	1,766	955	54.1%
Total traditional banking operations	**33,684**	**32,176**	**1,508**	**4.7%**

Fee expense amounted to 281.2 million euros, up 53.8 million euros compared to the previous year (+23.7%), bringing the Group's total pay-out ratio to recurring fee income to 53.6%, with an increase of 0.4pps compared to 2014 and mirroring the performance of the incentivisation component tied to net inflows.

Distribution fee expense reached 247.2 million euros, increasing by 48.6 million euros compared to 2014 (+24.5%), due chiefly to the following factors:

> growth in management fees (+26.6%), closely correlated to the rise in the network's average AuM compared to the previous year;

> significant rise in incentive fees (+24.4%) in relation to the inflow objectives achieved in the year and the results of the recruitment plans implemented during the current and previous years.

It should be noted in this regard, that recruitment activities have led to the recruitment of 126 new high-standing professionals with average transferred portfolios of 24 million euros each.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Front-end fees	22,103	21,907	196	0.9%
Management fees	145,419	114,889	30,530	26.6%
Incentive fees	55,331	44,492	10,839	24.4%
Other fees	24,376	17,329	7,047	40.7%
Total	**247,229**	**198,617**	**48,612**	**24.5%**

Other fees relate to social-security charges (Enasarco and FIRR) and additional fees disbursed in relation to maintenance of the network structure.

Within the fee expense aggregate, **asset management fees** amounted to 25.3 million euros (+36.5%) and referred substantially to fees for third-party assets under administration and custody regarding the Sicavs promoted by the Group.

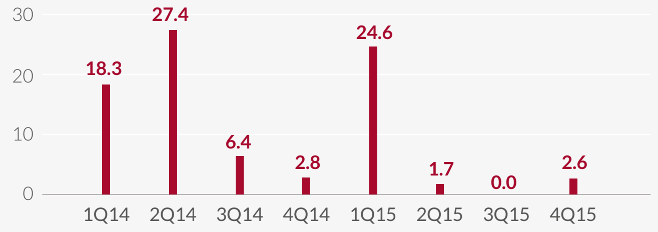
Lastly, **fee expense from traditional banking operations** decreased due to the decline in banking operations.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Fees for securities trading and custody	-6,290	-7,349	1,059	-14.4%
Collection and payment services	-2,044	-2,580	536	-20.8%
Other services	-363	-287	-76	26.5%
Total fee expense from banking operations	**-8,697**	**-10,216**	**1,519**	**-14.9%**

4.3 Net income from trading activities and dividends

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

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



At the end of 2015, this aggregate was positive at 28.9 million euros, mainly generated in the first quarter of the year.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Dividends from trading activities	280	126	154	122.2%
Trading of financial assets and equity derivatives	840	-269	1,109	-412.3%
Trading of financial assets and derivatives on debt securities and interest rates	171	1,102	-931	-84.5%
Trading of UCITS units	221	251	-30	-12.0%
Securities transactions	**1,512**	**1,210**	**302**	**25.0%**
Currency and currency derivative transactions	**3,256**	**3,500**	**-244**	**-7.0%**
Net income (loss) from trading activities	**4,768**	**4,710**	**58**	**1.2%**
Dividends from AFS assets	2,840	2,444	396	16.2%
Gains and losses on equity securities and UCITSs	1,444	60	1,384	2,306.7%
Gains and losses on AFS and HTM debt securities and loans	19,858	47,726	-27,868	-58.4%
Net income (loss) from trading activities and dividends	**28,910**	**54,940**	**-26,030**	**-47.4%**

This result is mainly attributable to the gains realised on medium/long-term government bonds allocated to the AFS assets portfolio (14.6 million euros), and, to a lesser extent, corporate and bank securities, partly from the Loans portfolio (7.0 million euros).

Realised losses refer to the sale of the 15% stake in the subsidiary Simgenia S.p.A., in view of its merger into Alleanza S.p.A. (0.2 million euros), and the disposal of the non-performing exposure in Investimenti Marittimi S.p.A. (1.7 million euros).

(€ THOUSAND)	GAINS	LOSSES	TRANSFER OF RESERVES	2015	2014	CHANGE
AFS financial assets	4,634	-1,759	16,727	19,602	44,666	-25,064
Debt securities	2,921	-1,515	16,752	18,158	44,606	-26,448
Equity securities	-	-200	-	-200	60	-260
UCITS units	1,713	-44	-25	1,644	-	1,644
Financial assets classified among loans	3,359	-	-	3,359	3,120	239
Transfer of non-performing loans	-	-1,659	-	-1,659	-	-1,659
HTM financial assets	-	-	-	-	-	-
Total	**7,993**	**-1,759**	**16,727**	**21,302**	**47,786**	**-24,825**

It should be recalled that the exposure towards Investimenti Marittimi consisted of an 18% share of a pool loan with Banca Carige, which was fully secured by a pledge of the Premuda share package and came due on 31 December 2014.
As a consequence of the continuing difficulty experienced by the Premuda Group and the further deterioration of the pledge collateral, in 2015 the Bank decided to sell the non-performing loan without recourse.

The Dutch sister company Redoze Holding N.V. was identified as the buyer, and on 2 July 2015 a contract of sale was signed for consideration of 2.8 million euros according to a fairness opinion issued by KPMG. The contract of sale, contingent on acceptance by the pool co-lender, was then finalised in the fourth quarter.
At the date of the sale, the net exposure amounted to 4.5 million euros, including 0.4 million euros of arrears interest accrued in 2015, and net of a provision for impairment of 6.7 million euros, thus resulting in a realised loss of 1.7 million euros.

The overall result of trading was also positive (4.5 million euros) mainly due to the contribution of currency trading. There were also FTSE MIB index transactions.

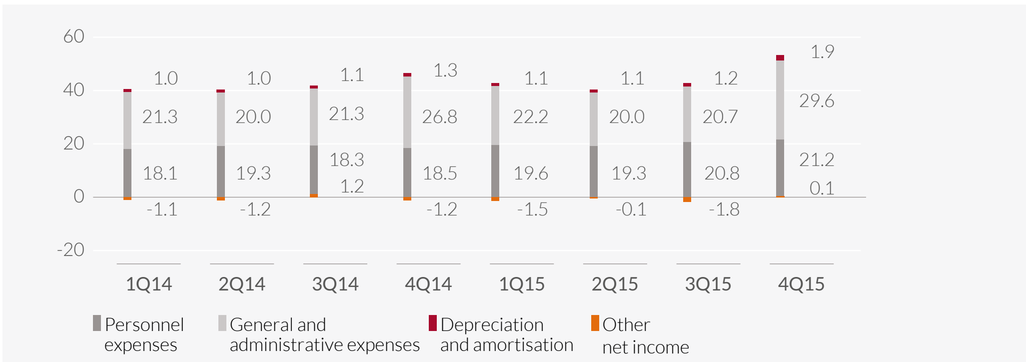
(€ THOUSAND)	CAPITAL GAINS	CAPITAL LOSSES	GAINS	LOSSES	NET RESULT 2015	NET RESULT 2014	CHANGE
1. Financial assets	**142**	**285**	**918**	**212**	**563**	**812**	**-249**
Debt securities	22	163	421	109	171	697	-526
Equity securities	120	21	146	74	171	-136	307
UCITS units	-	101	351	29	221	251	-30
2. Derivatives	**-**	**-**	**3,123**	**2,460**	**663**	**290**	**373**
Interest rate swaps	-	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	405	-405
Options on equity securities	-	-	931	262	669	-133	802
Options on currencies and gold	-	-	2,192	2,198	-6	18	-24
3. Currency transactions	**-**	**-**	**3,262**	**-**	**3,262**	**3,482**	**-220**
4. Total	**142**	**285**	**7,303**	**2,672**	**4,488**	**4,584**	**-96**

4.4 Operating expenses

Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses, amounted to 175.6 million euros, increasing by 9.8 million euros overall compared to the previous year (+5.9%).

			CHANGE	
(€ THOUSAND)	2015	2014	AMOUNT	%
Staff expenses	80,949	74,182	6,767	9.1%
Other general and administrative expense	134,020	128,458	5,562	4.3%
Net adjustments of property, equipment and intangible assets	5,310	4,420	890	20.1%
Other income and expenses	-44,720	-41,266	-3,454	8.4%
Operating expenses	**175,559**	**165,794**	**9,765**	**5.9%**

Operating expenses
(€ million)



Staff expenses, including full-time employees, interim staff and directors, totalled 80.9 million euros (+9.1%), chiefly due to the increase in the headcount and the incentive component.

Group's employees totalled 837 at the end of the reporting period, with exact headcount increasing by 20. Average headcount rose by 24 resources (+2.9%) compared to the previous year.

			CHANGE		AVERAGE	
	31.12.2015	31.12.2014	AMOUNT	%	2015	2014
Managers	44	45	-1	-2.2%	45	45
3rd and 4th level executives	140	135	5	3.7%	137	132
Other employees	653	637	16	2.5%	660	641
Total	**837**	**817**	**20**	**2.4%**	**842**	**818**

With reference to remuneration, the recurring component grew (+3.3 million euros), whereas the rise in variable remuneration — consisting of current and deferred managerial MBO plans, sales incentives, individual bonuses and performance bonuses (+3.1 million euros) — was primarily due to recruitment plans for new Relationship Managers and the portion of variable remuneration payable in the form of Banca Generali's shares.

In this context, the expenses for share-based payments (+1.1 million euros) refer for 2.0 million euros to incentivisation plans for Generali Group's Key Management Personnel (LTIPs - Long Term Incentive Plans), entailing exclusively the allotment of the parent company Assicurazioni Generali's shares, and for 0.7 million euros to the share-based variable remuneration of the Banking Group's Key Personnel.

			CHANGE	
(€ THOUSAND)	2015	2014	AMOUNT	%
1. Employees	**78,955**	**72,730**	**6,225**	**8.6%**
Salaries and social security charges	53,951	51,102	2,849	5.6%
Provision for termination indemnity and supplementary pension funds	4,422	3,920	502	12.8%
Costs related to payment agreements based on own financial instruments	2,724	1,597	1,127	70.6%
Short-term productivity bonuses (MBO, CIA, incl. sales)	12,626	10,059	2,567	25.5%
Other long-term incentives (MBO)	1,095	1,648	-553	-33.6%
Other employee benefits	4,137	4,404	-267	-6.1%
2. Other staff	**250**	**163**	**87**	**53.4%**
3. Directors and Auditors	**1,744**	**1,289**	**455**	**35.3%**
of which incentives	62	208	-146	-70.2%
Total	**80,949**	**74,182**	**6,767**	**9.1%**

Total administrative expense, net of recoveries of taxes for which customers are liable (stamp duty, substitute tax), amounted to 92.6 million euros, up by 3.1 million euros compared to the previous year (+3.5%) mainly attributable to non-recurrent components.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Administration	**13,441**	**19,432**	**-5,991**	**-30.8%**
Advertising	3,871	3,283	588	17.9%
Advisory	5,074	11,576	-6,502	-56.2%
Auditing	593	547	46	8.4%
Insurance	2,933	2,814	119	4.2%
Other general costs (insurance; T&E)	970	1,212	-242	-20.0%
Operations	**34,524**	**32,660**	**1,864**	**5.7%**
Rent and usage of premises	17,018	15,867	1,151	7.3%
Outsourced services	5,250	5,875	-625	-10.6%
Post and telephone	2,974	2,877	97	3.4%
Print material and contracts	1,167	1,115	52	4.7%
Other indirect staff expenses	2,660	2,625	35	1.3%
Other operating expenses	5,455	4,301	1,154	26.8%
Information system and equipment	**34,807**	**34,726**	**81**	**0.2%**
Outsourced IT services	24,667	23,935	732	3.1%
Fees for financial databases and other IT services	6,586	5,942	644	10.8%
Software maintenance and servicing	2,779	3,279	-500	-15.2%
Other expenses (equipment rental, maintenance, etc.)	775	1,570	-795	-50.6%
Taxes and duties	**42,537**	**41,640**	**897**	**2.2%**
of which virtual stamp duty and other taxes borne by customers	41,701	39,679	2,022	5.1%
Contributions to the resolution and deposit protection funds of the regulatory authority	**8,711**	**-**	**8,711**	**n.a.**
Total other general and administrative expense	**134,020**	**128,458**	**5,562**	**4.3%**
Recovery of stamp duty from customers (item 220)	**-41,470**	**-39,046**	**-2,424**	**6.2%**
Total administrative expense, net of stamp duties recovered	**92,550**	**89,412**	**3,138**	**3.5%**

In 2015, following the introduction of the new National Resolution Fund provided for in Directive 59/201/EU (BRRD) and transposed into Italian law by Legislative Decree 180/2015, and the approval of the new mechanism for financing the FITD (Interbank Deposit Guarantee Fund), mandated by Directive 2014/49/EU (DGSD), a new advance contribution mechanism was implemented for both of the above funds.
On 22 November 2015, Law Decree 183, entitled “Urgent provisions for the credit sector”, was issued, implementing the resolution plan for the four regional banks in default (Cari Ferrara, Banca Marche, Cari Chieti and Banca Popolare dell’Etruria e del Lazio), through the intervention of the recently established National Resolution Fund. In particular, an extraordinary contribution equal to three times the ordinary contribution envisaged for 2015, i.e., the maximum permitted amount, was requested to cover the Resolution costs.

The 2015 financial statements therefore include the contributions to the above-mentioned Resolution Fund for banking crises and Deposit Protection Fund (FITD) for a total amount of 8.7 million euros, split as follows::

(€ MILLION)	
Ordinary FITD contribution	0.9
Ordinary contribution to the National Resolution Fund	1.9
Extraordinary contribution to the National Resolution Fund	5.8
Total	**8.7**

By contrast, in the previous year the acquisition of the unit of Credit Suisse entailed the recognition amongst general and administrative expense of total non-recurring charges of 4.0 million euros for legal assistance (1.6 million euros), registry tax (1.5 million euros) and migration costs (0.9 million euros).

Net of those items, the aggregate’s performance in comparison to 2014 benefited from the moderate increase in IT expenses following the process of increasing the efficiency of the operating structure and the significant reduction in consulting expenses, which in the previous year had also been influenced by charges relating to the development and launch of the new app (financial/insurance app desk) and real-estate platform (2.9 million euros) and by a development project (appylife) aimed at entry into the new mobile device app market (2.7 million euros).

4.5 Provisions and adjustments

Net provisions amounted to 45.6 million euros, with an increase by 5.3 million euros compared to the first half of 2014.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Provision for staff liabilities and contingencies	-1,600	-506	-1,094	216.2%
Restructuring provisions – Redundancy incentives plan	10,170	-	10,170	n.a.
Provisions for legal disputes	2,663	3,166	-503	-15.9%
Provision for incentive fees	19,384	25,542	-6,158	-24.1%
Provisions for termination indemnity and overfees	14,962	11,520	3,442	29.9%
Other provisions for liabilities and contingencies	6	546	-540	-98.9%
Total	**45,585**	**40,268**	**5,317**	**13.2%**

Net provisions and adjustments consist of 10.6 million euros of provisions for the network development plan (10.7 million euros in 2014) and 8.7 million euros of current and deferred incentives in the process of accruing, down sharply from the 14.8 million euros recorded in 2014, which also included provisions for plans for financial advisors from the former Credit Suisse unit with the aim of supporting their integration into the Banca Generali sales structure.

Within net provisions for Financial Advisors' contractual indemnities, in light of a further decline in the market rates used for discounting, a notable adjustment was made to the provision for termination indemnity of Financial Advisors (+3.4 million euros) and to the other actuarial provisions.

In addition, at year-end, as part of a company restructuring plan aimed at bringing the banking group's organisational structure into line with the new strategic objectives and adjusting the set of professional and managerial skills possessed by the bank's current collaborators, a plan was launched for employees nearest to retirement age, resulting in an estimated total charge of approximately 10.2 million euros.
The incentive plan, presented to union representatives at the end of 2015 and followed by individual meetings with employees, has thus far met with strong approval from those involved.

Net adjustments to non-performing loans amounted to 6.5 million euros at the end of the reporting period, down by 4.5 million euros compared to the previous year, and referred to the portfolio of financial assets for 5.9 million euros.

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS ADJUSTMENTS	2015	2014	CHANGE
Specific adjustments/reversals	**-4,138**	**581**	**-3,557**	**-9,538**	**5,981**
Equity securities	-2,845	-	-2,845	-3,035	190
Debt securities (AFS, HTM, Loans)	-	-	-	-	-
Non-performing loans of the banking portfolio	-1,097	581	-516	-6,176	5,660
Operating loans to customers	-196	-	-196	-327	131
Portfolio adjustments/reversals	**-3,011**	**97**	**-2,914**	**-1,457**	**-1,457**
Debt securities (Loans, HTM)	-3,011	-	-3,011	-1,260	-1,751
Performing loans and guarantees of the banking portfolio	-	97	97	-197	294
Total	**-7,149**	**678**	**-6,471**	**-10,995**	**4,524**

Accumulated impairment losses in the portfolio of AFS equity securities refer to:

> impairment losses of 1.4 million euros on the capital contribution to a profit-sharing agreement for a movie production, made at the end of 2014, as a reflection of the box office results obtained by the movie. In any event, a tax credit of 0.8 million euros was recognised on the last among other net operating income;
> 1.4 million euros of impairment losses in addition to those recognised in the previous year on the investment in Veneto Banca, which was measured on the basis of the outcome of the extraordinary shareholders' meeting held in last December, which resolved to transform the company into a joint-stock company and list it on the stock exchange.

Finally, prudential adjustments were made to collective provisions for performing debt securities allocated to the HTM and loans portfolio (+3.0 million euros) in connection with the risk (rating/residual life) profile of the new investments undertaken.

Net adjustments on non-performing loans of the banking book amounted to 0.6 million euros, sharply down compared to the previous year, affected by the write-down of the Investimenti Marittimi position.

4.6 Consolidated net result, taxes and earnings per share

Taxes for the year on a current and deferred basis have been estimated at 34.7 million euros, down 9.6 million euros compared to estimated taxes for the same period of the previous year.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Current taxes for the year	-36,972	-50,509	13,537	-26.8%
Prior year taxes	996	1,479	-483	-32.7%
Changes of prepaid taxation (+/-)	1,589	4,260	-2,671	-62.7%
Changes of deferred taxation (+/-)	-295	486	-781	-160.7%
Total	**-34,682**	**-44,284**	**9,602**	**-21.7%**

The estimated total tax rate was 14.6%, down compared to the end of 2014, owing to the reduction of the IRAP charge, the greater deductibility of labour costs under the 2015 Stability Act, and the increased share of profit earned outside of Italy.

At year-end 2015, basic net earnings per share was 1.757 euros.

	2015	2014	CHANGE AMOUNT	CHANGE %
Net profit for the year (€ thousand)	203,559	160,905	42,654	26.5%
Earnings attributable to ordinary shares (€ thousand)	203,559	160,905	42,654	26.5%
Average number of outstanding shares	115,867	115,427	440	0.4%
EPS - Earnings per share (euro)	**1.757**	**1.394**	**0.363**	**26.0%**
Average number of outstanding shares with diluted share capital	116,418	116,039	379	0.3%
EPS - Diluted earnings per share (euro)	**1.749**	**1.387**	**0.362**	**26.1%**

4.7 Comprehensive income

The banking Group's comprehensive income consists of the consolidated net profit and all components that contribute to company performance without being reflected in the profit and loss account, such as changes in valuation reserves for AFS securities. At the end of the 2015, the Group's comprehensive income amounted to 208 million euros, up compared to 173.4 million euros in the previous year.

In further detail, compared to a growth of 13.0 million euros recorded in the first half of 2014, valuation reserves on the AFS portfolio presented a net reduction of 4.4 million euros for 2015 as a result of the following factors:

> an increase in net valuation gains of 23.0 million euros, due to the significant recovery of the market values of financial assets, and particularly of the Italian sovereign debt bonds held by the Bank;
> the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (- 16.7 million euros);
> the positive net tax effect (DTAs) associated with the above changes (-1.9 million euros)

			CHANGE	
(€ THOUSAND)	2015	2014	AMOUNT	%
Net profit (loss)	**203,559**	**160,905**	**42,654**	**26.5%**
Other income, net of income taxes:				
with transfer to profit and loss account				
Exchange gains and losses	-8	-	-8	n.a.
AFS assets	4,379	12,971	-8,592	-66.2%
without transfer to profit and loss account:				
Actuarial gains (losses) from defined benefit plans	70	-448	518	-115.6%
Total other income, net of taxes	**4,441**	**12,523**	**-8,082**	**-64.5%**
Comprehensive income	**208,000**	**173,428**	**34,572**	**19.9%**

5. Balance sheet and net equity aggregates

At the end of 2015, total consolidated assets amounted to 6.1 billion euros, essentially in line with total assets at the end of 2014.

Total net inflows amounted to 5.2 billion euros (-2.8%) at year-end, reflecting the sharp reduction in interbank inflows (-67.9%) following the total repayment (800 million euros) of LTROs maturing in February 2015, partly offset by the increase in inflows from retail customers (+12.9%).

The volume of core loans, totalling 5.7 billion euros at the end of the year (-1.5%), showed an essentially symmetrical performance characterised by the reduction in the HTM portfolio due to the reimbursement of government bonds tied to the ECB loans, partly offset by the growth in the interbank market short-term exposures and the trading portfolio, as well as longer-term exposures of the AFS portfolio and loans to customers.

ASSETS			CHANGE	
(€ THOUSAND)	31.12.2015	31.12.2014	AMOUNT	%
HFT financial assets	28,004	32,840	-4,836	-14.7%
AFS financial assets	2,939,211	2,235,408	703,803	31.5%
HTM financial assets	423,586	1,403,123	-979,537	-69.8%
Loans to banks (*)	419,508	353,620	65,888	18.6%
Loans to customers	1,922,020	1,794,959	127,061	7.1%
Equity investments	2,152	-	2,152	n.a.
Property, equipment and intangible assets	93,114	93,794	-680	-0.7%
Tax receivables	61,992	40,801	21,191	51.9%
Other assets	226,430	185,692	40,738	21.9%
Assets held for sale	-	-	-	n.a.
Total assets	**6,116,017**	**6,140,237**	**-24,220**	**-0.4%**

NET EQUITY AND LIABILITIES			CHANGE	
(€ THOUSAND)	31.12.2015	31.12.2014	AMOUNT	%
Due to banks	333,954	1,038,889	-704,935	-67.9%
Due to customers	4,839,613	4,285,398	554,215	12.9%
Financial liabilities held for trading and hedging	463	2,655	-2,192	-82.6%
Tax payables	22,575	27,612	-5,037	-18.2%
Other liabilities	163,188	149,770	13,418	9.0%
Liabilities held for sale	-	-	-	n.a.
Special purpose provisions	119,426	99,605	19,821	19.9%
Valuation reserves	22,424	17,983	4,441	24.7%
Reserves	247,214	196,209	51,005	26.0%
Additional paid-in capital	50,063	45,575	4,488	9.8%
Share capital	116,093	115,677	416	0.4%
Treasury shares (-)	-2,555	-41	-2,514	6131.7%
Minority interests	-	-	-	n.a.
Net profit (loss) for the period	203,559	160,905	42,654	26.5%
Total net equity and liabilities	**6,116,017**	**6,140,237**	**-24,220**	**-0.4%**

(*) Demand deposits with ECB have been reclassified among loans to banks.

Quarterly evolution of consolidated balance sheet

ASSETS (€ THOUSAND)	31.12.2015	30.09.2015	30.06.2015	31.03.2015	31.12.2014	30.09.2014	30.06.2014 RESTATED	31.03.2014 RESTATED	31.12.2013
HFT financial assets	28,004	52,384	155,833	31,776	32,840	29,479	28,994	126,970	229,905
AFS financial assets	2,939,211	2,562,806	2,414,029	2,185,006	2,235,408	1,916,852	1,921,589	2,337,695	1,626,121
HTM financial assets	423,586	496,254	465,937	665,926	1,403,123	1,904,529	2,253,150	2,541,438	2,652,687
Loans to banks	419,508	390,855	572,539	499,196	353,620	797,338	901,152	614,294	291,379
Loans to customers	1,922,020	1,869,211	1,917,967	1,820,439	1,794,959	1,660,183	1,620,194	1,543,300	1,499,771
Equity investments	2,152	-	-	-	-	-	-	-	-
Property, equipment and intangible assets	93,114	91,635	92,338	93,084	93,794	47,518	48,399	49,119	50,090
Tax receivables	61,992	44,508	51,513	63,657	40,801	38,086	38,820	37,839	38,260
Other assets	226,430	187,657	203,625	170,395	185,692	151,744	198,848	136,209	140,232
Assets held for sale	-	-	-	-	-	87,429	69,092	68,002	74,209
Total assets	**6,116,017**	**5,695,310**	**5,873,781**	**5,529,479**	**6,140,237**	**6,633,158**	**7,080,238**	**7,454,866**	**6,602,654**

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2015	30.09.2015	30.06.2015	31.03.2015	31.12.2014	30.09.2014	30.06.2014 RESTATED	31.03.2014 RESTATED	31.12.2013
Due to banks	333,954	333,472	234,668	225,856	1,038,889	1,387,881	1,716,732	1,935,835	2,230,871
Due to customers	4,839,613	4,437,476	4,667,873	4,264,524	4,285,398	4,327,983	4,502,679	4,612,490	3,588,700
Financial liabilities held for trading and hedging	463	1,655	2,063	3,149	2,655	1,448	188	282	597
Tax payables	22,575	24,993	21,881	69,985	27,612	45,202	36,492	45,746	27,768
Other liabilities	163,188	189,449	277,589	215,407	149,770	189,953	211,471	194,473	142,598
Liabilities held for sale	-	-	-	-	-	78,757	61,397	60,533	66,252
Special purpose provisions	119,426	118,125	124,970	116,803	99,605	91,651	90,011	84,477	76,736
Valuation reserves	22,424	13,791	-2,630	21,091	17,983	22,111	19,435	19,600	5,460
Reserves	247,214	244,662	244,362	357,397	196,209	195,253	195,123	304,572	164,221
Additional paid-in capital	50,063	49,553	47,101	46,433	45,575	44,977	42,880	42,608	37,302
Share capital	116,093	116,045	115,818	115,756	115,677	115,621	115,428	115,403	114,895
Treasury shares (-)	-2,555	-41	-41	-41	-41	-41	-41	-41	-41
Minority interests	-	-	-	-	-	-	-	-	6,039
Net profit (loss) for the year (+/-)	203,559	166,130	140,127	93,119	160,905	132,362	88,443	38,888	141,256
Total net equity and liabilities	**6,116,017**	**5,695,310**	**5,873,781**	**5,529,479**	**6,140,237**	**6,633,158**	**7,080,238**	**7,454,866**	**6,602,654**

(*) Restated in order to account for the de-merger of BGFML.

5.1 Direct inflows from customers

Direct inflows from customers amounted to 4,839.6 million euros, with an increase of 554.2 million euros compared to 31 December 2014, due to the significant growth in net inflows from retail customers, which largely offset the downtrend reported by Generali Group's operations.

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
1. Current accounts and demand deposits	4,655,750	4,090,696	565,054	13.8%
2. Term deposits	-	-	-	n.a.
3. Financing	43,283	51,312	-8,029	-15.6%
Repurchase agreements	-	-	-	n.a.
Subordinated loans	43,283	51,312	-8,029	-15.6%
4. Other debts	140,580	143,390	-2,810	-2.0%
Operating debts to sales network	89,560	84,920	4,640	5.5%
Other (money orders, amounts at the disposal of customers)	51,020	58,470	-7,450	-12.7%
Total due to customers (Item 20)	**4,839,613**	**4,285,398**	**554,215**	**12.9%**

Captive inflows from the parent company, Assicurazioni Generali, and the Italian and foreign subsidiaries of Assicurazioni Generali Group decreased by 351.2 million euros overall to 912.1 million euros at year-end (18.8% of total net inflows).
The aggregate includes 43.2 million euros for the Tier-2 subordinated loans issued by the subsidiary Generali Beteiligungs GmbH in 2014, whereas the loan issued by Generali Versicherung AG in 2008 was completely repaid.
No subordinated loan was ever placed with private customers.

Net inflows from customers outside the insurance group fully refers to the increase in current account balances, mostly attributable to the acquisition of new customers by the sales network.

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
Net inflows from Parent Company	100,394	276,313	-175,919	-63.7%
Net inflows from other subsidiary companies	811,664	986,913	-175,249	-17.8%
Total net inflows from Generali Group	**912,058**	**1,263,226**	**-351,168**	**-27.8%**
Net inflows from other parties	3,927,555	3,022,172	905,383	30.0%
Total net inflows from customers	**4,839,613**	**4,285,398**	**554,215**	**12.9%**

By contrast, there was a slight decline in the non-interest-bearing debt position (-2.8 million euros) consisting of other sums available to customers, primarily relating to claims settlement activity by the Group's insurance companies (money orders), as well as of payables to the sales network for the placement of financial products and services.

5.2 Core loans

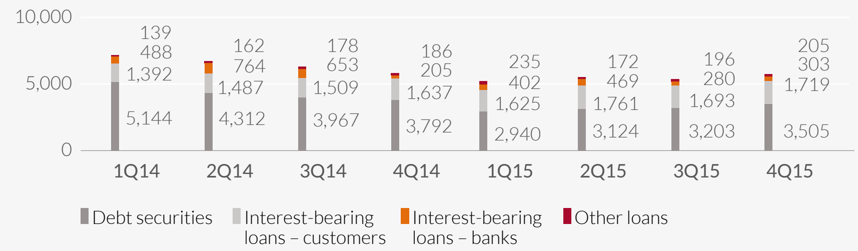
Core loans totalled 5.7 billion euros, remaining essentially stable compared to 31 December 2014.

In this context, the share of assets invested in financial assets declined significantly by 298.4 million euros (-7.7%), primarily owing to the flow of redemptions of government securities allocated to the HTM portfolio and connected to the maturing LTROs.
Following the end of LTROs, medium/long-term investments allocated to the AFS portfolio started to increase, totalling a positive net balance of 703.8 million euros at year-end.

Furthermore, treasury short-term loans on the interbank market (+97.4 million euros) and loans to customers (+82.4 million euros) grew.

(€ MILLION)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
HFT financial assets	28,004	32,840	-4,836	-14.7%
AFS financial assets	2,939,211	2,235,408	703,803	31.5%
HTM financial assets	423,586	1,403,123	-979,537	-69.8%
Financial assets classified among loans	165,568	183,448	-17,880	-9.7%
Financial assets	**3,556,369**	**3,854,819**	**-298,450**	**-7.7%**
Interest-bearing loans to banks	302,819	205,427	97,392	47.4%
Interest-bearing loans to customers	1,718,938	1,636,572	82,366	5.0%
Operating loans and other loans	154,203	123,132	31,071	25.2%
Total interest-bearing financial assets and loans	**5,732,329**	**5,819,950**	**-87,621**	**-1.5%**

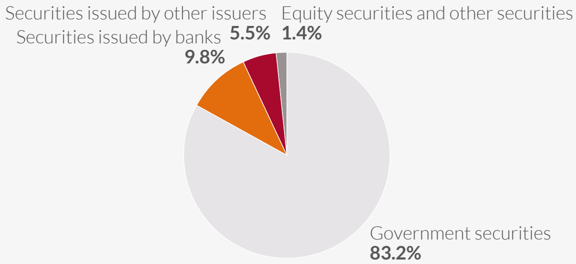
Evolution of loans
(€ million)



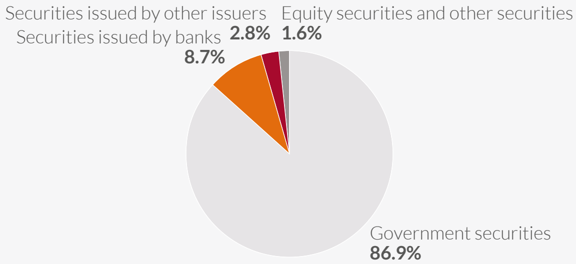
Overall, financial assets accounted for 62.0% of core loans, down compared to 66.2% at year-end 2014.
Sovereign debt exposure mostly included bonds of the Italian Republic, with the only exception of a Spanish bond issue (25 million euros). This aggregate decreased by 391.5 million euros, while continuing to account for 83.2% on total investments in financial assets, slightly down compared to year-end 2014.
It may be broken down by portfolio of allocation as follows.

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
Exposure to the sovereign risk by portfolio:				
HFT financial assets	-	396	-396	-100.0%
AFS financial assets	2,594,480	1,995,244	599,236	30.0%
HTM financial assets	363,835	1,354,153	-990,318	-73.1%
Total	**2,958,315**	**3,349,793**	**-391,478**	**-11.7%**

Breakdown of financial assets portfolio at 31.12.2015

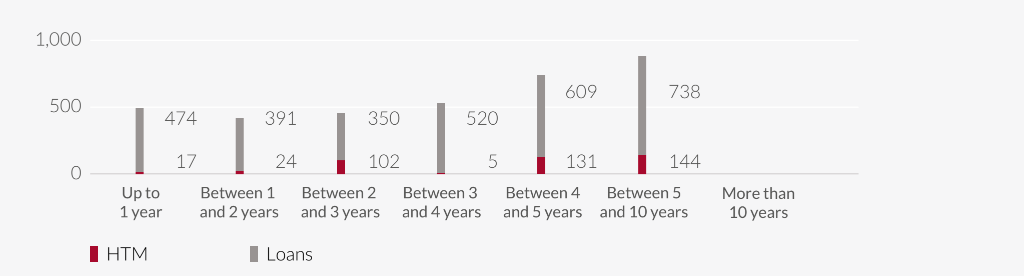


Breakdown of financial assets portfolio at 31.12.2014

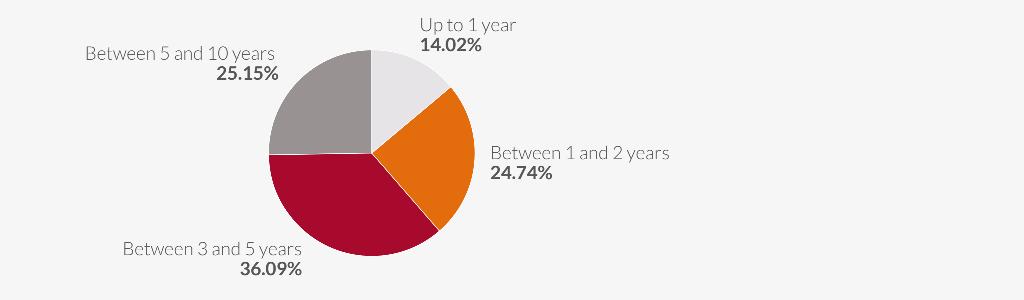


The overall geographical breakdown of the portfolio of debt securities thus showed a high concentration of investments relating to national securities (93%).
The portfolio of debt securities had an overall average residual life of about 3.8 years and 52.6% of it was made up of variable rate issues, and for the remainder, of fixed-rate issues and zero coupon.

Bonds portfolio maturity
(€ million)



Breakdown of bonds portfolio by maturity



Loans to customers amounted to 1,718.9 million euros, a net rise compared to year-end 2014, mainly thanks to the loans segment (+12.7%), which saw an increase of new loans totalling 184 million euros.

Among **operating loans**, commercial loans matured or currently maturing for the placement and distribution of financial and insurance products grew, as did the financial advances provided to the Financial Advisor network for half- year incentives.

			CHANGE	
(€ THOUSAND)	31.12.2015	31.12.2014	AMOUNT	%
Current accounts	928,894	931,341	-2,447	-0.3%
Personal loans	781,665	693,619	88,046	12.7%
Other financing and loans not in current accounts	8,379	11,612	-3,233	-27.8%
Loans	**1,718,938**	**1,636,572**	**82,366**	**5.0%**
Total loans	**1,718,938**	**1,636,572**	**82,366**	**5.0%**
Operating loans to product companies	106,364	81,206	25,158	31.0%
Sums advanced to Financial Advisors	36,294	30,545	5,749	18.8%
Stock exchange interest-bearing daily margin	3,383	2,092	1,291	61.7%
Changes to be debited and other loans	7,966	9,199	-1,233	-13.4%
Operating loans and other loans	**154,007**	**123,042**	**30,965**	**25.2%**
Debt securities	**49,075**	**35,345**	**13,730**	**38.8%**
Total loans to customers	**1,922,020**	**1,794,959**	**127,061**	**7.1%**

Net non-performing loans amounted to 34.2 million euros, equal to 1.8% of total loans to customers, and sharply down compared to the previous year (-7.0 million euros).

The aggregate includes 28.1 million euros referring to non-performing positions originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. upon the sale of the foregoing company and chiefly secured to that end by cash collateral

payments by the counterparty. Net of that portfolio, the weight of non-performing exposures declined to 0.32%.
The increase in non-performing loans was also essentially attributable for 10.0 million to positions covered by indemnities, and for approximately 8.7 million euros to positions which were previously classified as unlikely to pay.

(€ THOUSAND)	GROSS EXPOSURES	VALUE ADJUSTMENTS	NET EXPOSURE 2015	NET EXPOSURE 2014 (*)	CHANGE AMOUNT	CHANGE %	SECURED EXPOSURES SUBJECT TO INDEMNITY	RESIDUAL UNSECURED
Bad loans	41,826	-16,129	25,697	15,733	9,964	63.3%	23,003	2,694
Financing	38,179	-13,451	24,728	14,942	9,786	65.5%	23,003	1,725
Operating loans	3,647	-2,678	969	791	178	22.5%	-	969
Unlikely to pay	5,307	-203	5,104	19,307	-14,203	-73.6%	5,069	35
Past due exposures - over 90 days	3,760	-388	3,372	6,198	-2,826	-45.6%	-	3,372
Total non-performing loans	**50,893**	**-16,720**	**34,173**	**41,238**	**-7,065**	**-17.1%**	**28,072**	**6,101**
Performing loans	1,890,248	-2,401	1,887,847	1,753,721				
Total loans to customers	**1,941,141**	**-19,121**	**1,922,020**	**1,794,959**				

(*) 2014 figures restated based on the new classification of non-performing exposures provided for by Circular Letter No. 272/2008.

The **interbank position**, net of the securities portfolio and operating loans, showed a net debt balance of 31.1 million euros, compared to 833.5 million euros at the end of the previous year.
This significant trend reversal was primarily due to:
> the repayment in full of the LTRO financing received in 2012 from the ECB and matured in February 2015 (-811.7 million euros); and
> the increase of net inflows in the form of repurchase agreements (+103.2 million euros);
> the increase in short-term interbank loans, in current accounts and overnight and term deposits at the Central Bank, of 97.4 million euros.

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
1. Repayable on demand	**163,217**	**159,453**	**3,764**	**2.4%**
Demand deposits with ECB	-	68,000	-68,000	-100.0%
Demand deposits with credit institutions	-	-	-	n.a.
Transfer accounts	163,217	91,453	71,764	78.5%
2. Time deposits	**139,602**	**45,974**	**93,628**	**203.7%**
Mandatory reserve	139,213	45,891	93,322	203.4%
Term deposits	83	83	-	-
Repurchase agreements	-	-	-	n.a.
Collateral margins	306	-	306	n.a.
Total due to banks	**302,819**	**205,427**	**97,392**	**47.4%**
1. Due to Central Banks	**-**	**811,645**	**-811,645**	**-100.0%**
Term deposits with ECB	-	811,645	-811,645	-100.0%
2. Due to banks	**333,954**	**227,244**	**106,710**	**47.0%**
Transfer accounts	1,393	5,409	-4,016	-74.2%
Term deposits	5,261	6,792	-1,531	-22.5%
Repurchase agreements	303,927	200,734	103,193	51.4%
Collateral margins	-	100	-100	-100.0%
Other debts	23,373	14,209	9,164	64.5%
Total due to banks	**333,954**	**1,038,889**	**-704,935**	**-67.9%**
Net interbank position	**-31,135**	**-833,462**	**802,327**	**-96.3%**
3. Debt securities	**116,493**	**148,103**	**-31,610**	**-21.3%**
4. Other operating receivables	**196**	**90**	**106**	**117.8%**
Total interbank position	**85,554**	**-685,269**	**770,823**	**-112.5%**

(*) Reclassified from Item 10 — Demand loans to Central Banks.

5.3 Equity investments

In 2015 the banking Group acquired an investment in an associate through the parent company Banca Generali S.p.A.
The target was IOCA Entertainment Ltd., a company under the UK law, in which Banca Generali subscribed a 35% interest, in the form of 3,500 shares with a par value of 1.00 pound sterling, for a total of 1,616,125 pound sterling, equivalent to approximately 2.2 million euros at the acquisition date, 19 October 2015.
The company is an e-commerce/social-networking start-up currently engaged in commercial development of "Dishball", an app for smartphones and tablets.

5.4 Provisions

Special purpose provisions totalled 119.4 million euros, up by 19.8 million euros compared to the previous year (+19.9%).
In detail, the change referred to provisions for termination indemnity of the distribution network, which were affected by the changed scenario of benchmark rates.

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
Provision for termination indemnity	4,889	5,250	-361	-6.9%
Other provisions for liabilities and contingencies	**114,537**	**94,355**	**20,182**	**21.4%**
Provisions for staff expenses	10,602	11,919	-1,317	-11.0%
Restructuring provisions – Redundancy incentives plan	10,170	-	10,170	n.a.
Provisions for legal disputes	16,029	14,820	1,209	8.2%
Provisions for contractual indemnities to the sales network	41,424	26,731	14,693	55.0%
Provisions for sales network incentives	33,457	37,060	-3,603	-9.7%
Other provisions for liabilities and contingencies	2,855	3,825	-970	-25.4%
Total provisions	**119,426**	**99,605**	**19,821**	**19.9%**

Tax dispute

In the tax dispute, the tax audit on the parent company, Banca Generali, concerning tax period 2010, conducted by the Italian Revenue Service, Friuli Venezia Giulia Regional Department, and concluded in July 2013, remains ongoing, but no assessment notice has been issued to date. The conditions for extension to twice the normal term for such dispute are deemed to have been satisfied as the Courts have been notified thereof. The notice however was already dismissed at the beginning of 2014. In respect of this dispute, it was thus decided to continue to carry the prudential provision recognised in previous years.
On 30 July 2015, the Rome Special Tax Police Unit of the Italian Finance Police initiated an audit concerning some financial transactions undertaken by the Bank in 2010 and 2011 in its trading of derivative financial instruments on Italian equities traded on regulated markets. As of the balance sheet date, the audit process was still ongoing and no notice of any alleged irregularities had been received.

5.5 Net equity and regulatory aggregates

At 31 December 2015, consolidated net equity, including net profit for the year, amounted to 636.8 million euros compared to 536.3 million euros at the end of the previous year.

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
Share capital	116,093	115,677	416	0.4%
Additional paid-in capital	50,063	45,575	4,488	9.8%
Reserves	247,214	196,209	51,005	26.0%
(Treasury shares)	-2,555	-41	-2,514	6131.7%
Valuation reserves	22,424	17,983	4,441	24.7%
Equity instruments	-	-	-	n.a.
Net profit (loss) for the year	203,559	160,905	42,654	26.5%
Group net equity	**636,798**	**536,308**	**100,490**	**18.7%**

The increase in net equity was influenced by the distribution of the 2014 dividend amounting to approximately 113.4 million euros, convened upon by the General Shareholders' Meeting held on 23 April 2015 to approve the financial statements, and the effects generated by previous and new stock option plans, the performance of fair value reserves for the portfolio of AFS financial assets and other reserves which contribute to the comprehensive income.

At year-end, in implementation of the Resolution of the Shareholders' Meeting of 23 April 2015 and the Bank of Italy's authorisation issued on 3 June 2015, a total of 88,213 Banca Generali shares were also purchased in service of the new stock granting plans for the Banking Group's Key Personnel, as introduced by the new 2015 Remuneration Policy in compliance with Supervisory Provisions.

	GROUP
Net equity at period-start	**536,308**
Dividend paid	-113,431
Purchase and sale of treasury shares	-2,514
Stock option plans: issue of new shares	4,384
Stock option plans: charges as per IFRS 2	1,740
AG stock granting plans	2,311
Change in valuation reserves	4,441
Consolidated net profit	203,559
Net equity at year-end	**636,798**
Change	**100,490**

Fair value valuation reserves for AFS financial asset portfolio showed a rapid recovery compared to the abrupt decline recorded at the end of June due to the severe financial market volatility associated with the re-emergence of the Greek crisis.
The aggregate had an overall positive balance of 23.9 million euros, up by 4.4 million compared to year-end 2014. This trend was mainly influenced by the portfolio of Italian government bonds, for which net reserves amounted to 21.6 million euros compared to 14.7 million euros at year-end 2014.

	31.12.2015			31.12.2014	
(€ THOUSAND)	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
1. Debt securities	22,844	-838	22,006	17,912	4,094
2. Equity securities	2,434	-260	2,174	1,799	375
3. UCITS units	74	-333	-259	-169	-90
AFS reserves	**25,352**	**-1,431**	**23,921**	**19,542**	**4,379**
Exchange gains and losses	-	-8	-8	-	-8
Actuarial gains (losses) from defined benefit plans	-	-1,489	-1,489	-1,559	70
Total	**25,352**	**-2,928**	**22,424**	**17,983**	**4,441**

Consolidated own funds, calculated in accordance with the new Basel 3 transitional rules (phase in), amounted to 427.9 million euros, up by 65.3 million euros compared to the end of the previous year, chiefly owing to the portion of retained earnings.

At year-end, the aggregate capital for regulatory purposes recorded 212.8 million euros in excess of the amount required to cover credit, market, and operating risks. CET1 ratio reached 14.3%, compared to a minimum requirement of 7%, and Total Capital Ratio (TCR) reached 15.9%, compared to a minimum requirement of 10.6%.

(€ THOUSAND)	31.12.2015 FULL APPLICATION	31.12.2015 TRANSITIONAL	31.12.2014 TRANSITIONAL	CHANGE AMOUNT	CHANGE %
Common Equity Tier 1 (CET 1)	406,957	384,178	311,670	72,508	23.3%
Additional Tier 1 capital (AT1)	-	-	-	-	n.a.
Tier 2 capital (T2)	43,000	43,698	50,921	-7,223	-14.2%
Total own funds	**449,957**	**427,876**	**362,591**	**65,285**	**18.0%**
Credit and counterparty risk	148,306	148,306	144,493	3,813	2.6%
Market risk	2,505	2,505	3,558	-1,053	-29.6%
Operating risk	64,254	64,254	56,615	7,639	13.5%
Total absorbed capital	**215,064**	**215,064**	**204,666**	**10,398**	**5.1%**
Excess over absorbed capital	234,893	212,812	157,925	54,887	34.8%
Risk-weighted assets	2,688,303	2,688,303	2,558,325	129,978	5.1%
Tier 1 /Risk-weighted assets (Tier 1 capital ratio)	15.1%	14.3%	12.2%	2.1%	17.3%
Total own funds/Risk-weighted assets (Total capital ratio)	**16.7%**	**15.9%**	**14.2%**	**1.7%**	**12.3%**

The increase in capital requirements compared to the previous year (+10.3 million euros) was primarily due to the higher operational requirement (+7.6 million euros), determined according to the Basic Indicator Approach (BIA) and thus tied to the development of the profit and loss aggregates included in the relevant indicator and, to a lesser extent, to an increase in the requirement for credit risk (+3.8 million euros).
The increase in the requirement for credit risk was essentially due to the significant growth of loans to companies and mortgage loans, partially offset by analysis of eligible guarantees, which in particular concerned non-performing exposures subject to indemnities and permitted a significant decline in capital requirements.
Consolidated own funds, calculated in accordance with the regulation, which will become fully applicable as of 1 January 2019, were 450 million euros, with Total Capital Ratio at 16.7%.

It should be noted that Banca Generali exercised the option to neutralise the capital gains and losses deriving from fair-value measurement of AFS financial assets belonging to the Euro Area government bond segment for the purposes of measuring own funds, as allowed under Bank of Italy Order of 18 May 2010.
This option was renewed also by the new prudential supervisory system of the Basel 3 framework, effective 1 January 2014, as allowed by the Bank of Italy, until the entry into force of the international accounting standard IFRS 9 in 2018.

The Leverage ratio at year-end reached 6.3%, sharply up compared to the previous year (5.0%) due to the significant increase in Own funds.

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

(€ THOUSAND)	31.12.2015 CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	**339,290**	**184,292**	**523,582**
Differences between net equity and book value of companies consolidated using the line-by-line method	**73,246**	**-**	**73,246**
Goodwill	4,289	-	4,289
Income carried forward of consolidated companies	68,983	-	68,983
Reserve for actuarial losses IAS 19	-68	-	-68
Other changes	42	-	42
Dividends from consolidated companies	**25,000**	**-177,360**	**-152,360**
Consolidated companies' result for the period	**-**	**196,668**	**196,668**
Result of associates valued at equity	**-**	**-41**	**-41**
Valuation reserves - consolidated companies	**-8**	**-**	**-8**
Consolidation adjustments	**-4,289**	**-**	**-4,289**
Goodwill	-4,289	-	-4,289
Net equity of the Banca Generali Group	**433,239**	**203,559**	**636,798**

5.6 Cash flows

At the end of 2015, operating activities had generated a total of 1,702 million euros in cash, primarily owing to:

> the reduction of the interbank position (-859 million euros), mainly attributable to the repayment of the LTRO matured in February 2015 (811 million euros);
> the increase of disbursement for loans to customers (-85 million euros) and investments in financial assets (-758 million euros).

Those cash flows were only partially offset by cash inflows generated by loans to customers (+550 million euros) and operating activities, which generated liquidity amounting to 174 million euros.

Liquidity used for operating activities (-915 million euros) was entirely covered through net cash flows generated by the repayment of maturing securities within the HTM portfolio (+967 million euros, net), which were also used to cover the significant dividend pay-out (-113.4 million euros) and investments.

(€ THOUSAND)	31.12.2015	31.12.2014
Cash flows generated by operations:	**173,820**	**207,183**
Financial assets	-758,233	-367,917
Loans to banks	-165,392	51,727
Loans to customers	-84,604	-202,136
Other operating assets	61,889	31,604
Total assets	**-946,340**	**-486,723**
Amounts due to banks	-693,276	-1,193,249
Loans to customers	549,611	556,789
Other operating assets	1,174	-80,864
Total liabilities	**-142,491**	**-717,324**
Liquidity generated by/used for operating activities	**-915,011**	**-996,864**
HTM portfolio	966,847	1,217,910
Investments	-4,650	-3,479
Purchase of business lines	-	-44,713
Liquidity generated by/used for investing activities	**960,011**	**1,169,718**
Dividends paid	-113,431	-109,623
Capital increases	1,870	7,606
Liquidity generated by/used for financing activities	**-111,561**	**-102,017**
Net cash liquidity generated/used	**-66,561**	**70,837**
Cash and deposits	**13,889**	**80,450**

6. Indirect inflows

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

6.1 Asset management and insurance products

Asset management products of the Banking Group

In the asset management sector, in 2015 the Banking Group worked in the wealth management field through BG Fund Management Luxembourg and the asset management services of Banca Generali and BG Fiduciaria.

	BG GROUP		CHANGE VS 31.12.2014	
(€ MILLION)	31.12.2015	31.12.2014	AMOUNT	%
Funds and Sicavs	11,849	8,861	2,987	33.7%
GPF/GPM	3,543	3,702	-159	-4.3%
Total Group's managed assets	**15,392**	**12,563**	**2,829**	**22.5%**
of which UCITSs attributable to the Banking Group GPF	1,213	1,090	123	11.3%
Total assets managed by the Banking Group, net of discretionary accounts, included in the GPF of the Banking Group	**14,179**	**11,473**	**2,705**	**23.6%**

Total assets invested in UCTISs managed by the Banking Group, which is composed only of Sicavs, amounted to 11.8 billion euros, with a growth of about 3 billion euros (+33.7%) compared to 2014.
Group's investments in UCITSs are currently represented exclusively by Luxembourg Sicavs and are promoted by BG Fund Management Luxembourg, a subsidiary of Banca Generali, with own management or management mandate granted to third parties.

In the course of the years, these classes of collective investment products launched several new sub-funds (45 for BG Selection and 29 for BG Sicavs),which are managed either directly or — in most of the cases — through mandate granted to third-parties.

The asset management portfolio of the banking Group amounted to 3.5 billion euros, slightly down compared to the figure at year-end 2014 (-4.3%).

Third-party asset management products

As part of its product brokerage and placement operations, the Group places third-party products in both the asset management and insurance areas.
In further detail, within its Italian and foreign UCITSs (mainly Luxembourg Sicavs), Banca Generali distributed the products of the Assicurazioni Generali Group and major international investment firms.
In 2015, third-party UCITS assets amounted to 4,361 million euros, slightly up (+2.8%) compared to 2014 (4,241 million euros). This was made possible thanks to the adoption of the so-called "open architecture," which affords customers access to a very wide range of investment products, including at an international level, in support of the advisory approach that characterises Banca Generali's commercial offerings.

	BG GROUP		CHANGE VS 31.12.2014	
(€ MILLION)	31.12.2015	31.12.2014	AMOUNT	%
Funds and Sicavs	4,361	4,241	120	2.8%
GPF/GPM	186	187	-	-0.2%
Total third-party assets managed by the Group	**4,547**	**4,428**	**120**	**2.7%**

Within the overall Bank's offering, the placement of third-party products is much more diversified than shown in the previous table due to two main reasons.
Investments directed towards the Luxembourg umbrella fund-of-funds BG Selection Sicav gradually increased since its launch in 2009. The Sicav is promoted directly by the Banca Gen-

erali Group but invests almost exclusively in third- party UCITSs.
Moreover, and in confirmation of the product's multi-manager orientation, since the beginning marketing was launched for its sub-funds (currently, 35 of 45 total sub-funds), management of which is entrusted directly to some of the leading international investment companies, thereby significantly increasing the management diversification of the asset management portfolios held by the bank's customers.
The same process had been implemented for 21 out of BG Sicav's 29 sub-funds. Therefore, approximately 76% of BG Fund Management Luxembourg Sicavs resorts to direct third-party management.
With reference to the UCITS sector in which the assets of Banca Generali's customers are invested, the diversification achieved through third-party products, whether directly or indirectly (management mandate on Luxembourg Sicavs), accounts for more than 80% of total investments.

Third-party insurance products

Almost all assets invested in insurance and retirement products consist of traditional, unit-linked and multi-line policies of Genertellife, a company of the Assicurazioni Generali Group.
At year-end 2015, assets amounted to 17.3 billion euros, up by 26% compared to 2014. The result, less redemptions and contractual maturities, was mainly attributable to the extraordinary result of life new business in the year, relating to the innovative multi-line policy BG Stile Libero and the more traditional policy BG Stile Garantito.

	BG GROUP		CHANGE VS 31.12.2014	
(€ MILLION)	31.12.2015	31.12.2014	AMOUNT	%
Insurance products (unit-linked, traditional, multi-line policies, etc.)	17,263	13,694	3,569	26.1%
Total third-party insurance products	**17,263**	**13,694**	**3,569**	**26.1%**

6.2 Assets under administration and custody

Indirect inflows of assets under administration and custody consist of securities deposited by retail and corporate customers for custody and administration in portfolios opened with the Parent Company, Banca Generali. At 31 December 2015, these amounted to 6,627 million euros at market value, compared to 6,709 million euros reported at year-end 2014.

This segment slightly declined compared to the previous year (-1.2%), due to the net outflows of about 0.4 billion euros, despite the revaluation of Securities held in customers' portfolios.

	BG GROUP		CHANGE	
(€ MILLION)	31.12.2015	31.12.2014	AMOUNT	%
Securities portfolios of the Generali Group's corporate customers	423	343	80	23.5%
Other customers' securities portfolios	6,204	6,366	-162	-2.5%
Indirect inflows of assets under administration and custody of the Banking Group (market value)	**6,627**	**6,709**	**-82**	**-1.2%**

7. Results by line of business

In application of IFRS 8, Banca Generali Group's segment reporting is based on information that management uses to make its operating decisions (so-called "management approach").

The banking Group identifies the following three main business areas:
> the **Affluent Channel**, which refers to the total earnings generated for the Group by the network of Financial Advisors reporting to the Financial Planner Division, and their respective customers;
> the **Private Channel**, which refers to the total earnings generated for the Group by the network of Private Bankers and Relationship Managers — reporting to the Banca Generali Private Banking Division —, the new Relationship Manager Division and their respective customers;
> the **Corporate Channel**, which refers to the total earnings generated for the Group by the financing activities of the Finance Department and the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group.

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

PROFIT AND LOSS ACCOUNT	31.12.2015				31.12.2014			
(€ THOUSAND)	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL
Net interest income	**28,567**	**16,454**	**21,208**	**66,230**	**19,983**	**11,358**	**75,664**	**107,005**
Fee income	387,365	225,258	39,338	651,960	289,040	172,270	23,308	484,619
Fee expense	-176,760	-94,097	-10,341	-281,198	-145,132	-68,776	-13,442	-227,350
Net fees	**210,605**	**131,161**	**28,996**	**370,762**	**143,908**	**103,494**	**9,866**	**257,268**
Profit (loss) of financial operations	-	-	25,790	25,790	-	-	52,370	52,370
Dividends	-	-	3,120	3,120	-	-	2,570	2,570
Net banking income	**239,172**	**147,615**	**79,115**	**465,903**	**163,892**	**114,852**	**140,470**	**419,213**
(€ MILLION)								
Asset Under Management	24,321	17,283	2,778	44,383	21,189	15,374	2,276	38,839
Net inflows	2,885	1,755	n.a.	4,640	2,977	1,047	n.a.	4,024
Financial Advisors/RMs	1,292	423	n.a.	1,715	1,244	401	n.a.	1,645

Affluent Channel

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE
Net interest income	28,567	19,983	42.95%
Net fees	210,605	143,908	46.35%
Net banking income	**239,172**	**163,892**	**45.93%**
AuM	24,321	21,189	14.78%
Net Inflows	2,885	2,977	-3.09%
Financial	1,292	1,244	3.86%
AuMs/FP	18.82	17.03	10.52%
Net inflows/FP	2.23	2.39	-6.69%

At 31 December 2015, the assets under management attributable to this channel amounted to 24.3 billion euros, up by approximately 3.0 billion euros (+14.78%) compared to the previous year, owing both to the positive market performance and the increase in net inflows (2,885 million euros), concentrated in asset management and insurance products. In 2015, net revenues generated by this channel reached 239.2 million euros, up by 45.9% compared to 163.9 million euros in 2014, primarily owing to:
> an increase in net fees (+46.4%) driven by the improvement in average assets (+21%) and asset mix, mainly in the insurance segment thanks to the success obtained by the multi-line

policy BG Stile Libero;
- the twofold increase in performance fees accrued on Luxembourg Sicavs, in the context of particularly favourable market conditions in 2015, especially in the first half of the year.

The channel's contribution to total consolidated net revenues amounted to 51%.
Il ratio of net fees to average AuM was 0.91%, growing compared to 0.75% for 2014, due to the above-mentioned effects.

Private Channel

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE
Net interest income	16,454	11,358	44.87%
Net fees	131,161	103,494	26.73%
Net banking income	**147,615**	**114,852**	**28.53%**
AuM	17,283	15,374	12.42%
Net Inflows	1,755	1,047	67.62%
Financial	423	401	5.49%
AuMs/FP	40.86	38.34	6.57%
Net inflows/FP	4.15	2.61	58.90%

At 31 December 2015, AuM of the Private Channel amounted to 17.3 billion euros, showing a significant increase compared to 2014 (+2.0 billion euros, +12%). Net inflows reached 1.755 billion euros, rising sharply compared to the previous year (+68%). In 2015, net revenues from the Private Channel reached 147.6 million euros, up by 28.5%. The reasons of this improvement are the same as those already illustrated for the Affluent Channel. The contribution to total consolidated net revenues amounted to 32%.
Net revenues accounted for 0.79% of average AuM.

Corporate Channel

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE
Net interest income	21,208	75,664	-71.97%
Net fees	28,996	9,866	193.90%
Result from banking activities and dividends	28,911	54,940	-47.38%
Net banking income	**79,115**	**140,470**	**-43.68%**
AuM	2,778	2,276	22.10%
Net Inflows	n.a.	n.a.	n.a.
Financial Advisors	n.a.	n.a.	n.a.

At 31 December 2015, the AuM in the Corporate Channel amounted to 2.8 billion euros, up 22% compared to the previous year. The increase was partly due to the net inflows of assets under administration of companies of the Generali Group (direct and indirect). In 2015 the net revenues generated by the Corporate Channel reached 79.1 million euros (-43.7% compared to 2014), owing to the following:
- a sharp reduction of net interest income due to both a decrease of interest rates and the end of the LTRO, which had impacted 2014 by 34.5 million euros, as against 3.1 million euros in 2015;
- a sharp increase in net fees thanks to the significant expansion of managed assets in UCITSs underlying the Valore Futuro policy;
- a decreased contribution of the result of trading (- 26 million euros), compared to the extraordinary amount achieved in 2014.

The contribution to total consolidated net revenues amounted to 17%.

8. Corporate social responsibility

8.1. Distribution of global added value

The following is a summary of the 2015 results in the various areas of the Banking Group's social responsibility. In particular, the profit and loss figures for the year have been restated according to the GAV (Global Added Value) method. GAV represents the wealth that the Group has generated and distributed to the various classes of stakeholders in its daily operations (for example, first and foremost, Financial Advisor networks and human resources). GAV is equal to the difference between total revenues and total costs of goods and services (so-called "consumption").

A significant role is played by shareholders, who expect a return from the financial means they have committed to the business, and by the State, i.e., the central and local administrative bodies as a whole, to which a significant part of the wealth that is produced is conferred in the form of direct and indirect taxes.
Great attention has also been paid to the needs of the community and the environment through charitable initiatives, as well as social and cultural works.
Lastly, there is the Group as a "business system" that must be able to rely on adequate resources to allocate to production investments and everyday operations. This is essential to guarantee the Group's economic growth and stability and, consequently, ensure the creation of new wealth for all stakeholders.
From a methodological standpoint, Value Added is obtained by reclassifying items of the profit and loss account of the Consolidated Financial Statements with the aim of highlighting the process involved in the formation of value added, in its various formulations, as well as its distribution.
The statements for the determination and distribution of Value Added were prepared based on the figures reported in the Consolidated Financial Statements for 2014-2015 and using the ABI guidelines as a reference.
The comparative figures for 2014 have been restated primarily to reclassify amongst staff expenses the net provisions for incentives and indemnities for the network of Financial Advisors, recoveries of expenses and indemnities charged to Financial Advisors and net provisions for staff expenses.

The distribution of Value Added

In 2015, the Banca Generali Group reported net revenues of 791.4 million euros, up by 95.8 million euros (+13.8%) compared to 2014, whereas consumption decreased by 11.3 million euros. The remarkable revenue increase was driven by the rise in the fee aggregate which offset the strong decline of interest income and, albeit to a lower extent, net income from trading activities.
The trend of consumption was instead mainly attributable to the decrease in general and administrative expense, as a result of the absence of non-recurring charges incurred in the previous year, the lower impact of provisions and adjustments, and the reduction in interest expense.
During the process of allocating Value Added, the new contributions paid to the Resolution and Deposit Protection Funds were classified according to the interpretation that views them as taxes.
Similarly, the net provisions for incentives and indemnities for the network of Financial Advisors, recoveries of expenses and indemnities charged to Financial Advisors and net provisions for staff were classified as staff expenses during the allocation process.

Therefore, gross GAV reached 661.5 million euros and was broken down as follows:

- Human Resources (employees and other workers): approximately 13.3% of the gross GAV generated, for a total of 87.9 million euros, inclusive of provisions for the restructuring plan of 10.2 million euros (13.1% in 2014);
- Financial Advisors: 42.1% of gross GAV, for a total of 278.8 million euros, inclusive of net provisions for incentives, recruitment plans and other contractual indemnities of 34.3 million euros (up from 41.8% in 2014);
- Shareholders: 21.0% of gross GAV, a slight increase from 20.3% in 2014, due to the rise in the dividend approved from 0.98 euros to 1.20 euros;
- State: approximately 10.5% of gross GAV, or 85.9 million euros, essentially in line with the previous year, due to the combined effect of the lesser estimated income tax burden and new contribution charges.

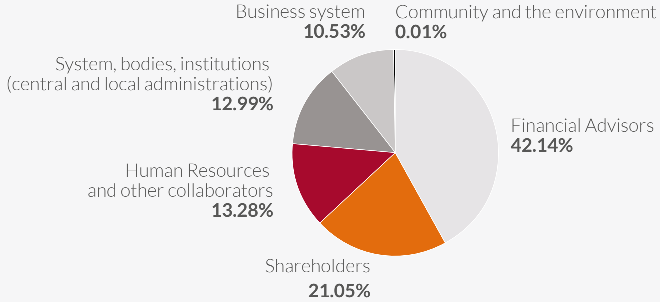
The business system retained, in the form of undistributed profits, depreciation and amortisation, an overall amount of 69.6 million euros, or 10.5% of GAV (9.3% in 2014). The amount is to be regarded as an investment that the other categories of stakeholders make each year in order to keep the company in efficient condition and foster its development.

Breakdown and distribution of Global Gross Added Value

ITEMS (€ THOUSAND)	2015	2014 RESTATED	CHANGE
A. Total net revenues	791,414	695,663	95,751
B. Total consumption	-129,915	-141,264	11,349
C. Net result from insurance operations	-	-	-
D. Gross core added value	661,499	554,399	107,100
E. Global gross added value	**661,493**	**557,432**	**104,061**
Divided among:			
1. Shareholders	**139,237**	**113,431**	**25,806**
Private shareholders (1)	139,237	113,431	25,806
Minority interests (+/-) for the year	-	-	-
2. Human resources	**366,623**	**305,959**	**60,664**
Employee expense; expense for indefinite - and fixed-term contracts	85,865	71,153	14,712
Financial Advisor expense, including net payments on account	278,751	233,137	45,614
Expense for other collaborators	2,007	1,669	338
3. System, entities, institutions (central and peripheral administrations)	**85,931**	**85,923**	**8**
Indirect and income taxation	42,538	41,639	899
Expense for contribution to Resolution and Deposit Guarantee funds	8,711	-	8,711
Income taxes for the year	34,682	44,284	-9,602
4. Community and the environment	**70**	**225**	**-155**
Charitable gifts	70	225	-155
5. Banca Generali Group	**69,632**	**51,894**	**17,738**
Change in reserves	64,322	47,474	16,848
Amortisation and depreciation	5,310	4,420	890
Global Gross Added Value	**661,493**	**557,432**	**104,061**

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

Breakdown of Total Added Value



Statement of determination of the Global Added Value

ITEMS (€ THOUSAND)		2015	2014 RESTATED	CHANGE
10.	Interest income and similar revenues	69,743	117,712	-47,969
40.	Fee income	651,960	484,619	167,341
70.	Dividends and similar income	3,120	2,570	550
80.	Net income (loss) from trading activities	4,489	4,584	-95
90.	Net profit from hedging	-	-	-
100.	Gain (loss) from sale or repurchase of:	21,301	47,786	-26,485
	a) receivables	1,700	3,120	-1,420
	b) AFS financial assets	19,601	44,666	-25,065
	c) HTM financial assets	-	-	-
	d) financial liabilities	-	-	-
110.	Net profit from financial assets and liabilities at fair value	-	-	-
220.	Other operating expenses/income (4)	40,841	38,392	2,449
240.	Gain (loss) of equity investments	-40	-	-40
	A. Total net revenues	**791,414**	**695,663**	**95,751**
20.	Interest expense and similar charges	-3,513	-10,707	7,194
50.	Fee expense (1)	-34,560	-29,257	-5,303
180.b	Other general and administrative expense (2)	-82,701	-86,594	3,893
130.	Net adjustments/reversals due to impairment of:	-6,471	-10,995	4,524
	a) receivables	-1,121	-7,530	6,409
	b) AFS financial assets	-2,845	-3,035	190
	c) HTM financial assets	-2,575	-286	-2,289
	d) other financial operations	70	-144	214
190.	Net provisions for liabilities and contingencies (3)	-2,670	-3,711	1,041
200.	Net adjustments/reversal of property and equipment (excluding amortisation and depreciation)	-	-	-
210.	Net adjustments/reversal of intangible assets (excluding amortisation and depreciation)	-	-	-
260.	Adjustments of goodwill	-	-	-
	B. Total consumption	**-129,915**	**-141,264**	**11,349**
	D. Gross core added value	**661,499**	**554,399**	**107,100**
250.	Net result of fair value measurement of tangible and intangible assets	-	1	-1
270.	Gains (losses) from disposal of investments	-6	-18	12
310.	Income (loss) of disposal groups, net of taxes	-	3,051	-3,051
	E. Global gross added value	**661,493**	**557,432**	**104,061**
	Amortisation and depreciation	-5,310	-4,420	-890
	F. Net global added value	**656,183**	**553,012**	**103,171**
180.a	Staff expenses (5)	-366,623	-305,959	-60,664
180.b	Other general and administrative expense: indirect taxation (6)	-42,538	-41,639	-899
180.b	Other general and administrative expense: charges for resolution and deposit protection funds (6)	-8,711	-	-8,711
180.b	Other general and administrative expense: charitable gifts (6)	-70	-225	155
	G. Pre-tax result	**238,241**	**205,189**	**33,052**
290.	Income taxes for the period on operating activities	-34,682	-44,284	9,602
330.	Minority interests (+/-) for the year	-	-	-
	H. Profit (loss) of the Parent Company for the year	**203,559**	**160,905**	**42,654**

(1) This figure differs from that included in the profit and loss account in the financial statements, as the compensation for the Financial Advisor network have been reclassified to “Staff expenses”.

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

(3) This figure differs from that included in the profit and loss account in the Financial Statements, due to the exclusion of net provisions for incentives and indemnities in favour of the Financial Advisor network and net provisions for personnel.

(4) This figure differs from that included in the profit and loss account in the Financial Statements, due to the exclusion of expenses recovered from Financial Advisors and staff contingencies (which have been stated in the related specific items).

(5) This figure differs from that included in the profit and loss account in the Financial Statements, as it includes remuneration paid to the Financial Advisor network and the relevant provisions.

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

8.2 Some social and environmental aspects

8.2.1 Employee policies

In employee relations, the social responsibility of the Banking Group is mainly reflected in its selection, remuneration, management and career development policies which ban all forms of discrimination. Diversity is seen as an opportunity for enrichment.
Banca Generali's workforce consists almost entirely (99%) of Italian personnel. In any event, employees of all nationalities are offered equal opportunities for professional and career growth, owing in part to policies that foster mobility within the Group. At Banca Generali Group companies, 98% of managers are local.
In general, the Banking Group complies with the provisions of constitutional laws, ordinary laws and regulations, as well as the collective and contractual provisions (at national and corporate level), and the regulations governing the employment relationship. All employees are provided with regular employment contracts and all forms of child, forced or compulsory labour is banned.
With regard to equal opportunities for the differently abled, national regulations safeguarding this category are respected and implemented.

Geographical distribution of employees

	2015	2014	CHANGE
Abruzzo	2	2	-
Calabria	2	2	-
Campania	12	11	9%
Emilia-Romagna	9	8	13%
Friuli-Venezia Giulia	324	321	1%
Lazio	22	25	-12%
Liguria	13	11	18%
Lombardy	384	365	5%
Piedmont	18	19	-5%
Puglia	4	4	-
Sicily	1	1	-
Tuscany	7	6	17%
Umbria	1	1	-
Veneto	14	15	-7%
Italy	**813**	**791**	**3%**
Luxembourg	**24**	**26**	**-8%**

From a geographical standpoint, the number of resources in Italy rose by 22 in Italy, whereas in Luxembourg it decreased by two.
With regard to the distribution in Italy, it should be noted that the situation remained essentially in line with the previous year, i.e., an essentially stable situation in all regions except for Lombardy, where the central coordination structures for the commercial area and the structures supporting business are located. In the reporting period, the number of people employed in these structures increased.

The Group strives to valorise people, recognising the contribution that each and all can give to the organisation. The Code of Ethics of the Banca Generali Group confirms its attention and commitment towards collaborators, considered the strategic capital on which the Group bases its success, respect for human dignity, freedom and equality, and equal opportunity in the workplace and on career paths, without any kind of discrimination due to nationality, gender, race or ethnic origin, religion, political convictions, age, sexual orientation, disabilities or health conditions.
Talent and professional development policies are designed in synergy with the line managers, with a constant focus on the new strategic goals and the drive for excellent performance, with the aim of nurturing and supporting staff on their career path within the company. It is with this in mind that 2015 saw the onset of the second year of the development project “Innovating during change: A new look to the future”. This scheme involved 19 employees, clerical staff and executives, belonging to the so-called “Y Generation” in a professional development path extending right through the year.

This initiative aimed at young people with potential ran alongside managerial support initiatives initiated back in 2014 as paths dedicated to middle management "Managing and developing employees in a motivating environment" and "Managerial Development Workshops".

A number of initiatives were also organised to support managerial skills and develop coordinated resources dedicated to Top Managers and Managers of the Banca Generali banking Group.

In addition, again to support personal development, numerous individual business cracking courses were initiated for executives and managers. This methodology proved to be effective and was highly rated, the courses being provided alongside the Senior Training schemes, run in collaboration with the Università Cattolica in Milan, the Libera Università Carlo Cattaneo (LIUC) in Castellanza and the Fondazione ISTUD, dedicated to employees, executives and managers.

When specific professional expertise, whether already trained or to be trained, is not available in-house, the Banca Generali banking Group, closely following the guidelines and methods implemented in the Generali Group, selects employees with potential to join its team through a structured appraisal process that ensures transparency both for candidates and Line Managers and impartiality when selecting profiles with greatest future potential.

In Banca Generali Group surveys are periodically conducted to assess the general working climate and other forms of dialogue with employees, as well as other activities that involve the bank's employees and which are aimed at building a corporate culture and identity. The banking Group's employees, along with the Generali Group's employees, benefit from dedicated information channels, such as the Country Italia portal (released in 2015, it is an upgrade of the previous HR portal), Bollettino.com and the new newsletters (Prima Pagina), which gather and circulate information about events, projects and organisational notes.
The first worldwide Global Survey was launched in 2015 on the matter of workplace climate. The response was overall very positive for Banca Generali. Work-life balance was one of the areas for improvement highlighted. The Bank took immediate action on this front in October 2015, identifying and implementing special improvement actions that have already been applied in practical terms early on in 2016 in the main Milan and Trieste offices. These form part of a "people care" scheme that includes initiatives such as special agreements with nurseries and other "time-saving" services (example: company dry-cleaning/laundry service, free parking for pregnant women, in-house lunch areas).

These new initiatives are in addition to the flexibility mechanisms already provided for several years to support the balance between work commitments and personal and family needs:
> flexible start and end of working hours for all company activities, with the exception of front-end activities dedicated to direct, daily contact with customers;
> authorisation of part-time work, within medium-to-large departments, following the birth or adoption of children;
> additional paid leave for doctor's visits and diagnostic examinations that objectively cannot take place outside the individual's working hours.

8.2.2 Policies in support of families and young people

Banca Generali offering for families and young people

Over time, Banca Generali has developed solutions targeted to families aimed at protecting investments and preserving family welfare.
With specific regard to savings products dedicated to children and projects for their future, we realised and marketed a number of products such as:
> the policy **BG 18 anni**, which allows a savings plan to be used to create capital intended for a child's future, from support for educational costs to the certainty of being able to contribute to the first big expenditures. The product is highly flexible and includes interesting features:
  - the Scholarship option (paid out when the contract expires) which allows the capital to be disbursed in instalments in order to finance university studies or to be redeemed to be put towards purchasing a first car or home or launching a career;
  - 5% Loyalty Bonus paid out when the contract expires;
  - additional payments accepted from persons other than the policyholder, such as grandparents, aunts and uncles;
  - additional payments supplemented by the Company in case of unexpected and adverse event affecting the policyholder;
  - an innovative simulation that parents can use, in a simple, intuitive process, to formulate

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

With regard to our products targeted to households, several products were developed, designed to meet the need for welfare and protection of investments.
With a view to protecting household's wealth and caring for loved ones, particular mention should be made of **BG Stile Libero**, the multi-line policy that allows up to a maximum of 30% to be invested in an Assicurazioni Generali Group's segregated account with a guaranteed capital sum even in the event of early redemption. The policy offers an integrated system of insurance covers such as death cover according to age, accident cover and increased cover in the event of capital losses, allowing policyholders to protect their investments and guarantee peace of mind to their families. 2015 saw the launch of the new **"TCMX2"** cover which offers the subscriber the option to double the capital loss cap on the amount invested in funds up to 350,000 euro.

In addition to BG Stile Libero, the range of insurance products developed to satisfy this need for protection also includes:
- a temporary life insurance policy, **BG Tutela** which, in case of the insured's death, guarantees the payment of capital to the designated beneficiaries with an annual minimum premium of 50 euros;
- the **insurance Casa** by Genertel which provides insurance coverage for the home and family activities in case of injury caused to third parties, damage to the building and its contents.

As part of our banking services dedicated to improving households' welfare, in the year we continued offering current accounts with ad hoc conditions intended for family associations whose members include people with disabilities (e.g., the non-profit organization La Goccia, ANNFASS, L'anatroccolo) or associations supporting scientific research on rare diseases (e.g. AISM - Italian Multiple Sclerosis Association) as well as offering mortgages and loans of major third party financial institutions to promote and protect the residential real estate investments of our customers.
Moreover, in order to meet families' increasing mobility and the need to always be reachable, the Bank makes available two Apps for iOS and Android systems through which people can view their overall accounts and perform transactions from their smartphones.
In 2015 Banca Generali continued with its security focus:
- an insurance policy protecting against theft arising from ATM use was introduced, in collaboration with Europ Assistance;
- in the digital area, the Security Card was permanently replaced by the Secure Call service as a strong authentication medium that can be used to confirm online transactions via a free call from a personal smartphone. The Secure Code was also introduced, a new simple and fast confirmation tool that uses a password device set by the customer, for transactions not involving the withdrawal of cash from the customer's accounts.

8.2.3 Environmental policies

As stated in the Group's Policy for the Environment and Climate, safeguarding the environment as a primary good is one of the values pursued by the Generali Group, which is committed to directing its decisions in such a way as to ensure compatibility between economic initiatives and environmental concerns.
The Banca Generali Group, which is part of the Generali Group, is well aware that the conduct of its business in settings that vary enormously on a social, environmental and cultural level entails a commitment to pursue a common goal of sustainable economic development with regard to the direct repercussions of its operations, as well as its areas of influence.
The Banca Generali Group is committed to a project aimed at introducing an Environmental Management System (EMS) in order to manage the most significant environmental issues

and implement the Group's Policy for the Environment and Climate, in compliance with the requirements of the ISO 14001 standard and the guidelines indicated by the Generali Group.
As part of the project to implement the System, the Group's Policy for the Environment and Climate defined the objectives and undertakings that guide the Group's choices and actions in order to make a positive contribution to sustainable development. The objectives that have been identified refer not only to the direct environmental impacts attributable to the Group's insurance and financial operations, but also indirect impacts connected with the procurement, planning and distribution of insurance and financial products, as well as corporate investment activities. In order to identify the significant impacts of the Company's activity on the environment, an environmental analysis was conducted for the main offices at Via Ugo Bassi 6 in Milan and Corso Cavour 5/a in Trieste.
The facilities in question host 644 employees, accounting for 77% of the Banca Generali Group's workforce.
In order to implement and energise the objectives contained in the Group's Environmental and Climate Policy, the Banca Generali Group has also adopted the Group's environmental improvement objectives and targets which envisage a 20% reduction in GHG emissions by 2020. The Banca Generali Group's initial values, to which the fixed targets refer, are those recorded at 31 December 2013.

Per-capita consumption of electric power

	31.12.2015	31.12.2014	CHANGE
KWh	2,670.25	2,951.66	-9.53%
Share of renewable energy (%)	100	100	

In 2015 total electricity consumption amounted to 1,719.64 GWh, down on the previous year (-7.52%). The positive result in consumption terms is also reflected in per capita consumption which fell to 2,670.25 kWh per person compared to the figure recorded in 2014 which amounted to 2,951.66 kWh (-9.53%).
Electrical power is chiefly used for air-conditioning and heating, lighting and the operation of machines.

Per-capita gas consumption

	31.12.2015	31.12.2014	CHANGE
M^3	302.06	271.16	11.40%

As far as thermal energy consumption is concerned, in 2015 194,528 cubic metres of natural gas were consumed at the sites monitored in the Environmental Management System, a 13.87% rise in consumption compared to 2014. However, due to the increase in the numbers of staff present in the sites covered by the EMS, the rise in per capita gas consumption compared to the previous year was lower (+11.40%).
The rise was recorded entirely at the Trieste site where climate conditions had a significant impact. In fact 2015 average temperatures recorded in the winter months of January and February were more than 2.2° lower than in 2014 and average temperatures recorded in the summer months of July and August were 3.7° higher.

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

Total paper consumption

	31.12.2015	31.12.2014	CHANGE
Quintals	328.03	400.74	-18.14%

We can report that paper consumption, compared to the previous year, fell significantly (18.14%), whilst the use of green-compatible paper remained stable at 91% of total paper consumption (white and printed).
In 2015, 328 quintals of paper were consumed, including both blank and pre-printed paper, i.e., paper purchased from suppliers of Group print documents and publications (contracts, advertising material, annual reports, etc.).

Per-capita water consumption

	31.12.2015	31.12.2014	CHANGE
M^3	19.93	19.04	4.66%

In 2015, total water consumption was 12,836 cubic metres, up by 838 cubic meters (+6.98%) compared to the previous year.
The per-capita consumption increase was instead less marked (+4.66%) owing to the increased number of resources who occupy the buildings within the EMS.

Waste

	2015	2014	CHANGE
Total sorted waste	148.6	347.3	-57.20%
Total unsorted waste	124.4	81.5	52.64%

In 2015, we produced 273 quintals of waste, of which 148.6 quintals (54%) was collected separately and 124.4 quintals (46%) to be disposed of through incineration or landfill disposal.
The sharp year on year changes in the two waste collection methods are due to extraordinary disposal operations. In 2014 Facility Management disposed of 171 quintals of toner cartridges and in 2015 124 quintals of miscellaneous waste was disposed of in landfill.

Differentiated waste disposal refers to paper and cardboard, plastic and aluminium, electronics and toner, glass and wet waste. The bulk of this waste consists of paper and cardboard (76% of separated waste), followed by plastic and aluminium, representing 16%.
Spent toner cartridges and hazardous waste (neon tubes, batteries, etc.) are collected and disposed of separately as appropriate, in accordance with applicable legislation, by specialised firms, while keeping the compulsory registers and documentation.

Greenhouse-gas emissions

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

In 2015 overall GHG emissions amounted to 1,786.2 tonnes of carbon dioxide equivalents (CO_2e) obtained using special updated coefficients to convert all Kyoto Protocol gases, electricity, natural gas and water consumption, as well as converting nitrous oxide (N_2O) and methane (CH_4) quantities using suitable updated coefficients. Electrical power consumption accounted for 49% of such emissions, while 31% was due to thermal power and 17% to company mobility.

Compared to the previous year, emissions of carbon-dioxide equivalents (CO_2e) decreased slightly by -1.87%, totalling 33.4 tonnes. This reduction is due primarily to the containment of electricity consumption at the Trieste site and the fall in toner disposal which had seen an extraordinary waste disposal backlog in 2014.

However, compared to the target year (31 December 2013) total GHG emissions fell by 192.9 tonnes of carbon dioxide equivalents equal to -10.80%.

9. Comments on the Parent Company's operations

Considering the Banca Generali Group's operating structure, the report on consolidated figures better meets the needs of valid representation of earnings and financial position performance than an analysis of the Bank's aggregates alone. Accordingly, these comments complete the consolidated information to which primary reference should be made.

9.1 Profit and Loss results

Banca Generali closed 2015 with net profit of 184.3 million euros, increasing compared to 167.5 million euros reported at the end of the previous year, chiefly due to the contribution of dividends for 177.4 million euros distributed both in advance and at the end of the year by the Luxembourg subsidiary BG Fund Management Luxembourg SA.

			CHANGE	
(€ THOUSAND)	2015	2014	AMOUNT	%
Interest income	69,736	117,700	-47,964	-40.8%
Interest expense	- 3,514	-10,770	7,256	-67.4%
Net interest income	**66,222**	**106,930**	**-40,708**	**-38.1%**
Fee income	399,742	329,751	69,991	21.2%
Fee expense	- 255,188	-208,130	-47,058	22.6%
Net fees	**144,554**	**121,621**	**22,933**	**18.9%**
Dividends	3,120	2,570	550	21.4%
Net income from trading activities	25,787	52,370	-26,583	-50.8%
Net operating income	**239,683**	**283,491**	**-43,808**	**-15.5%**
Staff expenses	-74,869	-68,964	-5,905	8.6%
Other general and administrative expense	-130,349	-124,858	-5,491	4.4%
Net adjustments of property, equipment and intangible assets	-5,260	-4,372	-888	20.3%
Other operating expenses/income	43,971	38,634	5,337	13.8%
Net operating expenses	**-166,507**	**-159,560**	**-6,947**	**4.4%**
Operating result	**73,176**	**123,931**	**-50,755**	**-41.0%**
Net adjustments for non-performing loans	-1,121	-7,530	6,409	-85.1%
Net adjustments of other assets	-5,350	-3,465	-1,885	54.4%
Net provisions	-45,453	-39,921	-5,532	13.9%
Dividends and income from equity investments	177,360	122,596	54,764	44.7%
Gains (losses) from the disposal of equity investments	-6	-18	12	-66.7%
Operating profit before taxation	**198,606**	**195,593**	**3,013**	**1.5%**
Income taxes	-14,314	-31,185	16,871	-54.1%
Profit (loss) from non-current assets, net of taxes	-	3,051	-3,051	-100.0%
Net profit	**184,292**	**167,459**	**16,833**	**10.1%**

Net operating income, excluding dividends from the banking Group's equity investments, amounted to 239.7 million euros, with an decrease of 43.8 million euros (-15.5%) compared to the previous year, due to several factors:

> the decline in net interest income (-40.7 million euros), affected both by the dramatic decline in returns offered by the Italian government bond market and the deleveraging resulting from the end of the LTROs;
> the excellent net result of trading activities and dividends (28.8 million euros), achieved also thanks to the equity and bond market rallies triggered by the ECB's quantitative easing;
> the sharp increase in **management fees** by 68.5 million euros (+23.0%) — in line with the significant rise in average AuM compared to 2014 — which continued to increase the fee margin.

Net interest income was **66.2 million euros**, down by 40.7 million euros compared to the figure reported in 2014 (-38.1%), due to the constant decline in the profitability of loans arising on the ongoing downtrend in interest rates, and the decline of assets, in line with expectations, associated with the repayment of maturing LTROs.

Net fees amounted to 144.6 million euros, up 22.9 million euros (+18.9%) compared to the previous year thanks to the marked increase in the placement and distribution of third-party services for +69.1 million euros.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Asset management	28,776	29,385	-609	-2.1%
Placement of securities and UCITSs	176,876	154,325	22,551	14.6%
Distribution of third-party financial products	160,666	114,087	46,579	40.8%
Trading, receipt of orders, and custody of securities and currencies	20,255	22,348	-2,093	-9.4%
Consultancy	4,658	1,619	3,039	187.7%
Collection and payment services	3,370	3,481	-111	-3.2%
Other banking services	5,141	4,506	635	14.1%
Total fee income	**399,742**	**329,751**	**69,991**	**21.2%**
External offer	246,638	198,094	48,544	24.5%
Collection and payment services	2,043	2,580	-537	-20.8%
Trading and securities custody	6,151	7,183	-1,032	-14.4%
Asset management	-	-	-	-
Other banking services	356	273	83	30.4%
Total fee expense	**255,188**	**208,130**	**47,058**	**22.6%**
Net fees	**144,554**	**121,621**	**22,933**	**18.9%**

Fee income from the **solicitation of investment and asset management** of households amounted to 366.3 million euros, with a growth of 68.5 million euros compared to the previous year, driven by both the increase in placement and distribution of Genertellife insurance products (+44.8 million euros), driven by the success of the multi-line policy BG Stile Libero, and the placement of UCITS (+26.7%), supported by both the good progress of the Sicavs promoted by the banking Group (+21.4%) and the placement of third-party UCITS (+18.6%).

Individual asset management (-2.1%), while benefiting from the contribution provided by the former Credit Suisse accounts, decreased as a result of the process of revising the product line in view of the launch of new multi-line management accounts in 2016.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
1. Individual asset management	28,776	29,385	-609	-2.1%
Portfolio management	**28,776**	**29,385**	**-609**	**-2.1%**
1. Placement of Banking Group's UCITS units	122,450	100,906	21,544	21.4%
2. Placement of UCITS units	50,866	42,895	7,971	18.6%
3. Bond placement	3,560	10,524	-6,964	-66.2%
4. Distribution of portfolio management services	3,169	2,772	397	14.3%
5. Distribution of insurance products	157,171	111,136	46,035	41.4%
6. Distribution of other third-party financial services	326	179	147	82.1%
Placement and distribution of third-party products	**337,542**	**268,412**	**69,130**	**25.8%**
Total	**366,318**	**297,797**	**68,521**	**23.0%**

Other net fees from banking services offered to customers include trading, order collection and custody and administration fees, in addition to fees charged to customers for account-keeping expenses and other services. The aggregate amounted to 24.9 million euros, increasing compared to 2014 (+13.5%).
However, within this segment the growth of fee income on order collection and, symmetrically, of trading fee expense, appears mostly linked to activities on some foreign markets character-

ised by costs associated with the new forms of taxation (Italian and French FTT, stamp duty tax and other similar forms of taxation).
The performance of this segment is thus related to the growth of advisory fees from operations with former CSI customers and the activities carried out with the Generali Group regarding underlying assets of the policies Valore Futuro.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Dealing in securities and currencies	14,300	15,090	-790	-5.2%
Order collection	5,468	6,806	-1,338	-19.7%
Securities under custody	487	452	35	7.7%
Collection and payment services	3,370	3,481	-111	-3.2%
Fee income and account-keeping expenses	2,577	2,845	-268	-9.4%
Consultancy	4,658	1,619	3,039	187.7%
Fees for other banking services	2,564	1,661	903	54.4%
Total traditional banking operations	**33,424**	**31,954**	**1,470**	**4.6%**
Fees for securities trading and custody	-4,902	-5,950	1,048	-17.6%
Securities under custody	-1,249	-1,233	-16	1.3%
Collection and payment services	-2,043	-2,580	537	-20.8%
Fees for other banking services	-356	-273	-83	30.4%
Total fee expense	**-8,550**	**-10,036**	**1,486**	**-14.8%**
Net fees	**24,874**	**21,918**	**2,956**	**13.5%**

Net income from trading activities and dividends amounted to 28.9 million euros, mostly attributable to the realised gains accrued on the medium/long-term bond portfolio allocated to the AFS assets portfolio (14.6 million euros), and, to a lesser extent, corporate and bank securities, partly from the Loans portfolio (7.0 million euros).
Realised losses on the other hand refer to the sale of the 15% stake in the subsidiary Simgenia S.p.A., in view of its merger into Alleanza S.p.A. (0.2 million euros), and the disposal of the non-performing exposure in Investimenti Marittimi S.p.A. (1.7 million euros).
The overall result of trading activities was positive (4.6 million euros) mainly due to currency trading. There were also FTSE MIB index transactions.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Dividends from trading activities	88	126	-38	-30.2%
Trading of financial assets and equity derivatives	840	-136	976	-717.6%
Trading of financial assets and derivatives on debt securities and interest rates	170	987	-817	-82.8%
Trading of UCITS units	222	251	-29	-11.6%
Securities transactions	**1,320**	**1,228**	**92**	**7.5%**
Currency and currency derivative transactions	**3,254**	**3,482**	**-228**	**-6.5%**
Net income (loss) from trading activities	**4,574**	**4,710**	**-136**	**-2.9%**
Net profit from hedging	-	-	-	-
Dividends from AFS assets	3,032	2,444	588	24.1%
Gains and losses on equity securities and UCITSs	1,444	60	1,384	2306.7%
Gains and losses on AFS and HTM debt securities and loans	19,857	47,726	-27,869	-58.4%
Net income (loss) from trading activities and dividends	**28,907**	**54,940**	**-26,033**	**-47.4%**

Net **operating expenses** amounted to 166.5 million euros, thus showing a more moderate increase (+4.4%). The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to 38.7% compared to 38.2% at the end of 2014, thus confirming the positive operating leverage effect, which saw the cost performance outpaced by the revenue performance.

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
Staff expenses	-74,869	-68,964	-5,905	8.6%
Other general and administrative expense (net of duty recovery, stamps)	-90,116	-87,144	-2,972	3.4%
Net adjustments of property, equipment and intangible assets	-5,260	-4,372	-888	20.3%
Other income and charges (net of duty recovery, stamps)	3,738	920	2,818	306.3%
Operating expenses	**-166,507**	**-159,560**	**-6,947**	**4.4%**
Duty recovery from customers	40,233	37,714	2,519	6.7%

Staff expenses for employees, interim staff and directors amounted to 74.9 million euros, up by 5.9 million euros (+8.6%) compared to the previous year, due both to the increase in staff and the recurrent and variable components of remunerations.

Bank employees reached 796 persons at year-end, an increase of 19 compared to the same period of the previous year (+2.4%).

	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
Managers	41	43	-2	-4.7%
3rd and 4th level executives	127	121	6	5.0%
1st and 2nd level executives	98	91	7	7.7%
Other employees	530	522	8	1.5%
Total	**796**	**777**	**19**	**2.4%**

Other **general and administrative expense** net of recoveries of taxes for which customers are liable, amounted to 90.1 million euros, an increase of 3.0 million euros (+3.4%), compared to the previous year.
By contrast, compare to 2014 the aggregate trend — even considering the non-recurring expenses incurred in the previous year in relation to the acquisition of the Credit Suisse unit — was essentially due of the obligations to contribute to the new resolution and deposit protection funds provided for in European directives (8.7 million euros), which this year also included also the extraordinary contributions levied on the bank at year-end for the resolution of four regional banks that were experiencing serious crisis.

Provisions and net adjustments amounted to 51.9 million euros, a limited increase of 1.0 million euros compared to 2014 due to the lower level of adjustments of non-performing exposures, offset by greater collective adjustments on the financial asset portfolio and higher net provisions.
The latter increased essentially due to the adjustment of contractual indemnities measured according to actuarial methods, as a result of the changed market conditions and in relation to the launch of a plan promoted in the context of a company restructuring programme.

Current and deferred **taxes for the year** are estimated at 14.3 million euros, down compared to 31.2 million euros compared to the previous year.
The Bank's overall tax rate thus decreased from 15.9% estimated at the end of 2014 to 7.2%, mainly due to the greater weight of dividends from equity investments (+54.7 million euros), with were 95% excluded from taxes for IRES purposes and 50% excluded for IRAP. A further, significant contribution was also given by the reduction of the IRAP charge, due to the greater deductibility of labour costs under the 2015 Stability Act.

INCOME COMPONENTS/VALUES	2015	2014	CHANGE AMOUNT	CHANGE %
Current taxation	-16,613	-37,291	20,678	-55.5%
Current taxes for prior years	990	1,433	-443	-30.9%
Deferred tax receivables and payables	1,309	4,673	-3,364	-72.0%
Taxes for the year	**-14,314**	**-31,185**	**16,871**	**-54.1%**

9.2 Balance sheet and net equity aggregates

At the end of 2015, total assets amounted to 6.0 billion euros, essentially in line with total assets at the end of 2014 (- 1.2%).

Total net inflows amounted to 5.2 billion euros (-3.2%) at year-end, reflecting the sharp reduction in interbank inflows (- 67.9%) following the total repayment (800 million euros) of LTROs maturing in February 2015, partly offset by the increase in inflows from retail customers (+12.2%).

The volume of core loans, totalling 5.6 billion euros at the end of the year (-2.3%), showed an essentially symmetrical performance characterised by the reduction in the HTM portfolio due to the reimbursement of government bonds tied to the ECB loans, partly offset by the growth in the interbank market short-term exposures and longer-term exposures of the AFS portfolio, as well as loans to customers.

ASSETS (€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
HFT financial assets	28,004	32,444	-4,440	-13.7%
AFS financial assets	2,939,207	2,235,403	703,804	31.5%
HTM financial assets	423,585	1,403,122	-979,537	-69.8%
Loans to banks (*)	374,776	344,080	30,696	8.9%
Loans to customers	1,871,577	1,756,611	114,966	6.5%
Equity investments	16,224	14,024	2,200	15.7%
Property, equipment and intangible assets	88,718	89,417	-699	-0.8%
Tax receivables	61,679	40,473	21,206	52.4%
Other assets	222,482	181,613	40,869	22.5%
Total assets	**6,026,252**	**6,097,187**	**-70,935**	**-1.2%**

(*) Demand deposits with ECB included.

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
Due to banks	333,941	1,038,869	-704,928	-67.9%
Due to customers	4,883,329	4,352,877	530,452	12.2%
Financial liabilities held for trading and hedging	463	2,655	-2,192	-82.6%
Tax payables	12,857	18,767	-5,910	-31.5%
Other liabilities	153,689	143,227	10,462	7.3%
Special purpose provisions	118,390	98,415	19,975	20.3%
Valuation reserves	22,500	18,054	4,446	24.6%
Reserves	153,190	95,653	57,537	60.2%
Additional paid-in capital	50,063	45,575	4,488	9.8%
Share capital	116,093	115,677	416	0.4%
Treasury shares (-)	-2,555	-41	-2,514	6131.7%
Net profit (loss) for the year	184,292	167,459	16,833	10.1%
Total Net Equity and Liabilities	**6,026,252**	**6,097,187**	**-70,935**	**-1.2%**

Direct inflows from customers amounted to 4,883.3 million euros, with an increase of 530.4 million euros compared to 31 December 2014, due both to the significant growth of net inflows from retail customers, which largely offset the reduction of Generali Group's operations.

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
Current accounts	4,706,918	4,163,043	543,875	13.1%
Repurchase agreements	-	-	-	-
Term deposits	-	-	-	-
Subordinated loan	43,282	51,312	-8,030	-15.6%
Other debts	133,129	138,522	-5,393	-3.9%
Total due to customers (Item 20)	**4,883,329**	**4,352,877**	**530,452**	**12.2%**

Captive inflows from the Banking Group's subsidiaries, the Parent Company Assicurazioni Generali, and the Italian and foreign subsidiaries of such Group declined by 372.4 million euros overall to 963.2 million euros at the end of the year (19.7% of total net inflows).
Net inflows from customers outside the insurance group showed an increase in current account balances of about 809 million euros, mostly attributable to retail customers.

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
Inflows from subsidiaries	51,167	72,347	-21,180	-29.3%
Net inflows from Parent Company	100,394	276,313	-175,919	-63.7%
Net inflows from other subsidiary companies	811,664	986,913	-175,249	-17.8%
Total net inflows from Generali Group	963,225	1,335,573	-372,348	-27.9%
Net inflows from other parties	3,920,104	3,017,304	902,800	29.9%
Total net inflows from customers	**4,883,329**	**4,352,877**	**530,452**	**12.2%**

Core loans totalled 5.6 billion euros, decreasing by 134.5 million euros compared to the balance sheet situation at 31 December 2014 (-2.3%).

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
HFT financial assets	**28,004**	**32,444**	**-4,440**	**-13.7%**
AFS financial assets	**2,939,207**	**2,235,403**	**703,804**	**31.5%**
HTM financial assets	**423,585**	**1,403,122**	**-979,537**	**-69.8%**
Loans to banks	**374,776**	**344,080**	**30,696**	**8.9%**
Financing	257,699	195,887	61,812	31.6%
Debt securities	116,493	148,103	-31,610	-21.3%
Operating loans	584	90	494	548.9%
Loans to customers	**1,871,577**	**1,756,611**	**114,966**	**6.5%**
Financing	1,718,938	1,636,573	82,365	5.0%
Debt securities	49,075	35,345	13,730	38.8%
Operating loans and other loans	103,564	84,693	18,871	22.3%
Total core loans	**5,637,149**	**5,771,660**	**-134,511**	**-2.3%**

In this context, the share of assets invested in financial assets declined by 298.1 million euros (-7.8%), primarily owing to the flow of redemptions of government securities allocated to the HTM portfolio and connected to the maturing LTROs.
This outflow was partly offset, also thanks to the contribution of higher net inflows from customers, by the recovery of medium/long-term investments allocated to the AFS portfolio, which totalled a positive net balance of 703.8 million euros at year-end.
Finally, treasury short-term loans on the interbank market (+61.8 million euros) and loans to customers (+82.4 million euros) grew significantly.

Loans to customers amounted to 1,718.9 million euros, a net rise compared to year-end 2014, mainly thanks to the mortgage segment (+12.7%), which saw an increase of new loans totalling 184 million euros.

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
Financing	**1,718,938**	**1,636,573**	**82,365**	**5.0%**
Current accounts	928,894	931,341	-2,447	-0.3%
Personal loans	781,665	693,619	88,046	12.7%
Other loans	8,379	11,613	-3,234	-27.8%
Debt securities	49,075	35,345	13,730	38.8%
Other transactions:	**103,564**	**84,693**	**18,871**	**22.3%**
Operating loans to product companies	62,319	49,803	12,516	25.1%
Sums advanced to Financial Advisors	36,294	30,545	5,749	18.8%
Stock exchange Interest-bearing daily margin	3,383	2,092	1,291	61.7%
Changes to be debited and other loans	1,568	2,253	-685	-30.4%
Total loans to customers	**1,871,577**	**1,756,611**	**114,966**	**6.5%**

Net non-performing loans amounted to 34.2 million euros (1.8% of total loans to customers). Non-performing loans consist mainly of positions originating in the portfolio of Banca del Gottardo Italia, fully covered by the indemnity guarantee granted by BSI upon the sale of the foregoing company and chiefly secured to that end by cash collateral payments by the counterparty. Net of that portfolio, the weight of non-performing exposures declined to 0.33%.

(€ THOUSAND)	GROSS EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE 2015	NET EXPOSURE 2014	CHANGE AMOUNT	CHANGE %	INDEMNITY	RESIDUAL UNSECURED
Bad loans	41,826	-16,128	25,698	15,733	9,965	63.3%	23,003	2,695
of which financing	38,179	-13,450	24,729	14,942	9,787	65.5%	23,003	1,726
of which debt securities	-	-	-	-	-	-	-	-
of which operating loans	3,647	-2,678	969	791	178	22.5%	-	969
Unlikely to pay	5,307	-203	5,104	19,307	-14,203	-73.6%	5,069	35
Past-due exposures - over 90 days	3,759	-388	3,371	6,198	-2,827	-45.6%	-	3,371
Total non-performing loans	**50,892**	**-16,719**	**34,173**	**41,238**	**-7,065**	**-17.1%**	**28,072**	**6,101**
Non-performing loans	1,839,804	-2,400	1,837,404	1,715,373				
Total loans to customers	**1,890,696**	**-19,119**	**1,871,577**	**1,756,611**				

The **interbank position**, net of the securities portfolio and operating loans, showed a net loss balance of -75.9 million euros at the end of 2015, compared to the net loss balance of -843 million euros at the end of the previous year. The 767.1 million euros reduction in net position:

> the full repayment of the LTRO received in 2012 by the ECB and matured in February 2015 (811.7 million euros), only partly offset by the expansion of repurchase agreements (+103 million euros);

> the net increase in short-term interbank loans, in current accounts and deposits at the Central Bank, of 62.2 million euros, net.

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
1. Repayable on demand	**118,486**	**149,913**	**-31,427**	**-21.0%**
Demand deposit with ECB	-	68,000	-68,000	-100.0%
Demand deposits	-	-	-	-
Transfer accounts	118,486	81,913	36,573	44.6%
2. Time deposits	**139,602**	**45,974**	**93,628**	**203.7%**
Deposits with central banks	139,213	45,891	93,322	203.4%
Term deposits	83	83	-	-
Collateral margins	306	-	306	-
Total due to banks	**258,088**	**195,887**	**62,201**	**31.8%**
1. Due to Central Banks	**-**	**811,645**	**-811,645**	**-100.0%**
2. Due to banks	**333,941**	**227,224**	**106,717**	**47.0%**
Transfer accounts	1,392	5,408	-4,016	-74.3%
Term deposits	5,261	6,792	-1,531	-22.5%
Financing	303,927	200,834	103,093	51.3%
Repurchase agreements	303,927	200,734	103,193	51.4%
Collateral margins	-	100	-100	-100.0%
Other debts	23,361	14,190	9,171	64.6%
Total due to banks	**333,941**	**1,038,869**	**-704,928**	**-67.9%**
Net interbank position	**-75,853**	**-842,982**	**767,129**	**-91.0%**
3. Debt securities	**116,493**	**148,103**	**-31,610**	**-21.3%**
4. Other operating receivables	**195**	**90**	**105**	**116.7%**
Total interbank position	**40,835**	**-694,789**	**735,624**	**-105.9%**

9.3 Regulatory capital and aggregates

At 31 December 2015, net equity, including the net profit for the year, amounted to 523.6 million euros compared to the 442.4 million euros at the end of the previous year and underwent the following changes:

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
1. Share capital	116,093	115,677	416	0.4%
2. Additional paid-in capital	50,063	45,575	4,488	9.8%
3. Reserves	153,190	95,653	57,537	60.2%
4. (Treasury shares)	-2,555	-41	-2,514	6131.7%
5. Valuation reserves	22,500	18,054	4,446	24.6%
6. Equity instruments	-	-	-	-
7. Net profit (loss) for the year	184,292	167,459	16,833	10.1%
Total net equity	**523,583**	**442,377**	**81,206**	**18.4%**

(€ THOUSAND)	
Net equity at year-start	**442,377**
Dividend paid	-113,431
Buy back of own shares	-2,514
Previous stock option plans: issue of new shares	4,384
New stock option plans	1,717
AG stock granting plans	2,312
Change in valuation reserves	4,446
Net profit (loss) for the year	184,292
Net equity at period-end	**523,583**
Change	**81,206**

The increase in net equity was influenced by the distribution of the 2014 dividend amounting to approximately 113.4 million euros, convened upon by the General Shareholders' Meeting held on 23 April 2015 to approve the financial statements, and the effects generated by previous and new stock option plans, the performance of fair value reserves for the portfolio of AFS financial assets and other reserves which contribute to the comprehensive income.

Own funds, calculated in accordance with the new Basel 3 transitional rules (phase in), amounted to 318.9 million euros, up by 53.2 million euros compared to the end of the previous year, chiefly owing to the portion of retained earnings.

At year-end, the aggregate capital for regulatory purposes recorded 134.5 million euros in excess of the amount required to cover credit, market, and operating risks. CET1 ratio reached 11.9%, compared to a minimum regulatory requirement of 7%, and total capital ratio reached 13.8%, compared to a minimum requirement of 10.6% indicated by the supervisory authority following the SREP.

The reduction of capital requirements compared to the previous year (-7.2 million euros) was primarily due to the decrease in operational risk (-11.4 million euros) as a result of the change of the parameter used to calculate such risk, in accordance with the fourth update to Bank of Italy Circular Letter No. 286/2013 of 31 March 2015.
Following the release of the Circular Letter, the capital requirement in question is now determined according to the Basic Indicator Approach (BIA), replacing net banking income with the relevant economic indicator provided for in Article 316 of the CRR, which no longer includes the important aggregate referring to dividends from equity investments.
That effect was partially offset by the increase in the requirement for credit risk (+5.2 million euros) due to the significant increase in the volume of loans to customers.

Own funds, calculated in accordance with the full implementation of the regulation, which will become fully applicable as of 1 January 2019, were 341.0 million euros, with expected Total Capital Ratio at 14.8%.

	31.12.2015		31.12.2014	CHANGE	
(€ THOUSAND)	FULL APPL.	PHASE IN		AMOUNT	%
Common equity Tier 1 (CET 1)	298,029	275,233	217,463	57,770	26.6%
Additional Tier 1 capital (AT1)	-	-	-	-	-
Tier 2 capital (T2)	43,000	43,698	48,301	-4,603	-9.5%
Own funds	**341,029**	**318,931**	**265,764**	**53,167**	**20.0%**
B.1 Credit risk	142,727	142,727	137,548	5,179	3.8%
B.2 Market risk	2,505	2,505	3,555	-1,050	-29.5%
B.3 Operating risk	39,222	39,222	50,577	-11,355	-22.5%
Absorbed capital	**184,455**	**184,455**	**191,680**	**-7,225**	**-3.8%**
Excess over absorbed capital	156,574	134,476	74,084	60,392	81.5%
Risk-weighted assets	2,305,685	2,305,685	2,396,000	-90,315	-3.8%
Tier 1 capital /Risk-weighted assets (Tier 1 capital ratio)	12.9%	11.9%	9.1%	2.9%	31.5%
Regulatory capital/Risk-weighted assets (Total capital ratio)	**14.8%**	**13.8%**	**11.1%**	**2.7%**	**24.7%**

It should be recalled that Banca Generali exercised the option to neutralise the capital gains and losses deriving from fair-value measurement of AFS financial assets belonging to the Euro Area government bond segment for the purposes of measuring Own funds, as allowed under Bank of Italy Order of 18 May 2010.
This option was renewed also by the new prudential supervisory system of the Basel 3 framework, effective 1 January 2014, as allowed by the Bank of Italy, until the entry into force of the international accounting standard IFRS 9 in 2018.

9.4 Cash flows

At the end of 2015, a total of 1,626 million euros had been used in operating activities, primarily owing to:

> the reduction of the interbank position (-793 million euros), mainly attributable to the early repayment of a portion of the LTRO maturing in February 2015 (811 million euros);
> the increase of disbursement for loans to customers (-84.6 million euros, net of securities portfolio) and investments in financial assets (-723.2 million euros);
> operating activities (-24.6 million euros).

These financial flows were only partly offset by net inflows from customers (+693.3 million euros).

Operations imbalance for a total of 1,092 million euros was financed through the cash reimbursements of government bonds included in the HTM portfolio (967 million euros, net) and dividends from the subsidiary BG Fund Management (177.3 million euros).
Therefore, those flows allowed the full funding of financing activity, which used 113.4 million euros in resources in connection with the dividends paid, but also benefited from the capital contributions resulting from the exercise of stock option plans, net of the buy-back of treasury shares (+1.9 million euros).

(€ THOUSAND)	31.12.2015	31.12.2014
Cash flows generated by operations:	**-24,655**	**98,955**
Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities	-710,072	-394,120
Cash flows generated by (+) used for (-) loans to banks	-100,168	33,679
Cash flows generated by (+) used for (-) loans to customers	-97,780	-194,252
Cash flows generated by (+) used for (-) amounts due to banks	-693,275	-1,193,269
Cash flows generated by (+) used for (-) amounts due to customers	528,432	541,370
Cash flows generated by (+) used for (-) other operating assets and liabilities	5,078	-11,879
Liquidity generated by/used for operating activities	**-1,092,440**	**-1,119,516**
Liquidity generated by/used for investing activities	**1,137,440**	**1,292,372**
Liquidity generated by/used for financing activities	**-111,561**	**-102,017**
Net cash liquidity generated/used	**-66,561**	**70,839**
Cash and deposits	**13,888**	**80,449**

9.5 Purchase of treasury shares and Parent Company shares

Treasury shares

At 31 December 2015, the share capital of the parent company Banca Generali consisted of 97,177 treasury shares for total carrying amount of 2,555 thousand euros.
During the year, treasury shares showed the following movements:

	NO. OF SHARES	AVERAGE PRICE
Amount at period-start	**10,071**	**4.09**
Purchases	88,213	28.55
Disposals	-	-
Allotment	-1,107	4.10
Final amount	**97,177**	**26.29**

By resolution dated 3 June 2015, the Bank of Italy authorised the transaction, and also ordered its deduction from the Banca Generali's own funds effective the same date.

The buy-back of treasury shares was fully made until the end of December 2015, at a mean price of 26.2 euros based on the resolution of the General Shareholders' Meeting of 23 April 2015, and the authorisation given by the Bank of Italy, by Order dated 3 June 2015.
In detail, the General Shareholders' Meeting resolved to repurchase a maximum number of 88,213 treasury shares within an 18-month period, to be granted to Key Management Personnel and main network managers as variable remuneration, based on the new Remuneration Policy. Within the scope of the same authorisation, 1,107 own shares were also granted that were taken from a concluded stock option plan.
In connection with this item, a reserve for the purchase of treasury shares was created in accordance with Article 2357-ter of the Italian Civil Code.

Parent Company shares

At 31 December 2015, Banca Generali held the following shares in the Parent Company, Assicurazioni Generali:

- 45,955 shares classified among AFS financial assets, originally acquired in the service of two stock-option plans for the Chief Executive Officer for 2004 and 2005. The carrying amount, equal to the fair value of the shares, is 782 thousand euros, whereas the acquisition cost was 1,230 thousand euros;
- 15,899 shares classified as held for trading, purchased by the merged Banca BSI Italia under the authorisation granted at the time by the General Shareholders' Meeting of the merged company Banca BSI Italia, in the capacity of fund charged with the repurchase of non-negotiable fractions of Assicurazioni Generali shares deriving from bonus share issues. The shares are carried at fair value in the amount of 270 thousand euros, gross of reversals for 8 thousand euros recognised during the year.

Pursuant to Article 2359-bis of the Italian Civil Code, a restricted provision was allocated in the amount of 1,052 thousand euros in relation to the ownership of Parent Company shares.

9.6 Other information

Privacy obligations

As already highlighted in 2014, despite the repeal of Article 34, paragraph 1, of Legislative Decree No. 196/2003, in March 2014 the Company prepared its Data Security Plan. In fact, it was considered that this document represents a security measure providing protection against the risks of the destruction or loss of data, unauthorised access or improper processing, pursuant to Article 31 of Legislative Decree No. 196/2003.

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

10. Performance of Subsidiary Companies

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

BG Fund Management Luxembourg S.A. (hereinafter BGFML) is a company under Luxembourg law specialising in the administration and management of the three Sicavs promoted by the Banking group (BG Sicav, BG Selection Sicav, BG Dragon China Sicav).
On 1 July 2014, the company finalised a reorganisation process, whereby the fund and Sicav management business line of the Generali Group's insurance companies, acquired in 2009 through the merger of Generali Investments Luxembourg S.A. (former GIL unit), was demerged in favour of a newly set-up company.
As a result of the de-merger, the company is fully controlled by Banca Generali and has changed its company name from Generali Fund Management S.A. (GFM) to BG Fund Management Luxembourg S.A. (BGFML).
The de-merger entailed the distribution of net equity attributable to class-B shares at 1 January 2014 (6.0 million euros) to the minority shareholder Generali Investments Holding S.p.A..

BGFML ended 2015 with net profit of 194.7 million euros, up by 80.0 million euros compared to 2014, due both to the growth in net recurring fees arising from the Sicavs promoted and managed by the banking Group (+18.6 million euros) and the uptrend in performance fees (+70.3 million euros). Net banking income thus amounted to 219.7 million euros, sharply up from the 130.9 million euros reported for 2014. Total operating expenses amounted to 5.6 million euros (4.0 million euros of which consisted of staff expenses) with a marked increase compared to the previous year (+48.6%), attributable to the reduction in expenses recovered in connection with the business support activity following the de-merger of GIL.
The Company’s net equity amounted to 106.4 million euros, net of a dividend pay-out of 177.4 million euros, as payment in advance for the 2015 result and total payment for 2014.
Overall, assets under management at 31 December 2015 amounted to 11,849 million euros, compared to 8,861 million euros at 31 December 2014 (+2,988 million euros).

10.2 Performance of BG Fiduciaria SIM

BG Fiduciaria, a company specialised in individual portfolio management in the form of securities and funds, primarily through trusts, ended 2015 with net profit at 1.9 million euros and net equity of 15.6 million euros.
Net banking income amounted to 5.3 million euros, whereas operating expenses were 2.4 million euros, including 1.4 million euros for staff expenses.
Total assets under management amounted to 747 million euros, compared to 817 million euros at 31 December 2014.

10.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended financial year 2015 with 0.05 million euros in net profit, while net equity amounted to about 0.9 million euros.
Net banking income amounted to 1.1 million euros, whereas operating expenses were 1.0 million euros. Assets under management amounted to 1,045 million euros (961 million euros at the end of 2014).

10.4 Public disclosure by country of operation

In accordance with the provisions set forth in Circular Letter No. 285 issued by the Bank of Italy on 17 December 2013 (Part I, Title III, Chapter 2), information to be disclosed by the Banking Group by country in which it has an establishment, pursuant to Article 89 of Directive 2013/36/EU dated 26 June 2013, is available on the corporate website of Banca Generali: http://www.bancagenerali.com/site/en/home/corporate-governance/corporate-governance-system.html.

11. Related party transactions

11.1 Procedural aspects

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

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

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

The aforementioned Procedure was most recently revised in accordance with the provisions set forth in Article 150 of TUF and those introduced by the Bank of Italy on 2 July 2013 with the 15th amendment of Circular No. 263 of 27 December 2006 called "New Regulations for the Prudential Supervision of Banks" on Transactions of Greater Importance, which have now been transposed in Circular Letter No. 285 of 17 December 2013 "Supervisory Provisions for Banks".

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

The new Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance, in force as from 1 July 2014, is intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on Transactions of Greater Importance with Related Parties and Connected Parties governing the related investigation activities and approval, reporting and disclosure powers.

The main regulations introduced by the provisions of the Bank of Italy and included in the Procedure are the following:

> expanded scope of the parties involved, i.e., Connected Parties (Related Parties and Connected Entities), and change in the characteristics of some of the identified parties compared to Consob Regulation;
> the introduction of prudential limits in respect of the Capital for Regulatory Purposes and the assumption of risks with Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with entities qualifying as non-financial related parties;
> the introduction of specific guidelines relating to organisational arrangements and internal controls intended to identify corporate bodies' responsibilities and corporate functions tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time;
> the changed definition of:
   1. **Non-ordinary transactions**, as the Bank of Italy considers as "non-ordinary" all transactions that exceed the Greater Importance threshold, even if concluded at market or standard conditions;

2. **Low Value transactions**, as the Bank of Italy sets specific thresholds for these transactions, in order to ensure uniform application in the banking sector. To this end, it has established that Low Value transactions cannot exceed **250,000 euros** for banks with capital for regulatory purposes of less than 500 million euros and the lower of 1,000,000 euros and 0.05% of capital for regulatory purposes, in the other cases. In respect of these transactions, the exemption only applies to provisions relating to approval procedures;
3. **Highly Significant transactions**, as the Bank of Italy identifies these transactions on the basis of two parameters — relevance of the consideration and relevance of the assets — making no mention of the liabilities parameter as provided by Consob Regulation;
4. **Transactions of Greater Importance**, i.e., transactions within the scope of the applicable provisions laid down in Circular Letter No. 285/2013 and the provisions of Article 150 of the TUF. These are transactions the specific characteristic of which is an impact from the standpoint of financial performance and financial position, as well as transactions that, while entirely normal, either exceed 2.5% of Own Funds or have a material impact on the companies and group, inasmuch as they represent departures from specific contractual conditions and standards.

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

Transactions of Greater Importance shall be approved by the Board of Directors, as set forth in Article 18 of the Articles of Association.
It is also envisaged that the Risk Management function expresses a prior opinion of the consistency of the transaction with the RAF (**Risk Appetite Framework**) and the compatibility of risk policies.
If the Risk Management function expresses a negative opinion, the Board of Directors may approve the proposed transaction, while providing an adequate, express indication of the rationale for the approval of the transaction despite the negative opinion rendered.

This Procedure also envisages that authorisation must be obtained from the Company in any event for any and all Highly Significant Transactions with Related Parties or Connected Parties to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Italian Civil Code.

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

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

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

11.2 Disclosure on related party transactions

Unusual, atypical or extraordinary transactions

There were no atypical and/or unusual transactions to be reported in 2015. Nor were such transactions undertaken with parties other than related parties such as intragroup entities or third parties.
Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, "atypical and unusual transactions" are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

Highly significant transactions

In 2015, the Group did not carry out any transaction that qualified as "highly significant".

Highly significant intragroup transactions

With respect to Highly Significant Intragroup Transactions — which, pursuant to the Procedure on Related Party Transactions, are exempt from the escalated decision-making process and the obligation to publish a market disclosure document, unless there are significant interests in the subsidiary by other related parties — in the reporting year no transaction was made.

Other significant transactions

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

> on 10 March 2015, the Board of Directors, after obtaining a favourable opinion from the Internal Audit and Risk Committee, sold its 15% interest in Simgenia SIM S.p.A. to Alleanza Assicurazioni S.p.A. (which previously held a 40% interest in Simgenia). On 30 July 2014, Simgenia had sent Consob an application for the cancellation of authorisation to provide investment services and the removal of Simgenia from the register. The aim of the sale of the equity investment by Banca Generali was to begin the process of merging Simgenia into Alleanza Assicurazioni S.p.A., permitting the merger to be completed in simplified form, with the goal of streamlining the Generali Group's holding structure;
> on 23 April 2015, the Board of Directors, after obtaining an appraisal of market rent from Jones Lang LaSalle and a favourable opinion from the Internal Audit and Risk Committee, entered into a lease agreement with Generali Properties. The lease, at certified market prices, concerns the property located at Via Bassi 6 in Milan, which is home to the Bank's offices, and was updated in conjunction with the expansion of the premises occupied to include the top two floors of the building;
> during its session of 24 June 2015, the Board of Directors, after obtaining an independent professional opinion from KPMG Advisory S.p.A. and a favourable opinion from the Internal Audit and Risk Committee, transferred to Redoze Holding N.V., a subsidiary of Assicurazioni Generali S.p.A., all rights and obligations under the credit risk participation agreement concerning the loan granted by Banca Carige S.p.A. to Investimenti Marittimi S.p.A. The loan to Investimenti Marittimi S.p.A. was classified amongst non-performing loans and was sold for 2,820,000 euros. The contract was finalised and concluded with the sale of the loan on 23 September 2015;
> on 28 July 2015, the Board of Directors, in light of the reduction of the annual premium granted by the insurer, renewed the BBB (Banker's Blanket Bond) insurance policy from Assicurazioni Generali S.p.A. that has always been carried. As in previous years, the firm AON S.p.A. – Insurance & Reinsurance Brokers was engaged to verify the best policy offers on the Italian and international insurance market, considering the conditions and costs of such insurance cover. In the comparison of the offers received by primary insurance companies, AON S.p.A. certified that the offer received from Generali Italia S.p.A. was found to be the best in terms of costs/benefits, as well as the improvements made;
> during its session of 7 October 2015, the Board of Directors, after obtaining a favourable opinion from the Internal Audit and Risk Committee, granted Assicurazioni Generali S.p.A. a guarantee of 2,260,000 euros securing the timely performance of the joint sponsorship obligations with Allianz S.p.A. for the Tre Torri stop of Line 5 of the Milan Underground Railway. The guarantee was granted at market conditions;
> on 15 December 2015, the Board of Directors, after obtaining a favourable opinion from the Internal Audit and Risk Committee, resolved on the installation in the bank's working envi-

ronment of a new technology known as “Breathe” supplied by Anemotech S.r.l. (over which an independent director exercises significant influence due to a minority interest), consisting of a system of solar panels covered by patented fabric that reduces major pollutants and bacteria present in indoor environments. The conditions applied to Banca Generali are the standard conditions applied by the supplier to its customers, considering the particular phase of launch of marketing of the product.

Ordinary or recurring transactions

Transactions of an ordinary or recurring nature carried out in 2015 with related parties fall within the Group's ordinary course of business and are usually carried out on an arm's length basis and in any case based on mutual economic advantage, in compliance with the internal procedures mentioned above.

As regards these transactions, there were no changes in the situation of related party transactions, which might have a material effect on the financial situation and the results of the company and the banking group compared to 2014.

The developments of ordinary transactions with related parties are presented in the specific section of the Notes and Comments – Part H of the separate and consolidated financial statements for the year ended 31 December 2015, along with other information on related party transactions.

12. Banca Generali stock performance

In the first few months of 2015, equity market performance was the mirror opposite of early 2016, with double-digit gains driven by the expansionary policies of central banks. This period was followed by a gradual slowdown that then turned into a sharp correction in August and September, motivated by concerns of a slowing Chinese economy and falling prices on commodities markets, particularly in the case of oil. The fourth quarter of 2015 saw financial markets mount a partial recovery, which was nonetheless sufficient to drive most equity markets into positive territory at the annual level.
Within this scenario, the Italian exchange outperformed the major European and international markets. The FTSE MIB rose by 12.7% during the year, its fourth consecutive year of growth.

Performance of the main stock indices

(% change, y/y)

	2011	2012	2013	2014	2015
Banca Generali	**-20.6%**	**79.3%**	**74.4%**	**2.4%**	**26.6%**
FTSE MIB	-25.2%	7.8%	16.6%	0.2%	12.7%
FTSE Italia Mid Cap	-26.6%	-0.4%	48.8%	-3.9%	38.2%
FTSE Italia Banks (All Shr)	-45.1%	-0.02%	33.1%	6.8%	14.8%
DJ EuroStoxx 600	-11.3%	14.4%	17.4%	4.4%	7.8%
DJ EuroStoxx 600 Banks	-37.6%	12.0%	25.9%	-4.9%	-4.2%
MSCI World	-4.7%	11.2%	18.8%	17.3%	8.5%
S&P 500 (USA)	3.1%	11.4%	24.0%	26.9%	10.5%
DAX 50 (Germany)	-14.7%	29.1%	25.5%	2.7%	9.6%
CAC 40 (France)	-17.0%	15.2%	18.0%	-0.5%	10.2%
CSI 300 (China)	-19.1%	6.7%	-9.0%	68.5%	15.9%
IBOV (Brazil)	-25.3%	-4.1%	-29.9%	-1.8%	-35.3%

Note: Changes in euro.

Banca Generali share performance in 2015 was very positive: shares rose from 23.05 euros at the beginning of the year to an all-time high of 33.36 euros in May, to then fall in keeping with market trends during the summer. The stock closed the year at 29.18 euros a share, up 27% during the period, outperforming the FTSE MIB (+12.6%) and FTSE Italia All-Share Banks (+14.8%), the index for the Italian banking industry.

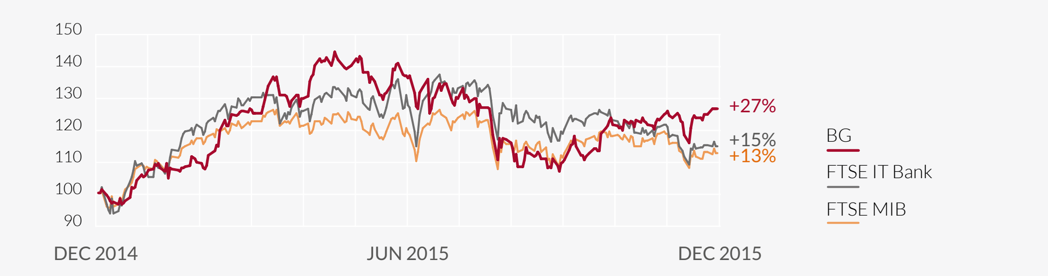
Market prices of Banca Generali shares - Summary

	2011	2012	2013	2014	2015
Maximum	11.560	13.000	22.510	25.110	33,360
Minimum	6.265	6.540	12.920	18.580	22,230
Average	8.798	9.640	16.940	21.810	28,110
Year-end	**7.200**	**12.910**	**22.510**	**23.050**	**29,180**
Capitalisation (€ million)	**804**	**1,458**	**2,586**	**2,668**	**3,388**

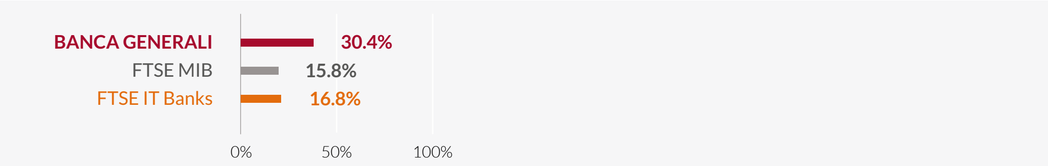
Banca Generali shares have been listed on Borsa Italiana since 15 November 2006. Specifically, the stock is included in the FTSE Italia All-Share and FTSE Italia Mid Cap indices.

If the dividends distributed (total return ratio) are also considered, in addition to share price performance, the total return on Banca Generali shares rises to 30.4% for the period, compared to 15.3% for the FTSE MIB index and +16.8% for the FTSE Italia All-Share Banks (source: Bloomberg).

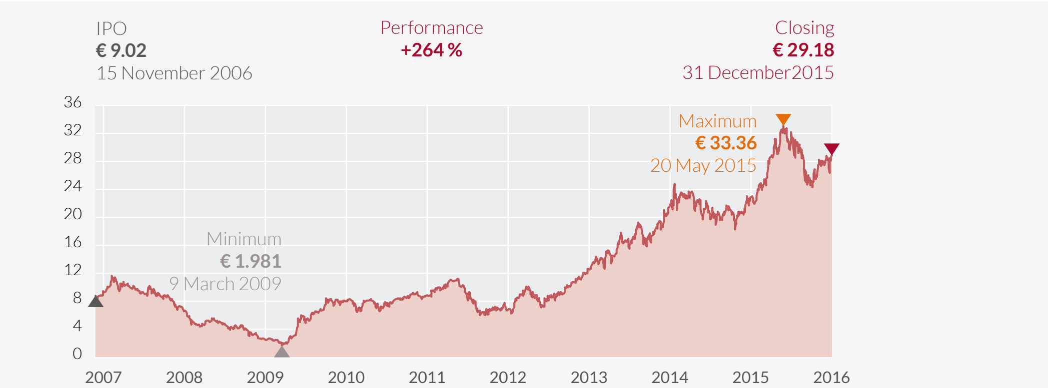
Performance vs. indexes



Total Return Rate (TRR)



Moreover, since the date of its IPO, 15 November 2006, Banca Generali shares have increased in value by a total of 264%, marking a compound annual average growth rate of 15.4%.



Bloomberg, data from 15.11.2006 to 31.12.2015

At year-end 2015, outstanding shares amounted to 115,995,422, of which 50.5% held by the Generali Group.

Share capitale approved at 31.12.2015

	2011	2012	2013	2014	2015
Number of shares	111,693,843	112,937,722	114,895,247	115,746,023	116,092,599
Outstanding shares at year-end*	111,663,772	112,927,651	114,885,176	115,735,952	115,995,422
Treasury shares	30,071	10,071	10,071	10,071	97,177

* net of Treasury shares

12.1 Investor relations

In 2015 the financial community continued to show strong interest in Banca Generali and the Italian asset management industry in general. In response, the bank's top management and Investor Relations service prepared a packed schedule of meetings with shareholders, institutional investors and financial analysts in Italy and abroad (260 meetings during the year). In particular, the bank participated actively in industry conferences organised by leading Italian and international brokers. As in 2014, the number of investors who visited Banca Generali's offices and the number of conference calls with investors continued to increase.
Coverage of the stock by sell-side analysts was especially lively and active. At the end of 2015, positive recommendations (buy/outperform) accounted for 45% of the total and neutral ones (hold/neutral) accounted for 55% (no negative recommendations). At 15 February 2016, influenced by the financial market correction, positive recommendations had increased to 73% of the total, with the remaining ones neutral.

13. Products and marketing

13.1 Development of the product line

In an improving macroeconomic scenario without a consistent direction, marketing activity focused on constant enhancement of the level of service offered to the customer, as well as on the launch of sophisticated new investment solutions.
Containment of stock and bond market volatility, recovery of the real economy and the search for returns on specific market segments through the use of innovative approaches were the factors that steered new developments in the asset management line. In this connection, new specialised bond funds were launched: Liquid Alternatives, aimed at containing volatility, and the Multi-Asset funds, which use innovative thematic strategies. The Real Asset family of funds was also expanded.
There were also important developments in insurance products, with BG Stile Libero offering an expansion of the ETF line's eligible investments, and in banking products, involving the launch of an account designed for entrepreneurs, craftsmen, merchants and professionals and an account devoted to affluent customers, offered a range of advantages aimed at encouraging the use of the account and services in support of customer retention.
Finally, in the digital arena, Banca Generali invested in the development and implementation of the Personal Advisor Page, a showcase for the sales network that serves as a tool for developing and managing the business, and confirmed its commitment to IT security with Secure Call designated as the only means of strong authentication that may be used to confirm online transactions, in addition to the launch of the Secure Code service, which provides users a simple and fast way to authorise transactions that do not involve the transfer of funds out of the customer's holdings.

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

BG Selection Sicav

In 2015, the offerings of BG Selection Sicav, the innovative fund-of-fund platform of BG Fund Management Luxembourg that for more than seven years has represented Banca Generali's flagship asset management product, were further enriched.
Major developments in 2015 included:

- the expansion of the line to include the new Real Asset sub-fund and two new flexible sub-funds, both characterised by the use of innovative approaches:
  - the search for protection from possible interest rate increases was the main reason for expanding the Real Asset family to include a new sub-fund managed by Kairos. Compared to the four previous sub-funds (Blackrock "Multi-Asset Inflation Focused", Morgan Stanley "Real Asset Portfolio Fund", Morningstar "Global Real Asset" and Invesco "Real Asset Return"), Kairos "Real Return" is characterised by a portfolio with a strong focus on real returns (in particular, commodities and real estate) and inflation dynamics (protection from inflation and equity inflation mark-up);
  - the search for returns, in a scenario characterised by decreasing and, in some cases, negative rates, through thematic and innovative approaches, was among the reasons for introducing two new Multi-Asset sub-funds: JP Morgan "Global Multi Asset Income" seeks out returns by investing in all income strategies according to a global approach, whereas Pimco "Smart Investing Flexible Allocation" is an innovative response to the search for returns according to smart beta approaches that allow for flexible portfolio management and quick adaptation to market trends;
- optimisation of the Multi-Asset line in the emerging area with the merger of the Deutsche and Columbia Threadneedle sub-funds into UBS "Top Emerging Markets";
- the change of the managers of the two sub-funds managed by Edmond de Rothschild and AllianceBernstein, entrusted to Generali Investments Europe and Columbia Threadneedle.

At 31 December 2015, BG Selection Sicav had 45 sub-funds, of which 12 managed by BG Fund Management Luxembourg and 33 under mandate entrusted to leading international investment houses.

BG Sicav

Also in 2015 BG Sicav continued to be the platform for developing securities-based management products, in harmony with the main offering trends, and in a manner complementary to the fund-of-funds range of BG Selection Sicav.

The use of innovative strategies was confirmed by the creation of the new Liquid Alt family, which is characterised by the presence of sub-funds that use hedge-derived strategies in liquid format:

- traditional and concentrated or on a single asset class, as in the case of Amundi "Absolute Forex", or transversal to multiple asset classes, as in the case of Eurizon "Multi Asset Optimal Diversified Approach" and Vontobel "Pure Stategy";
- sophisticated, as in the case of Controlfida "Global Macro", a strategy implemented solely through the use of options.

In the bond segment, the new launches sought to respond to the difficulties of achieving returns through a twofold approach:

- focusing on a single segment of the market with the sub-fund BGFML "Global Supranational", which invests solely in supranational securities and makes tactical use of the currency component;
- use of an innovative approach that flexibly exploits all of the opportunities provided by capital structure, with the sub-fund JP Morgan "Capital Structure Opportunity", which invests according to the stages of the business cycle.

Near the end of the year, the bond line was also optimised by merging the Gam sub-fund into in UBS "Global Income Alpha".

At 31 December 2015, BG Sicav had 29 sub-funds, of which 8 managed by BG Fund Management Luxembourg and 21 under mandate entrusted to leading international investment firms.

Moreover, the multi-manager platform was further developed. In 2015, placement was started for three asset managers: Oddo (funds under French law), Eurizon EasyFund (1 Sicav), Controlfida (1 Sicav). On the whole, Banca Generali offers a total of 1,800 products available to its Customers and Distribution networks.

Asset management

In January 2015, the new GPM Real Estate Top Portfolio was launched.

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

In light of the upcoming development of the asset management line, with the launch of the new Multi-line solution, and of the current scenario characterised by residual volumes and absence of inflows into "GPF" asset-management schemes, in 2015 Banca Generali rationalised its asset management offerings by placing several product families (GPM Target with protection of capital at maturity, GPF PB Solution, GPF Astra, GPF BG Obiettivo, GPM Exclusive Linea Value and Defensive) in post-sales.

Following this change, since 1 April 2015 Banca Generali has continued to offer a complete portfolio consisting of 16 management lines (one GPF and 15 GPM) that cover all investment strategies, with a strong emphasis on personalisation, a requirement typical of high-net-worth customers, the preferred target for this product.

Insurance products

In 2015 BG Stile Libero, the innovative financial investment solution with high value-added services, continued to be expanded.

The innovation was characterised by the launch of new products, coverage and services.
More specifically:

- in January 2015, BG Stile Libero Special, the bonus version of BG Stile Libero which offers customers an additional 5% upon subscription on the portion invested in UCITSs was permanently included in the range;

- in April 2015:
  - the new “TCMX2” cover offering the subscriber the opportunity to double the capital loss cap up to 350,000 euros;
  - the new “SDD” accumulation service was introduced; this is an automatic payment scheme that offers great flexibility for the subscriber as regards the amount and frequency of payments;
- moreover, the range of investments was expanded throughout 2015:
  - the segregated account Rialto$ was introduced, in order to diversify the LOB I component and guarantee the exclusive advantage of seizing the opportunities offered by the Euro/Dollar exchange rate;
  - the ETF line was introduced;
  - the number of Sicav sub-funds was increased.

LOB I products were revamped through a limited campaign near the end of the year involving BG Valore Auris, the traditional LOB I policy that invests in the Nuovo Auris segregated account, offering access to attractive gross returns of over 4.5%.

Banking products

In 2015 the bank continued to pursue growth and constant improvement, focusing on the restyling of its products and services and the security of its processes.

Developments relating to current accounts included:
- “BG Deluxe”, the account dedicated to affluent customers, offered the “Smart Box” service package at no charge with the aim of encouraging the use of the account and services that ensure customer retention, such as the payment of salary or direct debiting of utilities;
- “BG Business”, the account dedicated to entrepreneurs, artisans, merchants and professionals, which offers specific services and functions for companies (e.g., corporate cards) and characteristics that vary according to the assets invested with Banca Generali (choice between the Style and Plus lines), launched in the second quarter of the year.

In 2015, Banca Generali also restyled the accounts “BG Privilege” and “BG Top Premier”, reserved for the bank’s best customers, by making the accounts more attractive than in the past and also extending the “Smart Box” service package to them.
Near the end of the year, the “BG World” account, available to non-resident customers, was replaced by “BG World Deluxe”. In addition to the usual functions, the account offers home banking, an ATM card, credit card and the main services available for BG’s other accounts.

Turning to payment instruments, two important measures were taken with the aim of increasing the usability and security of ATM cards, respectively:
- an increase in the daily and monthly limits on cash withdrawals applicable at the ATMs of Banca Generali and the Intesa Sanpaolo Group;
- launch of the insurance policy in partnership with Europ Assistance, providing cover for theft involving the use of ATM cards.

In November the bank began to distribute investment certificates, financial instruments that allow for investment in underlying assets such as equities and indices, without having to compromise on partial capital protection.

As every year, important IPOs were handled for companies that included Poste Italiane, Banca Sistema, Sorgente Res, Domus Italia, Inwit S.p.A. and Aeroporto di Bologna.

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

With reference to mortgages, the referral agreement with the Intesa Intesa Sanpaolo Group, including the related promotions for customers was confirmed.

Finally, the bank’s customers were provided access to the Voluntary Disclosure procedure (Law 186 of 15/12/14) aimed at the regularisation of financial assets and wealth held abroad and in Italy.

13.2 The New Service Model: BG Personal Advisory, the financial advisory service

In 2015, Banca Generali's efforts were focussed on the consolidation phase of the New Service Model (hereinafter BG Personal Advisory), which led to the completion of the new advisory platform and the subsequent gradual release to the Network.

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

The strengthening of the new business approach will be supported by the development and ongoing evolution of all factors of success available to Financial Advisors to permit them to best meet the customer's needs:
> Corporate training and culture
> Internal and external communications
> Tools and products
> Services and partnerships with professionals.

As for 2014, the development and dissemination of the new BG Personal Advisory service took place through a twofold designing path:
> a **vertical "APP"** approach to each individual area of the new model, with the aim of establishing a culture and providing operating tools and services expeditiously;
> the creation of the **advisory platform, fully integrated** with the Banca Generali's IT systems and within all functional modules.

In further detail, with respect to the above-mentioned "APP" approach, the following activities were launched and strengthened in 2015:

> in the **Financial Assets** area:
  – the new **app "Mercati"** was created and released to the entire network. This app allows financial advisors access to an overview of financial markets with prices, performances, analyses and news. In particular, the new app may be used to monitor and compare the performances of securities on major global financial markets, exchange indices, currencies, raw materials and major market indicators (such as spreads or official discount rates). In addition, users may consult the in-depth information, comments and views on financial markets of Banca Generali's Financial Advisory and the other partners of excellence;
  – the partnership with **Tosetti Value SIM** continued through a referral agreement, with the aim of offering the possibility of mapping and analysing a customer's entire body of financial assets, while benefiting from independent advice from one of the main Family Office in Italy;

> in the **Real Estate** area:
  – collaboration continues with **Analysis**, which, through the "Real Estate" tool, allows financial advisors to extend their analysis and monitoring of customers' wealth to the property component, providing coverage of information about investors' real estate, while also allowing changes in such assets over time to be monitored;
  – the operating model and partners were identified for the Real Estate Advisory services, aimed at providing Banca Generali's Customers with solutions to their specialised advisory needs in the real- estate field. In detail, in 2015 the bank started to collaborate with

Deloitte and **Yard** to cover advisory services (such as strategic asset management, asset review or appraisals), as well as **Gabetti** for purely agency services;

> in the **Family area**, the partnership with Studio Legale Chiomenti was forged ahead, with the aim of offering Customers specialised advice on legal, tax and succession issues from a highly qualified operator;

> lastly, in the **Lombard lending** area, a partnership with **Price Waterhouse Coopers** continued with the goal of offering Banca Generali's Customers specialised corporate finance services, mainly on succession and extraordinary finance issues.

Along with the "APP" vertical approach, in 2015 the new BG Personal Advisory platform was gradually opened to all Financial Advisors. This platform represents a highly innovative solution for the market and is aimed to:

> implement an approach which ensures end-to-end business opportunities, while guaranteeing a full integration of all functional modules included in the advisory model;
> develop a commercial process based on the Banca Generali's own language;
> simplify the investment and customer communications processes through a full integration with all Banca Generali's IT systems, both in the first phase (information/position) and the final steps (orders), in addition to provide detailed reports.

In particular, the functional modules of the **advisory platform** currently released to the network are:

> the **Financial** module: this module may be used to analyse and monitor the Customer's financial assets in terms of composition (for example, asset allocation, currency allocation or asset managers), risk and diversification and to prepare dedicated diagnosis reports. The module also allows the formulation of commercial offers suited to the customer's risk profile and specific needs, in a manner that is completely integrated into the bank's product catalogue and capable of fully supporting the advisor during the planning phase;
> the **Family Protection** module: this module may be used to analyse the Customer's total wealth (financial and non-financial) in view of generational transfer in order to identify any critical factors in terms of the allocation and distribution of assets or the usability of the real-estate portfolio; the module also allows the simulation of changes to the current holdings in order to determine the effects of such changes;
> the **Real Estate** module: this module may be used to analyse the customer's real-estate holdings in terms of composition, risk (change in commercial value over time and degree of liquidity) and cost/revenue.

The new advisory platform was released gradually in 2015, supported by an extensive training plan in which training concerning strictly operational matters relating to use of the platform is accompanied by training concerning concepts of theory and legal and regulatory issues.

At the end of 2015, all financial advisors had access to the Financial module and approximately 70% of the network to the Family Protection and Real Estate modules (the training plan will be completed in early 2016).
In 2016 development will also continue on both the new advisory platform (in order to further expand the features available to the network, with a particular focus on the Financial module) and vertical apps on specific themes.

13.3 Technological infrastructure and digital marketing

Financial Advisor Front End

Banca Generali is continuing to implement the plan for the gradual release of integrated Contract Management (GIC) functions for the electronic completion of contracts and operations.

Recent developments for Financial Advisors included:
1. first subscriptions for third companies: in 2015 integrated contract management features were gradually extended to transactions involving the Julius Baer, Franklin Templeton, Eurizon, Invesco, J.P. Morgan, Pictet, Blackrock, Morgan Stanley Anima and Vontobel Sicavs;
2. "BG Stile Libero" post-sales: integrated contract management (GIC) options completed to include additional contribution, surrender and service modification features;
3. integration of first subscriptions for "BG Stile Libero" with the investment solutions proposed by the Financial Advisors of Banca Generali and partner firms;
4. Customer Chequebooks requests;
5. SEPA transfer requests for customers.

The Secure Biometric Signature service provides Banca Generali's customers with access to a cutting-edge, innovative solution that makes transactions even simpler, faster and more secure. With Secure Biometric Signature, contracts and transactions may be signed digitally, directly via a tablet, thus ensuring the authenticity of the accountholder's signature and eliminating the need to print out and send signed contracts, saving time while operating in a fully secure manner.

In 2015, the transactions managed by the Secure Biometric Signature service were expanded (subscription and post- sales forms for the policy BG Stile Libero, chequebook requests and SEPA transfers) and work was done on optimising service activation processes.

The following are the latest new features released in the Web version of the Financial Advisor Front-End application:
1. new "Non-complex Products" section of the Product Catalogue: a list of non-complex products, updated daily;
2. entry of the customer's anti-money laundering profile information in customer records;
3. digital consultation of the customer's identity documents;
4. extension of the Simulator feature for the policy BG Stile Libero to post-sales operations.

Customer Front End

With a view to best promoting the benefits of BG Stile Libero — the core product among those offered in 2015 — Banca Generali launched a dedicated mini website where, for the first time ever, customers with their own personal experiences talk about the product's features and advantages.

Banca Generali has also boosted the effectiveness of the "Pagina Personale Consulente" (Financial Advisor's personal page) tool, the online showcase designed specifically for Financial Advisors who want to improve their relationship with customers and conduct their business through the Web's capabilities.

The fact that almost all the Financial Advisors have subscribed to this tool has proved the winning nature of a service that represents the first successful case in its sector. Conscious of the effective nature of the tool, Banca Generali has decided to invest further in Personal Page development and implementations. During the year several functionalities were released to enhance the service, such as, for example, indexing the Financial Advisor's page on Google, its presence on the most important Social Networks, the option for Financial Advisors to send the commercial material made available by the Bank and the ability to create company events to which existing and prospective customers can be invited. This tool is Banca Generali's first step towards a service model that aims to place the Financial Advisor at the heart of the relationship with the customer on the Web as well. It is for this reason that new tools for interaction between Bank, FAs and Customers will be launched in 2016 and these will allow "Pagina Personale Consulente" to evolve into a sophisticated digital collaboration model.

Lastly, the Bank has continued to focus especially on IT security-related issues:

> the use of Secure Call has been extended to all customers and become the only means of strong authentication that can be used to confirm all online transactions via a free call from a personal smartphone, permanently replacing Security Card use;
> Secure Code has been launched. This is a new confirmation tool for instructions not involving the withdrawal of cash from the customer's accounts (such as buying and selling of funds, securities or Sicavs). Activating a device password set by the customer allows frequent transactions to be confirmed simply and quickly without having to make a Secure Call.

13.4 Other aspects of marketing policies

Customer communications

During 2015 the Bank continued to focus on the information sent to customers, with a view to simplifying and clarifying the contents.

The review programme has been completed for all documents, both in terms of content and the graphic and illustrative aspects, communications regarding customers associated with the new position of Private Financial Planner have been personalised and a dedicated focus prepared for subscribers to the new GPM Real Estate Top Portfolio.

Work has also been carried out on the production and mailing schedules for all documents, so as to reduce their receipt times.

With the introduction of the “Top Client” brand, which identifies the communications dedicated to the Bank’s best customers, the welcome kit for delivery of the new CartaSì Black card was personalised and development completed of all the material regarding BG Stile Libero dedicated to this customer segment.

Work continued in the latter part of the year on the BG Stile Libero experience in order to prepare the communications on the new products and services, which is scheduled to be launched early in 2016.

Incentive and image enhancing events

For Banca Generali 2015 was a year filled with corporate initiatives and many local events developed by the Financial Planner and Private Banking Divisions.
In January the year was launched with the usual roadshow during which the top managers presented the 2015 strategic and commercial guidelines. This was attended by the asset management companies that are Banca Generali’s main partners in the portfolio construction strategy.

As far as industry events are concerned, the Bank was one of the main participants in Consulentia 2015, the event that brings together the leading Italian and international operators in the asset management industry.
For the sixth year running the Bank’s social commitment was reconfirmed in the “Banca Generali - A champion for a friend” project. Stars of the event were four sporting legends, Adriano Panatta, Jury Chechi, Francesco Graziani and Andrea Lucchetta, who have been going into primary and middle schools to teach students not only the secrets of being “mini champions” but above all what it means to experience sport through integration, respect for diversity, sharing and the right balance in food and physical activity.

The partnership is also continuing with the FAI — *Fondo Ambiente Italiano* — which consists in sponsoring the “FAI spring days”. This initiative reflects Banca Generali’s role in protecting artistic heritage nationwide in the interests of the community. This sponsorship reflects the company’s commitment and serious approach to Italian excellence. Again in the cultural area but with an eye to digital innovation, the Bank promoted in the Private Banking offices in Piazza Sant’Alessandro in Milan, the “Plessi Digital Wall” exhibition, a personal exhibition of 15 innovative works by Fabrizio Plessi, an internationally renowned artist who has appeared at the Venice Biennale as many as 13 times. The exhibition, open to the public from May to December, transported visitors into a unique sensory experience.
The cultural initiatives also continued with the organisation of the “Bipolarismi” exhibition by the artist Fiamma Zagara, who through a skilful three-dimensional use of materials created complex structures in harmony with time itself, displayed in the Banca Generali Financial Planner offices in Rome in via Bissolati from October to January.

The Private Banking Division once again organised the Invitational Golf Tour, an exclusive tour that has expanded to involve 8 of the most important Italian Golf Clubs, with the aim of consolidating and broadening the division’s bond of trust with customers through a sharing of mutual passions and interests.

Lastly, in the Social Responsibility field, 2015 also saw Banca Generali alongside AISM — the Italian Multiple Sclerosis Association — in the sale of food products during the Christmas festivities. The money raised was donated in full to the foundation.

13.5 Media communications and relationships

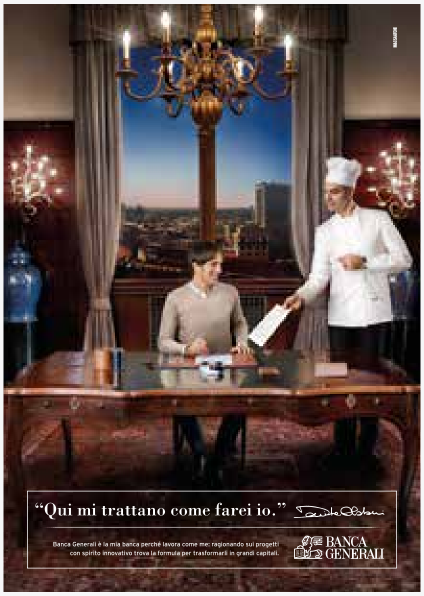
During 2015 Banca Generali further sharpened its commitment to transparent and clear communications in order to provide the various users with increasingly detailed and accurate information.

The communication strategy focuses on maximum openness towards the media to enable financial stakeholders and investors to be kept constantly informed about all the bank’s dynamics. Similarly numerous conferences and events are organised nationwide providing further opportunities for the bank’s messages and values to be conveyed to the community. A positioning aimed at asset protection and management with a focus on excellence and technology distinguish Banca General’s path as a **“No. 1 private bank for service quality and innovation”**.

The communication guidelines are based on various aspects: “financial” (company results and strategies, the market view and sentiment in the approach to investments and market valuations), “sectorial” (contributions and analyses on the advisory and private banking world with reflections on the evolution of customer services), "social" (including support for culture, sport, research, financial education, both on a national and local scale with numerous themed events), and through ambassadors supporting the image and values expressed by the bank (Alessandro Del Piero, Federica Brignone, Davide Oldani).

In 2015 it was the ambassadors who were involved in new campaigns, starting with the new association with the Michelin-starred chef **Davide Oldani**. He was called to represent the bank's image based on the affinity in the "accessible quality" concept which has made him famous throughout the world of haute cuisine and links up with the bank's strategic evolution enabling it to offer premium private banking services to households. The elegant creativity developed plays on the metaphor of excellent service in the change of role represented by an exceptional chef who enters a financial environment and experiences the same care and dedication that occurs in an exclusive restaurant.

The commitment to protecting Italy's artistic heritage, through its support as the main sponsor of FAI's "Spring Days", was illustrated in the ad launched during the weekend corporate event kicking off the spring season, involving more than 700 locations and 750 thousand people. On this occasion as well, an effective and constructive solidarity was identified in the match between Banca Generali's protection of customers' assets and the Fondo per l'Ambiente Italiano's mission.



Banca Generali has continued with its initiatives dedicated to the art world with groundbreaking exhibitions in the Private Banking offices in Milan. Following the success of the first exhibition in 2014, the event was repeated hosting an internationally renowned artist, **Fabrizio Plessi**, a leading light in design art and digital art who has appeared 14 times at the Venice Biennale and exhibitions in the world's most important museums. The maestro created an ad hoc **"Digital Wall"** for the occasion, with innovative technologies and works that received wide acclaim in the media and amongst the art-loving visitors. The exhibition poster was also the subject of an image-building campaign to familiarise the public with the exhibition's originality thanks to the bank's direction.

Again in the cultural area, 2015 also saw Banca Generali initiate a partnership with **Nuovo Imaie**, the institution that protects artists' copyright, as part of the "Artisti in Prima Fila" project. Its aim is to promote Italian cinema through an invitation to tender which will result in one or more films being produced in 2016.

For the sixth consecutive year, the company supported the travelling event **"Banca Generali — A Champion for a Friend"**, which involved over 10,000 elementary and middle school children, without any distinctions by motor skills, in a day of play and entertainment with four Italian athletic legends (Adriano Panatta, Andrea Lucchetta, Jury Chechi and Ciccio Graziani).

In the online communications area, in September 2015 Banca Generali launched the new websites of the Banking Group's two trust companies: Generfid (www.generfid.it) and BG Fiduciaria (www.bgfiduciaria.it). The new websites have been improved compared to the previous ones both in graphic and content terms, thanks to a simple and immediate interface and responsive functionalities that ensure excellent access even from mobile devices, following on from the work carried out in 2014 on the website www.bancagenerali.com. Further improvements have been made to the apps dedicated to investors (Banca Generali Investor App) and the financial community, able to respond promptly to all company updates, as well as the app for art events and extra events promoted by the bank (BG Event).

Media Relationships

Banca Generali received extensive coverage from the media in 2015. The bank's results at the level of both net inflows and profits were reported on very closely by both Italy's foremost generalist and industry publications. Standing out were the record numbers achieved during the year, which placed Banca Generali under the spotlight in the banking arena as a benchmark in the financial advisory and private banking segments.

During 2015 sales performance was announced monthly in the customary press releases on inflows involving the main Italian and international agencies, which generated responses from many magazines, agencies and websites. Management always responded in a timely manner to requests from the press, seeking to accommodate interest in meetings and interviews to the fullest possible extent, using methods appreciated by the market. Quarterly results were emphasised on all occasions through interviews with the Chief Executive Officer by the press, commenting on and supporting the informational materials made available, besides the usual conference call with analysts. On the subject of business activities, the Chief Executive Officer and Joint General Manager provided several updates concerning the new projects being developed by the Bank. The hiring of new managers was immediately accompanied by follow-up articles in various specialised media with the aim of conveying the growth dynamics of individual activities with the utmost clarity. Finally, the Bank consolidated its relationship with the local press, which on several occasions required the involvement of the managers active in the area in order to review the Italian investment situation and financial planning contingencies.

14. Human resources

14.1 Employees

Personnel

At 31 December 2015, the Bank's workforce was 837, composed of 44 Managers, 140 3rd and 4th level Executives and 653 employees at other levels; of the last category, 101 were 1st and 2nd level Executives, and 6 were apprentices.

	BANCA GENERALI	BG FIDUCIARIA	GENERFID	BG FML	TOTAL 2015	TOTAL 2014
Managers	41	1	-	2	44	45
3rd and 4th level executives	127	5	-	8	140	135
Other employees	628	5	6	14	653	637
Total	**796**	**11**	**6**	**24**	**837**	**817**

Among the 837 employees at 31 December 2015, 23 were working under fixed-term contracts (13 of these as substitutes for employees on maternity leave or leaves of absence).

There was a net increase in the workforce of 20 resources compared to 2014. Specifically:
- an increase of 28 people with indefinite-term contracts due to:
  - the entry of new sales personnel;
  - the inclusion of specialised, experienced professionals within business supporting structures especially in the commercial area;
  - the hiring of current staff to replace outgoing employees in previous periods;
- a decrease of 8 resources on fixed-term contracts, attributable to a decline in the number of resources hired to replace staff on leave for maternity or other reasons (-3), as well as the above-mentioned hiring of some resources already working at the company.

Given these net increases, the total turnover, inclusive of intercompany transfers, temporary staff and replacements for maternity leaves, involved 180 job positions.

Workforce at 31.12.2014	**817**
Hirings	100
Terminations	-80
Workforce at 31.12.2015	**837**

The actual workforce, consisting of employees (837) net of personnel seconded to Generali group companies (-2), increased by 22. This rise can be related to the combined effect of the increase in employees (+ 20 staff) and the reduction in net secondments (2 in 2015 against 4 in 2014).

ACTUAL WORKFORCE	31.12.2015	31.12.2014	CHANGE
Banca Generali	789	769	20
BG Fiduciaria	12	10	2
Generfid	10	8	2
BG FML	24	26	-2
Total	**835**	**813**	**22**

Breakdown of workforce

Staff members with university degrees accounted for 52.45% of the total.
The Group's average age is 43 years, while the percentage of female staff members is 50.78%.

	WOMEN		MEN		TOTAL 2015	
Managers	10	2.4%	34	8.3%	44	5.3%
3rd and 4th level executives	34	8.0%	106	25.7%	140	16.7%
Other employees	381	89.6%	272	66.0%	653	78.0%
Total	**425**	**100.0%**	**412**	**100.0%**	**837**	**100.0%**

Labour relations

At national level, after more than a year of very delicate negotiations the renewal of the National Collective Labour Agreement for the Credit sector was signed on 31 March 2015, and is valid up to 31 December 2018. This event allowed Banking Group companies to resume company negotiations which produced the following agreements:

- on 6 May 2015 a company Agreement was signed for financial training provided for by the Fondo Banche Assicurazioni (FBA) through Notice No. 1/2015. Under this Agreement Banca Generali subscribed to the "Change in action" training scheme launched at Generali group level;
- the Union Agreement on the 2014 company bonus was signed on 4 June 2015.

With reference to the implementation of the National Collective Labour Agreement, our endorsement of the Prosolidar Foundation, engaged in international solidarity projects, was confirmed: in 2015, approximately 400 employees participated, paying in the established contribution, followed by a similar contribution by Group companies.

Development of resources – Creation and support of managerial value

The company continued to focus on **internal mobility at all levels** as a tool to increase the professionalism and managerial development of the staff.
Mobility involved those already holding senior management positions as well as those with professional roles, with a view to expanding job rotation and promote professional growth. A major boost was also given to the development of junior staff recruited to the various Company Areas.
Those moving to positions with greater managerial responsibilities were supported through business coaching programmes.
In addition, the development and professional growth of people already holding key positions or currently on a career path were ensured by participation in specialization and post-graduate training programmes at qualified academic institutions.

With a view to ensuring a targeted development of our people, assessment sessions were organized for both junior people and talents in order to identify any gaps between actual skills/behaviours and those required by the role.
The objective is to help people becoming more aware of their abilities while working on the development of 'weaker' skills in a structured way (through development plans or targeted training).

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

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

Training

The consolidation of the bank's leading position in the sector has required the already intensive training programme provision to be intensified to ensure that the expertise, knowledge and conduct of staff are equal to the bank's positioning.

A particular focus has been placed on management training, designed in-house and delivered through highly qualified consultancy firms. Several members of Senior Management and some of their immediate subordinates have taken part in business executive coaching sessions. An extensive management culture programme involving all personnel managers over the past two years has concluded. In addition a broad-reaching training scheme has been designed for a selected population of younger staff. Two innovative projects have been launched, one team coaching scheme again for personnel managers, and one dedicated to developing personal leadership skills, aimed particularly at female staff. Conceived to create cohesive team working, two important experiential training schemes have been offered to senior and middle management.
A large part of these management training projects was added to the "Change in action" training programme, funded by FBA Notice No. 1/2015, which will be concluded in the spring of 2016.

Workshops have continued on illustrating the "BG Personal Advisory" platform and its philosophy to inform the whole bank on the strategic projects. Courses are continuing on extending technical expertise, particularly in the Trieste Operating Headquarters, as well as a passive cycle update course, taught internally.

Language training, which is much in demand, has continued for many senior managers but also for other staff members, to constantly improve the bank's capacity to interact at international level.

Specialised professional sessions and training courses for the various subject areas were made possible through participation in courses organised by top consulting firms or by prestigious university organisations. In particular a significant number of employees took part in a specialist training course on "Generational Transition" at Brescia University.

Mandatory training naturally continued, in accordance with legal requirements. There continued to be a sharp focus on workplace safety and anti-money laundering, but special attention was placed on the theme of vicarious corporate liability (Legislative Decree 231/01): the entire workforce benefited from a special e-learning course on this topic. The gradual updating on Privacy legislation continued, delivered by e-learning and more detailed classroom sessions.
All mandatory web-based courses for new recruits, under both indefinite- and fixed term contracts, are provided through the e-learning platform.

People selection – employer branding and talent engagement

The company is increasingly focussing on talented young people in order to encourage their professional growth both through participation in career days with the Generali Group, and through long-standing and ongoing relationships with leading national and international Universities and Specialization Schools.
Key positions were filled using both Head Hunters and specialized active search channels through the main dedicated platforms, depending on the specific needs.
All people who join Banca Generali have first undergone an assessment path, as required by the Generali Group policy.

Internal communications

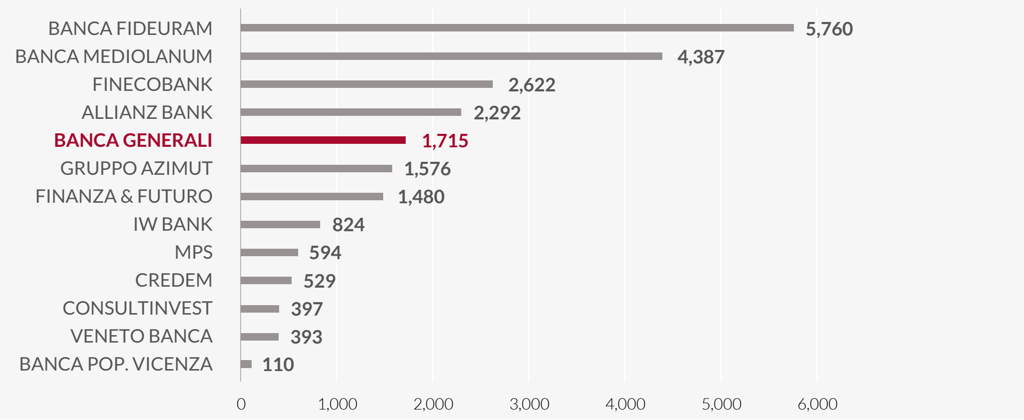
Internal Communications in 2015 featured the Generali Global Engagement Survey, an important listening project which saw Banca Generali involved together with all the Group's companies throughout the world.
A thorough analysis of the results has already triggered improvement initiatives that will continue and be further developed in 2016.
The internal communications area also organised meetings in which all the bank's employees were able to meet top management who reported on the year's strategies and projects. These types of meetings, which are highly regarded, will continue and intensify during 2016.
Communications with employees is provided via various channels, some of which are managed in collaboration with Generali Italia's Internal Communications, such as the Country Italia Portal which was actually launched in 2015.

14.2 Financial Advisors

In line with the general growth in both the asset management market and that mainly based especially on financial advisors ("Assoreti" market), also the number of financial advisors of the major companies surveyed, also increased by about 4% (from 21,741 to 22,679). In this sector, Banca Generali owns one of the leading Financial Advisor distribution networks on the Italian market: at 31 December 2015, the network included 1,715 Financial Advisors and Relationship Managers, a significant increase compared to 2014 (+4%, 70 additional Financial Advisors). As a result of this increase, Banca Generali climbed to fifth place, with 7.6% market share.
This growth was supported by the recruitment of new professionals both from banks and networks, which resulted in the addition of 126 new Financial Advisors in 2015.

Number of Assoreti Financial Advisors: 22,679

December 2015



Source: Assoreti

The main data relating to Banca Generali's distribution network are briefly summarized in the following tables, which compare 2015 and 2014 data and break them down into the two divisions making up the network, one more specifically dedicated to Affluent customers and the other to Private customers. Both divisions are growing in terms of number and average assets under management, as evidence of the quantitative and qualitative development of the distribution network:

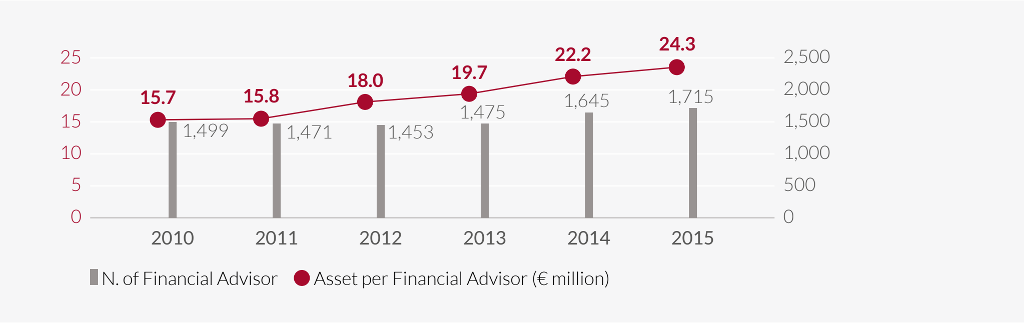
31.12.2015	NUMBER OF FAs/ PBs/RMs	AUM (€ MILLION)	AUM BY FA (€ MILLION)
Financial Planner Division	1,292	24,321	18.8
Private Banking Division	423	17,283	40.9
Total	**1,715**	**41,605**	**24.3**

31.12.2014	NUMBER OF FAs/ PBs/RMs	AUM (€ MILLION)	AUM BY FA (€ MILLION)
Financial Planner Division	1,244	21,189	17.0
Private Banking Division	401	15,374	38.3
Total	**1,645**	**36,563**	**22.2**

Regarding the network growth trend, it is important to report that a selection process has been operating for years. This has promoted the recruitment of top-ranking professionals with substantial customer portfolios, who are able to properly reflect the bank's qualitative philosophy. In previous years the strategy of not retaining financial advisors with smaller asset management portfolios has resulted in the number of active Financial Advisors being kept more or less the same, matched by a gradual rise in the average assets managed.

On the other hand, 2015 recorded a sharp increase in the number of Financial Advisors, specifically +18% over the minimum number of Financial Advisors (1,453) registered in 2012. The average portfolio managed by each Financial Advisor was 24.3 million at 31 December 2015, the best figure of the Assoreti market (if one excludes the scope of the sample of companies which took place in December 2015), testimony to the truly consistent and cohesive growth process aimed at recruiting and retaining top-quality professionals only.

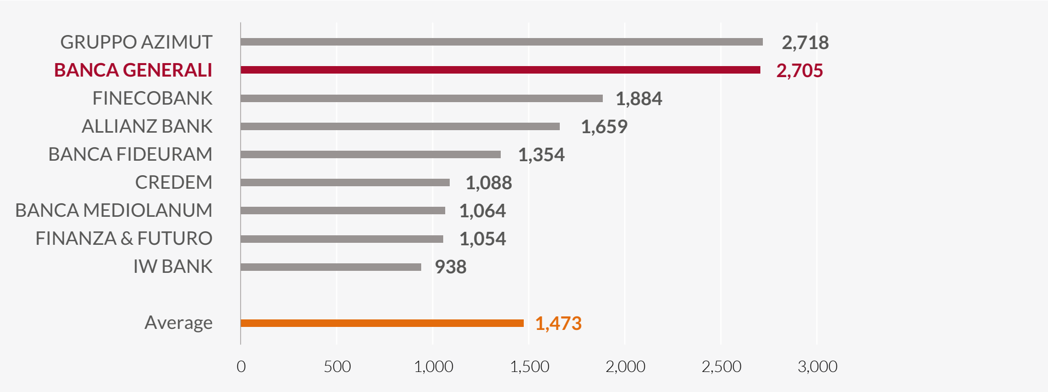
Financial Advisors and assets by Financial Advisor



Even during years of high instability of the financial markets — indeed, owing precisely to such instability, Banca Generali's advisory approach and the professional skills of its Financial Advisors have thus proven able to provide customers true added value. As a result, the per capita values achieved by the Financial Advisors have led the market for many years as regards the ability to attract new inflows of assets.
In fact, net per capita inflows, amounting to 2.7 million euros in 2015, are 85% higher than the sector average; this figure is even more exceptional if one refers to the per capita net inflows from managed and insurance products, where, in a volatile and uncertain market context, the Banca Generali Financial Advisors have achieved per capita net inflows of about 2.399 million, compared with the average market productivity of 1.294 million. Regarding the average asset figure, which embodies the quantitative-qualitative success of the strategy applied, Banca Generali stands firmly at the top of the market, with a value 27% higher than the general average (24.3 million euros as against 19.2 million euros).

Total net inflows of Assoreti Financial Advisors

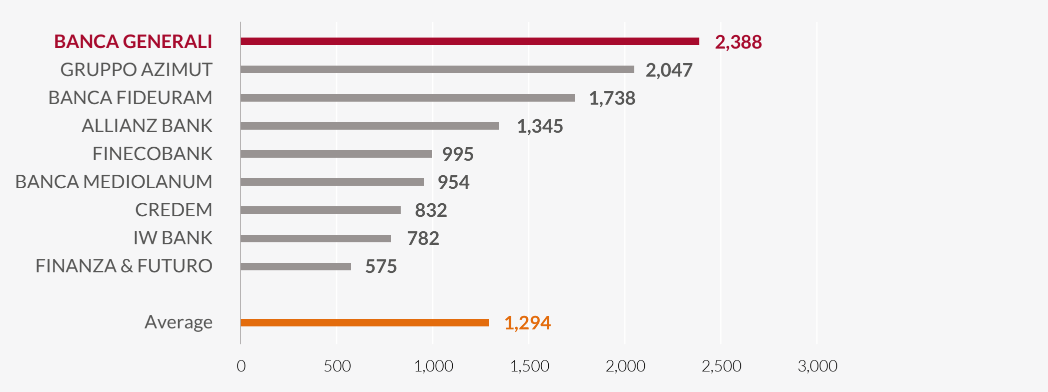
December 2015



Source: Assoreti

Net inflows of managed and insurance products of Assoreti Financial Advisors

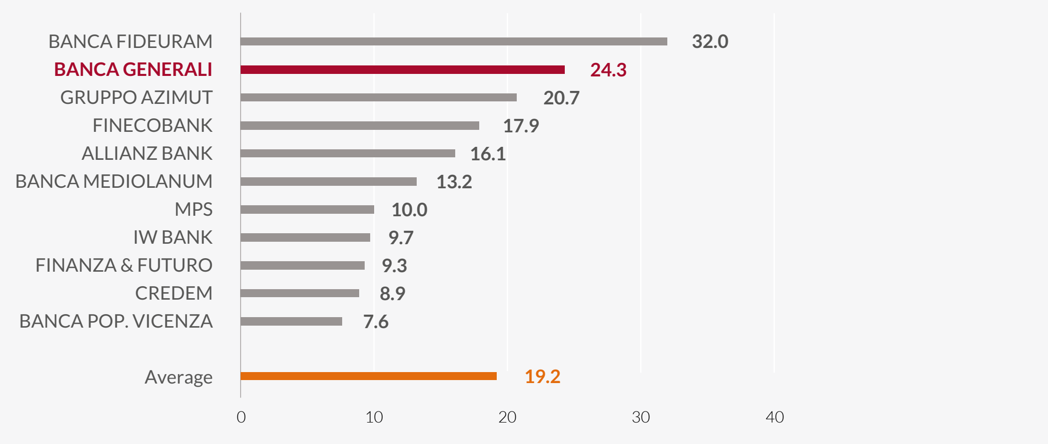
December 2015



Source: Assoreti

Average assets of Assoreti Financial Advisors

December 2015



Source: Assoreti

In further detail, in 2015 Banca Generali added 126 new, carefully selected professionals with solid experience in the banking industry, who were able to draw on the vast array of investment opportunities offered by the bank to meet customers' needs more thoroughly in accordance with their individual risk profiles. Against these additions, there was a modest number of professionals leaving the network, including for retirement reasons — in line with the well- established structure of the bank — or due to a change in professional activity. In fact, the turnover of Banca Generali's network significantly reduced, bearing witness to the loyalty inspired in current professionals and the attractiveness of Banca Generali's offerings to the market.

Network's organisational structure

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

	2015	2014
1st Level Manager	25	22
2nd Level Manager	44	44
Executive Manager	61	46
FAs/PBs/RMs	1,585	1,533
Total	**1,715**	**1,645**

In Banca Generali the number of Executives (1st and 2nd level executives, namely those to whom the professionals dedicated exclusively to customer relations report), in keeping with the aforementioned observations regarding the distribution network's qualitative evolution, has remained stable over time compared to the overall increased number of Financial Advisors.

Geographical breakdown by gender and age

The distribution network extends nationwide, with a greater concentration, namely about two thirds of the workforce, in the Centre-North regions compared to the Centre-South, consistent with national wealth distribution; female staff numbers are up slightly, 15% of the total against 14.2% in 2014, whilst the average age of Financial Advisors remains stable at 51, taking account of the fact that the professionals recruited in recent years have an average age of less than 45. An average length of service of about 12 years, also considering the "young age" of the Company, bears witness to the network's stability and its modest turnover.

						AVERAGE AGE			AVERAGE LENGTH OF SERVICE*		
REGION	FA DIVISION	PRIVATE DIVISION	TOTAL	% ON TOTAL	% WOMEN	W	M	TOTAL	W	M	TOTAL
Abruzzo	27	-	**27**	1.6%	0.2%	50.1	53.3	**51.7**	5.7	11.5	**8.6**
Basilicata	1	-	**1**	0.1%	-	-	50.3	**50.3**	-	7.8	**7.8**
Calabria	23	3	**26**	1.5%	0.2%	54.3	49.3	**51.8**	17.9	13.2	**15.6**
Campania	117	9	**126**	7.3%	0.3%	47.4	50.5	**48.9**	10.7	13.8	**12.3**
Emilia-Romagna	184	30	**214**	12.5%	2.7%	51.2	52.6	**51.9**	11.0	12.6	**11.8**
Friuli-Venezia Giulia	65	6	**71**	4.1%	0.5%	52.3	52.0	**52.1**	9.3	12.3	**10.8**
Lazio	85	39	**124**	7.2%	1.7%	50.9	51.8	**51.3**	15.0	11.7	**13.3**
Liguria	52	51	**103**	6.0%	1.2%	52.5	54.4	**53.5**	10.4	13.5	**11.9**
Lombardy	231	134	**365**	21.3%	3.6%	49.2	52.2	**50.7**	9.2	11.2	**10.2**
Marche	49	-	**49**	2.9%	0.3%	48.8	49.3	**49.1**	20.0	14.6	**17.3**
Molise	1	-	**1**	0.1%	-	-	46.8	**46.8**	-	2.1	**2.1**
Piedmont	74	63	**137**	8.0%	1.5%	49.9	51.5	**50.7**	10.5	11.3	**10.9**
Puglia	70	7	**77**	4.5%	0.5%	42.8	50.4	**46.6**	11.0	13.6	**12.3**
Sardinia	9	1	**10**	0.6%	0.2%	51.6	48.3	**49.9**	16.0	12.8	**14.4**
Sicily	45	-	**45**	2.6%	0.1%	47.9	49.2	**48.6**	9.4	12.6	**11.0**
Tuscany	67	35	**102**	5.9%	0.9%	50.9	52.9	**51.9**	5.6	12.4	**9.0**
Trentino Alto Adige	19	-	**19**	1.1%	0.1%	38.7	50.5	**44.6**	3.5	9.0	**6.3**
Umbria	23	-	**23**	1.3%	0.2%	46.3	53.7	**50.0**	8.5	19.1	**13.8**
Valle d'Aosta	-	2	**2**	0.1%	-	-	51.3	**51.3**	-	9.7	**9.7**
Veneto	150	43	**193**	11.3%	1.2%	48.0	52.8	**50.4**	8.8	12.5	**10.7**
Overall total	**1,292**	**423**	**1,715**	**100.0%**	**15%**	**49.9**	**52.0**	**50.9**	**10.6**	**12.4**	**11.5**

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

Presence in Italy

Banca Generali's Financial Advisor network covers a very extensive area in Italy and was supported, at 31 December 2015, by a total of 187 bank branches and FA offices.

	BRANCHES			OFFICES			
31 DECEMBER 2015	FINANCIAL PLANNER DIVISION	PRIVATE BANKING DIVISION	TOTAL	FINANCIAL PLANNER DIVISION	PRIVATE BANKING DIVISION	TOTAL	OVERALL TOTAL
Abruzzo	1	-	**1**	1	-	**1**	**2**
Calabria	1	-	**1**	2	1	**3**	**4**
Campania	3	1	**4**	10	2	**12**	**16**
Emilia-Romagna	4	-	**4**	14	4	**18**	**22**
Friuli-Venezia Giulia	2	-	**2**	4	1	**5**	**7**
Lazio	1	1	**2**	3	3	**6**	**8**
Liguria	4	1	**5**	6	5	**11**	**16**
Lombardy	5	2	**7**	16	5	**21**	**28**
Marche	-	-	**-**	3	-	**3**	**3**
Piedmont	3	1	**4**	6	9	**15**	**19**
Puglia	2	1	**3**	5	2	**7**	**10**
Sardinia	-	-	**-**	1	-	**1**	**1**
Sicily	1	-	**1**	4	-	**4**	**5**
Tuscany	4	1	**5**	10	1	**11**	**16**
Trentino Alto Adige	-	-	**-**	2	-	**2**	**2**
Umbria	1	-	**1**	2	-	**2**	**3**
Valle d'Aosta	-	-	**-**	-	1	**1**	**1**
Veneto	5	-	**5**	15	4	**19**	**24**
Overall total	**37**	**8**	**45**	**104**	**38**	**142**	**187**

Training and development of the network

Management training

In 2015 Banca Generali confirmed its commitment to the managerial training of the Network, aimed at supporting the development of the role in the current context.
The first-tier management lines of the Private Banker and Financial Planner Divisions attended a training course focusing on the theme of Leadership of Change, organised with prestigious business schools and specialist firms, with the aim of supporting the bank's leadership in a dynamic, challenging and constantly evolving professional scenario.
In addition, individual business coaching processes were launched.

Banca Generali was particularly attentive to developing leadership through exploration of themes relating to self- empowerment, self-management and interpersonal relations, dedicated to financial advisors.

Starting in the first half of the year, all executive managers (Financial Planner Network) attended an in-depth course aimed at strengthening and refining the management skills required by the position, above all in terms of time and team management.

Significant emphasis was placed on the recruitment process, with a particular focus on strengthening and reinforcing soft skills.

Commercial training

Commercial training activities were focused exclusively on issues relating to, Banca Generali's New Service Mode: BG Personal Advisory.
Training on the Finance module of BG Personal Advisory, dedicated first to all management and then to all financial advisors, started at the beginning of the year.
The goal of the course was to provide advisors with an overview of the regulatory and market context, and to introduce innovative technological support aimed at integrated management of the entire portfolio of financial and non-financial assets, while also providing tools for the commercial approach to the customer.

Early June saw the launch of training on the Family Protection and Real Estate modules of BG Personal Advisory, marked by two days with a focus on themes relating to succession planning and the proper allocation of the total assets (financial, real-estate, company, etc.) of the customer's immediate family.
The training plan on Family Protection and Real Estate continued throughout the second half of 2015, involving all management and over 1,000 Financial Planners, Private Bankers and Relationship Managers.

In addition, periodic webinars were organised for real-estate issues, involving more than one-half of financial advisors.

Institutional training

Also this year, the special induction path for recently recruited Financial Advisors at Banca Generali. As part of the process, the two days of the "Welcome Program" allow newly hired Financial Advisors to visit and get to know the main Departments at the Milan and Trieste Offices.
Compulsory training related to the annual IVASS professional refresher course concerning insurance products and the new legal framework involved the Network through special training on products and the online course "Insurance Products to optimise financial and succession planning", which provided a more detailed insight on the succession planning topic thought during classroom sessions.

In mandatory online training devoted to the entire Network, the Generali Group's e-learning platform continued to be used. This training also allowed newly hired Financial Advisors to get up to date by means of an online self-training approach (Anti-money laundering, MiFID, Privacy, IT security, Legislative Decree No. 231/2001, Banking transparency, Transparency and Consumer credit).

In addition to Web-based training, specific classroom training activities were planned, to be conducted by the Anti- Money Laundering Service, with the aim of illustrating how the FA and PB Network is involved in the processes of enhanced customer due diligence and suspect transaction reporting, as well as several case studies involving the identification of potentially anomalous transactions for money-laundering purposes.

15. Organisation and ICT

In 2015 Banca Generali undertook a significant reorganisation with the aim of ensuring increasingly effective alignment of the development strategies for its services offered, business processes and internal structure.
The reorganisation was primarily aimed at ensuring that governance and control dynamics are consistent with the increasingly significant growth enjoyed by the bank and with future strategic positioning choices, in light of industry best practices.
The main changes related to:

- **Company risks**. The organisational positioning of second level control functions was revised: the Risk and Capital Adequacy, Compliance and Anti-money Laundering functions now report directly to the Chief Executive Officer.
- **Governance Area**. The IT Organisation and Coordination Department and Human Resources Department were assigned to coordinate the Governance Area, extending the traditional concept of governance to broader business oversight, including human resources, process planning and information technology;
- **Bank Area**. In light of the ongoing development of the bank's business, the Bank Area remains focused on banking and lending activity — extended to back-office processes — and on management of logistics and local offices with the aim of increasing the efficacy of operational support for Customers, Financial Planners and Private Bankers;
- **Co-General Manager – Sales Area**. The main organisational changes were attributable to the strategic objective of enhancing the presence on the private banking segment, positioning the bank as the leader of the market in question, and ensuring increasingly effective oversight of distribution channels, in view of ensuring more effective achievement of sales targets. This vision resulted in the creation of the Wealth Management Department with the aim of increasing and supporting the development of high net-worth customers.

15.1 Sales network services and customer services

Sales network services

As part of its support for network professionals, the bank completed a series of important initiatives concerning the innovative application dedicated to advisory services – BG Personal Advisory – which was expanded to include the Real Estate and Generational Transfer modules.
In continuity with the efforts launched in previous years, the important Digital Web Collaboration project continued, in the context of the bank's desire to re-think, extend and re-design the applications currently offered to its customers, expanding its IT offerings and the transaction and consulting features currently available on the various platforms. In this connection, the possible implementation of a new paperless transaction authorisation process for the bank's customers is particularly significant.

Customer services

In 2015 the line of insurance products was further expanded and the asset management service was thoroughly revamped, resulting in the creation of a particularly cutting-edge, innovative product compared to the industry at large. In light of the current rate scenario and the bank's desire to create a product that would meet customers' demand for flexible financial instruments better suited to the new economic scenario, the product portfolio was also expanded to include the distribution of certificates.
The Internet banking channel underwent considerable work focusing on both the customer experience and security. Security efforts were aimed at ensuring the security of informational and transactional features: strong authentication mechanisms (Secure Call) were integrated into the Internet banking platform. The investments on this channel met with the approval of customers: the bank was ranked first in the prestigious rankings drawn up by Osservatorio Finanziario, which recognises the top ten Internet banking services.
In other security work, the customer transaction behaviour analysis project was implemented. This initiative is aimed at meeting the need for a fraud prevention analysis for online banking. Thanks to the new technology, an enormous quantity of data may be collected and analysed in real time during an entire Web session. The process can detect anomalies, IT security threats, financial fraud, business logic abuse attacks and other malicious activities.

15.2 Internal support processes for company business

Loans

In the lending process, rationalisation efforts continued with the aim of automating operations and implementing digital/paperless processes, with a particular focus on the granting of mortgage loans and the automation of credit limit changes.
Business intelligence projects also continued with the aim of supporting management and control processes, involving the implementation of an integrated information base that may be used for management reporting for strategic and level two control purposes.

Finance

Within the Finance Department, the focus was mainly on the expansion of the function of the IT platform, with special reference to upgrading the “Smart order routing”.

Administration and operations

Design activities continued with a view to greater efficiency. These activities concerned operating streamlining of placement processes, materiality management and rationalisation of outsourced activities.

15.3 Legal compliance

In 2015 efforts to bringing organisational processes and the IT system into line with new provisions of law were significant. The most significant changes related to:

> **“FATCA – Foreign Account Tax Compliance Act”**. After the agreement between Italy and the United States was ratified, periodic reporting activity began.
> the bank took action to meet the first obligations imposed by the **“CRS - Common Reporting Standard”** regulations.
> **Voluntary Disclosure**: Technical and organisational measures were taken to comply with the provisions of the new legislation.
> New tax monitoring. Action was planned on IT procedures to comply with the new reporting process, which will draw information from the Single Register as the source of reference for tax reports.
> **Anti-money laundering**: Anti-money laundering functions were enhanced through the expansion of the features of IT systems and improvement of various processes as part of customer due diligence.

Other work on IT systems and organisational processes related to initiatives tied to the new transparency — which took the form of a new IT procedure and new methods of communicating with customers — and the new rules concerning the transferability of payment services connected to payment accounts held by consumers with payment service providers (PSPs).

16. Auditing activities

Audit activities were aimed at understanding and verifying that the internal control system of Banca Generali is structured in such a way to ensure the sound and prudent management of the Company and the Banking Group, whilst at the same time reconciling the attainment of corporate targets with the proper and timely monitoring of risks and appropriate operating procedures.
The Internal Audit function, as part of its activities and in compliance with professional and supervisory regulations, checked the following aspects:

> the quality and appropriateness of internal and external disclosures in accordance with the corporate values of substantive and procedural fairness and transparency, confirming the traceability and verifiability of operations, and activities pertaining to business management, in general;

> the reliability of accounting and operating data;

> regulatory compliance as well as security and other measures aimed at safeguarding corporate integrity, especially in terms of preventing fraud against the Company and the market;

> the implementation of improvement programmes;

> the respect, in different operating segments, of the limits provided for by power proxies and the correct use of available information.

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

> CoSo Report, ERM (Enterprise Risk Management) model and CobiT-Pam methodology;

> the Bank of Italy's supervisory instructions;

> International standards for professional internal auditing, guidelines and position papers of the Internal Auditors Association;

> Borsa Italiana's Corporate Governance Code;

> Basel Committee on Banking Supervision, June 2012;

> Consob-Bank of Italy Joint Regulation

> Evolutions of the new SREP and *"Guidelines on common procedures and methodologies for the supervisory review and evaluation process"* EBA 19 December 2014.

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

AREA	
1	IT SYSTEMS
2	RISK MANAGEMENT
3	CAPITAL ADEQUACY
4	COMPLIANCE – NETWORK AND AML CONTROL
5	FINANCE
6	OUTSOURCER
7	BRANCHES NETWORK – OPERATIONS – CREDITS
8	INTERNAL GOVERNANCE – AUDIT DEVEL.

The main developments in 2015 were:

1. the **Important Operating Function Report** submitted to the strategic supervision body on 23 April and forwarded to the Bank of Italy (Circular Letter No. 263 – 15th update of 2 July 2013, Title V, Chapter 7), concerning controls of important operating or control functions subject to outsourcing, any deficiencies identified and the resulting corrective measures adopted. The document will henceforth be drafted each year;
2. the **"Evaluation of IT security"** for the year 2014 which was annexed to the Tableau de Bord for the first quarter "Report on IT Security". the document analyses and presents the organisation and initiatives IT security undertaken by the Bank and will be produced yearly;
3. **compliance with the ECB's recommendations concerning IB payments**. A project,

launched and completed, aimed at identifying and implementing strategies for bringing the bank's Internet banking security systems into line with the ECB Recommendations. Internal Audit was responsible for coordinating and supporting the alignment activities that company functions were required to carry out;

4. **Whistleblowing**. A project aimed at bringing the Bank into line with the whistleblowing topic. Started and concluded in the year, it saw the participation of the Heads of Audit, Compliance and Regulation Service, and intended to implement the provisions of the 11t[h] update of the Circular Letter No. 285/2013 on Whistleblowing issued by the Bank of Italy on 21 July 2015;
5. **Risk Appetite Framework**. An audit process aimed at assessing the adequacy of the process of defining the RAF, the consistency of the overall internal scheme, the compliance of company operations with the limits and indicators set out in the appetite framework and the efficacy of the risk control function (Risk Management) in providing advance opinions concerning the most significant transactions;
6. **the development of the audit methodology for the EBA guidelines**. An activity organised and launched by Internal Audit to develop audit methods in the direction of the EBA requirements concerning internal governance and internal control system standards.

In addition, the other major work done during the period related to the following audit areas:

7. **IT systems**, with a particular focus on managing Internet banking fraud and the implementations required to bring the bank's Internet banking security systems into line with the ECB Recommendations. Internal Audit was also committed to the process of revising the authorisation levels of employees, in carrying out activities leading up to the launch of the CSE Consortium Audit and, finally, audit activities relating to IT security, vulnerability assessment, penetration tests and the Secure Call feature (strong authentication);
8. **Capital Adequacy**. An assurance audit was conducted on the operation of ICAAP and the adequacy of remuneration policies;
9. **Anti-money laundering**. The audit process was aimed at assessing the efficacy of the role performed by the Anti-Money Laundering Function in designing, implementing and adjusting the processes and procedures concerning the risk of money laundering and in monitoring their efficacy over time.
10. **Finance**. In the financial sector, audit activities were carried out on the reliability and operation of the controls concerning Financial Statements Operating Procedures, Computer Applications and system blocks (ITAC);
11. **Credit Suisse (Italy).** Following the acquisition of a business line of Credit Suisse (Italy), Internal Audit carried out a series of assurance audits on the project's appropriateness and the actual implementation of the acquisition compared with the objectives declared to the Supervisory Body;
12. **Bank branches**. Continuous auditing on telephone orders, IT risk analysis (privacy), reporting of possible cases of market abuse.

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

17. Main risks and uncertainties

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

The bank's exposure to **market risk** stems mainly from the trading by the Parent Company, Banca Generali, of financial instruments on its own account, while the exposure of the subsidiaries is limited and residual. Market risk is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).
In particular, securities measured at fair value and classified in the HFT and AFS portfolios are exposed to risk, as fluctuations in their prices impact the Group's profit and loss account and net equity.
Market risks are maintained within appropriate limits, which are monitored by the Risk Management department. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.
In 2015, average total risk was about 4 million euros of capital requirement, with a 5.7% average weight to the trading book by which it is generated.

The bank's exposure to **credit risk** mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost and AFS, and loans to customers (both corporate and retail). Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated exposure.
Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management Service and established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.
Loans to customers are characterised by a low risk of losses inasmuch as they are almost entirely secured by collateral (chiefly pledges of securities) and/or personal guarantees, in some cases provided by a leading financial institution.
In 2015, overall average risk was about 149 million euros of capital requirement, with the following main contribution areas: about 35 million euros on average against exposures towards institutional counterparties (with an average weight of 1.1% on the exposures) and about 91 million euros on average against exposures towards customers (with an average weight of 5% on the exposures). This is in addition to the residual asset items, mostly composed on non- interest bearing assets, tax assets, current accounts with banks, etc..

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

The Risk Management function carries out risk assessment and scoring activities and Loss Data Collection processes, it monitors the action plans adopted to mitigate material risks, and controls KRIs (Key Risk Indicators).
Moreover, the Banca Generali Group has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.
During 2015, the average risk in terms of capital requirement amounted to approximately 59 million euros.

Exposure to **liquidity risk** derives from funding and lending transactions in the course of the

Group's normal business, as well as from the presence of unlisted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.
The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, to a secondary degree, where available, through the measures proposed by the ECB. In addition, the Group maintains a portfolio of listed, readily liquidated financial instruments in order to respond to potential crisis scenarios characterised by a sudden interruption of net inflows.
The Group uses a maturity ladder to apply the guidelines set out in the Prudential Supervisory provisions governing the measurement of net financial position. Through the maturity ladder the bank assesses the matching of expected cash flows, by balancing assets and liabilities whose maturity falls within each maturity range; the balances and therefore the mismatches between expected inflows and outflows within each maturity range allows, through the construction of cumulative mismatches, the calculation of the net balance of funding requirement (or surplus) over the holding period considered.
Liquidity risk is managed through appropriate short-term and structural (beyond one year) operating limits, monitored by the Risk Management function, aimed at maintaining a level of risk deemed consistent with the strategies and risk appetite set by the Board of Directors.
The Group has also implemented a Contingency Funding Plan aimed at anticipating and handling liquidity crises at both the systemic and idiosyncratic level.

In 2015, the Banking Group presented an adequate level of capitalisation. At year-end, CET1 and TCR were 14.3% and 15.9%, respectively.

The effective management of **compliance risk**, defined as the risk that the Company may incur legal or administrative penalties, significant financial losses or reputational damages as a result of the breach of laws, regulations or voluntary codes of conduct, as well as **money laundering and terrorist financing activity**, defined as the risk of involvement, also unintentional, of the Company in such offences, requires a company culture that promotes integrity, propriety and compliance with the spirit of the law in accordance with the principle of proportionality and the entity’s size and specific operational characteristics.
In this context, compliance is a process that permeates the entirety of each Banca Generali Group company’s activities and organisation, beginning with the definition of company values and strategies and extending to influencing the definition of policies, internal procedures, operating practices and conduct. Likewise, an efficient prevention and management of money laundering and terrorism financing risks are totally dependent on an adequate definition of internal policies and procedures aimed at combating these events.

Accordingly, the said risk monitoring is most effectively pursued in a company context that emphasises the principles of honesty and integrity and applies to each resource by involving Company Boards, Committees, the Compliance function, as well as the Anti-money Laundering function, each to the extent of its respective competency, and, more generally, all employees and contract workers.
In this general scenario, in order to achieve adequate, coordinated oversight of activities,
the organisational model adopted to manage the above mentioned compliance risk centralising the Compliance and Anti-money laundering functions with the banking Parent Company, which also provides the service to subsidiaries at which a compliance contact person has been identified, with the task of playing a supporting role to the Parent Company’s functions.

During 2015, the Compliance function focused on those areas of activity and processes that, because they are inherently complex or more extensively affected by changes in the law, require revision or implementation or present compliance risk in need of management action. In accordance with the provisions of (i) the Regulation of the Bank of Italy and Consob issued pursuant to Article 6, paragraph 2-bis, of the Consolidated Finance Law and (ii) the Supervisory Provisions governing compliance functions, the activities performed by the Compliance

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

The activities described above focused in particular, over the year, on:
> matters relating to staff remuneration and incentives polices, the management of conflicts of interest, personal transactions carried out by relevant persons and the requirements relating to disclosure of information between banks and traceability of banking transactions;
> advisory support on various topics (e.g. provision of investment services; privacy; conflicts of interest; development of corporate projects, complex products, bail-ins...) aimed at the correct application of and compliance with the law;
> the safeguards adopted in the provision of investment services, with special regard to, inter alia, investment advisory services, execution and transmission services and the prevention of the risk of market abuse;
> the verification of indirect sales activity conducted through the Financial Advisor network;
> training concerning the supervision of the activity carried out by the distribution network, concerning compliance obligations in relation to the Privacy Code and the Administrative Liability of entities (Legislative Decree No. 231/2001);
> activities to ensuring full compliance with the New Regulatory Provisions for the Internal Control System, Information Technology Systems and Operating Continuity according to the established timeframe (Bank of Italy Circular Letter No. 263/2006).

In 2015, activity specifically relating to the Anti-Money Laundering function primarily focused on the following:
> the fulfilment of anti-money laundering obligations relating to active collaboration (identifying and reporting of suspect transactions and associated formalities);
> coverage of obligations to record data in the Centralised Computer Archive and submit aggregate statistical reports;
> management of infraction reports relating to Article 49 of Legislative Decree No. 231/07 pertaining to restrictions on the transfer of cash and bearer securities and limitations on cheques;
> working with the competent company functions to define training processes, also in classrooms aimed at fostering knowledge of and compliance with laws and regulations on anti-money laundering;
> monitoring and control of customer positions subject to voluntary disclosure.

18. Outlook

Financial year 2016 will probably be characterised by a macroeconomic scenario with positive, albeit slowing growth, in advanced economies (primarily the USA and Euro Area), whereas emerging economies are expected to slow markedly. In addition, various geopolitical and financial factors, including market volatility, instability in the Middle Eastern region, migration and the threat of terrorism may result in further risks for growth forecasts. In this context, due in part to accommodating monetary and tax policies, Italy is expected to enjoy modest GDP growth in 2016, increased employment despite high unemployment rates and a resumption of consumption.
In light of the above scenario, the reliability and expertise of wealth managers and financial advisors will be increasingly in demand.
Indeed, in the last two years there have been significant developments in the financial environment, characterized by plummeting interest rates on bonds, and moderate recovery in the stock market. This resulted in a markedly changed composition of households' financial flows, with an increasing tendency towards asset management and investments in insurance products.
More specifically, the Financial Advisor network sector timely responded to customers' need for expert advice, which emerged when government bonds were no longer available as a typical safe haven asset.

In this context, which is certainly complex but offers excellent growth opportunities, choices focusing on innovative and strong financial planning skills will prove the winning elements for ensuring that Banca Generali enjoys growth capable of allowing it to continue to gain market share in the asset management sector in Italy.

This market has growth potential but is also increasingly complex and competitive, also in light of the renewed attention to the advisory segment by traditional banks, a segment they had neglected for many years. This will require increasing investments to improve the quality of the network, complete the range of products and services offered and develop technological tools in support of more sophisticated and informed investment decisions.

In 2016 the banking Group's goal will be to continue to focus attention on households, positioning itself to an increasing degree in the private-banking sector and intensifying its dedication to the development of custom-tailored solutions for both investment products and financial advisory services. In particular, action will be aimed at increasing net inflows, with a particular focus on asset management, through:

- the acquisition of new customers and high-profile, experienced Financial Advisors, as in previous years;
- **comprehensive advisory service** covering all of the customer's wealth-related needs, in addition to advice concerning securities. In particular, thanks to several selected exclusive partnerships, the bank can provide advice concerning **real estate, wealth planning, generational transfer, corporate finance and family office** issues;
- **digital innovation** that will provide access to cutting-edge tools for **improving and expediting the Bank-Customer-Financial Advisor relationship**, including through the development of specific apps in support of the Financial Advisor's activity;
- **product innovation** in line with the market trend outlined above, by completing the current product range to more thoroughly meet customers' financial needs;
- reallocation of the existing portfolio towards products consistent with the new market scenarios, through the pursuit of high diversification, liquidity, risk monitoring, and alternative strategies aimed at decorrelation from traditional asset classes with reduced portfolio volatility.

On the cost front, in 2016 the bank will continue to pursue its current strategy aimed at containing cost growth well below revenue growth. More specifically, the increase in costs will be primarily applied to the development of useful products and services that help further improve the quality of advice given to customers and the network's productivity, with specific focus on technology investments.
The activities aimed at growing the assets under management and market share will therefore be accompanied by strong cost containment actions, including through constant efforts to implement more efficient processes and focus on activities that provide higher value to Customers and the Network.

19. Events occurred after the reporting date

The preliminary consolidated results for 2015 were analysed by the Board of Directors on 10 February 2016.
The draft Financial Statements of Banca Generali were approved by the Board of Directors on 10 March 2016. The Board also authorised their disclosure pursuant to IAS 10.
No events occurred after 31 December 2015 and until the date of authorisation to publish the annual Financial Statements that would make it necessary to adjust the results presented herein.

20. Proposal for the distribution of profits

Shareholders,

We invite you to approve the Financial Statements as of 31 December 2015, which include the Balance Sheet, the Profit and Loss Account, Notes and Comments and related attachments, as well as this Report on Operations, as presented by the Board of Directors, 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	**184,291,551**
To legal reserve	74,353
To retained earnings	44,980,378
Dividend	**139,236,820**
Allocation to the 116,030,683 outstanding ordinary shares of 1.20 euros per share, including the amount to treasury shares as per Article 2357-ter of the Italian Civil Code	139,236,820

The dividend payment date will be 25 May, with ex-date 23 May and record date 24 May, pursuant to Article 83-terdecies of the Consolidated Law on Finance.

Trieste, 10 March 2016

THE BOARD OF DIRECTORS


PERSONAL ADVISORY

1.2

Report on corporate governance and company ownership

pursuant to Section 123-*bis* of Legislative Decree No. 58/1998

Board of Directors
10 March 2016

Report on corporate governance and company ownership

pursuant to Section 123-*bis* of Legislative Decree No. 58/1998

CONTENTS

GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code of listed companies as amended in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria (Confederation of Italian Industry).

Civil Code: the Italian Civil Code.

Board: the Board of Directors of the Issuer.

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

Period: the financial period to which the Report refers.

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

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

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

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

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

Bank of Italy Circular No. 263: Bank of Italy Circular No. 263 of 27 December 2006 on Prudential supervisory provisions for banks (as subsequently amended).

Bank of Italy Circular No. 285: Bank of Italy Circular No. 285 of 17 December 2013 on Supervisory provisions for banks (as subsequently amended).

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

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

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

Save where otherwise specified, the information contained in this Report is updated as at the date of its approval by the Company's Board of Directors (10 March 2016).

1. ISSUER PROFILE

1.1 Corporate mission

Banca Generali is a leading company in protecting and growing investments in Italy and is capable of offering its clients the best strategies for effective financial planning. Thanks to its grass-roots market penetration through its two distribution networks (Banca Generali Financial Planner and Banca Generali Private Banking), the company manages assets amounting to 41.6 billion euros (Assoreti data updated to 31 December 2015) on behalf of over 250,000 customers.
Banca Generali sets the standard for the Italian financial advisory market, aiding its clients in choosing the solutions best suited to protecting their financial and real-estate investments.
Through a network of highly qualified financial advisors, the Banca Generali banking Group seeks to meet each customer's investment needs in a manner consistent with his or her financial profile and investment horizon.
As amply evidenced in the Group's Sustainability Report, in conducting these activities, Banca Generali undertakes to promote the ethos of sustainability through economic development that also takes social environmental aspects into account, respecting the values underlying the company's strategic vision and work.
The Banca Generali banking Group therefore aims to adopt initiatives geared towards developing and spreading increased responsibility, thereby providing a concrete contribution to quality economic and social development while respecting and promoting the implementation of human rights within all of its spheres of influence. The Group is also committed to taking an environmentally friendly approach to its operations, launching initiatives aimed at developing and spreading increased environmental responsibility.

1.2 Organisation of the Company

A proper corporate governance system must be based on certain key elements, such as the central role of the Board of Directors and Top Management, the proper management of conflicts of interest, transparency in the disclosure of corporate decisions, and an efficient internal control system.
As a public limited company subject to Italian law, and a bank subject to TUB, Banca Generali has set up a governance system firmly grounded on the said principles.
Against this background, with a view to reinforcing minimum standards of corporate organisation and governance, and ensuring "healthy and prudent management" (Article 56 of TUB), by Circular No. 285/2013 entitled "Supervisory Provisions Concerning Banks" — most recently amended by the first update of 6 May 2014 — the Bank of Italy established a regulatory framework under which organisation is to play a central role in strategic corporate policy-making and risk assessment and management within the banking and financial industry.
In adopting an organisational structure consistent with this legal framework, Banca Generali pursued the following objectives: (i) a clear definition of functions and responsibilities; (ii) the appropriate balancing of delegated powers; (iii) the balanced composition of corporate organs; (iv) an integrated and effective internal control system; (v) comprehensive risk assessment and management; (vi) a remuneration structure in line with risk-management policies and long-term corporate strategy; (vii) adequate reporting systems and information flows.

Banca Generali's organisational structure is made of the following main corporate boards ad officers:
i) Board of Directors;
ii) Chairman of the Board of Directors;
iii) Chief Executive Officer;
iv) Remuneration Committee;
v) Nomination Committee;
vi) Internal Audit and Risk Committee;
vii) General Shareholders' Meeting;
viii) Board of Statutory Auditors.

Other corporate boards and officers include the General Management, and persons vested with powers of representation pursuant to the provisions of the Articles of Association.
The Company's organisational structure is based on the classical model of corporate governance.
Responsibility for the strategic supervision of the company lies solely with the Board of Directors (the "Board").
The Board of Directors is appointed by the Shareholders' Meeting, for a three-year term. The Board of Directors shall elect, from amongst its members, a Chairman, and if it deems fit, a Vice Chairman and may also appoint one or more Chief Executive Officers, determining the powers and responsibilities thereof. The Board of Directors can also appoint a General Manager, one or more Joint General Managers and one or more Deputy General Managers, who together constitute the General Management.

Responsibility for company management lies with the Chief Executive Officer and General Manager.
Appointed Committees may act solely in a consultative and advisory capacity.
The Remuneration Committee is in fact tasked with providing the Board of Directors with advisory opinions and non-binding recommendations on remuneration, and is accordingly vested with the authority and independence of judgment required to assess the appropriateness of remuneration and incentivisation policies and plans, and related repercussions in terms of risk taking and risk management. In detail, the Remuneration Committee is in charge of, *inter alia*: (i) submitting to the Board of Directors non-binding opinions and recommendations on the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer, and any and all other executive Directors, and expressing an opinion on the setting of the performance targets to which the variable remuneration component, if any, is linked; (ii) expressing to the Board of Directors — in accordance with applicable laws and regulations in force from time to time as well as the provisions of the Company's Remuneration and Incentivisation Policy — non-binding opinions and recommendations in respect of the remuneration of employees whose compensation and incentives are established by the Board of Directors, whilst also providing the latter with opinions on the setting of the performance targets to which the variable remuneration component is linked; (iii) determining the criteria used to establish the remuneration of all the other staff members, as identified in the Company's Remuneration and Incentivisation Policy; (iv) periodically assessing the appropriateness, overall cohesion and concrete implementation of the remuneration policy regulating the compensation of directors, key management personnel and all the other staff members whose compensation and incentives are established by the Board of Directors, in accordance with applicable laws and regulations from time to time into force, as well as the provisions of the Company's Remuneration and Incentivisation Policy; (v) directly monitoring the proper application of rules regulating the remuneration of the heads of internal control functions, in close collaboration with the Body entrusted with internal control functions; and (vi) submitting opinions on the determination of severance indemnities in the event of termination of employment or termination in office ahead of the scheduled expiry of the term of appointment (so-called golden parachutes).
The Nomination Committee is vested with consultative and recommendatory functions vis-à-vis the Board of Directors on matters pertaining to appointments and is endowed with the professional expertise and independence of judgement required to form an opinion regarding the appointments on which it is consulted.

More specifically, the Nomination Committee:

i) assists the Board of Directors in determining the latter's own optimal membership in terms of number and professional skill set, ahead of the appointment or co-option of Board members. Within the aforesaid context, the Nomination Committee (a) submits to the Board of Directors opinions regarding the size and composition of the Board itself; (b) provides recommendations on the appropriate professional skills to be represented on the Board of Directors; (c) provides recommendations on the maximum number of concurrent directorships or auditorships in other corporations listed on regulated markets (including abroad), or in banking, financial, insurance or large companies, that may be considered compatible with effectively serving as a director of the issuer, taking due account of membership of various Board Committees and drawing distinctions on the basis of the commitment required to discharge the duties attendant to each appointment; (d) proposes potential candidates for Board of Directors' membership in cases of co-option for the replacement of independent directors;
ii) assists the Board of Directors in subsequently evaluating whether or not the optimal membership of the Board of Directors, in terms of number and professional skill set, is reflected in the actual composition of the said Board upon conclusion of the appointments procedure;
iii) formulates opinions to the Board of Directors on resolutions concerning the replacement of members of the committees within the Board, which may become necessary during the Committee's term of office;
iv) assists in the Board of Directors in conducting self-assessments;
v) assists the Board of Directors in verifying satisfaction of the conditions imposed under article 26 of Legislative Decree 385/1993;
vi) assists the Board of Directors in preparing succession plans for top managers;
vii) assists the Audit and Risk Committee in selecting candidates for appointment to head of the corporate functions tasked with internal control;
viii) expresses opinions on the appointments made to represent the Company on the Boards of Directors of Subsidiaries.

The Internal Audit and Risk Committee is tasked with: (i) assisting the Board of Directors in laying down the strategic guidelines, internal control and risk management system guidelines, periodically checking that said system is adequate to the bank's characteristics and risk profile, reviewing its effective functioning and also ensuring that the major company risks have been identified, adequately measured, managed and monitored, as well as determining the degree to which such risks are compatible with management of the enterprise in accordance with the strategic goals identified, in liaison with the responsible company functions; (ii) expressing its opinion regarding related party and connected party transactions, in accordance with the terms and conditions set forth in the Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance approved by Banca Generali pursuant to applicable laws and regulations; (iii) assisting the Board of Statutory Auditors in discharging its statutory auditing duties

pursuant to the provisions of Legislative Decree No. 39 of 27 January 2010; and (iv) expressing opinions in compliance with the Equity Investment Management Policy.
The General Shareholders' Meeting (the "Shareholders' Meeting") passes resolutions expressing the intentions of the shareholders. Resolutions approved by the Shareholders' Meeting pursuant to statutory provisions and the Articles of Association are binding on all the Company's shareholders, including those abstaining or dissenting.
Responsibility for control lies with the Board of Statutory Auditors, appointed by the Shareholders' Meeting, for a three-year term. The Board of Statutory Auditors is not responsible for statutory auditing of the Company's accounts, a task entrusted to Independent Auditors duly registered with the specific professional rolls set by the Italian market regulator, Consob. The Independent Auditors are bound to monitor the proper bookkeeping of the Company's accounts, during the course of the financial year, and to ensure that the Company's books faithfully reflect management facts. The Independent Auditors are also in charge of checking that the figures carried in the annual and consolidated financial statements present a true and fair account of the Company's books and that all accounting documents are compliant with applicable regulations.
The powers and operating procedures of the corporate organs are governed by law, the Articles of Association and the resolutions approved by the relevant organs.
The Articles of Association are available at the Company's registered office and can also be consulted on the Company's website (www.bancagenerali.com) under section "*Corporate Governance*" – "*Corporate Governance System*".

2. INFORMATION ON COMPANY OWNERSHIP (pursuant to Article 123-*bis* TUF) as of 10 March 2016

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

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to 116,127,860.00 euros, divided into 116,127,860 ordinary shares of a par value of 1.00 euro each.

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)	RIGHTS AND OBLIGATIONS
Ordinary shares	116,127,860	100	Listed on MTA organised and managed by Borsa Italiana S.p.A.	All the rights contemplated under the Civil Code and the Articles of Association

Table 1 included in Annex 1) to this Report provides a breakdown of categories of shares in which the share capital is split.

Banca Generali holds 97,177 treasury shares acquired to meet requirements arising under the banking group's Remuneration and Incentivisation Policy. The voting rights attaching to the said shares have been suspended pursuant to section 2357-*ter* of the Civil Code.

The Shareholders' Meeting held on 21 April 2010 also approved two stock option plans reserved for the distribution networks, respectively one for Financial Advisors and Private Bankers, and one for Relationship Managers. It also approved the share capital increase in one or more tranches, excluding option rights, pursuant to Article 2441, paragraphs 5 and 8, of the Civil Code, in service of the above-mentioned two new stock option plans and the subsequent amendment of Article 5 of the Articles of Association. Overall, the share capital increase envisages the issuance of up to a maximum of 2.5 million ordinary shares of a par value of 1.00 euro each, at the service of the aforementioned two plans, of which respectively a maximum of 2.3 million euros in service of the plan reserved for Financial Advisors and Private Bankers, and a maximum of 0.2 million euros in service of the plan reserved for Relationship Managers. The deadline for the completion of the aforesaid share capital increase is 30 June 2017.

b) Restrictions on the Transfer of Securities (pursuant to Article 123-*bis*, paragraph 1, letter b) of TUF)

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

Plan reserved for specific financial advisors. According to such Rules, should the recipient intend to sell all or some of the granted shares, the said recipient must first inform Banca Generali thereof, and the latter retains the right to indicate a third-party purchaser at the same conditions and at market price.

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

Shareholders holding more than 2% of the Company's share capital, directly and/or indirectly and including through third party intermediaries, trust companies and subsidiaries, as per the Shareholders' Register and the notices received pursuant to law, as well as other information available to the company as at 10 March 2016, are indicated in Table 2 included in Annex 1) to this Report.

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

No securities bearing special rights of control have been issued.

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

There are no specific mechanisms for the exercise of the voting rights attendant to the shares held by employees.

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

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

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

Moreover, the Company's ownership structure at 10 March 2016, indicates that:

> Banca Generali holds 97,177 treasury shares acquired to meet requirements arising under the banking group's Remuneration and Incentivisation Policy. The voting rights attaching to the said shares have been suspended pursuant to section 2357-*ter* of the Civil Code.

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

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

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

The Company has not entered into any significant agreements that enter into force, undergo amendments or are terminated in the event of a change of control of the contracting party.
The Articles of Association provide for no departures whatsoever from the "passivity rule" entrenched in Article 104, paragraphs 1 and 2, of TUF, and make no provision for the application of the neutralisation rules contemplated in Article 104-*bis*, paragraphs 2 and 3, of TUF.

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

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

The Ordinary Shareholders' Meeting held on 23 April 2015, pursuant to Articles 2357 and 2357-*ter* of the Civil Code, authorised — with the sole aim to endow the Company with the resources necessary to comply with the banking group's Remuneration and Incentivisation Policy — the acquisition by Banca Generali of no more than 88,213 ordinary shares issued by Banca Generali S.p.A., of a nominal value of Euro 1.00 each, as well as the disposal of the same, together with those acquired on the basis of previous authorisations to acquire treasury shares, subject to the following terms and conditions:

a) acquisitions may be effected pursuant to the said authorisation solely for the purposes specified;
b) the unit price per ordinary share shall range between no less than the par value of the share, i.e., 1.00 euro, and no more than 5% of the reference price of the trading day preceding the day on which each acquisition is made;
c) authorisation for acquisition is granted for eighteen months as of the date of approval of this Shareholders' resolution, whilst authorisation for disposal is granted without any time limit whatsoever, in order to enable the achievement of the specified objectives;
d) the purchase will be carried out within the limits of distributable profits and unrestricted reserves, as per the latest duly approved financial statements;
e) acquisitions of treasury shares are made, pursuant to Article 144-*bis*, paragraph 1(b), of the Rules for Issuers, in accordance with the operating procedures set forth in the organisational and operating rules on the markets, so as to ensure equal treatment for all Shareholders. Accordingly, the acquisitions shall be made exclusively, including in several tranches, on regulated markets organised and managed by Borsa Italiana S.p.A., pursuant to operating procedures established by the latter which do not allow for the direct matching of buy orders with pre-placed sell orders.

The same General Shareholders' Meeting also authorised the Company to assign its treasury shares, without any time limit whatsoever, free of charge, to Key Personnel identified in the Remuneration and Incentivisation Policy, provided that any and all conditions, whether regulatory or imposed under the Policy itself, for entitlement to the variable component of remuneration have been duly met.
Lastly, the Shareholders' Meeting vested the Chief Executive Officer with powers to identify the reserve funds from which the restricted reserve amount, contemplated under Article 2357-*ter* of the Civil Code, is to be drawn, as well as to also be able to use treasury shares already currently held by the Company to achieve specified objectives.

At 31 December 2015, the Company held 97,177 treasury shares.

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

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

It is confirmed that the conditions provided for by Article 37, paragraph 1, of Consob Regulation No. 16191/2007 have been sastified, and it is specifically stated that:

a) the disclosure obligations pursuant to Article 2497-*bis* of the Civil Code have been complied with;
b) the company is able to independently negotiate with customers and suppliers;
c) the Company has no centralised treasury accounts with the company that exercises centralised management or with other companies of the Generali Group, unless it is in the interest of the company;
d) an Internal Audit and Risk Committee is in place, composed of independent Directors only (Section 9) and a Board of Directors composed of a majority of independent Directors (Section 4.2).

With regard to further information as per article 123-*bis* of TUF, it should be pointed out that:
> the information to be disclosed pursuant to Article 123-*bis*, paragraph 1, subparagraph (i) ("*agreements between companies and directors, members of the control body or supervisory council which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid*") is contained in the section of the Report focusing on Directors' remuneration (Section 8), as well as in the Remuneration and Incentivisation Report to be published pursuant to Article 123-*ter* of the TUF;
> the information to be disclosed pursuant to Article 123-*bis* paragraph 1, subparagraph (l) ("*rules applying to the appointment and replacement of directors and members of the control body or supervisory council, and to amendments to the articles of association if different from those applied as a supplementary measure*") is set forth in the section of the Report focusing on the Board of Directors (Section 4.1).

3. COMPLIANCE (pursuant to A rticle 123-*bis*, paragraph 2, letter a) of TUF)

Banca Generali S.p.A. (the "Company") was admitted for listing on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in November 2006, and on such occasion adopted the Code, having determined that bringing its corporate governance system (i.e., the framework of rules, principles and procedures making up a company's management and internal control system) in line with the international corporate governance best practices on which the Code is based is an essential pre-requisite for achieving the Company's objectives. These objectives in fact include not only the creation of value for shareholders and customer satisfaction, but also the quest for excellence in terms of the transparency of decision-making processes, the efficiency of internal control systems and the probity and rigour in related party and connected party transactions and/or transactions entailing a potential conflict of interests, as well as constant professionalism, probity and respect in all relationships with shareholders, customers and, in general, all the Company's stakeholders. The company is in fact fully aware that no corporation can hope to boost its reputation for reliability without implementing effective and efficient operating rules and procedures, To this end, the Company, at the Board of Directors on 24 June 2015, updated its Internal Code of Conduct, setting out the minimum standards of conduct to be observed in relations with colleagues, customers, competitors, suppliers and other stakeholders. Therefore it contains explicit rules and principles relating to Corporate Social Responsibility, the promotion of diversity and inclusion, safety and health in the workplace, the protection of company assets, fair competition and antitrust and the fight against corruption and bribery.

The Corporate Governance Code is available to the public on the Corporate Governance Committee's website at *http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf*.

4. BOARD OF DIRECTORS

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

Pursuant to Article 15 of the Articles of Association, the Company is managed by a Board made up of no less than seven and no more than twelve members, appointed by the Shareholders' Meeting after determination of the number of members. Members of the Board of Directors hold office for a maximum of three financial years. Their term ends on the date of the meeting called to approve the financial statements of the last financial year of said term and they are eligible for reappointment. In the case of appointment during the period of office, the mandate of the newly appointed members will expire with that of members already in office.
Board members must possess the legal requisites also, within the limits established by law, in terms of independence. It should be recalled that the TUB sets precise integrity and professionalism requirements for banks' directors.
In detail, since the Company is an Italian bank, in compliance with Article 26 of Legislative Decree No. 385 of 1 September 1993 and related implementing provisions (Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998), its Board members shall be selected on the basis of very high standards of professionalism and competency and must have acquired, on the overall, at least three years' experience (i) performing administrative, managerial or control functions in companies; (ii) in professional practice in the banking, financial, real estate, insurance sectors or other fields pertinent to the Company's business; (iii) in academia, especially in the fields

of law or economics; (iv) as a senior civil servant with public undertakings specialising in the banking, financial, real estate, insurance sectors, or with public administrations, bodies or undertakings that are not directly involved in the aforesaid sectors, provided that the job description pertaining to the position held entailed the management of economic and financial resources. The persons appointed as Chairman of the Board and Chief Executive Officer must have acquired at least five years' experience in the above fields and/or positions.
Moreover, pursuant to the provisions of Article 26 of Legislative Decree No. 385 of 1 September 1993 and Article 147-*quinquies* of TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation No. 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning on 18 March 1998.
It should finally be noted that five members of Banca Generali's Board have been found to satisfy applicable independence requirements, in accordance with the principles set forth in the Corporate Governance Code for listed companies (issued by Consob in Notice No. DEM/10078683 of 24 September 2010, and equivalent to the standards contemplated in Article 148, paragraph 3, of Legislative Decree No. 58/1998), and pursuant to Article 37, paragraph 1(d), of the Regulation adopted by Consob Resolution No. 16191 of 29 October 2007, as further amended and extended.
Members of the Board of Directors are appointed on the basis of lists of candidates. Those shareholders who alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company by current applicable regulations are entitled to submit a list. As established by Article 144-*quater* of the Rules for Issuers, this percentage is currently 1.00%. The appointment mechanism based on the so-called voting lists ensures transparency, as well as timely and adequate information on the personal and professional profiles of the candidates for directorships.
In order to ensure that the governing bodies includes persons capable of guaranteeing that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the Nomination Committee, shall: (i) define in advance the professional expertise required to achieve this result; (ii) define, in light of the bank's characteristics, the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence); (iii) verify that the outcome of the appointment process complies with the provisions on the optimal qualitative and quantitative composition; (iv) periodically perform self-assessments for verifying the Board of Directors' composition and functioning. The results of the above analysis (i) and (ii) shall be submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates may take account of such indications.
Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of Legislative Decree No. 58 of 24 February 1998, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may submit, either on their own or jointly with other shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, under pain of disqualification of the list. The lists must contain a number of candidates no higher than the number of members to be elected, listed by progressive number with a specific indication of the candidates who meet the statutory requirements of independence. Each candidate may appear on only one list, upon penalty of ineligibility.
The lists submitted by shareholders must be filed at the registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any other forms required by applicable laws and regulations no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call.
If the outgoing Board submits its own list, the Nomination Committee must express an opinion on the appropriateness of the candidates proposed by the outgoing Board in exercise of its discretion. The list submitted by the outgoing Board must be lodged with the Company's registered office and published on its website, as well as using other means, no later than the deadlines imposed for such publication under applicable statutory and regulatory provisions. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office. Within the same term, shareholders who submitted the lists shall also file at the Company's registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations filed by each candidate, in which each candidate accepts his/her nomination and also certifies, under his/her own responsibility, the inexistence of causes of incompatibility and of ineligibility, possession of the requisites of integrity and professionalism which prevailing laws require for the office of director of the Company, as well as

those of independence, if applicable, provided for by the law and by the codes of conduct promoted by companies managing regulated markets or by trade categories, to which the Company adheres.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of Legislative Decree No. 58 of 24 February 1998, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) shall be entitled to vote for only one list.

Should only one list be submitted, all the members of the Board of Directors shall be appointed from the said list. Should, on the other hand, two or more lists be submitted, the first candidates on the list obtaining the greatest number of votes, equal to eight ninths of the number of members of the Board of Directors determined by the Shareholders' Meeting — with rounding down in the case of split number — will be elected Board members. In the case where the number of Board members belonging to the gender less represented, and appearing on the list that obtained the highest number of votes, is lower than the number required under applicable statutory provisions, the elected candidate with the highest serial number, and belonging to the more represented gender, shall be excluded. The eliminated candidate shall be replaced by the following candidate belonging the gender less represented and appearing on the same list as the eliminated candidate. In the case where it is not possible to draw from the list obtaining the highest number of votes, the required number of Directors belonging to the gender less represented, the Board seats in question will be filled by appointments made by the General Shareholders' Meeting, by majority vote. The remaining directors will be taken from other lists, not linked in any way, not even indirectly, with the shareholders who submitted or voted for the list which gained the highest number of votes, and to this end the votes obtained by said lists will subsequently be divided by one, two, three and so on, according to the number of directors to be elected. The ratios obtained in this way will be progressively assigned to the candidates of each of the lists, according to the respectively established order of said lists. The ratios thus attributed to the candidates of the various lists will be set out in a single decreasing list. In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

Should it emerge that, at the end of voting, a sufficient number of independent Directors, within the meaning of applicable regulations, has not been elected, the director bearing the highest serial number in the list that obtained the greatest number of votes, and who does not meet the requirements of independence, shall be replaced by the next candidate on the same list, who does meet the said requirements. If necessary, this procedure shall be repeated until all the vacancies of independent directors on the Board have been filled. Should it not be possible to cover all the vacancies on the Board, even after following the procedure mentioned above, the Shareholders' Meeting shall proceed with the appointment of the remaining directors, at the proposal of the shareholders in attendance and by resolution approved by simple majority.

Upon the conclusion of the process of appointing, the Board of Directors (with the advisory support of the Nomination Committee) shall conduct a thorough, formal review that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

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

Where it is not possible to proceed as described above, either because of too few candidates being presented on the lists or as a result of non-acceptance of appointments, the Board of Directors shall co-opt, within the meaning of article 2386 of the Civil Code, a director selected by the Board in accordance with the criteria established under law. The director thus coopted shall remain in office through to the next Shareholders' Meeting that shall either confirm or replace him following the ordinary procedures and with ordinary majorities, in departure from the list-based voting system mentioned in Article 15 of the Articles of Association.

The Board is required to appoint a Secretary who need not necessarily be a Board member.

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

Although the implementing guidelines set forth in Application Criterion 5.C.2 of the Code leaves succession planning entirely up to the discretion of the Board of Directors, on 15 December 2015, in order to comply with Bank of Italy Circular No. 285/13 which provides that "Plans for the orderly succession of top managers (chief executive officer, general manager) in the event of the expiry of their terms of appointment or for any other reason or cause whatsoever, must be formalised within large or operationally complex banks, with a view to securing continuity of operations and avoiding economic and reputational repercussions", the Company's Board of Directors adopted the Succession Planning Policy and the related Succession Plan.

In such regard, it must be pointed out that the Board of Directors first established, within the framework of the said Policy, criteria and procedures for identifying the replacements of the top managers whose positions are subject to succession planning.

The Succession Planning Policy accordingly establishes:
i) the procedures for identifying the replacements of the top managers whose positions are subject to succession planning, in the event the said managers are unavailable or otherwise unable, albeit only temporarily, to discharge their assigned duties;
ii) the procedures for identifying potential replacements of company managers whose positions are subject to succession planning, in the event of the termination of the appointments of the said managers;
iii) the corporate bodies and officers involved in preparing the succession plan;
iv) procedures for and the frequency of revisions of the succession plan;
v) procedures and deadlines for the implementation of the succession plan.

With regard to point (iii) above, it is worth specifying that the Board of Directors has been identified as the corporate body in charge of preparing the succession plan with support from the Nomination Committee.
Moreover, the Board of Directors is also vested with authority to periodically assess the prevailing succession plan and amend the same in light of the Bank's specific business and organisational requirements, availing of support from the Nomination Committee.
Following the approval of the Succession Planning Policy, the Board of Directors, fully aware that a succession plan contributes towards continuity of operations and certainty in company management, whilst also ensuring that the best possible replacements are selected, by providing for a structured decision-making process, on 15 December 2015 adopted a Succession Plan.

The Succession Plan in question, pertains to the following corporate positions:
> Chief Executive Officer
> General Manager
> Joint General Manager

The resolution was approved with the support of the Nomination Committee which carried out in-depth preliminary analysis of the content of final text submitted to the Board of Directors for approval.
Subsequently, on 3 February 2016, the Nomination Committee examined the planned career growth and professional training opportunities to be afforded to the replacements appointed under the Succession Plan approved by the Board of Directors.

4.2 Composition of the Board of Directors (pursuant to Article 123-*bis*, paragraph 2, letter d), TUF)

The Shareholders' Meeting of 23 April 2015 established that the Board of Directors would be made up of nine members and appointed a new Board through the list voting system.
On 23 April 2015, the Shareholders' Meeting appointed the current members of the Board of Directors based on two lists of candidates submitted, respectively, by the majority shareholder Assicurazioni Generali S.p.A. and various Undertakings for Collective Investment in Transferable Securities, under the aegis of Assogestioni.
The list submitted by the majority shareholder Assicurazioni Generali S.p.A. included the following candidates: Paolo Vagnone, Piermario Motta, Giancarlo Fancel, Philippe Roger Donnet, Giovanni Brugnoli (Independent), Anna Gervasoni (Independent), Massimo Lapucci (Independent), Annalisa Pescatori (Independent) and Ettore Riello (Independent). Pursuant to article 15 of the Articles of Association, the General Shareholders' Meeting elected as Board members, the first eight candidates on the list submitted by Assicurazioni Generali S.p.A., with the favourable vote of 62.987% of the share capital represented at the General Meeting and the sole candidate on the list submitted under the aegis of Assogestioni, with the favourable vote of 35.684% of the share capital represented at the General Meeting.

Therefore, 8 of the Directors currently in office were taken from the list presented by the majority Shareholder, which obtained the highest number of votes, whereas one was taken from the list that was not directly or indirectly linked to shareholders who have submitted or, otherwise, voted in favour of the list that received the highest number of votes.
The term of the Board of Directors shall expire on the date of the Shareholders' Meeting called for the approval of the Financial Statements for the year ended 31 December 2017.

It should also be noted that, in determining the composition of the current Board of Directors, the Law 120/2011 was taken into account (as well as the provisions of Section IV, Chapter 1, Title IV, of the aforementioned Bank of Italy Circular No. 285), thus reserving at least one fifth of Board seats to the less represented gender, (2 Board Members).
The table provided in Annex 2 lists the members of the Board of Directors as of 31 December 2015, other information about them and Board and Committees meeting attendance.
In order to ensure that the Board includes persons capable of ensuring that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the Remuneration and Nomination Committee, shall: (i) define in advance the professional expertise required to achieve this result, (ii) define, in light of the bank's characteristics, the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence). The results of the above analysis have been submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates could take account of such indications. Moreover, upon the conclusion of the process of appointing company bodies, the Board of Directors (with the advisory support of the Nomination Committee) assessed that the actual result of the appointment process corresponded to the qualitative and quantitative composition deemed optimal.
With regard to the composition of the Board — given that Banca Generali is subjected to management and coordination by another Italian company whose stock is listed for trading on regulated markets — pursuant to Article 37, paragraph 1(d), of the Rules adopted by Consob with Resolution No. 16191 of 29 October 2007, as amended and extended, the Board is made up of a majority (5) of independent directors.

Pursuant to Article 36 of Law No. 214/2011, the Board has also verified, in respect of each director, that there were no grounds of incompatibility.
Summary information on the personal and professional profiles of the Company's Directors is provided below, with an indication, as recommended in paragraph 1.C.2 of the Code, of the directorships and auditorships held by the same in other companies listed on regulated markets, including overseas, as well as in large companies other than Group companies.

Paolo Vagnone. Born in Turin on 4 December 1963, he graduated in Electronic Engineering at Turin Polytechnic and holds a Master in Business Administration from the INSEAD Business School in Fontainbleau. He started his career in McKinsey and then worked in the Allianz Group from 1997 to 2007, where he developed a thorough knowledge of the insurance field. He held offices of increasing responsibility in the Allianz Group, where he served as Chief Executive Officer and General Manager of RAS. He also broadened his professional profile managing investments in Italy of Apax and Fortress Investment Group's Private Equity funds. In these companies he was also appointed CEO and General Manager. He joined the Generali Group in February 2011 as General Manager and until 2012 he was Country Manager for Italy. He is currently Head of Global Business Lines di Assicurazioni Generali S.p.A. and member of the Group Management Commitee. Since 8 August 2012, he has been Chairman of the Board of Directors of Banca Generali S.p.A. He is a member of the Board of Directors of the main Group companies; he does not hold positions in other companies outside the Group.

Piermario Motta. Born in Monza on 28 August 1957, Piermario Motta holds a Degree in Banking and Finance. He started his career at Banca Popolare di Milano and then worked at Banca Fideuram from 1985 to 2002, initially as a financial advisor and then as Area Manager as of 1993. In 2002, he became General Manager of Sanpaolo Invest and was subsequently appointed Chief Executive Officer, a position he held from 2003 to 2005. In 2005, he joined the Banca Generali Group, serving as General Manager of Banca Generali, and in 2006 he was appointed Chief Executive Officer of the subsidiary Banca BSI Italia, after it was acquired by Banca Generali. He held the position until January 2010, when the bank was merged into Banca Generali. On 24 April 2012, he was appointed Chief Executive Officer of Banca Generali S.p.A. Furthermore, he is currently a member of the Board of Directors of CSE Consorzio Servizi Bancari Società Cons a.r.l. and a member of the Board of Directors of Assoreti.

Giovanni Brugnoli. Born in Busto Arsizio (Varese) on 24 January 1970, he has always been actively engaged in entrepreneurial associations, in the Employers' Association of the Province of Varese, in which he was Vice President of the Young Entrepreneurs Group from 1999 to 2001 and President from 2001 to 2004, member of the Association's Board of Directors since 1999, member of the Executive Committee since 2001, Vice President from 2007 to 2011 and Chairman from 2011 to 2015. Since 2011 he has been a member of the General Council of Confindustria. He is currently Chairman of the Board of Directors of Tiba Tricot S.r.l. and of Palatino S.r.l and sole shareholder of Tiba immobiliare S.r.l — companies all belonging to the Brugnoli Group. He is also a member of the Board of Directors of Cofiva S.p.A. and Chairman of Promindustria S.p.A, both of which belong to the Gruppo Industriali di Varese. Since 2009, he has been a member of the Board of Directors of the Association for LIUC and since 2010 a member of the Managing Board of the University Carlo Cattaneo LIUC. He is Chairman of the Board of Directors of Industria e Università S.r.l. and Iniziativa Universitaria 1991 S.p.A., belonging to the same group and specialised in university and non-university post-secondary education.

Lastly, he has been a member of the Board of Directors of Anemotech s.r.l. and of Previmoda Fondo Pensione since 2013, as well as a member of the Board of Directors of Banca Generali since April 2012.

Philippe Donnet. Born in Suresnes (France) on 26 July 1960, he graduated at the École Polytechnique in Paris and the Institut des Actuaires Français. Afterwards, Donnet developed a thorough knowledge of the insurance field working in AXA, where he entered in 1985 and acquired professional experience working in France and Canada. In 1999, he was appointed Chief Executive Officer of Axa in Italy. In 2001, he was appointed Chief Executive Officer of AXA for Southern Europe, Middle East, Latin America and Canada. In 2003, he was appointed Chief Executive Officer of AXA in Japan and became also responsible for the Asia-Pacific area of the company. In the past few years, he broadened his professional profile serving the Wendel Group and HLD. He currently holds a position as Country Manager for Italy and Chief Executive Officer and General Manager of Generali Italia S.p.A.'s, and is member of the Group Management Committee of the Generali Group. He is also a Director in other Generali Group companies, Chairman of the Board of Directors of Consorzio MIB – School of Management, and does not hold any other position in other companies outside the Generali Group.

Giancarlo Fancel. Born in Portogruaro (Venice) on 26 September 1961. After graduating in Economics from the University of Trieste, and becoming a chartered accountant and certified auditor, he started his professional career in Reconta Ernst & Young, where he gained proven experience in the auditing field (1988-1999). In 1999, he joined the Generali Group as Head of Internal Audit, filling several positions and lastly becoming Head of Group Management Control. From January 2007 to April 2014, he held the position of Deputy General Manager, Joint General Manager and Chief Financial Officer of Banca Generali. He currently is a member of the Board of Directors of joint-stock company Autovie Venete (S.A.A.V.), CFO of Generali Italia S.p.A and member of the Boards of Directors of other Generali Group Companies. He does not hold any positions in other companies.

Anna Gervasoni. Born in Milan on 18 August 1961, she graduated in Economics and Commerce through the Luigi Bocconi University in Milan. She is currently a tenured professor of economics and business management. Having participated in the founding of the Cattaneo University - LIUC, she has been Professor of Economics and Business Administration and "Corporate Finance" since 1999. She has been responsible for the Specialised Master Degree program in private equity since the year 2000: "Master in Merchant Banking: Private Equity, Finance and Business". She is Chairman of the Private Equity Monitor - PEM® and the Venture Capital Monitor - VEM®, two entities that monitor the Italian private equity market. Since 1986 she has been General Manager of AIFI, the Italian Private Equity and Venture Capital Association and since 2007 Chiarman of the Board of Directors of AIFI Ricerca e Formazione s.r.l. She is also a member of the Board of Directors of Fondo Italiano d'Investimento SGR S.p.A., as well as member of the Board of Directors of Sol S.p.A, a leading supplier of industrial gas. Lastly, she serves on the Audit Committee of Eni Foundation and as a member of the Board of Directors of both Banca Generali, and GENERFID S.p.A., a Banca Generali Group company.

Massimo Lapucci. Born in Rome on 22 November 1969, he graduated in Economics and Commerce through the "La Sapienza" University of Rome. After a working experience in banking and corporate finance at Andersen MbA S.p.A. and Ernst & Young LLP, he was Head of Business Planning of Ipse 2000 S.p.A. (Telefonica S.A. Group), from 2001 to 2002, before joining the railway company, Ferrovie dello Stato Group as Head of M&A and Strategic Planning, a position he held from 2002 to 2008. From 2009 to 2012, he served as Investment Director at Sintonia S.A. Since 2006 he has been World Fellow and Lecturer at Yale University. Currently, he is also Secretary General of "Fondazione Sviluppo e Crescita – CRT", which operates in the impact investing and social entrepreneurship sectors. He is a Director of "Fondazione per il libro la musica e la cultura" and General Manager of OGR s.c.p.a., the main impact investing project in Italy, aimed at converting a broad former industrial area into an experimental business incubator and cultural production center. Lastly, he is a member of the governing council of the European Foundation Center, and of the Board of Directors of the European Venture Philantropy Association.

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Annalisa Pescatori. Born in Rome on 24 July 1964, Annalisa Pescatori is Equity Partner of the law firm Grimaldi Studio Legale. After graduating magna cum laude in Law through the "La Sapienza" University of Rome in 1988, she was admitted to bar in 1991 in Italy and obtained her licence to practice before the Italian Supreme Court in 2015. She is enrolled in the Milan Bar of Lawyers. In 1985, she earned a Diploma in Japanese Language and Culture through the Rome-based Italian Institute for the Middle and Far East (ISMEO).

She serves as an independent director of Banca Generali S.p.A. Before joining Grimaldi Studio Legale was Equity Partner at the Milan-based law firm Studio Tonucci from 2012 to 2014, and from 2002 to 2011 at the law firm Studio Legale Grimaldi e Associati. Prior to 2002, she acquired experience as a practicing lawyer with the law firms Clifford Chance and Studio Grimaldi e Associati, Rome, and Studio Bonelli e Associati. From 1991 to 1996, she was employed at IMI-Istituto Mobiliare Italiano S.p.A., as legal counsel to the Corporate Finance Department, and on Staff of the Deputy General Manager for Finance and the Overseas Staff of the Finance and Equity Holdings Department.

Vittorio Emanuele Terzi. Born in Gravina di Puglia (Bari) on 16 August 1954, he graduated in Mechanical Engineering in 1979 and worked briefly at the EEC Environment Directorate in Brussels before joining Citibank in 1980 where he focused on wholesale banking and international project financing for 5 years. In 1985 he joined McKinsey & Company where was appointed Partner in 1990 and Director in 1996. In 1988, he managed the opening of the company's new offices in Rome. From 2004 to 2011 he served as Managing Partner of McKinsey & Company's Mediterranean Complex. In 2014, he founded the consultancy firm Terzi & Partners which specialises in advising corporations and financial institutions on business strategy, M&As, corporate finance, and governance. He is a director of the Genova-based Italian Institute of Technology Foundation (Istituto Italiano di Tecnologia) as well as of Banca Generali S.p.A., Mpventure Mid-Market Private Equity SGR S.p.A. and MoneyFarm Holding Ltd., London.

Cristina Rustignoli, Head of the Governance Area, serves as Secretary to the Board of Directors.

The "Rules on the Functioning of the Board of Directors of Banca Generali S.p.A." (the "Board Rules"), which were approved by the Board at the meeting on 16 February 2007 and amended on 11 February 2015 in accordance with section 1.C.3 of the Rules and Article 15, paragraph 3 of the Articles of Association, establish the maximum number of corporate positions normally compatible with the role of Company Director, as allowed based on regulations in force from time to time. Such indications are summarised in the following table and take the following into account: (i) the different degree of a director's commitment in relation to the position held, (ii) the nature and size of the company in which the position is held, and (iii) whether the company is part of the Issuer's group or of a same group:

	LISTED COMPANIES			FINANCIAL OR INSURANCE COMPANIES AND BANKING INSTITUTIONS			LARGE CORPORATIONS		
	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR	AUDITOR	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR	AUDITOR	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR	AUDITOR
Executive Directors	-	5	-	-	5	-	-	5	-
Non-executive Directors	2	5	2	2	5	2	2	5	2

The Board of Directors' Rules also envisage that, in determining the total number of companies in which appointees to the Company's Board of Directors hold directorships or auditorships, no account may be taken of companies belonging to the Company's Group, with the exception of corporations listed on regulated markets (including abroad), financial institutions, banks, insurance companies and large corporations. Appointments to the corporate organs of several companies belonging to a single corporate group, other than the Company's Group, are, in practice, generally considered as a single appointment, with the exception of corporations listed on regulated markets (including abroad) and financial institutions, banks, insurance companies and large corporations (Article 5.4 of the Rules).

The table provided in Annex 2 also specifies the number of corporate positions each Director holds in the aforementioned companies on the basis of the criteria indicated in the Board of Director's Rules.

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

In accordance with paragraph 2.C.2. of the Code, the Chairman of the Board of Directors ascertained that the Directors and Auditors, after their appointments and throughout their office, participate in initiatives aimed at providing them with an adequate knowledge of the business sector in which the Issuer runs its activity, the corporate dynamics and the relevant evolutions, as well as the applicable regulatory framework.

In such regard, given that the General Shareholders' Meeting renewed the appointments of the members of the Bank's corporate bodies on 23 April 2015, and pursuant to the provisions of the first update, dated 6 May 2014, of Bank of Italy Circular No. 285/2013, as well as the above-mentioned Code provisions, the Chairman decided to call an informal meeting of the new Board of Directors with a view to promoting dialogue amongst Board members on major, strategic issues in terms of the growth of the Company and Banking group, outside the formal setting of Board meetings.

More specifically, on 10 June 2015, the Bank's Directors discussed (i) the role of the Risk Management function; (ii) Banca Generali's traditional lending business; and (iii) a breakdown and presentation of the Bank's own portfolios, at their first induction meeting to which the members of the Board of Statutory Auditors were also invited.

On 17 June 2015, again at the behest of the Chairman, a Bank's Directors held a second induction meeting which was attended by the members of the Board of Auditors and focused on the commercial network and banking product offerings.

The subject matter addressed at both induction meetings was determined directly by the directors in attendance who the aim of favouring a deeper insight into the dynamics and other aspects of the issues selected.

4.3 Role of the Board of Directors (pursuant to Article 123-*bis*, paragraph 2, letter d)

The Board of Directors, made of the 9 members, plays a central role in the Company's corporate governance system.
The Board of Directors, charged with strategic supervision, is vested with full powers of ordinary and extraordinary management of the Company. It has the authority to resolve on all matters pertaining to the corporate purpose that are not reserved to the exclusive competence of the Shareholders' Meeting. The Board is also the only corporate organ empowered to pass resolutions also on the setting up or closure of secondary offices, and for appointing the Board members vested with powers of corporate representation and signature, as well as on mergers, in the cases permitted under law, on the amendment of the provisions of the Articles of Association that may be incompatible with new imperative regulatory requirements.
In accordance with paragraph 1.C.1., letters (a), (b) and (f) of the Code, Article 18 of the Articles of Association invests the Board with broad decision-making powers susceptible of significantly impacting the life of the Company and the Group, including, in particular, the power to define the general operating guidelines and approve the Company's strategic, industrial and financial plans, as well as transactions that could have a significant impact on the Company's equity or economic or financial position, including transactions with Related and Connected Parties; the power to define the Company's general organisational layout, approve and amend internal rules and regulations, as well as set up advisory or coordinating committees or commissions.
In detail, pursuant to the Articles of Association, save in the emergency situations contemplated in Article 18, paragraph 9 of the same, the Board alone is vested with decision-making powers in respect of: a) establishing the general management policies, approving the Company's strategic, industrial and financial plans and the transactions of considerable economic, equity and financial importance, including with Related and Connected Parties; b) appointing, when it sees fit, a General Manager, Joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement; c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors; d) appointing the Compliance Manager, after having heard the opinion of the Board of Statutory Auditors; e) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Manager in charge of the company's financial reports, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and monitoring of actual compliance with administrative and accounting procedures; f) authorising company representatives fulfilling managerial, executive and supervisory roles to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases; g) purchasing or selling shareholdings that cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company business lines; entering into agreements pertaining to joint ventures or strategic alliances; h) approving the organisational structure and any and all amendments to internal rules and policies; i) carrying out periodic checks to ensure that the internal control structure is respectful of the principle of proportionality and complies with strategic guidelines, and that internal control functions are afforded a sufficient degree of independence within the organisational structure and are endowed with adequate resources to allow them to function properly; l) carrying out checks to ensure that the system of information flows is adequate, complete and timely; m) drawing up guidelines for the recruitment and internal placement of Company executives; n) creating committees or commissions with control, consultation, recommendatory or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components, duration, powers and authority of said committees or commissions at the time they are set up; p) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely; q) approving related party and connected party transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing such transactions.
The Board of Directors may approve highly significant related party transactions, even in disregard of the contrary advice of the independent auditors, provided that the transactions in question are authorised by the Shareholders' Meeting, within the meaning of Article 2364, paragraph 1 (5), of the Civil Code, pursuant to a resolution passed with the majorities contemplated in applicable regulations, and in accordance with the procedure adopted by the Company with regard to related and connected party transactions. With respect to transactions that could have a significant impact on the Company's equity, capital or financial position, the Board of Directors adopted a special regulation (Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance) that defines the general criteria for their identification and a specific authorisation process, which, in accordance with the regulatory provisions in force, also involves the Risk Management function which has to provide prior opinion. In general, the following transactions are identified as transactions of Greater Importance: (i) the issuance of financial instruments; (ii) the granting of personal guarantees and collateral on behalf of subsidiaries; (iii) the granting of loans to subsidiaries, real-estate investments and divestments, the acquisition and sale of equity investments, companies or business lines; (iv) mergers or demergers; (v) other transactions, the value of which is higher than 2.5% of the consolidated regulatory capital, which do not fall within the ordinary activities of the Bank and are not carried out at or near market conditions.
The Board of Directors of the Bank, in its capacity as Parent Company of the Banking Group, is also assigned exclusive competence over resolutions concerning the purchase and sale of shareholdings by subsidiaries belonging to the

banking group, as well as the establishment of the criteria for coordinating and managing the banking group companies and for implementing the instructions issued by the Bank of Italy in the interest of group stability.
Finally, pursuant to the current regulatory framework governing companies providing investment services, the Board of Directors is tasked with drawing up corporate policies, measures, processes and procedures aimed at containing risks and ensuring financial stability, as well as sound and prudent management. The Board of Directors is consequently in charge of: (i) identifying the objectives, strategies, risk profile and tolerance thresholds of the Bank and the guidelines for the internal control system, by defining corporate risk management policies within the Risk Appetite Framework - RAF and by determining the corporate policies; it periodically checks its correct implementation and its consistency with business developments and the associated risks, paying special attention to the adequacy and effectiveness of the Risk Appetite Framework and the compatibility between actual risk and the risk appetite; (ii) ensuring that the remuneration and incentive system does not increase company risks and is consistent with the RAF and with long-term strategies; (iii) with respect to the Internal Capital Adequacy Assessment Process (ICAAP), defining and approving the general outline of the process, ensuring its consistency with the Risk Appetite Framework and promoting full use of results for strategic purposes and business decisions.

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

i) pursuant to paragraph 1.C.1 (c) of the Code, the Board is bound to evaluate the appropriateness of the organisational, administrative and accounting layout of the Company and its strategic subsidiaries, with special reference to the internal control and risk management system, in light of the information received from the competent corporate organs (Article 8.2 of the Board Rules). The Board periodically deliberates on the bank's organisational structure and assesses the functions aimed at guaranteeing the accurateness and efficiency of the bank's administrative and accounting system;
ii) pursuant to paragraph 1.C.1 (c) of the Code, the Board is bound to evaluate the appropriateness and effectiveness of the internal control and risk management system, taking due account of the Company's features and risk exposure. In such regard the Board (a) lays down guidelines for the internal control and risk management system, so as to ensure that the main risks to which the Company and its subsidiaries are exposed are properly identified, appropriately measured and adequately managed and monitored, and establishes the extent to which the related risk exposure is compatible with business management in line with the Company's strategic objectives; (b) assess, at least on an annual basis, the appropriateness of the internal control and risk management system in light of the Company's features and risk profile andalso assesses its effectiveness (article 8.3 of the Board of Directors' Rules). The Board also approves policies and regulations governing the functioning of the control functions, approves reguations on the management of the main risks to which the Group is exposed and the policy on conflicts-of-interest of the banking group that establishes procedures for handling such conflicts;
iii) the Board is bound to assess general management trends, especially in linght of the information received from the delegated bodies and periodically comparing results against expectations, in accordance with the provisions of paragraph 1.C.1., letter e), of the Code. The Board periodically assesses the Company's and the Group's operations, compares the results with budget forecasts and analyses any differences;
iv) since the Company is also the Parent Company of the Banking Group, the Company's Board is further vested with decision-making powers in respect of the acquisition and disposal of participating interests, as well as the policies for the coordination and management of Group companies and compliance with Bank of Italy instructions, with a view to ensuring the stability of the Group. The Board approved Group Rules that establish guidelines for interaction and information flows among Group companies.

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

Finally, in accordance with the Corporate Governance Code and surveillance regulations, the Board of Directors' Rules also establishes that the Board:

> prior to the appointment of each new Board, or in the event of the co-optation of directors, identify in advance the qualitative and quantitative composition of the Board deemed optimal by determining and justifying the theoretical profile of candidates considered appropriate and submitting it for the shareholders' attention in a timely manner;
> after a new Board of Directors is appointed or directors co-opted, verify the correspondence between the qualitative and quantitative composition deemed optimal and the actual composition resulting from the appointment process;

> in order to ensure the proper management of company information, adopt, on the proposal of the Chief Executive Officer, a procedure for the internal management and external disclosure of documents and information pertaining to the Company, with special regard to insider information.

Functioning of the Board of Directors

Pursuant to Article 17 of the Articles of Association, Board meetings are to be held — in general — on a monthly basis.
As mentioned above, on 16 February 2007, in order to ensure that the Board's operating procedures comply with the principles entrenched in the Code and the supervising instructions issued by the Bank of Italy, the Board approved the Regulations of the Board of Directors, most recently amended at the Board Meeting held on 11 February 2015.

The aforesaid Board Rules provide, inter alia, that:
i) pursuant to Article 1.C.2 of the Code, without prejudice to the causes for inelegibility and disqualification, as well as limits on simultaneous offices established in laws and regulations, appointments to Board may only be accepted after the appointees have determined that they are in a position to devote the time required to ensure the diligent performance of their tasks and duties as Board members, also in light of their professional activities, the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations, as well as their other professional activities (Article 5.2 of the Board Rules);
ii) the Chairman of the Board of Directors shall ensure that documentation pertaining to items of business on the agenda is brought to the attention of the directors and statutory auditors in advance of the date of the Board meeting (Article 4.2 of the Board Rules). Specifically, should the said items pertain to routine business, the related documents, if available, must generally be forwarded at least one day prior to the scheduled date of the Board meeting, save in the case where this is not possible for reasons of confidentiality, with specific reference to "price sensitive" information. This provision was generally complied with, without prejudice to the fact that when, due to urgency or confidentiality reasons, this was not possible, the Chairman made sure that during the meeting for the discussion thereof, sufficient time was devoted to an in-depth analysis and related discussion;
iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a shareholder agreement, each Board member shall be bound to exercise decision-making powers in total autonomy and independence, making decisions that are reasonably likely to result — as a priority objective — in the creation of value for shareholders, in the medium-to-long term (Article 7 of the Board Rules);
iv) pursuant to paragraph 1.C.1, letter g), of the Code, with at least annual frequency, the Board of Directors shall express an opinion of the functioning of the Board of Directors and its committees, as well as their size and composition, also considering factors such as the professional characteristics, experience, including managerial experience, and nature of its members, as well as their length of service, and the adequacy and effectiveness of the provisions set forth in the Board of Directors' Rules (Article 10 thereof).

In compliance with said requirement as well as the provisions introduced pursuant to Bank of Italy Circular No. 285/2013 which provides, *inter alia*, that it is good practice for large or operationally complex banks (a category that includes all listed banks) to undergo, at least once every three years, self-evaluation in consultation with an outside professional vested with independence of judgement, the Board of Directors underwent the self-evaluation in question, in consultation with the firm Egon Zehnder, which was selected to serve as independent expert following a procurement procedure entailing the submission of estimates and offers from a variety of consultants.
The aforesaid self-evaluation was undertaken in January and February 2016 and refers to financial year 2015.

The self-evaluation process was divided into the following phases:
> filling out of a structured questionnaire by each Director in office during the period of reference of the self-evaluation, as well as by the Chairman of the Board of Statutory Auditors;
> confidential, one-on-one interview with each Director and the Chairman of the Board of Statutory Auditors, so as to acquire additional viewpoints on the functioning of the Board, using the answers to the questionnaire as the basis for the interview;
> compilation of the data generated through the answers provided to the questionnaire by the Directors and the Chairman of the Board of Statutory Auditors and processing of the results in anonymous and aggregate form;
> drawing up of a summary report based on the data acquired.

The specific issues assessed, included: size, structure and composition of the Board of Directors, independence, integration, training, meetings and decision-making processes, other meetings of Boards members, the role of the Chairman of the Board of Directors, relationships between Board members and Management, information, presentations, strategy, risks and related controls, structures, people, functioning and composition of the Board Committees, Board dynamics, summary and benchmarking.

The results of the Board Review had been shared,after analysis by the Nomination Committee, by the Board of Directors in its meeting held on 10 March 2016. The answers to the questionnaires and the confidential interviews showed extremely favourable situation (even when benchmarked against Italian and international best practices) and painted a particularly positive picture of the Board's membership in terms of both number and professional skills, of the dynamics at work within the Board and in the course of interaction between the Board and Company Management, as evidenced by mutual esteem and trust, a high sense of commitment and quality of debate and discussion;
To forge ahead on the path towards and excellent governance for the Board of Directors of Banca Generali, a recommendation was prospectively made that a special focus will be given on optimising the information flow, thus ensuring greater timeliness, to the extent possible, in making available the documents in view of Board meetings;

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 2015, Banca Generali's Board met 13 times. The meetings lasted about 2 hours and 15 minutes on average. In the year underway a total of 12 Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

The table in Annex 2 provides also information on the attendance of Directors at the Board meetings held in 2015. Absentee Directors provided justification for non-attendance.

In accordance with the Board Rules and to encourage the development of mechanisms for the flow of information amongst and within company bodies aimed at achieving management efficiency and control effectiveness, the information flows involving company bodies are regulated by a specific internal company circular letter, approved by the Board of Directors. The aforesaid circular letter lays down the timetable, procedures and contents of the information to be provided to the company bodies in question, and identifies the persons and parties bound to submit appropriately exhaustive reports on a periodic basis and/or upon request. The formal rules governing the structure of information flows (in particular towards the Board of Directors and Board of Statutory Auditors) officially establish the reports already in use at the bank, which are typically systematic and well organised in terms of form and content. These reports satisfy the need of providing a timely flow of information to the Board with regard to the exercise of delegated powers. They are revised on an ongoing basis as necessitated by legislation or operations. The preferred method for ensuring a flow of information towards Directors and Statutory Auditors is by making written documents available in a timely manner, especially reports, explanatory notes, memoranda, presentations, reports prepared by the bank's organisational units, other public and non-public documentation and accounting documentation intended for publication. The information reported through the procedures set forth above shall be supplemented (and where necessary for reasons of confidentiality, replaced) by oral explanations provided to the Chairman, the Chief Executive Officer or members of the Bank's management, either at Board meetings or at informal gatherings open to Board members and members of the Board of Statutory Auditors, organised for the specific purpose of allowing the latter to discuss and acquire deeper insight into issues of interest in terms of the Bank's operations. Apart from matters over which the Bank's Board of Directors is vested with exclusive powers of decision and approval pursuant to law and the Articles of Association, reports to the members of the Board of Directors and the Board of Statutory Directors shall focus primarily on: (i) general business performance and foreseeable developments, with an indication of departures form previous forecasts; (ii) activities undertaken, with specific reference to transactions that could have a particularly significant impact on the company's balance sheet, income statement and/or cash flow, related and connected party transactions, and atypical, unusual or innovative transactions, and the risks associated with each of the above; (iii) the internal control and risk management system and the level of Bank's exposure to all significant types of risk; (iv) the performance of the products placed and the relevant returns; (v) the performance of lending activities; (vi) the performance of the bank's investing activities; and (vii) any and all other activities, transactions or events deemed worthy of the attention of the Board of Directors and the Board of Statutory Auditors.
As an additional contribution to the promotion of methods for circulating information among the Corporate Bodies with the aim of achieving management efficiency and control effectiveness, at its first meeting of 2013, the Board adopted a computer application, whose objective is the secure distribution of digital documents to the members of Banca Generali Board of Directors and Committees, through iPad, tablet devices and PC platform. The application general features enable the exchange of documents without e-mails and printing on paper, ensuring maximum security and confidentiality of the documents on the Board's agenda. In fact, (i) all communications to and from devices are encrypted, (ii) the authentication process involves the use of a numeric code as Personal Identification (PIN), (iii) all documents on the devices (iPad, tablet and/or PC) are encrypted and, (iv) the documents cannot be retrieved and consulted without the application and the security key (in case the device is lost or stolen).

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

a) periodically passed resolutions pertaining to the Company's organisational layout, with specific emphasis on corporate functions involved in providing services to the entire banking group headed by the Company;
b) examined general business trends, on a quarterly basis, especially in light of information received from the Chief Executive Officer, as well as carried out quarterly comparisons of results achieved against expectations and forecasts;
c) determined, as proposed by the Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors, the remuneration of the Chief Executive Officer and General Manager, the Directors serving on Board committees and other professional figures who can influence the risk profile of the Bank, as well as those responsible for control functions.

The meetings of the Board of Directors may be held by telephone or video conference and, where the Chairman sees fit to do so, including upon the request of one or more directors, the executives of the Company and those of companies belonging to the Group controlled by the Company who are in charge of company functions competent with respect to the subject matter concerned, shall participate in meetings of the Board of Directors in order to provide the appropriate further clarification regarding items on the agenda.
With regard to Banca Generali subsidiaries, in order to ensure that effective and efficient management and control systems are in place also at consolidated level, all the companies of the banking group are currently closely integrated with the Parent Company.

This integration is especially evident in:

i) the ownership structure: the share capital of the subsidiaries is wholly owned by Banca Generali S.p.A.;
ii) the composition of the governing and control bodies of the subsidiaries, whose members include various officers of the Parent Company with a view to ensuring that the latter's guidelines are effectively and efficiently imparted so as to allow for sound business administration without jeopardising the decisional autonomy of subsidiaries in any way, whilst also providing for a uniform level of care, caution and concern in assessing risk-containment mechanisms and the actions taken in this regard. Joint meetings of the Boards of Statutory Auditors of Italian group companies are periodically held for risk control purposes;
iii) the organisational, administrative and accounting layout, as well as the control system adopted for the subsidiaries, featuring the centralisation of certain key functions within the Parent Company.

As the Parent Company vested with the powers of management and coordination specified in the Civil Code, and developed in greater detail in Articles 59 *et seq.* of Legislative Decree No. 385/1993 and Title I, Chapter II, of Bank of Italy Circular No. 285 of 17 December 2013, Banca Generali discharges, in respect of the subsidiaries belonging to the Banking Group, the management and coordination functions related to the administration of the Group as a whole, determining and imparting instructions on how best the common business purpose is to be pursued by all the individual operating units comprising the Group, whilst ensuring the autonomy of each of the companies belonging to the Banking Group. Given that, under the sector-specific regulations in question, the Parent Company is to serve as the point of reference for the Bank of Italy with regard to all supervisory issues at Group level, appropriate organisational structures have been set up to ensure the implementation of provisions and monitor ongoing compliance with Bank of Italy instructions within all Group companies.

4.4 Delegated organs

The Board of Directors has delegated executive powers to the Chief Executive Officer, Piermario Motta. A further two Board members currently qualify as executive directors after being appointed to serve the Parent Company in a managerial capacity that also relates to the Bank (more specifically, Philippe Donnet, appointed as Country Manager for Italy by the General Group to which the Bank belongs, whilst also serving as Chief Executive Officer and Managing Director of Generali Italia S.p.A., and Giancarlo Fancel, Chief Financial Officer of Generali Italia S.p.A.).

Chief Executive Officer

Pursuant to Article 18, paragraph 6, of the Articles of Association, the Board may, within the limits imposed under law and the Articles of Association, delegate the powers not strictly reserved to its competence to one or more Chief Executive Officers, establishing the powers and term in office of the same.

The Board of Directors met on 23 April 2015 and vested Chief Executive Officer Piermario Motta with the following management powers:

1. to establish the guidelines for the execution of Board resolutions by the General Manager;
2. to directly oversee the activities undertaken by the Governance Area, the CFO Area, the AM Division, the Resources Department, the Outside Communications Service, and the Strategic Planning Service, all of which are directly answerable to the Chief Executive Officer;
3. to prepare the strategic guidelines to be approved by the Board in respect of the bank's strategic planning and to lay down the guidelines to be followed by the General Manager;
4. to determine and orient human resources management policies, within the framework of the guidelines established by the Board of Directors;
5. at the behest of the relevant company functions, where applicable, to examine and issue opinions on any and all transactions and business to be submitted for approval to the competent decision-making organs;
6. to take investment decisions of the own assets, subject to the restrictions on decision-making autonomy imposed under the Company's Finance Rules;
7. to recommend to the Board of Directors investments of own assets in excess of the decision-making authority vested in the Chief Executive Officer;
8. to set up and maintain an effective Internal Audit and Risk management system;
9. to promote and coordinate the Company's communications strategies, enhancing the Company's public image and the press and media relations;
10. to liaise with any and all public authorities and bodies, the Bank of Italy, Consob, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;
11. to represent the Company before any and all offices of the Financial Administration and effect any and all tax filings and related formalities; to resist tax assessments and audits and settle tax disputes;
12. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
13. to forward to the Board his own opinions, proposals and recommendations regarding the strategic plan, the annual budget, the draft and Consolidated Financial Statements drawn up by the Chief Executive Officer as proposed by the General Manager;
14. 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;
15. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy, as well as with centralised deposit bodies, negotiating any and all related contractual terms and conditions;
16. to bring and resist legal action at any and all instances and degrees, before any and all national, Community or foreign ordinary, administrative and taxation courts, including appellate jurisdictions, and with the right to retain and dismiss counsel, make filings and motions, lodge complaints and claims, as well as withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings, as well as proceed at arbitration, quitclaim and/or settle any and all disputes up to the maximum amount of 500,000.00 euros per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;
17. to process and authorise the write-off of bad debts, and totally or partially write off any and all loans granted, with the consequent waiver of any and all guarantees acquired, as well as issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees *in rem*, up to the threshold of 100,000.00 euros per transaction, net of interest and expenses, in light of: the full exhaustion of any and all avenues of recourse for obtaining relief either individually or together with other creditors, or the futility of legal action for debt recovery in consideration of the economic and financial situation of the debtors or the out-of-court settlement of disputes to Company's satisfaction;
18. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefore;
19. 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;
20. to set up, transfer or shut down secondary offices, representative offices and branches;
21. within the framework of the budget approved by the Board, to cover the Company's current expenses;
22. within the approved budget and up to the threshold of 700,000.00 euros for each individual asset, to acquire, dispose of or barter immovable and movable assets, including those subject to registration, collect amounts due by way of prices and delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
23. within the framework of the approved budget, to negotiate and enter into, amend and terminate lease agreements, tender agreements, as well as agreements for rental, maintenance, supply, insurance, carriage, loan

for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangible assets, the acquisition of intangible assets, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of 700,000.00 euros per transaction, it being understood that, in the case of multi-year transactions, the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, save in the case of finance leases and/or loans for use, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc.), or payments required pursuant to law;

24. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiatives up to the ceiling of 700,000.00 euros per contract and/or commitment;
25. to book as losses any and all liabilities incurred by the Company as a result of mistakes made by employees, up to an amount of no more than 100,000.00 euros per transaction;
26. 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;
27. to approve loans within the limits imposed from time to time under Lending Rules and Regulations adopted by the company;
28. to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;
29. within the framework of the pre-established budget, the Remuneration Policies approved by the Shareholders' Meeting and the guidelines issued by the Board of Directors in respect of company executives, to enter into, amend and terminate the employment contracts of individual employees, as well as to make decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same;
30. 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;
31. 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;
32. 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;
33. to issue demand drafts;
34. 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.;
35. to execute the transactions contemplated under Bank of Italy forms 145, 146, 147 and 148 dir.;
36. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
37. to concretely implement the provisions of subparagraphs (h), (i), (l) and (p) of Article 18 of the Articles of Association;
38. to exercise any and all powers conferred on him by the Board on an ongoing basis or from time to time;
39. 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 within the framework of the guidelines established by the Board of Directors and the Board-approved Budget, and shall be deemed to expire upon termination of the appointment as Chief Executive Officer.
Pursuant to Article 22 of the Articles of Association, the Chief Executive Officer is vested with full powers to represent and sign on behalf of the Company in respect of any and all the powers granted to him.

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

> implementing the corporate policies, strategies, Risk Appetite Framework and business risk governance policies, defined by the Board of Directors;
> defining and monitoring on a continuous basis the implementation of the risk management process, ensuring its consistency with the risk appetite and with risk governance policies, taking also into account the changes in operating conditions both inside and outside the Bank;
> establishing operating limits to the assumption of the various types of risk, consistent with the risk appetite and taking into account the stress test results and developments in the economy;

- defining the information flows aimed at ensuring that the corporate bodies and control functions are informed of the most relevant management events, including ensuring full knowledge and governability of risk factors and verification of compliance with the Risk Appetite Framework; ensuring proper, timely and safe information management for accounting, management and reporting purposes;
- implementing all necessary initiatives and actions to ensure that the internal control system is complete, adequate, efficient and reliable, and reporting the results of the analysis to the Board of Directors;
- clearly defining the duties and responsibilities of corporate structures and functions, and preparing and implementing the necessary corrective actions where any shortcomings or anomalies are identified;
- ensuring that all the staff concerned are given timely notice of corporate policies and procedures;
- ensuring the ongoing implementation of processes for the assessment of corporate activities, with specific regard to financial instruments;
- implementing the Internal Capital Adequacy Assessment Process (also referred to as ICAAP), ensuring that it is in line with the strategic policies, the Risk Appetite Framework and the guidelines drawn up by the Board of Directors and meets the requirements imposed under the prudential supervisory rules for banks;
- with specific reference to credit and counterparty risks — in line with the strategic guidelines established by the Board of Directors — approving specific guidelines designed to ensure both the effectiveness of the system for managing risk mitigation techniques and compliance with the general and specific requirements of such techniques;
- ensuring the implementation of the company's policy for the outsourcing of business functions;
- ensuring that the internal procedures, responsibilities and corporate structures and functions are defined, implemented and updated in order to avoid the unintentional involvement in money laundering and terrorist financing activity; in this area, his or her other duties include defining the reporting procedure for suspicious transactions and other procedures aimed at ensuring the timely discharge of disclosure obligations to the authorities provided for in legislation governing money laundering and financing for terrorism; defining the information flows aimed at ensuring that risk factors are known by all corporate structures involved and the bodies with control responsibilities; approving training and education programmes of employees and external staff;
- ensuring that the information system is complete, adequate, effective, efficient and reliable and, in the event of anomalies, taking action with the service outsourcers so that they carry out the necessary corrective actions; furthermore, taking timely decisions in the event of serious IT security events or significant malfunctions, reporting information to the Board of Directors;
- promoting the development and periodic monitoring of the Business Continuity Plan and its update when significant organisational, technological and infrastructure changes occur (as well as if any gaps or deficiencies are identified or new risks occur); approving the annual audit plan of business continuity measures and examining the test results report; reporting to the Board of Directors on the above matters.

On at least a quarterly basis, the delegated bodies will report to the Board of Directors and to the Board of Statutory Auditors on management performance and on the activities performed by the Company and its subsidiaries, on the business outlook, on the most significant economic, financial and equity transactions implemented by the Company and its subsidiaries, as well as on decisions on the matter of credit disbursement and management, on which a report containing global figures must be provided.
By virtue of the powers assigned to him, Piermario Motta is the Chief Executive Officer. He does not hold directorships in any other listed Issuer.

Chairman of the Board of Directors

The Chairman of the Board of Directors was appointed by the General Shareholders' Meeting on 23 April 2015.
The Bank of Italy Circular No. 285 highlights the importance of the role of the Chairman of the Board of Directors who is in charge of promoting internal debate, ensuring the balance of powers, and promoting the effective functioning of the corporate governance system, including with regard to the Chief Executive Officer and the other executive directors. He acts as interlocutor of the control body and of the internal committees. To this end, the Chairman, in addition to meeting the requirements provided for directors, must have the skills needed to fulfill the tasks assigned to this role. In order to effectively discharge this key function, the Chairman must play a non-executive role and must be free from operating responsibilities.
In compliance with the aforesaid requirements of the Bank of Italy, the Regulations of the Board of Directors specifically govern the procedures through which the Chairman is to discharge his coordination and oversight functions aimed at ensuring the smooth functioning of the Board of Directors and the constant flow of information amongst Board members.

Therefore, in addition to the powers granted by law and the Articles of Association, on 23 April 2015 the Board has vested its Chairman, Paolo Vagnone, with powers to coordinate the activities of the Company's corporate organs, oversee the implementation of the resolutions approved by the Shareholders' Meeting and the Board, ensure the prompt and proper execution of the decisions made by the Chief Executive Officer, monitor business operations and compliance with strategic policy guidelines, as follows:

1. monitoring the Company's operations performance and laying down management policies in concert with the Chief Executive Officer;
2. establishing, in concert with the CEO, general guidelines for dealing with corporate affairs;
3. coordinating the smooth functioning of the Board of Directors and the General Shareholders' Meeting, by promoting internal dialogue and ensuring the balance of powers and circulation of information;
4. overseeing relations with public bodies, shareholders and managing the Company's public relations in general;
5. coordinating the Company's communication strategies, managing the company's public image and relations with the press or other media, in accordance with the guidelines provided by the Board of Directors and in line with the company's strategic plan and the Group policies on this matter.

Moreover, under Article 18, paragraph 9, of the Articles of Association, the Chairman of the Board is vested with exceptional emergency decision-making powers pertaining to all matters falling outside the scope of the powers delegated to the Chief Executive Officer and not reserved to the sole and exclusive competence of the Board as a whole, under imperative statutory provisions. The Board will be informed of such decisions at the next Board meeting.
Pursuant to Article 22 of the Articles of Association, powers of representation and signature before the Courts, public authorities and third parties, are vested in the Chairman of the Board of Directors.

Report to the Board

The Chief Executive Officer reports periodically to the Board of Directors with regard to activities carried out. Specifically:

> usually, on a monthly basis:
   i) on any and all transactions that could have a particularly significant impact on the balance sheet, income statement or cash flow statement of the company or any of its subsidiaries;
   ii) on decisions pertaining to lending policies and, in general, on credit trend;
   iii) on property investments;
   iv) on the performance of sales and inflows;
   v) on Banca Generali stock performance;

> on a quarterly basis:
   i) on the general state of operations, the outlook for the Company and Group and comparisons with budget forecasts;
   ii) on activities carried out by the Company and the Group with related parties and connected parties;
   iii) on the type and performance of managed products;
   iv) on the macroeconomic scenario and the definition of managed portfolios investment policies;
   v) on compliance with limits established for activities generating confilicts of interest within the portfolio management activity;

> on a half-yearly basis:
   i) on the situation of litigations;
   ii) on the need to update risk allocations or provisions.

4.5 Other Executive Directors

Other two Board members were found to qualify as a Executive Directors pursuant to the Code, as they hold a top management position within the Parent Company which also concerns the Bank. They are Philippe Donnet, Country Manager for Italy of the Generali Group Country, an area which comprises Banca Generali, as well as Managing Director and General Manager of Generali Italia S.p.A., and Gianfranco Fancel, CFO of Generali Italia S.p.A.

4.6 Independent and non-executive Directors

Considering that Banca Generali is subject to management and coordination by another Italian company with shares listed in regulated markets, the Board of Directors consists of a majority of independent directors, pursuant to the provisions of Article 37, paragraph 1, letter d), of the Regulation adopted by Consob in Resolution No. 16191 of 29 October 2007, as amended.
Independent Directors are tasked with independently overseeing corporate management, and contributing towards ensuring that the company is administered in the interest of its shareholders and in accordance with the principles of good corporate governance (Article 12.5 of the Board Rules).

Moreover, Article 12.4 of the Board Rules requires the Board to be made up primarily of non-executive directors.

In accordance with the provisions of paragraph 2.C.1 of the Code, for the intents and purposes of the Board Rules, executive directors are defined to include:

i) the Chief Executive Officers and Chairmen of the Company or a strategic subsidiary thereof, in the case where the same are personally vested with delegated powers or play a specific role in shaping corporate policy and strategy;
ii) Directors who also serve as executives within the Company or within a strategic subsidiary thereof, or even within the Parent Company, in the case where the position also involves Banca Generali.

Within the meaning of the definitions set forth above, the Company's Board at 31 December 2015 was made up of three executive and six non-executive directors. The said situation still prevails to date.
In compliance with the recommendations set forth in the Code, the number and acknowledged expertise of the Company's non-executive Directors lend their opinions decisive weight in the Board's decision-making process.
Non-executive Directors help ensure that Board resolutions are always in keeping with the interests of the Company. By contributing their specialist know-how, non-executive Directors help ensure that Board members are in a position to make informed decisions reached after due reflection. The Board Rules require that non-executive Directors meet at least once a year without the other Directors.

In compliance with this requirement, Banca Generali's Independent Directors met separately on 9 March 2016, to discuss the following matters:

1. methods for discharging the tasks entrusted to Non-executive Directors;
2. information flows from Executive Directors.

The Company's Board of Directors includes five Non-executive Directors, who also qualify as Independent Directors within the meaning of not only Article 37, paragraph 1 (d), of the Rules adopted pursuant to Consob Resolution No. 16191 of 29 October 2007, under which independent directors are barred from serving as directors of the company or entity exercising management or coordination over the undertaking they serve as independent directors, or of any listed undertaking controlled by the aforesaid company or entity, but also of the Corporate Governance Code (paragraph 3.C.1) as well as the definition provided by Consob in Notice No. DEM/10078683 of 24 September 2010, which provides that the independence requirements imposed under the said Code, are to be deemed equivalent to those imposed under article 148, paragraph 3, of Legislative Decree No. 58/1998. These independence requirements are also entrenched in article 13 of the Board Rules under which a director may not normally be considered independent in the following cases (although provision is made for departures):

a) directly or indirectly, including through subsidiaries, trust companies and third party intermediaries, controls the Company or is in a position as to exert a significant influence over the same, or is party to a shareholder agreement under which one or more parties are afforded control of or a significant influence over the Company;
b) is, or has been in the preceding three financial years, a key executive of the Company or a strategic subsidiary thereof, or a company subjected to common control with the Company, or a company or body that, even together with others on the basis of a shareholder agreement, controls the Company or is in a position as to exert a significant influence over the same;
c) directly or indirectly (for instance through subsidiaries or companies in which he serves as a key executive, or professional partnerships or consultancy firms in which he is a partner) maintained in the previous year or currently maintains significant commercial, financial or professional relationships with: (i) the Company, or one of its subsidiaries or one of its key executives; (ii) a person or party that, including together with others on the basis of a shareholder agreement, controls the company, or — in the case where the said party is a body corporate or legal entity — with the key executives thereof; or is or was an employee of the aforesaid persons or parties, during the current or previous three financial years;
d) currently receives or received in the previous three financial years, from the Company or a subsidiary or corporate parent thereof, significant remuneration in addition to the 'fixed' emoluments due to Non-executive Directors of the Company, including as part of stock option or other plans linked to corporate performance;
e) has been a Director of the Company for more than nine years during the past twelve years;
f) is an Executive Director in another company in which an Executive Director of the Company also holds a directorship;
g) is a shareholder or Director of a company or entity belonging to the network of the company or firm appointed as the Company's Independent Auditors;
h) is a close family member of a person in one of the situations described above.

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

The Board Rules (Article 14), pursuant to the Code (paragraph 3.C.6), require the Company's Independent Directors to meet at least once a year, without the presence of other Directors.

In compliance with the said requirement, Banca Generali's Independent Directors met separately on 9 March 2016 to discuss the following matters:
1. appropriateness of the number of Independent Directors;
2. contribution of independent Directors to the Board's meetings.

In light of Article 3.C.4 of the Code, the Board Rules require the Board to examine, at the time of the appointment of any independent directors and, in accordance with the policies and procedures set forth in the same Board Rules, any and all the information and declarations submitted by appointee independent directors, or otherwise acquired by the Board, with a view to ensuring that the requirements for independence have been fully met, and to further check, on a yearly basis, that the said independent directors continue to qualify as such.
The Board Rules (Article 13.8) also require the Board to assess the compliance with the independence requirements by examining all credit situations in which the bank is involved and related to the independent director in question.
The Board Rules also require the Chairman to ensure that the Board of Statutory Auditors is placed in a position to independently verify the outcome of the aforesaid checks, as recommended in Article 3.C.5 of the Code.
In compliance with the above-mentioned provisions, on 10 February 2016, the Board carried out the scheduled annual assessment of satisfaction of the requirements of independence and found that the Directors Giovanni Brugnoli, Anna Gervasoni, Massimo Lapucci, Annalisa Pescatori and Vittorio Emanuele Terzi qualified as Independent Directors within the meaning of Articles 147-*ter*, paragraph 4, and 148, paragraph 3, of Legislative Decree 58/1998, as well as in light of the requirements set forth the Application Criteria of Article 3 of the Code, and pursuant to article 37, paragraph 1, subparagraph (d) of Regulation No. 16191 adopted by Consob on 29 October 2007, as further amended and extended. The Board of Directors announced the outcome of its assessment in a press release.
On 10 February 2016, the Board of Statutory Auditors, after examining the documentation provided, confirmed the results of the checks performed by the Board and determined that the criteria and procedures used to evaluate the independence of the independent Directors had been correctly applied.

4.7 Lead Independent Director

The Company has not appointed a lead independent director within the meaning of Article 2.C.3 of the Corporate Governance Code. This choice is considered appropriate to the Company as the Chairman of the Board of Directors, Paolo Vagnone, is Head of Global Business Lines of the indirect Parent Company, Assicurazioni Generali S.p.A.
This is because the Company deems that Paolo Vagnone's role within Assicurazioni Generali S.p.A. does not entail potential conflict of interest or unchecked concentration of corporate decision-making powers. As a matter of fact, within Banca Generali, Paolo Vagnone is devoid of any responsibility whatsoever in respect of business operations and corporate management, and is tasked only with overseeing and monitoring the implementation, by the Board of Directors, of the resolutions passed by the Shareholders' Meeting, and compliance by delegated corporate officers and organs with the provisions of Board resolutions.
Paolo Vagnone, therefore, serves as an observer, monitor and supervisor tasked primarily with ensuring that Company management scrupulously complies with strategic corporate guidelines and policy.

5. HANDLING OF CORPORATE INFORMATION

Members of the Board of Directors and the Board of Statutory Auditors shall handle with the utmost confidentiality any and all documents and information of which they may become aware in the discharge of their duties, and shall strictly comply with Company procedures for the internal handling and outside disclosure of the said documents and information.
Pursuant to the above, and to Articles 114 and 115-*bis* of TUF, as well as Articles 65-*duodecies et seqq.* and 152-*bis et seqq.* of Consob Regulation (the "Rules on Issuers"), on 18 July 2006, the Board of Directors, upon request of the Chief Executive Officer, approved the rules of conduct to be followed in the management and public disclosure of inside information (the "Code on Inside Information"), most recently amended by Board of Directors' resolution dated 24 April 2013.
A copy of the Code on Inside Information is available on the website *www.bancagenerali.com*, section "*Corporate Governance - Corporate Governance System - Company Regulations*".

The Code on Inside Information is aimed at regulating the obligations of persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries. More specifically, the Code on Inside Information sets forth specific provisions for the handling of corporate information, with a view to: (i) preventing the abuse of information and market manipulation; (ii) regulating the handling and processing of inside information, as well as (iii) establishing the disclosure, both within the company and to the public, of documents and information pertaining to the Company and/or its subsidiaries, with specific reference to inside information. The Code on Inside Information is also designed: (i) to ensure the timely, complete and adequate processing of inside information, with a view to avoiding asymmetrical information; and (ii) to protect the market and investors through adequate disclosure of the events involving the Company, with a view to enabling investors to make informed investment decisions.
The essential elements of the Code on Inside Information are summarised below.
Inside Information means information of a precise nature which has not been made public and relates, directly or indirectly, to the Company or its Subisidiaries and which, if it were made public, would be likely to have a significant effect on the prices of the financial instruments issued by the Company.
The procedures set forth in the Code on Inside Information must be followed by the members of the Board of Directors and the Board of Statutory Auditors, and the employees of the Company and its subsidiaries as well as any and all insiders, and that is to say, persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries (the “Insiders”).
In handling the confidential information of which they may become aware in the course of their duties, company executives and insiders are bound to exercise the utmost confidentiality and implement any and all suitable precautions so as to allow the said information to be circulated within the Company and amongst subsidiaries without any breach of the confidentiality thereof.
The aforesaid persons are barred from issuing interviews to the press and media, or in general, any declarations containing Inside Information not included in documents already disclosed to the public.
Any and all relationships with financial analysts and institutional investors entailing the disclosure of Inside Information must take place solely through the Investor Relations department, following authorisation from the Chief Executive Officer, whose responsibilities include the procedures for managing Inside Information pertaining to the Company and its subsidiaries, relations between the Company and institutional investors, as well as press relations, availing for such purpose of the support and assistance of the Communications function.
The Board of Directors has assigned the Investor Relator the task of preparing the press release drafts concerning inside information on the Company or its Subsidiaries, and to the External Relations Manager the task of liaising with the media. The Company Secretariat Service is responsible for fulfilling market disclosure obligations and issuing the press releases pertaining to inside information approved by the Company CEO, in the manner provided for by the Rules for Issuers, the Market Rules of Borsa Italiana and the Instructions accompanying the Market Rules, as well as the Code on Inside Information, regarding the issuing of press releases disclosing Inside Information, approved by the Company’s CEO.
Only persons specifically authorised for such purpose by the Chairman of the Board of Directors of Banca Generali (or in the case of the absence or unavailability thereof, the Chief Executive Director) may meet with market operators in Italy and abroad.
The Company has also set up the Register of Insiders, within the meaning of Article 115-*bis* of TUF, establishing procedures for the maintenance of the said Register and appointing the Head of of Governance Area to maintain and update the same.

Internal Dealing

In accordance with the provisions of Article 114, paragraph 7 of TUF, as well as Articles 152-*sexies et seqq.* of the Rules on Issuers, on 18 July 2006, the Board of Directors approved a code of conduct in respect of internal dealing (the “Code on Internal Dealing”), as most recently amended by Board resolution of 18 December 2012.
The said Internal Dealing Code defines “Relevant Persons” (which include, in particular, the members of the Board of Directors and the Board of Statutory Auditors of the Issuer, persons performing managerial responsibilities within the Company, as well as the independent auditors), and persons closely associated therewith, who are bound to give notice to the Company, Consob and the public of any and all Significant Transactions involving shares issued by the Issuer or other financial instruments thereto related, that they may effect, including through third party intermediaries.
The Internal Dealing Code identifies as significant transactions any and all purchases, sales, subscriptions, exchanges or 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.

The following transactions shall not however be deemed to be Significant Transactions:

i) transactions that collectively do not exceed 5,000.00 (five thousand/00) euros in a solar year, where such significance threshold is calculated by taking account of all transactions involving the Shares and Financial Instruments linked to the Shares carried out on behalf of each Relevant Person and those carried out by Persons closely associated with Relevant Persons during the 12 months prior to the date of the last transaction undertaken, without prejudice to the fact that each subsequent transactions need not be subject to further notice unless they exceed an additional 5,000 euros by year-end;
ii) transactions effected free of charge, such as gifts and legacies, and the assignment free of charge of shares and subscription rights, as well as the exercise of any and all such rights deriving from stock option plans, it being understood that, in all the cases contemplated in this point, any subsequent re-sale must be deemed to fall within the scope of the Code;
iii) transactions effected between Relevant Persons and Persons closely associated with Relevant Persons;
iv) transactions effected by the Company and its subsidiaries;
v) transactions effected by a lending institution or an investment company, provided that they are part of the creation of a trading portfolio of such institution or company, as defined by Article 11 of Directive 2006/49/EC, as amended and extended by Directive 2013/36/UE, and provided that the same party: (i) keeps its trading and market-making units separate from its treasury and units responsible for managing strategic equity investments from an organisational standpoint; (ii) is able to identify the shares held for trading and/or market-making, in a manner that may be subject to review by Consob, i.e., by holding such shares in a specific separate account; and, where it operates as market maker, (iii) is authorised by its home Member State pursuant to Directive 2004/39/EC to conduct market-making activity; (iv) provides Consob the market-making agreements with the market management company and/or the issuer as required by the law and associated implementing provisions in force in the EU Member State in which the market maker conducts its activity; and (v) notifies Consob that it intends to conduct or conducts market-making activity on the shares of an issuer of listed shares using form TR-2 contained in Annex 4C; the market-maker shall also notify Consob without delay of the cessation of market making activity on those same shares.

The Internal Dealing Code also contains rules governing the handling and disclosure of information pertaining to the said transactions.
Pursuant to the Internal Dealing Code, no Significant Transactions (as defined in the Code) may be effected during the 30 days immediately preceding the scheduled dates of any and all Board meetings called (i) to examine the draft separate and consolidated financial statements or the condensed half-year reports; and (ii) to formulate the proposal for the distribution of dividends, and within the 15 days immediately preceding the scheduled dates of the Board meetings called to examine the quarterly reports as at 31 March and 30 September of each year. Such limitations shall not apply to the exercise of any stock options or option rights and, as limited to Shares deriving from stock option plans, the ensuing disposal transactions, provided they are undertaken concurrently with exercise. In addition, the limitations shall not apply in the case of exceptional situations of subjective necessity, for which the interested party provides adequate justification to the Company.
The aforesaid Code, furthermore, empowers the Board of Directors to further prohibit or restrict purchases, sales, exchanges or other transactions entailing a transfer of title in shares issued by the Company or in financial instruments linked to the said shares, by the said Relevant Persons, including through third party intermediaries, during specific periods of the year and/or on occasions marking specific events in the Issuer's corporate life.
The Board of Directors has appointed the Head of Governance Area as the person responsible for implementing the provisions of the Code.

6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS (pursuant to Article 123-*bis*, paragraph 2, letter d), of TUF)

The Bank of Italy Circular No. 285/2013 dated 17 December 2013 and the Code set 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 above-mentioned provisions recommend the setting up of an Internal Audit and Risk Committee, a Remuneration Committee and a Nomination Committee.

In accordance with the above, the Board of Directors set up the Internal Audit and Risk Committee, the Remuneration Committee and the Nomination Committee, requiring the aforesaid Committees to be made up entirely of Non-executive Independent Directors.

7. NOMINATION COMMITTEE

In accordance with principle 5.P.1. of the Corporate Governance Code and pursuant to the "Supervisory Instructions for Banks" set forth in Bank of Italy Circular No. 285/2013, the Board of Directors set up the Nomination Committee and vested the latter with the tasks specified in the Code and the supervisory instructions, as described in greater detail below.

The Nomination Committee is tasked with assisting the Board of Directors during the course of the procedure through which the Company appoints its officers.

The current Nomination Committee was appointed by the Board of Directors on 23 April 2015, and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 10 MARCH 2016)
Massimo Lapucci	Committee Chairman Non-executive, Independent Director
Giovanni Brugnoli	Committee member Non-executive, Independent Director
Vittorio Emanuele Terzi	Committee member Non-executive, Independent Director

Board Secretary Cristina Rustignoli serves as Committee secretary.
All three Committee members are Non-executive, Independent Directors.

The Committee is vested with a consultative and recommendatory role towards the Board of Directors on matters pertaining appointments. More specifically, the Nomination Committee is entrusted with the following tasks:

> assisting the Board of Directors in determining the latter's own optimal membership in terms of number and professional skill set, ahead of the appointment or co-option of Board members. Within the aforesaid context, the Nomination Committee (i) submits to the Board of Directors opinions regarding the size and composition of the Board itself; (ii) provides recommendations on the appropriate professional skills to be represented on the Board of Directors; (iii) provides recommendations on the maximum number of concurrent directorships or auditorships in other corporations listed on regulated markets (including abroad), or in banking, financial, insurance or large companies, that may be considered compatible with effectively serving as a director of the issuer, taking due account of membership of various Board Committees and drawing distinctions on the basis of the commitment required to discharge the duties attendant to each appointment; (iv) proposes potential candidates for Board of Directors' membership in cases of co-option for the replacement of independent directors;
> assisting the Board of Directors in subsequently evaluating whether or not the optimal membership of the Board of Directors, in terms of number and professional skill set, is reflected in the actual composition of the said Board upon conclusion of the appointments procedure;
> formulating opinions to the Board of Directors on resolutions concerning the replacement of members of the committees within the Board, which may become necessary during the Committee's term of office;
> assisting in the Board of Directors in conducting self-assessments;
> assisting the Board of Directors in verifying satisfaction of the conditions imposed under article 26 of Legislative Decree 385/1993;
> assisting the Board of Directors in preparing succession plans for top managers;
> assisting the Audit and Risk Committee in selecting candidates for appointment to head of the corporate functions tasked with internal control;
> expressing opinions on the appointments made to represent the Company on the Boards of Directors of Subsidiaries. The operating procedures of Nomination Committee are set forth in the Nomination Committee Rules approved by the Board of Directors.

In addition to Committee members, Committee meetings must be attended by the Chairman of the Board of Statutory Auditors or another Auditor delegated with such task, it being understood that the other members of the Board of Sta-

tutory Auditors may also attend. The Chief Executive Officer may be invited to attend Committee meetings, but may not be present during discussions of any matters pertaining to himself.
Upon invitation, non-members may also attend Committee meetings so as to provide assistance with regard to specific items placed on the agenda.
Committee members are appointed for a period that is coterminous with the term of the Board of Directors, and are entitled to annual remuneration as well as an attendance fee.
The Nomination Committee met four times in 2015. The meetings lasted about forty minutes, on average. Three Committee meetings have been scheduled in the year underway, and to date, two have been held.

The Committee's main activities in 2015, are listed below.

> at its meeting of 4 May 2015, the Committee examined the following issues:
  i) assistance to the Board of Directors in verifying satisfaction of the statutory requirements imposed on newly appointed company officers;
  ii) assistance to the Board of Directors in evaluating the extent to which the actual membership of the Board of Directors as determined by the General Shareholders' Meeting on 23 April 2015 reflects the optimal composition of the said Board in terms of number and professional skill set;
> at its meeting of 24 June 2015, the Committee examined the following issues:
  i) assistance to the Internal Audit and Risk Committee in putting forward recommendations for the appointment of heads of control functions;
  ii) opinion on the appointment of a manager of the company in the subsidiary Generfid S.p.A.;
> at its meeting of 24 November 2015, the Committee examined the following issue:
  i) opinion on the appointment of a representative and two company managers to corporate office within the subsidiary Generfid S.p.A.;
> at its meeting on 9 December 2015, the Committee examined the following issues:
  i) assistance of the Board of Directors in verifying satisfaction of the statutory conditions imposed on Generfid shareholders;
  ii) assistance to the Board of Directors in extending the self-evaluation;
  iii) assistance to the Board of Directors in preparing succession plans for top managers;

The proceedings of each meeting, coordinated by the Chairman, were duly recorded in minutes.
All the Committee meetings held in 2015 were attended by all the Committee members.
The table in Annex 2 hereto provides the percentage of Committee meetings attended by each Committee member.
The Nomination Committee is entitled to unhindered access to any and all the corporate information and functions it may deem necessary for the proper discharge of its assigned tasks, and to avail of the services of outside consultants. A provision of 75,000 euros has been budgeted for use by the Committee to discharge its duties during the current year.

8. REMUNERATION COMMITTEE

In accordance with principle 6.P.3. of the Corporate Governance Code and pursuant to the "Supervisory Instructions for Banks" set forth in Bank of Italy Circular No. 285/2013, the Board of Directors set up the Remuneration Committee and vested the latter with the tasks specified in the Code and the supervisory instructions, as described in greater detail below.

The Remuneration Committee is tasked with assisting the Board of Directors during the course of the procedure through which the Company determines the remuneration of its top managers who are considered as Key Personnel employed by the Company and the heads of its internal control functions.

The current Remuneration Committee was appointed by the Board of Directors on 23 April 2015, and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 10 MARCH 2016)
Giovanni Brugnoli	Committee Chairman Non-executive, Independent Director
Anna Gervasoni	Committee member Non-executive, Independent Director
Annalisa Pescatori	Committee member Non-executive, Independent Director

Board Secretary Cristina Rustignoli serves as Committee secretary.
All three Committee members are Non-executive, Independent Directors. At the time of making the appointment, the Board found Anna Gervasoni's experience in the financial field, adequate, and Giovanni Brugnoli's professional experience adequate in both the financial field and in the area of remuneration policies.

The Committee is vested with a consultative and recommendatory role towards the Board of Directors on matters pertaining remuneration. More specifically, the Remuneration Committee is tasked with:

1. submitting to the Board of Directors non-binding opinions and recommendations on the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer, and any and all other executive Directors, and expressing an opinion on the setting of the performance targets to which the variable remuneration component, if any, is linked;
2. (ii) expressing to the Board of Directors — in accordance with applicable laws and regulations in force from time to time as well as the provisions of the Company's Remuneration and Incentivisation Policy — non-binding opinions and recommendations in respect of the remuneration of employees whose compensation and incentives are established by the Board of Directors, whilst also providing the latter with opinions on the setting of the performance targets to which the variable remuneration component is linked;
3. providing advice on the determination of the criteria applied to establish the remuneration key personnel, as identified in the Company's Remuneration and Incentivisation Policy;
4. periodically assessing the appropriateness, overall cohesion and concrete implementation of the remuneration policy regulating the compensation of directors, key management personnel and all the other staff members whose compensation and incentives are established by the Board of Directors, in accordance with applicable laws and regulations from time to time into force, as well as the provisions of the Company's Remuneration and Incentivisation Policy. In such respect, it may also avail of information provided by the Chief Executive Officer, and submits recommendations to the Board of Directors.
5. monitoring the implementation of Board decisions, putting forward general recommendations on related matters to the Board of Directors;
6. directly monitoring the proper application of rules regulating the remuneration of the heads of internal control functions, in close collaboration with the Body entrusted with internal control functions;
7. submitting opinions on the determination of severance indemnities in the event of termination of employment or termination in office ahead of the scheduled expiry of the term of appointment (so-called golden parachutes); assessing the effects of termination of the rights assigned under incentivisation plans based on financial instruments;
8. expressing opinons, taking due account, *inter alia*, of information received from the relevant corporate departments, on the achievement of the performance targets to which incentivisation plans are linked, as well as on the other terms and conditions imposed on incentives;
9. expressing non-binding opinions and proposals for any stock options plans and shares allotment or other share-based incentive systems also suggesting the objectives associated with the provision of such benefits and the criteria for assessing the achievement of those objectives; monitoring the evolution and application in time of any plans approved by the General Shareholders' Meeting on a proposal from the Board;
10. submitting an opinion to the Board of Directors of the Parent Company in respect of proposals pertaining to the remuneration of Directors vested with specific responsibilities at strategic subsidiaries within the meaning of article 2389 of the Civil Code, as well as the general managers and key management personnel of those companies;
11. overseeing the preparation of the documents to be submitted to the Board of Directors in connection with corporate decisions;
12. providing adequate reports on its activities to the Company's bodies, as well as the General Shareholders' Meeting, sufficiently ahead of meetings scheduled for addressing matters forming the subject-matter of the said reports;
13. ensuring it is represented at the General Shareholders' Meeting through its Chairman or a Committee member;
14. liaising with all relevant corporate functions and operating structures in designing and monitoring remuneration and incentivisation policies and practices;
15. collaborating with the other Board committees, especially the Audit and Risk Committee in charge of verifying that the incentives offered under the remuneration system take due account of the risks, capital and liquidity;
16. carrying out any and all other tasks and duties entrusted to the Committee by the Board of Directors 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.
Committee meetings are generally held at least two 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 to report of the Board of Directors.
In addition to Committee members, Committee meetings must be attended by the Chairman of the Board of Statutory Auditors or another Auditor delegated with such task, it being understood that the other members of the Board of Statutory Auditors may also attend. The Chief Executive Officer may be invited to attend Committee meetings, but may not be present during discussions of any matters pertaining to himself.

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.
Committee members are appointed for a period that is coterminous with the term of the Board of Directors, and are entitled to annual remuneration as well as an attendance fee.
In 2015 the Remuneration Committee met eleven times. It must be borne in mind that prior to 23 April 2015 (date on which the Shareholders' Meeting renewed the appointment of the Board of Directors) and the implementation of the Supervisory Provisions for Banks, the Committee was known as the Remuneration and Nomination Committee, and as such, assisted the Board of Directors with regard to both remuneration and appointments. The meetings lasted about 1 hour and 15 minutes on average. A total of four Committee meetings have been scheduled for the year underway, one of which has already been held as at the date hereof.

The Committee's main activities in 2015, are listed below.
- at its meeting of 26 January 2015, the Committee examined the following issue:
  i) document on the self-assessment of the remuneration and incentives system;
- at its meeting of 10 February 2015, the Committee examined the following issue:
  i) setting of weights and targets for drawing up the BSC 2015 sheet for the Company Head;
- at its meeting of 9 March 2015, the Committee examined the following issues:
  i) recommendations on the optimal membership of the Board of Directors in terms of number and professional skill set;
  ii) opinion on the remuneration established for Board members to be appointed;
  iii) quantification of the number of treasury shares to be acquired to cover requirements arising from commitments under remuneration policies;
- at its meeting of 26 March 2015, the Committee examined the following issue:
  i) opinion on the appointment of certain Company representatives to corporate office within Banca Generali Banking Group companies;
- at its meeting of 31 March 2015, the Committee examined the following issues:
  i) verifying satisfaction of access gate requirements and the achievement of the MBO system targets set for 2014 for the Chief Executive Officer/General Manager, the Joint General Managers, the Central Managers and the heads of control functions, together with the subsequent quantification of the related variable remuneration component;
  ii) verifying achievement of the targets affording access to the Long Term Incentive Plan for the three-year period 2012-2014;
  iii) verifying achievement of the targets set for the second year of the Long Term Incentive Plan for the three-year period 2013-2015;
  iv) verifying achievement of the targets set for the first year of the Long Term Incentive Plan for the three-year period 2014-2016;
  v) remuneration Report: the Banking Group's remuneration policies, and the report on the implementation of remuneration policies in 2014;
- at its meeting of 9 April 2015, the Committee examined the following issue:
  i) opinion on the appointment of certain Company representatives to corporate offices within Generfid S.p.A., a subsidiary of Banca Generali[1];
- at its meeting of 4 May 2015, the Committee examined the following issues:
  i) determination of the Chief Executive Officer's and General Manager's remunerations and preparation of their respective target sheets pertaining to variable remuneration;
  ii) determination of the remuneration of the Joint General Manager for Commercial Area and of the Central Managers, and preparation of the target sheets pertaining of the variable component of their remuneration;
  iii) determination of the remuneration of the heads of control functions and preparation of the target sheets pertaining to the variable component of their remuneration;
  iv) determination of the remuneration of the executives in charge of the main business lines and preparation of their respective target sheets pertaining to the variable component of their remuneration;
  v) setting of the targets and gates of Assicurazioni Generali's Long Term Incentive Plan for the three-year period 2015-2017 with regard to Banca Generali and its subsidiary undertakings;
- at its meeting of 24 June 2015, the Committee examined the following issues:
  i) presentation of the Rules of the 2015-2017 Long Term Incentive Plan with an Appendix focusing specifically on Banca Generali;

1 It must be borne in mind that prior to 23 April 2015 (date on which the General Shareholders' Meeting renewed the appointment of the corporate boards) and the implementation of the Supervisory Provisions for Banks, the Committee was known as the Remuneration and Nomination Committee, and as such, assisted the Board of Directors with regard to both remuneration and appointments.

ii) identification of the 2015-2017 LTI Plan beneficiaries in Banca Generali and of the maximum number of Assicurazioni Generali shares potentially assignable to them;
iii) opinion on the proposed remuneration packages for the new heads of control functions;

- at its meeting of 28 July 2015, the Committee examined the following issue:
  i) Determination of the Bonus Pool;
- at its meeting of 10 September 2015, the Committee examined the following issues:
  i) renegotiation of the Joint General Manager's golden parachute;
  ii) report on the Remuneration Committee's activities;
  iii) classification of financial advisors as key personnel;
- at its meeting of 9 December 2015, the Committee examined the following issues:
  i) extension of self-assessment in respect of key personnel;
  ii) opinion on the determination of the remuneration of the independent director of the subsidiary Generfid.

The proceedings of each meeting, coordinated by the Chairman, were duly recorded in minutes.
Ten of the eleven meetings held in 2015 were attended by all the Committee's members, while one Committee member was absent at the other meeting.
The table in Annex 2 hereto provides the percentage of Committee meetings attended by each Committee member.
The Remuneration Committee is entitled to unhindered access to any and all the corporate information and functions it may deem necessary for the proper discharge of its assigned tasks, and to avail of the services of outside consultants. A provision of 75,000 euros has been budgeted for use by the Committee to discharge its duties during the current year.

9. DIRECTORS' REMUNERATION

With regard to remuneration, the Company is subject to the provisions of Bank of Italy Circular No. 285. With such provision, the Supervisory Body also requires banking sector operators to adopt and implement compensation mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, the regulations provide that, in addition to establishing the remuneration of the members of the corporate organs, the Ordinary Shareholders' Meeting shall also approve the remuneration and incentive policies applicable to personnel with functions of strategic oversight, management and control, as well as to other personnel; the remuneration plans based on financial instruments (e.g. stock option plans); the criteria for defining the remuneration to be allocated in case of early termination in a post, including limits imposed on such compensation in terms of years of fixed remuneration and the maximum amount resulting from their application.
The aforementioned regulations set forth specific principles and requirements that banks must comply with so as to ensure that: remuneration systems are properly designed and implemented; potential conflicts of interest are effectively managed; the remuneration system takes due account of current and prospective risks, the degree of capitalisation, as well as liquidity levels of each intermediary; transparency towards the market is maximised; and oversight by regulatory authorities is reinforced.
The objective of the regulations is to promote — in the interest of all stakeholders — the implementation of remuneration systems that are in line with long-term corporate values, objectives and strategies, linked to corporate performance but appropriately adjusted to reflect all risks, commensurate with the capital and liquidity levels required to cover ongoing business operations, and in any event, designed to avoid distorted incentives that could lead to regulatory violations and excessive risk-taking by individual banks and within the system as a whole.
Moreover, the Company is subject to the provisions set forth in Article 123-*ter* of TUF, under which a special Remuneration Report — whose content is described in detail in Annex 3 of the Rules for Issuers — must be approved by the Board of Directors and submitted to the non-binding resolution of the General Shareholders' Meeting called to approve the Financial Statements.
The above framework is further completed by the recommendations laid down by the Corporate Governance Code for listed companies, adopted by Banca Generali, which incorporates the main aspects of the recommendations issued by the European authorities on the process for determining the remuneration policies and their content.
Therefore, the Shareholders' Meeting of 23 April 2015 acknowledged the disclosure on the implementation in 2014 of the remuneration and incentivisation policy approved by the General Shareholders' Meeting on 23 April 2014 and approved the new remuneration and incentivisation policy of the Company and the Group. In this regard, it should be mentioned that in implementing its remuneration policies, Banca Generali aims at ensuring the greatest possible convergence of the long-term interests of the banking group's shareholders and management, especially by focusing on careful corporate risk management and commitment to long-term strategies. The remuneration package consists

of fixed components and variable components. The variable component of the remuneration relative to the fixed component increases in percentage terms the greater the strategic importance of the position to which the remuneration refers.
The fixed components of the remuneration serve to remunerate the managerial and technical skills of employees used to perform the roles assigned to them, in order to ensure managerial continuity and pursue effective and fair internal remuneration policies that are competitive in respect of the external market.
The aim of the recurring variable components of remuneration and long-term incentives (such as stock option plans, stock granting schemes and deferred bonus systems), on the other hand, is to balance directly the interests of the shareholders and those of management.

A Management by Objectives mechanism, consistent with the achievement of the operating and financial results indicated by the budget for the reference year and with indicators reflecting the weighting of business risks, is used for the Chief Executive Officer and Executives. The Management by Objectives system is linked to the Balanced Scorecards principle. The variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives are achieved, with a minimum access threshold.
A system for the deferral of the disbursement of variable remuneration was introduced for the Generali Banking Group's key management personnel and main network managers who earn a bonus in excess of 75,000 euros.
In order to link the variable pay of management personnel even more closely to long-term performance indicators, and in order to also take account of current and prospective risks, the cost of capital and the cash required to meet the needs of the activities undertaken, accrual of bonuses will be linked not only to the effective results achieved by each manager, but also to an access gate common to the Banking Group's entire staff, including Financial Advisors.
The remuneration patterns of high-level executives and managers are monitored, taking due account of trends recorded on reference markets, using the HAY point-factor job evaluation method. This weighting system enables effective mechanisms to be adopted for monitoring the remuneration dynamics, also with reference to the markets in which the company operates.
It must, moreover, be pointed out that under its Remuneration and Incentivisation Policy, Banca Generali envisages appropriate malus claw back clauses, in the event of material errors in determining the values.
Information regarding the remuneration received by Board members and the General Manager during the year is contained in Banca Generali's Remuneration and Incentivisation Policy, under the section focusing on the application of the said policy in 2015.
Information regarding the cumulative remuneration received during the year by key management personnel — i.e., Deputy Joint General Manager Gian Maria Mossa, Central Managers Stefano Grassi, Stefano Insaghi and Cristina Rustignoli — as well as further details pertaining to the Company's remuneration policy, will similarly be provided in Banca Generali's Remuneration and Incentivisation Policy, which will be published pursuant to Article 123-*ter* of TUF.
However, it should be mentioned that in any case the objectives set for the persons in charge of control functions, including the HR Director and the Manager in charge of the Company's financial reports — in accordance with the above-mentioned Bank of Italy's Regulations — are consistent with the tasks assigned to each of them and are not linked to economic results of the Company or the Group.
Pursuant to the criteria described in Article 6.C.4 of the Code, the remuneration due to non-executive directors is not linked to the Issuer's financial performance. Non-executive directors may not benefit from any share-based remuneration plan, and are consequently remunerated solely on the basis of the fixed compensation established by the General Shareholders' Meeting.

In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 24 May 2006 Banca Generali approved two stock option plans, both subjected to the condition precedent of the commencement of trading of shares in the Company on the electronic share market – MTA (such condition precedent having been met on 15 November 2006): (i) the first of these is reserved to employees of Banca Generali Group companies, whilst (ii) the second is reserved to Banca Generali's Financial Advisors, area managers and business managers.

On 21 April 2010, the Shareholders' Meeting approved a broad-ranging retention programme, which comprised two Stock Option Plans targeted at (a) Financial Advisors and Private Bankers, as well as (b) Relationship Managers employed in Banca Generali.
This initiative had a twofold objective: maintaining the interest of the distribution network and network managers in line with the interest of shareholders, in the medium- and long-term, as well as retaining the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity in the medium term.
The Plans apply to financial year 2010, in addition to the fourth quarter of 2009, as limited to net inflows associated with the so-called "tax shield".

The retention programme called for the granting of a total maximum of 2,500,000 option rights for the subscription of Banca Generali ordinary shares (of which 2,300,000 reserved for Financial Advisors and network managers and 200,000 for employed Relationship Managers).
In this regard, options were to be granted in a single instalment to the optionees identified as included in one of the above-mentioned categories by the relevant Plan Management Committee. The grant was conditional upon the achievement of both consolidated Group objectives and individual objectives for the development of net inflows in the reference period.

Pursuant to the applicable Rules, in 2011 the Delegated Organs awarded:

i) 2,300,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers;
ii) 200,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A. Relationship Managers.

In total, 2,500,000 stock options were awarded pursuant to the aforesaid Plans.
The options are exercisable within 6 years from 1 July 2011 in the amount of one sixth per year. The recipients have the right to subscribe to Banca Generali ordinary shares for consideration equal to the arithmetic mean of the market listing prices of the shares in question on the electronic share market (MTA), organised and managed by Borsa Italiana S.p.A. surveyed during the period from the option grant date to the same date of the previous solar month.

In order to give full effect to the Stock Option Plan for the Financial Advisors and Network Managers of Banca Generali S.p.A. for 2010 and the Stock Option Plan for the Relationship Managers of Banca Generali S.p.A. for 2010, the Shareholders' Meeting held on 21 April 2010 resolved, pursuant to Article 2441, paragraphs 5 and 8, of the Civil Code, on a Company's share capital increase, in several tranches, by an amount equal to the maximum number of options that may be granted under the above-mentioned Plans, and thus in a maximum nominal amount of 2,500,000.00 euros, broken down as follows:

a) for a maximum amount of 2,300,000.00 euros, reserving the same for Financial Advisors and Private Bankers of the Banca Generali Group, to serve the "Stock Option Plan for Financial Advisors and Network Managers of Banca Generali S.p.A. for 2010";
b) for a maximum nominal amount of 200,000.00 euros, reserving the same to Banca Generali employed Relationship Managers and their coordinators, to serve the "Stock option plan for Relationship Managers of Banca Generali S.p.A. for 2010".

Moreover, as of 2013, the General Shareholders' Meeting, in approving the Remuneration Policies and with reference to the long term incentives, resolved to integrate the variable component of the remuneration of some of Banca Generali's managers through participation in the Generali Group's Long Term Incentive Plan (LTIP) for executives serving the Generali Group in Italy and abroad, approved by the General Shareholders' Meeting of Assicurazioni Generali S.p.A. The plan is targeted at reinforcing the relationship between the remuneration of management and expected performance according to the strategic plan of the Group (absolute performance), as well as the relationship between remuneration and value generation in relation to a group of peers (relative performance).
Lastly, in accordance with the Supervisory Provisions set forth in the 7th update of Bank of Italy Circular No. 285/2013, the Banking Group's Remuneration and Incetivisation Policy approved by Shareholders' Resolution of 23 April 2015 requires the payment of the variable component of remuneration of Key Personnel to be made through the granting of Banca Generali's financial instruments.

In detail, key personnel who accrue a variable remuneration linked to short-term objectives exceeding 75,000 euros in financial year 2015 will be entitled, in addition to the deferral of the disbursement of 40% of the variable component, also to the payment of 25% of the said component through assignment of Banca Generali's shares, based on the following stock-granting and retention mechanism:

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

The payment in shares will be conditional not only upon the achievement of the pre-set objectives defined in the MBO mechanism, but also to the satisfaction of access gates established by the Banking Group (TCR - Total Capital Ratio, LCR - Liquidity Coverage Ratio) for the year in which the remuneration is accrued and the following two-year period of retention.

In light of the foregoing, on 23 April 2015 the Shareholders' Meeting resolved to repurchase a maximum number of 88,213 treasury shares within an 18-month period, to be granted to Key Management Personnel.
The mechanism described above was authorised by the Bank of Italy, by order dated 3 June 2015.

Directors' Severance Indemnities in the Event of Resignation, Dismissal or Severance as a Result of a Takeover Bid (pursuant to Article 123-*bis*, paragraph 1, letter i), of TUF)

The benefits envisaged in the event of the termination of the employment contract or revocation from office of Chief Executive Officer Piermario Motta include — in addition to the notice indemnity required by law or pursuant to the national collective labour contract — a sum equivalent to 24 months of recurring compensation (defined as the annual gross remuneration as General Manager and his compensation as Chief Executive Officer, plus half of the average amount actually collected by way of short-term component of variable remuneration over the past three years regarding each of the positions) in the following cases: (i) severance of employment at the bank's initiative, where such initiative is not the result of a just cause attributable to the employee; (ii) severance of employment at the employee's initiative, where it is a consequence of the Bank's decision to worsen the economic terms of the contract for his employment and/or those of the position of chief executive officer compared to extant ones; (iii) dismissal by the competent body from the position of General Manager, not resulting from wilful misconduct or gross negligence on the part of the employee and where such dismissal is in accordance with one's desire to terminate the employment contract as well; (iv) dismissal or non-renewal by the competent body from the position of chief executive officer at the bank's initiative, where such initiative is not the result of wilful misconduct or gross negligence by the employee and where such dismissal is in accordance with Mr. Motta's desire to terminate his employment contract as well.
If Piermario Motta is dismissed from only one of the two positions he fills (Chief Executive Officer or General Manager) at the bank's initiative, the compensation obligation, where applicable, applies if, and only if, he also resigns from the other position concurrently filled.

This amount will be paid in compliance with the provisions of Bank of Italy Circular No. 285, and therefore in connection with the Bank's performance objectives, partly in cash and partly in financial instruments, subject to deferral and tied to the Bank's risk and stability indicators (access gate).

10. INTERNAL AUDIT AND RISK COMMITTEE

The Board of Directors has endowed itself with an Internal Audit and Risk Committee made up of four Board members, all of whom are non-executive and independent, vested with consulting and recommendatory functions. The current Internal Audit and Risk Committee was appointed by the Board of Directors on 23 April 2015, and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 10 MARCH 2016)
Anna Gervasoni	Chairwoman Non-executive, Independent Director
Massimo Lapucci	Committee member Non-executive, Independent Director
Annalisa Pescatori	Committee member Non-executive, Independent Director
Vittorio Emanuele Terzi	Committee member Non-executive, Independent Director

The Board of Directors deemed adequate the professional experience of Vittorio Emanuele Terzi in accounting and finance, Annalisa Pescatori, attorney-at-law, in risk management and Massimo Lapucci and Anna Gervasoni in accounting and finance as well as risk management.
Cristina Rustignoli, the Board Secretary, also serves as Internal Audit and Risk Committee secretary.
The functioning of the Internal Audit and Risk Committee is regulated by specific rules (the "Audit and Risk Committee Rules"), approved by the Board.
The Committee is charged with the following tasks and powers: (i) supporting the Board of Directors with adequate investigative activity in its evaluations and decisions concerning the internal control and risk management system and the approval of periodic financial reports; (ii) advisory powers in the area of related party and connected party tran-

sactions, in accordance with the terms and conditions established by the related party and connected party transaction procedure approved by Banca Generali (the "Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance"); (iii) advisory and investigative powers in relation to the Board of Statutory Auditors in the area of the statutory auditing of the accounts, pursuant to Italian Legislative Decree No. 39 of 27 January 2010; and (iv) consulting and supporting powers to the decision-making body concerning equity investments, in compliance with the "Equity Investment Management Policy" approved by Banca Generali.
With reference to the internal control system, the Committee assists the Board of Directors in laying down the guidelines of the internal control and risk management system, periodically checking that said system is adequate to the bank's characteristics and risk profile, reviewing its effective functioning and also ensuring that the major company risks (credit, financial and operating risks) have been identified, adequately measured, managed and monitored, as well as determining the degree to which such risks are compatible with management of the enterprise in accordance with the strategic goals identified, in liaison with the responsible company functions.

In such regard, the Committee:
> assists the Board of Directors in framing corporate strategy and setting the orientation of the internal control system and risk management policies, with particular emphasis on tasks that are key to enabling the Board to properly and effectively determining the Risk Appetite Framework and devising appropriate risk containment measures;
> provides the Board with input and feedback within the context of the Risk Appetite Framework, so as to ensure that the Board-approved Risk Appetite and Risk Tolerance parameters are properly determined;
> assists the Board of Directors in determining corporate performance assessment policies and processes, especially with a view to ensuring that pricing policies and terms of service are in line with the business model and risk management strategies;
> assists the Board of Directors in periodically checking the appropriateness and effectiveness of the internal control and risk management system in light of the features of the company and the assumed risk profile;
> without prejudice to the responsibilities of the Remuneration Committee, assess the extent to which the incentives offered under the Bank's remuneration and incentivisation system are in line with the Risk Appetite Framework;
> identifies and recommends — with input from the Nominations Committee — candidates for appointment to head the control functions, and expresses and opinion on the dismissal of any such person;
> monitors the independence, appropriateness, effectiveness and efficiency of the Internal Audit, Compliance and Risk Management functions;
> ensures that the Internal Audit, Compliance and Risk Management functions are endowed with adequate resources to discharge their duties;
> examines the calendar of scheduled activities and the annual reports prepared by the Heads of the Compliance, Internal Audit and Risk Management functions prior to the submission thereof to the Board of Directors;
> checks that internal control functions duly comply with the Board's instructions and guidelines;
> assists the Board in preparing the coordination document requested by Title V, Chapter 7 of Bank of Italy Circular No. 263/2013;
> submits findings and opinions to the Board of Directors on compliance with the principles with which the internal control system and the Company's organisational structure as whole, are required to conform, as well as on satisfaction of the requirements imposed on internal control functions, highlighting weaknesses and recommending appropriate remedial measures where necessary, whilst also assessing related proposals put forward by the Chief Executive Officer and the General Manager;
> participates, with input and opinions, in framing the Company's policy on the outsourcing of internal control functions in compliance with Title V, Chapter 7 of Bank of Italy Circular No. 263;
> expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
> assesses compliance with the consistency principle in the preparation of the consolidated financial statements, in concert with the Company Manager in charge of the company's financial reports, and taking due account of the opinions of the independent auditors and the Board of Statutory Auditors;
> directs the Internal Audit, Compliance and/or Risk Management functions (as appropriate in light of the issues in question) to undertake checks on specific areas of operation, simultaneously notifying the Chairman of the Board of Statutory Auditors thereof;
> reports to the Board of Directors on its activities and the appropriateness of the Internal Control and Risk Management system, at Board meetings called for the approval of the annual and half-yearly financial statements;
> may be consulted on specific transactions directly or indirectly entailing a conflict of interests;
> performs the other duties subsequently entrusted to it by the Board of Directors.

Regarding related party and connected party transactions, in compliance with the provisions set forth in the Regulations on related party transactions approved by Consob with Resolution No. 17221 of 12 March 2010, as further amended and extended by Consob Resolution No. 17389 of 23 June 2010, and as required pursuant to the New Prudential

Supervisory Provisions Concerning Banks, Circular No. 263/2006, 9th update of 12 December 2011, and 15th update of 2 July 2013, as well as in compliance with the Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance adopted by the company, the Committee shall:

- in respect of Moderately Significant Related Party Transactions, as defined in the Related Party and Connected Party Transaction Procedure, express, in the manner and form and in accordance with the deadlines established in the Procedure, a non-binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions;
- in respect of Highly Significant Related Party Transactions, as defined in the Related Party and Connected Party Transaction Procedure, (i) play an active role in the preliminary fact-finding and negotiation phases of each such transaction, including by seeking information from and/or forwarding comments and observations to any and all the persons and parties involved in the said phases; and (ii) express, in the manner and form and in accordance with the deadlines established in the Related Party and Connected Party Transaction Procedure, a binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions. If a definitive "Transaction of Greater Importance", within the meaning of the 15th update of the Bank of Italy Circular No. 263/2006 on 2 July 2013, is also classified as a "Highly Significant Transaction" pursuant to the document "Procedure for Transactions of Greater Importance with Related Parties and Connected Parties," the transaction in question is to be subject not only to the procedure described above, but also to a prior opinion by the Risk Management Service.

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

- assess the proposals put forward by auditing firms to obtain the audit engagement, within the framework of the Company's procedures for appointing the independent auditors in charge of certifying the consolidated financial statements and half-yearly financial statements, with specific reference to the subject-matter of the appointments and the related economic terms and conditions, reporting its findings to the Board of Statutory Auditors;
- assess the work schedule of the statutory audit, and examine the results set forth in the report drawn up by the independent auditors together with any suggestions the latter may have put forward, reporting its findings to the Board of Statutory Auditors;
- monitor the effectiveness of the processes followed for the statutory auditing of accounts, reporting its findings to the Board of Statutory Auditors;
- undertake any and all further tasks that the Board of Statutory Auditors may entrust to it in respect of the statutory auditing of accounts.

Lastly, as far as equity investments are concerned, in accordance with the procedures set forth in the "Equity Investment Management Policy" approved by Banca Generali, the Committee is charged with advisory powers in the various cases described above, expressing, where requested, opinions regarding (i) the granting of significant loans to companies in which the bank holds a qualified equity investment; (ii) the acquisition of a qualified equity investment in a company which has been granted significant loans; (iii) the acquisition of equity investments in companies considered strategic suppliers; and (iv) the acquisition of equity investments in debtor companies aimed at recovering credits.
Internal Audit and Risk Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration plus an attendance fee payable for each meeting they attend.
Committee meetings are generally held at least four times a year and, in any event, with the timeliness necessary to allow a full treatment and discussion of any and all matters on which the Committee may be requested or required to report of the Board of Directors.
At the invitation of the Committee Chairman, Committee meetings may be attended by Statutory Auditors, top managers, the Compliance Officer, Internal Auditor, the Risk Management Officer, the Anti Money Laundering Officer, the Heads of other corporate functions, the Manager in charge of Company's financial reports and any and all other persons whose presence is deemed useful in relation to the items on the Agenda.
In 2015, the Internal Audit and Risk Committee met ten times, for an average of approximately 1 hours and 50 minutes each time. In the year under review, a total of eight Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

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

- in its meeting of 26 January 2015, the Committee examined the following issues:
  - i) fourth quarter dashboard, Annual Report of the Compliance Service and 2015 programme of activities;
  - ii) fourth quarter dashboard, Annual Report of the Anti-Money Laundering Service and 2015 programme of activities;

iii) fourth quarter dashboard, Annual Report of the Risk Management Service and 2015 programme of activities;
iv) fourth quarter dashboard, Annual Report of the Internal Audit Department Service and 2015 programme of activities;
v) opinion on the internal audit 2015 programme of activities;
vi) public disclosures regarding a related party and connected party transaction;
vii) selection of a new independent auditing firm;

> in its meeting on 10 February 2015, the following aspects were examined:
i) check of the appropriateness of the accounting policies applied in preparing the annual financial statements;
ii) fourth quarter dashboard of the Risk Management Service;
iii) public disclosures regarding a related party and connected party transaction;

> in its meeting on 9 March 2015, the following aspects were examined:
i) annual report on the internal control system and assessments carried out at the subsidiary companies;
ii) annual report of the Compliance Service on the assessments made on the subsidiary companies;
iii) annual report of the Anti-Money Laundering Service on the assessments made on the subsidiary companies;
iv) annual report of the Risk Management Service on the assessments made on the subsidiary companies;
v) approval of the transfer of the shareholding;
vi) report within the meaning of Article 2.3.8 of the Internal Audit and Risk Committee Rules;
vii) report of the Supervisory Board;
viii) outcome of the process of selection of the bank's independent auditing firm;

> in its meeting on 22 April 2015, the following aspects were examined:
i) presentation of the ICAAP report;
ii) presentation of Pillar 3 public disclosures;
iii) report of the Internal Audit function on the controls performed on important outsourced operating functions;
iv) public disclosures regarding a related party and connected party transaction;

> in its meeting on 4 May 2015, the following aspects were examined:
i) presentation of the Compliance Service's dashboard;
ii) presentation of the Anti Money Laundering Service's dashboard;
iii) presentation of the Risk Management Service's dashboard;
iv) presentation of the Internal Audit Department's dashboard;

> in its meeting on 23 June 2015, the following aspects were examined:
i) report on the assessment performed by the Internal Audit Department on the acquisition of the Credit Suisse business unit;
ii) approval of the transfer of the loan to Investimenti Marittimi;
iii) change of the service-rendering contracts with Simgenia SIM S.p.A
iv) presentation of the redefinition of the governance and proposal for the appointment of the new Heads of second-tier control functions;
v) disclosure on the FARG test method;

> in its meeting on 22 July 2015, the following aspects were examined:
i) check of the adequacy of the accounting policies followed in preparing the condensed half-yearly financial statements;
ii) presentation of the Compliance Service's dashboard;
iii) presentation of the Anti Money Laundering Service's dashboard;
iv) presentation of the Risk Management Service's dashboard;
v) presentation of the Internal Audit Department's dashboard;
vi) public disclosures regarding a related party and connected party transaction;
vii) report within the meaning of Article 2.2.17 of the Internal Audit and Risk Committee.
viii) FARG Financial Report;

> in its meeting on 6 October 2015, the following aspects were examined:
i) meeting with the independent auditors;
ii) presentation of investments in Tyndaris;
iii) presentation of related-party and connected-party transactions;

> in its meeting on 28 October 2015, the following aspects were examined:
i) presentation of the dashboard of the Compliance and Anti-Money Laundering Department;
ii) presentation of the dashboard of the Risk and Capital Adequacy Department;
iii) presentation of the Internal Audit Department's dashboard;
iv) analysis of the applicability of the GIRS framework;

> in its meeting on 9 December 2015, the following aspects were examined:
i) presentation of recommendations regarding RAF targets;
ii) public disclosures regarding a related party and connected party transaction;

The proceedings of each meeting, coordinated by the Chairman, were duly recorded in minutes.
Six of the ten meetings held in 2015 were attended by all the Committee's members, while at the others one member

was absent.
The table in Annex 2 hereto provides information on the attendance rate of each member at the Committee meetings.
The Internal Audit and Risk Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks, and may also avail of outside consultants, if necessary. In order for the Committee to carry out its duties, a specific item of 75,000 euros was allocated in the budget for the current year.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The bank's Board of Directors adopted an organisational model for the Group's internal control system, under which so-called second and third control functions are centralised within the Parent Company,
especially so as to meet the need for managerial, as well as technical-operating coordination that is as deep-reaching as the strong strategic coordination of group companies, achieved through the presence of representatives of the Parent Company on the governance and control bodies of subsidiaries.
As required pursuant to the Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has therefore adopted an internal control system capable of continuously monitoring typical business risks.
The internal control system is a structured set of organisational functions, procedures and rules of conduct aimed at ensuring sound and proper corporate governance in line with pre-set targets, through adequate processes for identifying, measuring, managing and monitoring the main business risks. The system forms an integral part of the Company's operations and entails the involvement of all corporate structures and sectors, each of which is called upon to ensure constant and continuous risk monitoring, within the limits of its specific sphere of competence.
Within this framework, Banca Generali has set up an internal control system, fully compliant with the provisions of Article 7 of the Corporate Governance Code and, moreover, specifically designed to ensure healthy and prudential corporate management of the bank and the banking group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.
Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors and is regularly revised and amended to comply with the provisions of the Bank of Italy Circular No. 263.

The Internal Control System consists of:
i) *checks involving the business lines:* systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper completion of the transactions effected by the same production structures, or incorporated into procedures, or performed as part of middle/back-office processes;
ii) *risk management checks:* checks carried out by the heads of individual operating units and by the Risk Management Department, as part of the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating departments, as well as in order to maintain the operations of individual production units in line with the risk/return targets set for specific types of risk (credit risk, market risk, operating risk);
iii) *compliance checks:* checks carried out by the Compliance Department on the compliance of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-regulatory provisions;
iv) *checks regarding money laundering:* checks carried out by the Anti Money Laundering Service on the compliance of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-regulations;
v) *internal auditing:* checks carried out by the Internal Audit Department with a view to ensuring the propriety of the Company's operations, risk trends, the overall functioning of the internal control system, whilst at the same time identifying abnormal trends, breaches of procedure and regulations, as well as assessing the effectiveness of internal control.

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

The key principles underlying the Company's Internal Control System include:
> the separation of roles in the performance of the main tasks involved in individual production processes;

> the traceability and constant visibility of choices;
> objective decision-making with regard to individual operating processes.

Responsibility for the Internal Control System, pursuant to applicable regulations, resides with the Board of Directors that is in charge of: (i) establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system; (ii) approving the bank's organisational structure, ensuring that tasks and responsibilities are clearly and properly assigned, and periodically checking the adequacy and effectiveness of the said structure, further ensuring that the main company risks are identified and appropriately managed, the Company's control structures are endowed with sufficient autonomy and independence within the Company's organisation, as well as with adequate resources to ensure the proper functioning thereof.
The Board of Directors, with the support of the Internal Audit and Risk Committee, also carries out periodic assessments of the functioning, effectiveness and efficiency of the internal control system, taking timely corrective actions in case of shortcomings and/or anomalies in the performance of the checks themselves.
Pursuant to supervisory regulations, internal control functions must be independent of other operating functions, and report directly to the Board of Directors and Board of Statutory Auditors, on a periodic basis, in respect of the outcome of its activities.
On 25 September 2003, the Board of Directors appointed Francesco Barraco Head of the Internal Audit Function, effective 1 October 2003. His remuneration is examined each year by the Board of Directors, with the support of the Remuneration Committee and in concert with the Board of Statutory Auditors, and is in line with market best practices.
The Internal Audit Department: (i) performs assurance activities and submits potential improvements to the corporate bodies, with specific reference to the RAF, the risk management process and its risk measurement and control tools, as well as audit advisory activities; (ii) directly reports the assessments and evaluations results to the corporate functions; (iii) promptly and directly forwards to the governing bodies the audit results concluded with negative judgments, or highlighting major deficiencies; (iv) provides guidance to the concerned Areas, Divisions, Departments, Services and Organisational Units; (v) in drawing up procedures for managing and containing company risks, monitors the implementation of the said risk management procedures and measures, and, moreover, expresses its opinion on the effectiveness of the system in maintaining overall risk exposure within acceptable limits; (vi) submits the results of its activities to the Board of Directors, the Internal Audit and Risk Committee, the Chief Executive Officer and the Board of Statutory Auditors.
The Internal Audit Department performs said activities not only for Banca Generali, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit function, and in an institutional capacity as a function of the Parent Company of the Banking Group.
The auditing method, on which internal auditing activities are based, is defined under the Internal Audit Rules approved by the Board of Directors and the supervisory model, also approved by the Board of Directors and constantly implemented in light of developments in oversight compliance and best auditing practices (CoSo Report, professional standards).
In compliance with applicable laws, on 24 June 2015, the Board of Directors appointed Fabio Benvenuti to head of the Compliance and Anti-Money Laundering Department, as of 1 July 2015, and reappotined Julia Merson as Head of the Anti-Money Laundering Service (now part of the new Compliance and Anti-Money Laundering Department) as contemplated in the Board's resolution of 28 March 2013.
On the same day, 24 June 2015, the Board of Directors entrusted Antonio Bucci to head the Risk and Capital Adequacy Department as of 1 July 2015.
As already noted, in order to implement the Code's recommendations regarding internal control and comply with the supervisory provisions in force, the Board set up within itself an Internal Audit and Risk Committee in charge, among other tasks, of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "Internal Audit and Risk Committee", above).
Moreover, with regard to risks, the Chief Executive Officer may also avail of the advice of the Risks Committee established by Board resolution of 23 September 2008 with a view to coordinating the banking group's risk management and control system, and identifying and implementing appropriate risk containment measures.

In order to transpose the Code's provisions on internal controls, and in compliance with the Bank of Italy's supervisory regulations, pursuant to Article 8 of the Board Rules requirements, the Board:

i) defines guidelines for the Internal Control and Risk Management System so that the primary risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored; moreover, it determines the degree to which such risks are compatible with management of the Company consistent with the strategic goals identified;
ii) assesses at least on an annual basis, the adequacy of the internal control and risk management system with respect to the Company characteristics and risk profile, as well as its effectiveness;
iii) approves the plans prepared by the Heads of Compliance, Anti Money Laundering, Internal Audit and Risk Management and examines the periodic *tableaux de bord* and the annual reports prepared by those functions;
iv) assesses the results presented by the independent auditors in management letters of suggestions and report, if any, on important issues that arose during the auditing of the Company's accounts.

Moreover, pursuant to Article 52-*bis*, paragraph 1 of TUB which requires "banks and the related parent company to adopt specific procedures for the internal reporting by employees of conduct or events that could entail a breach of the rules regulating the banking industry", and taking due account of the implementing provisions issued by the Bank of Italy through Circular No. 285/2013, on 15 December 2015, the Board of Directors adopted whistleblowing procedure enabling employees to report suspected breaches of banking regulations.
Responsibility for all related matters was assigned to Fabio Benvenuti, the Head of the Company's Compliance and Anti-Money Laundering Department, pursuant to his appointment as Whistleblowing Manager.

In managing and coordinating the Group as its Parent Company, the Bank also exercises:

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

11.1 The Director in charge of the Internal Control and Risk Management system

The Board of Directors has appointed the Chief Executive Officer as the Executive Director in charge of overseeing the functioning of the internal control and risk management system.
The Chief Executive Officer defines, for the matters not falling within the Board of Directors' remit, operating policies and related risk control procedures, identifying and evaluating, including on the basis of management trends and departures from forecasts, any and all factors giving rise to risks, and assesses the functioning, effectiveness and efficiency of the internal control system, promoting the updating of the same as may be necessary or useful, from time to time.

The Chief Executive Officer shall, *inter alia*:

1. identify the main company risks, taking due account of the business operations of the Company and its subsidiaries, and submit periodic reports on the same to the Board of Directors and the Internal Audit and Risk Committee;
2. implement the guidelines laid down by the Board of Directors in designing, setting up and managing the internal control system, and constantly monitor the overall adequacy, effectiveness and efficiency of the same, whilst also adapting the said system to changes in operating conditions and in the applicable statutory and regulatory framework;
3. recommend to the Board, after hearing the opinion of the Internal Audit and Risk Committee, the appointment and or dismissal and, after hearing the opinion of the Remuneration Committee, the remuneration of the heads of control functions;
4. request that the heads of Internal Audit, Compliance or Risk Management, each according to their respective competencies, conduct audits of specific operating areas and compliance with internal rules and procedures in carrying out company operations;
5. report in a timely manner to the Internal Audit and Risk Committee and the Board of Directors on problems and critical issues brought to light, or of which he has otherwise become aware, so that they may undertake the appropriate initiatives.

The Internal Auditor directly reports to the Board of Directors. With regard to the activity performed, the Internal Auditor directly reports to the Board of Directors, the Board of Statutory Auditors and the Internal Audit and Risk Committee.

11.2 Internal Auditor

On 25 September 2003, the Board of Directors appointed Francesco Barraco Head of the Internal Control Department and Head of the Internal Audit Function, with effect as from 1 October 2003.
The Internal Audit Department is an independent function intended, on the one hand, to supervise, from a third-tier standpoint and including through onsite checks, the regular course of operations and evolution of risks and, on the other, to assess the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the internal control system, as well as to inform the company bodies of possible improvements, in particular to the Risk Appetite Framework, risk management process, and risk measurement and control instruments.
The Internal Audit function is charged with constantly and independently verifying that the internal control system is completely adequate, fully functional and operational. The Internal Audit function assesses and contributes to the improvement of the governance, risk management and control processes through a systematic professional approach.

The Internal Auditor:
1. is charged with verifying that the internal control system is always adequate, fully operational and functional; to that end, he verifies, both on a ongoing basis and in relation to specific needs, and in accordance with international standards, the suitability of the internal control and risk management system, through an audit plan approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks;
2. is not to be assigned responsibilities for any operating department and not to be hierarchically answerable to the head of any operating department, including the administration and finance department;
3. is to be afforded direct access to any and all the information that may be useful for the performance of his duties;
4. is to be endowed with adequate resources for the performance of his assigned duties;
5. reports on his actions to the Internal Audit and Risk Committee, the Board of Statutory Auditors, the Board of Directors and the Chief Executive Officer, preparing periodic reports containing adequate information about his activity, the manner in which risks are managed and compliance with the plans defined to contain those risks. Specifically, he expresses an opinion on the effectiveness of the internal control and risk management system in ensuring an acceptable overall risk profile;
6. prepares reports on events of particular significance in a timely manner, forwarding them to the bodies mentioned above;
7. verifies the reliability of the systems in the context of audit plans;
8. has a budget to refer to for completing his tasks and activities.
9. During the year, Internal Audit activity pertained in particular to the safeguards associated with risks arising from IT and security processes, privacy, the processing of customers' orders, risk management (credit, liquidity, operating, anti-money laundering and fraud risks), investment services and administrative and accounting entries, with intervention at all levels of control with the responsible departments. The Internal Auditor also monitored the improvement paths for existing controls, which were initiated as a result of previous audits (follow ups).

Main features of the Company's risk management and internal control systems related to the financial reporting process (pursuant to Article 123-*bis*, paragraph 2, letter b), of TUF)

Foreword

The risk management and internal control system as it relates to the financial reporting process adopted by the bank (the "System") is part of the broader Internal Control and Risk Management System described in the previous section.
The System addresses the issues of internal control and risk management arising in respect of the financial reporting process, from an integrated perspective, with a view to identifying, assessing and containing the so-called financial reporting risks (i.e., risks of errors leading the annual financial statements, the condensed half-yearly financial statements, the consolidated financial statements and/or other financial disclosures and filings to reflect a view of the balance sheet, income statement and/or cash flow that cannot be described as true and/or fair) to which the Company and the Group are exposed.
The System is thus intended to guarantee the reliability, accuracy and timeliness of financial reports. To this end, the bank created a financial reporting risk model consisting of principles and rules that aim to guarantee an adequate administrative and accounting system, in part by ensuring the availability of procedures and instructions.
The Manager in charge of the company's financial reports works within this framework. The Manager is charged by Italian Law No. 262 of 28 December 2005 ("Law 262") with the critical task of ensuring the reliability of accounting documents and availability of adequate administrative and accounting procedures for listed companies based in Italy.

The Manager in charge of the company's financial reports is responsible for defining the methodological and organisational aspects of adopting the financial reporting risk model within the Company and Group, to the extent of the powers and means granted to him/her under paragraph 4 of Article 154-*bis* of the TUF.

The financial reporting risk model adopted is based on a process developed by the Company in accordance with the following reference frameworks, which are generally recognised and accepted internationally:

i) the CoSO (Committee of Sponsoring Organisation of the Treadway Commission). Internal Control – Integrated Framework, released in 1992, defines guidelines for assessing and developing an internal control system. In the CoSO Framework, the model refers to the component of the internal control system concerning the processes of collection, processing and publication of financial information flows (financial reporting);
ii) CObiT (Control Objective for IT and Related Technology, built by the IT Governance Institute based on the CoSO Framework), provides specific IT guidelines and can be used together with ITIL (Information Technology Infrastructure Library, a framework already used by the Group) and ISO/IEC 27001 (International Organisation for Standardisation/Information Electrotechnical Commission).

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

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

The key characteristics of the financial reporting risk model adopted by Banca Generali are summarised below, with particular reference to: (A) phases of the model; (B) departments/employees involved in the model and their respective roles and information flows.

(A) Phases of the financial reporting risk model

The different phases of the financial reporting risk model were defined by the Company based on the reference framework. In detail, the model may be divided into the following phases: (i) identification and assessment of financial reporting risks, (ii) identification and assessment of controls for mitigating identified risks.

(i) Identification and assessment of financial reporting risks:

To identify and assess financial reporting risks, the Company identifies the relevant Banking Group Companies and significant information (consolidated accounts and company-wide processes), considering both quantitative and qualitative elements. Companies within the scope of analysis are those that, in considering the relationships between the assets, revenues and profit or loss of the individual companies and consolidated balances, exceed specific limits established by best market practice (in 2015, such companies accounted for nearly all of consolidated assets). In relation to the consolidated accounts, significance is determined based on the guidelines generally used in audit procedures. Processes are considered significant and therefore subject to analysis if, from an accounting perspective, they have a potential impact on the consolidated accounts. All processes involved in period-end reporting are included in the scope of processes to be analysed. All significant processes must be subjected to testing at least on an annual basis. The scope of analysis is revised at least annually or when warranted by changes in the Group's structure.

(ii) Identification and assessment of controls for mitigating identified risks

The financial reporting risk model includes the following types of controls: (a) company-level; (b) process-level; (c) information technology.

The structure of the controls is designed so as to allow adequate identification and assessment and is based on four main characteristics:

1) time of execution: controls can be either preventative or after-the-fact;
2) the execution procedure: manual or automatic;
3) nature (i.e., structural characteristics): authorisation, reconciliation, management review, etc.;
4) frequency (i.e., time interval of controls): weekly, monthly, quarterly, etc.

Control analyses include a phase in which the adequacy of the design (ToD) is evaluated and a phase in which the actual application (ToE) is evaluated according to specific methods for each type of control. If during these phases shortcomings are identified in the management of financial reporting risk, the appropriate corrective measures or actions are determined. The implementation of corrective measures or actions is constantly monitored by the Manager in charge of the company's financial reports.

(a) Company-level controls

The goal of company-level controls is to ensure the existence of an organised, formal company structure designed to reduce the risk of improper conduct through adequate governance systems, standards of conduct based on ethics and integrity, efficient organisational structures, clarity in the assignment of powers and responsibilities, adequate risk management policies, employee disciplinary systems, efficient codes of conduct and fraud-prevention systems. Adequacy assessments focus on ensuring the existence and dissemination of the appropriate tools (such as policies, codes, rules, service rules, etc.) used to identify rules of conduct applicable to company employees. The next phase involves evaluating the actual application of the aforementioned rules.

(b) Process-level controls

Process-level controls are carried out at a more detailed level than company-level controls and are aimed at mitigating financial reporting risk through controls included in the Company's operating processes. Assessments of control adequacy are carried out by identifying company processes, determining the key controls used to manage financial reporting risk and evaluating the appropriateness of such controls in mitigating this risk. Efficiency assessments involve verifying the actual and correct execution of controls and the adequacy of related documentation.

(c) Controls on Information Technology (IT)

IT controls focus on processes associated with managing and handling information stored in the computer systems used to create the financial statements. Specifically, analyses are performed on controls concerning software purchases and maintenance, physical and logical security management, application development and maintenance, data completeness and accuracy, IT risk analysis and information system management. As for the applications used to create the financial statements in relation to business processes, as well as period-end reporting, analyses focus on evaluating the adequacy of controls as they pertain to the key best practices and reference frameworks used and ensuring that controls remain functional according to standardised methodologies. The analyses also evaluate the efficiency of the automatic controls (ITAC - IT Application Controls) performed by applications as part of major processes.

(B) The departments/employees involved in the model, their roles and information flows

Consistent with the internal control and risk management system adopted by the Company, the financial reporting risk model engages its corporate boards and operating and control units in an integrated management approach based on the various levels of responsibility so as to guarantee the model's ongoing adequacy.

The Board of Directors, with the support of the Internal Audit and Risk Committee, ensures that the model enables the identification, assessment and control of major risks, at both the Company and Group level, through the definition of strategies and general internal-control and risk-management guidelines. In compliance with applicable legislation, the Board also ensures that the Manager in charge of the company's financial reports has the necessary means and powers to perform the duties assigned to him/her under Italy's Law No. 262.

The Manager in charge of the company's financial reports is responsible for implementing, maintaining and monitoring the financial reporting risk model in compliance with the strategies defined by the Board. Accordingly, the said Manager is responsible for evaluating the adequacy and use of administrative and accounting procedures and their appropriateness to present a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and Group. In fulfilling these responsibilities, the Manager in charge of the company's financial reports is supported by a special unit (Law 262 Organisational Unit) that is charged with the task of coordinating all activities necessary for the correct performance of the duties assigned to him. The Unit also serves as a point of reference for the entire Group as regards the management of administrative and accounting risks through guidance and coordination activities.

Banca Generali's Regulations and Organisational Analysis Service is responsible for mapping the Company's processes, and therefore also the administrative and accounting processes of the Group's companies; it ensures that the information and documentation pertaining to them is kept up-to-date.

The Internal Audit Department periodically evaluates the efficiency of procedures and controls included in these processes and supports the Law 262 Organisational Unit in its assessment of the risks and related controls within the Group's administrative and accounting processes.

The Compliance function is responsible for checking and assessing the appropriateness and effectiveness of administrative and accounting processes, with a view to ensuring compliance with any and all applicable regulatory provisions governing the performance of any and all the banking and investment services offered by the Banking Group, especially so as to minimise the risk of non-conformities.

Process Owners (managers of the Company's and Group's Organisational Units) are in charge of managing one or more major processes in accordance with Law No. 262. They are responsible for ensuring that the documentation system put in place by the Group's dedicated units is consistent with actual operations. This is achieved by promptly communicating changes that have been made and implementing corrective actions designed to address any shortcomings found and ensuring the execution of self tests.

Furthermore, if key activities and/or controls that are the responsibility of a department other than the Process Owner's are identified within a process, a Sub-Process Owner is appointed with the duty and responsibility of ensuring that operations are consistent with company procedure. This is achieved by identifying, formalising and continuously updating the portion within one's remit.
The Company also developed — through a special circular related to all Group companies — a documentation system that ensures that all boards, departments and employees with specific tasks within the internal control and risk management system work together to complete their respective duties.
The activities, information and documents included in the financial reporting risk model are managed using computer applications that are shared with other control units.
The Manager in charge of the financial reports of the Company reports to the Board of Directors on a regular basis as to the activities carried out in exercising his functions.

11.3 Organisational model pursuant to Legislative Decree No. 231/2001

Legislative Decree No. 231 of 8 June 2001 introduced the principle that corporations may be held liable for specifically listed offences committed or attempted in their interest and/or for their benefit by individuals entrusted with corporate representation, administration and management, or individuals subjected to the management or oversight of one of the latter.
The above-mentioned Decree provides for exemption from this form of liability in the case of entities which have adopted and effectively implemented organisational and management models designed to prevent the aforesaid offences.
The adoption of an Organisational and Management Model (hereinafter the "Model") is not an obligation or duty, but a right, that the Company has decided to exercise in order, not only to restructure and formalise, where necessary, a system of preventive checks aimed at preventing conduct entailing administrative liability for the Company pursuant to the above-mentioned Decree, but also to ensure the Company's own integrity, and to boost the effectiveness and the transparency of corporate operations.
The Board of Directors approved the Company's Organisational and Management Model, drawn up in light of the Company's specific operating conditions and requirements. The aforesaid Model must be constantly updated taking due account of changes in the relevant regulatory framework. A copy of the Model is available on the website *www.bancagenerali.com/About us/Corporatestructure/BancaGenerali*.
Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid main goal underlying its adoption and aims at preventing from all types of offences contemplated in the relevant laws.
The Model is complemented by regulations and corporate rules, is made up of a structured set of principles, rules, provisions and organisational layouts pertaining to the management and oversight of business operations, and is contained in an illustrative document that sets forth the general rules that make it impossible for the offences to be committed without fraudulently violating the model.
In accordance with the provisions of the aforesaid Decree, the task of supervising compliance with the Model and updating the same must be entrusted to an independent and qualified body set up within the entity, and endowed with autonomous powers of initiative and oversight.
In this regard, the regulations applicable to the Company provide precise rules for the assignment of the role of Supervisory Body, which was previously based on internal assessments and the guidelines proposed by industry associations. According to Article 6, paragraph 4-*bis* of Legislative Decree No. 231/2001, as introduced by Article 14, paragraph 12, of Law No.183 of 12 November 2011 ("Provisions for preparing the annual and multi-year state budget – 2012 Stability Law"), corporations are now authorised to assign this role to the Board of Statutory Auditors. In addition, Bank of Italy Circular No. 263, as amended by the 15th update issued on 2 July 2013, provides that the body with control function (i.e., the Board of Statutory Auditors in the governance system adopted by the Company) generally also carries out the functions of the supervisory body.
The Corporate Governance Code approved by the Borsa Italiana S.p.A.in favours assigning the tasks of the Supervisory Body to the Board of Statutory Auditors.
In light of the foregoing, the Board of Directors of Banca Generali, on 1 April 2014, resolved to identify the Board of Statutory Auditors as the body entrusted with the Supervisory Body's functions, concurrently attributing to the latter all necessary powers to carry out the aforesaid functions.
On 23 April 2015, the Shareholders' Meeting made the necessary amendments to ensure that the eligibility requirements for membership of the Company's Supervisory Board and the causes of disqualification from and unfitness for such office are identical to the statutory eligibility requirements and causes of disqualification and unfitness applicable to members of the Board of Statutory Auditors of a listed bank.
Accordingly, subject to prior verification that the integrity and professionalism requirements are met and that there are no relevant situations incompatible with taking on the office in question, the current members of the Board of Statutory Auditors are now members of the Supervisory Body, namely the Chairman of the Board of Statutory Auditors, Massimo Cremona, and the Acting Auditors, Mario Francesco Anaclerio and Flavia Daunia Minutillo.

Furthermore, the following remuneration was established for the members of the Supervisory Body:
> 15,000 euros gross per year for the Chairman of the Supervisory Body, identified in the Chairman of the Board of Statutory Auditors;
> 10,000 euros gross per year for each of the other members of the Supervisory Body, identified in the Acting Auditors.

In carrying out its tasks, the Supervisory Body is also to avail of the support of other corporate functions, especially the Compliance function.

11.4 Independent Auditors

On 23 April 2015 the General Shareholders' Meeting resolved to entrust the statutory auditing of the Company's accounts for the years ended on 31 December 2015 through to 31 December 2023, to the accounting firm BDO S.p.A.

11.5 Manager in charge of the company's financial reports

Article 154-*bis* of Legislative Decree No. 58 of 24 February 1998, introduced by Law No. 262 of 28 December 2005, requires *inter alia*:
a) the Manager in charge of the company's financial reports to issue a written statement attesting that any and all notices and information the Company discloses on the market in respect of its annual and/or interim financial reports corresponds to the documentary results, books and accounting records;
b) the Manager in charge of the company's financial reports and the delegated Administrative Bodies to issue a joint written statement to be attached to the annual financial statements, the condensed half-yearly financial statements, and, where applicable, the consolidated financial statements, certifying the appropriateness and effective implementation of all relevant accounting and administrative procedures during the accounting reporting period, as well as warranting that all the related accounting documents were prepared in accordance with the international accounting principles generally accepted and applied within the European Union, and, accordingly faithfully reflect the contents of the Company's accounting books and records, with the result that the said accounting documents may be deemed to provide a true and fair view of the balance sheet, income statement and cash flow statement of the Company and the Group. Moreover, with respect to the annual financial statements and the consolidated financial statements, the said written statement shall certify that the related Directors' Report on Operations includes a reliable analysis not only of business trends and operating results, but also of the situation of the issuer and all the companies included in the scope of consolidation of the reporting entity, together with a description of the main risks and uncertainties to which the Company and Group are exposed, as well as, in respect of the condensed half-yearly financial statements, that the related interim Directors' Report comprises a reliable analysis of the information mentioned in paragraph 4 of Article 154-*ter* of TUF;
c) the Board of Directors to oversee the appropriateness of the powers and resources made available to the Manager in charge of the company's financial reports and the proper implementation of "administrative and accounting procedures".

Pursuant to Article 23, paragraph 3, of the Articles of Association, the Board of Directors, after consultation with the Board of Statutory Auditors, appoints and dismisses the Manager in charge of the company's financial reports, in compliance with Article 154-*bis* of Legislative Decree No. 58 of 24 February 1998, establishing the powers and resources of the same.

Paragraph 4 of the same Article provides that the said Manager shall be selected from amongst the company executives in possession of the following professional qualifications:
> adequate professional experience for a suitable length of time or, in any event, of no less than three years, in activities of administration, management or control or professional activities in the banking, insurance and financial sectors; or
> specific know-how in the field of financial reporting and auditing, in respect of listed issuers or their subsidiaries and in the management or oversight of related administrative procedures, acquired over at least five years of experience in positions of responsibility for operating structures within the company, the group or other comparable corporations or entities in terms of business sector and organisational structure.

The said Manager must furthermore meet the requirements of integrity imposed under regulations governing the assumption of corporate offices. Loss of the requisite of integrity determines fall from office.
On 26 June 2013, pursuant to the Articles of Association, and having heard the opinion of the Board of Statutory Auditors, the Board of Directors appointed Stefano Grassi to serve, as of 1 September 2013, as Manager in charge of the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree No. 58/1998, having ensured

that he was fit and proper for such appointment within the meaning of Article 23 of the Articles of Association, and determining the powers and resources to be made available to him for the discharge of his assigned duties.
Stefano Grassi is the head of the CFO Area (i.e., the area including the Finance Department, Planning and Control Department and the 262 Organisational Unit) and is tasked with ensuring the proper and timely preparation of the Company and the banking group's accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

The Board of Directors of 28 July 2015, lastly granted Stefano Grassi, Head of the CFO Area and assigned the role of Manager in charge of the company's financial reports, the following powers, which are to be exercised, under his sole signature, in accordance with the general directives imparted by the Board of Directors and the guidelines established by the Chief Executive Officer, as well as in the context of the strategies of the banking group in question and budget plans:

1. to coordinate and supervise the activities of the Departments and Services that report to his Area of competence, reporting to the Chief Executive Officer on the results and activities of those departments and services;
2. to implement Board resolutions, in the course of all activities falling within his remit, in accordance with the guidelines imparted by the Chief Executive Officer;
3. in the course of all activities falling within his remit, to recommend measures designed to ensure the optimal organisation of the activities of the Company's offices, on the basis of functional criteria that, by breaking down tasks, allows for concurrent and subsequent checks, as well as the determination of individual responsibilities;
4. to recommend, for the activities within his remit, the duties and assigned tasks of employees in service at offices, in accordance with the guidelines established by the Board of Directors and the Chief Executive Officer;
5. to draw up proposals regarding the annual budget and strategic three-year plan;
6. to submit proposals concerning the draft financial statements and consolidated financial statements, as well as interim financial reports;
7. as Manager in charge of the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree No. 58/1998, to ensure that any and all notices and information the Company discloses to the market in respect of its annual and/or interim financial reports, are accompanied by a written statement issued by him, and attest that the said notices and information corresponds to the documentary results, books and accounting records;
8. as Manager in charge of the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree No. 58/1998, to draw up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial reports, as well as any and all other financial notices;
9. as Manager in charge of the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree No. 58/1998, to certify, in a specific report drawn up in accordance with the form established by the Italian stock-market regulator Consob and attached to the annual financial statements, the condensed half-yearly financial statements and the consolidated financial statements, the appropriateness and proper application of the procedures mentioned in the preceding point, during the period of reference of the financial statements in question, further attesting that the latter provide a true and fair view of the balance sheet, profit and loss account and cash flow statement of the issuer and all the companies included in the scope of consolidation of the reporting entity;
10. to certify that the documents were drawn up in accordance with the international accounting principles applicable within the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;
11. to certify that the Directors' report on operations attached to the annual financial statements and the consolidated financial statements includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;
12. to certify that the interim Directors' report on operations attached to the interim financial statements includes a reliable analysis of the information mentioned in Article 154-*ter*, paragraph 4;
13. to assume any commitment, including of an economic nature, and undertake whatsoever else that may be necessary for discharging the tasks mentioned in Article 154-*bis* of Legislative Decree No. 58/1998;
14. for the purposes of discharging the tasks and/or exercising the powers mentioned in Article 154-*bis* of Legislative Decree No. 58/1998, to avail of the support and collaboration of other corporate functions (including the Internal Audit Department), should intervention by the latter be deemed necessary or even merely useful towards such end;
15. to express his opinion concerning the proposals formulated by the Central Managers responsible for writing off loans, totally or partially waiving repayment of any credit extended, and thus waiving the guarantees acquired, where applicable, consenting to notations for the cancellation, subrogation, restriction, reduction and/or subordination of mortgages and/or liens and/or other collateral and settling disputed positions;
16. to express his opinion concerning the proposals formulated by the Central Managers responsible for writing off expenses incurred by the company due to employees' errors;
17. within the framework of the budget approved by the Board, to cover the Company's current expenses;
18. to represent the Company before any and all offices of the Financial Administration and to effect any and all tax filings and related formalities; to resist tax assessments and audits and to settle tax disputes;
19. within the framework of the budget approved and up to the limits of his responsibilities, with a threshold of 200,000.00 euros for each individual asset, to acquire, dispose of or barter moveable assets, including those subject

to registration, to collect amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;

20. within the framework of the approved budget and within his remit, to negotiate and enter into, amend and terminate lease agreements, tender agreements, as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangibles, the acquisition of intangibles, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of 200,000.00 euros per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc), or payments required pursuant to law;
21. within the limits of his responsibilities and delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;
22. within the limits of his responsibilities, to liaise with any and all public authorities and bodies, the Bank of Italy, Consob, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;
23. with the approval of the relevant corporate organ, to approve loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
24. to issue demand drafts;
25. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
26. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, deposits subjected to central management by the Bank of Italy, as well as with bodies specialising in the administration of securities, negotiating and stipulating any and all related contractual terms and conditions;
27. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefore;
28. to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;
29. to exercise the powers granted to him from time to time by the regulations adopted by the bank and all other powers granted to him on an ongoing basis or from time to time by the Board of Directors or the Chief Executive Officer, in the context of his responsibilities.

In order to fully comply with the regulation in question, in early 2007, the Company launched an initiative known as the FARG – *Financial Accounting Risk Governance Project*, the management of which was entrusted to a specific structure charged with centrally coordinating all the related activities and supporting project-related worksites specifically established for such purpose. The previous section "*Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process*" provides further information on FARG.

11.6 Coordination amongst parties involved in the internal control and risk management system

Methods of coordination between the various parties involved in the internal control and risk management system have been established with the aim of avoiding overlapping and ensuring complete coverage of the various risks. Efforts to this end included the following:

i) setting up of the Risks Committee, a collegial body including the Chief Executive Officer, General Management and Area Central Managers;
ii) collegial meetings were planned between the Board of Statutory Auditors and the heads of control functions, also in conjunction with the preparation of the activity plan;
iii) a specific circular letter was issued concerning the coordination of activities between internal audit, compliance, anti-money laundering and risk management and all other control functions, with the aim of formulating an effective activity plan, while respecting the independent authority of each;

iv) the Boards of Statutory Auditors of Goup companies periodically hold joint meetings;
v) the Board of Statutory Auditors participates in the meetings of the Internal Audit and Risks Committee and the Chairman of the Board of Statutory Auditors participates in the meetings of the Remuneration Committee and the Nomination Committee;
vi) the Board of Statutory Auditors has been acting as Supervisory Body since 1 April 2014;
vii) the various control functions perform the necessary analyses jointly on specific projects and subjects.

For information concerning the other parties involved in the internal control and risk management system, refer to Chapter 11, Internal Control and Risk Management System.

12. DIRECTORS' INTERESTS AND RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

In compliance with Article 2391-*bis* of the Civil Code and Article 4 of the Regulation on Related Party Transactions (approved pursuant to Consob Resolution No. 17221 of 12 March 2010, as further amended and extended by Consob Resolution No. 17389 of 23 June 2010), Banca Generali's Board of Directors — after hearing the opinion of the Internal Audit and Risk Committee set up within the Board of Directors and made up of independent directors — approved procedures aimed at ensuring the transparency, as well as the procedural and substantive correctness of related party transactions (the "Related Party Transaction Procedure" or merely the "Procedure").
Following the adoption by the Bank of Italy of the Provisions on risk activities and conflicts of interest of banks and banking groups with Connected Parties, on 21 June 2012 the Board of Directors of Banca Generali, in light of the contiguity of the matters, supplemented the above Procedure by including the provisions on Connected Parties within the same Procedure and passing resolution on a new version of the "Related Party and Connected Party Transaction Procedure".
The procedure in question was last revised in accordance with Article 150 of TUF and the provisions introduced by Bank of Italy Circular No. 263 on Transactions of Greater Importance, now included in Circular letter No. 285 dated 17 December 2013 "Supervisory Provisions for Banks" The *Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance* is intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.
In detail, Bank of Italy Circular No. 263 introduced new industry-wide regulations governing risk-taking and conflicts of interest in respect of Connected Parties (Title V, Chapter 5, of the said Circular). These provisions are aimed at containing the risk that the closeness of certain persons to the bank's decision-making centres could compromise the objectivity and impartiality of decisions pertaining to the approval of loans and other transactions involving the said persons, and potentially give rise to distortions in the resource-allocation process, expose the bank to risks that are not adequately measured or contained, and/or result in harm and losses to depositors and shareholders.
In pursuit of this objective, the aforesaid regulatory provisions include within the scope of the term "Related Parties", first and foremost, the company top management, main shareholders and other persons in a position to influence bank management, in light of their seniority or authority, or otherwise, the delegated powers vested in them, whether to be exercised individually or jointly with others. The regulatory provisions specify that conflicts of interest might emerge even in course of business and other dealings with subsidiaries or entities over which the bank exercises considerable influence, or in respect of which the bank is significantly exposed pursuant to loans, and/or as a result of participating interests held in the same.
Under the aforesaid provisions, any related party and any and all persons thereto connected fall within the scope of the definition of the term "connected parties", all of which are subject to quantitative restrictions and procedural rules imposed under the said regulatory framework. The quantitative restrictions consist in the imposition of prudential limits on the amount of risk a bank or banking group may assume in respect of the said parties, it being understood that the related ceilings are differentiated on the basis of the type of related party in question, with a view to ensuring proportionality with the closeness of the ties and the repercussions of associated risks in terms of sound and prudent business management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with related parties qualifying as non-financial entities. The regulatory framework is completed by supplementing prudential restrictions with procedural requirements entailing specific decision-making steps designed to ensure the proper allocation of resources and adequately protect third parties against undue harm and losses. Moreover, specific guidelines relating to organisational arrangements and internal controls enable the identification of corporate bodies' responsibilities and corporate functions tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time.

The Procedure applies to Related Party Transactions and Connected Party Transactions that:
a) are to be effected in exercise of the Company's powers of management and coordination over subsidiaries within the meaning of Article 2359 of the Civil Code; and
b) pursuant to the system of delegated powers currently in force, are subject to prior assessment and approval by the Company.

Authorisation must be obtained from the Company in any event for any and all Highly Significant Related Party Transactions or Connected Party Transactions to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Civil Code.

To ensure full and proper disclosure of any and all Related Party and Connected Party Transactions and Transactions of Greater Importance effected by the Company, the Procedure also require:
i) the Company's Board of Directors to include an account of all related party and connected party transactions concluded during the year, including through subsidiaries. in the Directors' Report on Operations pursuant to Article 2428 of the Civil Code.
ii) the decision-making body through the Chief Executive Officer to report to the Board of Directors, as well as the Board of Statutory Auditors in respect of the conclusion of any and all Moderately Significant Related Party and Connected Party Transactions and Transactions of Greater importance, at least on a quarterly basis;
iii) the Chairman of the Board of Directors to ensure that adequate information on all Moderately Significant Related Party Transactions pertaining to the Board of Directors and all Highly Significant Related Party Transactions without exception, is made available not only to all Directors in compliance with Article 2381 of the Civil Code, but also to the Board of Statutory Auditors;
iv) the Board of Statutory Auditors to monitor compliance with the provisions of the above-mentioned Procedure and submit a report in such regard to the Shareholders' Meeting pursuant to Article 2429, paragraph 2, of the Civil Code and Article 153 of TUF.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties of the parent company Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that in certain cases, the said transactions may be subject to prior approval by the parent company.
The Procedure for Related Party Transactions can be viewed on the corporate website (www.bancagenerali.com), section "*Corporate Governance – Corporate Governance System – Governance Policies*".
In order to duly implement the above-mentioned regulatory framework, on 18 December 2012, Banca Generali's Board of Directors approved specific "Internal Policies Governing Controls of Risk Assets and Conflicts of Interest in Relation to Connected Parties", which are constanty updated by the Board of Directors to keep them in line with company's organisational structure.

The said "Policies", *inter alia*:
i) require risk-appetite levels to be maintained in line with the strategic profile and organisational features of the bank or banking group, it being understood that the risk appetite is also defined in terms of the maximum risk exposure towards connected parties that may be considered acceptable in light of regulatory capital requirements, taking due account of the cumulative risk assumed in respect of the sum total of connected parties;
ii) without prejudice to Banca Generali's existing rules and regulations with regard to conflicts of interests, set forth specific provisions governing business dealings with connected parties, and the sectors of operations and types of economic relationships involved, which, whilst not necessarily entailing risk-taking, could give rise to conflicts of interest;
iii) regulate organisational processes designed to identify and individually list all connected parties, duly recording and quantifying any and all transactions effected with the same, at all stages of the relationship;
iv) require the implementation of checks and monitoring procedures designed to ensure that risks are properly assessed and managed throughout the course of dealings with connected parties, and that internal policies are appropriately designed and effectively enforced.

Obligations of Company Officers and Executives Pursuant to Legislative Decree No.136 of TUB

With regard to the obligations binding on company officers and executives of banks, it must be borne in mind that pursuant to Article 136 of the TUB, as most recently amended with Legislative Decree No. 179/2012, the said persons are barred from assuming obligations and/or effecting trading transactions of any nature or kind whatsoever, with the bank. This prohibition may only be overcome with the favourable resolution of the governing body, and with the unanimous vote of all the members of the control body, without prejudice to the obligations set forth by the Civil Code regarding the directors' interests, as well as related party and connected party transactions.

In order to ensure thorough oversight of situations that might give rise to a potential conflict of interest, Banca Generali took the appropriate measures, and in particular all company exponents are directly and personally informed, upon appointment, of the content of the legislation in question through a brochure entitled “Obligations of Bank Exponents – General Concepts”, which summarises applicable legislation and the pertinent interpretative guidance, as well as a “Declaration Form” that all company exponents are to compile and that satisfies both the Consob and Bank of Italy rules on Related Party and Connected Party Transactions and the prescriptions of Article 136 of TUB.
Moreover, bearing in mind that on 21 June 2012, as explained above, Banca Generali S.p.A.’s Board of Directors approved the “Procedure for Transactions with Related Parties and Connected Parties and Transactions of Greater Importance”, Banca Generali adopted the application software Easy Regulation that enables: (i) the identification and listing of Relevant Persons, whilst also allowing data pertaining to the same, to be managed and processed; (ii) the identification of those Bank’s transactions that fall within the scope of the various regulations; (iii) the registration and monitoring of the said transactions; (iv) the identification of transactions subject to specific procedural requirements, whilst supporting the computerised management and processing of transactions that exceed significance thresholds; (v) the production of personalised reports.
It must be pointed out that the process model selected by Banca Generali and supported by Easy Regulation is designed to ensure the streamlined, integrated and multi-regulatory management of Related Party and Connected Party Transactions and transactions with Company Officers and Executives pursuant to Article 136 of TUB.
Lastly, in compliance with the provisions set forth in the *Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance*, the Bank’s specific unit, made of one or more members of the Corporate Secretariat Service, has been entrusted with the following main tasks: *(i)* updating the list of the persons and parties involved, after having identified the latter; *(ii)* managing decision-making procedures, information flows regarding the transactions, and relations with the Internal Audit and Risk Committee and the Board of Directors; *(iii)* managing internal and external transparency obligations with supervisory bodies; *(iv)* drawing up the reports to be filed under the aforesaid Consob and Bank of Italy regulations; *(v)* coordinating activities with relevant corporate functions of the Parent Company and Subsidiaries.

13. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of three acting and two alternate Auditors, whose functions, duties and terms of office are defined by the law.
Pursuant to Article 20 of the Articles of Association, acting and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regulations may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office.
In addition to meeting all the eligibility requirements imposed under law for membership of the Board of Statutory Auditors, all the acting and alternate members of the Company’s Board of Statutory Auditors must be free of criminal convictions for any of the offences listed in Legislative Decree No. 231/01 or any criminal offence whatsoever entailing wilful misconduct. Similarly, no member of the Company’s Board of Statutory Auditors may stand indicted for any of the aforesaid offences and, if so indicted shall be deemed unfit to serve in office through to full and final acquittal. Dismissal from service on the Company’s Supervisory Board for cause, pursuant to resolution of the Board of Directors, shall entail forfeiture of the seat held on the Company’s Board of Statutory Auditors. Dismissal from service on the Company’s Board of Statutory Auditors or otherwise forfeiture of or disqualification from such office by reason of non-satisfaction of the requirements of professionalism, personal integrity and independence, shall entail forfeiture of the seat held on the Supervisory Board.
Auditors are appointed on the basis of lists of candidates, in accordance with the procedures set forth below.
Those shareholders who, alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company to submit lists of candidates for appointment of the Board of Directors, are entitled to submit a list. Currently, the percentage is 1.00%. Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders’ agreement within the meaning of Article 122 of Legislative Decree No. 58 of 24 February 1998 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may contribute to the submission of only one list. In the event of breach, account will not be taken of the relative backing given to any of the lists.
The lists are made up of two sections: one for the appointment of the acting Auditors and the other for the appointment of the alternate Auditors. The lists contain a number of candidates no higher than the number of members to be elected, listed by progressive number. Each of the two sections of the lists, save for those featuring less than three

candidates, must present candidates in a manner that ensures gender balance. Each candidate may appear on only one list, upon penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file the following documentation at the registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence of causes of incompatibility and of ineligibility, as well as possession of the requisites of integrity and professionalism which prevailing laws require for the office of Auditor of the Company. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office.
The lists, signed by the submitting shareholders, shall be filed at the Company's registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any and all forms required by applicable laws and regulations, no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call. In the case where, by the aforesaid deadline, submission has been made of only one list or only of lists submitted by shareholders associated amongst themselves, the relevant statutory and regulatory provisions shall apply.
Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of Legislative Decree No. 58 of 24 February 1998 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) shall be entitled to vote for only one list.
The first two candidates on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes shall be deemed elected acting Auditors; the first candidate on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes and submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes shall be deemed elected alternate Auditors. In the case where the number of acting Auditors belonging to the gender less represented falls short of the threshold established under applicable statutory provisions, the candidates appearing in the acting Auditor section of the list obtaining the highest number of votes will be replaced following the order in which the candidates were presented for election.
In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list.
Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof by majority of the votes cast, in accordance with law.
In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.
The first candidate on the list obtaining the highest number of votes, from amongst those lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes on the overall shall be elected Chairman of the Board of Statutory Auditors. In the event of submission of a single list, the first candidate specified therein will take the chairmanship.
In the case of the death, resignation or forfeiture of an acting Auditor, the first alternate Auditor belonging to the same list as the replaced Auditor will succeed him. Such alternate will succeed him for a period conterminous with the term of the other statutory Auditors in office at the time of his appointment as an Auditor. Should the outgoing Auditor be the Chairman of the Board of Auditors, his replacement on such Board shall also assume the Chairmanship of the Board of Auditors. In the case where it is not possible to proceed as indicated above and the procedure for the replacement of the members of the Board of Statutory Auditors fails to ensure gender balance on the same, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with immediate effect, and accordingly, a Shareholders' Meeting must be called to pass resolutions on the appointment of a new Board of Statutory Auditors pursuant to the voting list system set forth above.

The members of the Board of Statutory Auditors must be selected from amongst persons who have acquired, on the overall, at least three years' experience in:
a) professional activities or permanent university teaching in legal, economic, financial and technical/scientific subjects strictly pertinent to the Company's business activities;
b) senior management functions in public entities or public administration operating in sectors strictly pertinent to the Company's activity.

In such regard, Article 20 of the Articles of Association provides that: (i) fields and sectors closely related to the Company's business activities shall include all those mentioned in point (a) above pertaining to banking, and economic sectors closely related thereto; (ii) economic sectors closely related to banking shall include the credit, parabanking, financial and insurance sectors.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-*bis*, paragraph 2, subparagraph (d) of the consolidation law on finance TUF)

Banca Generali's current Board of Statutory Auditors was appointed by Shareholders' resolution dated 23 April 2015. The table included in Annex 3 hereto lists the members of the Board of Statutory Auditors as of 31 December 2015, and provides summary information about each together with attendance rates at Board of Statutory Auditors' meetings.
On 23 April 2015, the General Shareholders' Meeting elected the members of the Board of Statutory Auditors on the basis of two lists of candidates submitted respectively by the majority shareholder Assicurazioni Generali S.p.A., and various Undertakings for Collective Investment in Transferable Securities, under the aegis of Assogestioni.
The list submitted by the majority shareholder Assicurazioni Generali S.p.A. included the following candidates for the post of acting auditor: Mario Francesco Anaclerio, Flavia Daunia Minutillo and Gambi Alessandro, and the following candidates for the post of alternate auditor Anna Bruno and Luca Camerini.
At the end of voting, the candidates on the aforesaid list were elected with favourable vote of 62.918% of the share capital represented at the General Shareholders' Meeting, and accordingly, the following appointments were made: Mario Francesco Anaclerio and Flavia Daunia Minutillo as acting auditors, and Anna Bruno, as alternate auditor.
The list submitted by Assogestioni proposed Ettore Maria Tosi as the sole candidate for the post of acting auditor and Massimo Cremona as the sole candidate for the post of alternate auditor. At the end of voting, both the aforesaid candidates were elected with the favourable vote of 35.762% of the share capital represented at the General Shareholders' Meeting and accordingly, the following appointments were made: Ettore Maria Tosi as acting auditor and Chairman of the Board of Statutory Auditors pursuant to article 20, paragraph 10 of the Articles of Association (under which Chairmanship of the said Board of Statutory Auditors vests in the candidate drawn from the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not directly or indirectly linked to the shareholders who submitted or voted for the list that obtained the highest number of votes overall), and Massimo Cremona as alternate auditor.
On 30 June 2015, following the resignation of the Chairman of the Board of Statutory Auditors, Ettore Maria Tosi, the latter was replaced in his position as acting auditor and Chairman of the said Board by Massimo Cremona, pursuant to Article 20, paragraph 11, of the Articles of Association.
The current membership of the Board of Statutory Auditors is fully compliant with the gender equality regulations entrenched in law No. 120 of 12 July 2011.
On 4 March 2016, Alternate Auditor Anna Bruno resigned for personal reasons. At the next General Shareholders' Meeting, the Company's Shareholders will be called upon to appoint the two alternate auditors required to fill the vacancies on the Board of Statutory Auditors.

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

Massimo Cremona. Born in Busto Arsizio (Varese) on 3 April 1959, Massimo Cremona currently is Visiting Professor at the Economics and Commerce Faculty of Milan's Università Cattolica del Sacro Cuore. Previously, he was visiting professor at the Milan Università Statale, faculty of Law.
Widely published in Italy and abroad, he has been a Speaker at national and international seminars focusing on national and international taxation. A Founding and Managing Partner of the Law Firm Pirola Pennuto Zei & Associati, he currently runs his own private practice. His clientele includes large Italian and foreign groups primarily in the financial, banking and insurance industries. He serves on the Boards of Directors and Statutory Auditors of several major corporations including, without limitation, and companies belonging to the De Benedetti Group, the Bosch Group, the Metro Group and Technogym S.p.A.

Mario Francesco Anaclerio. Born in Genoa on 2 May 1973, he graduated in Economics and Commerce through the Catholic University of Milan before qualifying as a Certified Public Accountant and enrolling with the Register of the Certified Auditors. He is currently in private practice in Milan as a consulting accountant specialising in finance, corporate appraisals, fairness opinions, independent expert assessments and extraordinary transactions, corporate governance, internal auditing and organisational, management and control models within the meaning of Legislative Decree No. 231/2001. He also serves on the Boards of Statutory Auditors of several companies not belonging to the Generali Group, including Società Italiana per Azioni per il traforo del Monte Bianco S.p.A., Pasticceria Bindi S.p.A., FBH S.p.A., Società Gestione Servizi BP S.C.P.A. a Banco Popolare Group company, and Spencer Contract S.p.A., beside holding a seat on the Supervisory Boards of Esprinet S.p.A. and ADR Mobility S.r.l.

Flavia Daunia Minutillo. Born in Milan on 24 May 1971, she earned a degree in Economics and Commerce in 1995 before qualifying as a Certified Public Accountant and professional Dealer. She is a Founding Partner of the firm Simonelli Associati. Since 1998, she has served as acting auditor and Chairwoman of the Board of Statutory Auditors of banks, listed corporations, securitisation companies, trust companies, financial institutions, factoring companies, securities brokerages, asset management companies, holding companies as well as undertakings operating in the real estate, heavy industry, service and commercial sectors. In particular, she has served as Chairw of the Board of Statutory Auditors of General Real Estate SGR since 2015, acting auditor of E-MID SIM S.p.A. since 2008, I.M.S. Health s.p.a., and Emittenti Titoli S.p.A. since 2012, the listed corporation Molmed S.p.A. since 2013, Manufactures Dior S.r.l. and Fondo Strategico Italiano Investimenti S.p.A. since 2014, Acea Distribuzione S.p.A. and the listed corporation Mondadori S.p.A. since 2015.

The Board of Statutory Auditors met 25 times in 2015. The average attendance of Auditors at Board of Directors' meetings in 2015 was 100.00%. A total of 12 meetings are planned for 2016. To date, 4 meetings have been held.
Under the Bank of Italy's Provisions, the company body vested with control functions is required to periodically verify its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. These provisions also require the members of the company body vested with control functions to meet a level of professionalism in line with the size and operational complexity of the Bank, and to devote sufficient time and resources to discharging their duties, whilst also establishing that on the occasion of the appointment of company officers and periodically over time, the number of similar positions held must be verified and evaluated, with special attention to those requiring greater involvement in the current business of the Company. In light of the above, Article 20 of the Articles of Association, establishes, by way of reference to applicable regulations, both the maximum number of other appointments a member of Banca Generali's Board of Auditors may simultaneously hold and the requirements of professionalism to be met by the members of the said board.
In addition to meeting the requirements of personal integrity and independence and not labouring under any of the causes of unfitness or disqualification contemplated under special regulations and the Corporate Governance Code for Listed Banks, members of the Board of Auditors must also satisfy the requirements of professionalism set forth below, under penalty of forfeiting their appointments: at least one Acting Auditor and one Alternate Auditor (and in any event, the Chairman) must be registered with the Rolls of Certified Public Accountants, it being understood that acting and alternate members of the said Board who do not meet this requirement must have acquired specific experience: a) as professional practitioners or full university professors specialising in law, economics, finance or technical-scientific fields closely related to the Company's specific sector of business; b) in managerial positions in public administrations or undertakings operating in sectors closely related to the Company's business operations.
Moreover, pursuant to the Bank of Italy Provisions, no member of the control body may hold any position within any body other than control bodies within other companies belonging to the group or financial conglomerate, and/or within companies in which the Bank holds, directly or indirectly, a strategic stake (that is to say, at least 10% of the share capital or voting rights at the Ordinary Shareholders' Meeting of the investee company, and 5% of the Banking Group's consolidated assets).
Satisfaction of the relevant requirements is verified by the Board of Directors in accordance with applicable supervisory regulations, as well as the provisions of the Code.
Banca Generali's Board of Directors last verified satisfaction of the relevant statutory requirements for acting members of the Board of Directors on 4 May 2015.
All the members of Banca Generali's Board of Auditors must be enrolled with the Order of Certified Public Accountants and Auditors; all the members of the Board of Auditors must also be independent within the meaning of both Legislative Decree No. 58/1998 and the Self-regulatory Code.
The Board of Auditors assessed the independence of its members, and the most recent assessment was carried out at its meeting on 10 February 2016.
In carrying out the aforesaid assessments, the Board of Statutory Auditors applied all the criteria recommended in the Corporate Governance Code in respect of the independence of Directors.
Any Auditor who holds any interest, whether on his own behalf or on behalf of others, in any transaction effected by the Company, must give timely and exhaustive notice of the nature, origin and terms of the said interest, to the other Auditors and the Chairman of the Board of Directors. The same reporting obligations shall be binding on any Auditor falling within the scope of the cases contemplated in Article 136 of TUB, in which case the said rules shall apply.
The Board of Statutory Auditors has monitored the independence of the independent auditors, in terms of both compliance with the relevant requirements, and the nature and volume of non-auditing services rendered to the Company and its subsidiaries by the said independent auditors and entities belonging to the same network.

Given that, pursuant to statutory requirements, non-auditing services must be entrusted to independent auditors, Article 20 of the Articles of Association vests the Board of Statutory Auditors with the power/duty to liaise with the other persons and parties with oversight responsibilities; forms of ongoing coordination have been developed to serve this purpose, entailing, *inter alia*, the scheduling of specific meetings especially for periodic exchanges of information and views between the Board of Statutory Auditors and the independent auditors. In respect of these issues, the Board of Auditors may, if it deems fit, also avail of the advice and support of the Internal Audit and Risk Committee, as contemplated in the relevant Committee Rules.
Moreover, the Parent Company's control body must operate in close collaboration with its counterparts within subsidiaries. In performing its duties, the Board of Statutory Auditors coordinated its efforts with the Internal Audit and Risk Committee and control units (compliance, anti money laundering, internal audit and risk management). In this regard, it bears recalling the aforementioned information flows and coordination among all corporate bodies.
At the behest of the Chairman of the Board of Directors, following their appointment the Statutory Auditors were afforded access to initiatives aimed providing them with a deeper understanding of the industry in which the issuer operates, the corporate dynamics involved and foreseeable trends, as well as the regulatory framework of reference. Within this context, the Board's Chairman organised two induction meetings for members of the Board of Statutory Auditors in June 2015, focusing specifically on the role of the Risk Management function, Banca Generali's core lending business, an analysis and presentation of the Bank's own portfolio, an overview of the commercial network and banking product offerings, with presentations and analysis by members of the Bank's management staff, with a view to providing the Auditors with deeper insight into Company's core business and related dynamics.

In 2015, the Board of Statutory Auditors, acting on its own initiative, met with members of the Bank's management team as well as with the heads of internal control functions and the independent auditors, on numerous occasions for issue-specific discussions organised with a view to improving the Statutory Auditors' understanding of the Bank's operations from a practical standpoint.

15. INVESTOR RELATIONS

Banca Generali feels that it has a specific interest — as well as a duty towards the market — to engage in ongoing dialogue, based on a mutual understanding of roles and responsibilities, with its Shareholders, in general, as well as with institutional investors, such dialogue being placed within the framework of procedures for the public disclosure of corporate information and documents.
In particular, the Company avails of Shareholders' Meetings to provide Shareholders with information on the Company and its prospects, obviously, in compliance with the regulations governing inside information, and therefore, whenever necessary, by simultaneously disclosing the same information to the market.
The management of daily relations with Shareholders is entrusted to the Company Secretariat Service within Governance Area.
The Investor Relations Service is in charge of liaising with institutional investors.

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

16. GENERAL SHAREHOLDERS' MEETINGS (pursuant to Article 123-*bis*, paragraph 2, letter c) of TUF)

The procedures governing the conduct of Shareholders' Meetings are regulated by the Articles of Association and the Regulations of the Shareholders' Meeting.
The condition of shareholder implies acceptance of the Memorandum of Association and of the Articles of Association.
The Shareholders' Meeting is the body that expresses the Company's will through its resolutions. Resolutions adopted by Shareholders' Meeting in compliance with the law and the Articles of Association are binding on all shareholders, including those who are absent or dissenting.
The Shareholders' Meeting may be held at the registered office or at another venue, provided that it is in Italian territory. The Shareholders' Meeting is convened by the Board of Directors. Shareholders are called through published notice, under the terms and conditions required by applicable laws and regulations. The Shareholders' Meeting is called whenever the governing body deems necessary and advisable or upon request of the Board of Statutory Auditors or of the shareholders, in accordance with the law, or in the other cases in which call of the Shareholders' Meeting is obligatory pursuant to law. The ordinary Shareholders' Meeting must be called at least once a year within 120 days of closure of the financial year. This deadline may be extended to 180 days where certain legal conditions are met.
In the cases provided by law, those shareholders who, alone or in conjunction with others, represent at least the percentage of share capital envisaged by current applicable regulations, are entitled to request call of the Shareholders' Meeting. Those shareholders who, alone or in conjunction with others, represent at least one fortieth of the share capital are entitled to request, in compliance with laws in force, integration of the list of items on the agenda.
The notice of call may specify the date of a second or third call, in the event that the Meeting does not prove to be legally constituted.
Entitled attendees, in accordance with applicable laws, may participate in the Shareholders' Meeting, provided that they prove their entitlement pursuant to the law and that the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received by the Company by the end of the third trading day prior to the date set for the first call of the Meeting, in accordance with Article 83-*sexies*, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.
Shareholders may be represented by others in the Shareholders' Meeting in accordance with the provisions of the law.
In compliance with the provisions of Article 134 of TUF, the Company has appointed a representative for the exercise of voting rights.
Legal provisions are observed with regard to the validity of Shareholders' Meetings and their resolutions.
Ordinary and extraordinary Shareholders' Meetings are attributed all the powers to which they are respectively entitled pursuant to current regulations. The Ordinary Shareholders' Meeting shall also establish the remuneration due to the organs it appoints. The said Shareholders' Meeting may provide for a lump-sum amount covering the remuneration of all company directors, including those vested with specific tasks, such lump-sum amount being subject to distribution amongst individual directors pursuant to the determinations of the Board of Directors. The Shareholders' Meeting shall also approve the remuneration policies and compensation plans based on financial instruments, to be implemented in favour of company directors, employees, and outside collaborators other than company employees. In respect of related party and connected party transactions, pursuant to the procedure adopted by the Company in such regard, the Shareholders' Meeting is vested with the decision-making powers assigned to it under applicable regulations. In emergency situations arising from corporate crises, any and all related party and connected party transactions subject, under law, to shareholder approval, may only be effected pursuant to shareholder resolutions passed in accordance with the terms, conditions, procedures and deadlines imposed under applicable regulations and the aforesaid Procedure adopted by the Company.
Under Article 18 of the Articles of Association, the Board of Directors is the sole corporate body qualified to deliberate on matters pertaining to the setting up or closing down of secondary offices, indication of which Directors may represent the Company and use the company signature, mergers, in the cases permitted by law, amendments to the provisions of the Articles of Association that no longer comply with new and mandatory regulatory provisions.
Seven Directors attended the most recent Shareholders' Meeting on 23 April 2015. On that occasion, the Board reported in respect of completed and scheduled activities and ensured that all Shareholders were provided adequate information on all pertinent matters so as to enable them to make informed decisions. The Nomination and Remuneration Committee informed all Shareholders on the activities it performed in respect of remuneration policies.

Regulations of the Shareholders' Meeting

Pursuant to article 23 of the Board Rules, the Company encourages Shareholders to attend all Shareholders' Meetings. The Board shall report to the Shareholders' Meeting in respect of completed and scheduled activities and shall ensure that all Shareholders are provided adequate information on all pertinent matters so as to enable them to make informed decisions about the items placed on the agenda of Shareholders' Meetings.

In compliance with the recommendations of the Code, the Shareholders' Meeting approved its own Regulations (most recently amended by resolution of the General Shareholders' Meeting on 20 April 2011), setting forth the procedures to be followed in order to ensure orderly proceedings. The Regulations of the General Shareholders' Meeting are available for consultation at the Company's registered offices, as well as on its website, under the section "*Corporate Governance - AGM - Attending the AGM*".
The said Regulations are aimed at governing the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and orderly functioning of the same and, in particular, the right of each shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.
In particular, persons entitled to attend have the right to speak on each one of the items on the agenda or placed up for discussion and make proposals on them.
Pursuant to Article 127-*ter* of TUF, shareholders are entitled to submit questions regarding the items placed on the Agenda even before the Shareholders' Meeting. Questions submitted prior to the Shareholders' Meeting shall be answered at the very latest during the course of the Shareholders' Meeting itself, even by treating several questions regarding the same subject-matter as a single query.
Entitled Attendees who intend to take the floor shall submit a written request to the Chairman, after the items on the agenda have been read out and before the Chairman has declared closed the discussion on the item subject to the request to speak.
If the Chairman so authorises, requests to take the floor may be made by raising the hand.
In the case where written requests to take the floor are required, the Chairman shall grant the floor in accordance with the order in which requests to speak were received. In the case where requests to take the floor are made by the raising of hands, the Chairman shall grant the floor to the person who first raises his hand; in the case where it is not possible to determine precisely which person was the first to raise his or her hand, the Chairman shall grant the floor in accordance with the order established by the Chairman himself, at his sole discretion.
The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to entitled attendees according to their areas of expertise or when deemed useful by the Chairman, after the speech of each one or after all speeches have been given on each item of the agenda, taking due account of any and all questions raised by shareholders prior to the Shareholders' Meeting and left unaddressed by the Company until the latter. Entitled attendees have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda, as well as the number of persons requesting the floor and any and all questions raised by shareholders prior to the meeting and left unaddressed by the Company, shall announce the period of time available for each Entitled Attendee to take floor, such time, as a general rule, being established at no less than five and no more than ten minutes for each speaker. When such period of time has expired, the Chairman may invite the entitled attendee to conclude within another five minutes.

17. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-*bis*, paragraph 2, letter a) of TUF)

Further information of corporate governance practices is provided in the relevant individual paragraphs of this Report.

18. CHANGES SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE

No changes were brought to the corporate governance structure since the end of the financial year and until the date of this Report.

Milan, 10 March 2016

The Board of Directors

Annex 1 - Information on Company ownership

Table 1 - structure of the share capital

	NO. OF SHARES	% OF SHARE CAPITA	LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	116.127.860	100	Listed on the electronic share market (MTA) of Borsa Italiana S.p.A.	All the rights contemplated under the Civil Code and Articles of Association
Shares with multiple voting rights	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

Other financial instruments (giving right to underwrite newly issued shares)

	LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED	NO. OF OUTSTANDING INSTRUMENTS	CATEGORY OF SHARES IN SERVICE OF THE CONVERSION/EXERCISE	NO. OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

Table 2 - Significant shareholdings

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY STOCK	% OF VOTING STOCK
Assicurazioni Generali S.p.A.	Generali Italia S.p.A.	33.217	33.217
	Generali Vie S.A.	9.567	9.567
	Genertellife S.p.A.	4.847	4.847
	Alleanza Assicurazioni S.p.A.	2.416	2.416
	Genertel S.p.A.	0.437	0.437

Annex 2 - Board of Directors' and Committees' structure

BOARD OF DIRECTORS (AT 10 MARCH 2016)						
OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF THE FIRST APPOINTMENT	IN OFFICE FROM	IN OFFICE UNTIL	LIST (M/m)
Chairman	Paolo Vagnone	1963	25.07.2012	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017	M
Chief Executive Officer	Piermario Motta	1957	24.04.2012	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017	M
Director	Giovanni Brugnoli	1970	24.04.2012	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017	M
Director	Philippe Donnet	1960	15.10.2013	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017	M
Director	Giancarlo Fancel	1961	23.04.2015	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017	M
Director	Anna Gervasoni	1961	24.04.2012	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017	M
Director	Massimo Lapucci	1969	23.04.2015	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017	M
Director	Annalisa Pescatori	1964	23.04.2015	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017	M
Director	Vittorio Emanuele Terzi	1954	23.04.2015	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017	m

(*) The Chairman, as required by the Bank of Italy's provisions, does not have any operating power within the company.
(**) The percentage of attendance to the meetings has been calculated for the period from 23 April 2015 to 31 December 2015.
1 Nel calcolo del numero totale di società in cui gli Amministratori ricoprono la carica di Amministratore o Sindaco non si tiene conto delle società che fanno parte del Gruppo cui appartiene la Società, salvo si tratti di società quotate in mercati regolamentati (anche esteri), di società finanziarie, bancarie, assicurative o di rilevanti dimensioni. Le cariche ricoperte in società che appartengono ad un medesimo gruppo societario, diverso da quello a cui appartiene la Società, vengono convenzionalmente considerate come un'unica carica, salvo si tratti di società quotate in mercati regolamentati (anche esteri) o di società di rilevanti dimensioni

Directors who left during the reference year

BOARD OF DIRECTORS						
OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF THE FIRST APPOINTMENT	IN OFFICE FROM	IN OFFICE UNTIL	LIST (M/m)

(*) The number of meetings reported in the table refers to the meetings held by the Nomination Committee in the period from 23 April 2015 to 31 December 2015.

Necessary quorum for minorities to present lists for the election of one or more members (re. Article 147-*ter* of TUF): 1%

Number of Meetings held during reference year:

Board of Directors: 13 Internal Audit and Risk Committee: 10 Remuneration Committee: 11 Nomination Committee: 4 (*)

BOARD OF DIRECTORS (AT 10 MARCH 2016)						INTERNAL AUDIT AND RISK COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
EXEC.	NON- EXEC.	INDEP. AS PER CODE	INDEP. RE. ARTICLE 37 REG. CONSOB 16191/07	(%) (**)	NUMBER OF OTHER OFFICES [1]	MEMBER	(%) (**)	MEMBER	(%) (**)	MEMBER	(%) (**)
	X (*)			100	2						
X				100	1						
	X	X	X	100	5			X (Chairman)	100	X	100
X				75	4						
X				87,5	8						
	X	X	X	100	3	X (Chair-woman)	100	X	100		
	X	X	X	100	2	X	83.33			X (Chairman)	100
	X	X	X	100	0	X	83.33	X	100		
	X	X	X	87,5	2	X	83.33			X	100

BOARD OF DIRECTORS						INTERNAL AUDIT AND RISK COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
EXEC.	NON- EXEC.	INDEP. AS PER CODE	INDEP. AS PER TUF	(%)	NUMBER OF OTHER OFFICES	MEMBER	(%)	MEMBER	(%)	MEMBER	(%)

Annex 3 - Statutory Auditors' structure

BOARD OF STATUTORY AUDITORS (AT 10 MARCH 2016)					
OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF THE FIRST APPOINTMENT	IN OFFICE FROM	IN OFFICE UNTIL
Chairman	Massimo Cremona	1959	23.04.2015	30.06.2015 (*)	Shareholders' Meeting to approve the fin. statements 31.12.2017
Acting Auditor	Mario Francesco Anaclerio	1973	23.04.2015	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017
Acting Auditor	Flavia Daunia Minutillo	1971	23.04.2015	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017

(*) Massimo Cremona, appointed alternate Auditor by the General Shareholders' Meeting held on 23 April 2015 replaced Ettore Maria Tosi who resigned on 30 June 2015 as Chairman of the Board of Statutory Auditors.
(**) The percentage of attendance to the meetings has been calculated for the period from 23 April 2015 to 31 December 2015.

Leaving auditors during reference year

CHAIRMAN	MEMBER	YEAR OF BIRTH	DATE OF THE FIRST APPOINTMENT	IN OFFICE FROM	IN OFFICE UNTIL
Chairman	Ettore Maria Tosi	1946	23.04.2015	23.04.2015	30.06.2015
Alternate Auditor	Anna Bruno	1967	23.11.2009	23.04.2015	04.03.2016

(*) The percentage of attendance to the meetings has been calculated for the period from 23 April 2015 to 30 June 2015.

Necessary quorum for minorities to present lists for the election of one or more members (re. Article 148 of TUF): 1%

Number of Meetings held during reference year: 25

BOARD OF STATUTORY AUDITORS (AT 10 MARCH 2016)			
LIST (M/m)	INDEP. AS PER CODE	PARTICIPATION IN THE MEETINGS OF THE BOARD OF STATUTORY AUDITORS (%) (**)	NUMBER OF OTHER OFFICES
m	X	100	28
M	X	93,33	20
M	X	80	11

LIST (M/m)	INDEP. AS PER CODE	PARTICIPATION IN THE MEETINGS OF THE BOARD OF STATUTORY AUDITORS (%) (**)	NUMBER OF OTHER OFFICES
m	X	100*	
M	X	/	5


PERSONAL ADVISORY
PERIMETRO RAPPORTI
DIAGNOSI
PIANIFICAZIONE
REPORT
COMPOSIZIONE
Scomposizione per scadenza
Analisi dei flussi
Entro 1 anno

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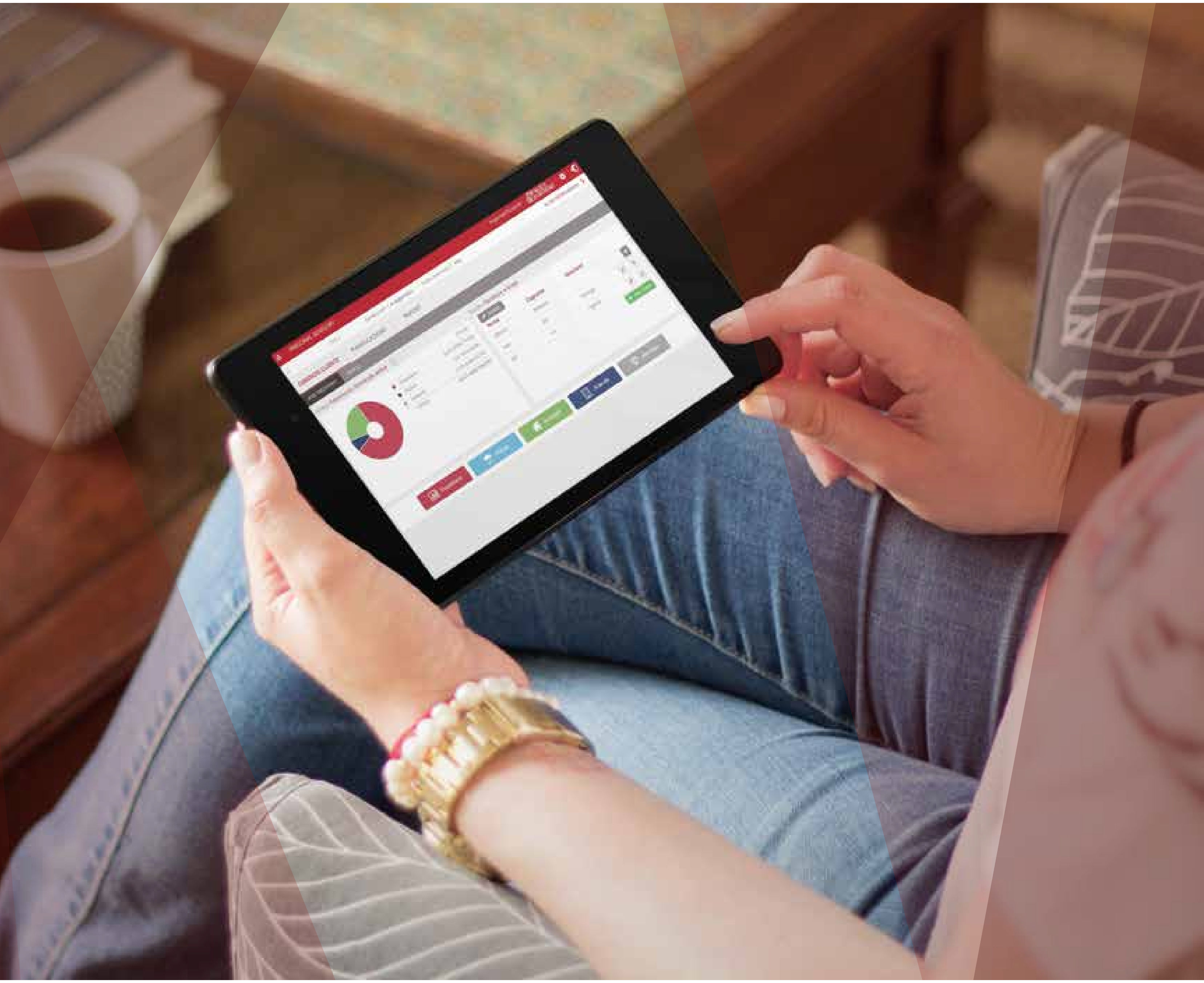

2.

Consolidated Financial Statements

as of 31.12.2015

Board of Directors
10 March 2016

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

Assets

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
10. Cash and deposits	13,889	80,450	-66,561	-82.7%
20. HFT financial assets	28,004	32,840	-4,836	-14.7%
40. AFS financial assets	2,939,211	2,235,408	703,803	31.5%
50. HTM financial assets	423,586	1,403,123	-979,537	-69.8%
60. Loans to banks	419,508	285,620	133,888	46.9%
70. Loans to customers	1,922,020	1,794,959	127,061	7.1%
100. Equity investments	2,152	-	2,152	n.a.
120. Property and equipment	4,891	3,829	1,062	27.7%
130. Intangible assets:	88,223	89,965	-1,742	-1.9%
of which:				
- *goodwill*	*66,065*	*66,065*	-	*0.00%*
140. Tax receivables:	61,992	40,801	21,191	51.9%
a) current	21,547	2,180	19,367	n.a.
b) prepaid	40,445	38,621	1,824	4.7%
b1) as per Law No. 214/2011	*11,496*	*13,012*	*-1,516*	*-11.6%*
160. Other assets	212,541	173,242	39,299	22.7%
Total Assets	**6,116,017**	**6,140,237**	**-24,220**	**-0.4%**

Net Equity and Liabilities

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
10. Due to banks	333,954	1,038,889	-704,935	-67.8%
20. Due to customers	4,839,613	4,285,398	554,215	12.9%
40. HFT financial liabilities	463	2,655	-2,192	-82.6%
80. Tax payables:	22,575	27,612	-5,037	-18.2%
a) current	9,715	17,232	-7,517	-43.6%
b) deferred	12,860	10,380	2,480	23.9%
100. Other liabilities	163,188	149,770	13,418	9.0%
110. Employee termination indemnities	4,889	5,250	-361	-6.9%
120. Provisions for liabilities and contingencies:	114,537	94,355	20,182	21.4%
b) other provisions	114,537	94,355	20,182	21.4%
140. Valuation reserves	22,424	17,983	4,441	24.7%
170. Reserves	247,214	196,209	51,005	26.0%
180. Additional paid-in capital	50,063	45,575	4,488	9.8%
190. Share capital	116,093	115,677	416	0.4%
200. Treasury shares (-)	-2,555	-41	-2,514	n.a.
220. Net profit for the year	203,559	160,905	42,654	26.5%
Total Net Equity and Liabilities	**6,116,017**	**6,140,237**	**-24,220**	**-0.4 %**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Items

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
10. Interest income and similar revenues	69,743	117,712	-47,969	-40.8%
20. Interest expense and similar charges	-3,513	-10,707	7,194	-67.2%
30. Net interest income	**66,230**	**107,005**	**-40,775**	**-38.1%**
40. Fee income	651,960	484,619	167,341	34.5%
50. Fee expense	-281,198	-227,351	-53,847	23.7%
60. Net fees	**370,762**	**257,268**	**113,494**	**44.1%**
70. Dividends and similar income	3,120	2,570	550	21.4%
80. Net income (loss) from trading activities	4,489	4,584	-95	-2.1%
100. Gain (loss) from sale or repurchase of:	21,301	47,786	-26,485	-55.4%
a) receivables	1,700	3,120	-1,420	-45.5%
b) AFS financial assets	19,601	44,666	-25,065	-56.1%
120. Net banking income	**465,902**	**419,213**	**46,689**	**11.1%**
130. Net adjustments/reversals due to impairment of:	-6,471	-10,995	4,524	-41.1%
a) receivables	-1,121	-7,530	6,409	-85.1%
b) AFS financial assets	-2,845	-3,035	190	-6.3%
c) HTM financial assets	-2,575	-286	-2,289	800.3%
d) other financial transactions	70	-144	214	-148.6%
140. Net result of financial operations	**459,431**	**408,218**	**51,213**	**12.5%**
180. General and administrative expense:	-214,969	-202,640	-12,329	6.1%
a) staff expenses	-80,949	-74,182	-6,767	9.1%
b) other general and administrative expense	-134,020	-128,458	-5,562	4.3%
190. Net provisions for liabilities and contingencies	-45,585	-40,268	-5,317	13.2%
200. Net adjustments/reversals of property and equipment	-1,252	-1,423	171	-12.0%
210. Net adjustments/reversals of intangible assets	-4,058	-2,997	-1,061	35.4%
220. Other operating expenses/income	44,720	41,266	3,454	8.4%
230. Operating expenses	**-221,144**	**-206,062**	**-15,082**	**7.3%**
240. Gain (loss) from equity investments	-40	-	-40	n.a.
270. Gain (loss) from disposal of investments	-6	-18	12	-66.7%
280. Profit before income taxes	238,241	202,138	36,103	17.9%
290. Income taxes for the year on operating activities	-34,682	-44,284	9,602	-21.7%
300. Net profit after income taxes	203,559	157,854	45,705	29.0%
310. Income (loss) of disposal groups, net of taxes	-	3,051	-3,051	-100.0%
320. Net profit for the year	203,559	160,905	42,654	26.5%
340. Net profit (loss) for the year of the Parent Company	**203,559**	**160,905**	**42,654**	**26.5%**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Items

(€ THOUSAND)	2015	2014	CHANGE AMOUNT	CHANGE %
10. Net profit for the year	**203,559**	**160,905**	**42,654**	**26.5%**
Other income net of income taxes without reversal to Profit or Loss				
40. Actuarial gains (losses) from defined benefit plans	70	-448	518	-115.6%
Other income net of income taxes with reversal to Profit or Loss				
80. Exchange differences	-8	-	-8	0.0%
100. AFS financial assets	4,379	12,971	-8,592	-66.2%
130. Total other income, net of income taxes	**4,441**	**12,523**	**-8,082**	**-64.5%**
140. Comprehensive income	**208,000**	**173,428**	**34,572**	**19.9%**
160. Consolidated comprehensive income attributable to the Parent Company	**208,000**	**173,428**	**34,572**	**19.9%**

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

Items

(€ THOUSAND)	SHARE CAPITAL A) ORDINARY SHARES	SHARE CAPITAL B) OTHER	SHARE PREMIUM RESERVE	RESERVES A) RETAINED EARNINGS	RESERVES B) OTHER	VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	GROUP NET EQUITY	NET EQUITY OF MINORITY INTERESTS
Net equity at 31.12.2014	**115,677**	**-**	**45,575**	**188,808**	**7,401**	**17,983**	**-**	**-**	**-41**	**160,905**	**536,308**	**536,308**	**-**
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2015	115,677	-	45,575	188,808	7,401	17,983	-	-	-41	160,905	536,308	536,308	-
Allocation of net income of the previous year:	-	-		47,474	-	-	-	-	-	-160,905	-113,431	-113,431	-
- Reserves	-	-	-	47,474	-	-	-	-	-	-47,474	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-113,431	-113,431	-113,431	-
Change in reserves	-	-	-	-1	2,312	-	-	-	-	-	2,311	2,311	-
Transactions on net equity:	416	-	4,488	-	1,220	-	-	-	-2,514	-	3,610	3,610	-
- Issue of new shares	416	-	4,488	-	-520	-	-	-	5	-	4,389	4,389	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-2,519	-	-2,519	-2,519	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-		-	-	-
- Stock options	-	-	-	-	1,740	-	-	-			1,740	1,740	
Comprehensive income	-	-	-	-	-	4,441	-	-	-	203,559	208,000	208,000	-
Net equity at 31.12.2015	**116,093**	**-**	**50,063**	**236,281**	**10,933**	**22,424**	**-**	**-**	**-2,555**	**203,559**	**636,798**	**636,798**	**-**
Net equity, Group	**116,093**	**-**	**50,063**	**236,281**	**10,933**	**22,424**	**-**	**-**	**-2,555**	**203,559**	**636,798**	**-**	**-**
Net equity, Minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(€ THOUSAND)	SHARE CAPITAL A) ORDINARY SHARES	SHARE CAPITAL B) OTHER	SHARE PREMIUM RESERVE	RESERVES A) RETAINED EARNINGS	RESERVES B) OTHER	VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	GROUP NET EQUITY	NET EQUITY OF MINORITY INTERESTS
Net equity at 31.12.2013	**116,817**	**-**	**37,302**	**159,005**	**7,048**	**5,460**	**-**	**-2,400**	**-41**	**145,941**	**469,132**	**463,093**	**6,039**
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2014	116,817	-	37,302	159,005	7,048	5,460	-	-2,400	-41	145,941	469,132	463,093	6,039
Allocation of net income of the previous year:	-	-	-	31,633	-	-	-	-	-	-141,256	-109,623	-109,623	-
- Reserves	-	-	-	31,633	-	-	-	-	-	-31,633	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-109,623	-109,623	-109,623	-
Change in reserves	-	-	-	2	1,578	-	-	-	-	-	1,580	1,580	-
Transactions on net equity:	-1,140	-	8,273	-1,832	-1,225	-	-	2,400	-	-4,685	1,791	7,830	-6,039
- Issue of new shares	782	-	8,273	-	-1,449	-	-	-	-	-	7,606	7,606	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-1,922	-	-	-1,832	-	-	-	2,400	-	-4,685	-6,039	-	-6,039
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	224	-	-	-	-	-	224	224	-
Comprehensive income	-	-	-	-	-	12,523	-	-	-	160,905	173,428	173,428	-
Net equity at 31.12.2014	**115,677**	**-**	**45,575**	**188,808**	**7,401**	**17,983**	**-**	**-**	**-41**	**160,905**	**536,308**	**536,308**	**-**
Net equity, Group	**115,677**	**-**	**45,575**	**188,808**	**7,401**	**17,983**	**-**	**-**	**-41**	**160,905**	**536,308**	**-**	**-**
Net equity, Minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

CONSOLIDATED CASH FLOW STATEMENT

Indirect method

(€ THOUSAND)	2015	2014
A. OPERATING ACTIVITIES		
1. Operations	**173,820**	**207,183**
Net profit (loss) for the year	203,559	160,905
Gain/loss on HFT financial assets and liabilities	117	336
Gain/loss on hedging assets	-	-
Net adjustments due to impairment	6,471	10,995
Net adjustments of property, equipment and intangible assets	5,310	4,420
Net provisions for liabilities and contingencies and other costs/revenues	20,182	22,204
Taxes and duties not paid	-28,179	-7,569
Adjustments of discontinued operations	-	-
Other adjustments	-33,640	15,891
2. Liquidity generated by/used for financial assets (+/-)	**-946,340**	**-486,723**
HFT financial assets	5,159	198,177
Financial assets measured at fair value	-	-
AFS financial assets	-712,180	-591,670
Loans to banks: repayable on demand	-122,933	12,374
Loans to banks: other receivables	-12,721	17,236
Loans to customers	-98,444	-199,166
Other assets	-5,221	76,326
3. Liquidity generated by/used for financial liabilities (+/-)	**-142,491**	**-717,324**
Due to banks: repayable on demand	-4,016	-80,397
Due to banks: other payables	-689,260	-1,112,852
Due to customers	549,611	556,789
Securities issued	-	-
HFT financial liabilities	-2,655	-627
Financial liabilities measured at fair value	-	-
Other liabilities	3,829	-80,237
Net liquidity generated by/used for operating activities	**-915,011**	**-996,864**

(€ THOUSAND)	2015	2014
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**1,004,215**	**1,354,302**
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of HTM financial assets	1,004,201	1,354,302
Disposal of property and equipment	14	-
Disposal of intangible assets	-	-
Disposal of business units	-	-
2. Liquidity used for	**-44,204**	**-184,584**
Purchase of equity investments	-2,200	-
Purchase of HTM financial assets	-37,354	-136,392
Purchase of property and equipment	-2,334	-1,240
Purchase of intangible assets	-2,316	-2,239
Purchase of business units and equity investments in subsidiaries	-	-44,713
Net liquidity generated by/used for investing activities	**960,011**	**1,169,718**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	1,870	7,606
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-113,431	-109,623
Net liquidity generated by/used for funding activities	**-111,561**	**-102,017**
NET LIQUIDITY GENERATED BY/USED IN THE YEAR	**-66,561**	**70,837**
Reconciliation		
Cash and cash equivalents at year-start	80,450	9,613
Liquidity generated /used in the year	-66,561	70,837
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	**13,889**	**80,450**

Notes and Comments

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.

In preparing the annual financial statements, Banca Generali adopted the IASs/IFRSs in force at 31 December 2015 (including SICs and IFRICs), as endorsed by the European Commission.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2015, several amendments to the IASs/IFRSs and IFRICs were adopted and new IFRICs were issued.

International Accounting Standards endorsed in 2014 and effective as of 2015

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRIC 21 - *Levies*	634/2014	14.06.2014	01.01.2015
Annual Improvements to IFRSs 2011–2013 Cycle: IFRS 3-13, IAS 40	1361/2014	19.12.2014	01.01.2015
Annual Improvements to IFRSs 2010–2012 Cycle: IFRS 2-3-8; IAS 16-24-38	28/2015	09.01.2015	01.01.2015
Amendments to IAS 19 - *Defined Benefit Plans: Employee Contributions*	28/2015	09.01.2015	01.01.2015

International Accounting Standards endorsed in 2015 but not yet effective

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IAS 27 - *Equity Method in Separate Financial Statements*	2441/2015	23.12.2015	01.01.2016
Amendments to IAS 1 - *Disclosure Initiative*	2404/2015	19.12.2015	01.01.2016
Annual Improvements to IFRSs 2012–2014 Cycle (IFRS 1, IFRS 5, IFRS 7, IAS 19, IAS 34)	2343/2015	16.12.2015	01.01.2016
Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*	2231/2015	03.12.2015	01.01.2016
Amendments to IFRS 11 - *Accounting for Acquisitions of Interests in Joint Operations*	2173/2015	25.11.2015	01.01.2016
Amendments to IAS 16 and IAS 41 - *Bearer Plants*	2113/2015	23.11.2015	01.01.2016

The date of entry into force of some of the already endorsed standards has been postponed until subsequent years. The early application option has not been exercised for those standards.
The new standards and interpretations that entered into force did not have a significant impact on the Group's balance sheet and profit and loss account.

The consolidated annual report at 31 December 2015 was prepared based on the "Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups," which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions were issued in Circular Letter No. 262/05 "Banks' Financial Statements: Layouts and Preparation" by Provision dated 22 December 2005. The Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Notes and Comments.

The fourth update to Circular Letter No. 262, which is discussed in further detail below, was issued on 16 December 2015 and applied immediately, including with regard to the financial statements for the year ended 31 December 2015.

Circular Letter No. 262 of 22 December 2005 "Banks' Financial Statements: Layouts and Preparation" - 4th update of 22 December 2015

On 16 December 2015, the Bank of Italy issued its fourth update to Circular Letter No. 262 of 22 December 2005 "Banks' Financial Statements: Layouts and Preparation" and amendments to the "Instructions for Preparing the Financial Statements and Reports of Financial Intermediaries, as Defined in Article 107 of the Consolidated Law on Banking, of Payment Institutions, Electronic Payment Providers, Asset Management Companies and Brokerage Companies".
The above update brings the disclosures in the notes concerning credit quality into line with the new definitions of non-performing financial assets (e.g., unlikely to pay and forborne exposures) already introduced in the January 2015 supervisory reporting, which are in line with the notions of non-performing exposure and forborne exposure established by the European Commission in Regulation No. 015/227 upon proposal of the European Banking Authority.
In Part E, Information on Risks and Risk Hedging Policies, the tables concerning pledged assets formerly included in Section 3 "Liquidity risk" have been eliminated, and several additional limited changes simplifying disclosure in Parts B and E have also been made.

Section 2 - Preparation criteria

The Consolidated Annual Financial Statements consist of the following documents:
- Balance Sheet;
- Profit and Loss Account;
- Statement of Other Comprehensive Income;
- Statement of Changes in Net Equity;
- Cash Flow Statement;
- Notes and Comments.

The accounts are accompanied by a Directors' report on the Group's operations, financial situation, profit and loss and balance sheet results.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Consolidated Annual Financial Statements have been prepared in euros. All amounts in the Accounting Statements are expressed in thousands of euro. Unless otherwise specified, the figures in the Notes and Comments and the Directors' Report on Operations are expressed in thousands of euro.

The Financial Statements and Notes and Comments include figures for the period under review, as well as comparative data at 31 December 2014.

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.
International accounting standards have been applied in compliance with 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 (IASs/IFRSs).

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

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 Banking Group will continue to operate in its current form for the foreseeable future (for at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

Contents of the Financial Statements

The Financial Statements and the Notes and Comments have been prepared in accordance with Bank of Italy's Circular Letter No. 262/2005.

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

The Statement of Comprehensive Income begins with the net profit (loss) for the year and then presents components of profit and loss recognised through valuation reserves, net of the related tax effect, in accordance with international accounting standards.
Consolidated comprehensive income is presented by providing a separate account of components of profit and loss that will not be reversed to the profit and loss account in the future, and components that may subsequently be reclassified to net profit (loss) for the year under certain conditions.
As for the Balance Sheet and Profit and Loss Account, items with nil amounts in both the reporting year and previous year are not presented.

The Statement of Changes in Net Equity is presented by inverting the rows and columns with respect to the presentation suggested by the Bank of Italy's Circular No. 262/2005.
The statement presents the composition of and changes in net equity accounts during the reporting year and the previous year, broken down into share capital, capital reserves, earnings reserves, asset and liability valuation reserves, and net profit. Treasury shares are recorded as a reduction to net equity.

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 generated in the year are recognised without plus or minus signs, whereas cash flows used in the year are preceded by a minus sign.

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

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.
Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected fees; these items have been disclosed separately and classified under operating activities.
Moreover, these cash flows 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.

Annual Financial Report

The Consolidated Financial Statements are published in accordance with Article 154-ter of Legislative Decree No. 58/1998. The statute requires that, within 120 days of the end of the year, listed issuers whose home country is Italy make an **Annual Financial Report** including the following items available to the public at their registered offices, on their websites and in the other ways specified by Consob in a regulation:
- the Consolidated Financial Statements,
- the Annual Financial Statements,
- the Report on Operations, and
- the Attestation as per Article 154-bis, paragraph 5.

The Independent Auditors' Report and the Board of Statutory Auditors' Report pursuant to Article 153 of the Consolidated Finance Act (TUF) are published in their entirety with the Annual Report.
In addition, no fewer than 21 days must lapse between the date of publication of the Annual Report and the date of the General Shareholders' Meeting.

According to the provisions of Article 41, paragraph 5, of Legislative Decree No. 136/2015 of 18 August 2015, implementing Directive No. 2013/34/EU, the Consolidated Report on Operations and the Separate Report on Operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.
Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.
In compliance with Article 123-*bis* of TUF, the Report on Operations includes a specific section entitled "Report on Corporate Governance and Ownership Structure".

Section 3 - Scope of consolidation and consolidation methods

Scope of consolidation

1. Equity investments in wholly owned subsidiaries

The companies consolidated by the Group in accordance with IFRS 10 include the Parent Company, Banca Generali S.p.A., and the following subsidiaries:

				SHAREHOLDING RELATIONSHIP		
COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF CONTROL	INVESTOR	% OF OWNERSHIP INTEREST	% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
Banca Generali S.p.A.	Trieste	Trieste, Milan	1	Parent Company		
BG Fiduciaria Sim S.p.A.	Trieste	Milan	1	Banca Generali	100.00%	100.00%
BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	1	Banca Generali	100.00%	100.00%
Generfid S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%

Legend: type of control:
(1) Control pursuant to Article 2359, paragraph 1(1), of the Italian Civil Code (majority of voting rights at General Shareholders' Meeting).

2. Significant judgements and assumptions used in determining the scope of consolidation

2.1 Subsidiaries

Entities, including structured entities, over which the Group has a direct or indirect control, are subsidiaries.
Control over an entity exists when the Group has the power to influence the variable returns to which the Group is exposed from its involvement with the investee.

To determine that control exists, the Group considers the following issues:
> the investee's purpose and design, to identify the entity's purpose, the activities that determine its returns and how decisions about such activities are made;
> power, to understand whether the Group has contractual rights that give the Group the ability to direct the relevant activities; for this purpose, only substantive rights entailing practical ability to direct the investee are considered;
> exposure in the investee, to establish whether the Group has relations with the investee whose returns can vary based on changes in the investee's performance;
> existence of possible *principal/agent* relationships.

Where relevant activities are directed through voting rights, the following factors are evidence of control:
> ownership, direct or indirect through subsidiaries, of more than half of the voting rights of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control;
> ownership of half or less of the votes that can be exercised in the General Shareholders' Meeting and has the effective power to unilaterally govern significant activities through:
  – control of more than half of the voting rights by virtue of an agreement with other investors;
  – the power to determine the financial and operating policies of the entity under a statute or an agreement;

- the power to appoint or remove the majority of the members of the board of directors or equivalent governing body, and the entity is managed by that board or body;
- the power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and the entity is controlled by that board or body.

The existence and effect of potential voting rights, if substantive, are taken into consideration when assessing whether a party has the power to direct the financial and management policies of another entity.

Subsidiaries may also include “structured entities” in which voting rights are not significant in assessing the existence of control, including special purpose entities and investment funds.

Structured entities are considered as subsidiaries when:
> the Group has power arising from contractual rights to direct relevant activities;
> the Group is exposed to variable returns arising from such activities.

2.2 Associate companies

An associate company is one over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

Significant influence is assumed when the investor:
> holds, directly or indirectly, 20% or more of the share capital in the investee, or
> has significant influence over the investee, also by way of shareholders’ agreements, through:
  a) representation on the governing body of the investee;
  b) participation in policy making processes, including with regard to decisions on dividends and other distributions;
  c) material transactions;
  d) interchange of management personnel;
  e) provision of essential technical information.

Investments in associates are valued using the equity method.

In 2015, the Banking Group acquired an investment in an associate through the parent company Banca Generali S.p.A.

The target was IOCA Entertainment Ltd., a company under the UK law, in which Banca Generali subscribed a 35% interest, in the form of 3,500 shares with a par value of 1.00 pound sterling, for a total of 1,616,125 pound sterling, equivalent to approximately 2.2 million euros at the acquisition date, 19 October 2015.
In accordance with the Shareholders’ Agreement, the company’s Board of Directors is composed of three Directors, one of whom is a representative of Banca Generali.
The remaining 65% interest (6,500 shares) is held by the UK-based IOCA Ventures Ltd. (Jersey), which is entitled to appoint the other two directors.
The company is an e-commerce/social-networking start-up currently engaged in commercial development of the “Dishball” app for smartphones and tablets.

2.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.
Joint Control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, joint arrangements are classified as either a joint operation or a joint venture based on the Group’s contractual rights or obligations:
> a Joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement;
> a Joint Venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

Investments in joint arrangements are valued using the equity method.
As of 31 December 2015, the Banking Group’s scope of consolidation does not include any investments in joint arrangements.

3. Equity investments in wholly owned subsidiaries with significant non-controlling interests

As of 31 December 2015, all the Group’s equity investments are wholly owned and there are no non-controlling interests.

4. Significant restrictions

As of 31 December 2015, there were no significant restrictions of a legal, contractual, or statutory nature on the Parent Company's ability to access or use the Group's assets and settle the Group's liabilities.

Consolidation methods

Full consolidation method

Subsidiaries are included in the accounts using the full consolidation method, whereby the balance sheet and profit and loss items are consolidated on a line-by-line basis.
After the attribution to minority interests of any portion of net equity and profit and loss results, the value of the equity investment is cancelled due to the residual value of the subsidiary's net equity.
The resulting differences are allocated to the assets or liabilities — including intangible assets — of the subsidiary in question and any remaining balances, if positive, are recorded as goodwill under Intangible Assets. Negative differences are charged to the Profit and Loss Account.

The most important intra-group transactions, influencing both the Balance Sheet and Profit and Loss Account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.
Dividends distributed by subsidiaries were eliminated from the Consolidated Profit and Loss Account and a corresponding adjustment was made to income reserves.

Equity method

Associate companies are consolidated according to the concise equity method.
Under the equity method, an equity investment is initially recognised at acquisition cost, inclusive of goodwill, and subsequently adjusted according to the investor's share in the investee's equity.

Upon acquisition, the difference between the cost of the equity investment and the share of the net fair value of the investee's identifiable assets and liabilities must be determined and then recognised as goodwill, if positive, or as income, if negative.

The carrying amount is then increased or decreased to recognise the investor's share of the profits or losses of the investee recorded after the acquisition date under item 240 "Gain (loss) from equity investments" of the profit and loss account.

That share is adjusted to reflect:
- gain and loss on transactions with the associate company, in proportion to the percent interest in the associate company;
- depreciation and amortisation of depreciable assets at their respective fair values at the acquisition date and impairment losses on goodwill and any other non-monetary elements.

Distributions received from an investee reduce the carrying amount of the equity investment.

Changes in the valuation reserves of associate companies are presented separately in the statement of comprehensive income.
If the associate company prepares its financial statements in a foreign currency, the translation differences at the reporting date are recognised in a specific valuation reserve for monetary conversion in other comprehensive income.

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.

Translation of financial statements in currencies other than the euro

The financial statements of companies operating in areas other than the Euro Area are translated into euro by applying the current exchange rates at year-end to assets and liabilities and average exchange rates for the year to items of profit and loss.
The foreign exchange differences of the financial statements of such companies on the application of different exchange rates to assets and liabilities and profit and loss are recognised among valuation reserves in equity. Foreign exchange differences on investees' equity are also recognised among valuation reserves.

Other Information

The consolidated accounts include the Separate Financial Statements of the Parent Company and the subsidiaries at 31 December 2015, reclassified and adjusted where necessary to take account of consolidation requirements.

Section 4 - Events occurred after the consolidated balance sheet date

The preliminary consolidated results for 2015 were analysed by the Board of Directors on 10 February 2016.
The draft consolidated Financial Statements of Banca Generali is approved by the Board of Directors on 10 March 2016, when the Board also authorises its disclosure pursuant to IAS 10.
No events occurred after 31 December 2015 and until the publication was authorised that would make it necessary to adjust the results presented in the financial statements at that date.

Section 5 - Other information

Non-recurring significant events and transactions

During the year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account (Consob Notice 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 Consolidated Financial Statements were audited by BDO S.p.A. in accordance with the Resolution passed by the Shareholders' Meeting on 23 April 2015 and appointing the said company as the independent auditors for the years 2015-2023, included.

Part A.2 - Accounting policies adopted by the Generali Banking Group

This section sets out the accounting policies adopted for the preparation of the Consolidated Financial Statements as of 31 December 2015, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

The accounting policies adopted by the Bank were not subject to material modification or supplementation during the reporting year, with the exception of changes resulting from the entry into force of the new accounting standards illustrated below.

Credit quality - Non-performing exposures

On 9 January 2015 the European Commission approved Commission Implementing Regulation 2015/227, published in the *Official Journal of the European Union* on 20 February 2015, adopting the EBA's lmplementing Technical Standards (ITS)[1] containing the definitions of "non performing exposures" and "forborne exposures", with the aim of establishing consistent classification at the European level for the purposes of supervisory regulations.
In order to comply with the European legislation, on 20 January 2015 the Bank of Italy published an update to Circular Letter No. 272[2], which introduced the new prudential criteria to be followed for the purpose of classifying credit quality, with effect from 1 January 2015.
Finally, the aforementioned changes were adopted, with respect to financial reporting provisions, in the fourth update to Circular Letter No. 262 "Banks' Financial Statements: Layouts and Presentation", issued on 16 December.

In detail, the previous four categories of non-performing exposures ("bad loans", "substandard loans", "expired loans" and "restructured loans") are replaced by the three new categories[3]:
> sofferenze;
> Inadempienze probabili" (Unlikely to pay);
> esposizioni scadute deteriorate" (Past due),

The categories "substandard loans" and "restructured exposures" have been eliminated and the new category of "unlikely to pay" has been added, consisting of non-performing exposures for which the bank regards it as unlikely that the borrower will discharge its credit obligations (by way of principal and/or interest) in full, without the need for measures aimed at protecting credit claims, such as the enforcement of guarantees.
This assessment is conducted by the bank independently of the presence of any situations of overdue payments and thus it is not necessary to await the express manifestation of signs of anomaly. The category in question thus attaches great importance to the bank's judgment in punctually observing elements in support of difficulty for the borrower to make full repayment of principal and interest, without undertaking credit protection measures, even in the absence of tangible signs of presumed difficulty.

The new regulation also introduces an obligation to include forborne exposures among both non-performing and performing exposures.

The EBA standards define forbearance as:
> the modification of the previous terms and conditions of a contract that the debtor is considered unable to comply with due to its financial difficulties ("troubled debt") to allow for sufficient debt service ability, that would not have been granted had the debtor not been in financial difficulties;
> a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

With respect to measurements and provisions for forborne exposures, accounting policies observe the general criterion, in line with the provisions of IAS 39.

In its new credit rules and procedures approved in February 2015, the Bank adopted the new classification of non-performing assets on the basis of the 2015 reports.

1 Final Draft Implementing Technical Standards on Supervisory reporting on Forbearance and non-performing exposures (EBA/ITS/2013/03/rev1 24.7.2014).
2 7th update of the Circular No. 272 dated 30 July 2008 - "Account matrix" issued by the Bank of Italy on 20.01.2015.
3 The previous classification adopted by the Bank of Italy provided for four classes of non-performing exposures: bad loans, restructured loans, substandard loans and expired loans.

Contributions to deposit guarantee systems and resolution mechanisms

Through Directives 2014/49/EU of 16 April 2014 and 2014/59/EU of 15 May 2014, respectively the "Deposit Guarantee Schemes Directive (DGSD)" and "Bank Recovery and Resolution Directive (BRRD)" and the institution of the Single Resolution Mechanism (Regulation (EU) No 806/2014 of 15 July 2014), European lawmakers made significant changes to the rules concerning banking crises with the strategic aim of strengthening the single market and ensuring systemic stability. As illustrated in further detail below, the above legislative changes had a significant impact on financial performance and financial position as a result of the obligation to establish specific funds with financial resources that must be provided by contributions from financial institutions starting in 2015.

Contributions deriving from the Deposit Guarantee Schemes Directive (DGS)

Directive 2014/49/EU harmonises the levels of protection offered by national deposit guarantee schemes (DGSs) and their methods of intervention, with the aim of eliminating possible competitive disparities within the European market. To that end, the Directive provides that national DGSs (in Italy, the Interbank Deposit Protection Fund or FITD) must endow themselves with means commensurate to the deposits protected, which must be provided through mandatory contributions from financial institutions. The new element for Italian banks is the new mechanism for financing the fund: the previous after-the-fact contribution system, in which funds were requested in case of need, has been replaced by a mixed system, in which funds must be paid in advance, so as to reach, within ten years of the entry into force of the Directive (3 July 2024), a minimum target level of **0.8% of the deposits guaranteed**.
The contributions from each entity are calculated as a function of the ratio of the amount of own deposits to the total protected deposits in the country.
Article 10 of Directive 2014/49/EU provides that contributions are to be paid by banks with at least annual frequency[4].

Pending the transposition into the Italian legal order of Directive 2014/49/EU, which entered into force on 3 July 2015, the FITD informed members that it intended to collect only the contribution for the second half of the year in 2015 and to distribute the remaining share over the contribution period 2016-2024. The Fund also announced that for the first year of application the contribution will be commensurate solely to the ratio of own deposits, with an adjustment in the following year for the effects resulting from the correction of the share of contributions according to the various risk configurations of the individual consortium members.

In its extraordinary meeting of 26 November 2015, the FITD then proceeded with implementation of this position, amending its charter to reflect the new contribution rules and regulations.

In response to those amendments, Banca Generali paid FITD an advance contribution of 0.9 million euros for the second half of 2015 on the basis of its share of the guaranteed deposits.

Contributions deriving from the Bank Recovery and Resolution Directive (BRRD)

Directive 2014/59/EU establishes the new resolution rules, applicable from 1 January 2015 to all European Union banks in a state of current or prospective default. These rules, which introduce the bail-in principle, require, under certain circumstances, that funding for resolution may also be supported by a national resolution fund instituted by each of the 28 European Union Member States and managed by a national resolution authority.

To that end, the Directive provides that the national resolution funds be endowed with financial means provided through mandatory advance contributions from authorised financial institutions.
In particular, the funds are to be paid in advance until reaching a minimum target level, over a period of ten years, i.e. by 31 December 2024, of **1% of guaranteed deposits** [5].

The contributions from each entity are calculated as a function of the ratio of its total eligible liabilities, i.e. net of own funds and the guaranteed deposits, to the total liabilities of all authorised financial institutions in the country.

4 The DGSD also provides that the financial means supplied by financial institutions may include payment commitments, up to a maximum of 30%. Such commitments must be secured by collateral in the form of low-risk assets free of third-party rights and fully available to the national DGSs.
On 28 May 2015, the ESA published a document containing the guidelines on payment commitments that are to be followed in order to ensure uniform application of the regulations. However, the FITD has not adopted this option in its rules,

5 Also in this case, in order to achieve the target level the financial means provided by the credit institutions may include payment commitments up to a maximum of 30%.

The new European Single Resolution Fund (SRF) provided for in Regulation No 806/2014, instituting the Single Resolution Mechanism (SRM) and managed by a new European resolution authority, formed within the ECB (Single Solution Board – SRB), will also begin to function on 1 January 2016.

From 1 January 2016 to 31 December 2023 (a period of eight years), the Single Resolution Fund must reach a target level of means of at least 1% of the amount of the protected deposits of all authorised entities in the banking union. The contribution rules for the period 2016-2023 are established in Article 8 of Implementing Regulation 81 of 2015.
Accordingly, the banks of Member States of the Banking Union (including Italian banks) will contribute to the national resolution fund in 2015 and to the Single Resolution Fund starting in 2016 (until 2023). During the initial period, when calculating each institution's individual contributions, this transfer will be taken into account.

In this context, on 16 November 2015 Legislative Decrees 180/2015 and 181/2015 were enacted, introducing the National Resolution Fund into the Italian legal order and assigning the Bank of Italy the role of National Resolution Authority.

In particular, Articles 78 and following of Legislative Decree 180/15 provide that such funds are to be financed by, among other sources:
a) ordinary contributions paid on an annual basis in the amount determined by the Bank of Italy in accordance with Directive 2014/59/EU (Article 103) and commensurate for the purposes of reaching the fund's target funding level;
b) extraordinary contributions when ordinary contributions are insufficient to cover losses, costs or other expenses incurred to achieve resolution objectives, up to an amount of three times annual average ordinary contributions.

Lastly, on 22 November 2015 Legislative Decree 183, "Urgent measures for the credit industry" [6] was issued. The Decree implemented the Resolution plan for four regional banks (Cari Ferrara, Banca Marche, Cari Chieti and Banca Popolare dell'Etruria e del Lazio) with the intervention of the recently formed National Resolution Fund.
In particular, in order to cover resolution costs, an extraordinary contribution of three times the ordinary contribution for 2015, i.e. the maximum allowed amount, was requested.

In relation to the above events, in December 2015 Banca Generali therefore paid the national resolution fund total contributions of 7.7 million euros, of which 1.9 million euros of ordinary contributions and 5.8 million euros of extraordinary contributions.

Accounting treatment of contribution charges deriving from the BRRD and DGSD

The accounting and reporting treatment applicable to contributions to resolution funds was the subject of a specific notice from the Bank of Italy dated 20 January 2016.
Similar conclusions were reached by ESMA in its Opinion 2015/ESMA/1462 "Application of the IFRS requirements in relation to the recognition of contributions to Deposit Guarantee Schemes in IFRS accounts" of 25 September 2015 with regard to non-reimbursable cash contributions to be paid in advance into deposit guarantee funds.

For financial reporting purposes, reference should be made to IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* and the Interpretation IFRIC 21 - *Levies*, which entered into force on 1 January 2015.
The Interpretation concerns the accounting treatment of a liability for a levy where the liability falls within the scope of application of IAS 37.
As defined in IFRIC 21, "a levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation".
Obligations to contribute to the National Guarantee Fund, in both ordinary and extraordinary form, are imposed by legislation, and thus fall within the scope of "levies" as defined in IFRIC 21.

IAS 37 and IFRIC 21 provide that a liability must be recognised when the obligating event that gives rise to a present obligation occurs. Since the decree does not provide for contributions to be reduced or refunded to intermediaries, in whole or in part, whenever the obligating event occurs, the liability relating to the contributions in question must be recognised for the full amount.
Since it is not possible to account for the liability through either an intangible asset pursuant to IAS 38 or a prepayment asset, the contributions must be recognised in profit and loss.

6 Subsequently incorporated into the 2016 Stability Act.

In this regard, the Bank of Italy has clarified that the item to which to classify such contributions, which for accounting purposes may be regarded as levies, is sub-item 150 b “General and administrative expense – other general and administrative expense” of the profit and loss account in the separate financial statements (item 180 b) of the consolidated financial statements), which is also used to account for the indirect levies and taxes (paid and unpaid) accrued during the year.

Compliance with IFRS 9

On 24 July 2014 the IASB issued by the new accounting standard IFRS 9 replacing IAS 39.

The Standard, which has yet to be endorsed by the European Commission, will enter into force on 1 January 2018 and will entail, among other things, significant changes in terms of:
> a new classification of financial assets, superseding the current model based on five portfolios — trading, fair value option (FVO), available for sale (AFS), loans and held to maturity (HTM) — with a model based on the characteristics of the financial instruments and business model;
> a new model for the impairment of financial assets based on the concept of expected loss in lieu of the concept of incurred loss and on the classification of non-performing assets in two stages, according to an assessment of risk level and any deterioration of creditworthiness compared to original conditions.

In August 2013, the Bank of Italy had sent banks a preliminary notice, specifically concerning “*The IASB’s proposed new accounting model for impairment. Implications of an operational nature for intermediaries*” aimed at emphasising the critical issues and potential impacts on financial statements of compliance with the new Standard.
In response to that notice, the Bank had already formed a specific working group.

In this regard, it should be noted that in achieving procedural compliance the Bank receives support from CSE, which in January 2016 began functional analysis of the project.

1. HFT financial assets

Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading, including also those embedded in complex financial instruments.

Embedded derivatives shall be reported separately for the following reasons:
> their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
> the embedded instruments considered separately meet the definition of a derivative;
> the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

Derivatives are presented as assets if their fair value is positive and as liabilities if their fair value is negative. It is possible to set off current positive and negative values deriving from outstanding transactions with the same counterparty only if there is currently a legal right to set off the recognised amounts and the entity intends to settle the positions subject to offsetting on a net basis.

Reclassifications to other categories of financial assets are not allowed, except in cases of unusual events or events that are unlikely to recur in the near term.
In such cases, debt and equity securities no longer held for trading purposes may be reclassified to the other categories indicated in IAS 39 provided that the conditions for recognising the assets have been met (Financial assets held to maturity, Financial assets available for sale, Loans). The transfer value is the fair value at the time of reclassification. The presence of any embedded derivative contracts to be separated must be evaluated during the reclassification process.

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 effects of the application of this measurement consideration are recognised in profit and loss.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments.
A financial instrument is regarded as listed in an active market if quoted prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period and those prices, are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where similar instruments are traded, the notional value of financial instruments, quotas from brokers or placing agents involved in the issue of financial instruments, quotes from info providers specialised in specific sectors, and values drawn from recent comparable transactions.

Equity securities, UCITS units and equity derivatives, which are not listed on active markets and have no reliable fair value measurement, are measured at cost.

Derecognition

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

2. AFS financial assets

Classification

This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.

Specifically, it includes:
> equity investments not held for trading;
> other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
> bonds not held for trading and not classified as assets held to maturity or Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

Where permitted by accounting standards, debt securities may also be reclassified to HTM Financial assets or Loans, if the entity intends to hold the instrument for the foreseeable future and the conditions for recognising the asset have been met. The transfer value is the fair value at the time of reclassification.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.

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

Measurement

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

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.
Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).
If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and, in the case of loans, receivables or debt securities, recognised in profit or loss or, in the case of equity securities, under net equity.
The amount of the reversal should not exceed what the amortised cost would have been, had the past adjustments not been made.

Derecognition

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

3. HTM financial assets

Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

In the cases allowed by the accounting standards, reclassifications are admitted only to the item Financial assets available for sale.

Recognition

Initial recognition of these assets takes place on the settlement date.

Financial assets classified as held-to-maturity are initially recognised at fair value, including any directly attributable costs and income.

If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

Where a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:
> are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
> occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.
Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or undergo impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.
If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and recognised in the profit or loss account. The reversal may not exceed the amortised cost that would have been attributable to the asset, had the impairment not been recognised.

Financial assets held to maturity for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

Derecognition

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

4. Loans

Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments, are not listed in an active market and are not initially classified as financial assets available for sale.

This item also includes:
> repurchase agreements with a commitment to repurchase;

- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription or through private placement;
- operating receivables deriving from the provision of financial services, as defined in the Consolidated Law on Banking (TUB) and Consolidated Law on Finance (TUF). This latter category also includes receivables from product companies and receivables from the network of financial advisors for advances on commissions paid.

Reclassifications to the other categories of financial assets provided for in IAS 39 are not allowed.

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

Recognition

Loans are initially recognised on the date of disbursement or, in the case of debt securities, on the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date.
Costs with the above-described characteristics are excluded, if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.
This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the Bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from AFS assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

Measurement

Subsequent to initial recognition, loans are recognised at amortised cost, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the effective interest-rate method) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans, if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing exposures, i.e. those that present the characteristics indicated in paragraphs 58-62 of IAS 39, are classified to the following categories:
1) bad loans: this category refers to formally non-performing loans, consisting of exposures to customers who are in a state of insolvency, regardless of whether confirmed by a court, or in similar situations;

2) unlikely to pay: these are on- and off-balance sheet exposures for which the conditions have not been met for classification as bad loans and for which it is deemed unlikely that the borrower will be capable of fulfilling all of its debt obligations (in terms of principal and/or interest) in the absence of actions such as the enforcement of guarantees. This assessment is conducted regardless of the presence of any overdue amounts or instalments;
   Classification as unlikely to pay is not necessary tied to the explicit presence of anomalies (non-payment), but rather is linked to the existence of elements indicative of a situation of risk of default of the borrower;
3) non-performing past-due exposures: these are on-balance sheet exposures other than those classified as bad debts or unlikely to pay loans that are past due by more than 90 days at the reporting date. Non-performing past-due exposures may identified in reference to either the individual borrower or individual transaction.

Loans classified as bad loans or *unlikely* to pay are normally subject to an analytical assessment process.
Non-performing past-due exposures are measured on a lump-sum basis according to historical and statistical loss projections, or, in cases of individually insignificant amounts, on the basis of assumptions of non-recoverability.

As regard analytical assessments, 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 exposures, 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 for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan.
In further detail, a probability of default and a loss given default value are attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach, probability of default and loss given default.
Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

Derecognition

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

5. Financial assets at fair value

At the reporting date, none of the Bank's financial assets are classified under this category.

6. Hedging Transactions

Types of Hedging Transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk, with gains on another item or group of items.

Possible types of hedges include:
> fair-value hedges, intended to hedge exposure to changes in the fair value of a balance sheet item attributable to a particular risk;
> cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance sheet items attributable to particular risks;
> hedges of a net investment in a foreign operation: intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Derivatives are measured at fair value. Specifically:
> in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
> in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
> hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flows) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:
> *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
> *retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

7. Equity investments

The initial recognition and subsequent measurement criteria used for equity investments under IFRS 10 - *Consolidated Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures* are given in Part A.1 - Section 3 - Scope of consolidation and consolidation methods in the explanatory Notes.
Other investments — other than subsidiaries, associates, joint ventures and those recognised in items 150. "Non-current assets available for sale and disposal group" and 90. "Liabilities associated to assets held for sale" (see section 10) — are classified as available-for-sale financial assets and financial assets held for trading and are recognised accordingly.

8. Property and equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.
They also include assets held solely for operating purposes and for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.
They are systematically depreciated over their estimated useful life using the straight-line method.
At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.
If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

9. Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or must arise

from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.
An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and simultaneously restrict the access of others to those benefits.
The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets include the value of contractual relations with customers acquired as a result of the business combination of Banca Del Gottardo Italia.
This asset is an intangible asset, as defined by IAS 38, from which future economic benefits are likely to flow to the acquirer. The value of these relationships was determined on the basis of an estimate of the return on the assets managed by Banca del Gottardo Italia, analysed by asset class, while the useful life was estimated as a ten-year period, based on the historic percentage of decline of assets under management, before the company was acquired.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system, which in turn include intangible assets in progress at the end of the year.

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.
Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the bank based on the outsourcing contract with CSE (legacy, front-end Financial Advisors and front-end customers, etc.).
Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected.
Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).
In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits, and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.

Software costs are typically amortised over a three-year period.
Other capitalised costs associated with legacy systems are amortised over a five-year period.

For contractual relations with customers, acquired as a result of the above-mentioned business combination of Banca Del Gottardo Italia, the useful lives are estimated at ten years.
Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is tested for impairment at least annually.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
The impairment test for goodwill is presented in Section 1.2 “Annual Changes in Goodwill” in Part G of these Notes and Comments.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset’s carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

10. Non-current assets held for sale or disposal groups

The asset item “Non-current assets held for sale or disposal groups” and liability item “Liabilities associated with assets held for sale or disposal groups” include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.
The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year is taken through profit and loss under a specific separate item, “Income (Loss) of disposal groups, net of taxes”.

11. Current and deferred taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.
Provisions for income taxes are made based on a conservative estimate of current and deferred tax assets and liabilities, which are calculated using prevailing tax rates.
Specifically, deferred tax assets and liabilities are calculated based on the temporary differences — without time limits — between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the parent company Assicurazioni Generali — as a result of the exercise of its option provided by the Italian Tax Consolidation scheme — to generate ongoing taxable income.

Deferred tax liabilities are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.
Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under “Tax assets” and deferred tax liabilities are recorded under “Tax liabilities”.

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.

Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.
Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (for example, goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Finance Law) introduced the new paragraph 2-*ter* into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise greater amounts in the accounts for income-tax purposes, following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.
That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket) in lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP).
The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced a new system of optional realignment of tax and balance sheet values. The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.
However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.
That statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are undertaken.

Lastly, paragraphs 12 to 14 of Article 23 of Legislative Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-*bis* and 10-*ter* to Article 10 of Legislative Decree No. 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.
The additional redemption scenario is founded solely on the accounting figures presented in the consolidated financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-*ter*).
The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must be made by 30 November 2011, whereas the non-accounting deduction of amortisation in ten equal instalments was to take place beginning in financial year 2013.

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:
1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree No. 185/2008;

2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the Financial Statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-*ter*, of the TUIR;
3) redemption of goodwill recognised on a consolidated basis in connection with the full equity interest in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.
IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

The analyses conducted by the OIC — the Italian Accounting Standard Setter — summarised in application document No. 1 of 27 February 2009 entitled "*Accounting treatment of substitute tax on the redemption of goodwill in accordance with Article 15, paragraph 10, of Legislative Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IASs/IFRSs*", which can however be extended to other special redemption cases envisaged by tax laws, have led to three different accounting treatments being considered compatible with IFRSs:
1. recognition through profit and loss of substitute tax only, withou**t recognising deferred tax assets;
2. immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. recognition of substitute tax as a tax credit under assets, and subsequent recognition through profit and loss over the years to coincide with the non-accounting deduction of the redeemed amortised amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on the specific system adopted (ten or eighteen amortisation charges), thereby neutralising the decrease in current taxes.
Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be deemed recoverable on the basis of future taxable income.

12. Provisions for liabilities and contingencies

Other provisions for liabilities and contingencies include allocations relating to provisions for legal obligations, contractual indemnities or legal disputes, including tax disputes, 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.

Therefore, a provision is recognised only when:
> there is a present obligation (legal or constructive) as a result of a past event;
> it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation; and
> a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision corresponds to the best estimate of the expenditure required to settle the present obligation at the balance sheet date and accounts for all the risks and uncertainties that inevitably are entailed in certain events and circumstances.
Where the effect of the time-value of money is material, provisions are discounted using current market rates. Provisions and increases due to the time value of money are recognised in the Profit and Loss Account.
Provisions are periodically reviewed and, where necessary, adjusted to reflect the best current estimate. If, upon review, it is determined that it is unlikely that a cost will be incurred, the provision is reversed.

Other provisions for liabilities and contingencies include, in particular:
> provisions for contractual indemnities for the network of financial advisors (end-of service and other similar indemnities), measured according to the actuarial method;

> provisions for incentive or recruitment bonuses (recruitment plans) for financial advisors;
> provisions for long-term employee benefits;
> provisions for restructuring plans.

In some circumstances, provisions for liabilities and contingencies (for example, charges relating to staff expenses) have been presented in a separate item of the profit and loss account to best reflect their nature.

13. Debt and securities issued

Classification

Due to banks, *Due to customers* and *Securities issued* include the various forms of interbank funding and direct customer deposits, as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.
Due to banks and Due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or debt securities are issued.
Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.
For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material.
These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.
The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

14. HFT financial liabilities

This item includes the negative value of trading derivative contracts measured at fair value.
If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

15. Financial liabilities at fair value

There are currently no financial liabilities measured at fair value.

16. Foreign currency transactions

Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.
The Group has no non-monetary items that are measured at historical cost or fair value.
Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

17. Other information

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.
Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.
Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.
The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Share-based payments

These are payments to employees or other similar persons, such as financial advisors, as consideration for services rendered, based on the equity instruments of the banking or ultimate parent company.

Such plans may provide for either:
> the right to subscribe for rights issues at a pre-determined price (stock-option plans);
> the free assignment of a certain number of shares, generally repurchased (stock-granting plans).

In accordance with IFRS 2 - *Share-Based Payments*, share-based benefit plans for staff and financial advisors are recognised as costs on the Profit and Loss Account of operations based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

In light of the difficulty inherent in reliably measuring the fair value of the services received in return for equity instruments, reference is made to the fair value of such instruments measured at the grant date.

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.
In cases of stock-granting plans, the fair value of the shares granted is determined on the basis of market prices on the date of the resolution of the shareholders' meeting authorising the plans.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Charges relating to shared-based payment plans are recognised as a cost in the profit and loss account for the period under item 180.a) "General and administrative expense: staff expenses", where they relate to employment services, and under item 50) "Fee expense" where they relate to contractual relationships with financial advisors. In both cases, such charges are recognised through item 170. "Equity reserves".

Long term incentive plan

The Long Term Incentive Plan (LTIP) is a share-based incentive plan approved annually by the shareholders' meeting of the parent company, Assicurazioni Generali, and intended for the key personnel of the latter company and other insurance group companies, including several **key managers** of the banking group.
The plan is aimed at encouraging the pursuit of the objective of an increase in the value of the company's shares by strengthening the link between the remuneration of beneficiaries and performance as identified in the framework of the group's strategic plans ("absolute" performance) and the increase in value compared to a peer group ("relative" performance).

However, for beneficiaries from the banking group, the targets triggering accrual of the incentive are broken down into:
> insurance group targets, i.e. ROE (return on equity) and relative total shareholders' return (rTSR), compared to a peer group, assigned a weight of 40% of the total bonus; and
> business unit targets (banking group ROE and EVA), assigned a 60% weight.

The key characteristics of the plan are as follows:
> the incentive accrued upon achieving the targets is disbursed by Assicurazioni Generali S.p.A. in a single instalment at the end of the three-year vesting period through the free granting to the beneficiaries of its own ordinary shares;
> the maximum number of the shares to be granted is determined at the beginning of the three-year period and is divided into three instalments for the three years of the plan;
> each year, the level of satisfaction of the objectives initially set for the three-year period is verified in order to determine the number of shares to be set aside for each instalment;
> a lock-up restriction is envisaged for the shares assigned, applicable to 25% of the shares for one year from assignment and to 25% for two years from assignment;
> malus and claw-back clauses have been included and a minimum access gate set for each tranche.

The new plan may be classified as an equity-settled transaction and therefore within the scope of IFRS 2.

IFRS 2, in the new formulation endorsed by Commission Regulation (EU) No 244/2010 of 23 March 2010, includes a specific section governing share-based payment transactions between group entities (paragraphs 43B-43C and B45-B61 of the Application Guidance).
In that section, it is specified that in share-based payment transactions between group entities, the entity that receives the goods or services must assess whether the cost of the goods or services are to be accounted for as an equity-settled shared-based payment transaction, through a balancing entry to a capital reserve, or on a cash basis, through a balancing entry to a liability.
In this regard, the accounting standard envisages (paragraph 43B) that if the arrangement calls for the shares of the parent company to be granted directly by itself to a subsidiary's employees — and therefore with no action on the part of the subsidiary —, the charge to the profit and loss account will be recognised to an equity reserve through a balancing entry, inasmuch as it is similar to a capital contribution by the parent company.

Given the specific nature of the plans reserved for beneficiaries belonging to the banking Group, such plans must be assessed individually for components relating to group targets and business targets (for the banking group).

More specifically:
> as it is a pure stock grant, the plan component linked to business unit objectives should be valued exclusively based on the fair value of the Assicurazioni Generali ordinary shares at the grant date;
> the plan component linked to the Group's objectives includes TSR as an objective, since it qualifies as market condition whose value is included in the fair value of the stock grant.

The total cost of the plan is equal to the sum of the cost calculated for each tranche on the basis of the fair value determined according to the above methods, multiplied by the number of shares that may potentially be granted in respect of the performance condition, the likelihood that the service condition will be met and the achievement of the minimum eligibility threshold. That cost is allocated over a three-year vesting period starting from the grant date, with a balancing entry to a specific equity reserve.

Employee termination indemnities

Employee termination indemnities, which are governed by Article 2220 of the Italian Civil Code, constitute "**post-employment benefits**" as defined in IAS 19 — *Employee Benefits*.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must — depending on the employees' choice — be allocated to a supplementary pension fund or maintained within the company and — in the case of companies with at least 50 employees — transferred to a special fund managed by Italy's national security institute (INPS).

Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:
> "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund.
  For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods.
  The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item "employee termination indemnities" by convention;
> "a defined-benefit plan" for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to the **projected unit credit method**.

According to this method, the amount already accrued is to be increased by the unit amount accrued annually (current service cost) projected into the future through the date of expected termination of employment then discounted to the reference date. The unit amount accrued is also determined on the basis of the employee's entire expected working life.

In the specific case, however, the past liability is assessed without pro-rating past service because the service cost of the termination indemnity has already fully accrued. Accordingly, the annual accrual consists solely of the interest cost relating to the revaluation of the expected benefit due to the passage of time.

The rate used for discounting is determined by reference to market yields on high-quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation.
Considering that IAS 19R requires that the discount rate is to be determined by reference to the yields on "high-quality corporate bonds," it was decided to use the index IBOXX EURO CORP, formed of AA series.

The plan's service costs have been recognised amongst staff expenses under the item "provisions for post-employment benefits".

Following the entry into force of IAS 19R on 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for **actuarial gains and losses**

deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.).
In fact, changes in liabilities due to actuarial assessments are now required to be recognised in full in the other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.
By contrast, in the previous accounting arrangement adopted by the Bank the above item was recognised in the profit and loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.

The elimination of this method entailed an impact on the Bank's net equity from the date of first-time application of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method.
Finally, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the profit and loss account during the year of accrual under a specific item.

Productivity bonuses for salaried employees

Pursuant to the first update to Circular Letter No. 262/05 of 18 November 2009, productivity bonuses to be paid to salaried employees during the following year are to be allocated to the item "Other liabilities".

More specifically, in accordance with IAS 19 – *Employee Benefits*, the following are allocated to current liabilities:
> the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
> incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expenses in the profit and loss account the following types of expenses that do not constitute certain short-term liabilities and thus have the item for provisions for liabilities and contingencies as their balancing entry in equity:
> the share of the variable remuneration of managers of the banking group deferred up to two years, and conditional upon the satisfaction of the access gates requirements established in the banking group's new remuneration policy;
> the long-term incentive plans authorised by the parent company Assicurazioni Generali for the benefit of the Group's top managers and adopted by Banca Generali's Board of Directors, analysed in greater detail in the paragraph "Long-term incentive plans" below.

By contrast, it was determined that the requirements set forth in IAS 19 had not been met in the following cases:
> incentives for employees that have yet to be formally defined at the date of approval of the financial statements and are of a non-customary nature;
> provisions for post-employment medical benefits of Group executives;
> allocations intended to support company restructuring and reorganisation plans and other expenses associated with the classification of staff still to be determined at the date of authorisation of publication of the financial statements.

Such expenses are therefore entirely attributed to the item Provisions for liabilities and contingencies.

Termination indemnity for Financial Advisors

The provision covering the cost of termination indemnities for Financial Advisors is assessed in compliance with IAS 37 according to an actuarial approach, pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria set by the Bank.

In detail, the indemnity to be paid to Financial Advisors is calculated on the basis of the annual average direct and indirect fees paid to the Financial Advisor during his or her final five years of service (Article 1751 of the Italian Civil Code), net of:

a) the total amount paid to Enasarco each year by the Bank until the date of termination;
b) the contractual lump-sum reduction which decreases gradually as the length of service and date of retirement or withdrawal extends (with the exception of cases of death and permanent disability).

In cases of withdrawal for cause with service, the indemnity may be further reduced as a function of the decline in AUM during the post-termination observation period.

The assessment is then conducted according to actuarial methods on the basis of demographic parameters, expected turnover rates, with and without the right to service, assumptions regarding the age of entry into the compulsory general insurance (AGO) system and the retirement age.

The procedure also takes account of:

a) the percentage fee reduction expected as a function of the estimated period of past service at the date of termination;
b) the prospective termination indemnity fund, i.e., the payments that the Bank is to make each year directly to the Enasarco Foundation by way of termination indemnity contributions for the Financial Advisor's entire period of service and that, in the end, are to be deducted from the gross indemnity owed.

Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.
The indemnity, which is governed by an appendix to the agency agreement, is only due on the condition that the outgoing advisor formally undertakes to conduct a hand-over to an incoming advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming advisor undertakes to pay the company an indemnity commensurate to that obtained from the outgoing advisor.
In relation to recent market practices in the area, a thorough contractual revision of the scheme entered into effect on 1 January 2012 was carried out.
The system introduces a rule, namely that the indemnity collected by the outgoing advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.
Therefore, on the basis of the new rules, the outgoing advisor may only collect the agreed indemnity provided that it has actually been paid to the bank by the incoming advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, in the reduced amount of 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity pay-outs, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming advisors.

Expenses functionally related to staff

In accordance with IAS 19, under item 150 a) Staff expenses are recognised exclusively costs representing remuneration for professional services rendered, thus excluding those representing pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

Accordingly, indirect expenses functionally related to activity performed by staff are recognised under item 150 b) Other general and administrative expense. Such expense also include:

a) documented, specific reimbursements of the costs of room and board incurred by employees during business trips;
b) documented, specific mileage reimbursements, calculated on the basis of rates recognised as valid (e.g., Automobile Club d'Italia) and the mileage actually travelled;
c) costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law.

By contrast, amongst other items, the costs of professional refresher courses for employees continue to be recognised under staff expenses.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

- interests are recognised on a pro-rata basis according to contractual interest rate, or the effective interest rate, if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue fees are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading fees on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management fees are recognised according to the length of the service. Fees considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interests.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs, that cannot be matched with the related revenues, are immediately taken through profit and loss.

Use of estimates and assumptions in the preparation of the Consolidated Financial Statements

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions that could influence the amounts reported in the consolidated balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.
The estimates and assumptions used are based on the information available on operations and subjective judgements, which may be based on historical trends.
Given their nature, the estimates and assumptions used may vary from year to year, meaning that reported amounts may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:

- determining the amount of provisions for liabilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- determining the value adjustments and reversals of non-performing loans and the provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Testing financial instruments for impairment

In accordance with IAS 39, the portfolio of securities, not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans), is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events ("loss events"), there is objective evidence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, the breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).
In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involves the use of specific methods according to the type of securities in question:
> equity securities allocated to the portfolio of financial assets available for sale (AFS);
> corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
> corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
> the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 24 months from the reporting date.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information is drawn from the market.

For corporate debt securities classified to AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:
> purchase cost, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
> the current fair value.

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:
> the book value of the asset; and
> the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For ABSs, the impairment loss is determined based on losses on the tranche of the security held.
Where this amount is not readily determinable, an estimate of the fair value of the securities at the measurement date may be used.

Collective impairment

Debt securities included in amortised cost portfolios classified as loans to banks and customers (L&Rs) and assets held to maturity (HTM) that have not individually shown signs of impairment are tested for impairment on a collective basis pursuant to IAS 39, paragraph 64, in order to estimate the value of any latent losses on assets that have not explicitly manifested situations of default.

For corporate bonds other than those deriving from securitisation, such testing is done according to homogeneous categories on the basis of rating classes and residual lives.
In detail, the probability of a default (*PD*) event is determined according to historical series for default rates surveyed globally over a period of many years (*Standard & Poor's Cumulative Average Default Rates By Rating, 1981-2013*) and using a market loss given default (LGD) between 60% and 70%.
For securities with residual lives of less than six months, PD is weighted according to the actual time until the maturity of the securities.
In any event, Italian government bonds in the HTM portfolio are excluded from such testing.

The portfolio of securities deriving from securitisation is divided into segments according to the nature of the assets underlying the ABSs (home mortgages, commercial mortgages, leases and other types of loans) and the geographic area of reference, and specific probability of default (PD) and loss given default (LGD) figures are developed for each segment.
In detail, the PD rates for each cluster were determined according to weighted average losses (defaults and delinquencies > 180 days) specifically observed on the underlying assets over the past two years, of a sample of securitisation transactions with similar characteristics.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.
The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

Forborne exposures

Forborne exposures – Performing

Within the context of performing loans, individual cash exposures for which the Bank, due to the debtor's worsening economic-financial conditions (in "financial difficulties"), allows changes to the original contractual conditions or a total/partial refinancing of a contract that would not have been allowed if the debtor had not found itself in such difficulties, are identified and classified as forborne exposures. Such exposures do not form a separate category, but constitute an attribute common to the various categories of assets and are reported on the individual arrangement subject to concession.

Performing forborne exposures for which the forbearance measure applies and which have not been classified amongst non-performing loans by virtue of such forbearance measure are hence identified amongst performing loans (regular or past-due and/or past-due by less than 90 days).

In addition, Forborne exposure status ceases to apply when:
1. a probation period of at least 2 years has elapsed since the date forbearance was granted (or since the date on which the non-performing forborne exposure was reclassified as performing);
2. regular payments of a significant amount of the principal or interest have been made at least during half the probation period;
3. at the end of the probation period none of the debtor's exposures have become past-due and/or past due by more than 30 days.

Forborne exposures – Non-performing

Non-performing forborne exposures, i.e., individual cash exposures belonging to the aforementioned categories, for which the forbearance principle applies, as defined previously, are identified in impaired loans. These exposures do not form a separate category but, depending on circumstances, constitute an attribute of the categories of impaired assets to which they belong. They also include any restructurings of credit exposures realised with liquidation in mind, to be reclassified as non-performing.

The exposure ceases to be considered a Non-performing Forborne exposure and is considered as "Performing Forborne exposure" when all the following conditions are met:
1. assignment of the forbearance measure does not entail the recognition of write-downs or impairment losses;
2. a year has passed since the forbearance measures on the exposure;
3. following the forbearance classification, no past-due exposures and/or elements have been reported that jeopardise full repayment of the exposure in accordance with the conditions provided for in the forbearance measures adopted.

The absence of prejudicial elements has to be determined after an analytical assessment of the debtor's financial situation.
The prejudicial elements must be considered to no longer exist when the debtor has already repaid, at the due dates specified in the rescheduling/restructuring plan, an amount equal to the sum that was previously overdue/past-due (if there were past-due exposures) or equal to the sum that becw

Business combinations

Business combinations are regulated by the IFRS 3 *Business Combinations*.
Based on this standard, any acquisition of companies is accounted for using the purchase method, whereby the assets, liabilities, and potential liabilities of the acquired company are recognised at fair value on the acquisition date. Any positive difference of the price paid over fair value is recognised as goodwill or other intangible assets; if the price is less, the difference is recognised in the Profit and Loss Account.
The purchase method is applied as of the acquisition date, i.e. from the time effective control of the acquired company is obtained. Accordingly, the results of subsidiaries acquired during the year are included in the Consolidated Financial Statements from the date of acquisition. Also the profit and loss results of a subsidiary which has been disposed of are included in the Consolidated Financial Statements, up to the date control is transferred.

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

This solution was essentially adopted at national level by Assirevi, with documents OPI No. 1 on the accounting treatment of business combinations of entities under common control, and OPI No. 2 on the accounting treatment of mergers.

Intra-group combinations or other combinations of entities under common control within the Banca Generali Group are therefore accounted for based on the book value of the entity transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (goodwill) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.
In a similar way, if an entity is disposed of, the amount received is directly recognised in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

Part A.3 - Information on transfers between portfolios of financial assets

Following the endorsement of IAS 39 and IFRS 7 issued by the IASB (International Accounting Standard Board) on 13 October 2008 and included in the European Regulation (EC) No. 1004/2008 of 15 October 2008, in financial year 2008 the Parent Company Banca Generali reclassified part of the accounting portfolios of assets held for trading (HFT) and assets available for sale (AFS) to the new IAS portfolios measured at amortised cost, assets held to maturity (HTM) and loans to banks and customers (L&Rs), while equity securities held for trading were transferred to the AFS portfolio.
For further details of the conditions of this transaction, please refer to the contents of the corresponding Section A.3 of the Notes and Comments to the 2009 Financial Statements and Part A of the 2008 Financial Statements.

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

TYPE OF FINANCIAL INSTRUMENT (€ THOUSAND)	FROM	TO	DATE OF TRANSF.	31.12.2015 BOOK VALUE	31.12.2015 FAIR VALUE	INCOME COMPONENTS WITH NO TRANSFER		INCOME COMPONENTS FOR THE YEAR	
						VALUATION	OTHER	VALUATION	OTHER
Equity securities	**TRA**	**AFS**	**01.07.2008**	**2,240**	**2,240**	-	-	-	-
Debt securities	TRA	HTM	01.07.2008	16,474	16,504	16	295	40	345
Debt securities	AFS	HTM	30.09.2008	-	-	-	-	-	-
Total HTM portfolio				**16,474**	**16,504**	**16**	**295**	**40**	**345**
Debt securities	TRA	Loans	01.07.2008	7,957	7,985	58	40	28	115
Debt securities	AFS	Loans	01.07.2008	-	-	-	-	-	-
Total loan portfolio (banks and clients)				**7,957**	**7,985**	**58**	**40**	**28**	**115**
Total reclassified financial assets				**26,671**	**26,729**	**74**	**335**	**68**	**460**

During 2015, the Company continued the process of dismantling the debt securities subject to reclassification due to redemptions and sales. At the reporting date, the portfolios concerned therefore presented a total carrying amount of 26.7 million euros, down sharply from the 58.6 million euros reported at the end of the previous year (-31.9 million euros). This amount includes the increases for the amortised costs gradually reaching maturity and the impairment losses recognised.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2015 would have entailed positive remaining differences which were not material compared to carrying value, before taxes (-58 thousand euros).

Had the Bank not opted to reclassify such securities, they would have registered greater capital gains through profit and loss and equity in 2015 of 6 thousand euros, equal to the positive difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.
The contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to a negative balance of 0.1 million euros as a result of lower interest recognised according to the effective interest rate method recognised net of the higher realised gains remeasured based on the fair values of the previous year.

A.3.4 Effective interest rate and cash flows expected from reclassified assets

TYPE OF FINANCIAL INSTRUMENT (€ THOUSAND)	FROM	TO	AVERAGE RESIDUAL USEFUL LIFE	ACTUAL INTEREST RATE
Debt securities	TRA	HTM	0.20	1.05%
Debt securities	TRA	Loans	1.075	0.46%

Part A.4 - Information on fair value

Qualitative information

Fair value

With the introduction of IFRS 13, the definition of **fair value** has been modified with respect to IAS 39, in view of a more market-based approach.
According to the new standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value is thus not an entity-specific measurement, but rather a market-based measurement.

In detail, measurement at fair value:
> presumes that the asset or liability is exchanged in an orderly transaction between market operators under current market conditions;
> refers to a particular asset or liability and must take account of the characteristics of the asset or liability that market participants take into account when pricing the asset or liability;
> assumes that market participants act in their economic best interest;
> assumes that the sale of the asset or the transfer of the liability takes place:
a) in the principal market for the asset or liability; or
b) in the most advantageous market, in the absence of a principal market.

Fair value hierarchy

International accounting standard IFRS 13 requires that financial assets be classified according to a hierarchy of levels (the "fair-value hierarchy") that reflects the significance of the inputs used in valuation.
> **Level 1:** quoted prices in active markets, as defined in IFRS 13, for identical instruments;
> **Level 2:** inputs other than the price quotations indicated above, observable on the market (level 2) either directly (prices) or indirectly (price-derived data);
> **Level 3:** inputs not based on observable market data.

For the purposes of the fair value hierarchy, inputs may thus be classified as:
> **observable**, when the information used in the measurement techniques is based on market data obtained from sources independent of the Bank and available on the market;
> **unobservable**, when they reflect assumptions by the Bank reached by drawing on the best available information in such circumstances.

Valuation criteria of the fair value of financial instruments

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department, and review and validation of the data to the Risk Management Service.
The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.
Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not itself guarantee the presence of significant prices due to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated and yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:
> an adequate number of counterparties presenting a minimum number of executable ask and bid offers;
> a spread between the ask and bid price that falls within an interval deemed appropriate; and
> continuity of quotations on both sides of the market.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.
For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

A.4.1 Fair value Level 2 and Level 3: valuation techniques and inputs used

Financial instruments measured at fair value on a recurring and non-recurring basis

For securities not listed on active markets, the procedure calls for the analysis of:
1) prices of similar instruments listed on active or inactive markets; and
2) inputs other than quotations observable directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:
1. a single contributor on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;
2. a consensus pricing mechanism capable of determine the fair value, for example:
   - Bloomberg Bondtrade Composite (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;
   - Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;
   - Markit European ABS, a consensus platform for measuring ABS-type instruments;
3. a reference to current market values of other essentially identical or similar instruments.

UCITSs not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:
> the analysis of discounted cash flows;
> option pricing and valorisation models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

Level 3 also includes certain financial instruments measured at cost in the absence of reliable estimates of fair value. These consist mainly of "minor equity investments" in companies with which the Group has service relationships, and disposal of which is not conceivable (CSE, GBS Caricese, SWIFT, etc.).

Other financial assets and liabilities not measured at fair value on a recurring basis

The fair value and hierarchical classification of financial assets other than debt securities, equity securities and units of UCITSs, as well as of financial and operating receivables classified amongst loans to banks and customers, are determined as follows.

On-demand and uncommitted financial assets and financial assets with residual lives of less than one year

The fair value of this class of assets, which essentially consists of uncommitted current account exposures, on-demand deposits or short-term time deposits, as well as operating receivables, is not believed to differ significantly from its carrying amount. Considering that the measurement process does not contemplate significant unobservable inputs, such instruments are typically classified as L2.

Assets with fixed contractual lives included in the financial portfolio

This class of assets consists primarily of medium- or long-term mortgages or loans with financial instruments as collateral.

The fair value of loans with amortisation schedules is calculated according to a discounted cash flow model that calls for the cash flows expected on the basis of the contractual amortisation schedule to be discounted at the proper rate for the risks associated with the instrument. This correction consists of a spread to be added to the risk-free discount rate for the cash flows.

The spread in question is to be defined in such a way as to include the following components of risk:
> the cost of credit risk (the cost of covering expected losses in relation to credit risk);
> the cost of funding (the cost of funding positions);
> the cost of capital (the cost of covering unexpected losses in relation to credit risk);
> operating costs (any other costs, specific to the type of loan, that are to be considered in the exit price).

The cost of credit risk is calculated on the basis of multi-period historic PDs related to the rating of the counterparty in the transaction and the LGD specific to the type of instrument.
Loans with a fixed contractual maturity are classified to Level 3 of the fair value hierarchy, in consideration of the significant presence of unobservable inputs (spreads determined on the basis of internal PD and LGD).

Non-performing loans

When bad loans and substandard loans are separately assessed, their book value is believed to be a reasonable approximation of their fair value.
Such loans are classified to Level 3 of the fair value hierarchy.

Other financial liabilities

Financial liabilities classified as amounts due to customers and banks consist mainly of on-demand current account deposits, short-term time deposits and operating payables.
Such liabilities also include repurchase agreements that are set to mature within the year and, in the case of interbank funding, fully collateralised, with the determination of daily margins of change.

Such financial liabilities are subject to fair value measurement criteria similar to those applied to other on-demand or uncommitted financial assets.

A.4.2 Processes and sensitivity of measurements

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the new standard IFRS 13 requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.
The unobservable inputs capable of affecting the measurement of instruments categorised within Level 3 consist mainly of estimates and assumptions underlying the models used to measure investments in equities and other UCITSs. For such investments, no quantitative analysis has been prepared of the sensitivity of the fair value to changes in unobservable inputs, given that the fair value either has been drawn from third sources without any adjustments or is the result of a model, the inputs to which are specific to the entity subject to measurement (for example, the company's asset values) and for which the use of alternative values is not reasonably feasible.

The case in question does not apply to Level 3 financial instruments classified to the trading and AFS portfolios. The reader is referred to the detailed analysis of individual positions provided in the subsequent section concerning quantitative information.

A.4.3 Fair value hierarchy

The new IFRS 13, recalling the contents of IFRS 7, requires that entities that apply IASs/IFRSs make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:
1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2) any significant transfers between Level 1 and Level 2 during the year;
3) for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the profit and loss account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

Transfers between levels refer to the end of the accounting period of reference (half-yearly or annual), in an independent manner, and generally enter into effect from the beginning of the year of reference.
Transfers to and from Level 3 are infrequent and primarily involve the occurrence of situations of default, in which the Bank's subjective assessment of the recoverability of the debt takes pre-eminence.

A.4.4 Other information

No cases envisaged in IFRS 13, paragraphs 51, 93(i) and 96, occur in these Financial Statements.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair-value levels

	31.12.2015				
ASSETS/LIABILITIES AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. HFT financial assets	2,177	12,799	13,028	-	28,004
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	2,898,120	30,860	3,466	6,765	2,939,211
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
Total	**2,900,297**	**43,659**	**16,494**	**6,765**	**2,967,215**
1. HFT financial liabilities	-	463	-	-	463
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	**-**	**463**	**-**	**-**	**463**

	31.12.2014				
ASSETS/LIABILITIES AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. HFT financial assets	2,777	16,098	13,965	-	32,840
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	2,191,943	30,888	3,434	9,143	2,235,408
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
Total	**2,194,720**	**46,986**	**17,399**	**9,143**	**2,268,248**
1. HFT financial liabilities	-	2,655	-	-	2,655
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	**-**	**2,655**	**-**	**-**	**2,655**

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of assets and liabilities held for trading and the portfolio of AFS financial assets, comprised 97.7% of financial assets eligible for allocation to class L1, with an unchanged ratio compared to the previous year. L1 is mainly comprises of Italian government bonds (2,594.5 million euros), which increased by 598.8 million euros compared to the previous year (+30%). It also includes other debt securities (295.0 million euros) chiefly referring to credit sector (213.6 million euros), and equities and UCITSs listed on Italian and European regulated markets (10.4 million euros).
The financial assets allocated to the L2 class, on the other hand, consist primarily of UCITSs not listed on regulated markets (30.0 million euros), including an interest in the Sicav SIF Tyndaris, a closed-end fund that invests in subordinated financial assets linked to the real estate market. In addition, the L2 portfolio includes bonds of Italian banks and banks of the main Eurozone countries (13.1 million euros) and derivative financial liabilities consisting solely of currency outrights, valued on the basis of observable market parameters.

In the reporting year, no significant transfers of financial assets were performed between class L1 and class L2.

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (level L3)

	FINANCIAL ASSETS		
	TRADING	AFS AT FAIR VALUE	AFS AT COST
1. Amount at year-start	**13,965**	**3,434**	**9,143**
2. Increases	**5**	**1,474**	**401**
2.1 Purchases	5	1,456	401
2.2 Gains through:			
2.2.1 Profit and loss	-	-	-
- *of which: capital gains*	-	-	-
2.2.2 Net equity	-	10	-
2.3 Transfers from other levels	-	8	-
2.4 Other increases	-	-	-
- *of which: business combinations*			
3. Decreases	**942**	**1,442**	**2,779**
3.1 Disposals	5	4	338
3.2 Redemptions	937	-	832
3.3 Losses through:			
3.3.1 Profit and loss	-	1,438	1,609
- *of which: capital losses*	-	*1,427*	*1,418*
3.3.2 Net equity	-	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Amount at year-end	**13,028**	**3,466**	**6,765**

L3 financial assets in the trading portfolio now consist only of the investment in the Quarzo 1 notes. These notes were created through the securitisation of residential mortgages (RMBSs) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund (Fondo Immobiliare Scarlatti), promoted by the Assicurazioni Generali Group, and were partially repaid during the year.

L3 financial assets in the AFS portfolio, amounting to 3.5 million euros, consist of:
> the investment in the private-equity special purpose entity Athena Private Equity (1.1 million euros), which became impaired in previous years and is currently in the course of liquidation and repayment;
> the equity interest in Veneto Banca (0.9 million euros), an unlisted cooperative bank acquired in 2011 and subject to a total impairment loss of 4.0 million euros (of which 1.4 million euro during the year), deemed to be impaired as a result of the extraordinary shareholders' meeting held in December 2015, which resolved to transform the bank into a joint-stock company and list it on the stock exchange;
> the new investment in the Luxembourg vehicle Algebris NPL Partnership S.C.S. (1.5 million euros), an alternative fund in the form of a partnership, subject to the AIFM Directive, specialised in investing in non-performing loans secured by quality real properties on the Italian market.

Some equity investments allocated to the AFS portfolio continued, on the other hand, to be measured at purchase cost in the absence of reliable estimates of fair value:
> the "minor investments" in companies with which the Bank has long-term service arrangements (CSE, GBS, Caricese, SWIFT, etc.) or commercial partnerships (Tosetti Value), for a total of 6.6 million euros;
> the contribution to the film production venture with Tyco Film S.r.l. to produce the film *Babylon Sisters*, on which filming is still under way, for the amount of 175 thousand euros.

A.4.5.4 Breakdown by fair-value levels of annual changes in assets and liabilities not measured at fair value on a recurring basis

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2015			
	BV	L1	L2	L3
1. HTM financial assets	423,586	457,593	13,220	-
2. Loans to banks	419,508	38,036	384,120	-
3. Loans to customers	1,922,020	28,313	1,086,842	814,781
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**2,765,114**	**523,942**	**1,484,182**	**814,781**
1. Due to banks	333,954	-	333,954	-
2. Due to customers	4,839,613	-	4,796,331	44,007
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	-	-	-	-
Total	**5,173,567**	**-**	**5,130,285**	**44,007**

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2014			
	BV	L1	L2	L3
1. HTM financial assets	1,403,123	1,438,225	14,106	-
2. Loans to banks	285,620	97,883	193,086	-
3. Loans to customers	1,794,959	34,671	1,042,657	760,646
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**3,483,702**	**1,570,779**	**1,249,849**	**760,646**
1. Due to banks	1,038,889	-	1,038,889	-
2. Due to customers	4,285,398	-	4,242,129	42,263
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	-	-	-	-
Total	**5,324,287**	**-**	**5,281,018**	**42,263**

Part A.5 - Disclosure about so-called “Day-one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.
In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.
It should be noted that no such cases occur in the Financial Statements in question.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS

Section 1 - Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

ITEMS/VALUES	31.12.2015	31.12.2014
a) Cash	13,889	12,450
b) Demand deposits with Central Banks	-	68,000
Total	**13,889**	**80,450**

Section 2 - Held-for-trading financial assets - Item 20

	31.12.2015			31.12.2014		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	**211**	**10,037**	**13,028**	**396**	**7,267**	**13,964**
1.1 Structured securities	-	9,886	-	-	6,239	-
1.2 Other debt securities	211	151	13,028	396	1,028	13,964
2. Equity securities	**1,331**	**-**	**-**	**1,243**	**-**	**1**
3. UCITS units	**635**	**2,233**	**-**	**-**	**6,147**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**2,177**	**12,270**	**13,028**	**1,639**	**13,414**	**13,965**
B. Derivatives						
1. Financial	**-**	**529**	**-**	**1,138**	**2,684**	**-**
1.1 Trading	-	529	-	1,138	2,684	-
1.2 Related to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**529**	**-**	**1,138**	**2,684**	**-**
Total (A + B)	**2,177**	**12,799**	**13,028**	**2,777**	**16,098**	**13,965**

Note
1. A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.

2.2 HFT financial assets: debtors/issuers

ITEMS/VALUES	31.12.2015	31.12.2014
A. Cash assets		
1. Debt securities	**23,276**	**21,627**
a) Governments and Central Banks	-	396
b) Other public institutions	-	-
c) Banks	10,138	7,266
d) Other issuers	13,138	13,965
2. Equity securities	**1,331**	**1,244**
a) Banks	-	1
b) Other issuers:	1,331	1,243
- insurance companies	775	655
- financial companies	-	-
- non-financial companies	556	588
- other entities	-	-
3. UCITS units	**2,868**	**6,147**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	**27,475**	**29,018**
B. Derivatives		
a) Banks	204	1,865
b) Customers	325	1,957
Total B	**529**	**3,822**
Total (A + B)	**28,004**	**32,840**

At 31 December 2015, UCITS units referred for 2.2 million euros to shares of BG Selection sub-funds and for 0.7 million euros to an ETF Lyxor fund index-linked to FTSE MIB. During the first half of 2015, the hedge instrument Finint was reimbursed.

Section 4 - Available-for-sale financial assets - Item 40

4.1 AFS financial assets: categories

	31.12.2015			31.12.2014		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
1. Debt securities	**2,889,693**	**3,016**	**-**	**2,184,209**	**-**	**-**
1.1 Structured securities	2,038	-	-	-	-	-
1.2 Other debt securities	2,887,655	3,016	-	2,184,209	-	-
2. Equity securities	**8,427**	**-**	**8,773**	**7,734**	**-**	**12,577**
2.1 Valued at fair value	8,427	-	2,008	7,734	-	3,434
2.2 Valued at cost	-	-	6,765	-	-	9,143
3. UCITS units	**-**	**27,844**	**1,458**	**-**	**30,888**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,898,120**	**30,860**	**10,231**	**2,191,943**	**30,888**	**12,577**

Notes
1. A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.
2. Item “Debt securities” includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 304,153 thousand euros.

4.2 AFS financial assets: debtors/issuers

ITEMS/VALUES	31.12.2015	31.12.2014
1. Debt securities	**2,892,709**	**2,184,209**
a) Governments and Central Banks	2,594,480	1,995,244
b) Other public institutions	-	-
c) Banks	213,540	148,487
d) Other issuers	84,689	40,478
2. Equity securities	**17,200**	**20,311**
a) Banks	2,274	3,444
b) Other issuers:	14,926	16,867
- insurance companies	782	783
- financial companies	2,509	2,913
- non-financial companies	11,628	13,164
- other entities	7	7
3. UCITS units	**29,302**	**30,888**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**2,939,211**	**2,235,408**

Notes

1. The portfolio of equity securities includes investments, for 6,588 thousand euros, that fall within the category of the so-called "minor equity investments" and which are not usually traded, largely related to service agreements concluded by the Group (CSE, GBS Tosetti Value Sim, Caricese, SWIFT, etc.). In the absence of reliable estimates of fair value, those interests are measured at cost.
2. In 2015, the residual 15% investment in Simgenia (303 thousand euros), a subsidiary of the Assicurazioni Generali Group, was sold generating a loss of 191 thousand euros.
3. An impairment loss in the amount of 1,418 thousand euros was recognised on the capital contribution of 2,250 thousand euros made at the end of 2014 to the joint venture formed to produce the movie "Le leggi del Desiderio", based on box office results achieved by the movie. The residual amount of the capital contribution was fully reimbursed through film's income. Moreover, the tax credit of 840 thousand euros accrued was recognised among other net operating income.
   At the end of the year another joint venture was formed with Tyco Film S.r.l., with a capital contribution amounting to 176 thousand euros at 31 December 2015, to produce the movie "Babylon Sisters" in the first half of 2015. This capital contribution was also recognised at cost.
3. The UCITS portfolio includes 19,096 thousand euros related to an interest of about 8% in Tyndaris European Commercial Real Estate sa (TEREF), an alternative fund under Luxembourg law, which through a master/feeder fund invests in financial instruments linked to the European business real estate market, particularly in mezzanine instruments.
   The remaining portion of the UCITS portfolio is comprised for 3,925 thousand euros of sub-funds of the Group's Sicav BG Selection Sicav and for 4,823 thousand euros of units of the Luxembourg Sicav SIF BNP Flexi III — which specialises in investments in leveraged loans — purchased during the year.
   Moreover, during the year the interest in the Luxembourg vehicle Algebris increased (1,458 thousand euros).

Section 5 - Held-to-maturity financial assets - Item 50

5.1 HTM financial assets: categories

	31.12.2015				31.12.2014			
		FV				FV		
TYPE OF TRANSACTIONS/VALUES	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
1. Debt securities	**423,586**	**457,593**	**13,220**	**-**	**1,403,123**	**1,438,225**	**14,106**	**-**
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	423,586	457,593	13,220	-	1,403,123	1,438,225	14,106	-
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**423,586**	**457,593**	**13,220**	**-**	**1,403,123**	**1,438,225**	**14,106**	**-**

Notes
1. A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.
2. Held-to-maturity financial assets underwent analytical impairment testing but they were not found to be impaired. The portfolio is also hedged by a collective reserve established to cover contingent losses (regarding exclusively the non-governmental portfolio) for a total amount of 3,015 thousand euros.

5.2 Held-to-maturity financial assets: debtors/issuers

ITEMS/VALUES	31.12.2015	31.12.2014
1. Debt securities	**423,586**	**1,403,123**
a) Governments and Central Banks	363,836	1,354,154
b) Other public institutions	-	-
c) Banks	10,037	31,478
d) Other issuers	49,713	17,491
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**423,586**	**1,403,123**
Total (fair value)	**470,813**	**1,452,331**

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2015 BV	31.12.2014 BV
A. Loans to Central Banks	**139,213**	**45,891**
1. Term deposits	-	-
2. Mandatory reserve	139,213	45,891
3. Repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	**280,295**	**239,729**
1. Loans:	163,802	91,626
1.1 Current accounts and demand deposits	163,217	91,453
1.2 Term deposits	83	83
1.3 Other:	502	90
- Repurchase agreements	-	-
- Finance lease	-	-
- Other	502	90
2. Debt securities:	116,493	148,103
2.1 Structured securities	5,132	-
2.2 Other debt securities	111,361	148,103
Total (book value)	**419,508**	**285,620**
Total (fair value)	**422,156**	**290,969**

TYPE OF TRANSACTIONS/VALUES	31.12.2015				31.12.2014			
		FV				FV		
	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
A. Loans to Central Banks	**139,213**	**-**	**139,213**	**-**	**45,891**	**-**	**45,891**	**-**
B. Loans to banks	**280,295**	**38,036**	**244,907**	**-**	**239,729**	**97,883**	**147,195**	**-**
1. Loans	163,802	-	163,802	-	91,626	-	91,626	-
2. Debt securities	116,493	38,036	81,105	-	148,103	97,883	55,569	-
Total	**419,508**	**38,036**	**384,120**	**-**	**285,620**	**97,883**	**193,086**	**-**

Notes
1. A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.
2. A specific impairment test was conducted on debt portfolio classified among loans to banks but no impairment was detected. Moreover, a 3,925 thousand euros collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.

Breakdown of loans to banks - other loans and operating loans

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
Operating loans	195	90
Other - collateral margins	307	-
Total	**502**	**90**

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2015				31.12.2014			
			NON-PERFORMING LOANS				NON-PERFORMING LOANS	
	TOTAL	PERFORMING LOANS	PURCHASED	OTHER	TOTAL	PERFORMING LOANS	PURCHASED	OTHER
1. Loans	**1,872,945**	**1,839,740**	**-**	**33,205**	**1,759,614**	**1,719,167**	**-**	**40,447**
1.1 Current accounts	928,894	912,178	-	16,716	931,341	910,441	-	20,900
1.2 Repurchase agreements	-	-	-	-	-	-	-	-
1.3 Mortgages	781,665	765,183	-	16,482	693,619	678,101	-	15,518
1.4 Credit cards, personal loans	7	-	-	7	-	-	-	-
1.5 Finance lease	-	-	-	-	-	-	-	-
1.6 Factoring	-	-	-	-	-	-	-	-
1.7 Other loans	162,379	162,379	-	-	134,654	130,625	-	4,029
2. Debt securities	**49,075**	**49,075**	**-**	**-**	**35,345**	**35,345**	**-**	**-**
2.1 Structured securities	14,033	14,033	-	-	-	-	-	-
2.2 Other debt securities	35,042	35,042	-	-	35,345	35,345	-	-
Total (book value)	**1,922,020**	**1,888,815**	**-**	**33,205**	**1,794,959**	**1,754,512**	**-**	**40,447**

TYPE OF TRANSACTIONS/VALUES	31.12.2015				31.12.2014			
		FAIR VALUE				FAIR VALUE		
	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
1. Loans	1,872,945	-	1,065,241	814,781	1,759,614	-	1,040,137	760,646
2. Debt securities	49,075	28,313	21,599	-	35,345	34,671	2,520	-
Total (fair value)	**1,922,020**	**28,313**	**1,086,840**	**814,781**	**1,794,959**	**34,671**	**1,042,657**	**760,646**

Notes
1. Performing loans, that have not individually shown signs of impairment are tested for impairment on a collective basis in order to identify any impairment that has not yet become openly manifest. At 31 December 2015, the allocated collective reserve totalled 1,637 thousand euros.
2. A specific impairment test was conducted on debt portfolio classified among loans to customers and no impairment was detected. Moreover, a 764 thousand euros collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.
3. The share of pool loan, granted by the Bank to the company Investimenti Marittimi and classified at 31 December 2014 in the item 1.7 "Other (non-performing) loans" for 4,029 thousand euros, was sold during the year to the subsidiary Redoze Holding NV for a consideration of 2,820 thousand euros.
4. On 16 December 2015, a convertible loan amounting to 14.0 million euros issued by Tyndaris LLP — an English financial company specialising in fund management — was subscribed. The six-year loan includes an option to convert the shares of Tyndaris LLP upon expiry of the second year and upon final maturity for an amount not exceeding 2 million pound sterlings for each of the expiry dates and, in any event, up to a maximum amount equal to 9.9% of the share capital of said company. The loan provides for an interest of 3% for the first two years and subsequently of 7.5%. Provision is also made for an early repayment option by the issuer.
5. A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.

Breakdown of loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
Other grants and pooled funding	8,372	11,612
Operating loans	106,364	81,166
Sums advanced to Financial Advisors	36,294	30,545
Stock exchange interest-bearing daily margin	3,383	2,092
Interest-bearing caution deposits	661	388
Amounts to be collected	7,305	8,851
Total	**162,379**	**134,654**

Note
1. Sums advanced to Financial Advisors listed on the Register of Financial Advisors include non-performing positions for a net amount of 969 thousand euros, largely attributable to advances to former advisors who have left service due to a dispute or pre-dispute process.

7.2 Loans to customers: debtors/issuers

	31.12.2015				31.12.2014			
			NON-PERFORMING LOANS				NON-PERFORMING LOANS	
TYPE OF TRANSACTIONS/VALUES	TOTAL	PERFORMING LOANS	PURCHASED	OTHER	TOTAL	PERFORMING LOANS	PURCHASED	OTHER
1. Debt securities	**49,075**	**49,075**	**-**	**-**	**35,345**	**35,345**	**-**	**-**
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	2,497	2,497	-	-
c) Other issuers:	49,075	49,075	-	-	32,848	32,848	-	-
- non-financial companies	16,407	16,407	-	-	5,510	5,510	-	-
- financial companies	32,668	32,668	-	-	27,338	27,338	-	-
- insurance companies	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Loans	**1,872,944**	**1,839,740**	**-**	**33,204**	**1,759,614**	**1,719,167**	**-**	**40,447**
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-	-	-
c) Other issuers:	1,872,944	1,839,740	-	33,204	1,759,614	1,719,167	-	40,447
- non-financial companies	473,764	450,080	-	23,684	483,463	454,066	-	29,397
- financial companies	121,042	120,935	-	107	98,528	98,392	-	136
- insurance companies	20,920	20,920	-	-	11,821	11,821	-	-
- other	1,257,218	1,247,805	-	9,413	1,165,802	1,154,888	-	10,914
Total	**1,922,019**	**1,888,815**	**-**	**33,204**	**1,794,959**	**1,754,512**	**-**	**40,447**

Section 10 - Equity investments - Item 100

10.1 Equity investments: disclosure on type of relations

NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF RELATION	SHAREHOLDING		% OF VOTING RIGHTS
				INVESTOR COMPANY	% HELD	
A. Subsidiaries under common control						
B. Companies subject to significant influence						
1. IOCA Entertainment Limited	United Kingdom - London	United Kingdom - London	Associate company	Banca Generali	35%	35%

Reference is made to IOCA Entertainment Ltd., based in the United Kingdom, in which Banca Generali subscribed for a 35% interest, in the form of 3,500 shares with a par value of 1.00 pound sterling, for a total of 1,616,125 pound sterlings, equivalent to approximately 2.2 million euros at the acquisition date, 19 October 2015. In accordance with the Shareholders' Agreement, the company's Board of Directors is composed of three directors, one of whom is a representative of Banca Generali. The remaining 65% interest (6,500 shares) is held by the UK-based IOCA Ventures Ltd. (Jersey), which is entitled to appoint the other two directors.
The company is an e-commerce/social-networking start-up currently engaged in commercial development of an app for smartphones and tablets entitled 'Dishball'. The portion of loss for the year recognised by Banca Generali amounted to approximately 40 thousand euros and exchange differences on the interest arising from foreign currency totalled 8 thousand euros.

10.4 Non significant investments: accounting information

NAME	BOOK VALUE OF INVESTMENTS	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL REVENUES	PROFIT (LOSS) FROM OPERATING ACTIVITIES	PROFIT (LOSS) OF DISPOSAL GROUPS	NET PROFIT (LOSS) FOR THE YEAR (1)	OTHER INCOME COMPONENTS (2)	COMPREHENSIVE INCOME (3) = (1) + (2)
B. Companies subject to significant influence									
1. IOCA Entertainment Limited	2,152	2,140	105	-	-167	-	-166	-	-166
Total	**2,152**	**2,140**	**105**	**-**	**-167**	**-**	**-166**	**-**	**-166**

10.5 Equity investments: year changes

	31.12.2015	31.12.2014
A. Amount at year-start	**-**	**-**
B. Increases	**2,200**	**-**
B.1 Purchases	2,200	-
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**48**	**-**
C.1 Sales	-	-
C.2 Adjustments	48	-
C.3 Other changes	-	-
D. Amount at year-end	**2,152**	**-**
E. Total revaluations	**-**	**-**
F. Total adjustments	**48**	**-**

Section 12 - Property and equipment - Item 120

12.1 Operating assets: assets valued at cost

ASSETS/VALUES	31.12.2015	31.12.2014
1. Owned assets	**4,891**	**3,829**
a) Land	-	-
b) Buildings	-	-
c) Furniture	3,587	2,563
d) Electronic equipment	690	621
e) Other	614	645
2. Acquired under finance lease	**-**	**-**
a) Land	-	-
b) Buildings	-	-
c) Furniture	-	-
d) Electronic equipment	-	-
e) Other	-	-
Total	**4,891**	**3,829**

12.5 Operating assets: year changes

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Amount at year-start lorde	**-**	**-**	**17,511**	**5,141**	**7,775**	**30,427**
A.1 Total net impairment	-	-	14,948	4,520	7,130	26,598
A.2 Net amount at year-start	**-**	**-**	**2,563**	**621**	**645**	**3,829**
B. Increases	**-**	**-**	**1,713**	**337**	**266**	**2,316**
B.1 Purchases	-	-	1,713	337	266	2,316
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal value	-	-	-	-	-	-
B.4 Fair value positive change in:						-
a) Net equity	-	-	-	-	-	-
b) Profit and loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers of buildings held as investments	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
C. Decreases	**-**	**-**	**689**	**268**	**297**	**1,254**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	687	268	297	1,252
C.3 Adjustments for impairment in:						-
a) Net equity	-	-	-	-	-	-
b) Profit and loss	-	-	-	-	-	-
C.4 Fair value negative change in:						-
a) Net equity	-	-	-	-	-	-
b) Profit and loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:						
a) property and equipment held as investments	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	2	-	-	2
of which: business combinations	-	-	-	-	-	-
D. Net amount at year-end	**-**	**-**	**3,587**	**690**	**614**	**4,891**
D.1 Total net impairment	-	-	15,403	4,786	7,427	27,616
D.2 Gross amount at year-end	**-**	**-**	**18,990**	**5,476**	**8,041**	**32,507**
E. Valued at cost			**3,587**	**690**	**614**	**4,891**

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: categories

ASSETS/VALUES	31.12.2015 DEFINITE LIFE	31.12.2015 INDEFINITE LIFE	31.12.2015 TOTAL	31.12.2014 DEFINITE LIFE	31.12.2014 INDEFINITE LIFE	31.12.2014 TOTAL
A.1 Goodwill	-	66,065	66,065	-	66,065	66,065
A.2 Other intangible assets	22,158	-	22,158	23,900	-	23,900
A.2.1 Assets valued at cost:	22,158	-	22,158	23,900	-	23,900
a) internally generated intangible assets	-	-	-	-	-	-
b) other assets	22,158	-	22,158	23,900	-	23,900
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**22,158**	**66,065**	**88,223**	**23,900**	**66,065**	**89,965**

13.2 Intangible assets: year changes

		GOODWILL	OTHER INTANGIBLE ASSETS: INTERNALLY GENERATED: DEFINITE LIFE	OTHER INTANGIBLE ASSETS: INTERNALLY GENERATED: INDEFINITE LIFE	OTHER INTANGIBLE ASSETS: OTHER: DEFINITE LIFE	OTHER INTANGIBLE ASSETS: OTHER: INDEFINITE LIFE	TOTAL
A.	**Amount at year-start**	**66,065**	**-**	**-**	**49,311**	**-**	**115,376**
	A.1 Total net impairment	-	-	-	25,411	-	25,411
	A.2 Net amount at year-start	**66,065**	**-**	**-**	**23,900**	**-**	**89,965**
B.	**Increases**	**-**	**-**	**-**	**2,316**	**-**	**2,316**
	B.1 Purchases	-	-	-	2,316	-	2,316
	B.2 Increase of internal intangible assets	-	-	-	-	-	-
	B.3 Reversal value	-	-	-	-	-	-
	B.4 Fair value positive changes in:	-	-	-	-	-	-
	- Net equity	-	-	-	-	-	-
	- Profit and Loss	-	-	-	-	-	-
	B.5 Exchange gains	-	-	-	-	-	-
	B.6 Other changes	-	-	-	-	-	-
	of which: business combinations	-	-	-	-	-	-
C.	**Decreases**	**-**	**-**	**-**	**4,058**	**-**	**4,058**
	C.1 Sales	-	-	-	-	-	-
	C.2 Adjustments	-	-	-	4,058	-	4,058
	- Amortisation	-	-	-	4,058	-	4,058
	- Write-downs:	-	-	-	-	-	-
	- Net equity	-	-	-	-	-	-
	- Profit and Loss	-	-	-	-	-	-
	C.3 Fair value negative changes in:	-	-	-	-	-	-
	- Net equity	-	-	-	-	-	-
	- Profit and Loss	-	-	-	-	-	-
	C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
	C.5 Exchange losses	-	-	-	-	-	-
	C.6 Other changes	-	-	-	-	-	-
	of which: business combinations	-	-	-	-	-	-
D.	**Amount at year-end**	**66,065**	**-**	**-**	**22,158**	**-**	**88,223**
	D.1 Total net adjustments	-	-	-	29,469	-	29,469
E.	**Gross amount at year-end**	**66,065**			**51,627**		**117,692**
F.	**Valued at cost**	**66,065**	**-**	**-**	**22,158**	**-**	**88,223**

Breakdown of consolidated goodwill

(€ THOUSAND)	31.12.2015	31.12.2014
Prime Consult Sim e INA Sim	2,991	2,991
BG Fiduciaria Sim S.p.A.	4,289	4,289
Banca del Gottardo	31,352	31,352
Credit Suisse Italy	27,433	27,433
Total	**66,065**	**66,065**

Breakdown of intangible assets - other assets

	31.12.2015	31.12.2014
Charges associated with the implementation of legacy CSE procedures	2,056	1,610
Transactions with customers (former Banca del Gottardo)	1,907	2,860
Transactions with customers (former Credit Suisse Italia)	15,936	17,088
Other software costs	131	124
Other fixed assets and payments on account	2,128	2,218
Total	**22,158**	**23,900**

The consideration for the acquisition of the former Credit Suisse's business unit amounting to 44,712 thousand euros was allocated pursuant to IFRS 3 (PPA - Purchase Price allocation) for 17,280 thousand euros to intangible assets (Transactions with customers) and for 27,432 thousand euros to goodwill. The asset recognised for contractual relations on assets under management is the economic valuation of expected financial flows from this portfolio based on the profitability ratio and adequate impairment rates. A useful life of 15 years has been estimated for this asset.

Section 14 - Tax assets and liabilities - Item 140 (Assets) and Item 80 (Liabilities)

Breakdown of item 140 (Assets): tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
Current taxation	**21,547**	**2,180**
Sums due for taxes to be refunded	1,711	2,044
IRES arising on National Tax Consolidation scheme	16,458	-
IRES	125	136
IRAP	3,253	-
Deferred tax assets	**40,445**	**38,621**
With impact on profit and loss account	**39,536**	**37,946**
IRES	34,384	33,095
IRAP	5,152	4,851
With impact on net equity	**909**	**675**
IRES	816	630
IRAP	93	45
Total	**61,992**	**40,801**

Notes
1. Current tax assets and liabilities represent the net positive or negative imbalance between the estimated income taxes due for the year and the associated tax credits due to overpayments in previous tax periods, prepayments made and amounts withheld.
2. In the case of Banca Generali in particular, current tax assets and liabilities due to IRES take the form, respectively, of an account receivable from or payable to the consolidating company, Assicurazioni Generali S.p.A. Due to Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then calculates and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.
3. Sums due for taxes to be refunded refer mostly to the excess IRES paid in years 2007-2011 due to the effect of the introduction, in accordance with Law Decree No. 201/2011, of the deductibility from that tax of the share of IRAP paid on the cost of labour. The account receivable was recognised on the basis of the provisions of the Order of the Director of the Italian Revenue Service of 17 December 2012, which governs the methods for presenting refund applications, and also takes the form of a positive entry in Assicurazioni Generali's tax consolidation programme.

Breakdown of item 80 (Liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
Current taxation	**9,715**	**17,232**
IRES arising on National Tax Consolidation scheme	-	5,081
IRES and other income taxes	9,693	8,833
IRAP	22	3,318
Deferred tax liabilities	**12,860**	**10,380**
With impact on profit and loss account	**1,844**	**1,549**
IRES	1,657	1,445
IRAP	187	104
With impact on net equity	**11,016**	**8,831**
IRES	9,325	7,481
IRAP	1,691	1,350
Total	**22,575**	**27,612**

14.1 Breakdown of deferred tax assets

	31.12.2015	PURSUANT TO LAW NO. 214/2011	31.12.2014	PURSUANT TO LAW NO. 214/2011
With impact on profit and loss account	**39,536**	**11,495**	**37,946**	**13,012**
Previous fiscal losses	-	-	-	-
Provisions for liabilities and contingencies	27,777	-	24,589	-
Credit devaluation	3,143	3,143	3,094	3,076
Redeemed goodwill (pursuant to Article 15, para. 10, of Legislative Decree 185/08)	5,040	5,040	6,048	6,048
Consolidated goodwill of BG Fiduciaria (Article 15, para. 10-*ter*)	1,145	1,145	1,233	1,233
Redeemed goodwill (Article 176, para. 2-*ter* of TUIR)	1,379	1,379	1,379	1,379
Other goodwill	788	788	1,276	1,276
Collective reserve for collateral granted	130	-	149	-
Other	134	-	178	-
With impact on net equity	**909**	**-**	**675**	**-**
Measurement at fair value of AFS financial assets	568	-	308	-
Actuarial losses IAS 19	341	-	367	-
Total	**40,445**	**11,495**	**38,621**	**13,012**

Notes

1. The DTAs eligible for conversion into tax credits pursuant to Law No. 214/2011 include:
   a) assets associated with redeemed goodwill in accordance with Article 10 of Legislative Decree No.185/08 and Article 172 of TUIR;
   b) assets related to goodwill recognised for tax purposes but not for accounting purposes as they refer to business combinations "under common control" (Circular Letter Assonime No. 33/2013, paragraph 3.3.2);
   c) assets associated with write-downs in excess of 0.30% of the banking portfolio, pursuant to Article 106, para. 3 of TUIR, in the version effective until 2012 (previously eligible for deduction over 18 years on a straight-line basis);
   d) assets associated with write-downs of loans to customers recognised in the financial statements in accordance with Article 106, paragraph 3, as reformulated by the 2014 Financial Stability Law applicable for financial years 2013 and 2014 (formerly deductible in the financial year of reference and in the following four years using the straight-line method);
   e) assets related to 25% of value adjustments of loans operated in 2015 pursuant to new Article 106, paragraph 3, introduced by Law Decree No. 83 of 27 June 2015.

   The above-mentioned Law Decree No. 83/2015 made effective the full deductibility of value adjustments of loans in the year in which they are recognised and changed the deductibility percentages of prior write-downs yet to be deducted at 31 December 2014 (and by 25% of value adjustments for 2015). It also envisages a ten-year time horizon — from 2016 to 2025 — with variable annual rates for total repayment.

   The 2015 Financial Stability Law (Law No. 305 of 28 December 2015) provided for a general decrease of the ordinary IRES rate from 27.5% to 24% effective 1 January 2017. However, for the credit sector alone, a 4.5% IRES surtax too was introduced in parallel, applicable as of the same date and essentially aimed at allowing for the recovery of extensive DTAs accrued by the banking industry. Due to the combined effect of these two measures, no value adjustment was made on DTAs/DTLs to adjust the tax rates.

14.2 Breakdown of deferred tax liabilities

	31.12.2015	31.12.2014
With impact on Profit and Loss Account	**1,844**	**1,549**
Capital gains by instalments from the transfer of the funds business unit	281	563
Provision for termination indemnity	155	155
Goodwill	1,408	831
With impact on Net equity	**11,016**	**8,831**
Measurement at fair value of AFS financial assets	11,016	8,831
Total	**12,860**	**10,380**

14.3 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	31.12.2015	31.12.2014
1. Amount at year-start	**37,946**	**33,687**
2. Increases	**16,212**	**15,321**
2.1 Deferred tax assets for the year	16,212	15,263
a) relative to prior years	215	245
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	15,997	15,018
2.2 New taxes or increases in tax rates	-	58
2.3 Other increases:	-	-
of which:		
- *adjustment of prepaid taxes for the National Tax Consolidation scheme*	-	-
- *business combinations*	-	-
3. Decreases	**14,622**	**11,062**
3.1 Deferred tax assets eliminated in the year:	14,622	11,062
a) transfers	14,239	10,542
b) write-downs for non-recoverability	383	520
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	-	-
a) conversion in tax credits pursuant to Law No. 214/2011	-	-
b) other:	-	-
of which:		
- *reclassified to assets for the National Tax Consolidation scheme*	-	-
- *business combinations*	-	-
4. Amount at year-end	**39,536**	**37,946**

14.3.1 Change in deferred tax assets pursuant to Law No. 214/2011 (offsetting entry to the Profit and Loss Account)

	31.12.2015	31.12.2014
1. Amount at year-start	**13,012**	**11,617**
2. Increases	**66**	**3,965**
of which: business combinations	-	-
3. Decreases	**1,583**	**2,570**
3.1 Transfers	1,583	2,311
3.2 Conversion into tax credits:	-	-
a) due to losses for the year	-	-
b) due to fiscal losses	-	-
3.3 Other decreases	-	259
4. Amount at year-end	**11,495**	**13,012**

At 31 December 2015, the item 2. "Increases" referred to 25% of receivable write-downs pursuant to Article 106, paragraph 3, of TUIR (2,202 thousand euros in 2014). During the previous year, the DTAs for 1,763 thousand euros on the goodwill of former BGSGR arising on the acquisition of the business unit of former GAM in 2005, which were previously classified among non material DTAs for transformation purposes (Circular Assonime 33/2013 paragraph 3.3.2), were also recognised. The goodwill refers to a business combination in which the bank acquired control of the acquiree but which has been recognised as a business operation under common control under the IASs/IFRSs, and is relevant for tax and not accounting purposes.

14.4 Change in deferred tax liabilities (offsetting entry to the Profit and Loss Account)

	31.12.2015	31.12.2014
1. Amount at year-start	**1,549**	**2,035**
2. Increases	**576**	**128**
2.1 Deferred tax liabilities for the year:	576	128
a) relative to prior years	20	-
b) change in accounting criteria	-	-
c) other	556	128
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
of which: business combinations	-	-
3. Decreases	**281**	**614**
3.1 Deferred tax liabilities eliminated during the year:	281	614
a) transfers	281	281
b) change in accounting criteria	-	-
c) other	-	333
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**1,844**	**1,549**

14.5 Changes in deferred tax assets (offsetting entry to the Net Equity)

	31.12.2015	31.12.2014
1. Amount at year-start	**675**	**1,106**
2. Increases	**363**	**574**
2.1 Deferred tax assets for the year:	363	574
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	363	574
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**129**	**1,005**
3.1 Deferred tax assets eliminated in the year:	129	728
a) transfers	129	728
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	277
4. Amount at year-end	**909**	**675**

The item 3.3 “Other decreases” refers to the reduction in deferred tax assets following the re-absorption of deductible temporary differences as a result of reversals of assets in the AFS portfolio.

14.6 Changes in deferred tax liabilities (offsetting entry to the Net Equity)

	31.12.2015	31.12.2014
1. Amount at year-start	**8,831**	**3,417**
2. Increases	**8,299**	**8,284**
2.1 Deferred tax liabilities for the year:	8,299	8,284
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	8,299	8,284
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**6,114**	**2,870**
3.1 Deferred tax liabilities eliminated during the year:	5,480	2,870
a) transfers	5,480	2,870
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	634	-
4. Amount at year-end	**11,016**	**8,831**

The item 3.3 “Other decreases” refers to the reduction in deferred tax liabilities following the re-absorption of taxable temporary differences as a result of value adjustments of assets in the AFS portfolio.

Section 16 - Other assets - Item 160

16.1 Breakdown of other assets

	31.12.2015	31.12.2014
Fiscal items	**61,480**	**36,400**
Advances paid to fiscal authorities - current account withholdings [1]	1,304	1,524
Advances paid to fiscal authorities - stamp duty [1]	35,207	16,973
Sums due from fiscal authorities for advances on capital gains	22,064	16,109
Excess payment of substitute tax for tax shield	634	634
Fiscal Authorities/VAT	209	447
Sums due from fiscal authorities for taxes to be refunded - other	273	89
Other sums due from fiscal authorities	1,789	624
Leasehold improvements	**3,798**	**1,228**
Sundry advances to suppliers and employees	**4,375**	**12,460**
Operating loans not related to financial transactions	**190**	**671**
Cheques under processing	**18,414**	**17,161**
C/a cheques drawn on third parties under processing	1,040	188
Our c/a cheques under processing c/o service	11,307	10,321
Cheques - other amounts under processing	6,067	6,652
Other amounts to be debited under processing	**17,708**	**19,298**
Amounts to be settled in the clearing house (debits)	1,896	279
Clearing accounts for securities and funds procedure	15,224	16,866
Other amounts to be debited under processing	588	2,153
Amounts receivable for legal disputes related to non-credit transactions	**3,502**	**4,094**
Trade receivables from customers and banks that cannot be traced back to specific items	**29,333**	**27,287**
Other amounts	**73,741**	**54,643**
Prepayments for the new supplementary fees for FAs	68,835	50,670
Prepayments of exclusive portfolio management fees	1,697	2,363
Other accrued income and deferred charges	3,107	1,607
Sundry amounts	102	3
Total	**212,541**	**173,242**

(1) Receivables from fiscal authorities for withholdings on current accounts and stamp duty represent the positive unbalance between payments on account and the related payable to fiscal authorities.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET - LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
1. Due to Central Banks	**-**	**811,645**
2. Due to banks	**333,954**	**227,244**
2.1 Current accounts and demand deposits	1,393	5,409
2.2 Term deposits	5,261	6,792
2.3 Loans:	303,927	200,734
2.3.1 Repurchase agreements	303,927	200,734
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	23,373	14,309
Total	**333,954**	**1,038,889**
Fair value - L1	-	-
Fair value - L2	333,954	1,038,889
Fair value - L3	-	-
Total (fair value)	**333,954**	**1,038,889**

Notes
1. At 31 December 2014, the item “Due to central banks” referred to a LTRO entered into in 2012 and repaid in February 2015.
2. The item “Other debts” refers for 23,361 thousand euros to deposits made by BSI SA as a guarantee for some non-performing exposures, arising on the acquisition of Banca del Gottardo Italia (collateral deposits).

Section 2 - Due to customers - Item 20

2.1 Due to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
1. Current accounts and demand deposits	4,655,750	4,090,696
2. Term deposits	-	-
3. Financing	43,283	51,312
3.3.1 Repurchase agreements	-	-
3.3.2 Other	43,283	51,312
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other debts	140,580	143,390
Total	**4,839,613**	**4,285,398**
Fair value - L1	-	-
Fair value - L2	4,796,331	4,242,129
Fair value - L3	44,007	42,263
Total (fair value)	**4,840,338**	**4,284,392**

Notes
1. The item 5 “Other debts” refers for 51,020 thousand euros to the stock of money orders issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, other amounts available to customers and, for the remaining amount, to trade payables to the sales network.
2. The item 3.2 “Other” amounted to 43,282 thousand euros, referring entirely to the subordinated loans illustrated in the following table 2.2.

2.2 Due to customers: subordinated debts

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
Due to customers: subordinated debts	**43,282**	**51,312**
Generali Versicherung subordinated loan	-	8,058
Generali Beteiligungs GmbH subordinated loan	43,282	43,254

The outstanding subordinated loan in the amount of 43 million euros was entered into with the German company Generali Beteiligungs GmbH to fund the acquisition of the Credit Suisse (Italia) S.p.A. business unit. The loan, entered into on 30 October 2014, has a ten-year term and is repayable on maturity in one instalment. Provision is also made for an early repayment option, as from the sixth year, subject to the supervisory authority’s prior approval. The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year the rate will be reparameterised to the 3-month Euribor, plus the same spread identified when the original fixed rate was determined. The loan is subordinated in the event of a default by the bank.

During the year, the subordinated loan in the amount of 40 million euros granted by the German subsidiary insurance company Generali Versicherung AG to the merged company Banca BSI Italia S.p.A. was fully reimbursed. The said loan, under the contractual form known as Schuldschein (loan), provided for a repayment schedule that called for five annual instalments, the fifth of which paid on 1 October 2015, and an interest rate equal to the 12-month Euribor plus 225 basis points. The loan was subordinated in the event of a default by the Bank.

Section 4 - Financial liabilities held for trading - Item 40

4.1 HFT financial liabilities: categories

	31.12.2015 - FV					31.12.2014 - FV				
TYPE OF TRANSACTIONS/VALUES	NV	L1	L2	L3	FV (*)	NV	L1	L2	L3	FV (*)
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds:	-	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	X	-	-	-	-	X
3.1.2 other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities:	-	-	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	X	-	-	-	-	X
3.2.2 other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial	-	-	463	-	-	-	-	2,655	-	-
1.1 Trading	X	-	463	-	X	X	-	2,655	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	-	X	-	-	-	-
2. Credit	-	-	-	-	-	-	-	-	-	-
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**463**	**-**		**X**	**-**	**2,655**	**-**	**-**
Total (A + B)	**X**	**-**	**463**	**-**		**X**	**-**	**2,655**	**-**	**-**

(*) FV *: fair value measured without taking account of issuer's credit merit changes compared to issue date.

Section 8 - Tax liabilities - Item 80

Breakdown of tax liabilities - Item 80

Section 14 (Assets) provides an analysis.

Section 10 - Other liabilities - Item 100

10.1 Breakdown of other liabilities

	31.12.2015	31.12.2014
Trade payables	**31,521**	**32,894**
Due to suppliers	30,227	29,771
Due for payments on behalf of third parties	1,294	3,123
Due to staff and social security institutions	**17,075**	**16,075**
Due to staff for accrued holidays etc.	3,906	3,669
Due to staff for productivity bonuses to be paid out	6,911	7,541
Contributions to be paid to social security institutions	2,738	2,164
Contributions to advisors to be paid to Enasarco	3,520	2,701
Tax authorities	**22,624**	**29,362**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	4,648	4,193
Withholding taxes to be paid to tax authorities on behalf of customers	8,066	8,405
Notes to be paid into collection services	8,549	16,764
VAT payable	902	-
Tax payables - other (stamp and substitute tax on medium/long term loans)	459	-
Amounts to be debited under processing	**88,405**	**66,590**
Bank transfers, cheques and other sums payable	4,270	17,240
Amounts to be settled in the clearing house (credits)	25,608	34,212
Liabilities from reclassification of portfolio subject to collection (SBF)	1,074	601
Other amounts to be debited under processing	57,453	14,537
Sundry items	**3,563**	**4,849**
Accrued expenses and deferred income that cannot be traced back to specific items	1,023	1,443
Sums made available to customers	759	909
Sundry items	978	1,346
Amounts to be credited	330	608
Payables for non-performing signature loans	473	543
Total	**163,188**	**149,770**

Note
1. Based on the instructions included in Circular Letter No. 262/05, write-downs for non-performing signature loans are commonly recognised among other liabilities. At 31 December 2015, this item referred only to the collective reserve for performing signature loans.

Section 11 - Provisions for termination indemnity - Item 110

11.1 Provisions for termination indemnity: year changes

	31.12.2015	31.12.2014
A. Amount at year-start	**5,250**	**4,585**
Change in the opening balance	**-**	**-**
B. Increases	**90**	**803**
B.1 Provisions for the year	90	168
B.2 Other increases	-	635
of which: business combinations	-	*18*
C. Decreases	**451**	**138**
C.1 Amounts paid	355	137
C.2 Other decreases	96	1
of which: business combinations	-	-
D. Amount at year-end	**4,889**	**5,250**

11.2 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of the employment, in accordance with IAS 19.
The provision was measured based on the actuarial value using the methods described in Part A.2 of these Notes and Comments.
The following are the main actuarial assumptions and the breakdown of the provision for the year and of actuarial gains/(losses):

	31.12.2015	31.12.2014
Discount rate	1.71%-1.8%	1.53%
Annual inflation rate	1.50%	1.50%
Salary increase rate	1.50%	1.50%
Average duration (years)	9-11	11

	31.12.2015	31.12.2014
1. Provisions:	90	168
- current service cost	21	17
- interest cost	69	151
2. Actuarial gains and losses:	-96	635
- based on financial assumptions	-126	777
- based on actuarial demographic assumptions	30	-142
Total provisions for the year	**-6**	**803**
Actuarial value	**4,889**	**5,250**
Value calculated re. Article 2120 of the Italian Civil Code	**4,869**	**5,097**

Section 12 - Provisions for liabilities and contingencies - Item 120

12.1 Breakdown of provisions for liabilities and contingencies

ITEMS/COMPONENTI	31.12.2015	31.12.2014
1. Company provisions for pensions	-	-
2. Other provisions for liabilities and contingencies	**114,537**	**94,355**
2.1 Litigation	16,029	14,820
2.2 Staff	20,772	11,919
2.3 Other	77,736	67,616
Total	**114,537**	**94,355**

Breakdown of other provisions for liabilities and contingencies

	31.12.2015	31.12.2014
Provision for staff expenses	**20,772**	**11,919**
Provision for restructuring plan	10,170	-
Provision for staff expenses - other	10,602	11,919
Provision for legal disputes	**16,029**	**14,820**
Provision for risks related to litigations connected with sales network's embezzlements	11,338	10,471
Provision for risks related to legal disputes with sales network	1,811	1,525
Provision for risks related to legal disputes with staff	779	739
Provision for other legal disputes	2,101	2,085
Provision for termination indemnity of Financial Advisors	**41,424**	**26,731**
Provision for termination indemnity of sales network	31,996	20,978
Provision for portfolio overfee indemnities	2,403	2,009
Provisions for pension bonuses for financial advisors	7,025	3,744
Provisions for risks related to network incentives	**33,457**	**37,060**
Provision for network development plans	15,909	15,415
Provision for deferred bonus	1,247	4,434
Provisions for managers with access gate	3,849	3,574
Provision for sales incentives	5,592	2,691
Provision for travel incentives	2,631	2,601
Provision for other fee plans	336	348
Provision for loyalty programme	3,893	7,997
Other provisions for liabilities and contingencies	**2,855**	**3,825**
Total	**114,537**	**94,355**

12.2 Provisions for liabilities and contingencies: year changes

ITEMS/COMPONENTI	PROVISIONS FOR PENSIONS	OTHER PROVISIONS	TOTAL
A. Amount at year-start	**-**	**94,355**	**94,355**
B. Increases	**-**	**62,267**	**62,267**
B.1 Provisions for the year	-	62,267	62,267
B.2 Other increases	-	-	-
C. Decreases	**-**	**42,085**	**42,085**
C.1 Use in the year	-	31,399	31,399
C.2 Other decreases	-	10,686	10,686
D. Amount at year-end	**-**	**114,537**	**114,537**

Provisions for liabilities and contingencies: details of movements

	31.12.2014	OTHER CHANGES	USES	SURPLUS	PROVISIONS	31.12.2015
Provision for staff expenses	**11,919**	**-**	**-5,708**	**-3,479**	**18,040**	**20,772**
Provision for restructuring plan	-	-	-	-	10,170	10,170
Provision for staff expenses - other	11,919	-	-5,708	-3,479	7,870	10,602
Provision for legal disputes	**14,820**	**-**	**-1,454**	**-577**	**3,240**	**16,029**
Provision for risks related to litigations connected with sales network's embezzlements	10,471	-	-539	-390	1,796	11,338
Provision for risks related to legal disputes with sales network	1,525	-	-300	-48	634	1,811
Provision for risks related to legal disputes with staff	739	-	-	-	40	779
Provision for other legal disputes	2,085	-	-615	-139	770	2,101
Provision for termination indemnity of Financial Advisors	**26,731**	**-**	**-269**	**-1,117**	**16,079**	**41,424**
Provision for termination indemnity of sales network	20,978	-	-233	-1,032	12,283	31,996
Provision for portfolio overfee indemnities	2,009	-	-1	-48	443	2,403
Provisions for pension bonuses for financial advisors	3,744	-	-35	-37	3,353	7,025
Provisions for risks related to network incentives	**37,060**	**-**	**-22,992**	**-5,489**	**24,878**	**33,457**
Provision for network development plans	15,415	-	-10,547	-4,320	15,361	15,909
Provision for deferred bonus	4,434	-	-2,789	-681	283	1,247
Provisions for managers with access gate	3,574	100	-1,230	-	1,405	3,849
Provision for sales incentives	2,691	-100	-1,828	-	4,829	5,592
Provision for fees - travel incentives	2,601	-	-2,466	-135	2,631	2,631
Provision for fee plans	348	-	-348	-	336	336
Provision for loyalty programme	7,997	-	-3,784	-353	33	3,893
Other provisions for liabilities and contingencies	**3,825**	**-**	**-976**	**-24**	**30**	**2,855**
Total	**94,355**	**-**	**-31,399**	**-10,686**	**62,267**	**114,537**

12.4 Provisions for liabilities and contingencies - other provisions

12.4.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:
> the share of the variable compensation of managers of the Banking group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's Remuneration policy;
> allocations to the provision for Relationship Managers (RM) recruitment plans, valued also based on the specific contractual conditions agreed upon and on the probability to achieve the net inflow targets set;
> allocations for post-employment medical benefits of Group's executives, valued using the actuarial method pursuant to IAS 19;
> the provision related to the performance bonus, if at the balance sheet date the company supplementary contract (CIA) has expired or has not been renewed yet.

The above-mentioned provisions have as their balancing entries staff expenses.
Provisions for staff expenses also include, to a lesser extent, provisions outside the scope of IAS 19 but for which IAS 37 applies and that have therefore as their balancing entries net provisions for liabilities and contingencies.

12.4.2 Restructuring provisions– Redundancy incentives plan

At year-end, as part of a company restructuring plan aimed at bringing the banking group's organisational structure into line with the new strategic objectives and adjusting the set of professional and managerial skills possessed by the bank's current collaborators, a voluntary redundancy plan was launched for employees nearest to retirement age, resulting in an estimated total charge of approximately 10.2 million euros.
The incentive plan, presented to union representatives at the end of 2015 and followed by individual meetings with employees, has thus far met with strong approval from those affected.

12.4.3 Provisions for legal disputes

This type of provisions for risks includes provisions for pending litigations connected with sales network's embezzlements after insurance coverage, as well as those with disputes currently underway with the sales network and employees and other legal and extra-legal disputes with customers and other entities.

12.4.4 Provisions for contractual indemnities for the sales network

These include provisions for termination indemnities paid to the sales network, the portfolio development indemnity and the social-security bonus.

Provisions covering the cost of the termination indemnity of Financial Advisors with an agency agreement is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments.
The expense associated with obligations extant at period-end relating to Financial Advisors is valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions:

TERMINATION INDEMNITY	31.12.2015	31.12.2014
Discount rate (Eur IRS + 200 bps)	3.0%	3.5%
Turnover rate (professionals)	1.59%	1.65%
Average duration (years)	15 years	18 years
DBO IAS 37/Indemnity provision at the measurement date	48.7%	38.2%

The ratio between Deferred benefit obligations (DBO) at nominal value of the accrued obligation towards Financial Advisors is given using the value of the provision after one-off deductions related to seniority.
The increase in the provision for termination indemnities accrued by Financial Advisors during the year was mainly due to basic fees as a result of the increase in the number of active Financial Advisors and the ongoing development of activities, the reduction in discounting and the adjustment of demographic parameters, both statistical and statutory (adjustment of retirement age as per Fornero Law).
Moreover, a sensitivity analysis highlights the changes that would be caused by a +/-0.50% variation in discounting rates:

(€ THOUSAND)	BASE (3.0%)	SENSITIVITY (3.5%)	SENSITIVITY (2.5%)
IFR	31,235	29,189	33,035
Change		-2,046	+1,900

A specific measurement is made for Financial Advisors who have left service.
The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 3.0 million euros, is still based on the payment criteria established by the previous employer and was recognised as a debt payable to the acquired sales network. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The portfolio development indemnity is instead a scheme (further details are provided in Part A.2 of the Notes and Comments that calls for Financial Advisors with at least five years of service who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reallocation of the latter.
The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank — equal to 25% of the total indemnity — in the event of termination for death or permanent disability.
Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the bank's residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

Finally, the "**pension bonus**" is a component of the sales network's indemnity plans, which entails the yearly provision of an amount based on the achievement of pre-set sales objectives and to be paid only upon final termination for retirement or permanent disability.
The actuarial method is used also for this type of evaluation.

12.4.5 Provisions for sales network incentives

This aggregate includes:
> the estimate of the charges accrued in relation with several recruitment plans for middle-term expansion of managed portfolios. These plans envisage different kinds of incentives (entry bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence in the company for one or more years (up to 5 or 7 years);
> the share of network managers' annual incentives deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's remuneration policy;
> the share of annual incentives (particular transactions), contingent upon the maintenance over time of the inflow targets achieved;
> provisions for incentive plans based on the network's performance for the period, including the BG Premier Club trip and other special fee plans (supplementary allowances, stabilisers, target-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuous service on the network or the achievement of sales targets.

In 2014, provisions were also made, for 8.0 million euros, for the Fidelity plan agreed upon with Financial Advisors of the former Credit Suisse business unit, intended to facilitate their inclusion in Banca Generali's sales structure and for loyalty-building purposes. This provision entails the payment of incentives in two annual tranches at the end of 2015 and 2016, provided the FAs are still part of Banca Generali's network. The first tranche amounting to 3.8 million euros was paid in December 2015.

12.4.6 Other provisions for liabilities and contingencies

Lastly, other provisions for liabilities and contingencies include provisions made at the end of 2013 to cover the tax dispute (2.7 million euros), as well as other provisions for operating risks.

Tax disputes

With reference to the tax dispute, provisions refer to the tax audit of the parent company, Banca Generali, pertaining to tax year 2010 carried out by the Italian Agency of Revenue, Friuli Venezia Giulia Regional Department, and completed in July 2013. A single assessment audit has been served thus far in relation to this audit, in the amount of 56 thousand euros, and with reference to the substitute tax on bonuses. The alleged irregularities presented by the revenue authorities in the auditors' report on findings served upon the conclusion of the audit primarily centre on the applicability of the VAT exemption to a financial brokerage transaction and have been accounted for by provisioning prudentially in view of the authorities' possible claims.
The tax dispute would have ordinarily become statute-barred as at 31 December 2015. At year-end, the conditions for the extension to twice the normal audit term were deemed to have been satisfied as a result of the notice served to the Courts. Such notice however was already dismissed at the beginning of 2014.

On 30 July 2015, the Rome Special Tax Police Unit of the Italian Finance Police initiated an audit concerning several financial transactions undertaken by the Bank in 2010 and 2011 in its trading of derivative financial instruments on Italian equities traded on regulated markets. As of the 2015 balance sheet date, the audit process was still ongoing and no notice of any alleged irregularities has been received.

Section 15 - Group net equity - Items 140, 160, 170, 180, 190, 200 and 220

15.1 Breakdown of capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (€)	BOOK VALUE (€ THOUSAND)
Share capital				
- Ordinary shares	1.00	116,092,599	116,092,599	116,093
Treasury shares				
- Ordinary shares	1.00	-97,177	-97,177	-2,555
Total		**115,995,422**	**115,995,422**	**113,538**

15.2 Capital - Number of Shares of the Parent Company: year changes

ITEMS/TIPOLOGIE	ORDINARY	OTHER
A. Existing shares at year-start	**115,677,077**	**-**
Paid up	115,677,077	-
Partially paid	-	-
A.1 Treasury shares (-)	-10,071	-
A.2 Outstanding shares: at year-start	**115,667,006**	**-**
B. Increases	**416,629**	**-**
B.1 Newly issued shares:		
- against payment:	415,522	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrant	415,522	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	1,107	-
B.3 Other changes	-	-
C. Decreases	**-88,213**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-88,213	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	**115,995,422**	**-**
D.1 Treasury shares (+)	97,177	-
D.2 Existing shares at year-end	**116,092,599**	**-**
- paid up	116,092,599	-
- partially paid	-	-

15.3 Capital: further information

At the reporting date, the share capital of the Bank consisted of 116,092,599 ordinary shares of 1 euro each, with regular dividend entitlement, and was fully paid up.
During the year, as a result of the exercise of options within the stock option plans reserved for Financial Advisors, 415,522 newly issued shares were issued, for a total of 416 thousand euros.

15.4 Income reserves: further information

	31.12.2014	PROFIT ALLOCATION DIVIDEND DISTRIBUTION	PURCHASE OF OWN SHARES	STOCK OPTION PLANS	ISSUE OF NEW SHARES	STOCK GRANT PLANS	OTHER CHANGES	31.12.2015
Legal reserve	23,081	70	-	-	-	-	-	23,151
Restricted reserve for treasury shares	41	-	2,514	-	-	-	-	2,555
Restricted reserve for shares of the Parent Company	1,058	-	-	-	-	-	-6	1,052
Unrestricted reserve	1,016	-	-1,022	-	-	-	6	-
Contribution to stock grant Assicurazioni Generali	2,114	-	-	-	-	2,312	-	4,426
Share-based payments reserve (IFRS 2)	1,596	-	-	1,740	-520	-	-507	2,309
Share-based payments reserve (IFRS 2) - plans ended	-	-	-	-	-	-	507	507
Reserve from income (loss) carried forward - Parent Company	59,202	53,958	-1,492	-	-	-	-	111,668
Reserve from income (loss) carried forward - consolidated	104,391	-6,555	-	-	-	-	-	97,836
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	-	3,710
Total	**196,209**	**47,473**	**-**	**1,740**	**-520**	**2,312**	**-**	**247,214**

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Other information

1. Guarantees issued and commitments

TRANSACTION	31.12.2015	31.12.2014
1) Financial guarantees issued	**84,460**	**62,324**
a) Banks	-	249
b) Customers	84,460	62,075
2) Commercial guarantees issued	**33,241**	**56,803**
a) Banks	-	-
b) Customers	33,241	56,803
3) Irrevocable commitment to dispense funds	**1,024**	**3,952**
a) Banks:	70	188
i) of certain use	70	188
ii) of uncertain use	-	-
b) Customers:	954	3,764
i) of certain use	-	-
ii) of uncertain use	954	3,764
4) Underlying commitments to credit derivatives: hedging sales	**-**	**-**
5) Assets pledged as collateral of third-party bonds	**3,383**	**2,092**
6) Other commitments	**-**	**-**
of which: commitment to buy back treasury shares	-	-
Total	**122,108**	**125,171**

Notes
1. Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
2. Uncertain-use commitments to customers refer to margins available on irrevocable credit lines granted to customers.
3. Assets pledged as collateral of third-party bonds consist of the default fund contributed to cover contingent losses of defaulted operators within the New MIC and transactions concerning customers' securities and derivatives.
4. At 31 December 2014, commercial guarantees included 31.5 million euros for the exposure to Cooperative Operaie di Trieste Istria e Friuli, relating to the guarantee in favour of lending members of the cooperative to back 30% of the loan from the said members pursuant to current laws (Resolution CICR of 19 July 2005). The cooperative, formerly put under temporary receivership in 2014, was authorised in 2015 to start the pre-composition procedure entailing the transfer of assets. The guarantee, formally expired on 31 December 2014, was therefore executed on 15 July 2015 in favour of guaranteed lending members. However, it should be noted that the guarantee was entirely covered by a pledge on a Cooperative's portfolio under management by the Banca Generali. Therefore, the Bank did not incur any charge for its execution.

2. Assets pledged as collateral for own liabilities and commitments

PORTFOLIO	31.12.2015				31.12.2014			
	REPURCHASE AGREEMENTS	ECB	CC&G	TOTAL	REPURCHASE AGREEMENTS	ECB	CC&G	TOTAL
1. HFT financial assets	-	-	-	-	-	-	-	-
2. Financial assets measured at fair value	-	-	-	-	-	-	-	-
3. AFS financial assets	303,812	364,099	45,611	713,522	179,212	467,176	39,943	686,331
4. HTM financial assets	-	226,285	171,979	398,264	20,681	1,138,545	155,457	1,314,683
5. Loans to banks	-	4,989	-	4,989	-	16,388	-	16,388
6. Loans to customers	-	-	-	-	-	-	-	-
7. Property and equipment	-	-	-	-	-	-	-	-
8. Intangible assets	-	-	-	-	-	-	-	-
Total	**303,812**	**595,373**	**217,590**	**1,116,775**	**199,893**	**1,622,109**	**195,400**	**2,017,402**

Note
1. Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB. This amount also includes financial instruments pledged with Cassa di compensazione e Garanzia for possible operations on a new MIC for ordinary operations.

5. Trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2015	31.12.2014
1. Execution of orders on behalf of clients	**23,949,025**	**23,581,452**
a) Purchases	11,475,947	11,267,154
1. Settled	11,456,622	11,234,766
2. To be settled	19,325	32,388
b) Sales	12,473,078	12,314,298
1. Settled	12,466,344	12,305,192
2. To be settled	6,734	9,106
2. Asset management [1]	**14,152,533**	**10,125,367**
a) Individual	3,517,154	3,793,382
b) Collective	10,635,379	6,331,985
3. Custody and administration of securities (excluding asset management)	**-**	**-**
a) Third-party securities held in deposit:		
- Related to services provided as depository bank	-	-
1. issued by companies included in the consolidation area	-	-
2. other securities	-	-
b) Other third-party securities held in deposit:	-	-
- Other	6,503,741	14,571,569
1. issued by companies included in the consolidation area	14,975	15,203
2. other securities	6,488,766	14,556,366
c) Third-party securities deposited with third parties	6,457,344	14,502,470
d) Portfolio securities deposited with third parties	3,483,747	3,781,774
4. Other	**9,338,194**	**-**
UCITS units placed with the customers	9,338,194	-

Notes
1. The item "Asset management" refers to the overall amount, at market value, of assets under custody and administration on behalf of third parties, that include individual (GPM/GPF) and collective (Funds, Sicavs) asset management. The figure referring to individual management does not include 254 million euros of liquidity.
2. The figure referring to collective management does not include 1,213 million euros of funds included in Group individual discretionary accounts GPM/GPF.
3. Securities under custody and administration are recognised at nominal value.
4. At 31 December 2015, the portion of UCITS units placed by the banking group with its customers, previously recognised under the items b) "Other third-party securities held in deposit: Other" and c) "Third-party securities deposited with third parties", has been re-classified under the item 4. "Other".

6. Financial assets offset in the financial statements or falling within the scope of master netting arrangements or similar agreements

No transactions involving derivatives, repurchase agreements, security lending or other offsetting entries in the balance sheet or transactions that could fall within the scope of master netting arrangements were reported.

7. Financial liabilities offset in the financial statements or falling within the scope of master netting arrangements or similar agreements.

TECHNICAL TYPE	GROSS AMOUNT OF FINANCIAL LIABILITIES (A)	AMOUNT OF FINANCIAL ASSETS OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS (C = A - B)	CORRELATED AMOUNTS NOT OFFSET IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2015 (F = C - D - E)	NET AMOUNT AT 31.12.2014
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	-	-	-	-	-	-	-
2. Repurchase agreements	303,927	-	303,927	303,927	-	-	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2015	**303,927**	**-**	**303,927**	**303,927**	**-**	**-**	**X**
Total at 31.12.2014	**200,734**	**-**	**200,734**	**200,734**	**-**	**X**	**-**

IFRS 7 requires a detailed disclosure on offsetting of financial instruments pursuant to IAS 32 or financial instruments that can be potentially set off, under certain conditions, but have been recognised in the balance sheet without any offsetting as they fall within the scope of master netting arrangements or similar agreements that do not meet all the requirements under IAS 32, paragraph 42.

In this regard, it should be noted that Banca Generali has not entered into any netting arrangements that meet the requirements of IAS 32.42 on offsetting in the financial statements.

With reference to financial instruments that can be potentially set off under certain conditions, it should be noted that Banca Generali usually in repurchase agreements (REPO) with banks has in place master netting arrangements that enable offsetting of credits and debts in case of default of the counterparty and compliant with international standards (Global Master Repurchase Agreement - GMRA). Such transactions are also covered by GMRA-compliant financial guarantee agreements, envisaging the bilateral exchange of collaterals in cash and/or government bonds.

These agreements, in the case of repurchase agreements, mitigate the liquidity risk by offsetting the debt to the counterparty up to the fair value of the collateral.

In the table, repurchase agreements are valued at amortised cost, whereas financial instruments used as collateral are valued at fair value up to the amount of the guaranteed liability.

PART C – INFORMATION ON THE PROFIT AND LOSS ACCOUNT

Section 1 - Interest - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	2015	2014
1. HFT financial assets	256	-	-	256	554
2. AFS financial assets	23,032	-	-	23,032	27,894
3. HTM financial assets	19,800	-	-	19,800	59,875
4. Loans to banks	2,266	71	-	2,337	4,328
5. Loans to customers	546	23,728	-	24,274	25,059
6. Financial assets measured at fair value	-	-	-	-	-
7. Hedging derivatives			-	-	-
8. Other assets			44	44	2
Total	**45,900**	**23,799**	**44**	**69,743**	**117,712**

1.3 Breakdown of interest income and similar revenues: further information

	2015	2014
1.3.1 Interest income on financial assets in foreign currencies	184	59
1.3.2 Interest income on finance lease transactions	-	-
Total	**184**	**59**

The item "Other assets" includes "positive" interest paid to the bank on inflows transactions, due to the effect of negative Euribor rates during the second half of the year. This largely refers to interest on interbank debit deposits.

1.4 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER OPERATIONS	2015	2014
1. Due to Central Banks	73	-	-	73	1,811
2. Due to banks	751	-	-	751	2,637
3. Due to customers	2,685	-	-	2,685	6,259
4. Securities issued	-	-	-	-	-
5. HFT financial liabilities	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	4	4	-
8. Hedging derivatives	-	-	-	-	-
Total	**3,509**	**-**	**4**	**3,513**	**10,707**

The item "Other liabilities (and funds)" includes "negative" interest paid by the bank on lending transactions, due to the effect of negative Euribor rates during the second half of the year. It substantially refers to charges associated with interbank active deposits and overnight deposits made at the Bank of Italy.

1.6 Breakdown of interest expense and similar charges: further information

	2015	2014
1.6.1 Interest expense on financial assets in foreign currencies	40	12
1.6.2 Interest expense on finance lease liabilities	-	-
Total	**40**	**12**

Section 2 - Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	2015	2014
a) Guarantees issued	674	353
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	643,292	476,527
1. trading of financial instruments	14,403	15,208
2. currency trading	-	-
3. asset management	395,486	279,970
3.1 individual	38,946	39,897
3.2 collective	356,540	240,073
4. custody and administration of securities	487	452
5. depository bank	-	-
6. placement of securities	64,588	60,472
7. order receiving and collection	5,468	6,805
8. consultancy activities	4,658	1,619
8.1 investment advice	4,658	1,619
8.2 advice on financial structure	-	-
9. distribution of third-party services	158,202	112,001
9.1 asset management	720	708
9.1.1 individual	223	708
9.1.2 collective	497	-
9.2 insurance products	157,171	111,136
9.3 other products	311	157
d) Collection and payment services	3,370	3,481
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Keeping and management of current accounts	2,577	2,845
j) Other services	2,047	1,413
of which: all-inclusive fees on credit lines	*1,493*	*905*
Total	**651,960**	**484,619**

2.2 Breakdown of fee expense

SERVICES/VALUES	2015	2014
a) Guarantees received	72	113
b) Credit derivatives	-	-
c) Management and brokerage services:	278,791	224,484
1. trading of financial instruments	5,042	6,116
2. currency trading	-	-
3. asset management:	25,272	18,518
3.1 own portfolio	25,272	18,518
3.2 third-party portfolio	-	-
4. custody and administration of securities	1,248	1,233
5. placement of financial instruments	-	-
6. external offer of financial instruments, products, and services	247,229	198,617
d) Collection and payment services	2,044	2,580
e) Other services	291	174
Total	**281,198**	**227,351**

Section 3 - Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

ITEMS/INCOME	2015		2014	
	DIVIDENDS	PROCEEDS FROM UCITS UNITS	DIVIDENDS	PROCEEDS FROM UCITS UNITS
A. HFT financial assets	67	21	68	58
B. AFS financial assets	2,840	192	2,444	-
C. Financial assets measured at fair value	-	-	-	-
D. Shareholdings	-	-	-	-
Total	**2,907**	**213**	**2,512**	**58**

Section 4 - Net profit from trading - Item 80

4.1 Breakdown of net profit from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSSES	LOSS FROM TRADING	NET RESULT 2015	NET RESULT 2014
1. HFT financial assets	**142**	**918**	**285**	**211**	**564**	**812**
1.1 Debt securities	22	421	163	109	171	697
1.2 Equity securities	120	146	21	74	171	-136
1.3 UCITS units	-	351	101	28	222	251
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: exchange gains and losses	**-**	**-**	**-**	**-**	**3,262**	**3,482**
4. Derivatives	**-**	**931**	**-**	**262**	**663**	**290**
4.1 Financial	-	931	-	262	663	290
- On debt securities and interest rates:	-	-	-	-	-	405
- interest rate swaps	-	-	-	-	-	-
- government bonds forwards	-	-	-	-	-	405
- On equity securities and stock indexes:	-	931	-	262	669	-133
- options	-	931	-	262	669	-133
- futures	-	-	-	-	-	-
- On currency and gold (1)	-	-	-	-	-6	18
- Other	-	-	-	-	-	-
4.2 Credit	-	-	-	-	-	-
Total	**142**	**1,849**	**285**	**473**	**4,489**	**4,584**

(1) It includes currency options and currency outrights.

Section 6 - Gain (loss) from transfer/repurchase - Item 100

6.1 Breakdown of gain (loss) from transfer/repurchase

	2015			2014		
ITEMS/INCOME COMPONENTS	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
Financial assets						
1. Loans to banks	2,182	-	2,182	1,473	-	1,473
2. Loans to customers	1,177	1,659	-482	1,647	-	1,647
3. AFS financial assets	21,681	2,080	19,601	47,056	2,390	44,666
3.1 Debt securities	19,673	1,516	18,157	46,980	2,374	44,606
3.2 Equity securities	-	200	-200	76	16	60
3.3 UCITS units	2,008	364	1,644	-	-	-
3.4 Financing	-	-	-	-	-	-
4. HTM financial assets	-	-	-	-	10	-
Total assets	**25,040**	**3,739**	**21,301**	**50,176**	**2,400**	**47,786**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

The losses from disposal on loans to customers amounting to 1,659 thousand euros refer to the sale to the Dutch subsidiary Redoze Holding N.V. of the pool loan granted in 2007 to Investimenti Marittimi S.p.A., a company classified as substandard at the end of 2013. The said transaction is illustrated in further detail in Part H — Related Parties — of these Notes and Comments.
The losses from disposal on equity securities refer, for 191 thousand euros, to the sale of the equity investment (equal to 15% of the share capital) in the subsidiary Simgenia spa, in relation with the subsequent merger into the subsidiary Alleanza S.p.A.

AFS equity reserves transferred back to the profit and loss account are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	16,752	-	16,752
Equity securities	-	-	-
UCITS units	296	-321	-25
Total	**17,048**	**-321**	**16,727**

Section 8 - Net adjustments/reversal value for impairment - Item 130

8.1 Breakdown of net adjustments to non-performing loans

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2015	2014
	SPECIFIC			SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Loans to banks	**-**	**-**	**294**	**-**	**-**	**-**	**-**	**-294**	**-681**
Loans	-	-	-	-	-	-	-	-	-
Debt securities	-	-	294	-	-	-	-	-294	-681
B. Loans to customers	**49**	**1,244**	**143**	**4**	**578**	**-**	**27**	**-827**	**-6,849**
Non-performing loans purchased:	-	-	-	-	-	-	-	-	-
- loans	-	-	-	-	-	-	-	-	-
- operating loans	-	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-	-
Other:	49	1,244	143	4	578	-	27	-827	-6,849
- loans	49	1,048	-	4	578	-	27	-488	-6,229
- operating loans	-	196	-	-	-	-	-	-196	-327
- debt securities	-	-	143	-	-	-	-	-143	-293
C. Total	**49**	**1,244**	**437**	**4**	**578**	**-**	**27**	**-1,121**	**-7,530**

Other write-downs on loans to customers, amounting to 1,048 thousand euros, refer for 497 thousand euros to positions recognised at year-end among bad loans, for 400 thousand euros to positions past due from over 90 days, and for the remaining amount (150 thousand euros) to unlikely to pay exposures. These write-downs were partially offset through reversals amounting to 578 thousand euros, largely relating to positions expired at the end of the previous year and reclassified out of the non-performing category.

Value adjustments to operating loans chiefly refer to write-downs of advances fees to former Financial Advisors.
During the year, reversals to the collective reserve on performing loans amounted to 27 thousand euros.
Portfolio adjustments on debt securities classified under “Loans to customers” (143 thousand euros) and “Loans to banks” (294 thousand euros) refer to the adjustments of the collective reserve allocated to account for contingent losses on the bond portfolio calculated on the basis of issues risk profile (rating/residual life).

8.2 Breakdown of net adjustments for impairment of available-for-sale financial assets

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2015	2014
	SPECIFIC			SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	-	-	-
B. Equity securities	-	2,845	-	-	-	-	-	-2,845	-3,035
C. UCITS units	-	-	-	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
F. Total	**-**	**2,845**	**-**	**-**	**-**	**-**	**-**	**-2,845**	**-3,035**

Adjustments to equity securities refer for 1,427 thousand euros to the addition of the impairment already carried out in the previous year on the investment in Veneto Banca, which was measured on the basis of the outcome of the extraordinary shareholders' meeting held in last December, which resolved to transform the company into a joint-stock company and list it on the stock exchange.
An impairment loss was recognised on the capital contribution made at the end of 2014 to the joint venture formed to produce the movie "Le leggi del Desiderio". The adjustment to equity securities for 1,418 thousand euros was determined based on box office results achieved by the movie. Against this outcome, the tax credit of 840 thousand euros accrued was in any case recognised among other net operating income.

8.3 Breakdown of net adjustments for impairment of held-to-maturity financial assets

	ADJUSTMENTS			REVERSALS					
	SPECIFIC			SPECIFIC		PORTFOLIO			
TRANSACTIONS/INCOME COMPONENTS	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS	2015	2014
A. Debt securities	-	-	2,684	-	-	-	109	-2,575	-286
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-	-
D. Total	**-**	**-**	**2,684**	**-**	**-**	**-**	**109**	**-2,575**	**-286**

8.4 Breakdown of net adjustments for impairment of other financial transactions

	ADJUSTMENTS			REVERSALS					
	SPECIFIC			SPECIFIC		PORTFOLIO			
TRANSACTIONS/INCOME COMPONENTS	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS	2015	2014
A. Guarantees issued	-	-	-	-	-	-	70	70	-144
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to grant funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
D. Total	**-**	**-**	**-**	**-**	**-**	**-**	**70**	**70**	**-144**

Reversals, amounting to 70 thousand euros, refer to the adjustments to the collective reserve for performing signature loans.

Section 9 - General and administrative expense - Item 150

Breakdown of general and administrative expense

		2015	2014
a)	Staff expenses	80,949	74,182
b)	Other general and administrative expense	134,020	128,458
Total		**214,969**	**202,640**

9.1 Breakdown of staff expenses

TYPE OF EXPENSES/VALUES		31.12.2015	31.12.2014
1)	**Employees**	**78,943**	**72,717**
	a) Wages and salaries	42,931	40,723
	b) Social security charges	11,020	10,379
	c) Termination indemnity	630	604
	d) Retirement benefit plans	-	-
	e) Provision for termination indemnity	90	170
	f) Provision for pensions and similar costs:	-	-
	- defined contribution	-	-
	- defined benefit	-	-
	g) Amounts paid to supplementary external pension funds:	3,702	3,146
	- defined contribution	3,702	3,146
	- defined benefit	-	-
	h) Costs related to payment agreements based on own equity instruments	2,724	1,597
	i) Other employee benefits	17,846	16,098
2)	**Other staff**	**250**	**163**
3)	**Directors and Auditors**	**1,744**	**1,289**
4)	**Retired personnel**	**12**	**13**
Total		**80,949**	**74,182**

9.2 Average number of employees by category

		2015	2014
Employees		**828**	**813**
a)	Managers	45	45
b)	Total executives	235	223
	of which: 3rd and 4th level	*138*	*133*
c)	Employees at other levels	548	545
Other employees		**-5**	**2**
Total		**823**	**815**

Breakdown of personnel

	2015	2014
Employees	**837**	**817**
a) Managers	44	45
b) Total executives	241	228
of which: 3rd and 4th level	*140*	*135*
c) Employees at other levels	552	544
Other employees	**-8**	**-1**
Total	**829**	**816**

9.4 Other employee benefits

	31.12.2015	31.12.2014
Short-term productivity bonuses payable (result-based bonuses, managers' non-deferred MBO remuneration, etc.)	9,950	10,059
Provisions for Relationship Manager recruitment plans	2,676	-
Provisions for long-term incentives: managers' deferred MBO remuneration and LTIP cash bonuses	1,095	1,648
Provisions for post-employment medical care plans	-	222
Charges for staff supplementary pensions	2,654	2,557
Amounts replacing cafeteria indemnities	789	603
Training expenses	376	514
Allowances and charitable gifts	152	102
Transfer incentives and other indemnities	17	247
Other expenses	137	146
Total	**17,846**	**16,098**

9.5 Breakdown of other general and administrative expense

	2015	2014
Administration	**13,441**	**19,432**
Advertising	3,871	3,283
Consultancy and professional advice expenses	5,074	11,576
Corporate boards and auditing firms	593	547
Insurance	2,933	2,814
Entertainment expenses	205	338
Membership contributions	695	649
Charity	70	225
Operations	**34,524**	**32,660**
Rent and usage of premises and management of property	17,018	15,867
Outsourced administrative services	5,250	5,875
Post and telephone	2,974	2,877
Print material	1,167	1,115
Other expenses for sales network management	2,997	2,717
Other expenses and purchases	2,458	1,584
Other indirect staff expenses	2,660	2,625
Information system and equipment	**34,807**	**34,726**
Expenses related to outsourced IT services	24,667	23,935
Fees for IT services and databases	6,586	5,942
Software maintenance and servicing	2,779	3,279
Fees for equipment hired and software used	180	123
Other maintenance	595	1,447
Indirect taxation	**42,537**	**41,640**
Stamp duty on financial instruments	41,370	38,998
Substitute tax on medium/long-term financial instruments	702	681
Other indirect taxes to be paid by the bank	465	1,961
Contributions to the Italian National Resolution Fund and the Interbank Deposit Protection Fund	**8,711**	**-**
Total	**134,020**	**128,458**

General and administrative expense include, for 8.7 million euros, the new contributions to Italian National Resolution Fund (BRRD-FRN) and Interbank Deposit Protection Fund (DSGD-FITD). This is the first year of application of the new mechanisms. The Bank Recovery and Resolution Directive (BRRD) entered into force on 1 January 2015 and was transposed into the Italian legislation with Legislative Decree No. 180/2015. The ex-ante contribution mechanism provided for by the deposit guarantee system (DSGD) was directly transposed into the Articles of Association of the Interbank Deposit Protection Fund (FITD) in December 2015.
Moreover, the ordinary contribution to the National Resolution Fund was increased for an amount equal to three times the ordinary contribution (maximum amount allowed) for the crisis resolution procedure started on 22 November for four regional banks.

The item also includes the supervisory fees debited by the ECB as of this year, to cover the costs borne for direct and indirect supervision of European Banks.
In contrast, in the previous year the acquisition of the Credit Suisse business unit involved the recognition among general and administrative expense of non-recurring charges for an overall amount of 4.0 million euros, for legal assistance (1.6 million euros), registry taxes (1.5 million euros) and migration expenses (0.9 million euros).

Section 10 - Net provisions for liabilities and contingencies - Item 160

10.1 Breakdown of net provisions for liabilities and contingencies

	2015			2014		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provision for staff expenses	**11,523**	**-2,953**	**8,570**	**1,109**	**-1,615**	**-506**
Provision for restructuring plan	10,170	-	10,170	-	-	-
Provision for staff expenses - Other [1]	1,353	-2,953	-1,600	1,109	-1,615	-506
Provision for legal disputes	**3,240**	**-577**	**2,663**	**3,877**	**-711**	**3,166**
Provision for risks related to litigations connected with sales network's embezzlements	1,796	-390	1,406	2,192	-	2,192
Provision for risks related to disputes with sales network	635	-48	587	352	-13	339
Provision for risks related to legal disputes with staff	40	-	40	30	-	30
Provision for risks related to legal disputes with other parties	769	-139	630	1,303	-698	605
Provision for termination indemnity of Financial Advisors	**16,079**	**-1,117**	**14,962**	**11,939**	**-419**	**11,520**
Provision for termination indemnity of sales network	12,283	-1,032	11,251	9,101	-377	8,724
Provision for portfolio overfee indemnities	443	-48	395	566	-22	544
Provisions for pension bonuses for financial advisors	3,353	-37	3,316	2,272	-20	2,252
Provisions for risks related to network incentives	**24,879**	**-5,495**	**19,384**	**26,279**	**-737**	**25,542**
Provision for network development plans	15,362	-4,325	11,037	10,836	-532	10,304
Provision for deferred bonus	283	-681	-398	452	-	452
Provision for sales incentives	4,829	-	4,829	2,289	-	2,289
Provisions for managers with access gate	1,405	-	1,405	1,766	-	1,766
Provision for travel incentives	2,631	-135	2,496	2,601	-156	2,445
Provision for fee plans	336	-	336	338	-49	289
Provision for loyalty programme	33	-354	-321	7,997	-	7,997
Other provisions for liabilities and contingencies	**30**	**-24**	**6**	**1,001**	**-455**	**546**
Total	**55,751**	**-10,166**	**45,585**	**44,205**	**-3,937**	**40,268**

(1) Allocations to provisions for staff expenses do not include the items that are classified as "Staff expenses - other benefits" in accordance with IAS 19.

Section 11 - Net adjustments/reversals of property and equipment - Item 170

11.1 Breakdown of net adjustments of property and equipment

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2015	NET RESULT 2014
A. Property and equipment					
A.1 Owned:	1,252	-	-	1,252	1,423
- operating	1,252	-	-	1,252	1,423
- investment	-	-	-	-	-
A.2 Leased:	-	-	-	-	-
- operating	-	-	-	-	-
- investment	-	-	-	-	-
Total	**1,252**	**-**	**-**	**1,252**	**1,423**

Section 12 - Net adjustments/reversals of intangible assets - Item 180

12.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2015	NET RESULT 2014
A. Intangible assets					
A.1 Owned:	4,058	-	-	4,058	2,997
- generated in-house	-	-	-	-	-
- other	4,058	-	-	4,058	2,997
A.2 Leased	-	-	-	-	-
Total	**4,058**	**-**	**-**	**4,058**	**2,997**

Breakdown of value adjustments of intangible fixed assets - amortisation

	2015	2014
Charges associated with the implementation of legacy CSE procedures	1,837	1,729
Customers relationships	2,105	1,145
Other intangible fixed assets	116	123
Total	**4,058**	**2,997**

Section 13 - Other operating income and expenses - Item 190

13.1 Breakdown of other operating expenses

	2015	2014
Adjustments of leasehold improvements	1,033	1,257
Write-downs on other assets	89	70
Indemnities and compensation for litigation and claims	1,019	331
Indemnities on the acquisition of Credit Suisse's business unit	-	1,293
Charges from accounting adjustments with customers	848	388
Charges for card compensation and guarantees	15	25
Costs associated with penalties	179	38
Other contingent liabilities and non-existent assets	1,711	217
Consolidation adjustments	31	-31
Total	**4,925**	**3,588**

13.2 Breakdown of other operating income

	2015	2014
Recovery of taxes from customers	41,470	39,046
Recovery of expenses from customers	505	480
Charge-back of portfolio development indemnity to incoming advisors	973	1,015
Indemnities for advisors' termination without notice	40	188
Other recoveries of repayments and costs from advisors	1,219	816
Tax credit related to movie production	840	-
Contingent assets - staff expense	1,647	856
Other contingent assets and non-existent liabilities	1,945	1,091
Insurance compensation and indemnities	125	102
Fees for outsourcing services	312	888
Other income	569	372
Total	**49,645**	**44,854**
Total other net income	**44,720**	**41,266**

Section 14 - Gains (losses) of equity investments - Item 210

14.1 Gains (losses) of equity investments

INCOME COMPONENTS/VALUES	2015	2014
A. Gains	**-**	**-**
1. Revaluations	-	-
2. Gains from sales	-	-
3. Reversals	-	-
4. Other positive changes	-	-
B. Charges	**-40**	**-**
1. Write-downs	-40	-
2. Adjustments for impairment	-	-
3. Losses from disposal	-	-
4. Other negative changes	-	-
Net result	**-40**	**-**

Write-downs on equity investments amounting to 40 thousand euros refer to the measurement using the equity method of the associate company IOCA entertainment Ltd., aquired in October 2015. Charges refer in particular to the portion of the profit for the year accrued after the acquisition date and in the area of competence of the banking group.

Section 17 - Gains (losses) from disposal of investments - Item 240

17.1 Breakdown of gains (losses) from disposal of investments

INCOME COMPONENTS/VALUES	2015	2014
A. Buildings	**-**	**-**
Gains from disposal	-	-
Losses from disposal	-	-
B. Other assets	**-6**	**-18**
Gains from disposal	1	-
Losses from disposal	7	18
Net result	**-6**	**-18**

Section 18 - Income tax for the year for current operations - Item 260

18.1 Breakdown of income tax for the year for current operations

INCOME COMPONENTS/VALUES		2015	2014
1.	Current taxation (-)	-36,972	-50,509
2.	Change in prior years current taxes (+/-)	996	1,479
3.	Reduction of current taxes for the year (+)	-	-
3.*bis*	Reduction of current taxes arising on tax credits pursuant to Law No. 214/2011 (+)	-	-
4.	Changes of prepaid taxation (+/-)	1,589	4,260
5.	Changes of deferred taxation (+/-)	-295	486
6.	**Taxes for the year (-)**	**-34,682**	**-44,284**

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 indicated in item 260 of the Profit & Loss Account and the theoretical corporate income tax IRES determined by applying the current applicable tax rate of 27.5% to the pre-tax profit.
The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credited to the P&L account compared to the theoretical taxation.

	2015	2014
Current taxation	**-36,972**	**-50,509**
IRES and equivalent foreign direct taxes	-29,125	-38,677
IRAP	-7,844	-11,830
Other	-3	-2
Prepaid and deferred taxation	**1,295**	**4,746**
IRES	1,078	3,753
IRAP	217	993
Taxes of prior years	**995**	**1,479**
IRES	560	1,042
IRAP	435	437
Income taxes	**-34,682**	**-44,284**
Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**238,241**	**202,138**
Theoretical taxation	**-65,516**	**-55,588**
Non-taxable income		
Dividends from AFS equity investments with 95% exemption	742	639
ACE	1,446	677
Deductible IRAP and other	685	753
Non-deductible charges (-)		
Double taxation on 5% of Group's dividends	-2,439	-1,686
Non-deductible interest expense (4%)	-39	-118
Impairment of AFS equity securities PEX	-606	-834
Other non-deductible costs	-1,684	-1,576
IRAP	-7,817	-10,400
Rate change of companies under foreign law	39,444	22,493
Taxes of prior years	996	1,042
Other taxes	-3	-2
Not related deferred tax assets and liabilities	109	316
Actual tax expense	**-34,682**	**-44,284**
Total actual tax rate	**14.6%**	**21.9%**
Actual tax rate (IRES)	**11.5%**	**16.8%**
Actual tax rate (IRAP)	**3.0%**	**5.1%**

Section 19 - Income (loss) of disposal groups, net of taxes - Item 280

19.1 Income (loss) of groups of assets/liabilities held for sale, net of taxes

INCOME COMPONENTS/VALUES	2015	2014
1. Income	-	-
2. Charges	-	-
3. Measurement of groups of assets held for sale and associated liabilities	-	-
4. Gains (losses) on disposal	-	4,208
5. Taxes and duties	-	-1,157
Net profit (Loss)	**-**	**3,051**

Gains on disposal at 31 December 2014 referred to the disposal of the shareholding in BG DRAGON SICAV, classified as a shareholding held exclusively for sale in the short term, pursuant to IFRS 5. The divestment was made in accordance with the above-mentioned IFRS 5 and generated a significant gain thanks to the high appreciation of the Chinese share market over the last quarter of 2014.

Section 21 - Earnings per share

21.1 Average number of ordinary shares after dilution

	2015	2014
Net profit for the year (€ thousand)	203,559	160,905
Net profit attributable to ordinary shares (€ thousand)	203,559	160,905
Average number of outstanding shares (thousand)	115,867	115,427
EPS - Earnings per share (euros)	**1.757**	**1.394**
Average number of outstanding shares after dilution (thousand)	116,418	116,039
EPS - Diluted earnings per share (euros)	**1.749**	**1.387**

PART D - COMPREHENSIVE INCOME

Analytical statement of comprehensive income

	ITEMS	GROSS AMOUNT	INCOME TAXES	NET AMOUNT
10.	**Net profit (loss) for the year**	**X**	**X**	**203,559**
	Other components of income without transfer to profit and loss			
20.	Property and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	96	-26	70
50.	Non-current assets held for sale:	-	-	-
60.	Share of valuation reserves of investments valued at equity:	-	-	-
	Other components of income with transfer to profit and loss			
70.	**Hedges of foreign investments:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to Profit and Loss Account	-	-	-
	c) other changes	-	-	-
80.	**Exchange differences:**	**-8**	**-**	**-8**
	a) fair value changes	-	-	-
	b) transfer to Profit and Loss Account	-	-	-
	c) other changes	-8	-	-8
90.	**Cash-flow hedges:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to Profit and Loss Account	-	-	-
	c) other changes	-	-	-
100.	**AFS financial assets:**	**6,305**	**-1,926**	**4,379**
	a) fair value changes	23,032	-7,304	15,728
	b) transfer to Profit and Loss Account:	-16,727	5,377	-11,350
	- adjustments due to impairment	-	-	-
	- gains (losses) on disposal	-16,727	5,377	-11,350
	c) other changes	-	1	1
110.	**Non-current assets held for sale:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to Profit and Loss Account	-	-	-
	c) other changes	-	-	-
120.	**Share of valuation reserves of investments valued at equity:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to Profit and Loss Account:	-	-	-
	- adjustments due to impairment	-	-	-
	- gains (losses) on disposal	-	-	-
	c) other changes	-	-	-
130.	**Total other components of income**	**6,393**	**-1,952**	**4,441**
140.	**Comprehensive income (Item 10 + 130)**	**-**	**-**	**208,000**

PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES

Foreword

The development of a genuine risk culture within Banca Generali is based upon an understanding of the risks that the Bank assumes and how they are managed, while always taking full account of the risk tolerance threshold defined in the Bank's Risk Appetite Framework (RAF).
In this context, the internal control system plays a key role in the risk management process, as well as in the Bank's corporate governance generally.

The internal control system is a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies, while also seeking to achieve:
> the efficiency and effectiveness of work processes;
> the safety of the company's assets and protection against losses;
> the reliability and integrity of accounting and operating information;
> operational compliance with the law and supervisory regulations;
> policies, plans, regulations and internal procedures; and
> the dissemination of a culture of control involving training initiatives for the various levels.

The Banca Generali Banking Group has designed an internal control model consistent with national and international best practices, minimising the risks of inefficiency, overlapping of roles and sub-optimal system performance. The system is structured on three different levels:
> first-tier checks: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;
> second-tier checks: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
  - the Risk and Capital Adequacy Department is tasked with identifying, measuring/evaluating and monitoring all the types of risks to which the Banking Group is exposed in terms of its own assets (excluding the risks of non-compliance, money laundering and financing of terrorism), providing relevant information and thereby contributing to the definition and implementation of the Risk Appetite Framework, as well as all related risk management policies. The Department acts with a view to maintaining risk levels within the limits and tolerance thresholds indicated in the exposure profile and strategies established by the Board of Directors in the Risk Appetite Framework; it assures that risks are fully and transversally analysed, and to this end it applies a strategic, consistent and prospective approach and duly provides periodic reports;
  - Compliance Service: it is tasked with verifying the observance of obligations relating to the provision of services for Banking Group companies and preventing and managing the risk of non-compliance with applicable legislation;
  - Anti-Money Laundering Service: it is responsible, within the Banking Group, for preventing and combating transactions involving money laundering and financing of terrorism;
> third-tier checks: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

The proper functioning of the risk governance system adopted by the Banca Generali Group is ensured by consistency from the standpoint of organisational structure, competencies and a guarantee of the independence of functions.

Within the internal control system, it is possible to identify the second tier as the home to an internal risk management culture that then effectively translates into company behaviour and choices.

The following entities operate within the Internal Control System, in addition to the tasks assigned to the Board of Directors, Chief Executive Officer, control body and independent auditors (who are responsible for accounting control):
> the Audit and Risk Committee, which was set up pursuant to the Corporate Governance Code of Listed Companies and supervisory regulations, and is tasked with performing a supporting role, with investigative, propositional and advisory duties in relation to the Board of Directors and the Board of Statutory Auditors, in particular on matters of internal control and risk management, related parties and connected parties, statutory auditing and equity investments. The tasks and functions of the Committee, as well as the frequency of its meetings and the operating procedures to be followed to ensure that its duties are smoothly and properly performed, shall be regulated pursuant to specific Internal Audit and Risk Committee Rules;

- the Risks Committee is charged with enduring coordinated coverage of the system for managing and controlling the risks assumed by the Group in compliance with the Risk Appetite Framework; it is vested with specific responsibility for monitoring the Group's risks, such as the management of risk containment measures, as well as decision-making powers for identifying and implementing risk containment measures;
- the Supervisory Body, which is the corporate body in charge of updating the Organisational and Management Model and monitoring the implementation of and compliance with the said Model;
- the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005.

Section 1 - Credit risk

Qualitative information

1. General aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.
In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the credit position.

Banca Generali Group's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.
The bank's exposure to credit risk mainly arises from its loans to customers (both corporate and retail), financial instruments held in portfolios measured at amortised cost and AFS portfolios, and investments in the money market (interbank deposits).

Loans are issued to high-standing retail customers (mainly individuals), generally with collaterals, and, to a lesser extent, to corporate customers to whom loans, almost totally backed by collaterals on financial instrument, were issued during the year under review.
As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at individuals.

With regard to credit risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Group has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.

The Group has defined an extensive system of powers and limits associated with loan authorisation. In this context, it has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In order to supervise the loans after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding credit positions.
First-tier control activities are conducted by the Lending Department and the Finance Department, the latter being responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.
The Risk and Capital Adequacy Department is responsible for second-tier controls and monitors the performance of each credit exposure — and non-performing exposures in particular — assessing the consistency of classifications, the fairness of provisions and the appropriateness of credit collection process in order to provide an overall analysis of the portfolio's risk profile and report any anomalies in the first-tier control.
Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk and Capital Adequacy Department and established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

Level three 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 and Capital Adequacy Department.

2. Credit risk management policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and Procedures.
In addition to issuing loans, the Lending Department is also charged with credit managing and first-tier control, with a special focus on the performance of doubtful loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are negligible.

Credit risk mitigation techniques

In order to mitigate credit risk, collaterals — or more sporadically personal guarantees — are typically required to secure the loans granted.
Collaterals can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgage guarantees, which refer almost exclusively to residential properties used as main home, are accepted when higher in value than the obligation being guaranteed. When collaterals are in the form of securities, a discount is usually applied upon disbursement of the loan and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee (indemnity) provided by BSI S.A. for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008.
This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity was maintained for those positions managed with the aim of recovery and those positions that showed a default event for which payment of the indemnity was requested from the guarantor, BSI S.A.
At 31 December 2015, the guarantees covered a residual class of loans (not classified as bad loans) for an amount of approximately 10 million euros.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

Non-performing financial assets

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

On 20 January 2015, following the issue by the European Community of the technical rules for the implementation of tolerance thresholds for reporting non-performing exposures with forbearance measures, the Bank of Italy updated its Circular Letter No. 272 "Matrix of Account". The Bank incorporated the new classification of non-performing exposures in its new Lending Rules approved in February 2015, effective on 2015 reporting, and therefore classifying non-performing loans as follows:
a) bad loans;
b) unlikely to pay (new definition, which replaces the prior category of subjective substandard loans);
c) past-due exposures, which include the former category of objective substandard loans.

The individual cash exposures for which the Bank, due to the debtor's worsening economic-financial conditions, allows changes to the original contractual conditions or a total/partial refinancing of a contract that would not have been allowed if the debtor had not found itself in such difficulties, are identified and classified as forborne exposures. Such exposures do not form a separate category, but are classifiable among both performing and non-performing loans, constituting an attribute common to the various categories of assets.
The software provider is releasing all necessary features to duly manage this new classification.

The process of identifying doubtful positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.
Losses are analysed and estimated for each position based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

The aggregate of non-performing loans chiefly consists of exposures referring to Banca del Gottardo Italia's costumers and guaranteed by indemnity issued by the seller BSI SA; as described above, these exposures do not entail any risk for the Bank.
Therefore, no adjustments were made to these loans with respect to the impairment already carried out by Banca del Gottardo Italia.
If this category, which accounts for over 80% of total net value of non-performing exposures, is excluded, the ratio of this aggregate to the total loans to customers is negligible (approximately 0.33%).

Quantitative information

A. Credit quality

A.1 Credit exposure to non-performing and performing loans: balances, adjustments, performance, income and geographical breakdown

For the purposes of Quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITSs.

A.1.1 Breakdown of financial assets by portfolio and credit quality (balance sheet amounts)

PORTFOLIOS/QUALITY	BAD LOANS	UNLIKELY TO PAYS	NON-PERFORMING PAST DUE EXPOSURES	OTHER PERFORMING PAST DUE EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. AFS financial assets	-	-	-	-	2,892,709	2,892,709
2. HTM financial assets	-	-	-	-	423,586	423,586
3. Loans to banks	-	-	-	-	419,508	419,508
4. Loans to customers	24,729	5,104	3,371	24,934	1,863,881	1,922,019
5. Financial assets at fair value	-	-	-	-	-	-
6. HFS financial assets	-	-	-	-	-	-
Total at 31.12.2015	**24,729**	**5,104**	**3,371**	**24,934**	**5,599,684**	**5,657,822**
Total at 31.12.2014	**14,942**	**19,617**	**5,888**	**21,266**	**5,606,198**	**5,667,911**

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net amounts)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS			PERFORMING LOANS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIAL ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. AFS financial assets	-	-	-	2,892,709	-	2,892,709	2,892,709
2. HTM financial assets	-		-	426,601	3,015	423,586	423,586
3. Loans to banks			-	423,433	3,925	419,508	419,508
4. Loans to customers	47,245	14,041	33,204	1,891,215	2,400	1,888,815	1,922,019
5. Financial assets at fair value			-	X	X	-	-
6. HFS financial assets			-	-	-	-	-
Total at 31.12.2015	**47,245**	**14,041**	**33,204**	**5,633,958**	**9,340**	**5,624,618**	**5,657,822**
Total at 31.12.2014	**62,453**	**22,006**	**40,447**	**5,633,820**	**6,356**	**5,627,464**	**5,667,911**

PORTFOLIO/QUALITY	ASSETS WITH OBVIOUSLY POOR CREDIT QUALITY		OTHER ASSETS
	CUMULATIVE CAPITAL LOSSES	NET EXPOSURE	NET EXPOSURE
1. HFT financial assets	-	-	23,805
2. Hedging derivatives	-	-	-
Total at 31.12.2015	**-**	**-**	**23,805**
Total at 31.12.2014	**-**	**-**	**25,449**

A.1.3 Cash and off-balance sheet credit exposures with banks: gross and net values and maturity brackets

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE					SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
	NON-PERFORMING ASSETS				PERFORMING LOANS			
	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	BEYOND 1 YEAR				
A. Cash exposures								
a) Bad loans	-	-	-	-	X	-	X	-
of which: forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
of which: forborne exposures	-	-	-	-	X	-	X	-
c) Non-performing past-due exposures	-	-	-	-	X	-	X	-
of which: with forbearance measures	-	-	-	-	X	-	X	-
d) Performing past-due exposures	X	X	X	X	-	X	-	-
of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other performing exposures	X	X	X	X	657,148	X	3,925	653,223
of which: forborne exposures	X	X	X	X	-	X	-	-
Total A	**-**	**-**	**-**	**-**	**657,148**	**-**	**3,925**	**653,223**
B. Off-balance sheet exposures								
a) Non-performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	284	X	-	284
Total B	**-**	**-**	**-**	**-**	**284**	**-**	**-**	**284**
Total (A + B)	**-**	**-**	**-**	**-**	**657,432**	**-**	**3,925**	**653,507**

Cash exposures to banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.6 Cash and off-balance sheet credit exposures with customers: gross and net values and maturity brackets

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE					SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
	NON-PERFORMING ASSETS				PERFORMING ASSETS			
	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	BEYOND 1 YEAR				
A. Cash exposure								
a) Bad loans	-	-	-	38,179	X	13,450	X	24,729
of which: forborne exposures	*-*	*-*	*-*	*1,902*	*X*	*967*	*X*	*935*
b) Unlikely to pay	13	-	34	5,260	X	203	X	5,104
of which: forborne exposures	*13*	*-*	*-*	*5,046*	*X*	*11*	*X*	*5,048*
c) Non-performing past-due exposures	-	596	2,924	239	X	388	X	3,371
of which: with forbearance measures	*-*	*-*	*-*	*-*	*X*	*-*	*X*	*-*
d) Performing past-due exposures	X	X	X	X	24,934	X	-	24,934
of which: forborne exposures	*X*	*X*	*X*	*X*	*-*	*X*	*-*	*-*
e) Other performing exposures	X	X	X	X	4,972,137	X	2,400	4,969,737
of which: forborne exposures	*X*	*X*	*X*	*X*	*23*	*X*	*-*	*23*
Total A	**13**	**596**	**2,958**	**43,678**	**4,997,071**	**14,041**	**2,400**	**5,027,875**
B. Off-balance sheet exposure								
a) Non-performing	3,095	-	-	-	X	-	X	3,095
b) Performing	X	X	X	X	115,925	X	-	115,925
Total B	**3,095**	**-**	**-**	**-**	**115,925**	**-**	**-**	**119,020**
Total (A + B)	**3,108**	**596**	**2,958**	**43,678**	**5,112,996**	**14,041**	**2,400**	**5,146,895**

Cash exposures with customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

Net bad loans amounted to 24.7 million euros, net of 13.5 million euros adjustments. They refer to loans to former Banca del Gottardo Italia's customers for 23.0 million euros (net of 10.6 million euros of prior adjustments), fully covered by cash collateral deposits granted by BSI S.A. as part of the indemnity guarantee.
Therefore, net bad loans to remaining ordinary customers amounted to 1.7 million euros, or slightly below 7%.
In the reporting year, this aggregate generated inflows and write-offs for a total of 2.6 million euros, mainly regarding the closing-out of indemnity-guaranteed exposures and transfer to other categories of non-performing loans for 10.9 million euros, of which 8.9 million referring to indemnity-guaranteed exposures.
An exposure amounting to 1.9 million euros, which in the previous year had been classified among restructured loans and had been written down by nearly 50%, was transferred to bad loans. With regard to the latter, after the end of 2015 a settlement agreement was finalised with the counterparty which enabled to reduce the gross exposure to 1.15 million euros.

Unlikely to pay

At 31 December 2015, the aggregate mainly included:

> cash loans for a net amount of 5,052 thousand euros attributable to customers of the former Banca del Gottardo Italia, guaranteed by indemnities and thus with no risk of loss to the Bank; this amount includes 5,046 thousand euros subject to forbearance measures;

> other exposures backed by collateral (19 thousand euros) or currently subject to rescheduling plan (11 thousand euros);

> other exposures for a net amount of 22 thousand euros referring to 98 positions with average balance below 300 euros.

The aggregate decreased due partly to the following factors:
> transfer of defaulted positions guaranteed by indemnity, amounting to 8.9 million euros;
> transfer of a previously restructured position to bad loans, for an amount of 1.9 million euros;
> sale of the Investimenti Marittimi position, totalling 10.7 million euros at 31 December 2014, to the subsidiary Redoze Holding AG, as described in greater detail in Part H of the Notes and Comments.

Non-performing past-due exposures

At year-end 2015, this aggregate reported a net amount of 3,371 thousand euros and consisted for over 95% of 9 positions backed by collateral (almost fully pledged), for which renewal of the credit line was underway.
The aggregate was subject to adjustments for 388 thousand euros overall.

Performing past-due exposures

Performing past-due exposures include also positions past due or expired by more than 90 days, for which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted, in compliance with the provisions set forth in the Bank of Italy Circular Letter No. 272.
In almost all cases, these are positions guaranteed by pledges of securities found to be expired on the reporting date and currently being repaid.

At 2015 year-end, this aggregate totalled 24,934 thousand euros, including positions already settled in the first two months of the year and amounting to 9,123 thousand euros.

The residual amount still past due is composed of:
> 15,584 thousand euros of positions secured by collateral, almost exclusively consisting of pledges of financial instruments, for outstanding balances in excess of the approved credit limits due to interest charges or extended positions subject to repayment plans;
> 912 marginal positions totalling 227 thousand euros, with an average amount past due of approximately 250 euros each, subject to debt recovery procedures or written off when deemed uncollectible.

Forborne exposures

on-performing exposures with forbearance measures totalled 6,961 thousand euros at 31 December 2015 and may be broken down as follows:
> 5,046 thousand euros attributable to a position reclassified amongst unlikely to pay, subject to forbearance in the form of turnaround agreements (pursuant to Article 67, paragraph 3, of the Bankruptcy Law) and associated with the portfolio guaranteed by the seller BSI S.A. (indemnity);
> 1,902 thousand euros attributable to a position classified as a bad debt, already examined in detail in the section regarding this category of non-performing assets.

The amount of performing forborne exposures is negligible.

A.1.7 Cash credit exposures with customers: changes in gross non-performing loans

CAUSES/CATEGORIES	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING, PAST DUE EXPOSURES
A. Gross exposure at year-start	**28,589**	**27,529**	**6,335**
- *of which: positions transferred but not written off*	-	-	-
B. Increases	**12,154**	**11,279**	**3,761**
B.1 Inflows from performing loans	-	127	3,526
B.2 Transfers from other categories of non-performing exposures	10,915	14	-
B.3 Other increases	1,239	11,138	235
- *of which: business combinations*	-	-	-
C. Decreases	**2,564**	**33,501**	**6,337**
C.1 Outflows to performing loans	-	27	6,208
C.2 Write-offs	1,626	11,224	35
C.3 Repayments	938	11,335	80
C.4 Gains from disposals	-	-	-
C.5 Losses from disposals	-	-	-
C.6 Transfer to other categories of non-performing loans	-	10,915	14
C.7 Other decreases	-	-	-
D. Gross exposure at year-end	**38,179**	**5,307**	**3,759**
- *of which: positions transferred but not written off*	-	-	-

A.1.7-*bis* Cash credit exposures with customers: changes in gross forborne exposures, broken down by credit quality

CAUSES/QUALITY	NON-PERFORMING EXPOSURES WITH FORBEARANCE MEASURES	FORBORNE PERFORMING EXPOSURES
A. Gross exposure at year-start	**1,847**	**-**
- *of which: exposures transferred but not written off*	-	-
B. Increases	**5,114**	**23**
B.1 Inflows from performing non-forborne exposures	4,940	23
B.2 Inflows from performing forborne exposures	-	X
B.3 Inflows from non-performing exposures with forbearance measures	X	-
B.4 Other increases	174	-
C. Decreases	**-**	**-**
C.1 Outflows for performing non-forborne exposures	X	-
C.2 Outflows for performing forborne exposures	-	X
C.3 Outflows for non-performing exposures with forbearance measures	X	-
C.4 Write-offs	-	-
C.5 Repayments received	-	-
C.6 Gains from disposals	-	-
C.7 Losses from disposals	-	-
C.8 Other decreases	-	-
D. Gross exposures at year-end	**6,961**	**23**
- *of which: exposures transferred but not written off*	-	-

A.1.8 Cash credit exposures with customers: changes in total adjustments

CAUSES/CATEGORIES	BAD LOANS TOTAL	BAD LOANS OF WHICH: FORBORNE EXPOSURES	UNLIKELY TO PAY TOTAL	UNLIKELY TO PAY OF WHICH: FORBORNE EXPOSURES	NON-PERFORMING, PAST DUE EXPOSURES TOTAL	NON-PERFORMING, PAST DUE EXPOSURES OF WHICH: FORBORNE EXPOSURES
A. Total adjustments at year-start	**13,647**	**-**	**7,912**	**624**	**447**	**-**
- *of which: exposures transferred but not written off*	-	-	-	-	-	-
B. Increases	**1,455**	**967**	**1,809**	**11**	**499**	**-**
B.1 Adjustments	604	343	150	11	401	-
B.2 Losses from disposals	11	-	1,659	-	-	-
B.3 Transfer from other categories of non-performing exposures	840	624	-	-	-	-
B.4 Other increases	-	-	-	-	98	-
C. Decreases	**1,652**	**-**	**9,519**	**624**	**558**	**-**
C.1 Reversal of adjustments	-	-	-	-	-	-
C.2 Reversal of collections	19	-	48	-	515	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	1,626	-	6,917	-	-	-
C.5 Transfer to other categories of non-performing exposures	-	-	797	624	43	-
C.6 Other decreases	7	-	1,757	-	-	-
D. Total adjustments at year-end	**13,450**	**967**	**202**	**11**	**388**	**-**
- *of which: exposures transferred but not written off*	-	-	-	-	-	-

Besides the exposures included in the previous tables, other non-performing loans recognised in the Financial Statements amounted to 969 thousand euros, attributable to operating receivables not involving loans, mostly relating to disputes and pre-dispute positions against former Financial Advisors (terminated or expired contracts).

OPERATING RECEIVABLES UNDER DISPUTE	GROSS	WRITE-DOWNS	NET
FAs, former Sim, arising on litigation	14	-14	-
FA litigation	2,499	-1,530	969
Advances to FAs	102	-102	-
INA agents	813	-813	-
Write-downs of receivables from FAs	3,428	-2,459	969
Write-downs of operating receivables	219	-219	-
Total	**3,647**	**-2,678**	**969**

A.2 Classification of exposures based on external and internal ratings

The Banking Group Banca Generali has not yet defined an internal rating system for evaluating its customers' credit standing.
The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Cash and off-balance sheet credit exposures, broken down by external rating classes

EXPOSURES	EXTERNAL RATING CLASSES						WITHOUT RATING	TOTAL
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-		
HFT financial assets	-	-	10,134	115	-	-	13,027	23,276
AFS financial assets	16,032	44,416	2,772,068	40,900	4,457	-	14,836	2,892,709
HTM financial assets	7,992	5,493	377,368	24,087	8,646	-	-	423,586
Loans to customers	-	4,979	16,535	13,528	-	-	1,886,977	1,922,019
Loans to banks	-	2,985	26,995	51,473	35,040	-	303,015	419,508
A. Cash exposure	**24,024**	**57,873**	**3,203,100**	**130,103**	**48,143**	**-**	**2,217,855**	**5,681,098**
Financial derivatives	-	-	-	-	-	-	529	529
Credit derivatives	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**529**	**529**
C. Guarantees issued	**-**	**-**	**2,224**	**-**	**-**	**-**	**115,477**	**117,701**
D. Commitment to dispense funds	**-**	**-**	**30**	**-**	**-**	**-**	**994**	**1,024**
E. Other	**-**	**-**	**50**	**-**	**-**	**-**	**-**	**50**
Total	**24,024**	**57,873**	**3,205,404**	**130,103**	**48,143**	**-**	**2,334,855**	**5,800,402**

A.3 Breakdown of guaranteed credit exposure by type of guarantee

A.3.2 Guaranteed credit exposure with customers

		COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2)						
						CREDIT DERIVATIVES		SIGNATURE LOANS				
	EXPOSURE NET AMOUNT	BUILDINGS - MORTGAGES	BUILDINGS - FINANCE LEASE	SECURITIES	OTHER COLLATERA-LISED GUARANTEES	CLN	OTHER DERIVATIVES	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	OTHER ENTITIES	TOTAL (1) + (2)
1. Guaranteed cash credit exposure:	**1,644,792**	**389,234**	**-**	**767,107**	**447,597**	**-**	**-**	**-**	**-**	**427**	**11,447**	**1,615,812**
1.1 Totally guaranteed	1,564,670	387,237	-	732,085	434,079	-	-	-	-	427	10,842	1,564,670
- *of which: non-performing*	*29,947*	*17,331*	-	*7,864*	*165*	-	-	-	-	-	*4,587*	*29,947*
1.2 Partially guaranteed	80,122	1,997	-	35,022	13,518	-	-	-	-	-	605	51,142
- *of which: non-performing*	*911*	*3*	-	-	-	-	-	-	-	-	-	*3*
2. Guaranteed off-balance sheet credit exposure:	**96,012**	**138**	**-**	**70,351**	**21,832**	**-**	**-**	**-**	**-**	**-**	**1,663**	**93,984**
2.1 Totally guaranteed	93,723	90	-	70,306	21,664	-	-	-	-	-	1,663	93,723
- *of which: non-performing*	*935*	-	-	*859*	*8*	-	-	-	-	-	*68*	*935*
2.2 Partially guaranteed	2,289	48	-	45	168	-	-	-	-	-	-	261
- *of which: non-performing*	*2,000*	-	-	*34*	*81*	-	-	-	-	-	-	*115*

B. Breakdown and concentration of credit exposure

B.1 Sector breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
A. Cash exposure			
1. Governments	**2,958,316**	**-**	**-**
A.1 Bad loans	-	-	-
- *of which: forborne exposures*	-	-	-
A.2 Unlikely to pay	-	-	-
- *of which: forborne exposures*	-	-	-
A.3 Non-performing past-due exposures	-	-	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	2,958,316	-	-
- *of which: forborne exposures*	-	-	-
2. Other public institutions	**-**	**-**	**-**
A.1 Bad loans	-	-	-
- *of which: forborne exposures*	-	-	-
A.2 Unlikely to pay	-	-	-
- *of which: forborne exposures*	-	-	-
A.3 Non-performing past-due exposures	-	-	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	-	-	-
- *of which: forborne exposures*	-	-	-
3. Financial companies	**266,740**	**155**	**453**
A.1 Bad loans	100	120	-
- *of which: forborne exposures*	-	-	-
A.2 Unlikely to pay	1	34	-
- *of which: forborne exposures*	-	-	-
A.3 Non-performing past-due exposures	5	1	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	266,634	-	453
- *of which: forborne exposures*	-	-	-
4. Insurance companies	**20,987**	**-**	**-**
A.1 Bad loans	-	-	-
- *of which: forborne exposures*	-	-	-
A.2 Unlikely to pay	-	-	-
- *of which: forborne exposures*	-	-	-
A.3 Non-performing past-due exposures	-	-	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	20,987	-	-
- *of which: forborne exposures*	-	-	-
5. Non-financial companies	**524,783**	**11,761**	**1,947**
A.1 Bad loans	18,489	11,706	-
- *of which: forborne exposures*	*935*	*967*	-
A.2 Unlikely to pay	5,087	26	-
- *of which: forborne exposures*	*5,048*	*11*	-
A.3 Non-performing past-due exposures	108	29	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	501,099	-	1,947
- *of which: forborne exposures*	-	-	-
6. Other entities	**1,257,049**	**2,125**	**-**
A.1 Bad loans	6,140	1,624	-
- *of which: forborne exposures*	-	-	-
A.2 Unlikely to pay	16	144	-
- *of which: forborne exposures*	-	-	-
A.3 Non-performing past-due exposures	3,258	357	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	1,247,635	-	-
- *of which: forborne exposures*	*23*	-	-
Total A - Cash exposure	**5,027,875**	**14,041**	**2,400**

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
B. Off-balance sheet exposure			
1. Governments	**40**	**-**	**-**
B.1 Bad loans	-	-	-
B.2 Unlikely to pay	-	-	-
B.3 Other non-performing assets	-	-	-
B.4 Performing exposures	40	-	-
2. Other public institutions	**-**	**-**	**-**
B.1 Bad loans	-	-	-
B.2 Unlikely to pay	-	-	-
B.3 Other non-performing assets	-	-	-
B.4 Performing exposures	-	-	-
3. Financial companies	**114**	**-**	**-**
B.1 Bad loans	-	-	-
B.2 Unlikely to pay	-	-	-
B.3 Other non-performing assets	-	-	-
B.4 Performing exposures	114	-	-
4. Insurance companies	**4,224**	**-**	**-**
B.1 Bad loans	-	-	-
B.2 Unlikely to pay	-	-	-
B.3 Other non-performing assets	-	-	-
B.4 Performing loans	4,224	-	-
5. Non-financial companies	**72,555**	**-**	**-**
B.1 Bad loans	68	-	-
B.2 Unlikely to pay	3,011	-	-
B.3 Other non-performing assets	-	-	-
B.4 Performing loans	69,476	-	-
6. Other entities	**42,087**	**-**	**-**
B.1 Bad loans	-	-	-
B.2 Unlikely to pay	-	-	-
B.3 Other non-performing assets	16	-	-
B.4 Performing loans	42,071	-	-
Total B - Off-balance sheet exposure	**119,020**	**-**	**-**

Summary

	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
Governments	2,958,356	-	-
Public institutions	-	-	-
Financial companies	266,854	155	453
Insurance companies	25,211	-	-
Non-financial companies	597,338	11,761	1,947
Other entities	1,299,136	2,125	-
Overall total (A + B) at 31.12.2015	**5,146,895**	**14,041**	**2,400**
Overall total (A + B) at 31.12.2014	**5,341,287**	**22,006**	**2,636**

B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash exposure										
A.1 Bad loans	24,729	12,871	-	579	-	-	-	-	-	-
A.2 Unlikely to pay	5,104	203	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	3,370	387	1	1	-	-	-	-	-	-
A.4 Other performing exposures	4,734,206	1,966	213,844	428	44,989	6	1,632	-	-	-
Total A	**4,767,409**	**15,427**	**213,845**	**1,008**	**44,989**	**6**	**1,632**	**-**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	68	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	3,011	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	16	-	-	-	-	-	-	-	-	-
B.4 Other performing exposures	115,832	-	93	-	-	-	-	-	-	-
Total B	**118,927**	**-**	**93**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2015	**4,886,336**	**15,427**	**213,938**	**1,008**	**44,989**	**6**	**1,632**	**-**	**-**	**-**
Total at 31.12.2015	**5,226,810**	**23,786**	**103,751**	**856**	**10,323**	**-**	**403**	**-**	**-**	**-**

B.3 Geographical breakdown of cash and off-balance sheet credit exposure to banks (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposure	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposures	487,648	3,872	113,529	53	52,046	-	-	-	-	-
Total A	**487,648**	**3,872**	**113,529**	**53**	**52,046**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Other performing exposures	30	-	204	-	-	-	-	-	-	-
Total B	**30**	**-**	**204**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2015	**487,678**	**3,872**	**113,733**	**53**	**52,046**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2014	**403,385**	**3,713**	**42,900**	**6**	**28,680**	**-**	**-**	**-**	**-**	**-**

B.4 Large exposures

The Regulation (EU) No. 575/2013 (CRR) and the Directive No. 2013/36/EU (CRD IV), published on the *Official Journal of the European Union* on 27 June 2013, enacted the new rules defined by the Basel Committee on banking supervision. On 17 December 2013, the Bank of Italy applied the above provisions by issuing Circular Letter No. 285 “Prudential Supervisory Provisions Concerning Banks” — further amended in 2014 — and Circular Letter No. 286 “Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies”. In detail, according to the new rules, exposure values of a bank to a counterparty or to a group of connected counterparties must be defined as a “large exposure” if it is equal to or above 10% of the bank’s eligible capital base.
The EU Regulation CRR No. 575/2013 defines the “eligible capital” as the sum of Tier 1 capital and Tier 2 capital that is equal to or less than one third of Tier 1 capital.
The exposure value of an asset item shall be its accounting value and not its weighted value. Therefore, the positions which fall within the meaning of “Large Exposure” are recognised at both book value and weighted value.

BIG RISKS	31.12.2015	31.12.2014
a) Carrying amount	3,614,884	4,009,649
b) Weighted amount	117,406	203,231
c) Number	4	8

C. Securitisation

The securisation portfolio contains only Quarzo CL1 securities, with underlying residential and commercial mortgages (RMBS/CMBS).

TYPE OF UNDERLYING ASSETS/ EXPOSURES	CASH EXPOSURES						TOTAL NET EXPOSURE
	SENIOR		MEZZANINE		JUNIOR		
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	
A. With own underlying assets:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-
B. With third-party underlying assets:	**13,027**	**13,027**	**-**	**-**	**-**	**-**	**13,027**
a) Non-performing	-	-			-	-	-
b) Other	13,027	13,027	-	-	-	-	13,027

C.1.3 Exposures resulting from the third-party main securitisation, broken down by type of securitised assets and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURES	CASH EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	BOOK VALUE	ADJUSTMENTS OF REVERSALS	BOOK VALUE	ADJUSTMENTS OF REVERSALS	BOOK VALUE	ADJUSTMENTS OF REVERSALS
A. Cash exposures						
A.1 QUARZO CL1 FRN 31.12.2019 ABS Trading portfolio ISIN IT0004284706 underlying RMBS/CMBS	13,027	-	-	-	-	-
B. Guarantees issued	-	-	-	-	-	-
C. Lines of credit	-	-	-	-	-	-

C.1.4 Exposures arising on securitisations broken down by financial-asset portfolio and type

EXPOSURE/PORTFOLIO	TYPE OF FINANCIAL-ASSET PORTFOLIO						
	HFT FINANCIAL ASSETS	FINANCIAL ASSETS AT FAIR VALUE	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS	31.12.2015	31.12.2014
1. Cash exposures	**13,027**	**-**	**-**	**-**	**-**	**13,027**	**13,964**
Senior	13,027	-	-	-	-	13,027	13,964
Mezzanine	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Senior	-	-	-	-	-	-	-
Mezzanine	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-

E. Transfer operations

E.1 Transferred financial assets not written off: book value and total value

TECHNICAL TYPE/ PORTFOLIO	HFT FINANCIAL ASSETS			AFS FINANCIAL ASSETS			HTM FINANCIAL ASSETS			LOANS TO BANKS			LOANS TO CUSTOMERS			TOTAL 31.12.2015	TOTAL 31.12.2014
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Cash assets	**-**	**-**	**-**	**304,153**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**304,153**	**199,893**
1. Debt securities	-	-	-	304,153	-	-	-	-	-	-	-	-	-	-	-	304,153	199,893
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITSs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2015	**-**	**-**	**-**	**304,153**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**304,153**	**-**
of which: non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2014	**-**	**-**	**-**	**179,212**	**-**	**-**	**20,681**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**199,893**
of which: non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A = transferred financial assets fully recognised (book value).
B = transferred financial assets partially recognised (book value).
C = transferred financial assets partially recognised (total value).

E.2 Financial liabilities for transferred assets not written off: book value

LIABILITIES/ ASSETS PORTFOLIO	HFT FINANCIAL ASSETS	FVO FINANCIAL ASSETS	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS TO BANKS	LOANS TO CUSTOMERS	TOTAL
1. Due to customers	-	-	-	-	-	-	-
a) for fully recognised assets	-	-	-	-	-	-	-
b) for partially recognised assets	-	-	-	-		-	-
2. Due to banks	-	-	**303,927**	-	-	-	**303,927**
a) for fully recognised assets	-	-	303,927	-	-	-	303,927
b) for partially recognised assets	-	-	-	-	-	-	-
Total at 31.12.2015	-	-	**303,927**	-	-	-	**303,927**
Total at 31.12.2014	-	-	**179,064**	**21,670**	-	-	**200,734**

Section 2 - Market risks

The bank's exposure to market risk is mainly due to the trading by the parent company, Banca Generali, of financial instruments on its own account, while the exposure of the subsidiaries is limited and residual. Market risk is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).
In particular, securities measured at fair value and classified in the HFT and AFS portfolios are exposed to risk, as fluctuations in their prices impact the Group's profit and loss account and/or net equity.

With regard to market risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.
The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.
Second-tier checks are a responsibility of the Risk and Capital Adequacy Department, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Department conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international banks and, to a lesser extent, in securities of corporate issuers.
The portfolio's exposure to the equities market remains limited with respect to the bond component, and derivatives transactions are absolutely marginal in extent.
The Group's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.
The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.
The Banca Generali Group holds only small amounts of securities denominated in foreign currencies.
Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio. VaR describes the maximum potential loss in value of a

portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.
VaR measurement is used for the sole purpose of performing a management analysis of the Group, which have no internal models aimed at submitting regular reports to the Supervisory Body.

2.1 Interest Rate and Price Risk - Regulatory Trading Book

Qualitative information

A. General aspects

The main activities of the Banking Group that increase its exposure to interest rate risk relating to its trading book include:
- management of the government bond book;
- management of the financial bond portfolio;
- dealings in interest rate derivatives, all of which over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Finance Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:
- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);
- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate financial bonds and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The bank's investments in structured securities are negligible.

B. Management processes and interest rate risk measurement techniques

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio.

VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.
The following table shows the average risk of the Bank's portfolio (both trading and banking books) for 2015:

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Average VaR 99% 1 day (€/000)	13,433.41	10,422.62	10,904.24	9,539.34

Throughout 2015, market risk remained at moderate levels, with an average one-day 99% VaR of less than 0.4% of the total portfolio.

Quantitative information

A. Regulatory trading portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	**-**	**13,078**	**5,534**	**4,346**	**352**	**-**	**-**	**-**	**23,310**
1.1 Debt securities									
- With early repayment option	-	-	-	-	-	-	-	-	-
- Other	-	13,078	5,534	4,346	352	-	-	-	23,310
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreement liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**143,579**	**6,258**	**17,248**	**80**	**-**	**-**	**-**	**167,165**
3.1 With underlying securities	-	123	18	-	80	-	-	-	221
- Options									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other									
- long positions	-	53	18	-	40	-	-	-	111
- short positions	-	70	-	-	40	-	-	-	110
3.2 Without underlying securities	-	143,456	6,240	17,248	-	-	-	-	166,944
- Options									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other									
- long positions	-	71,728	3,120	8,624	-	-	-	-	83,472
- short positions	-	71,728	3,120	8,624	-	-	-	-	83,472

2. Regulatory trading portfolio: breakdown of exposures in capital securities and stock indices for the main countries on the market of listing

	LISTED			
TYPE OF TRANSACTION/INDEX	ITALY	FRANCE	OTHER	NON-LISTED
A. Equity securities				
Long positions	826	-	505	-
Short positions	-	-	-	-
B. Equity security purchases/ sales to be settled				
Long positions	-	-	-	-
Short positions	-	-	-	-
C. Other derivatives on capital securities				
Long positions	-	-	-	-
Short positions	22	-	-	-
D. Stock index derivatives				
Long positions	-	-	-	-
Short positions	19	-	-	-

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk** or **exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question, or are due to factors that influence all similar financial instruments traded on the market.

Price risk arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc., and in relation to UCITS units held in the relevant portfolio.
However, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

3. Regulatory trading portfolio: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.
This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primary risk factors, which for Banca Generali Group are interest-rate and price risk.
In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/-100 basis points in the rate curve.
The next stage involves establishing the potential effects on the Profit and Loss Account, both in terms of the point change in the fair value of the portfolio under analysis on the reporting date, and the change in the net interest income for the current year.
In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +133.1/-133.1 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

By contrast, an interest rate movement of +100/-100 basis points would have had an overall effect on the fair value of the portfolio of debt securities held for trading of -290.3/+290.3 thousand euros, gross of the tax effect. The dellta fair value component of government bonds carried in the HFT portfolio associated with such bonds would amount to -1.5/+1.5 thousand euros due to the hypothesised shift in the rate curve.

	HFT
FV equity delta (+10%)	133.10
FV equity delta (-10%)	-133.10
FV bonds delta (+1%)	-290.30
of which: government bonds	*-1.49*
FV bonds delta (-1%)	290.30
of which: government bonds	*1.49*
Net interest income delta (+1%)	83.25
Net interest income delta (-1%)	-83.25

2.2 Interest Rate and Price Risk - Banking Portfolio

Qualitative information

A. General aspects, management processes and interest rate risk measurement techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.
This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Group's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, net equity.

With regard to managing the interest rate risk to which the banking portfolio is exposed, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.
The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.
The Risk and Capital Adequacy Department is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.
The Internal Audit Department is responsible for third-tier controls of loans and inflows transactions.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Most of the interest rate risk in the Group's banking portfolio arises from:
- trading on the interbank deposits market;
- customer lending activities; and
- investment operations of the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the Group's objectives in terms of net interest income.

The price risk associated with the banking portfolio is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).
Financial instruments mainly refer to equities and UCITS units listed on regulated markets, except for SIF Tyndaris SICAV (closed-end fund linked to the real-estate market), the Algebris NPL fund, the equity investment in the vehicle Athena Private Equity and Veneto Banca.
The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

B Fair value and cash flow hedging

The Group does not currently engage in fair value or cash flow hedging.

Quantitative information

1. Banking portfolio: broken down by time-to-maturity (according to repricing date) of financial assets and liabilities

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	**1,907,298**	**551,216**	**1,591,587**	**133,401**	**1,227,507**	**231,871**	**14,941**	**-**	**5,657,821**
1.1 Debt securities									
- with early repayment option	-	4,756	-	-	-	14,032	-	-	18,788
- other entities	2,494	347,085	1,585,672	127,044	1,195,958	204,821	-	-	3,463,074
1.2 Loans to banks	163,802	139,213	-	-	-	-	-	-	303,015
1.3 Loans to customers									
- current accounts	927,906	1	3	5	979	-	-	-	928,894
- other loans	813,096	60,161	5,912	6,352	30,570	13,018	14,941	-	944,050
- with early repayment option	695,977	5,566	4,451	6,352	30,489	13,018	14,941	-	770,794
- other	117,119	54,595	1,461	-	81	-	-	-	173,256
2. Cash liabilities	**4,778,570**	**266,637**	**50,015**	**-**	**-**	**43,283**	**-**	**-**	**5,138,505**
2.1 Due to customers									
- current accounts	4,655,751	-	-	-	-	-	-		4,655,751
- other payables	98,066	7,451	-	-	-	43,283	-	-	148,800
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	98,066	7,451	-	-	-	43,283	-	-	148,800
2.2 Due to banks									
- current accounts	1,392	-	-	-	-	-	-	-	1,392
- other payables	23,361	259,186	50,015	-	-	-	-	-	332,562
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying securities									
- Options									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities									
- Options									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
4. On off-balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-

2. Banking portfolio: internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of financial assets available for sale, the portfolio of financial assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associated with equities classified among AFS assets of +1.7/-1.7 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of -44/+44 million euros, gross of the tax effect.
The fair value delta component associated with the government bonds in the banking book would amount to -55.3/+55.3 million euros as a result of the hypothesised shift in the rate curve, or 62.7% of the fair value delta of the entire banking book.

A change of +100/-100 basis points in interest rates would have an effect of +29/-29 million euros on the flow of interest on the banking book consisting of debt securities classified among financial assets available for sale (AFS), held to maturity (HTM), loans and receivables (L&R) and loans.

	HFT	AFS	HTM+L&R	LOANS (*)	TOTAL
FV equity delta (+10%)	133.10	1,719.60	-	-	1,852.70
FV equity delta (-10%)	-133.10	-1,719.60	-	-	-1,852.70
FV bonds delta (+1%)	-290.30	-44,018.29	-23,736.58	-20,418.40	-88,463.57
- *of which: government bonds*	*-1.49*	*-37,599.30*	*-17,702.36*	-	*-55,303.15*
FV bonds delta (-1%)	290.30	44,018.29	23,736.58	20,418.40	88,463.57
- *of which: government bonds*	*1.49*	*37,599.30*	*17,702.36*	-	*55,303.15*
Net interest income delta (+1%)	83.25	11,560.16	516.02	16,895.33	29,054.76
Net interest income delta (-1%)	-83.25	-11,560.80	-516.05	-16,896.49	-29,056.58

(*) Loans to banks and Loans to customers.

The same criteria were also applied to a sensitivity analysis of net interest income of all financial statement items. It resulted in a potential impact on the Profit and Loss Account of +22.4 million euros, gross of the tax effect in case of increase of interest rates by 1%, and -22.5 million euros in case of decrease by the same amount.

	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	29,054.76	-6,658.91	22,395.85
Net interest income delta (-1%)	-29,056.58	6,543.86	-22,512.72

2.3 Exchange rate risk

Qualitative information

A. General aspect, management processes and exchange rate risk measurement techniques

Exchange rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.

With regard to exchange rate risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department performs first-tier controls of exchange-rate risk management.
The Risk and Capital Adequacy Department Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the exchange rate risk.
The Internal Audit Department is responsible for third-tier controls of loans and inflows in foreign currency.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the Exchange rate risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Most of the exchange-rate risk arises from:
- trading of securities and other financial assets in foreign currency;
- interest to be collected and/or paid, reimbursements, fees or dividends in foreign currency;
- bank transfers in foreign currency to customers (Institutional and Retail customers);
- currency trading on behalf of customers.

The main objective of exchange rate operations is to contain open positions in foreign currencies, exclusively currency account currencies.
Exchange rate risk is mitigated through funding activities in the same currency as that of lending transactions.

Quantitative information

1. Breakdown by currency of denomination for assets, liabilities, and derivatives

	CURRENCY							
ITEMS	US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	ICELAND KRONA	CANADIAN DOLLAR	OTHER CURRENCIES	TOTAL CURRENCIES
A. Financial assets	**37,674**	**207**	**19,030**	**6,290**	**1,838**	**1,274**	**2,575**	**68,888**
A.1 Debt securities	-	-	-	-	-		151	151
A.2 Equity securities	-	-	-	-	-		-	-
A.3 Loans to banks	37,674	111	13,615	6,290	1,838	1,274	2,424	63,226
A.4 Loans to customers	-	96	5,415	-	-	-	-	5,511
A.5 Other financial assets	-	-	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**37,990**	**158**	**18,804**	**6,733**	**1,814**	**1,268**	**2,415**	**69,182**
C.1 Due to banks	-	-	5,261	-	-	-	-	5,261
C.2 Due to customers	37,990	158	13,543	6,733	1,814	1,268	2,415	63,921
C.3 Debt securities	-	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**723**	**-5**	**-223**	**-38**	**-**	**-**	**1**	**458**
Options								
- long positions	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-
Other derivatives	723	-5	-223	-38	-	-	1	458
- long positions	38,216	-	531	2,778	-	-	440	41,965
- short positions	37,493	5	754	2,816	-	-	439	41,507
Total assets	**75,890**	**207**	**19,561**	**9,068**	**1,838**	**1,274**	**3,015**	**110,853**
Total liabilities	**75,483**	**163**	**19,558**	**9,549**	**1,814**	**1,268**	**2,854**	**110,689**
Excess	**407**	**44**	**3**	**-481**	**24**	**6**	**161**	**164**

2. Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has been also conducted on assets and liabilities denominated in currencies other than the euro, regardless of the portfolio to which they have been allocated.

On the whole, a change of +100/-100 bps would have an effect on the fair value of bonds and securities other than equities in foreign currency of -3.6/+3.6 thousand euros, gross of the tax effect

	ASSETS
FV equity delta (+10%)	-
FV equity delta (-10%)	-
FV non-equity delta (+1%)	-3.62
FV non-equity delta (-1%)	3.62
Net interest income delta (+1%)	668.29
Net interest income delta (-1%)	-668.29

By contrast, an interest rate movement of +100/-100 basis points would have an effect of -/+12.7 thousand euros on the flow of interest on assets and liabilities denominated in currencies other than the euro.

	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	668.29	-680.96	-12.67
Net interest income delta (-1%)	-668.29	680.96	12.67

The Group does not held equity positions denominated in currencies other than the euro.

2.4 Derivative instruments

A. Derivati finanziari

A.1 Regulatory and trading portfolio: notional amounts at year-end

TYPES OF DERIVATIVES/ UNDERLYING ASSETS	31.12.2015		31.12.2014	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
1. Debt securities and interest rates	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**15,003**
a) Options	-	-	-	15,003
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**67,217**	**-**	**96,979**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	67,217	-	96,979	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**67,217**	**-**	**96,979**	**15,003**

A.3 Financial derivatives: positive gross fair value - breakdown by products

PORTFOLIO/TYPE OF DERIVATIVES	POSITIVE FV 2015 OTC	POSITIVE FV 2015 CENTRAL COUNTERPARTIES	POSITIVE FV 2014 OTC	POSITIVE FV 2014 CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	**529**	**-**	**2,685**	**1,138**
a) Options	42	-	-	1,138
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	487	-	2,685	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging portfolio	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**529**	**-**	**2,685**	**1,138**

A.4 Financial derivatives: negative gross fair value - breakdown by products

PORTFOLIO/TYPE OF DERIVATIVES	NEGATIVE FV 2015 OTC	NEGATIVE FV 2015 CENTRAL COUNTERPARTIES	NEGATIVE FV 2014 OTC	NEGATIVE FV 2014 CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	**463**	**-**	**2,655**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	463	-	2,655	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging portfolio	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**463**	**-**	**2,655**	**-**

A.5 OTC financial derivatives — Regulatory Trading Book: notional values, positive and negative gross fair value by counterparties — contracts other than netting arrangements

CONTRACTS OTHER THAN NETTING ARRANGEMENTS	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
1) Debt securities and interest-rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
2} Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	42	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	42	-	-	-
3) Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Notional value	-	-	35,308	-	-	9,872	22,037
Positive fair value	-	-	204	-	-	71	212
Negative fair value	-	-	328	-	-	-	135
Future exposure	-	-	353	-	-	99	220
4) Other values	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-

A.9 Time-to-maturity of OTC financial derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading portfolio	**67,217**	**-**	**-**	**67,217**
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	67,217	-	-	67,217
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 31.12.2015	**67,217**	**-**	**-**	**67,217**
Total at 31.12.2014	**96,979**	**-**	**-**	**96,979**

Section 3 - Liquidity risk

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

With regard to liquidity risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

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

The Risk and Capital Adequacy Department is responsible for second-tier controls. Liquidity risks are maintained within appropriate short-term and structural operating limits (over one year), which are monitored by the Risk and Capital Adequacy Department. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Department is responsible for third-tier controls on lending and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

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

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international financials and, to a lesser extent, in securities of corporate issuers.

The Group uses a maturity ladder to apply the guidelines set out in the Prudential Supervisory provisions governing the measurement of net financial position. Through the maturity ladder the bank assesses the matching of expected cash flows, by balancing assets and liabilities whose maturity falls within each maturity range; the balances and therefore the mismatches between expected inflows and outflows within each maturity range allows, through the construction of cumulative mismatches, the calculation of the net balance of funding requirement (or surplus) over the period considered.

1. Breakdown of assets and liabilities by maturity

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	INDEF. MATURITY	TOTAL
Cash assets											
A.1 Government securities	-	-	188	-	181,486	34,087	248,401	1,644,850	829,298	-	2,938,310
A.2 Other debt securities	4	56	326	8,857	23,539	10,454	25,400	451,050	39,000	-	558,686
A.3 UCITS units	32,170	-	-	-	-	-	-	-	-	-	32,170
A.4 Loans											
- to banks	163,802	-	-	-	-	-	-	-	-	139,213	303,015
- to customers	1,035,859	4	30,897	203	75,306	38,402	92,478	305,183	303,589	-	1,881,921
Total	**1,231,835**	**60**	**31,411**	**9,060**	**280,331**	**82,943**	**366,279**	**2,401,083**	**1,171,887**	**139,213**	**5,714,102**
Cash liabilities											
B.1 Deposits and current accounts											
- from banks	1,393	-	-	-	5,271	-	-	-	-	-	6,664
- from customers	4,654,033	-	-	301	103	186	447	679	-	-	4,655,749
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	156,490	-	-	-	261,376	50,015	-	-	43,028	-	510,909
Total	**4,811,916**	**-**	**-**	**301**	**266,750**	**50,201**	**447**	**679**	**43,028**		**5,173,322**
Off-balance sheet transactions											
C.1 Financial derivatives with capital swap	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	17,399	-	28,113	26,269	3,120	8,624	58	-	-	83,583
- short positions	-	17,428	-	28,101	26,269	3,120	8,624	40	-	-	83,582
C.2 Financial derivatives with capital swap	-	-	-	-	-	-	-	-	-	-	-
- long positions	1,138	-	-	-	-	-	-	-	-	-	1,138
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	88	2	-	90
- short positions	90	-	-	-	-	-	-	-	-	-	90
C.5 Financial guarantees issued	160	-	-	-	-	-	-	-	-	-	160
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-
Total	**1,388**	**34,827**	**-**	**56,214**	**52,538**	**6,240**	**17,248**	**186**	**2**	**-**	**168,643**

Section 4 - Operating risks

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

With regard to operating risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The functions dealing with Organisation and IT guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Group and, if necessary, implements measures to guarantee a higher general level of security.
The Risk and Capital Adequacy Department function identifies and assesses the operational risks inherent in business processes (risk assessment and scoring), measures the impact of operational losses (Loss Data Collection process), monitors the action plans adopted to mitigate material risks, and controls KRIs (Key Risk Indicators) to manage the areas of highest risk.
The Internal Auditing function supervises the regular conduct of the Group's operations and processes, and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

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

PART F - INFORMATION ON NET EQUITY

Section 1 - Net equity

A. Qualitative information

The Banca Generali Group's capital management strategy aims to ensure that the capital and ratios of Banca Generali, and the banks and financial companies it controls, are consistent with its risk profile and regulatory requirements.

Banca Generali Group and the banks and financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the EU (CRR/CRD IV) and applied by the Bank of Italy.
Such rules envisage the concept of own funds, which is separate from the net equity stated in the Financial Statements. Own funds are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Compliance with minimum capital requirements is monitored by the Risk Management Service, whereas the Regulatory Reporting function is responsible for calculating and periodically disclosing Own Funds and capital requirements on a regular basis, as well as safeguarding the related databases (historical regulatory archive).

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items.
Additional analyses and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

Compliance with capital adequacy is also guaranteed by the adoption of ECB's recommendations issued on 17 December 2015 on dividend distribution policies (ECB/2015/49) and ECB's Letter dated 26 November 2015 concerning variable remuneration policies, both aimed at observing minimum capital adequacy requirements in the medium-/long-term and detecting the potential effects of any adverse market situation.

B. Quantitative information

At 31 December 2015, consolidated net equity, including net profit for the year, amounted to 636.8 million euros compared to 536.3 million euros at the end of the previous year.

			CHANGE	
(€ THOUSAND)	31.12.2015	31.12.2014	AMOUNT	%
1. Share capital	116,093	115,677	416	0.36%
2. Additional paid-in capital	50,063	45,575	4,488	9.85%
3. Reserves	247,214	196,209	51,005	26.00%
4. (Treasury shares)	-2,555	-41	-2,514	6131.71%
5. Valuation reserves	22,424	17,983	4,441	24.70%
6. Equity instruments	-	-	-	n.a.
7. Minority interests	-	-	-	n.a.
8. Net profit (loss) for the year	203,559	160,905	42,654	26.51%
Total Net equity	**636,798**	**536,308**	**100,490**	**18.7%**

The increase in net equity was influenced by the distribution of the 2014 dividends amounting to approximately 113.4 million euros, authorised by the Shareholders' Meeting held on 23 April 2015 to approve the Financial Statements, and the effects generated by previous and new stock option plans, the performance of fair value reserves for the portfolio of AFS financial assets and other reserves which contribute to the comprehensive income.

At year-end, in implementation of the Resolution of the Shareholders' Meeting of 23 April 2015 and the Bank of Italy's authorisation issued on 3 June 2015, a total of 88,213 Banca Generali shares were also purchased in service of the new stock granting plans for the Banking Group's key personnel, as introduced by the new 2015 Remuneration Policy in compliance with Supervisory Provisions.

	GROUP
Net equity at year-start	**536,308**
Dividend paid	-113,431
Purchase and sale of treasury shares	-2,514
Previous stock option plans: issue of new shares	4,384
New stock option plans	1,740
Assicurazioni Generali stock granting plans	2,311
Change in valuation reserves	4,441
Consolidated net profit	203,559
Net equity at year-end	**636,798**
Change	**100,490**

B.1 Consolidated net equity: breakdown by type of company

(€ THOUSAND)	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES	TOTAL 2015	TOTAL 2014	CHANGE
1. Share capital	116,093	-	-	-	116,093	115,677	416
2. Additional paid-in capital	50,063	-	-	-	50,063	45,575	4,488
3. Reserves	247,214	-	-	-	247,214	196,209	51,005
4. Equity instruments	-	-	-	-	-	-	-
5. (Treasury shares)	-2,555	-	-	-	-2,555	-41	-2,514
6. Valuation reserves	22,424	-	-	-	22,424	17,983	4,441
AFS financial assets	23,921	-	-	-	23,921	19,542	4,379
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	-	-	-	-
Exchange differences	-8	-	-	-	-8	-	-8
Non-current assets held for sale	-	-	-	-	-	-	-
Actuarial gains (losses) from defined benefit plans	-1,489	-	-	-	-1,489	-1,559	70
Share of valuation reserves of investee companies valued at equity	-	-	-	-	-	-	-
Special revaluation laws	-	-	-	-	-	-	-
7. Net profit (loss) for the year attributable to the Group and minority interests	203,559	-	-	-	203,559	160,905	42,654
Total Net equity	**636,798**	**-**	**-**	**-**	**636,798**	**536,308**	**100,490**

B.2 Breakdown of valuation reserves from AFS financial assets

Valuation reserves from AFS financial assets measure the unrealised capital gains and losses, net of the associated tax effect, on the assets allocated to that portfolio and recognised at fair value.
The change in these reserves contributes to determining the overall company performance in relation to other comprehensive income (OCI), without passing through the profit and loss account.
However, when gains or losses are realised or an impairment loss is recognised, the cumulative amount of the reserve is reclassified to the Profit and Loss Account in the year of reference.

Fair value valuation reserves for AFS financial asset portfolio showed a rapid recovery compared to the abrupt decline recorded at the end of June due to the severe financial market volatility associated with the re-emergence of the Greek crisis.
The aggregate had an overall positive balance of 23.9 million euros, up by 4.4 million compared to year-end 2014.
This trend was mainly influenced by the portfolio of Italian government bonds, for which net reserves amounted to 21.6 million euros compared to 14.7 million euros at year-end 2014.

	BANKING GROUP		INSURANCE COMPANIES		OTHER COMPANIES		CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES		TOTAL	
ASSETS/VALUES	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	22,844	-838	-	-	-	-	-	-	22,844	-838
2. Equity securities	2,434	-260	-	-	-	-	-	-	2,434	-260
3. UCITS units	74	-333	-	-	-	-	-	-	74	-333
4. Loans	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2015	**25,352**	**-1,431**	**-**	**-**	**-**	**-**	**-**	**-**	**25,352**	**-1,431**
Total at 31.12.2014	**20,206**	**-664**	**-**	**-**	**-**	**-**	**-**	**-**	**20,206**	**-664**

B.3 Reserves from financial assets available for sale: year changes

In detail, compared to a growth of 13.0 million euros recorded in 2014, a net capital gain of 4.4 million euros was generated in 2015 by the AFS portfolio through equity reserves, as a result of the following factors:
> an increase in net valuation gains of 23.0 million euros, due to the significant recovery of the market values of financial assets, and particularly of the Italian sovereign debt bonds held by the Bank;
> the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-16.7 million euros);
> the positive net tax effect (DTAs) associated with the above changes (-1.9 million euros).

(€ THOUSAND)	31.12.2015 EQUITY SECURITIES	UCITS UNITS	DEBT SECURITIES CORPORATE	GOVERNMENT	TOTAL
1. Amount at year-start	**1,799**	**-169**	**3,158**	**14,754**	**19,542**
2. Increases	**753**	**619**	**2,126**	**24,620**	**28,118**
2.1 Fair value increases	741	230	825	24,620	26,416
2.2 Transfer to Profit and Loss of negative reserves	-	-	-	-	-
- due to impairment	-	-	-	-	-
- due to disposal	-	321	-	-	321
2.3 Other changes	12	68	1,301	-	1,381
3. Decreases	**378**	**709**	**4,871**	**17,781**	**23,739**
3.1 Fair value decreases	338	389	1,604	1,055	3,386
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to profit and loss of positive reserves: due to disposal	-	295	3,267	13,485	17,047
3.4 Other changes	40	25	-	3,241	3,306
4. Amount at year-end	**2,174**	**-259**	**413**	**21,593**	**23,921**

B.4 Valuation reserves relating to defined benefit plans: year changes

	31.12.2015 RESERVE	DTAS	NET RESERVE
1. Amount at year-start	**-2,150**	**591**	**-1,559**
2. Increases	**-**	**-**	**-**
Decreases of actuarial losses	-	-	-
Other increases	-	-	-
3. Decreases	**96**	**-26**	**70**
Increases of actuarial losses	96	-26	70
Other decreases	-	-	-
4. Amount at year-end	**-2,054**	**565**	**-1,489**

Section 2 – Own funds and surveillance coefficients

2.1 Own funds

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

The new rules defined by the Basel Committee for bank supervision were adopted in community law in EU Regulation No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), published in the Official Journal of the European Union on 27 June 2013.
The Bank of Italy applied the above-mentioned provisions by issuing Circular Letter No. 285 of 17 December 2013, "Supervisory Provisions for Banks" — further amended in 2014 —, and Circular Letter No. 286, also of 17 December 2013, "*Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies*".
The Regulatory Technical Standards, issued by the European Banking Authority (EBA) and endorsed by the European Commission, provide the operating instructions for applying the new provisions. EBA also prepares the Implementing Technical standards (ITS) aimed at harmonizing prudential reports (COREP) and statistics (FINREP) at European level.

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

In detail, **Pillar 1** was strengthened by introducing a more harmonised definition of capital and increasing capital requirements.
Basel 3 includes the definition of a harmonised concept of common equity Tier 1 capital (CET1), corresponding to ordinary shares and earnings reserves; in addition, more stringent criteria have been established for deducting from capital intangible assets, equity investments in financial and insurance companies and deferred tax assets (DTAs) in excess of pre-set individual and cumulative thresholds.

It also provided for more stringent regulatory capital requirements to more accurately capture potential risks from securitisation positions and trading book and introduced DTAs, which were previously not included.
The minimum overall requirement will remain set at 8% of risk-weighted assets, but more than half of this, or 4.5%, is to be met by common equity. In order to respond to periods of stress, an additional capital conservation buffer is also required beyond the regulatory minimum, equal to 2.5% of common equity in relation to risk-weighted assets. Banks that do not have such capital conservation buffer will in any event be required to comply with limits on the distribution of dividends and the award of bonuses, which will become increasingly stringent as the buffer shrinks.

Basel 3 also introduces new requirements and supervisory systems for the liquidity and financial leverage risks, based on the following ratios:
> Liquidity Coverage Ratio - LCR, a short-term liquidity requirement;
> Net Stable Funding Ratio - NSFR, a longer-term structural stability requirement;
> Leverage ratio, which as of 2017 will limit the maximum expansion of assets based on the size of CET1.

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

Finally, **Pillar 3** covers public reporting requirements on capital adequacy, risk exposure and the general characteristics of related management and control systems, in order to promote market discipline. This pillar has also been revised to introduce, amongst other things, transparency requirements regarding securitisation exposures, more information on the composition of capital for regulatory purposes and the methods used by the Parent Company to calculate capital ratios.

Further information on own funds, capital adequacy, risk exposure and the general characteristics of systems designed to identify, measure and manage these may hence be found in the document entitled Third Basel Pillar 3 or "Pillar 3", published on the Bank's website.

The introduction of the Basel 3 rules is being phased in gradually until full application is achieved between 2019 and 2023, during which the new rules will be applied at an increasing rate.

A. Qualitative information

As in the previous regulations, own funds are calculated as the sum of positive components, included with some limitations, and negative items, based on their capital quality. They consist of the following aggregates:
> Common Equity Tier 1 (CET1),
> Additional Tier 1 (AT1),
> Tier 2 capital (T2).

1. Common Equity Tier 1 capital (CET1)

A. Common equity Tier 1 capital (CET 1)

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

D. Elements to be deducted from CET1

CET1 is then subject to the following deductions:
a) intangible assets, including goodwill;
b) deferred tax assets (DTAs) that are based on future profitability and do not arise on temporary differences, or involving tax losses;
c) deferred tax assets that rely on future profitability and arise on temporary differences (net of the corresponding deferred tax liabilities); deferred tax assets convertible to credits pursuant to Law 214/2011 calculated in risk weighted assets (RWA) with a 100% weighting are not, however, deducted;
d) deferred tax assets relating to multiple reliefs on the same goodwill for the portion that has not yet been reflected in the current tax position;
e) direct, indirect and synthetic non significant investments (<10%) in CET 1 instruments issued by financial institutions;
f) direct, indirect and synthetic significant investments (>10%) in CET1 instruments issued by financial institutions;
g) any deductions exceeding AT1 capital instruments.

Deductions relating to equity investments in financial institutions and deferred tax assets apply only to amounts exceeding given CET1 thresholds, known as **allowances**, according to a particular mechanism described below:
1. **non significant investments** in CET1, AT1 and T2 instruments issued by financial institutions are deducted for the portion exceeding 10% of the amount of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and derive from temporary differences, direct, indirect and synthetic investments in CET1 instruments issued by financial institutions, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial instruments;
2. **net deferred tax assets** that rely on future profitability and arise on temporary differences are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
3. **significant investments in CET1 instruments** issued by financial institutions are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;

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

E. Transitional Provisions – impact on CET1

The main aspects of the **transitional provisions** are set out below:

1. the AFS portfolio's positive and negative valuation reserves relating to central EU administration exposures, may be excluded from CET1 up to the date the European Commission approves the new IFRS 9; this exemption was introduced by the Bank of Italy under the national discretionary measures provided for by the CRR;
2. the AFS portfolio's positive valuation reserves, other than those relating to central administration exposures, are calculated in CET1 only from 2015 for 40% and then with the phase-in of 20% per annum (40% in 2015 and 100% in 2018);
3. the AFS portfolio's negative valuation reserves, other than those relating to central administration exposures, are calculated in CET1 with the phase-in of 20% per annum (40% in 2015 and 100% in 2018);
4. actuarial gains/losses deriving from the IAS 19 valuation of Termination Indemnity (TFR) (and defined-benefit pension funds) are reported, net of the prudential filter activated by the Bank of Italy for 2013 in order to sterilise the effects of the new IAS19 with the phase-in of 20% per annum as from 2015 (80% in 2015 and 20% in 2018);
5. deferred tax assets (DTAs) that rely on future profitability and do not arise on temporary differences (tax losses) are deducted at 40% for 2015 (100% from 2018);
6. deferred tax assets (DTAs) that rely on future profitability and arise on temporary differences existing at 1 January 2014 are deducted from CET1 with the phase-in of 10% per annum as from 2015 (10% in 2015 and 100% in 2024);
7. other deferred tax assets (DTAs) that rely on future profitability and derive from temporary differences, generated after 1 January 2014 are deducted from CET1 with the phase-in of 20% per annum as from 2014 (40% in 2015 and 100% in 2018);
8. non significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances, are deducted from CET1 with the phase-in of 20% per annum as from 2014 (40% in 2015 and 100% in 2018); direct investments in financial institutions not deducted transitionally from CET1 are deducted for 50% from AT1 and for 50% from T2; indirect investments and synthetic investments are subject to capital requirements and included in risk weighted assets;
9. significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances, are deducted from CET1 with the phase-in of 20% per annum from 2014 (40% in 2015 and 100% in 2018); direct investments in financial institutions not deducted transitionally from CET1 are deducted for 50% from AT1 and for 50% from T2; indirect and synthetic investments are subject to capital requirements and included in risk weighted assets.

It should be noted that Banca Generali has exercised the sterilisation option for own funds purposes of capital gains and losses deriving from the fair value valuation of AFS financial assets belonging to the Euro area government bond sector, as provided for by the Bank of Italy Order of 18 May 2010. This option was also renewed in the new Basel III prudential supervisory regime, in force since 1 January 2014, as allowed by the Bank of Italy, until the new IFRS 9 becomes effective, scheduled for 2018.

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

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

> the amount of the actuarial gains and losses in excess of the 10% significance threshold of the present value of the defined-benefit obligation (the "overcorridor") to be recognised in profit and loss; and

> the actuarial gains and losses below that threshold to be deferred, without recognising them in the Financial Statements.

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

	31.12.2015
Termination indemnity IAS 19R	-4,889
Termination indemnity IAS 19 (2012)	-4,526
Gross difference	364
Tax effect	-100
Positive filter	**264**

B. CET1 prudential filters

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

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

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

The tax value of the goodwill subject to tax alignment amounted to 4,932 thousand euros, of which deferred tax assets for Italian corporate income tax (IRES) and regional production taxes (IRAP) of 1,410 thousand euros had been allocated at 31 December 2012. The amount of the filter as at 31 December 2015 thus amounted to 863 thousand euros.

2. Additional Tier 1 capital (AT1)

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

3. Tier 2 capital (T2)

M. Tier 2 capital - T2

Tier 2 capital includes Tier 2 capital instruments and subordinated liabilities, regulated by Articles 63 and subsequent Articles of the CRR and having the following characteristics:
> the original term is not less than 5 years and no incentives are envisaged for early repayment;
> call options, where applicable, may be exercised at the issuer's sole discretion and in any event no earlier than 5 years, subject to the authorisation of the supervisory authority granted in special circumstances;
> early repayment is also allowed before 5 years only in the event of significant changes to the tax or regulatory regime and always with the prior authorisation of the Supervisory Authority;
> subscription and purchase must not be financed by the Parent Company or its subsidiaries;
> they are not subject to guarantees issued by the Parent Company, its subsidiaries or other companies that have close links with them, which increase their seniority;
> interest does not change based on the Parent Company's credit rating;
> these instruments are amortised pro rata over the past 5 years for T2 calculation purposes.

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

	EFFECTIVE AS OF	EXPIRY	AMOUNT	REMAINING AMOUNT
Generali Beteiligungs GmbH subordinated loan	30.10.2014	30.10.2024	43,000	43,000

The subordinated loan agreed with the German company Generali Beteiligungs GmbH relates to the acquisition of the Credit Suisse (Italy) S.p.A. business unit.
The loan disbursed on 30 October 2014, for the amount of 43 million euros, has a ten-year term and is repayable on maturity in one instalment.
Provision is also made for an early repayment option, as from the sixth year, subject to the supervisory authority's prior approval.
The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year the rate will be reparameterised to the 3-month Euribor, plus the same spread identified when the original fixed rate was determined.
The loan is subordinated in the event of a default by the bank.

The loan granted by the German insurance subsidiary Generali Versicherung AG on 1 October 2008 to the merged company Banca BSI Italia was fully repaid at the expiry of the fifth and last instalment, 1 October 2015.

N. Elements to be deducted from T2

T2 is subject to the following main deductions:
> direct, indirect and synthetic investments in T2 own instruments;
> direct, indirect and synthetic investments in T2 instruments of financial sector entities.

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

O. Transitional provisions - impact on T2

The main aspects of the transitional provisions for 2014 are as follows:
1. Positive AFS reserves, other than those relating to EU country government bonds, are recognised transitionally for 2014 at the rate of 50% provided by previous legislation, with a gradual reduction of 20% per annum from 2014 (40% in 2015 and 0% in 2018)
2. non significant investments in CET1 capital instruments issued by financial institutions exceeding the 10% allowance and the general allowance, transitionally not deducted from CET1 are deducted for 50% from T2;
3. significant investments in CET1 capital instruments issued by financial institutions exceeding the 10% allowance and the general allowance, transitionally not deducted from CET1 are deducted for 50% from T2;
4. non significant investments in T2 capital instruments issued by financial institutions held directly are deducted 100% from T2; non significant investments in Tier 2 capital instruments issued by financial institutions held indirectly or synthetically are phased in as a deduction of 20% per annum from 2014 (40% in 2015 and 100% in 2018). Indirect and synthetic investments not deducted transitionally are subject to capital requirements and included in risk weighted assets;

5. significant investments in Tier 2 capital instruments issued by financial institutions held directly are 100% deducted from T2; significant investments in Tier 2 capital instruments issued by financial institutions held indirectly or synthetically are phased in as a deduction of 20% per annum from 2014 (40% in 2015 and 100% in 2018). Indirect and synthetic investments not deducted transitionally are subject to capital requirements and included in risk weighted assets.

B. Quantitative information

Consolidated own funds, calculated in accordance with the Basel 3 rules in effect since 1 January 2014, and net of the expected dividend pay-out, amounted to 427.9 million euros, up by 65.3 million euros compared to the end of the previous year.

ITEMS/VALUES	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
Common Equity Tier 1 (CET 1)	384,178	311,670	72,508	23.26%
Additional Tier 1 capital (AT1)	-	-	-	n.a.
Tier 2 capital (T2)	43,698	50,921	-7,223	-14.18%
Own funds	**427,876**	**362,591**	**65,285**	**18.01%**
Consolidated net equity	**636,798**	**536,308**	**100,490**	**18.74%**

In the year under review, CET 1 performance was chiefly attributable to the contribution of profit for the year which was not allocated as dividend to be distributed to shareholders (64.4 million euros), equal to about 30% of the profit for the year.
In addition, the positive effects of the previous and new stock-option plans also contributed to the performance, partially offset by the buy-back of own shares and the decrease in intangible assets.
Instead, Tier 2 was negatively impacted by the reimbursement of the last instalment of the subordinated loan granted in 2008 by the German subsidiary Generali Versicherung AG.

Own funds at 31.12.2014	**362,591**
Change in Tier 1 capital	
Purchase of treasury shares and repurchase commitments of CET1 instruments	-2,514
Bank's stock option and stock grant plans (LTIPs)	8,435
2014 dividend pay-out	-77
Regulatory provisions for retained earnings 2015	64,364
Transitional provisions: change in AFS positive and negative reserves	795
Change in IAS 19 reserves (net of the filter)	77
Change in goodwill and intangibles	2,125
Negative prudential filters	-697
Deductions for significant investments, DTAs; general deductions	-
Transitional provisions CET1	-
Total changes in Tier 1 capital	**72,508**
Change in Tier 2 capital	
Tier 2 subordinated loans (regulatory amortisation)	-6,005
Transitional provisions: change in AFS positive reserves	-1,218
Other effects	-
Total change in Tier 2 capital	**-7,223**
Own funds at 31.12.2015	**427,876**
Change	**65,285**

Composition of own funds

The composition of own funds is shown synthetically below, illustrating the effects of the prudential filters and the changes linked to the transitional provisions.

		31.12.2015
A.	**Tier 1 capital before application of prudential filters**	**497,603**
	of which: CET1 instruments covered by transitional provisions	-
B.	CET1 prudential filters (+-/-)	-2,968
C.	**CET1 gross of elements to be deducted and effects of the transitional regime**	**494,635**
D.	Elements to be deducted from CET1	-87,678
E.	Transitional Regime – impact on CET1	-22,779
F.	**Total Common Equity Tier 1 capital - CET1 (C - D+/- E)**	**384,178**
G.	Additional Tier 1 capital (AT1) gross of elements to be deducted and transitional regime	-
	of which AT1 instruments covered by transitional provisions	-
H.	Elements to be deducted from AT1	-
I.	Transitional regime - impact on AT1	-
L.	**Total additional Tier 1 (AT1)**	**-**
M.	Tier 2 capital (T2) gross of elements to be deducted and transitional regime	43,000
	of which T2 instruments covered by transitional provisions	-
N.	Elements to be deducted from T2	-
O.	Transitional regime - impact on Tier 2	698
P.	**Total Tier 2 - Tier 2 capital (T2)**	**43,698**
Q.	**Total own funds**	**427,876**

In detail, own funds are composed as follows.

OWN FUNDS	31.12.2015 FULL APPLICATION	PHASE-IN	TOTAL
Tier 1 capital			
Share capital	116,093	-	116,093
Additional paid-in capital	50,063	-	50,063
Treasury shares	-2,555	-	-2,555
CET1 instruments	**163,601**	**-**	**163,601**
Reserves	247,214	-	247,214
Net profit (loss) for the year	203,559	-	203,559
Share of net profit for the year not included in CET1	-139,195	-	-139,195
Earnings reserves	**311,578**	**-**	**311,578**
AFS reserves – equity securities and UCTISs	1,915	-1,149	766
AFS reserves - EU government securities - neutralisation option up to 2017	21,593	-21,593	-
AFS reserves - debt securities	413	-248	165
Reserve for exchange differences	-8	-	-8
Actuarial reserves IAS 19	-1,489	-	-1,489
Other (neutralisation of actuarial losses IAS 19)	-	211	211
Other components of other comprehensive income (OCI)	**22,424**	**-22,779**	**-355**
Prudent valuation	-2,968		-2,968
Cash flow hedge	-	-	-
Negative prudential filters	**-2,968**	**-**	**-2,968**
Goodwill	-66,065	-	-66,065
Goodwill DTLs	1,408	-	1,408
Intangible assets	-22,158	-	-22,158
DTAs to P&L not arising from temporary differences (tax losses)	-	-	-
Other negative items (neutralisation of DTAs arising on multiple prepayment of taxes on goodwill)	-863	-	-863
Total negative items	**-87,678**	**-**	**-87,678**
Adjust. of DTAs/DTLs through P&L arising on temporary differences	**-**	**-**	**-**
Portion exceeding non significant investments (<10%) in CET 1 instruments	**-**	**-**	**-**
Portion exceeding significant investments (>10%) in CET 1 instruments	**-**	**-**	**-**
General deduction - portion exceeding DTAs	-	-	-
General deduction - portion exceeding significant investments	-	-	-
General deduction with threshold 17.65%-15%	**-**	**-**	**-**
Phase in - DTA impact on CET1	-	-	-
Significant investments: Phase in - impact on CET1	-	-	-
Significant investments: 50% of items to be deducted from CET1	-	-	-
Phase-in	**-**	**-**	**-**
Total Common Equity Tier 1 capital (CET 1)	**406,957**	**-22,779**	**384,178**
Significant investments: phase in - impact on AT1	-	-	-
Significant investments: excess to be deducted from AT1		-	-
Total Additional Tier 1 capital (AT1)	**-**	**-**	**-**
TOTAL TIER 1 CAPITAL	**406,957**	**-22,779**	**384,178**
T2 instruments (subordinated liabilities)	43,000	-	43,000
Significant investments: 50% excess portion deducted from Tier 1 capital	-	-	-
50% positive AFS reserves - phase in - T2 impact (80%)	-	698	698
Total Tier 2 capital	**43,000**	**698**	**43,698**
Total own funds	**449,957**	**-22,081**	**427,876**

2.2 Capital Adequacy

A. Qualitative information

Supervisory provisions require banks to comply with specific capital adequacy ratios calculated by relating the corresponding category of own funds (CET1, Tier 1, Total Capital) to the bank's overall risk exposure (RWAs - Risk Weighted Assets).
In particular, own funds must represent at least 8% of total weighted assets in relation to the credit risk profile, valued based on the category of debtor counterparties, term, country risk and guarantees received (**credit and counterparty risk**).
Banks are also required to comply with regulatory capital requirements connected to trading activities. Related **market risks** are calculated on the entire trading portfolio for each different type of risk: debt risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.
Internal models may be used to calculate capital requirements for market risk; however, the Banca Generali Group uses standard methods under all circumstances.
Lastly, banks are required to set aside part of their Own Funds to cover **operating risk**, taking into account the type and volumes of operations performed.

A minimum CET1 ratio of 4.5%, a Tier 1 ratio of 6% and a Total Capital Ratio of 8% were envisaged by the Prudential Supervisory Provisions for 2015. In addition to these minimum ratios, the new regulations state that banks must also hold a capital conservation buffer (CCB) equal to 2.5% of the bank's overall risk exposure, consisting of Common Equity Tier 1 capital, bringing the overall capital requirement to 10.5%.

Moreover, with reference to the annual Supervisory Review and Evaluation Process (SREP) carried out by the relevant Supervisory Authority (ECB or national Central Banks), additional capital requirements may be imposed by the said Authority on the basis of a specific evaluation of each intermediary's risk exposure.

In this regard, in November 2015, the Bank of Italy communicated to Banca Generali the following specific capital requirements, including the 2.5% capital conservation buffer, to be applied to the Banking Group commencing with the reporting on Own Funds at 31 December 2015:
- CET 1 ratio of 7% and binding ratio of **5.9%** (of which 4.5% as minimum regulatory requirement and 1.4% as additional requirement following the SREP);
- Tier 1 ratio of 8.5% and binding ratio of **7.9%** (of which 6% as minimum regulatory requirement and 1.9% as additional requirement following the SREP);
- Total Capital ratio and binding ratio of **10.6%** (of which 8% as minimum regulatory requirement and 2.6% as additional requirement following the SREP).

B. Quantitative information

Total capital adequacy requirements for credit, market and operating risks set by the supervisory authority amounted to 215.1 million euros at year-end, with an increase of 10.4 million euros compared to the previous year (+5.0%).

(€ THOUSAND)	31.12.2015 BASEL 3 PHASE-IN	31.12.2014 BASEL 3 PHASE-IN	CHANGE AMOUNT	CHANGE %
Credit and counterparty risk	148,306	144,493	3,813	2.6%
Market risk	2,505	3,558	-1,053	-29.6%
Operating risk	64,254	56,615	7,639	13.4%
Total absorbed capital	**215,064**	**204,666**	**10,398**	**5.1%**

The increase in absorbed capital compared to the previous year was mainly to be attributed to the increase in the capital absorbed by operating risk (+7.6 million euros) and, to a lower extent, by credit risk (+3.8 million euros).

The increase in capital requirements to cover credit risk was mainly attributable to the higher exposure to corporate customers (+8.1 million euros) and higher exposures secured by real property (+5.1 million euros).

This performance was however offset by analysis of guarantees eligible for hedging credit risks, which in particular involved non-performing exposures subject to indemnities and permitted a significant decline in capital requirements by approximately 4.4 million euros.

Risk mitigation was also achieved thanks to the absence of exposures in significant investments in financial sector entities and to the decline in net DTAs, two categories that entail an unfavourable 250% weighting.

	2015			2014			CHANGE		
CREDIT RISK REGULATORY PORTFOLIO	INITIAL EXPOSURE	WEIGHTED ASSETS	REQUIREMENT	INITIAL EXPOSURE	WEIGHTED ASSETS	REQUIREMENT	EXPOSURE	WEIGHTED ASSETS	REQUIREMENT
Administration and central banks	3,209,391	53,272	4,262	3,608,575	75,178	6,014	-399,184	-21,906	-1,752
Non-profit organisations and public entities	-	-	-	2,501	2,501	200	-2,501	-2,501	-200
Supervised intermediaries	837,923	284,306	22,744	688,013	284,365	22,749	149,910	-59	-5
Companies	1,328,089	966,582	77,327	1,199,787	864,579	69,166	128,302	102,003	8,160
Detail	977,447	335,566	26,845	1,012,127	342,899	27,432	-34,680	-7,333	-587
Exposures secured by real property	346,968	123,030	9,842	165,599	59,484	4,759	181,369	63,546	5,084
Pasr-due exposures	52,432	5,788	463	65,851	47,844	3,828	-13,419	-42,056	-3,364
UCITSs	11,294	11,294	904	6,169	6,200	496	5,125	5,094	408
Equity exposures	37,400	37,400	2,992	45,339	79,493	6,359	-7,939	-42,093	-3,367
Other	161,376	36,230	2,898	191,396	43,051	3,444	-30,020	-6,821	-546
Securitisation	-	-	-	-	-	-	-	-	-
Total requirements	**6,962,320**	**1,853,468**	**148,277**	**6,985,357**	**1,805,594**	**144,448**	**-23,037**	**47,874**	**3,830**
Risk of credit valuation adjustment	-	351	28	-	567	45	-	-216	-17
Total credit risk	**6,962,320**	**1,853,819**	**148,306**	**6,985,357**	**1,806,161**	**144,493**	**-23,037**	**47,658**	**3,813**

With regard to the calculation of capital prudential requirement for operating risk, the Bank, in light of its specific operating and organisational characteristics, uses the basic method (BIA – Basic Indicator approach) as defined by Article 316 of CRR.
This approach calls for the aforementioned calculation to be performed by applying a regulatory coefficient (15%) to the three-year average of an indicator of the volume of company operations (the so-called 'relevant indicator').

The 4th update to the Bank of Italy Circular Letter No. 286/2013 dated 31 March 2015 established that the capital requirement in question be determined by using as parameter the relevant economic indicator provided for in Article 316 of the CRR.

In detail, the relevant indicator is now calculated based on the accounting categories for the profit and loss account under Article 27 of Directive No. 86/635/EEC; institutions that apply accounting standards different from those established by the said Directive shall calculate the relevant indicator on the basis of data that best reflect the definition set out in above.

The relevant indicator is the sum of the following elements:
1. Interest receivable and similar income;
2. Interest payable and similar charges;
3. Income from shares and other variable/fixed-yield securities;
4. Commissions/fees receivable;
5. Commissions/fees payable;
6. Net profit or net loss on financial operations;
7. Other operating income.

The simultaneous increase in consolidated own funds however allows to establish the excess capital compared to the minimum capital requirements for risks set by the supervisory authority at 212.8 million euros, up by 54.9 million euros compared to the value recognised at the end of the previous year.

The CET1 ratio reached 14.3%, compared to a minimum regulatory requirement of 7%, and the Total Capital ratio reached 15.9%, compared to a minimum requirement of 10.6% indicated by the supervisory authority following the SREP. Consolidated own funds, calculated in accordance with Basel 3 rules, which will become fully applicable as of 1 January 2019, were 450 million euros, with Total Capital Ratio at 16.7%.

(€ THOUSAND)	31.12.2015 FULL APPLICATION	31.12.2015 TRANSITIONAL PROVISIONS	31.12.2014 TRANSITIONAL PROVISIONS	CHANGE AMOUNT	CHANGE %
Common Equity Tier 1 (CET 1)	406,957	384,178	311,670	72,508	23.3%
Additional Tier 1 capital (AT1)	-	-	-	-	n.a.
Tier 2 capital (T2)	43,000	43,698	50,921	-7,223	-14.2%
Total own funds	**449,957**	**427,876**	**362,591**	**65,285**	**18.0%**
Credit and counterparty risk	148,306	148,306	144,493	3,813	2.6%
Market risk	2,505	2,505	3,558	-1,053	-29.6%
Operating risk	64,254	64,254	56,615	7,639	13.5%
Total absorbed capital	**215,064**	**215,064**	**204,666**	**10,398**	**5.1%**
Excess over absorbed capital	234,892	212,812	157,925	54,887	34.8%
Risk-weighted assets	2,688,303	2,688,303	2,558,325	129,978	5.1%
Tier 1 /Risk-weighted assets (Tier 1 capital ratio)	15.1%	14.3%	12.2%	2.1%	17.3%
Total own funds/Risk-weighted assets (Total capital ratio)	**16.7%**	**15.9%**	**14.2%**	**1.7%**	**12.3%**

	31.12.2015		31.12.2014	
	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS
A. Risk assets	**6,962,320**	**1,853,819**	**6,985,357**	**1,806,161**
A.1 Credit and counterparty risk				
1. Standardised method	6,962,320	1,853,819	6,985,357	1,806,161
2. Internal rating method				
2.1 basic	-	-	-	-
2.2 advanced	-	-	-	-
3. Securitisation	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk	**X**	**148,278**	**X**	**144,448**
B.2 Risk of credit valuation adjustment	**X**	**28**	**X**	**45**
B.3 Regulation risk	**X**	**-**	**X**	**-**
B.4 Market risks	**X**	**2,505**	**X**	**3,558**
1. Standard method	X	2,505	X	3,558
2. Internal models	X	-	X	-
3. Concentration risk		-		-
B.5 Operating risk	**X**	**64,254**	**X**	**56,615**
1. Basic method	X	64,254	X	56,615
2. Standardised method	X	-	X	-
3. Advanced method	X	-	X	-
B.6 Other variables	**X**	**-**	**X**	**-**
B.7 Total prudential requirements	**X**	**215,064**	**X**	**204,666**
C. Risk-weighted assets and regulatory capital ratios				
C.1 Risk-weighted assets	X	2,688,303	X	2,558,324
C.2 Tier 1 capital/Risk-weighted assets (CET 1 capital ratio)	X	14.3%	X	12.2%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	X	14.3%	X	12.2%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)	X	15.9%	X	14.2%

PART G - BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.
The results of impairment testing of the Banking Group's goodwill are also stated in the interest of consistency of presentation.

Section 1 - Transactions undertaken during the year

In 2015, no business combination transactions were undertaken.

Section 2 - Transactions after the close of the year

After 31 December 2015, no business combination transactions were undertaken.

Section 3 - Retrospective adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2015 pursuant to paragraphs 61 and B7 of IFRS 3.
The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

The Banking Group's goodwill totalled 66.1 million euros at 31 December 2015, broken down as follows:

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT
Prime Consult and INA Sim	2,991	2,991	-
BG Fiduciaria Sim S.p.A.	4,289	4,289	-
Banca del Gottardo Italia	31,352	31,352	-
Credit Suisse Italy	27,433	27,433	-
Total	**66,065**	**66,065**	**-**

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 operating segment identified for management reporting, pursuant to IFRS 8.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The following operating segments (business areas) have been identified by the Banking Group:
> the **Affluent Channel**, which refers to the total earnings generated for the Group by the network of Financial Advisors, most of whom are employed by Banca Generali, and their respective clients;
> the **Private Banking Channel**, which refers to the total earnings generated for the Group by the network of Private Bankers and Relationship Managers, and their respective clients;
> the **Corporate Channel**, which refers to the total earnings generated for the Group on the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group.

The following CGUs have been defined in order to perform the impairment test for such goodwill in accordance with IAS 36:

> for the Private Banking operating segment:
  - Private Banking CGU;
  - Trust Management CGU;
> for the Affluent operating segment:
  - Trust Management CGU;
  - Prime Consult and INA Sim CGU;
> for the Corporate operating segment:
  - Trust Management CGU.

To determine the recoverable amount, both basic methodologies (to arrive at value in use) and market assessments (to arrive at fair value) were considered.
Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method, such as the control method.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:

a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a pay-out consistent with ordinary profitability.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for each individual CGU were based on an extract of the Generali Banking Group's 2016-2018 Economic and Financial Plan, as approved by the Board of Directors, and further cash-flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

1. Private Banking CGU (PB CGU)

The Private Banking CGU (PB CGU) refers to the overall activity of the Private Banker e Relationship Manager networks and their clients, reporting to the Banca Generali Private Banking Division and the newly established Private Relationship Manager Division, respectively.

Created in 2015, the Private Relationship Manager Division includes all Relationship Managers with an employment agreement with Banca Generali and their clients, with specific reference to the operations of Banca BSI Italia and Banca del Gottardo Italia, currently merged into the parent company Banca Generali.
The Banca Generali Private Banking Division also includes Private Bankers reporting to the business unit made up of the Italian Affluent and Upper Affluent private banking operations of Credit Suisse Italia S.p.A., acquired on 1 November 2014.

In light of the exchange of positions among Private Bankers and Relationship Managers also resulting from the subsequent merger transactions and company reorganisation processes, the two corporate Divisions constitute a single CGU.

The goodwill arising from the acquisitions of Banca del Gottardo Italia and the aforementioned Credit Suisse business unit was allocated to the Private Banking CGU.
The CGU's scope and future cash flows are thus identified on the basis of the AUM managed by the Private Banking and Private Relationship Manager Divisions.

In light of economic-financial forecasts based on the 2016-2018 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is expected to expand by 7.3% over the three years in question (CAGR), whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 1.5%.
The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **8.45%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:
a) risk free rate of 1.7%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of 6.0%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of 1.12 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and variables used during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.
Compared to the RM CGU's carrying amount of **151.1 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **839.6 million euros** and a maximum of **955.6 million euros**.
In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters "cost of capital" (Ke) and "long-term growth rate", using a range of variation of 8.2%-8.7% and 1.25%-1.75%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

2. Trust Management CGU (TM CGU)

The Trust Management CGU (TM CGU) coincides substantially with the equity investment in BG Fiduciaria SIM. For the purposes of the application of IAS 36 in connection with IFRS 8, since the CGU in question is transversal to the operating segments identified for IFRS 8, future cash flows were allocated between the Private Banking, Retail and Corporate segments according to AUM, thereby avoiding overlapping between segments. Since the profitability of the assets attributed to the three segments is similar and costs are also allocated on the basis of AUM, the fact that the TM CGU passed the impairment test means that the goodwill attributed to the Private Banking, Retail and Corporate segments also passed the test.

In light of economic-financial forecasts based on the 2016-2018 Economic and Financial Plan, the CGU's mean portfolio of assets under management is expected to decrease annually by **8.6%** over the three years in question (CAGR), whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 1.5%.
The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **9.51%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:
a) risk free rate of **1.7%**, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of **6.0%**, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of **1.30%** assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and variables used during the previous financial year.
The tests performed on the CGU did not detect any goodwill impairment.
Compared to the TM CGU's carrying amount of **19.9 million euros**, the value obtained by applying the analytical method described above amounts to a minimum of **33.5 million euros** and a maximum of **39.0 million euros**.
In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital (Ke) and long-term growth rate, using a range of variation of 9.0-10.0 and 1.0%-2.0%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

3. Prime Consult and INA Sim CGU

The CGU Prime Consult and INA Sim (former Sim CGU) refers to the part of the activity of the Affluent operating segment, relating to the operations of the stock brokerage companies Prime Consult Sim S.p.A and INA Sim S.p.A., merged at the end of 2002, to which all of the goodwill arising from the acquisition may be attributed.

In light of economic-financial forecasts based on the 2016-2018 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is assumed to expand annually by **8.0%** over the three years in question (CAGR), whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 1.5%.
The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **8.45%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:
a) risk free rate of 1.7%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of 6.0%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of 1.12 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and variables used during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.
Compared to the Prime Consult and INA Sim CGU's carrying amount of **27.6 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **375.3 million euros** and a maximum of **428.1 million euros**.
In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters "cost of capital" (Ke) and "long-term growth rate", using a range of variation of 8.2%-8.7% and 1.25%-1.75%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

PART H - RELATED PARTY TRANSACTIONS

Procedural aspects

Banca Generali's Board of Directors approved the "Related Party Transaction Procedure", effective as of 1 January 2011, in compliance with the provisions of Article 2391-bis of the Italian Civil Code, and Article 4 of the Regulations adopted with Consob Resolution No. 17221 of 12 March 2010, as subsequently amended.
On 12 December 2011, the Bank of Italy updated the Prudential Supervisory Provisions for Banks (Bank of Italy's Circular Letter No. 263/2006), issuing new Provisions on Risk Assets and Conflicts of Interest of Banks and Banking Groups with Connected Parties (Title V, Chapter 5).
The Procedure was last updated to bring it in line with Article 150 of TUF and the provisions introduced by the Bank of Italy on 2 July 2013 with the 15th amendment of Circular Letter No. 263 of 27 December 2006 concerning "New Prudential Supervisory Provisions for Banks" on Transactions of Greater Importance.
The new Procedure for Related Party and Connected Party Transaction and Transactions of Greater Importance, in force as from 1 July 2014, is intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.

The related party perimeter

Based on Consob Regulations, the Provisions issued by the Supervisory Body, and the Procedure, the following parties are considered as Banca Generali's related parties:
> subsidiaries of the Banking Group;
> the ultimate parent company Assicurazioni Generali S.p.A., its subsidiaries (companies subject to common control) and the direct parent Generali Italia S.p.A., as well as pension funds established for the benefit of Generali Group employees;
> Key Management Personnel of the Bank and the parent company Assicurazioni Generali, close relatives of the cited personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Generali Banking and Insurance Groups are also considered related parties.

With specific regard to **key managers**, the following persons have been designated as such:
> the Directors, the Statutory Auditors, including the Chief Executive Officer and the Manager;
> other top managers identified in the new organisational model introduced in 2013 and in the Bank's remuneration policies, i.e., the Joint General Manager and the three Central Managers;
> representatives of the parent company Assicurazioni Generali S.p.A. identified as Key Management Personnel in the corresponding procedure regarding transactions with related parties adopted by that insurance group.

At the level of Consolidated Financial Statements, transactions with related parties belonging to the Banking Group cancel each other out. Part H of Banca Generali's Notes and Comments provides an analysis of such transactions.
The Key Management Personnel of subsidiaries (directors, statutory auditors and general managers, if any) are also included, based on criteria similar to those of the parent company Banca Generali.

Significance thresholds of Related Party transactions

The Procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.
More specifically:
> **Highly Significant Transactions** — that is, transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by Consob Resolution No. 17221, reduced to 2.5% for transactions carried out with a parent company that is listed on regulated markets or with undertakings thereto related, which are in turn related to the Company; they must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
> **Moderately Significant Transactions** — falling short of the threshold defining Highly Significant Transactions; they must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;

> **Low Value Transactions**, whose value, defined pursuant to the Bank of Italy's Provisions, cannot exceed the amount of **250,000 euros** for banks with Own Funds below 1 million euros, and are excluded from the scope of application of the regulation on approval and disclosure transparency.

In addition to transactions of a modest amounts, in accordance with Consob Regulation, there are additional circumstances which are not subject to the specific approval procedures:

> **share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-bis of the TUF, and related implementing transactions;
> **resolutions regarding the remuneration of Directors** entrusted with specific tasks other than those determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of Key Management Personnel, provided that the Company has adopted a remuneration policy with certain characteristics;
> **ordinary transactions** that are part of the ordinary operations and any and all related financial activities, and effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Greater Importance threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;
> **transactions with or between Subsidiaries and Associates**, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated Own funds, the threshold of transactions of greater importance currently stands at around **21.4 million euros**, reduced to **10.7 million euros** for transactions with the parent company Assicurazioni Generali and the latter's related entities.

Moreover, the provisions issued by the Bank of Italy impose, for the first time, prudential restrictions, based on Own funds, on risk assets in respect of Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk assets carried out with entities qualifying as non-financial related parties. Exposure in respect of the Generali Group's connected parties, on the other hand, is capped at **7.5%** of consolidated Own funds.
Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given set of associated undertakings may in no event exceed **20%** of the sum total of their individual Own funds.

1. Disclosure of compensation of directors and executives

As required by IAS 24, the total compensation recorded in the Profit and Loss account for the year is disclosed below, broken down by personnel category and type.

	31.12.2015					
	DIRECTORS	AUDITORS	KEY MANAGEMENT PERSONNEL	TOTAL	31.12.2014	CHANGE
Short-term benefits (current compensation and social security charges) (1)	1,455	219	3,655	5,328	5,268	60
Post-employment benefits (2)	154	-	35	189	481	-292
Other long-term benefits (3)	98	-	269	367	1,035	-668
Severance indemnities	-	-	-	-	-	-
Share-based payments (4)	77	-	2,524	2,601	1,485	1,116
Total	**1,783**	**219**	**6,484**	**8,485**	**8,269**	**216**
Total at 31.12.2014	**1,126**	**181**	**6,962**	**8,269**		

(1) Includes current remuneration and social security charges payable by the company and short-term benefits.
(2) Includes the company's pension fund contribution and allocation to the provision for post-retirement benefits provided for by the law and company regulations.
(3) Includes 40% of the bonus with access gate.
(4) Includes the estimated cost for share-based payment plans, determined based on IFRS 2 criteria and recognised in the financial statements.

The table presents the total expenses recognised in the Profit and Loss Account presented in the Annual Financial Statements on the basis of the application of IASs/IFRSs. It therefore also includes the social security charges for which the Company is liable, the allocation to the provision for post-employment benefits, the expenses associated with share-based payment plan determined in accordance with IFRS 2, and the estimate of the variable remuneration accrued during the year on the basis of the Remuneration and Incentivisation Policy for the Key Personnel of the Banking Group.
It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item "Other long-term benefits" includes the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the aforementioned Remuneration Policy.
The item "Short-term benefits" includes the fixed remuneration and the 60% share of variable remuneration accrued in the reporting year and payable in the following one.

Beginning in 2015, these two items do not include a 25% share of the variable remuneration that will be paid in Banca Generali's shares, as envisaged by the new Remuneration and Incentivisation Policy approved by the Shareholders'' Meeting on 23 April 2015.

Therefore, the item "Share-based payments" accounts for the costs associated with IFRS2 accrued in the year and regarding:
> the Long-Term Incentive Plans (LTIPs) introduced by the parent company Assicurazioni Generali, for a total amount of 2.3 million euros;
> the share-based payments envisaged in the new Remuneration Policy mentioned above and discussed in greater detail in Part I of these Notes and Comments (0.3 million euros).

With regard to the LTIPs of the parent company Assicurazioni Generali, it should be noted that effective the fourth cycle of the plan (2013-2015), the incentive characteristics were completely revised and now only envisage a share bonus in the form of shares of the Parent Company, Assicurazioni Generali, the costs of which is estimated on the basis of the international accounting standard IFRS 2. This incentive plan is described in greater detail in Part A of these Notes and Comments – Section 17 Other information).

For detailed information concerning Remuneration Policies, the reader is therefore referred to the specific document concerning Remuneration Policies instituted by Consob Resolution No. 18049 of 23 December 2011 and, as regards the disclosure required by the Bank of Italy, to the relevant section of Pillar 3.

2. Disclosure of Related Party Transactions

As part of its normal business operations, Banca Generali carries out numerous financial and commercial transactions with related parties included in the scope of consolidation of the Generali Group.

Banca Generali is a direct subsidiary of Generali Italia S.p.A., the holding of all the Insurance Group's operations in Italy. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali, in compliance with IAS 24.

In the banking area, such relationships include current accounts, the custody and administration of securities, stock brokerage and commercial portfolio collection.

As regard the distribution and sale of financial services, a number of agreements were established regarding the Financial Advisors network's placement of asset-management and insurance products, as well as banking products and services.
To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

Finally, as part of its normal operations, the Bank also maintains relationships pertaining to outsourcing, IT and administration, insurance and leasing relationships, as well as other minor relationships with Generali Group companies.
Transactions with related parties outside the Generali Group are mostly confined to direct and indirect inflows activities and loans to Key Management Personnel (and their relatives) of the Bank and its Parent Company. These transactions are carried out at arm's length. Banca Generali's direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

2.1 Extraordinary and non-recurring transactions

Unusual, atypical or extraordinary transactions

In 2015, no related party transactions were carried out that could be defined as atypical or unusual or likely to have "effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer."

Highly Significant Transactions

In 2015, the Bank did not carry out any transactions qualifying as "highly significant", non-ordinary transactions, entered into at non-market or non-standard conditions which, in accordance with the Related Party Transaction Procedure, would have been subject to market disclosure and the obligation of publishing an information memorandum.

Other Significant Transactions

In 2015, three transactions were approved qualifying as "moderately significant" transactions, and thus subject to the prior non-binding opinion of the Internal Audit and Risk Committee (the amount of which exceeded 250 thousand euros), and were as follows.

DATE	TRANSACTION	RELEVANT PARTY	AMOUNT (EURO/000)
10.03.2015	Sale to Alleanza Assicurazioni S.p.A. of the 15% stake in the subsidiary Simgenia Sim S.p.A. in view of the merger of the same.	Simgenia SIM - Alleanza Assicurazioni S.p.A.	339
01.05.2015	Lease contract GI 9020 500071 with Generali Properties S.p.A.	Generali Properties S.p.A.	1,456
24.06.2015	Transfer of the non-performing loan granted to the related party Investimenti Marittimi S.p.A. (associate company of Assicurazioni Generali) to the subsidiary Redoze Holding N.V. The sale contract was signed on 3 July 2015 and subsequently finalised in the fourth quarter of 2015,	Investimenti Marittimi S.p.A. Redoze Holding N.V.	2,820
28.07.2015	Renewal of the BBB (Banker's Blanket Bond) insurance policy issued by the direct parent Generali Italia S.p.A., after assessing the compliance with market conditions through the company AON S.p.A. – Insurance & Reinsurance Brokers.	Generali Italia S.p.A.	n.a.
07.10.2015	Granting of a signature credit line of 2,260,000 euros to Assicurazioni Generali S.p.A. to secure and back the timely performance of the joint sponsorship obligations with Allianz S.p.A. for the Tre Torri stop of Line 5 of Milan Underground. The credit line was granted at market conditions.	Assicurazioni Generali S.p.A.	2,260
15.12.2015	Board of Directors' approval to proceed with the installation in the Bank's working environment of a new technology known as 'Breathe' supplied by Anemotech S.r.l., over which an independent Director exercises significant influence due to a minority interest. The project is expected to be completed in 2016.	Anemotech S.r.l.	425

2.2 Ordinary or recurring transactions

The developments of ordinary transactions with related parties during 2015 are presented in the following sections.

Transactions with Assicurazioni Generali Group

Balance Sheet data

(€ THOUSAND)	PARENT COMPANY ASSICURAZIONI GENERALI	SUBSIDIARIES OF THE AG GROUP	31.12.2015	31.12.2014	WEIGHT % 2015
HFT financial assets	270	-	270	271	0.96%
AFS financial assets	782	246	1,028	1,332	0.03%
HTM financial assets	-	-	-	-	-
Loans to banks	-	-	-	708	-
Loans to customers	17	20,857	20,874	17,628	1.09%
Equity investments	-	-	-	-	-
Property, equipment and intangible assets	-	-	-	-	-
Tax assets (tax consolidation)	16,399	-	16,399	1,966	26.45%
Other assets	1	630	631	628	0.28%
Assets held for sale	-	-	-	-	-
Total assets	**17,469**	**21,733**	**39,202**	**22,533**	**0.64%**
Due to banks	-	-	-	14,582	-
Due to customers	100,394	812,238	912,632	1,263,645	18.86%
HFT financial liabilities	-	-	-	-	-
Tax liabilities (tax consolidation)	-	-	-	5,081	-
Other liabilities	1	17,004	17,005	10,352	10.42%
Liabilities held for sale	-	-	-	-	-
Special purpose provisions	-	-	-	-	-
Net equity	-	-	-	-	-
Total liabilities	**100,395**	**829,242**	**929,637**	**1,293,660**	**15.20%**
Guarantees issued	**2,224**	**795**	**3,019**	**3,289**	**2.63%**

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounted to 39.2 million euros, compared to the 22.5 million euros recognised at the end of 2014, equal to 0.6% of Banca Generali's total assets.
By contrast, the total debt position reached 929.6 million euros, accounting for 15.2% of liabilities, down by 364.0 million euros (-28.1%) compared to the previous year.

As part of assets, **HFT and AFS financial assets** claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolios of Banca Generali. As part of the AFS portfolio, shareholdings in subsidiaries of the Generali insurance group refer to the shares held in the consortia of the GBS Group (Generali Business Solutions) and CGS (Generali Corporate Services).

With regard to the AFS portfolio, in the first half of 2015 the stake held in the subsidiary **Simgenia S.p.A.** (15% of share capital) was transferred to the subsidiary Alleanza S.p.A., as Simgenia was discontinued in the previous year and subsequently merged by the transferee at the end of 2015.
Consideration for the transfer amounted to 337 thousand euros against a book value of 528 thousand euros, thus generating a capital loss of 191 thousand euros.
Previously during the six-month period a payment into the loss coverage account was made in the amount of 225 thousand euros. In prior years, the equity investment had been written down for a total impairment loss of 730 thousand euros.

Exposures to Generali Group companies recognised as **loans to customers** amounted to 20.9 million euros and refer to the following transactions:

			31.12.2015		31.12.2014	
COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Italia	Subsidiary of the AG Group	GESAV policy		-	-	400
Citylife S.r.l.	Subsidiary of the AG Group	Short-term grant in current account	-	-	-	164
Investimenti marittimi	Associate of the AG Group	Medium/Long-term grant in current account	-	449	4,030	623
Genertellife	Subsidiary of the AG Group	Operating receivables	19,789	-	11,651	-
Assicurazioni Generali	Parent Company	Operating receivables	16	-	27	-
Other (Generali Inv. Europe, Simgenia)	Subsidiary of the AG Group	Operating receivables	1,068	-	1,908	-
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	1	104	12	27
			20,874	**553**	**17,628**	**1,214**

The second half of the year saw the disposal of the non-performing exposure to the company **Investimenti Marittimi S.p.A.**, which is included in the scope of related parties since it is an associate of the Parent Company, Assicurazioni Generali, holding a 30% direct investment in the same.
The exposure consisted of a share (18%) of a pooled loan with Banca Carige backed up by a pledge on the controlling equity stake of the shipping company Premuda, which is experiencing a period of financial difficulty, in light of which it has requested a bank esposure restructuring. In the fourth quarter of 2013, the company suspended payment of the interest owed on the loan and was classified among unlikely to pay exposures.
Following the failure to obtain the guarantees required by the Board of Directors of the Bank at the end of 2014, the loan renegotiation transaction was not finalised and the loan expired on 31 December 2014.
As a result of the persisting situation of difficulty experienced by the Premuda Group and the further deterioration of the collateral held, in 2015 the Bank decided to transfer the non-performing loan without recourse.
The Dutch subsidiary Redoze Holding N.V. was identified as the buyer, and on 2 July 2015 a contract of sale was signed for consideration of 2.8 million euros according to a fairness opinion issued by KPMG. The contract of sale, contingent on acceptance by the pool co-lender, was then finalised in the fourth quarter.
At the date of the sale, the net exposure amounted to 4.5 million euros, including 0.4 million euros of arrears interest accrued in the first half of 2015, and net of an adjusting provision of 6.7 million euros, thus resulting in a realised loss of 1.7 million euros.

Operating receivables are comprised of transitional items including fees accrued over the last quarter for the distribution of insurance and financial products of Group companies.

Amounts receivable from the Parent Company and classified as **tax assets** consisted of Banca Generali S.p.A.'s net tax receivables resulting from the balance between tax prepayments, withholdings and credits and the IRES tax calculated at the end of the year. This item also includes the estimated tax credit arising from the application for the refund of the portion of the IRAP tax made deductible for IRES purposes pursuant to Legislative Decree No. 201/2011, and subject to reimbursement within tax consolidation scheme adopted by the Parent Company.

Amounts due to customers attributable to Generali Group's related parties reached 912.6 million euros at the end of the year and included amounts due to the parent company Assicurazioni Generali S.p.A. for 100.4 million euros and amounts due to Generali Italia S.p.A. for 301.2 million euros.

Amounts due to customers also included the **subordinated loan** with Generali Beteiligungs-GmbH, taken up at the end of 2014 to acquire the Credit Suisse Italia S.p.A.'s business line and amounting to 43.3 million euros, gross of accrued interest. The last instalment due on 1 October 2015 and amounting to 8 million euros of the subordinated loan granted in 2008 by the subsidiary Generali Versicherung to acquire Banca del Gottardo Italia S.p.A. was fully repaid upon maturity.

As a result of the Insurance Group's sale of BSI S.A. and its subsidiary to BTG Pactual, completed on 15 September 2015, the latter was excluded from the scope of related parties.
Accordingly, at 31 December 2015 the Banking Group did not report any amount receivable from or payable to related parties that are banking companies.

Finally, a total of 3.0 million euros in personal guarantees was issued for Generali Group companies, of which 2.2 million euros on behalf of the parent company Assicurazioni Generali S.p.A.

Profit and Loss Account data

At 31 December 2015, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 142.5 million euros, or 70.0% of operating profit before taxation.

(€ THOUSAND)	PARENT COMPANY ASSICURAZIONI GENERALI	SUBSIDIARIES OF THE AG GROUP	31.12.2015	31.12.2014	WEIGHT % 2015
Interest income	4	549	553	1,214	0.79%
Interest expense	-26	-1,955	-1,981	-4,537	56.39%
Net interest	**-22**	**-1,406**	**-1,428**	**-3,323**	**-2.16%**
Fee income	1	161,863	161,864	117,541	24.83%
Fee expense	-	-1,213	-1,213	-1,651	0.43%
Net fees	**1**	**160,650**	**160,651**	**115,890**	**43.33%**
Dividends	37	-	37	28	1.19%
Gain (loss) on trading	-	-1,850	-1,850	-	-7.17%
Operating income	**16**	**157,394**	**157,410**	**112,595**	**33.79%**
Staff expenses	-	420	420	706	-0.52%
General and administrative expense	-87	-15,588	-15,675	-15,248	11.70%
Net adjustments of property, equipment and intangible assets	-	-	-	-	-
Other operating income and expenses	7	321	328	253	0.73%
Net operating expenses	**-80**	**-14,847**	**-14,927**	**-14,289**	**8.50%**
Operating result	**-64**	**142,547**	**142,483**	**98,306**	**49.07%**
Reversal value of loans	-	-	-	-4,211	-
Adjustments of other assets	-	-	-	-402	-
Net provisions	-	-	-	-	-
Gain (loss) from the disposal of equity investments	-	-	-	-	-
Operating profit	**-64**	**142,547**	**142,483**	**93,693**	**59.8%**
Income taxes	-	-	-	-	-
Profit (loss) from non-current assets, net of taxes	-	-	-	-	n.a.
Profit attributable to minority interests	-	-	-	-	n.a.
Net profit (loss) for the year	**-64**	**142,547**	**142,483**	**93,693**	**70.0%**

Overall, **net interest income** accrued in dealings with companies of the Insurance Group is negative and amounted to 1.4 million euros, with interest paid to such companies (2 million euros) accounting for 56.4% of the total amount recognised in the Profit and Loss Account and showing a decline of 1.9 million euros compared to the previous year.

Within this item, interest paid in relation with the subordinated loans of Generali Versicherung and Generali Beteili-gungs-GmbH totalled 1.9 million euros, whereas the interest income from other companies of the Generali Group was absolutely negligible due to the persistence of negative short-term interest rates.

Loss on trading amounted to 1,850 thousand euros and referred to the aforementioned transfer of the stake in Simge-nia and the non-performing loan granted to Investimenti Marittimi.

Fee income paid back by companies of the insurance Group amounted to 161.9 million euros, equal to 24.8% of the aggregate amount and was broken down as follows:

			CHANGE	
	31.12.2015	31.12.2014	ABSOLUTE	%
Fees for asset management	3,865	5,575	-1,710	-30.7%
Distribution of insurance products	155,561	110,367	45,194	40.9%
Consultancy	1,973	772	1,201	n.a.
Other bank fees	465	827	-362	n.a.
Total	**161,864**	**117,541**	**44,323**	**37.7%**

The main items were fees for **distribution of insurance products** paid back to **Genertellife**, which grew significantly compared to the previous year thanks to the successful new multi-line policy BG Stile Libero, which gathered over 4.3 billion euros since its launch in March 2014, of which 2.2 billion euros accrued in the year. In addition, Genertellife reported a significant growth in LOB I products in the fourth quarter of the year. Income arising from the distribution of the insurance products of **Genertellife** thus reached 155.5 million euros, with an increase of 40.5% (+44.8 million euros) compared to 2014.

Fees on the placement of units of UCITSs of the Insurance Group were largely related to the income on the distribution of BG Focus funds, promoted by Generali Investments Europe SGR.

Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in 2015 fee income for advisory service rendered to Alleanza and Generali Italia amounted to 2.0 million euros.

The other bank fees refer primarily to direct debit collection activity on behalf of Group companies.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITSs administered by management companies that belong to the banking and insurance Group. Such fees, amounting to 4.9 million euros, are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.
The Bank also directly collects from customers — through the correspondent bank — subscription fees for the Sicavs promoted by the group (BG Sicav, BG Selection Sicav, Generali Investments Sicav).

	31.12.2015	31.12.2014	CHANGE
Sicav underwriting fees	128	195	-67
Trading fees on funds and Sicavs	4,964	7,207	-2,243
	5,092	**7,402**	**-2,310**

Fee expense paid back to Insurance Group companies consisted of risk-sharing fees paid to BSI S.A. in the first half of 2015 for the provision of guarantees associated to loans granted.

Net operating expenses recognised by the Bank in relation to transactions with related parties of the Generali Group amounted to 14.9 million euros, equal to 8.5% of the aggregate total and refer to outsourced services in the insurance, leasing, administrative and IT sectors.

	31.12.2015	31.12.2014	CHANGE ABSOLUTE	CHANGE %
Insurance services	2,116	2,039	77	3.8%
Property services	6,970	6,614	356	5.4%
Administration, IT and logistics services	6,261	6,341	-80	-1.3%
Financial services	-	-	-	-
Staff services	-420	-705	285	-40.4%
Total administrative expense	**14,927**	**14,289**	**638**	**4.5%**

Administrative expense incurred in relation to the parent company Assicurazioni Generali S.p.A. amounted to 87 thousand euros and fully refer to insurance services.
Administrative expense incurred in relation to Generali Italia S.p.A. amounted to 3.2 million euros, of which 2.0 million euros refer to insurance services and the remainder to rentals property leases.

The cost of property services relating to the lease of offices, branch network and operating outlet premises, as well as to the facility management service totalled 7.0 million euros and referred to Generali Italia S.p.A. (1.2 million euros), Generali Properties (2.9 million euros), Fondo Mascagni (1.3 million euros) and Generali Real Estate Sgr (1.5 million euros).

Expenses relating to IT, administration and logistics related chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

Personnel-related services included primarily the recovery of expenses from Banking Group's employees seconded to subsidiaries of the Insurance Group.

Transactions with other related parties

Exposure in respect of **Key Managers** of the Bank and its parent company Assicurazioni Generali mainly referred to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other Executives of the Banking and Insurance Group.
Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the Banking and Insurance Group.

In 2015, the Banking Group acquired an **equity investment** in an associate through the parent company Banca Generali S.p.A.
The target was IOCA Entertainment Ltd., based in the United Kingdom, in which Banca Generali subscribed for a 35% interest, in the form of 3,500 shares with a par value of 1.00 pound sterling, for a total of 1,616,125 pound sterling, equivalent to approximately 2.2 million euros at the acquisition date, 19 October 2015.
The company is an e-commerce/social-networking start-up currently engaged in commercial development of an app for smartphones and tablets entitled 'Dishball'.
The portion of the associate's loss for the year attributable to the Banking Group amounted to approximately 40 thousand euros.

In addition, the **AFS portfolio** included an equity investment in Dea Capital — whose amount was not material — attributable to a Key Manager of the Parent Company, Assicurazioni Generali S.p.A. In the first half of 2015, the equity investment earned dividends for 90 thousand euros.

(€ THOUSAND)	KEY MANAG. PERSONNEL	ENTITIES UNDER CONTROL OR SIGNIFICANT INFLUENCE
AFS financial assets	-	421
Loans to customers	1,881	-
Due to customers	-	2,152
Equity investments	12,570	-
Guarantees issued	45	-
Guarantees received	-	-

3. 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.

2014 Highlights of Assicurazioni Generali

Net profit	**737.8**
Aggregate dividend	-934.1
Increase	*33.33%*
Total net premiums	2,264.9
Total gross premiums	3,026.7
Total gross premiums from direct business	616.1
Increase on equivalent terms (a)	-
Total gross premiums from indirect business	2,410.6
Increase on equivalent terms (a)	-
Acquisition and administration costs	399.9
Expense ratio (b)	*17.66%*
Life business	**-**
Total net premiums	1,310.8
Life gross premiums	1,618.6
Increase on equivalent terms (a)	-
Life gross premiums from direct business	178.1
Increase on equivalent terms (a)	-
Life gross premiums from indirect business	1,440.5
Increase on equivalent terms (a)	-
Life acquisition and administration costs	204.2
Expense ratio (b)	*15.58%*
Non-life business	**-**
Total net premiums	954.1
Non-life gross premiums	1,408.1
Increase on equivalent terms (a)	-
Non-life gross premiums from direct business	438.0
Increase on equivalent terms (a)	-
Non-life gross premiums from indirect business	970.1
Increase on equivalent terms (a)	-
Non-life acquisition and administration costs	195.7
Expense ratio (b)	*20.51%*
Non-life loss ratio (c)	*68.20%*
Non-life combined ratio (d)	*88.71%*
Current financial result	**1,932.5**
Technical provisions	11,101.3
Technical provisions life	9,448.5
Technical provisions non-life	1,652.8
Investments	38,593.0
Capital and reserves	13,963.8

(a) At constant exchange rates.
(b) Ratio of administrative expense to total premiums.
(c) Ratio of accrued claims to accrued premiums.
(d) Total (b) + (c).

The highlights of the Parent Company Assicurazioni Generali S.p.A shown above were taken from the company's Financial Statements for the year ended 31 December 2014. These are available together with the Independent Auditor's Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm engaged by Banca Generali.

PART I - DISCLOSURE ON PAYMENT PLANS BASED ON OWN FINANCIAL INSTRUMENTS

1. Qualitative information

At 31 December 2015, the payment agreements based on own equity instruments activated by Banca Generali consisted of two stock-option granting plans reserved, respectively, to Financial Advisors, networks managers, and Relationship Managers (employees) of Banca Generali, approved by the General Shareholders' Meeting held on 21 April 2010.

The stock-option plans, launched in 2006 and relating to Banca Generali's listing on the electronic share market organised and managed by Borsa Italiana S.p.A., completed both the vesting and the option strike periods. The options assigned to employees of the Banking Group could be exercised within 15 December 2015.

In 2015, the Remuneration and Incentivisation Policy of the Banca Generali Group, approved by the General Shareholders' Meeting on 23 April 2015, established, inter alia, that part of the variable remuneration of Key Management Personnel be paid by assigning Banca Generali's financial instruments.

1.1 Stock-option plans for salaried managers

In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 15 July 2006 the General Shareholders' Meeting of Banca Generali approved two stock option plans, both relating to the Company's listing on the electronic share market organised and managed by Borsa Italiana S.p.A. These plans called for:
> the granting to Banca Generali Group salaried managers of a maximum amount of 1,113,130 new ordinary shares to be issued;
> the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers in the BSI channel, of a maximum of 4,452,530 shares to be issued.

In order to service these plans, the above-mentioned General Shareholders' Meeting also passed a resolution on a divisible share capital increase for a maximum nominal amount of 5,565,660.00, through the issue of new ordinary shares of a nominal value of 1.00 euro each.

On 15 December 2006, after the ordinary shares started trading on 15 November 2006, the initial allotment in favour of Group managers and Financial Advisors were made, both with a strike price of 9.046 euros, equal to the arithmetic mean of the closing price of the company's listed shares on the MTA recorded during the period from the option allotment date to the same day in the previous calendar month.

The plans' rules and procedures called for Financial Advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met). For salaried managers instead, the plan called for a single three-year vesting period, with the possibility of exercising the options over the following three years (15 December 2012).

In order to compensate the optionees for the loss in value of the plans due to the market conditions that occurred in 2007 and 2008 — which had a negative impact on the stock performance, despite the achievement of excellent results in terms of net inflows — the Shareholders' Meeting held on 21 April 2010 resolved to approve a three year extension of the options' exercise period, under the following new terms.
> for Financial Advisors – 31 March 2014;
> for salaried managers – 15 December 2015.

Throughout the life of the plans, a total of 3,645,870 option rights have been allotted, of which 2,706,870 to Financial Advisors and 939,000 to managers serving under employment contracts.
In 2015, the remaining 30,000 options reserved to salaried manager were exercised.

For a thorough analysis of the accounting aspects of the extension of stock-option plans and the issues associated with the re-determination of the fair value of such plans, the reader is referred to the corresponding sections of the 2009 and 2010 Financial Statements, in which the transactions concerned were originally recognised.

1.2 Rules for the stock option plans for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010

In order to pursue the twofold objective, in the medium- and long-term, of maintaining the interest of the distribution network and network managers in line with the interest of the company, as well as retaining the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity, on 21 April 2010 the Shareholders' Meeting approved two stock option plans, which called for:
> the allotment to Banca Generali's Financial Advisors, area managers, business managers and private bankers of a maximum of 2,300,000 shares to be issued;
> the allotment to Banca Generali's Relationship Managers of a maximum amount of 200,000 ordinary shares to be issued;
> the allotment of options by 30 June 2011, after having verified that overall and individual targets for the development of net inflows by 31 December 2010 have been reached;
> the possibility to exercise the options between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

The main aspects of the plans in question are summarised in the 2014 Consolidated and Separate Financial Statements and those of previous financial years, to which reference can be made for further information.
A share capital increase in one or more tranches, excluding option rights pursuant to Article 2441, paragraphs 5 and 8, of the Italian Civil Code, was approved in service of the stock-option plans indicated above for the issue of a maximum of 2.5 million ordinary shares, in addition to the 5.5 million new shares already approved in relation to the existing stock option plans, already examined.

On 13 May 2011, the Plan Management Committee assessed the achievement of the individual targets established for the different categories of recipients, who then were actually assigned the option rights on 7 June 2011.
The exercise price of the shares, amounting to 10.7118 euros, was determined on the basis of the plans' Regulations, based on the arithmetic mean of the reference price of Banca Generali stock listing in the period from the option allotment date to the same date of the previous solar month.

The fifth tranche of options, accounting for one-six of the total of options allotted, became eligible for exercise as of 1 July 2015, whereas the sixth and last tranche will become eligible on 1 July 2016.

In 2015, a total of **385,348** options were exercised, of which **29,503** by Relationship Managers. In addition, **11,328** options were cancelled due to termination of the agreements with the Financial Advisors to whom they had been allotted. At the end of 2015, the options allotted under the plan reserved for Financial Advisors amounted to **720,265**, whereas the option rights allotted to Relationship Managers amounted to **59,246**.

Measurement of the fair value and accounting treatment

Valuation of the stock option plans is based on the fair value of the options allotted, calculated with reference to the final allotment date of the options.
In further detail, since the various tranches of the plan are associated with different vesting dates and option exercise periods, each tranche has been treated as a separate allotment, with the determination of a specific fair value.
The measurement of the fair value of the options was computed using a standardised model available among the operating tools on the Bloomberg platform. This model contemplated information such as the strike price, the vesting period, the exercise window, current share price and implied volatility, expected dividends and the risk-free interest rate. The binomial pricing model also takes into account the possibility of early exercise.
The implied volatility of Banca Generali stock used in the model was determined according to an inductive process commonly used by the market.
In detail, the expected volatility of at-the-money Banca Generali options at three months was first estimated according to surveys of historical volatility and the volatility of more liquid options at three months on the equities of listed issuers with similar structural characteristics. The spread between the volatility of the option at three months and the DJ STOXX 50 index was then calculated, and that spread was applied to the index's implied volatility during the holding period for the new maturities, while also taking the various moneyness profiles into account.
Considering the particular situation of market volatility that occurred during the option allotment period, the current value of the options has been determined on the basis of the average quotations during the period from 15 May (the date on which the beneficiaries were identified) to 30 June 2011, the date specified in the Rules and Procedures as the final deadline for allotment of the options.

The other specific characteristics of the plans, such as the presence of periods of suspension of exercisability, were also considered for measurement purposes.

Since the plan's Rules and Procedures also call for forfeiture of the right to exercise options in the event of the termination of a Financial Advisor for any reason, except for decease, permanent disability or retirement, an estimate was prepared of the briefer expected residual life of the options compared to their contractual duration due to expected cases of early exercise. To that end, the notional fair value of the shares was adjusted on the basis of the expected turnover rates by option vesting class.

This procedure resulted in the identification of fair values between 1.01 and 0.65 euros depending on the exercise date for the option rights.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between allotment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.
Given the different vesting dates of the various tranches of the plan, each tranche was measured separately for this purpose. It follows that for the first tranche, which may be exercised beginning on 1 July 2011, vesting was immediate, whereas for the sixth tranche, which may be exercised beginning on 1 July 2016, the vesting period was calculated over six years.

1.3 Variable components of remuneration in connection to performance objectives

In accordance with the Supervisory Provisions set forth in the 7th update of Bank of Italy's Circular Letter No. 285/2013 issued on 18 November 2014, the 2015 Remuneration and Incentivisation Policy for the Key Management Personnel of the Banca Generali Group — approved by the Shareholders' Meeting on 23 April 2015 — requires a portion of the variable component of remuneration, both current and deferred, to be paid by assigning Banca Generali's financial instruments.

In detail, Key Management Personnel and main network managers who accrue a variable remuneration linked to short-term objectives exceeding 75 thousand euros in financial year 2015 would be entitled, in addition to the deferral of the disbursement of 40% of the variable component, also to the payment of 25% of the said component through assignment of Banca Generali's shares, based on the following stock-granting and retention mechanism:
> 60% of the bonus to be paid up-front in the year following that under review: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;
> 20% of the bonus to be deferred for one year: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;
> the remaining 20% of the bonus to be deferred by two years: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year.

Therefore, the payment in shares will be conditional not only upon the achievement of the pre-set objectives defined in the MBO mechanism, but also to the satisfaction of access gates established by the Banking Group (TCR - Total Capital Ratio, LCR - Liquidity Coverage Ratio) for the year in which the remuneration is accrued and the following two-year period of retention.

In light of the foregoing, on 23 April 2015 the Shareholders' Meeting resolved to repurchase a maximum number of 88,213 treasury shares within an 18-month period, to be granted to Key Management Personnel and main network managers as variable remuneration.
By resolution dated 3 June 2015, the Bank of Italy authorised the transaction, and also ordered its deduction from the Banca Generali's own funds effective the same date.

Measurement of fair value and accounting treatment

Pursuant to IFRS 2 — *Share-based Payments*, the new mechanisms to assign variable remuneration — discussed in the previous section — are considered as equity-settled share-based payment transactions.

The accounting treatment set forth for these transactions requires an entity to reflect in its profit and loss, under the most appropriate items (staff expenses, fee expense), the estimated expense associated with transaction in which shares are assigned, and allocate a specific equity reserve as offsetting entry.

IFRS 2 envisages that with regard to *transactions with employees and others providing similar services (employees/network managers), the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received.*

From an accounting standpoint, as the share-based payment does not call for an exercise price, it can be considered a stock grant and recognised in compliance with the rules set forth for this category of transactions. The overall expense regarding the allotments was therefore determined based on the number of shares expected to be assigned, on the basis of the objectives achieved, multiplied by the fair value of the Banca Generali stock at the date of allotment.

The overall number of shares to be allotted was defined dividing the portion of variable remuneration payable in the form of shares by the average of Banca Generali stock listing provided by Borsa Italiana calculated over the 90 days preceding the approval of the 2014 Financial Statements by the Bank's Board of Directors (10 March 2015), amounting to 23.9 euros.
In detail, 25% of variable remuneration envisaged by MBO plans was considered for salaried Managers, whereas for Financial Advisors with additional appointment as network manager a 25% of fee incentives accrued in the year was calculated.
However, the number of shares granted to beneficiaries will be effectively determined only upon the assessment of satisfaction of the access gates and the achievement of the individual objectives set for 2015.

The fair value of Banca Generali stock at the allotment date is equal to the market price (29.4 euros) reported on 24 April 2015, namely the date of the Shareholders' Meeting which approved the new Remuneration Policy.

Moreover, as the share assignment will be effected in three tranches, each tranche is considered individually: a first tranche (60%) paid up-front after the approval of the 2015 Financial Statements, and two annual tranches (40%) to be deferred and subject to both the continuation of service and the satisfaction of access gates established on an annual basis.
In detail, the vesting period for the tranche paid up-front will expire on 31 December 2015, whereas that of the other two tranches will expire on 31 December of the financial year considered for assessing the satisfaction of the access gates.

It is estimated that as of 31 December 2015 approximately 68.2 thousand shares will be assigned compared to the maximum amount of 88,318 shares approved by the General Shareholders' Meeting on 24 April 2015.

2. Quantitative information

During 2015, over 415,000 option rights deriving from the new 2010 plans and from the remaining portion of old 2006 stock option plans were exercised.
The weighted average strike price was 10.59 euros (the strike price range was 9.0 – 10.71 euros), compared to an average price of the Banca Generali stock of 28.1 euros in 2015.
The total amount of proceeds for the bank thus reached 4,384 thousand euros, whereas the value of the IFRS 2 equity reserve set aside in previous years in connection with the rights exercised amounted to 520 thousand euros.
That amount, along with the amount paid out to the beneficiaries, net of the par value of the shares allotted, was added to the share premium reserve (4,488 thousand euros) pursuant to the Supervisory Authority's instructions (Circular Letter No. 262/2005, paragraph 5, Statement of Changes in Net Equity).

The expenses recognised in profit and loss in 2015 in connection with the stock-option plans reserved for Financial Advisors and salaried Relationship Managers authorised in 2010 amounted to 105 thousand euros.
With reference to the new share-based payments referring to the Remuneration Policy, the expense accrued in 2015 is expected to amount to about 1.6 million euros.

At year-end 2015, the IFRS 2 equity reserve therefore amounted to 2.3 million euros, of which 0.7 million euros associated with the 2010 stock-option plans.

The total number of options that can be exercised at the end of financial year 2015 is 393 thousand, with an average strike price of 10.71 euros and a total exercise value of about 4.2 million euros. As of 1 July 2016, the sixth and last tranche of the 2010 stock option plans will also become exercisable.
The remaining average life of such aggregate amount is slightly more than 1.5 years.

(€ THOUSAND)	SHARES THAT MAY BE ASSIGNED BASED ON THE REMUNERATION POLICY	AVERAGE PRICES	ADVISORS	AVERAGE PRICES	STOCK OPTIONS - EMPLOYEES	AVERAGE PRICES	TOTAL	AVERAGE PRICES	AVERAGE MATURITY
A. Amount at year-start	**-**	**-**	**1,087,438**	**10.71**	**118,749**	**10.28**	**1,206,187**	**10.67**	**2.86**
B. Increases	**68,228**	**-**	**-**	**-**	**-**	**-**	**68,228**	**-**	**X**
B.1 Newly issued shares	68,228	-	-	-	-	-	68,228	-	X
B.2 Other changes	-	-	-	9.00	-	-	-	-	X
C. Decreases	**-**	**-**	**-367,173**	**10.71**	**-59,503**	**9.85**	**-426,676**	**10.59**	**X**
C.1 Cancelled	-	-	-11,328	10.71	-	0.00	-11,328	10.71	X
C.2 Exercised	-	-	-355,845	10.71	-59,503	9.85	-415,348	10.59	X
C.3 Expired	-	-	-	-	-	-	-	-	X
C.4 Other changes	-	-	-	-	-	-	-	-	X
D. Amount at year-end	**68,228**	**-**	**720,265**	**10.71**	**59,246**	**10.71**	**847,739**	**9.85**	**1.50**
E. Options that can be exercised at year-end	**-**	**-**	**366,149**	**10.71**	**26,667**	**10.71**	**392,816**	**10.71**	**1.50**
Strike price	**1,635**	**-**	**96**	**X**	**9**	**X**	**1,740**	**X**	**X**
IFRS 2 reserve	**1,635**	**-**	**640**	**X**	**46**	**X**	**2,309**	**X**	**X**

PART L - SEGMENT REPORTING

In application of IFRS 8, Banca Generali Group's segment reporting is based on information that management uses to make its operating decisions (so-called "management approach").

The Banking Group identifies the following three main business areas:
> the **Affluent Channel**, which refers to the total earnings generated for the Group by the Financial Advisor network mainly reporting to the Financial Planner Division, and their respective clients;
> the **Private Channel**, which refers to the total earnings generated for the Group by the network of Private Bankers and Relationship Managers, reporting to the Private Banking and Private Relationship Manager Divisions, and by their respective clients;
> the **Corporate Channel**, which refers to the total earnings generated for the Group by the financing activities of the Finance Department and the provision of banking and investment services to medium-sized and large companies, including companies of the Assicurazioni Generali Group.

The periodical reports analysed by the Management requires the Group to assess the performance of its operating segments on the basis of the performance of the net banking income attributable to such segments.
The financial aggregates presented for each segment therefore consist of net interest, net fees and the result of trading activity including dividends. They include both components arising from transactions with third parties external to the Group ("external revenues"), and those deriving from transactions with other segments ("internal revenues").

It should be noted in this regard that internal revenues can be identified solely with reference to the interest margin; in fact, since net fees are generated directly by volumes of gross inflows and Assets Under Management relating to the individual segments, they are generated in full as external revenues.

The interest expense incurred by Affluent and Private segment was determined on the basis of the actual interest paid on each segment's direct inflows. Interest income for the two segments includes in addition to the actual interest accrued on the loans to customers in each segment, a share of the "notional interest" attributed to the Corporate segment.The following tables show the consolidated profit and loss results of each of the identified segments, stated net of intra-segment eliminations and reclassified based on IFRS 5.

Moreover, below the tables, by way of additional Quantitative information analysed by the management to evaluate the Group's performance, a breakdown is given of assets under management at year-end and net inflows for the year ended 31 December 2015, along with the comparative figures, by operating segment.

Distribution by Business Segment: Profit and Loss Account Figures

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT (€ THOUSAND)	2015				2014			
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL
Interest income and similar revenues	12,792	7,781	49,170	69,743	11,721	7,758	98,233	117,712
Notional interest	16,335	8,827	-25,163	-	9,222	4,181	-13,402	-
Interest expense and similar charges	-560	-154	-2,799	-3,513	-959	-581	-9,167	-10,707
Net interest income	**28,567**	**16,454**	**21,208**	**66,230**	**19,983**	**11,358**	**75,664**	**107,005**
Fee income	387,365	225,258	39,338	651,960	289,040	172,270	23,308	484,619
of which:								
- subscriptions	*26,011*	*5,649*	*330*	*31,990*	*26,767*	*9,362*	*140*	*36,269*
- management	*280,152*	*167,637*	*11,341*	*459,129*	*219,021*	*134,040*	*6,248*	*359,309*
- performance	*69,983*	*40,063*	*17,112*	*127,158*	*30,698*	*21,862*	*4,304*	*56,864*
- other	*11,219*	*11,909*	*10,555*	*33,683*	*12,554*	*7,006*	*12,616*	*32,176*
Fee expense	-176,760	-94,097	-10,341	-281,198	-145,132	-68,776	-13,442	-227,351
Net fees	**210,605**	**131,161**	**28,996**	**370,762**	**143,908**	**103,494**	**9,866**	**257,268**
Net income (loss) from trading activities	-	-	25,790	25,790	-	-	52,370	52,370
Dividends	-	-	3,120	3,120	-	-	2,570	2,570
Net banking income	**239,172**	**147,615**	**79,115**	**465,903**	**163,892**	**114,852**	**140,469**	**419,213**
Staff expenses	-	-	-	-80,949	-	-	-	-74,182
Other general and administrative expense	-	-	-	-134,020	-	-	-	-128,458
Net adjustments/reversal of property, equipment and intangible assets	-	-	-	-5,310	-	-	-	-4,420
Other operating expenses/income	-	-	-	44,720	-	-	-	41,266
Net operating expenses	**-**	**-**	**-**	**-175,559**	**-**	**-**	**-**	**-165,794**
Operating result	**-**	**-**	**-**	**290,343**	**-**	**-**	**-**	**253,419**
Reversal value of loans	-	-	-	-	-	-	-	-
Adjustments of other assets	-	-	-	-6,471	-	-	-	-10,995
Net provisions	-	-	-	-45,585	-	-	-	-40,268
Gains (losses) from the disposal of equity investments	-	-	-	-46	-	-	-	-18
Operating profit before taxation	**-**	**-**	**-**	**238,241**	**-**	**-**	**-**	**202,138**
Income taxes for the period on current operations	-	-	-	-34,682	-	-	-	-44,284
Profit (loss) from AFS assets	-	-	-	-	-	-	-	3,051
Minority interests (+/-) for the year	-	-	-	-	-	-	-	-
Net profit	**-**	**-**	**-**	**203,559**	**-**	**-**	**-**	**160,905**
(€ MILLION)								
Assets Under Management	24,321	17,283	2,778	44,383	21,189	15,374	2,276	38,839
Net inflows	2,885	1,755	n.a.	4,640	2,977	1,047	n.a.	4,024
No. of FAs/RMs	1,292	423	n.a.	1,715	1,244	401	n.a.	1,645

With respect to the information about assets and liabilities required by IFRS 8, it should be noted that the Group's management does not present or analyse the data in question in a format that differs from that as approved in the consolidated and separate financial statements.
Accordingly, for comments on the Group's balance sheet figures, the reader is referred to the other sections of these Notes and Comments.
The following table allocates the balance of consolidated intangible assets, showing separately goodwill, between the three segments.

	31.12.2015			
(€ THOUSAND)	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL
Goodwill	4,416	60,543	1,106	66,065
Intangible assets (client relationships)	-	17,843	-	17,843

In accordance with the requirements of IFRS 8.33, we report that the Group's business is substantially evenly distributed throughout Italy. The management does not receive any reports on performance by geographical area.
In accordance with the requirements of IFRS 8.34, we report that the Group does not have customers representing more than 10% of consolidated revenue.

Trieste, 10 March 2016

THE BOARD OF DIRECTORS

Independent Auditors' Report

pursuant to Articles 14 and 16 of Legislative Decree 27.01.2010, no. 399

BDO

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20131 Milano

Independent auditors' report in accordance with art. 14 and 16 of legislative decree n0.39 of January 27th, 2010

To the shareholders of
Banca Generali S.p.A.

Report of the consolidated financial statements

We have audited the accompanying consolidated financial statements of Banca Generali Group, which comprise the consolidated balance sheet as of December 31st, 2015, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated shareholders' equity and the statement of consolidated cash flows for the year then ended and the explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11, paragraph 3 of Legislative Decree N0. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Banca Generali Group as of December 31st, 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Other matters

The consolidated financial statements for the year ended December 31st, 2014 were audited by another auditor who, on March 27th, 2015, expressed an unmodified opinion on those consolidated financial statements.

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Report on compliance with other laws and regulation

Opinion on the consistency of the consolidated financial statements with the report on operations and of certain information set out on corporate governance and ownership structure

We have performed the procedures required by auditing standard (SA Italia) N0. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in art. 123-bis, paragraph 4 of Legislative Decree N0. 58/98, which are the responsibility of the directors of Banca Generali Group, with the consolidated financial statements of Banca Generali Group. In our opinion, the report on operations and of the information set out in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Banca Generali Group as of December 31st, 2015.

Milan, March 30, 2016

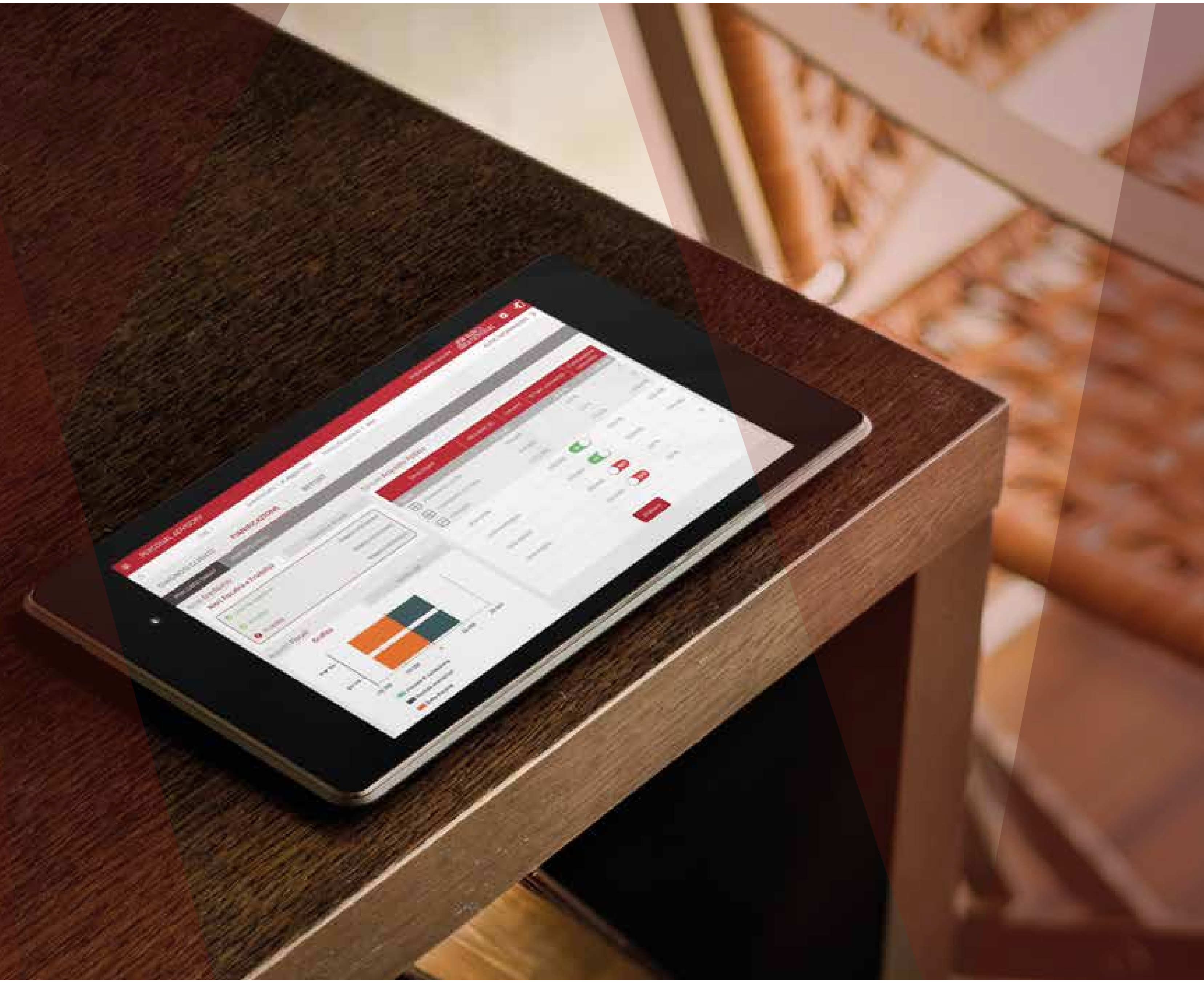
BDO Italia S.p.A.

Signed by Rosanna Vicari
Partner

This report has been translated into English from the Italian original solely for the convenience of international readers


BANCA GENERALI
PROSPETTO di SINTESI al 27/01/201
TOTALE

3



3.

Financial Statements of Banca Generali S.p.A. as of 31.12.2015

Board of Directors
10 March 2016

Economic and financial highlights

Economic and financial highlights

(€ MILLION)	2015	2014	CHANGE %
Net interest income	66.2	106.9	-38.1
Net fees	144.6	121.6	18.9
Net income (loss) from trading activities and dividends	28.9	54.9	-47.4
Net banking income	**239.7**	**283.5**	**-15.5**
Staff expenses	-74.9	-69.0	8.6
Other general and administrative expense	-130.3	-124.9	4.4
Amortisation and depreciation	-5.3	-4.4	20.3
Other operating income	44.0	38.6	13.8
Net operating expenses	**-166.5**	**-159.6**	**4.4**
Operating result	**73.2**	**123.9**	**-41.0**
Provisions	-45.5	-39.9	13.9
Dividends and income from equity investments	177.4	122.6	44.7
Net adjustments of loans and other assets	-6.5	-11.0	-41.1
Profit before taxation	**198.6**	**195.6**	**1.5**
Net profit	**184.3**	**167.5**	**10.1**
Cost income ratio (gross of dividends)	38.7%	38.2%	1.2
EBTDA	255.8	250.9	2.0
ROE	60.0%	61.7%	-2.8
EPS - Earnings per share (units of euro)	1.591	1.451	9.6

Net inflows

(€ MILLION) (ASSORETI DATA)	31.12.2015	31.12.2014	CHANGE %
Mutual funds	869	555	56.6
Asset management	-168	71	-336.6
Insurance/Pension funds	3,394	3,563	-4.7
Securities/Current accounts	545	-165	430.3
Total	**4,640**	**4,024**	**15.3**

Assets Under Management & Custody (AUM/C)

(€ BILLION) (ASSORETI DATA)	31.12.2015	31.12.2014	CHANGE %
Mutual funds	10.9	10.0	9.7
Asset management	3.6	3.8	-4.7
Insurance/Pension funds	17.3	13.7	26.1
Securities/Current accounts	9.8	9.1	7.5
Total	**41.6**	**36.6**	**13.8**

Net equity

(€ MILLION)	31.12.2015	31.12.2014	CHANGE %
Net equity	523.6	442.4	18.4
Own funds	318.9	265.8	20.0
Excess capital	134.5	74.1	81.5
Total Capital Ratio	13.8%	11.1%	24.7

Financial Statements

BALANCE SHEET

Assets

	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
10. Cash and deposits	13,887,795	80,448,802	-66,561,007	-82.7%
20. HFT financial assets	28,003,985	32,444,301	-4,440,316	-13.7%
40. AFS financial assets	2,939,206,635	2,235,403,151	703,803,484	31.5%
50. HTM financial assets	423,585,115	1,403,122,381	-979,537,266	-69.8%
60. Loans to banks	374,775,667	276,080,046	98,695,621	35.7%
70. Loans to customers	1,871,577,325	1,756,610,475	114,966,850	6.5%
100. Equity investments	16,224,545	14,024,545	2,200,000	15.7%
110. Property and equipment	4,784,311	3,740,869	1,043,442	27.9%
120. Intangible assets	83,933,817	85,675,484	-1,741,667	-2.0%
of which:				
- *goodwill*	*61,775,347*	*61,775,347*	-	-
130. Tax receivables:	61,678,898	40,472,803	21,206,095	52.4%
a) current	21,430,178	2,062,944	19,367,234	938.8%
b) prepaid	40,248,720	38,409,859	1,838,861	4.8%
b1) as per Law No. 214/2011	*11,495,700*	*13,012,859*	*-1,517,159*	*-11.7%*
150. Other assets	208,593,717	169,164,407	39,429,310	23.3%
Total Assets	**6,026,251,810**	**6,097,187,264**	**-70,935,454**	**-1.2%**

Net Equity and Liabilities

	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
10. Due to banks	333,941,495	1,038,869,519	-704,928,024	-67.9%
20. Due to customers	4,883,329,494	4,352,876,889	530,452,605	12.2%
40. HFT financial liabilities	463,036	2,654,784	-2,191,748	-82.6%
80. Tax payables:	12,856,965	18,766,850	-5,909,885	-31.5%
a) current	-	8,389,519	-8,389,519	-100.0%
b) deferred	12,856,965	10,377,331	2,479,634	23.9%
100. Other liabilities	153,689,300	143,227,141	10,462,159	7.3%
110. Employee termination indemnities	4,448,039	4,828,691	-380,652	-7.9%
120. Provisions for liabilities and contingencies:	113,941,769	93,586,124	20,355,645	21.8%
b) other provisions	113,941,769	93,586,124	20,355,645	21.8%
130. Valuation reserves	22,499,627	18,054,302	4,445,325	24.6%
160. Reserves	153,190,078	95,652,637	57,537,441	60.2%
170. Additional paid-in capital	50,063,050	45,574,956	4,488,094	9.8%
180. Share capital	116,092,599	115,677,077	415,522	0.4%
190. Treasury shares (-)	-2,555,193	-41,238	-2,513,955	n.a.
200. Profit for the year	184,291,551	167,459,532	16,832,019	10.1%
Total Net Equity and Liabilities	**6,026,251,810**	**6,097,187,264**	**-70,935,454**	**-1.2%**

PROFIT AND LOSS ACCOUNT

Items

	2015	2014	CHANGE AMOUNT	CHANGE %
10. Interest income and similar revenues	69,735,644	117,700,452	-47,964,808	-40.8%
20. Interest expense and similar charges	-3,513,922	-10,769,668	7,255,746	-67.4%
30. Net interest income	**66,221,722**	**106,930,784**	**-40,709,062**	**-38.1%**
40. Fee income	399,741,865	329,750,661	69,991,204	21.2%
50. Fee expense	-255,188,029	-208,129,437	-47,058,592	22.6%
60. Net fees	**144,553,836**	**121,621,224**	**22,932,612**	**18.9%**
70. Dividends and similar income	180,480,194	125,165,762	55,314,432	44.2%
80. Net income (loss) from trading activities	4,485,809	4,584,533	-98,724	-2.2%
100. Gain (loss) from sale or repurchase of:	21,301,302	47,786,053	-26,484,751	-55.4%
a) receivables	1,700,238	3,119,934	-1,419,696	-45.5%
b) AFS financial assets	19,601,065	44,666,121	-25,065,056	-56.1%
c) HTM financial assets	-1	-2	1	-50.0%
120. Net banking income	**417,042,863**	**406,088,356**	**10,954,507**	**2.7%**
130. Net adjustments/reversals due to impairment of:	-6,470,946	-10,994,479	4,523,533	-41.1%
a) receivables	-1,120,823	-7,529,786	6,408,963	-85.1%
b) AFS financial assets	-2,845,159	-3,035,032	189,873	-6.3%
c) HTM financial assets	-2,574,527	-285,739	-2,288,788	801.0%
d) other financial transactions	69,563	-143,922	213,485	-148.3%
140. Net result of financial operations	**410,571,917**	**395,093,877**	**15,478,040**	**3.9%**
150. General and administrative expense:	-205,218,541	-193,821,791	-11,396,750	5.9%
a) staff expenses	-74,869,076	-68,963,463	-5,905,613	8.6%
b) other general and administrative expense	-130,349,465	-124,858,328	-5,491,137	4.4%
160. Net provisions for liabilities and contingencies	-45,453,374	-39,920,978	-5,532,396	13.9%
170. Net adjustments/reversals of property and equipment	-1,201,513	-1,380,488	178,975	-13.0%
180. Net adjustments/reversals of intangible assets	-4,058,126	-2,992,176	-1,065,950	35.6%
190. Other operating expenses/income	43,970,840	38,633,721	5,337,119	13.8%
200. Operating expenses	**-211,960,714**	**-199,481,712**	**-12,479,002**	**6.3%**
240. Gain (loss) from disposal of investments	-5,801	-18,094	12,293	-67.9%
250. Profit (loss) from operating activities before income taxes	**198,605,402**	**195,594,071**	**3,011,331**	**1.54%**
260. Income taxes for the year on operating activities	-14,313,851	-31,185,310	16,871,459	-54.1%
270. Profit from operating activities net of income taxes	**184,291,551**	**164,408,761**	**19,882,790**	**12.09%**
280. Income (loss) of disposal groups, net of taxes	-	3,050,771	-3,050,771	-100.0%
290. Net profit (loss) for the year	**184,291,551**	**167,459,532**	**16,832,019**	**10.1%**

STATEMENT OF COMPREHENSIVE INCOME

Items

	2015	2014	CHANGE AMOUNT	CHANGE %
10. Net profit (loss) for the year	**184,291,551**	**167,459,532**	**16,832,019**	**10.05%**
Other income net of income taxes without transfer to profit or loss account				
40. Defined benefit plans	66,509	-418,905	485,414	-115.88%
Other income net of income taxes with transfer to profit or loss account				
100. AFS financial assets	4,378,816	12,971,507	-8,592,691	-66.24%
130. Total other income, net of income taxes	**4,445,325**	**12,552,602**	**-8,107,277**	**-64.59%**
140. Comprehensive income	**188,736,876**	**180,012,134**	**8,724,742**	**4.85%**

STATEMENT OF CHANGES IN NET EQUITY

Items

	SHARE CAPITAL			RESERVES						
	A) ORDINARY SHARES	B) OTHER	SHARE PREMIUM RESERVE	A) RETAINED EARNINGS	B) OTHER	VALUATION RESERVES	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS)	NET EQUITY
Net equity at 31.12.2014	**115,677,077**	**-**	**45,574,956**	**88,251,081**	**7,401,556**	**18,054,302**	**-**	**-41,238**	**167,459,532**	**442,377,266**
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2015	115,677,077	-	45,574,956	88,251,081	7,401,556	18,054,302	-	-41,238	167,459,532	442,377,266
Allocation of net income of the previous year	-	-		54,028,430	-	-	-	-	-167,459,532	-113,431,102
- Reserves	-	-	-	54,028,430	-	-	-	-	-54,028,430	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-113,431,102	-113,431,102
Change in reserves			-	-	2,312,303	-		-		2,312,303
Transactions on net equity	415,522	-	4,488,094	-	1,196,708		-	-2,513,955	-	3,586,369
- Issue of new shares	415,522	-	4,488,094	-	-519,606	-	-	4,534	-	4,388,544
- Purchase of treasury shares	-	-	-	-	-	-	-	-2,518,489	-	-2,518,489
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	1,716,314	-	-	-	-	1,716,314
Comprehensive income	-	-	-	-	-	4,445,325	-	-	184,291,551	188,736,876
Net equity at 31.12.2015	**116,092,599**	**-**	**50,063,050**	**142,279,511**	**10,910,567**	**22,499,627**	**-**	**-2,555,193**	**184,291,551**	**523,581,712**

	SHARE CAPITAL			RESERVES						
	A) ORDINARY SHARES	B) OTHER	SHARE PREMIUM RESERVE	A) RETAINED EARNINGS	B) OTHER	VALUATION RESERVES	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS)	NET EQUITY
Net equity at 31.12.2013	**114,895,247**	**-**	**37,302,286**	**103,009,805**	**7,048,459**	**5,501,700**	**-**	**-41,238**	**94,864,256**	**362,580,515**
Change in opening balances	-	-	-	-	-	-	-	-	-	
Amount at 01.01.2014	114,895,247	-	37,302,286	103,009,805	7,048,459	5,501,700	-	-41,238	94,864,256	362,580,515
Allocation of net income of the previous year	-	-	-	302,880	-	-	-	-	-94,864,256	-94,561,376
- Reserves	-	-	-	302,880	-	-	-	-	-302,880	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-94,561,376	-94,561,376
Change in reserves	-	-	-	-	1,577,523.00	-	-	-	-	1,577,523
Transactions on net equity	781,830	-	8,272,670	-15,061,604	-1,224,426.00		-	-	-	-7,231,530
- Issue of new shares	781,830	-	8,272,670	-	-1,448,906.00	-	-	-	-	7,605,594
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-15,061,604	-	-	-	-	-	-15,061,604
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	224,480.00	-	-	-	-	224,480
Comprehensive income	-	-	-	-	-	12,552,602	-	-	167,459,532	180,012,134
Net equity at 31.12.2014	**115,677,077**	**-**	**45,574,956**	**88,251,081**	**7,401,556**	**18,054,302**	**-**	**-41,238**	**167,459,532**	**442,377,266**

CASH FLOW STATEMENT

Indirect method

		2015	2014
A.	**OPERATING ACTIVITIES**		
1.	**Operations**	**-24,654,697**	**98,954,728**
	Net profit (loss) for the year	184,291,551	167,459,532
	Gain/Loss on HFT financial assets	117,189	336,027
	Gain/loss on hedging assets	-	-
	Net adjustments due to impairment	6,470,946	10,994,479
	Net adjustments of property, equipment and intangible assets	5,259,639	4,372,664
	Net provisions for liabilities and contingencies and other costs/revenues	20,355,645	22,027,941
	Taxes and duties not paid	-29,065,967	-3,714,855
	Adjustments of discontinued operations	-	-
	Other adjustments	-212,083,700	-102,521,060
2.	**Liquidity generated by/used for financial assets (+/-)**	**-911,189,021**	**-543,166,644**
	HFT financial assets	4,763,651	198,177,583
	Financial assets measured at fair value	-	-
	AFS financial assets	-712,180,764	-591,669,916
	Loans to banks: repayable on demand	-36,573,261	27,570,958
	Loans to banks: other receivables	-63,595,050	6,107,891
	Loans to customers	-97,779,688	-194,251,637
	Other assets	-5,823,909	10,898,476
3.	**Liquidity generated by/used for financial liabilities (+/-)**	**-156,596,034**	**-675,303,956**
	Due to banks: repayable on demand	-3,987,165	-849,860
	Due to banks: other payables	-689,287,878	-1,192,419,241
	Due to customers	528,431,571	541,369,731
	Securities issued	-	-
	HFT financial liabilities	-2,654,784	-627,190
	Financial liabilities measured at fair value	-	-
	Other liabilities	10,902,221	-22,777,396
Net liquidity generated by/used for operating activities		**-1,092,439,753**	**-1,119,515,872**

	2015	2014
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**1,181,574,625**	**1,476,898,170**
Disposal of equity investments	-	-
Dividends received	177,360,000	122,596,000
Disposal of HTM financial assets	1,004,200,625	1,354,302,170
Disposal of property and equipment	14,000	-
Disposal of intangible assets	-	-
Disposal of business units	-	-
2. Liquidity used for	**-44,134,832**	**-184,526,359**
Purchase of equity investments	-2,200,000	-
Purchase of HTM financial assets	-37,353,617	-136,392,436
Purchase of property and equipment	-2,264,756	-1,182,293
Purchase of intangible assets	-2,316,459	-2,238,889
Purchase of business units	-	-44,712,741
Net liquidity generated by/used for investing activities	**1,137,439,793**	**1,292,371,811**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	1,870,055	7,605,594
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-113,431,102	-109,622,980
Net liquidity generated by/used for funding activities	**-111,561,047**	**-102,017,386**
NET LIQUIDITY GENERATED BY/USED IN THE YEAR	**-66,561,007**	**70,838,553**
+ liquidity generated; (-) liquidity used		
Reconciliation		
Cash and cash equivalents at year-start	**80,448,802**	**9,610,249**
Liquidity generated/used in the year	-66,561,007	70,838,553
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	**13,887,795**	**80,448,802**

Trieste, 10 March 2016

Notes and Comments

PART A - ACCOUNTING POLICIES

Part A.1 - General

Section 1 - Declaration of Compliance with International Accounting Standards

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

In preparing the annual Financial Statements, Banca Generali adopted the IASs/IFRSs in force at 31 December 2015 (including SIC and IFRIC interpretations), as endorsed by the European Commission.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2015, several amendments to the IASs/IFRSs, and IFRICs were adopted and new IFRICs were issued.

International Accounting Standards endorsed in 2014 and effective as of 2015

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRIC 21 - *Levies*	634/2014	14.06.2014	01.01.2015
Annual Improvements to IFRSs 2011-2013 Cycle: IFRS 3-13, IAS 40	1361/2014	19.12.2014	01.01.2015
Annual Improvements to IFRSs 2010-2012 Cycle: IFRS 2-3-8; IAS 16-24–38	28/2015	09.01.2015	01.01.2015
Amendments to IAS 19 - *Defined Benefit Plans: Employee Contributions*	28/2015	09.01.2015	01.01.2015

International Accounting Standards endorsed in 2015 but not yet effective

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IAS 27 - *Equity Method in Separate Financial Statements*	2441/2015	23.12.2015	01.01.2016
Amendments to IAS 1 - Disclosure Initiative	2404/2015	19.12.2015	01.01.2016
Annual Improvements to IFRSs 2012-2014 Cycle (IFRS 1, IFRS 5, IFRS 7, IAS 19, IAS 34)	2343/2015	16.12.2015	01.01.2016
Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*	2231/2015	03.12.2015	01.01.2016
Amendments to IFRS 11 - *Accounting for Acquisitions of Interests in Joint Operations*	2173/2015	25.11.2015	01.01.2016
Amendments to IAS 16 and IAS 41 - *Bearer Plants*	2113/2015	23.11.2015	01.01.2016

The date of entry into force of some of the already endorsed standards has been postponed until subsequent years. The early application option has not been exercised for those standards.
The new standards and interpretations that entered into force did not have a significant impact on the Banca Generali's Balance Sheet and Profit and Loss Account.

The Financial Statements at 31 December 2015 were prepared based on the "Instructions for Preparing the Financial Statements and Financial Statements of Banks and Parent Holding Companies of Banking Groups", which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions were issued in Circular Letter No. 262/05 "*Banks' Financial Statements: Layouts and Preparation*" by Provision dated 22 December 2005. The Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Notes and Comments.

The forth update to Circular Letter No. 262, which is discussed in further detail below, was issued on 16 December 2015 and applied immediately, including with regard to the financial statements for the year ended 31 December 2015.

Circular Letter No. 262 of 22 December 2005 "Banks' Financial Statements: Layouts and Preparation" - 4th update of 22 December 2015

On 16 December 2015, the Bank of Italy issued its fourth update to Circular Letter No. 262 of 22 December 2005 "Banks' Financial Statements: Layouts and Preparation" and amendments to the "Instructions for Preparing the Financial Statements and Reports of Financial Intermediaries, as Defined in Article 107 of the Consolidated Law on Banking, of Payment Institutions, Electronic Payment Providers, Asset Management Companies and Brokerage Companies".
The above update brings the disclosures in the notes concerning credit quality into line with the new definitions of non-performing financial assets (e.g., unlikely to pay and forborne exposures) already introduced in the January 2015 supervisory reporting, which are in line with the notions of non-performing exposure and forborne exposure established by the European Commission in Regulation No. 015/227 upon proposal of the European Banking Authority.
In Part E, Information on Risks and Risk Hedging Policies, the tables concerning pledged assets formerly included in Section 3 "Liquidity risk" have been eliminated, and several additional limited changes simplifying disclosure in Parts B and E have also been made.

Section 2 - Preparation criteria

The Annual Financial Statements consist of the following documents:
> Balance Sheet;
> Profit and Loss Account;
> Statement of Other Comprehensive Income;
> Statement of Changes in Net Equity;
> Cash Flow Statement;
> Notes and Comments.

The accounts are accompanied by a Directors' report on the Banca Generali's operations, financial situation, profit and loss and balance sheet results.

According to the provisions of Article 41, paragraph 5, of Legislative Decree No. 136/2015 of 18 August 2015, implementing Directive No. 2013/34/EU, the Consolidated Report on Operations and the Separate Report on Operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.
Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Annual Financial Statements were prepared in euros. All amounts in the Accounting Statements are expressed in euro units, while the figures in the Notes and Comments and Directors' Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The Financial Statements and Notes and Comments include figures for the period under review, as well as comparative data at 31 December 2014.

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.
International accounting standards have been applied in compliance with 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 (IASs/IFRSs).

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

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accruals-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.
In further detail, the directors are reasonably certain that the Bank will continue to operate in its current form for the foreseeable future (for at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

Contents of the Financial Statements

The Financial Statements and the Notes and Comments have been prepared in accordance with Bank of Italy's Circular Letter No. 262/2005.

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

The Statement of Comprehensive Income begins with the net profit (loss) for the year and then presents components of profit and loss recognised through valuation reserves, net of the related tax effect, in accordance with international accounting standards.
Comprehensive income is presented by providing a separate account of components of profit and loss that will not be reversed to the profit and loss account in the future, and components that may subsequently be reclassified to net profit (loss) for the year under certain conditions.
As for the Balance Sheet and Profit and Loss Account, items with nil amounts in both the reporting year and previous year are not presented.

The Statement of Changes in Net Equity is presented by inverting the rows and columns with respect to the presentation suggested by the Bank of Italy's Circular No. 262/2005.
The statement presents the composition of and changes in net equity accounts during the reporting year and the previous year, broken down into share capital, capital reserves, earnings reserves, asset and liability valuation reserves, and net profit. Treasury shares are recorded as a reduction to net equity.

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 generated in the year are recognised without plus or minus signs, whereas cash flows used in the year are preceded by a minus sign.

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

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

Section 3 - Events Occurred After the Balance Sheet date

The preliminary results for 2015 were analysed by the Board of Directors on 10 February 2016.
The draft Financial Statements of Banca Generali were instead approved by the Board of Directors on 10 March 2016.
The Board also authorised their disclosure pursuant to IAS 10.

No events occurred after 31 December 2015 and until the date of authorisation to publish the annual Financial Statements that would make it necessary to adjust the results presented herein.

Section 4 – Other information

Non-recurring Significant Events and Transactions

During the year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account (Consob Notice No. DEM/6064293 of 28 July 2006).

National Tax Consolidation Option

In 2004, the parent company Assicurazioni Generali and some Italian companies belonging to the Assicurazioni Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.
Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Audit

The Financial Statements were audited by BDO S.p.A. in accordance with the Resolution passed by the Shareholders' Meeting on 23 April 2015 and appointing the said company as the independent auditors for the years 2015-2023, included.

Part A.2 - Main Financial Statement Aggregates

Accounting policies

This section sets out the accounting policies adopted for the preparation of the Financial Statements as of 31 December 2015, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

The accounting policies adopted by the Bank were not subject to material modification or supplementation during the reporting year, with the exception of changes resulting from the entry into force of the new accounting standards illustrated below.

Credit quality - Non-performing exposures

On 9 January 2015, the European Commission approved Commission Implementing Regulation 2015/227, published in the *Official Journal of the European Union* on 20 February 2015, adopting the EBA's lmplementing Technical Standards (ITS) [1] containing the definitions of "non performing exposures" and "forborne exposures", with the aim of establishing consistent classification at the European level for the purposes of supervisory regulations. In order to comply with the European legislation, on 20 January 2015 the Bank of Italy published an update to Circular Letter No. 272 [2], which introduced the new prudential criteria to be followed for the purpose of classifying credit quality, with effect from 1 January 2015.
Finally, the aforementioned changes were adopted, with respect to financial reporting provisions, in the fourth update to Circular Letter No. 262 "Banks' Financial Statements: Layouts and Presentation", issued on 16 December.

In detail, the previous four categories of non-performing exposures ("bad loans", "substandard loans", "expired loans" and "restructured loans") are replaced by the three new categories [3]:
> bad loans;
> unlikely to pay;
> non-performing, past-due exposures.

The categories "substandard loans" and "restructured loans" have been eliminated and the new category of "unlikely to pay" has been added, consisting of non-performing exposures for which the bank regards it as unlikely that the borrower will discharge its credit obligations (by way of principal and/or interest) in full, without the need for measures aimed at protecting credit claims, such as the enforcement of guarantees.
This assessment is conducted by the bank independently of the presence of any situations of overdue payments and thus it is not necessary to await the express manifestation of signs of anomaly. The category in question thus attaches great importance to the bank's judgment in punctually observing elements in support of difficulty for the borrower to make full repayment of principal and interest, without undertaking credit protection measures, even in the absence of tangible signs of presumed difficulty.

The new regulation also introduces an obligation to include forborne exposures among both non-performing and performing exposures.
The EBA standards define forbearance as:
> the modification of the previous terms and conditions of a contract that the debtor is considered unable to comply with due to its financial difficulties ("troubled debt") to allow for sufficient debt service ability, that would not have been granted had the debtor not been in financial difficulties;
> a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

With respect to measurements and provisions for forborne exposures, accounting policies observe the general criterion, in line with the provisions of IAS 39.

1 Final Draft Implementing Technical Standards on Supervisory reporting on Forbearance and non-performing exposures (EBA/ITS/2013/03/rev1 24.07.2014).,
2 7th update of the Circular No. 272 dated 30 July 2008 - "Account matrix" issued by the Bank of Italy on 20 January 2015.
3 The previous classification adopted by the Bank of Italy provided for four classes of non-performing loans: bad loans, restructured loans, substandard loans and expired loans.

In its new credit rules and procedures approved in February 2015, the Bank adopted the new classification of non-performing assets on the basis of the 2015 reports.

Contributions to deposit guarantee systems and resolution mechanisms

Through Directives 2014/49/EU of 16 April 2014 and 2014/59/EU of 15 May 2014, respectively the "Deposit Guarantee Schemes Directive (DGSD)" and "Bank Recovery and Resolution Directive (BRRD)" and the institution of the Single Resolution Mechanism (Regulation (EU) No 806/2014 of 15 July 2014), European lawmakers made significant changes to the rules concerning banking crises with the strategic aim of strengthening the single market and ensuring systemic stability. As illustrated in further detail below, the above legislative changes had a significant impact on financial performance and financial position as a result of the obligation to establish specific funds with financial resources that must be provided by contributions from financial institutions starting in 2015.

Contributions deriving from the Deposit Guarantee Schemes Directive (DGS)

Directive 2014/49/EU harmonises the levels of protection offered by national deposit guarantee schemes (DGSs) and their methods of intervention, with the aim of eliminating possible competitive disparities within the European market. To that end, the Directive provides that national DGSs (in Italy, the Interbank Deposit Protection Fund or FITD) must endow themselves with means commensurate to the deposits protected, which must be provided through mandatory contributions from financial institutions. The new element for Italian banks is the new mechanism for financing the fund: the previous after-the-fact contribution system, in which funds were requested in case of need, has been replaced by a mixed system, in which funds must be paid in advance, so as to reach, within ten years of the entry into force of the Directive (3 July 2024), a minimum target level of **0.8% of the deposits guaranteed**.
The contributions from each entity are calculated as a function of the ratio of the amount of own deposits to the total protected deposits in the country.
Article 10 of Directive 2014/49/EU provides that contributions are to be paid by banks with at least annual frequency [4].

Pending the transposition into the Italian legal order of Directive 2014/49/EU, which entered into force on 3 July 2015, the FITD informed members that it intended to collect only the contribution for the second half of the year in 2015 and to distribute the remaining share over the contribution period 2016-2024. The Fund also announced that for the first year of application the contribution will be commensurate solely to the ratio of own deposits, with an adjustment in the following year for the effects resulting from the correction of the share of contributions according to the various risk configurations of the individual consortium members.

In its extraordinary meeting of 26 November 2015, the FITD then proceeded with implementation of this position, amending its charter to reflect the new contribution rules and regulations.

In response to those amendments, Banca Generali paid FITD an advance contribution of 0.9 million euros for the second half of 2015 on the basis of its share of the guaranteed deposits.

Contributions deriving from the Bank Recovery and Resolution Directive (BRRD)

Directive 2014/59/EU establishes the new resolution rules, applicable from 1 January 2015 to all European Union banks in a state of current or prospective default. These rules, which introduce the bail-in principle, require, under certain circumstances, that funding for resolution may also be supported by a national resolution fund instituted by each of the 28 European Union Member States and managed by a national resolution authority.

To that end, the Directive provides that the national resolution funds be endowed with financial means provided through mandatory advance contributions from authorised financial institutions.
In particular, the funds are to be paid in advance until reaching a minimum target level, over a period of ten years, i.e. by 31 December 2024, **of 1% of guaranteed deposits** [5].
The contributions from each entity are calculated as a function of the ratio of its total eligible liabilities, i.e. net of own funds and the guaranteed deposits, to the total liabilities of all authorised financial institutions in the country.

4 The DGSD also provides that the financial means supplied by financial institutions may include payment commitments, up to a maximum of 30%. Such commitments must be secured by collateral in the form of low-risk assets free of third-party rights and fully available to the national DGSs.
On 28 May 2015, the ESA published a document containing the guidelines on payment commitments that are to be followed in order to ensure uniform application of the regulations. However, the FITD has not adopted this option in its rules.

5 In this event as well, in order to achieve the target level, financial means supplied by financial institutions may include payment commitments, up to a maximum of 30%.

The new European Single Resolution Fund (SRF) provided for in Regulation No 806/2014, instituting the Single Resolution Mechanism (SRM) and managed by a new European resolution authority, formed within the ECB (Single Solution Board – SRB), will also begin to function on 1 January 2016.

From 1 January 2016 to 31 December 2023 (a period of eight years), the Single Resolution Fund must reach a target level of means of at least 1% of the amount of the protected deposits of all authorised entities in the banking union. The contribution rules for the period 2016-2023 are established in Article 8 of Implementing Regulation 81 of 2015.
Accordingly, the banks of Member States of the Banking Union (including Italian banks) will contribute to the national resolution fund in 2015 and to the Single Resolution Fund starting in 2016 (until 2023). During the initial period, when calculating each institution's individual contributions, this transfer will be taken into account.

In this context, on 16 November 2015 Legislative Decrees 180/2015 and 181/2015 were enacted, introducing the National Resolution Fund into the Italian legal order and assigning the Bank of Italy the role of National Resolution Authority.

In particular, Articles 78 and following of Legislative Decree 180/15 provide that such funds are to be financed by, among other sources:

a) ordinary contributions paid on an annual basis in the amount determined by the Bank of Italy in accordance with Directive 2014/59/EU (Article 103) and commensurate for the purposes of reaching the fund's target funding level;
b) extraordinary contributions when ordinary contributions are insufficient to cover losses, costs or other expenses incurred to achieve resolution objectives, up to an amount of three times annual average ordinary contributions.

Lastly, on 22 November 2015 Legislative Decree 183, "Urgent measures for the credit industry" [6] was issued. The Decree implemented the Resolution plan for four regional banks (Cari Ferrara, Banca Marche, Cari Chieti and Banca Popolare dell'Etruria e del Lazio) with the intervention of the recently formed National Resolution Fund.
In particular, in order to cover resolution costs, an extraordinary contribution of three times the ordinary contribution for 2015, i.e., the maximum allowed amount, was requested.

In relation to the above events, in December 2015 Banca Generali therefore paid the national resolution fund total contributions of 7.7 million euros, of which 1.9 million euros of ordinary contributions and 5.8 million euros of extraordinary contributions.

Accounting treatment of contribution charges deriving from the BRRD and DGSD

The accounting and reporting treatment applicable to contributions to resolution funds was the subject of a specific notice from the Bank of Italy dated 20 January 2016.
Similar conclusions were reached by ESMA in its Opinion 2015/ESMA/1462 "Application of the IFRS requirements in relation to the recognition of contributions to Deposit Guarantee Schemes in IFRS accounts" of 25 September 2015 with regard to non-reimbursable cash contributions to be paid in advance into deposit guarantee funds.

For financial reporting purposes, reference should be made to IAS 37 — *Provisions, Contingent Liabilities and Contingent Assets* and the Interpretation IFRIC 21 — *Levies*, which entered into force on 1 January 2015.
The Interpretation concerns the accounting treatment of a liability for a levy where the liability falls within the scope of application of IAS 37.
As defined in IFRIC 21, "a levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation".
Obligations to contribute to the National Guarantee Fund, in both ordinary and extraordinary form, are imposed by legislation, and thus fall within the scope of "levies" as defined in IFRIC 21.

IAS 37 and IFRIC 21 provide that a liability must be recognised when the obligating event that gives rise to a present obligation occurs. Since the decree does not provide for contributions to be reduced or refunded to intermediaries, in whole or in part, whenever the obligating event occurs, the liability relating to the contributions in question must be recognised for the full amount.
Since it is not possible to account for the liability through either an intangible asset pursuant to IAS 38 or a prepayment asset, the contributions must be recognised in profit and loss.

6 Subsequently incorporated into the 2016 Stability Act.

In this regard, the Bank of Italy has clarified that the item to which to classify such contributions, which for accounting purposes may be regarded as levies, is sub-item 150 b "General and administrative expense - other general and administrative expense" of the profit and loss account in the separate financial statements (item 180 b) of the consolidated financial statements), which is also used to account for the indirect levies and taxes (paid and unpaid) accrued during the year.

Compliance with IFRS 9

On 24 July 2014 the IASB issued by the new accounting standard IFRS 9 replacing IAS 39.

The Standard, which has yet to be endorsed by the European Commission, will enter into force on 1 January 2018 and will entail, among other things, significant changes in terms of:
> a new classification of financial assets, superseding the current model based on five portfolios — trading, fair value option (FVO), available for sale (AFS), loans and held to maturity (HTM) — with a model based on the characteristics of the financial instruments and business model;
> a new model for the impairment of financial assets based on the concept of expected loss in lieu of the concept of incurred loss and on the classification of non-performing assets in two stages, according to an assessment of risk level and any deterioration of creditworthiness compared to original conditions.

In August 2013, the Bank of Italy had sent banks a preliminary notice, specifically concerning "*The IASB's proposed new accounting model for impairment. Implications of an operational nature for intermediaries*" aimed at emphasising the critical issues and potential impacts on financial statements of compliance with the new Standard.
In response to that notice, the Bank had already formed a specific working group.

In this regard, it should be noted that in achieving procedural compliance the Bank receives support from CSE, which in January 2016 began functional analysis of the project.

1. HFT financial assets

Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading, including also those embedded in complex financial instruments.

Embedded derivatives shall be reported separately for the following reasons:
> their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
> the embedded instruments considered separately meet the definition of a derivative;
> the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

Derivatives are presented as assets if their fair value is positive and as liabilities if their fair value is negative. It is possible to set off current positive and negative values deriving from outstanding transactions with the same counterparty only if there is currently a legal right to set off the recognised amounts and the entity intends to settle the positions subject to netting arrangements on a net basis.

Reclassifications to other categories of financial assets are not allowed, except in cases of unusual events or events that are unlikely to recur in the near term.
In such cases, debt and equity securities no longer held for trading purposes may be reclassified to the other categories indicated in IAS 39 provided that the conditions for recognising the assets have been met (Financial assets held to maturity, Financial assets available for sale, Loans). The transfer value is the fair value at the time of reclassification. The presence of any embedded derivative contracts to be separated must be evaluated during the reclassification process.

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 effects of the application of this measurement consideration are recognised in profit and loss.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments.
A financial instrument is regarded as listed in an active market if quoted prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period and those prices, are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where similar instruments are traded, the notional value of financial instruments, quotas from brokers or placing agents involved in the issue of financial instruments, quotes from info providers specialised in specific sectors, and values drawn from recent comparable transactions.

Equity securities, UCITS units and equity derivatives, which are not listed on active markets and have no reliable fair value measurement, are measured at cost.

Derecognition

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

2. AFS financial assets

Classification

This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.

Specifically, it includes:
> equity investments not held for trading;
> other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
> bonds not held for trading and not classified as assets held to maturity or Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

Where permitted by accounting standards, debt securities may also be reclassified to HTM Financial assets or Loans, if the entity intends to hold the instrument for the foreseeable future and the conditions for recognising the asset have been met. The transfer value is the fair value at the time of reclassification.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.
Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid, including the transaction income or expenses directly attributable to the instrument itself.
Such assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

Measurement

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

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.
Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).
If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and, in the case of loans, receivables or debt securities, recognised in profit or loss or, in the case of equity securities, under net equity.
The amount of the reversal should not exceed what the amortised cost would have been, had the past adjustments not been made.

Derecognition

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

3. HTM financial assets

Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

In the cases allowed by the accounting standards, reclassifications are admitted only to the item Financial assets available for sale.

Recognition

Initial recognition of these assets takes place on the settlement date.
Financial assets classified as held-to-maturity are initially recognised at fair value, including any directly attributable costs and income.

If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

Where a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

> are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;

> occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.
Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or undergo impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.
If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and recognised in the profit or loss account. The reversal may not exceed the amortised cost that would have been attributable to the asset, had the impairment not been recognised.

Financial assets held to maturity for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

Derecognition

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

4. Loans

Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments, are not listed in an active market and are not initially classified as financial assets available for sale.

This item also includes:
> repurchase agreements with a commitment to repurchase;
> debt securities not listed on active markets, having determined or determinable payments, purchased through subscription or through private placement;
> operating receivables deriving from the provision of financial services, as defined in the Consolidated Law on Banking (TUB) and Consolidated Law on Finance (TUF). This latter category also includes receivables from product companies and receivables from the network of financial advisors for advances on commissions paid.

Reclassifications to the other categories of financial assets provided for in IAS 39 are not allowed.

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

Recognition

Loans are initially recognised on the date of disbursement or, in the case of debt securities, on the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded, if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.
This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the Bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from AFS assets, the asset’s fair value on the date of reclassification is taken as its new amortised cost.

Measurement

Subsequent to initial recognition, loans are recognised at amortised cost, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the effective interest-rate method) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans, if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing exposures, i.e. those that present the characteristics indicated in paragraphs 58-62 of IAS 39, are classified to the following categories:
1) bad loans: this category refers to formally non-performing loans, consisting of exposures to customers who are in a state of insolvency, regardless of whether confirmed by a court, or in similar situations;

2) unlikely to pay: these are on- and off-balance sheet exposures for which the conditions have not been met for classification as bad loans and for which it is deemed unlikely that the borrower will be capable of fulfilling all of its debt obligations (in terms of principal and/or interest) in the absence of actions such as the enforcement of guarantees. This assessment is conducted regardless of the presence of any overdue amounts or instalments.
   Classification as unlikely to pay is not necessary tied to the explicit presence of anomalies (non-payment), but rather is linked to the existence of elements indicative of a situation of risk of default of the borrower;
3) non-performing, past-due exposures: these are on-balance sheet exposures other than those classified as bad debts or unlikely to pay loans that are past due by more than 90 days at the reporting date. Past-due exposures may identified in reference to either the individual borrower or individual transaction.

Loans classified as *bad loans* or *unlikely to pay* are normally subject to an analytical assessment process.
Past-due exposures are measured on a lump-sum basis according to historical and statistical loss projections, or, in cases of individually insignificant amounts, on the basis of assumptions of non-recoverability.

With reference to 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 exposures, 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 for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan.
In further detail, a probability of default and a loss given default value are attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach, probability of default and loss given default.
Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

Derecognition

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

5. Financial assets at fair value

At the reporting date, none of the Bank's financial assets are classified under this category.

6. Hedging transactions

Types of Hedging Transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk, with gains on another item or group of items.

Possible types of hedges include:
> fair-value hedges, intended to hedge exposure to changes in the fair value of a balance sheet item attributable to a particular risk;
> cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance sheet items attributable to particular risks;
> hedges of a net investment in a foreign operation: intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Derivatives are measured at fair value. Specifically:
> in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
> in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
> hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flows) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:
> *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
> *retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

7. Equity investments

Classification

This item includes equity investments in subsidiaries, controlled and associate companies.
The Bank does not hold equity investments in companies under common control.
Subsidiaries are entities in which the Bank is exposed to variable returns or holds rights to such returns, arising from its relationship with the said entities, whilst having and the ability to affect those returns through power over them.

Entities subject to significant influence (associate) are those entities in which the Bank holds 20% or more of the voting power (including “potential” rights), or in which – although holding a lower voting power — it has the power to participate in the financial and management policy-making process, in light of specific legal ties, such as shareholders” agreements.

Recognition

Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

Measurement

Equity investments are measured at cost and adjusted for impairment.
When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the investment.
If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.
If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and recognised in the profit or loss account.

Derecognition

Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all related risks and rewards, is transferred.

8. Property and equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.
They also include assets held solely for operating purposes for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.
They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset’s fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.

If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

9. Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or must arise from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.
An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and simultaneously restrict the access of others to those benefits.
The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets include the value of contractual relations with customers acquired as a result of the business combination of Banca Del Gottardo Italia.
This asset is an intangible asset, as defined by IAS 38, from which future economic benefits are likely to flow to the acquirer. The value of these relationships was determined on the basis of an estimate of the return on the assets managed by Banca del Gottardo Italia, analysed by asset class, while the useful life was estimated as a ten-year period, based on the historic percentage of decline of assets under management, before the company was acquired.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system, which in turn include intangible assets in progress at the end of the year.

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.
Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the Bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.).
Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected.
Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).
In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits, and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.
Software costs are typically amortised over a three-year period.
Other capitalised costs associated with legacy systems are amortised over a five-year period.
For contractual relations with customers, acquired as a result of the above-mentioned business combination of Banca Del Gottardo Italia, the useful lives are estimated at ten years.
Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is tested for impairment at least annually.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
The impairment test for goodwill is presented in Section 1.2 “Annual Changes in Goodwill” in Part G of these Notes and Comments.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset’s carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

10. Non-current Assets Held for Sale or Disposal Groups

The asset item “Non-current assets held for sale or disposal groups” and liability item “Liabilities associated with assets held for sale or disposal groups” include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.
The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year is taken through profit and loss under a specific separate item, “Income (Loss) of disposal groups, net of taxes”.

11. Current and Deferred Taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.
Provisions for income taxes are made based on a conservative estimate of current and deferred tax assets and liabilities, which are calculated using prevailing tax rates.
Specifically, deferred tax assets and liabilities are calculated based on the temporary differences — without time limits — between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the parent company Assicurazioni Generali — as a result of the exercise of its option provided by the Italian Tax Consolidation scheme — to generate ongoing taxable income.

Deferred tax liabilities are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.
Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under "Tax assets" and deferred tax liabilities are recorded under "Tax liabilities".

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.
Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.
Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (for example, goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Finance Law) introduced the new paragraph 2-*ter* into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise greater amounts in the accounts for income-tax purposes, following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.
That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket) in lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP).
The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced a new system of optional realignment of tax and balance sheet values. The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.
However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.
That statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are undertaken.

Lastly, paragraphs 12 to 14 of Article 23 of Legislative Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-*bis* and 10-*ter* to Article 10 of Legislative Decree No. 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.
The additional redemption scenario is founded solely on the accounting figures presented in the financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-*ter*).

The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must be made by 30 November 2011, whereas the non-accounting deduction of amortisation in ten equal instalments is to take place beginning in financial year 2013.

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:
1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree No. 185/2008;
2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the Financial Statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-*ter*, of the TUIR;
3) redemption of goodwill recognised on a consolidated basis in connection with the full equity interest in the subsidiary BG Fiduciaria Sim S.p.A. undertaken in 2011.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.
IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.
The analyses conducted by the OIC — the Italian Accounting Standard Setter — summarised in application document No. 1 of 27 February 2009 entitled "*Accounting treatment of substitute tax on the redemption of goodwill in accordance with Article 15, paragraph 10, of Legislative Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IASs/IFRSs*", which can however be extended to other special redemption cases envisaged by tax laws, have led to three different accounting treatments being considered compatible with IFRSs:
1. recognition through profit and loss of substitute tax only, without recognising deferred tax assets;
2. immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. recognition of substitute tax as a tax credit under assets, and subsequent recognition through profit and loss over the years to coincide with the non-accounting deduction of the redeemed amortised amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on the specific system adopted (ten or eighteen amortisation charges), thereby neutralising the decrease in current taxes.
Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be deemed recoverable on the basis of future taxable income.

12. Provisions for liabilities and contingencies

Other provisions for liabilities and contingencies include allocations relating to provisions for legal obligations, contractual indemnities or legal disputes, including tax disputes, 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.

Therefore, a provision is recognised only when:
- there is a present obligation (legal or constructive) as a result of a past event;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision corresponds to the best estimate of the expenditure required to settle the present obligation at the balance sheet date and accounts for all the risks and uncertainties that inevitably are entailed in certain events and circumstances.
Where the effect of the time-value of money is material, provisions are discounted using current market rates. Provisions and increases due to the time value of money are recognised in the Profit and Loss Account.

Provisions are periodically reviewed and, where necessary, adjusted to reflect the best current estimate. If, upon review, it is determined that it is unlikely that a cost will be incurred, the provision is reversed.

Other provisions for liabilities and contingencies include, in particular:
> provisions for contractual indemnities for the network of financial advisors (end-of service and other similar indemnities), measured according to the actuarial method;
> provisions for incentive or recruitment bonuses (recruitment plans) for financial advisors;
> provisions for long-term employee benefits;
> provisions for restructuring plans.

In some circumstances, provisions for liabilities and contingencies (for example, charges relating to staff expenses) have been presented in a separate item of the profit and loss account to best reflect their nature.

13. Debt and Securities Issued

Classification

Due to banks, Due to customers and *Securities issued* include the various forms of interbank funding and direct customer deposits, as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.

Due to banks and Due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or debt securities are issued.
Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.
For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material.
These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.
The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

14. HFT financial liabilities

This item includes the negative value of trading derivative contracts measured at fair value.
If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

15. Financial liabilities at fair value

There are currently no financial liabilities measured at fair value.

16. Foreign currency transactions

Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.
The Group has no non-monetary items that are measured at historical cost or fair value.
Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

17. Other information

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.
Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.
Loans income, in the form of the coupons accrued on securities and the difference between the spot and forward prices of securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.
The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Share-based payments

These are payments to employees or other similar persons, such as financial advisors, as consideration for services rendered, based on the equity instruments of the banking or ultimate parent company.

Such plans may provide for either:
> the right to subscribe for rights issues at a pre-determined price (stock-option plans);
> the free assignment of a certain number of shares, generally repurchased (stock-granting plans).

In accordance with IFRS 2 – *Share-Based Payments*, share-based benefit plans for staff and financial advisors are recognised as costs on the Profit and Loss Account of operations based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

In light of the difficulty inherent in reliably measuring the fair value of the services received in return for equity instruments, reference is made to the fair value of such instruments measured at the grant date.

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. In cases of stock-granting plans, the fair value of the shares granted is determined on the basis of market prices on the date of the resolution of the shareholders' meeting authorising the plans.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Charges relating to shared-based payment plans are recognised as a cost in the profit and loss account for the period under item 180.a) "General and administrative expense: staff expenses", where they relate to employment services, and under item 50) "Fee expense" where they relate to contractual relationships with financial advisors. In both cases, such charges are recognised through item 170. "Equity reserves".

The Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) is a share-based incentive plan approved annually by the Shareholders' Meeting of the parent company, Assicurazioni Generali, and intended for the key personnel of the latter company and other insurance group companies, including several key managers of the banking group.
The plan is aimed at encouraging the pursuit of the objective of an increase in the value of the company's shares by strengthening the link between the remuneration of beneficiaries and performance as identified in the framework of the group's strategic plans ("absolute" performance) and the increase in value compared to a peer group ("relative" performance).

However, for beneficiaries from the banking group, the targets triggering accrual of the incentive are broken down into:
> insurance group targets, i.e., ROE (return on equity) and relative total shareholders' return (rTSR), compared to a peer group, assigned a weight of 40% of the total bonus; and
> business unit targets (banking group ROE and EVA), assigned a 60% weight.

The key characteristics of the plan are as follows:
> the incentive accrued upon achieving the targets is disbursed by Assicurazioni Generali S.p.A. in a single instalment at the end of the three-year vesting period through the free granting to the beneficiaries of its own ordinary shares;
> the maximum number of the shares to be granted is determined at the beginning of the three-year period and is divided into three instalments for the three years of the plan.
> each year, the level of satisfaction of the objectives initially set for the three-year period is verified in order to determine the number of shares to be set aside for each instalment;
> a lock-up restriction is envisaged for the shares assigned, applicable to 25% of the shares for one year from assignment and to 25% for two years from assignment;
> malus and claw-back clauses have been included and a minimum access gate set for each tranche.

The new plan may be classified as an equity-settled transaction and therefore within the scope of IFRS 2.

IFRS 2, in the new formulation endorsed by Commission Regulation (EU) No. 244/2010 of 23 March 2010, includes a specific section governing share-based payment transactions between group entities (paragraphs 43B-43C and B45-B61 of the Application Guidance).
In that section, it is specified that in share-based payment transactions between group entities, the entity that receives the goods or services must assess whether the cost of the goods or services are to be accounted for as an equity-settled shared-based payment transaction, through a balancing entry to a capital reserve, or on a cash basis, through a balancing entry to a liability.

In this regard, the accounting standard envisages (paragraph 43B) that if the arrangement calls for the shares of the parent company to be granted directly by itself to a subsidiary's employees — and therefore with no action on the part of the subsidiary —, the charge to the profit and loss account will be recognised to an equity reserve through a balancing entry, inasmuch as it is similar to a capital contribution by the parent company.

Given the specific nature of the plans reserved for beneficiaries belonging to the banking Group, such plans must be assessed individually for components relating to group targets and business targets (for the banking group).

More specifically:
> as it is a pure stock grant, the plan component linked to business unit objectives should be valued exclusively based on the fair value of the Assicurazioni Generali ordinary shares at the grant date;
> the plan component linked to the Group's objectives includes TSR as an objective, since it qualifies as market condition whose value is included in the fair value of the stock grant.

The total cost of the plan is equal to the sum of the cost calculated for each tranche on the basis of the fair value determined according to the above methods, multiplied by the number of shares that may potentially be granted in respect of the performance condition, the likelihood that the service condition will be met and the achievement of the minimum eligibility threshold. That cost is allocated over a three-year vesting period starting from the grant date, with a balancing entry to a specific equity reserve.

Employee termination indemnities

Employee termination indemnities, which are governed by Article 2220 of the Italian Civil Code, constitute "**post-employment benefits**" as defined in IAS 19 — *Employee Benefits*.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must — depending on the employees' choice — be allocated to a supplementary pension fund or maintained within the company and — in the case of companies with at least 50 employees — transferred to a special fund managed by Italy's national security institute (INPS).

Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:
> "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund.
  For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods.
  The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item "employee termination indemnities" by convention;
> "a defined-benefit plan" for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to the **projected unit credit method**.

According to this method, the amount already accrued is to be increased by the unit amount accrued annually (current service cost) projected into the future through the date of expected termination of employment then discounted to the reference date. The unit amount accrued is also determined on the basis of the employee's entire expected working life.

In the specific case, however, the past liability is assessed without pro-rating past service because the service cost of the termination indemnity has already fully accrued. Accordingly, the annual accrual consists solely of the interest cost relating to the revaluation of the expected benefit due to the passage of time.

The rate used for discounting is determined by reference to market yields on high quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation.
Considering that IAS 19R requires that the discount rate is to be determined by reference to the yields on "high-quality corporate bonds", it was decided to use the index IBOXX EURO CORP, formed of AA series.

The plan's service costs have been recognised amongst staff expenses under the item "provisions for post-employment benefits".

Following the entry into force of IAS 19R on 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for **actuarial gains and losses** deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.).

In fact, changes in liabilities due to actuarial assessments are required to be recognised in full in other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.
By contrast, in the previous accounting arrangement adopted by the Bank the above item was recognised in the profit and loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.

The elimination of this method entailed an impact on the Bank's net equity from the date of first-time application of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method.
Finally, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the profit and loss account during the year of accrual under a specific item.

Productivity bonuses for salaried employees

Pursuant to the first update to Circular Letter No. 262/05 of 18 November 2009, productivity bonuses to be paid to salaried employees during the following year are to be allocated to the item "Other liabilities".

More specifically, in accordance with IAS 19 – Employee Benefits, the following are allocated to current liabilities:
> the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
> incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the Bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expenses in the profit and loss account the following types of expenses that do not constitute certain short-term liabilities and thus have the item for provisions for liabilities and contingencies as their balancing entry in equity:
> the share of the variable remuneration of managers of the banking group deferred up to two years, and conditional upon the satisfaction of the access gates requirements established in the banking group's new remuneration policy;
> the long-term incentive plans authorised by the parent company Assicurazioni Generali for the benefit of the Group's top managers and adopted by Banca Generali's Board of Directors, analysed in greater detail in the paragraph "Long-term incentive plans" below.

By contrast, it was determined that the requirements set forth in IAS 19 had not been met in the following cases:
> incentives for employees that have yet to be formally defined at the date of approval of the financial statements and are of a non-customary nature;
> provisions for post-employment medical benefits of Group executives;
> allocations intended to support company restructuring and reorganisation plans and other expenses associated with the classification of staff still to be determined at the date of authorisation of publication of the financial statements.

Such expenses are therefore entirely attributed to the item Provisions for liabilities and contingencies.

Termination indemnity for Financial Advisors

The provision covering the cost of termination indemnities for Financial Advisors is assessed in compliance with IAS 37 according to an actuarial approach, pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria set by the Bank.

In detail, the indemnity to be paid to a Financial Advisor is calculated on the basis of the annual average direct and indirect fees paid to the Financial Advisor during his or her final five years of service (Article 1751 of the Italian Civil Code), net of:

a) the total amount of the contributions to the termination indemnity fund paid to Enasarco each year by the Bank until the date of termination;
b) the contractual lump-sum reduction which decreases gradually as the length of service and date of retirement or withdrawal extends (with the exception of cases of death and permanent disability).

In cases of withdrawal for cause with service, the indemnity may be further reduced as a function of the decline in AUM during the post-termination observation period.

The assessment is then conducted according to actuarial methods on the basis of demographic parameters, expected turnover rates, with and without the right to service, assumptions regarding the age of entry into the compulsory general insurance (AGO) system and the retirement age.

The procedure also takes account of:

a) the percentage fee reduction expected as a function of the estimated period of past service at the date of termination;
b) the prospective termination indemnity fund, i.e., the payments that the Bank is to make each year directly to the Enasarco Foundation by way of termination indemnity contributions for the Financial Advisor's entire period of service and that, in the end, are to be deducted from the gross indemnity owed.

Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.
The indemnity, which is governed by an appendix to the agency agreement, is only due on the condition that the outgoing advisor formally undertakes to conduct a hand-over to an incoming advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming advisor undertakes to pay the company an indemnity commensurate to that obtained from the outgoing advisor.
In relation to recent market practices in the area, a thorough contractual revision of the scheme entered into effect on 1 January 2012 was carried out.
The system introduces a rule, namely that the indemnity collected by the outgoing advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.
Therefore, on the basis of the new rules, the outgoing advisor may only collect the agreed indemnity provided that it has actually been paid to the Bank by the incoming advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the Bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the Bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, in the reduced amount of 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity pay-outs, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming advisors.

Expenses functionally related to staff

In accordance with IAS 19, under item 150 a) Staff expenses are recognised exclusively costs representing remuneration for professional services rendered, thus excluding those representing pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

Accordingly, indirect expenses functionally related to activity performed by staff are recognised under item 150 b) Other general and administrative expense. Such expense also include:

a) documented, specific reimbursements of the costs of room and board incurred by employees during business trips;
b) documented, specific mileage reimbursements, calculated on the basis of rates recognised as valid (e.g., Automobile Club d'Italia) and the mileage actually travelled;
c) costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law.

By contrast, amongst other items, the costs of professional refresher courses for employees continue to be recognised under staff expenses.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

> interests are recognised on a pro-rata basis according to contractual interest rate, or the effective interest rate, if amortised cost is used;
> default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
> dividends are recognised in the profit and loss account when dividend payout is approved;
> service revenue fees are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading fees on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management fees are recognised according to the length of the service. Fees considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interests.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs, that cannot be matched with the related revenues, are immediately taken through profit and loss.

Use of estimates and assumptions in the preparation of the Financial Statements

The preparation of the Financial Statements requires the use of estimates and assumptions that could influence the amounts reported in the balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.

The estimates and assumptions used are based on the information available on operations and subjective judgements, which may be based on historical trends.
Given their nature, the estimates and assumptions used may vary from year to year, meaning that reported amounts may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:

> determining the amount of provisions for liabilities and contingencies;
> determining the expenses of personnel productivity bonuses;
> determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
> determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
> determining the impairment of financial instruments;
> determining the value adjustments and reversals of non-performing loans and the provision for performing loans;
> preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
> preparing estimates and assumptions on the recoverability of deferred tax assets;
> evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Testing financial instruments for impairment

In accordance with IAS 39, the portfolio of securities, not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans), is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events (“loss events”), there is objective evidence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, the breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).
In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involves the use of specific methods according to the type of securities in question:
> equity securities allocated to the portfolio of financial assets available for sale (AFS);
> corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
> corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
> the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 24 months from the reporting date.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information is drawn from the market.

For corporate debt securities classified to AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.
For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:
> purchase cost, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
> the current fair value.

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:
> the book value of the asset; and
> the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For ABSs, the impairment loss is determined based on losses on the tranche of the security held.
Where this amount is not readily determinable, an estimate of the fair value of the securities at the measurement date may be used.

Collective impairment

Debt securities included in amortised cost portfolios classified as loans to banks and customers (L&Rs) and assets held to maturity (HTM) that have not individually shown signs of impairment are tested for impairment on a collective basis pursuant to IAS 39, paragraph 64, in order to estimate the value of any latent losses on assets that have not explicitly manifested situations of default.

For corporate bonds other than those deriving from securitisation, such testing is done according to homogeneous categories on the basis of rating classes and residual lives.
In detail, the probability of a default (PD) event is determined according to historical series for default rates surveyed globally over a period of many years (*Standard & Poor's Cumulative Average Default Rates By Rating, 1981-2013*) and using a market loss given default (LGD) between 60% and 70%.
For securities with residual lives of less than six months, PD is weighted according to the actual time until the maturity of the securities.
In any event, Italian government bonds in the HTM portfolio are excluded from such testing.

The portfolio of securities deriving from securitisation is divided into segments according to the nature of the assets underlying the ABSs (home mortgages, commercial mortgages, leases and other types of loans) and the geographic area of reference, and specific probability of default (PD) and loss given default (LGD) figures are developed for each segment.

In detail, the PD rates for each cluster were determined according to weighted average losses (defaults and delinquencies > 180 days) specifically observed on the underlying assets over the past two years, of a sample of securitisation transactions with similar characteristics.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.
The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

Forborne Exposures

Forborne exposures - Performing

Within the context of performing loans, individual cash exposures for which the Bank, due to the debtor's worsening economic-financial conditions (in "financial difficulties"), allows changes to the original contractual conditions or a total/partial refinancing of a contract that would not have been allowed if the debtor had not found itself in such difficulties, are identified and classified as exposures subject to forbearance measures. Such exposures do not form a separate category, but constitute an attribute common to the various categories of assets and are reported on the individual arrangement subject to concession.

Performing forborne exposures for which the forbearance measure applies and which have not been classified amongst non-performing loans by virtue of such forbearance measure are hence identified amongst performing loans (regular or past-due and/or past-due by less than 90 days).

In addition, Forborne exposure status ceases to apply when:
1. a probation period of at least 2 years has elapsed since the date forbearance was granted (or since the date on which the non-performing forborne exposure was reclassified as performing);

2. regular payments of a significant amount of the principal or interest have been made at least during half the probation period;
3. at the end of the probation period none of the debtor's exposures have become past-due and/or past due by more than 30 days.

Forborne exposures - Non performing

Non-performing forborne exposures, i.e., individual cash exposures belonging to the aforementioned categories, for which the forbearance principle applies, as defined previously, are identified in non-performing loans. These exposures do not form a separate category but, depending on circumstances, constitute an attribute of the categories of non-performing assets to which they belong. They also include any restructurings of credit exposures realised with liquidation in mind, to be reclassified as non-performing.

The exposure ceases to be considered a Non-performing forborne exposure and is considered as Performing forborne exposure when all the following conditions are met:

1. assignment of the forbearance measure does not entail the recognition of write-downs or impairment losses;
2. a year has passed since the forbearance measures on the exposure;
3. following the forbearance classification no past-due exposures and/or elements have been reported that jeopardise full repayment of the exposure in accordance with the conditions provided for in the forbearance measures adopted.

The absence of prejudicial elements has to be determined after an analytical assessment of the debtor's financial situation.
The prejudicial elements must be considered to no longer exist when the debtor has already repaid, at the due dates specified in the rescheduling/restructuring plan, an amount equal to the sum that was previously overdue/past-due (if there were past-due exposures) or equal to the sum that became impaired as part of the forbearance measures adopted or, alternatively, the debtor has already demonstrated with other actions its ability to meet the post-forbearance conditions.

Part A.3 - Information on transfers between portfolios of financial assets

Following the endorsement of IAS 39 and IFRS 7 issued by the IASB (International Accounting Standard Board) on 13 October 2008 and included in the European Regulation (EC) No. 1004/2008 of 15 October 2008, in financial year 2008 the Parent Company Banca Generali reclassified part of the accounting portfolios of assets held for trading (HFT) and assets available for sale (AFS) to the new IAS portfolios measured at amortised cost, assets held to maturity (HTM) and loans to banks and customers (L&Rs), while equity securities held for trading were transferred to the AFS portfolio. For further details of the conditions of this transaction, please refer to the contents of the corresponding Section A.3 of the Notes and Comments to the 2009 Financial Statements and Part A of the 2008 Financial Statements.

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

TYPE OF FINANCIAL INSTRUMENT (€ THOUSAND)	FROM	TO	DATE OF TRANSF.	31.12.2015 BOOK VALUE	31.12.2015 Fair value	INCOME COMPONENTS WITH NO TRANSFER		INCOME COMPONENTS FOR THE YEAR	
						VALUATION	OTHER	VALUATION	OTHER
Equity securities	**TRA**	**AFS**	**01.07.2008**	**2,240**	**2,240**	**-**	**-**	**-**	**-**
Debt securities	TRA	HTM	01.07.2008	16,474	16,504	16	295	40	345
Debt securities	AFS	HTM	30.09.2008	-	-	-	-	-	-
Total HTM portfolio				**16,474**	**16,504**	**16**	**295**	**40**	**345**
Debt securities	TRA	LOANS	01.07.2008	7,957	7,985	58	40	28	115
Debt securities	AFS	LOANS	01.07.2008	-	-	-	-	-	-
Total loan portfolio (banks and clients)				**7,957**	**7,985**	**58**	**40**	**28**	**115**
Total reclassified financial assets				**26,671**	**26,729**	**74**	**335**	**68**	**460**

During 2015, the Company continued the process of dismantling the debt securities subject to reclassification due to redemptions and sales. At the reporting date, the portfolios concerned therefore presented a total carrying amount of 26.7 million euros, down sharply from the 58.6 million euros reported at the end of the previous year (-31.9 million euros). This amount includes the increases for the amortised costs gradually reaching maturity and the impairment losses recognised.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2015 would have entailed positive remaining differences which were not material compared to carrying value, before taxes (-58 thousand euros).

Had the Bank not opted to reclassify such securities, they would have registered greater capital gains through profit and loss and equity in 2015 of 6 thousand euros, equal to the positive difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.
The contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to a negative balance of 0.1 million euros as a result of lower interest recognised according to the effective interest rate method recognised net of the higher realised gains remeasured based on the fair values of the previous year.

A.3.4 Effective interest rate and cash flows expected from reclassified assets

TYPE OF FINANCIAL INSTRUMENT (€ THOUSAND)	FROM	TO	AVERAGE RESIDUAL USEFUL LIFE	ACTUAL INTEREST RATE
Debt securities	TRA	HTM	0.20	1.05%
Debt securities	TRA	LOANS	1.075	0.46%

Part A.4 - Information on fair value

Qualitative information

Fair value

With the introduction of IFRS 13, the definition of **fair value** has been modified with respect to IAS 39, in view of a more market-based approach.
According to the new standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.
Fair value is thus not an entity-specific measurement, but rather a market-based measurement.

In detail, measurement at fair value:
> presumes that the asset or liability is exchanged in an orderly transaction between market operators under current market conditions;
> refers to a particular asset or liability and must take account of the characteristics of the asset or liability that market participants take into account when pricing the asset or liability;
> assumes that market participants act in their economic best interest;
> assumes that the sale of the asset or the transfer of the liability takes place:
a) in the principal market for the asset or liability; or
b) in the most advantageous market, in the absence of a principal market.

Fair Value Hierarchy

International accounting standard IFRS 13 requires that financial assets be classified according to a hierarchy of levels (the "fair-value hierarchy") that reflects the significance of the inputs used in valuation.
> **Level 1**: quoted prices in active markets, as defined in IFRS 13, for identical instruments;
> **Level 2**: inputs other than the price quotations indicated above, observable on the market (level 2) either directly (prices) or indirectly (price-derived data);
> **Level 3**: inputs not based on observable market data.

For the purposes of the fair value hierarchy, inputs may thus be classified as:
> **observable**, when the information used in the measurement techniques is based on market data, obtained from sources independent of the Bank and available on the market;
> **unobservable**, when they reflect assumptions by the Bank reached by drawing on the best available information in such circumstances.

Valuation Criteria of the Fair Value of Financial Instruments

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department, and review and validation of the data to the Risk Management Service.
The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.

Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not itself guarantee the presence of significant prices due to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated and yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:
> an adequate number of counterparties presenting a minimum number of executable ask and bid offers;
> a spread between the ask and bid price that falls within an interval deemed appropriate; and
> continuity of quotations on both sides of the market.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.
For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

A.4.1 Fair Value Level 2 and Level 3: valuation techniques and inputs used

Financial instruments measured at fair value on a recurring and non-recurring basis

For securities not listed on active markets, the procedure calls for the analysis of:
1) prices of similar instruments listed on active or inactive markets; and
2) inputs other than quotations observable directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:
1. a single contributor on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;
2. a consensus pricing mechanism capable of determine the fair value, for example:
   - Bloomberg Bondtrade Composite (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;
   - Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;
   - Markit European ABS, a consensus platform for measuring ABS-type instruments;
3. a reference to current market values of other essentially identical or similar instruments.

UCITSs not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:
> the analysis of discounted cash flows;
> option pricing and valorisation models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

Level 3 also includes certain financial instruments measured at cost in the absence of reliable estimates of fair value. These consist mainly of "minor equity investments" in companies with which the Group has service relationships and disposal of which is not conceivable (CSE, GBS Caricese, SWIFT, etc.).

Other financial assets and liabilities not measured at fair value on a recurring basis

The fair value and hierarchical classification of financial assets other than debt securities, equity securities and units of UCITSs, as well as of financial and operating receivables classified amongst loans to banks and customers, are determined as follows.

On-demand and uncommitted financial assets and financial assets with residual lives of less than one year

The fair value of this class of assets, which essentially consists of uncommitted current account exposures, on-demand deposits or short-term time deposits, as well as operating receivables, is not believed to differ significantly from its carrying amount. Considering that the measurement process does not contemplate significant unobservable inputs, such instruments are typically classified as L2.

Assets with fixed contractual lives included in the financial portfolio

This class of assets consists primarily of medium- or long-term mortgages or loans with financial instruments as collateral.

The fair value of loans with amortisation schedules is calculated according to a discounted cash flow model that calls for the cash flows expected on the basis of the contractual amortisation schedule to be discounted at the proper rate for the risks associated with the instrument. This correction consists of a spread to be added to the risk-free discount rate for the cash flows.

The spread in question is to be defined in such a way as to include the following components of risk:
> the cost of credit risk (the cost of covering expected losses in relation to credit risk);
> the cost of funding (the cost of funding positions);
> the cost of capital (the cost of covering unexpected losses in relation to credit risk);
> operating costs (any other costs, specific to the type of loan, that are to be considered in the exit price).

The cost of credit risk is calculated on the basis of multi-period historic PDs related to the rating of the counterparty in the transaction and the LGD specific to the type of instrument.
Loans with a fixed contractual maturity are classified to Level 3 of the fair value hierarchy, in consideration of the significant presence of unobservable inputs (spreads determined on the basis of internal PD and LGD).

Non-performing loans

When bad loans and substandard loans are separately assessed, their book value is believed to be a reasonable approximation of their fair value.
Such loans are classified to Level 3 of the fair value hierarchy.

Other financial liabilities

Financial liabilities classified as amounts due to customers and banks consist mainly of on-demand current account deposits, short-term time deposits and operating payables.
Such liabilities also include repurchase agreements that are set to mature within the year and, in the case of interbank funding, fully collateralised, with the determination of daily margins of change.

Such financial liabilities are subject to fair value measurement criteria similar to those applied to other on-demand or uncommitted financial assets.

A.4.2 Processes and sensitivity of measurements

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the new standard IFRS 13 requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. The unobservable inputs capable of affecting the measurement of instruments categorised within Level 3 consist mainly of estimates and assumptions underlying the models used to measure investments in equities and other UCITSs. For such investments, no quantitative analysis has been prepared of the sensitivity of the fair value to changes in unobservable inputs, given that the fair value either has been drawn from third sources without any adjustments or is the result of a model, the inputs to which are specific to the entity subject to measurement (for example, the company's asset values) and for which the use of alternative values is not reasonably feasible.

The case in question does not apply to Level 3 financial instruments classified to the trading and AFS portfolios. The reader is referred to the detailed analysis of individual positions provided in the subsequent section concerning quantitative information.

A.4.3 Fair Value Hierarchy

The new IFRS 13, recalling the contents of IFRS 7, requires that entities that apply IASs/IFRSs make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:

1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2) any significant transfers between Level 1 and Level 2 during the year;
3) for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the profit and loss account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

Transfers between levels refer to the end of the accounting period of reference (half-yearly or annual), in an independent manner, and generally enter into effect from the beginning of the year of reference.
Transfers to and from Level 3 are infrequent and primarily involve the occurrence of situations of default, in which the Bank's subjective assessment of the recoverability of the debt takes pre-eminence.

A.4.4 Other information

No cases envisaged in IFRS 13, paragraphs 51, 93(i) and 96, occur in these Financial Statements.

Quantitative information

A.4.5 Fair Value Hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair-value levels

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2015 L1	L2	L3	AT COST	TOTAL
1. HFT financial assets	2,177	12,799	13,028	-	28,004
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	2,898,120	30,860	3,466	6,761	2,939,207
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
Total	**2,900,297**	**43,659**	**16,494**	**6,761**	**2,967,211**
1. HFT financial liabilities	-	463	-	-	463
2. Financial liabilities measured at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	**-**	**463**	**-**	**-**	**463**

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2014 L1	L2	L3	AT COST	TOTAL
1. HFT financial assets	2,381	16,098	13,965	-	32,444
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	2,191,943	30,888	3,434	9,138	2,235,403
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
Total	**2,194,324**	**46,986**	**17,399**	**9,138**	**2,267,847**
1. HFT financial liabilities	-	2,655	-	-	2,655
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	**-**	**2,655**	**-**	**-**	**2,655**

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of assets and liabilities held for trading and the portfolio of AFS financial assets, comprised 97.7% of financial assets eligible for allocation to class L1, with an unchanged ratio compared to the previous year. L1 is mainly comprises of Italian government bonds (2,594.5 million euros), which increased by 599.2 million euros compared to the previous year (+30%). It also includes other debt securities (295.0 million euros) chiefly referring to credit sector (213.6 million euros) and equities and UCITSs listed on Italian and European regulated markets (10.4 million euros).
The financial assets allocated to the L2 class, on the other hand, consist primarily of UCITSs not listed on regulated markets (30 million euros), including an interest in the Sicav SIF Tyndaris, a closed-end fund that invests in subordinated financial assets linked to the real estate market. In addition, the L2 portfolio includes bonds of Italian banks and banks of the main Eurozone countries (13.1 million euros) and derivative financial liabilities consisting solely of currency outrights, valued on the basis of observable market parameters.

In the reporting year, no significant transfers of financial assets were performed between class L1 and class L2.

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (level L3)

	FINANCIAL ASSETS		
	TRADING	AFS AT FAIR VALUE	AFS AT COST
1. Amount at year-start	**13,965**	**3,434**	**9,138**
2. Increases	**5**	**1,474**	**401**
2.1 Purchases	5	1,456	401
2.2 Gains through:			
2.2.1 Profit and Loss	-	-	-
- *of which: capital gains*	-	-	-
2.2.2 Net equity	-	10	-
2.3 Transfers from other levels	-	8	-
2.4 Other increases	-	-	-
- *of which: business combinations*	-	-	-
3. Decreases	**942**	**1,442**	**2,778**
3.1 Disposals	5	4	336
3.2 Redemptions	937	-	832
3.3 Losses through:			
3.3.1 Profit and Loss	-	1,438	1,610
- *of which: capital losses*	-	*1,427*	*1,418*
3.3.2 Net equity	-	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Amount at year-end	**13,028**	**3,466**	**6,761**

L3 financial assets in the trading portfolio now consist only of the investment in the Quarzo 1 notes. These notes were created through the securitisation of residential mortgages (RMBSs) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund (Fondo Immobiliare Scarlatti), promoted by the Assicurazioni Generali Group, and were partially repaid during the year.

L3 financial assets in the AFS portfolio, amounting to 3.5 million euros, consist of:
> the investment in the private-equity special purpose entity Athena Private Equity (1.1 million euros), which became impaired in previous years and is currently in the course of liquidation and repayment;
> the equity interest in Veneto Banca (0.9 million euros), an unlisted cooperative bank acquired in 2011 and subject to a total impairment loss of 4.0 million euros (of which 1.4 million euro during the year), deemed to be impaired as a result of the extraordinary shareholders' meeting held in December 2015, which resolved to transform the bank into a joint-stock company and list it on the stock exchange;
> the new investment in the Luxembourg vehicle Algebris NPL Partnership S.C.S. (1.5 million euros), an alternative fund in the form of a partnership, subject to the AIFM Directive, specialised in investing in non-performing loans secured by quality real properties on the Italian market.

Some equity investments allocated to the AFS portfolio continued, on the other hand, to be measured at purchase cost in the absence of reliable estimates of fair value:
> the "minor investments" in companies with which the Bank has long-term service arrangements (CSE, GBS, Carice-se, SWIFT, etc.) or commercial partnerships (Tosetti Value), for a total of 6.6 million euros;
> the contribution to the film production venture with Tyco Film S.r.l. to produce the film Babylon Sisters, on which filming is still under way, for the amount of 175 thousand euros.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a recurring basis: breakdown by fair-value levels

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2015			
	BV	L1	L2	L3
1. HTM financial assets	423,585	457,592	13,220	-
2. Loans to banks	374,776	38,036	339,388	-
3. Loans to customers	1,871,577	28,313	1,036,399	814,781
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**2,669,938**	**523,941**	**1,389,007**	**814,781**
1. Due to banks	333,941	-	333,941	-
2. Due to customers	4,883,329	-	4,840,047	44,007
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	-	-	-	-
Total	**5,217,270**	**-**	**5,173,988**	**44,007**

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2014			
	BV	L1	L2	L3
1. HTM financial assets	1,403,122	1,438,224	14,106	-
2. Loans to banks	276,080	97,883	183,546	-
3. Loans to customers	1,756,610	34,671	1,004,308	760,646
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**3,435,812**	**1,570,778**	**1,201,960**	**760,646**
1. Due to banks	1,038,869	-	1,038,869	-
2. Due to customers	4,352,877	-	4,309,608	42,263
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	-	-	-	-
Total	**5,391,746**	**-**	**5,348,477**	**42,263**

Part A.5 - Disclosure about so-called “Day-one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.
In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.
It should be noted that no such cases occur in the Financial Statements in question.

PART B - INFORMATION ON THE BALANCE SHEET - ASSETS

Section 1 - Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

	31.12.2015	31.12.2014
a) Cash	13,888	12,449
b) Demand deposits with Central Banks	-	68,000
Total	**13,888**	**80,449**

Section 2 - Financial assets held for trading - Item 20

2.1 HFT financial assets: categories

	31.12.2015			31.12.2014		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	**211**	**10,037**	**13,028**	**-**	**7,267**	**13,964**
1.1 Structured securities	-	9,886	-	-	6,239	-
1.2 Other debt securities	211	151	13,028	-	1,028	13,964
2. Equity securities	**1,331**	**-**	**-**	**1,243**	**-**	**1**
3. UCITS units	**635**	**2,233**	**-**	**-**	**6,147**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**2,177**	**12,270**	**13,028**	**1,243**	**13,414**	**13,965**
B. Derivatives						
1. Financial	**-**	**529**	**-**	**1,138**	**2,684**	**-**
1.1 Trading	-	529	-	1,138	2,684	-
1.2 Related to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-
2.2. Related to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**529**	**-**	**1,138**	**2,684**	**-**
Total (A + B)	**2,177**	**12,799**	**13,028**	**2,381**	**16,098**	**13,965**

Note
1. A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.

Section 2 - Financial assets held for trading - Item 20

2.2 HFT financial assets: debtors/issuers

ITEMS/VALUES	31.12.2015	31.12.2014
A. Cash assets		
1. Debt securities	**23,276**	**21,231**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	10,138	7,266
d) Other issuers	13,138	13,965
2. Equity securities	**1,331**	**1,244**
a) Banks	-	1
b) Other issuers	1,331	1,243
- insurance companies	775	655
- financial companies	-	-
- non-financial companies	556	588
- other entities	-	-
3. UCITS units	**2,868**	**6,147**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	**27,475**	**28,622**
B. Derivatives		
a) Banks	204	1,865
b) Customers	325	1,957
Total B	**529**	**3,822**
Total (A + B)	**28,004**	**32,444**

At 31 December 2015, UCITS units referred for 2.2 million euros to shares of BG Selection sub-funds and for 0.7 million euros to an ETF Lyxor fund index-linked to FTSE MIB. During the first half of 2015, the hedge instrument Finint was reimbursed.

Section 4 - Available-for-sale financial assets - Item 40

4.1 AFS financial assets: categories

	31.12.2015			31.12.2014		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
1. Debt securities	**2,889,693**	**3,016**	**-**	**2,184,209**	**-**	**-**
1.1 Structured securities	2,038	-	-	-	-	-
1.2 Other debt securities	2,887,655	3,016	-	2,184,209	-	-
2. Equity securities	**8,427**	**-**	**8,769**	**7,734**	**-**	**12,572**
2.1 Valued at fair value	8,427	-	2,008	7,734	-	3,434
2.2 Valued at cost	-	-	6,761	-	-	9,138
3. UCITS units	**-**	**27,844**	**1,458**	**-**	**30,888**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,898,120**	**30,860**	**10,227**	**2,191,943**	**30,888**	**12,572**

Notes
1. A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.
2. Item "Debt securities" includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 304,153 thousand euros.

4.2 AFS financial assets: debtors/issuers

ITEMS/VALUES	31.12.2015	31.12.2014
1. Debt securities	**2,892,709**	**2,184,209**
a) Governments and Central Banks	2,594,480	1,995,244
b) Other public institutions	-	-
c) Banks	213,540	148,487
d) Other issuers	84,689	40,478
2. Equity securities	**17,196**	**20,306**
a) Banks	2,274	3,444
b) Other issuers	14,922	16,862
- insurance companies	782	783
- financial companies	2,509	2,913
- non-financial companies	11,624	13,159
- other entities	7	7
3. UCITS units	**29,302**	**30,888**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**2,939,207**	**2,235,403**

Notes

1. The portfolio of equity securities includes investments, for 6,584 thousand euros, that fall within the category of the so-called “minor equity investments” and which are not usually traded, largely related to service agreements concluded by the Group (CSE, GBS Tosetti Value Sim, Caricese, SWIFT, etc.). In the absence of reliable estimates of fair value, those interests are measured at cost.
2. In 2015, the residual 15% investment in Simgenia (303 thousand euros), a subsidiary of the Assicurazioni Generali Group, was sold, generating a loss of 191 thousand euros.
3. An impairment loss in the amount of 1,418 thousand euros was recognised on the capital contribution of 2,250 thousand euros made at the end of 2014 to the joint venture formed to produce the movie “Le leggi del Desiderio”, based on box office results achieved by the movie. The residual amount of the capital contribution was fully reimbursed through film’s income. Moreover, the tax credit of 840 thousand euros accrued was recognised among other net operating income.
   At the end of the year another joint venture was formed with Tyco Film S.r.l., with a capital contribution amounting to 176 thousand euros at 31 December 2015, to produce the movie “Babylon Sisters” in the first half of 2015. This capital contribution was also recognised at cost.
4. The UCITS portfolio includes 19,096 thousand euros related to an interest of about 8% in Tyndaris European Commercial Real Estate sa (TEREF), an alternative fund under Luxembourg law, which through a master/feeder fund invests in financial instruments linked to the European business real estate market, particularly in mezzanine instruments.
   The remaining portion of the UCITS portfolio is comprised for 3,925 thousand euros of sub-funds of the Group’s Sicav BG Selection Sicav and for 4,823 thousand euros of units of the Luxembourg Sicav SIF BNP Flexi III — which specialises in investments in leveraged loans — purchased during the year.
   Moreover, during the year the interest in the Luxembourg vehicle Algebris increased (1,458 thousand euros).

Section 5 - Held-to-maturity financial assets - Item 50

5.1 HTM financial assets: categories

	31.12.2015				31.12.2014			
		FV				FV		
	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
1. Debt securities	**423,585**	**457,592**	**13,220**	**-**	**1,403,122**	**1,438,224**	**14,106**	**-**
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	423,585	457,592	13,220	-	1,403,122	1,438,224	14,106	-
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**423,585**	**457,592**	**13,220**	**-**	**1,403,122**	**1,438,224**	**14,106**	**-**

Notes
1. A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.
2. Held-to-maturity financial assets underwent analytical impairment testing but they were not found to be impaired. The portfolio is also hedged by a collective reserve established to cover contingent losses (regarding exclusively the non-governmental portfolio) for a total amount of 3,015 thousand euros.

5.2 HTM financial assets: debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
1. Debt securities	**423,585**	**1,403,122**
a) Governments and Central Banks	363,835	1,354,153
b) Other public institutions	-	-
c) Banks	10,037	31,478
d) Other issuers	49,713	17,491
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**423,585**	**1,403,122**
Total (fair value)	**470,812**	**1,452,330**

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2015 BV	31.12.2014 BV
A. Loans to Central Banks	**139,213**	**45,891**
1. Term deposits	-	-
2. Mandatory reserve	139,213	45,891
3. Repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	**235,563**	**230,189**
1. Loans	119,070	82,086
1.1 Current accounts and free deposits	118,486	81,913
1.2 Term deposits	83	83
1.3 Other:	501	90
- Repurchase agreements	-	-
- Finance lease	-	-
- Other	501	90
2. Debt securities	116,493	148,103
2.1 Structured securities	5,132	-
2.2 Other debt securities	111,361	148,103
Total (book value)	**374,776**	**276,080**

	31.12.2015				31.12.2014			
		FAIR VALUE				FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
A. Loans to Central Banks	**139,213**	**-**	**139,213**	**-**	**45,891**	**-**	**45,891**	**-**
B. Loans to banks	**235,563**	**38,036**	**200,175**	**-**	**230,189**	**97,883**	**137,655**	**-**
1. Loans	119,070	-	119,070	-	82,086	-	82,086	-
2. Debt securities	116,493	38,036	81,105	-	148,103	97,883	55,569	-
Total	**374,776**	**38,036**	**339,388**	**-**	**276,080**	**97,883**	**183,546**	**-**

Notes
1. A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.
2. A specific impairment test was conducted on debt portfolio classified among loans to banks but no impairment was detected. Moreover, a 3,925 thousand euros collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.

Breakdown of loans to banks - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
Operating loans	195	90
Other loans: collateral margins	306	-
Total	**501**	**90**

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2015				31.12.2014			
			NON-PERFORMING LOANS				NON-PERFORMING LOANS	
	TOTAL	PERFORMING LOANS	PURCHASED	OTHER	TOTAL	PERFORMING LOANS	PURCHASED	OTHER
1. Loans	**1,822,502**	**1,789,298**	**-**	**33,204**	**1,721,266**	**1,680,819**	**-**	**40,447**
1.1 Current accounts	928,894	912,178	-	16,716	931,341	910,441	-	20,900
1.2 Repurchase agreements	-	-	-	-	-	-	-	-
1.3 Loans	781,665	765,183	-	16,482	693,619	678,101	-	15,518
1.4 Credit cards, personal loans and loans on wages	6	-	-	6	-	-	-	-
1.5 Finance lease	-	-	-	-	-	-	-	-
1.6 Factoring	-	-	-	-	-	-	-	-
1.7 Other loans	111,937	111,937	-	-	96,306	92,277	-	4,029
2. Debt securities	**49,075**	**49,075**	**-**	**-**	**35,345**	**35,345**	**-**	**-**
2.1 Structured securities	14,033	14,033	-	-	-	-	-	-
2.2 Other debt securities	35,042	35,042	-	-	35,345	35,345	-	-
Total (book value)	**1,871,577**	**1,838,373**	**-**	**33,204**	**1,756,611**	**1,716,164**	**-**	**40,447**

TYPE OF TRANSACTIONS/VALUES	31.12.2015				31.12.2014			
		FAIR VALUE				FAIR VALUE		
	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
1. Loans	1,822,502	-	1,014,800	814,781	1,721,266	-	1,001,775	765,223
2. Debt securities	49,075	28,313	21,599	-	35,345	34,671	2,520	-
Total	**1,871,577**	**28,313**	**1,036,399**	**814,781**	**1,756,611**	**34,671**	**1,004,295**	**765,223**

Notes
1. Performing loans, that have not individually shown signs of impairment are tested for impairment on a collective basis in order to identify any impairment that has not yet become openly manifest. At 31 December 2015, the allocated collective reserve totalled 1,637 thousand euros.
2. A specific impairment test was conducted on debt portfolio classified among loans to customers but no impairment was detected. Moreover, a 764 thousand euros collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.
3. The share of pool loan, granted by the Bank to the company Investimenti Marittimi and classified at 31 December 2014 in the item 1.7 "Other (non-performing) loans" for 4,029 thousand euros, was sold during the year to the subsidiary Redoze Holding NV for a consideration of 2,820 thousand euros.
4. On 16 December 2015, a convertible loan amounting to 14.0 million euros issued by Tyndaris LLP — an English financial company specialising in fund management — was subscribed. The six-year loan includes an option to convert the shares of Tyndaris LLP upon expiry of the second year and upon final maturity for an amount not exceeding 2 million pound sterlings for each of the expiry dates and, in any event, up to a maximum amount equal to 9.9% of the share capital of said company. The loan provides for an interest of 3% for the first two years and subsequently of 7.5%. Provision is also made for an early repayment option by the issuer.
5 A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.

Breakdown of loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
Short-term deposits on the new MIC	-	-
Other grants and pooled funding	8,373	11,613
Stock exchange interest-bearing daily margin	3,383	2,092
Sums advanced to Financial Advisors	36,294	30,545
Operating loans	62,319	49,803
Interest-bearing caution deposits	661	388
Amounts to be collected	907	1,865
Total	**111,937**	**96,306**

Sums advanced to Financial Advisors listed on the Register of Financial Advisors include non-performing loans for a net amount of 969 thousand euros, largely attributable to advances to former advisors who have left service due to a dispute or pre-dispute process.

7.2 Loans to customers: debtors/issuers

	31.12.2015				31.12.2014			
			NON-PERFORMING LOANS				NON-PERFORMING LOANS	
TYPE OF TRANSACTIONS/VALUES	TOTAL	PERFORMING LOANS	PURCHASED	OTHER	TOTAL	PERFORMING LOANS	PURCHASED	OTHER
1. Debt securities	**49,075**	**49,075**	**-**	**-**	**35,345**	**35,345**	**-**	**-**
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	2,497	2,497	-	-
c) Other issuers	49,075	49,075	-	-	32,848	32,848	-	-
- non-financial companies	16,407	16,407	-	-	5,510	5,510	-	-
- financial companies	32,668	32,668	-	-	27,338	27,338	-	-
- insurance companies	-	-	-	-	-	-	-	-
- other entities	-	-	-	-	-	-	-	-
2. Loans	**1,822,502**	**1,789,298**	**-**	**33,204**	**1,721,266**	**1,680,819**	**-**	**40,447**
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-	-	-
c) Other issuers	1,822,502	1,789,298	-	33,204	1,721,266	1,680,819	-	40,447
- non-financial companies	473,764	450,080	-	23,684	483,463	454,066	-	29,397
- financial companies	77,231	77,124	-	107	67,224	67,088	-	136
- insurance companies	20,856	20,856	-	-	11,762	11,762	-	-
- other entities	1,250,651	1,241,238	-	9,413	1,158,817	1,147,903	-	10,914
Total	**1,871,577**	**1,838,373**	**-**	**33,204**	**1,756,611**	**1,716,164**	**-**	**40,447**

Section 10 - Equity investments - Item 100

10.1 Equity investments: disclosure on type of relations

NAME		REGISTERED OFFICE	OPERATING OFFICES	% HELD	% OF VOTING RIGHTS
A.	**Subsidiary companies wholly controlled**				
1.	BG Fiduciaria Sim S.p.A.	Trieste	Milan	100%	100%
2.	BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	100%	100%
3.	Generfid S.p.A.	Milan	Milan	100%	100%
C.	**Companies subject to significant influence**				
1.	IOCA Entertainment Limited	United Kingdom - London	United Kingdom - London	35%	35%

Controlling equity investments - accounting information

	31.12.2015	31.12.2014	CHANGE
BG Fiduciaria Sim S.p.A.	11,779	11,779	-
Generfid S.p.A.	245	245	-
BG Fund Management Luxembourg S.A.	2,000	2,000	-
Total	**14,024**	**14,024**	**-**

The difference between the carrying value and equity investment in BG Fiduciaria, amounting to 11,779 thousand euros, and the relevant net equity, net of profit (13,718 thousand euros), is due to the combined effect of the goodwill paid upon acquisition of the company (4,289 thousand euros) and retained earnings after the purchase (6,933 thousand euros). The goodwill included in the value of the equity investment was tested for impairment in the consolidated financial statements, pursuant to IAS 36, and no impairment was detected.

Companies subject to significant influence - accounting information

	31.12.2015	31.12.2014	CHANGE
IOCA Entertainment Limited	2,200	-	2,200
Total	**2,200**	**-**	**2,200**

Reference is made to IOCA Entertainment Ltd, based in the United Kingdom, in which Banca Generali subscribed for a 35% interest, in the form of 3,500 shares with a par value of 1.00 pound sterling, for a total of 1,616,125 pound sterlings, equivalent to approximately 2.2 million euros at the acquisition date, 19 October 2015. In accordance with the Shareholders' Agreement, the company's Board of Directors is composed of three directors, one of whom is a representative of Banca Generali. The remaining 65% interest (6,500 shares) is held by the UK-based IOCA Ventures Ltd (Jersey), which is entitled to appoint the other two directors.
The company is an e-commerce/social-networking start-up currently engaged in commercial development of an app for smartphones and tablets entitled "Dishball". The portion of loss for the year recognised by the Banca Generali amounted to approximately 40 thousand euros and exchange differences on the interest arising from foreign currency totalled 8 thousand euros.

10.5 Equity investments: year changes

	31.12.2015	31.12.2014
A. Amount at year-start	**14,024**	**14,024**
B. Increases	**2,200**	**-**
B.1 Purchases	2,200	-
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Sales and reimbursements	-	-
C.2 Adjustments	-	-
- *of which: permanent write-downs*	-	-
C.4 Other changes	-	-
- *of which: business combinations*	-	-
D. Amount at year-end	**16,224**	**14,024**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

Section 11 - Property and equipment - Item 110

11.1 Breakdown of property and equipment: assets valued at cost

ASSETS/VALUES	31.12.2015	31.12.2014
1. Owned assets	**4,784**	**3,741**
a) Land	-	-
b) Buildings	-	-
c) Furniture	3,570	2,562
d) Electronic equipment	601	534
e) Other	613	645
2. Acquired under finance lease	**-**	**-**
a) Land	-	-
b) Buildings	-	-
c) Furniture	-	-
d) Electronic equipment	-	-
e) Other	-	-
Total	**4,784**	**3,741**

11.5 Operating assets: year changes

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross amount at year-start	**-**	**-**	**19,629**	**5,604**	**7,963**	**33,196**
A.1 Total net impairment	-	-	17,067	5,070	7,318	29,455
A.2 Net amount at year-start	**-**	**-**	**2,562**	**534**	**645**	**3,741**
B. Increases	**-**	**-**	**1,695**	**286**	**265**	**2,246**
B.1 Purchases	-	-	1,695	286	265	2,246
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal value	-	-	-	-	-	-
B.4 Fair value positive change in:						
a) Net equity	-	-	-	-	-	-
b) Profit and Loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held as investments	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
C. Decreases	**-**	**-**	**687**	**219**	**297**	**1,203**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	685	219	297	1,201
C.3 Adjustments for impairment in:						
a) Net equity	-	-	-	-	-	-
b) Profit and Loss	-	-	-	-	-	-
C.4 Fair value negative change in:						
a) Net equity	-	-	-	-	-	-
b) Profit and Loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:						
a) property and equipment held as investments	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	2	-	-	2
of which: business combinations	-	-	-	-	-	-
D. Net amount at year-end	**-**	**-**	**3,570**	**601**	**613**	**4,784**
D.1 Total net impairment	-	-	17,520	5,286	7,615	30,421
D.2 Gross amount at year-end	**-**	**-**	**21,090**	**5,887**	**8,228**	**35,205**
E. Valued at cost	**-**	**-**	**3,570**	**601**	**613**	**4,784**

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: categories

ASSETS/VALUES	31.12.2015 SPECIFIED MATURITY	31.12.2015 UNSPECIFIED MATURITY	31.12.2014 SPECIFIED MATURITY	31.12.2014 UNSPECIFIED MATURITY
A.1 Goodwill	-	61,775	-	61,775
A.2 Other intangible assets	22,159	-	23,901	-
A.2.1 Assets valued at cost:	22,159	-	23,901	-
a) Internally generated intangible assets		-	-	-
b) Other assets	22,159	-	23,901	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**22,159**	**61,775**	**23,901**	**61,775**

12.2 Intangible assets: year changes

	GOODWILL	OTHER INTANGIBLE ASSETS – INTERNALLY GENERATED – SPECIFIED MATURITY	OTHER INTANGIBLE ASSETS – INTERNALLY GENERATED – UNSPECIFIED MATURITY	OTHER INTANGIBLE ASSETS – OTHER – SPECIFIED MATURITY	OTHER INTANGIBLE ASSETS – OTHER – UNSPECIFIED MATURITY	TOTAL
A. Gross amount at year-start	**61,775**	**-**	**-**	**41,407**	**-**	**103,182**
A.1 Total net impairment	-	-	-	17,506	-	17,506
A.2 Net amount at year-start	**61,775**	**-**	**-**	**23,901**	**-**	**85,676**
B. Increases	**-**	**-**	**-**	**2,316**	**-**	**2,316**
B.1 Purchases	-	-	-	2,316	-	2,316
B.2 Increase of internal intangible assets	-	-	-	-	-	-
B.3 Reversal value	-	-	-	-	-	-
B.4 Fair value positive changes in:	-	-	-	-	-	-
- Net equity	-	-	-	-	-	-
- Profit and Loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**4,058**	**-**	**4,058**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	4,058	-	4,058
- Amortisation	-	-	-	4,058	-	4,058
- Write-downs:	-	-	-	-	-	-
- Net equity	-	-	-	-	-	-
- Profit and Loss	-	-	-	-	-	-
C.3 Fair value negative changes in:	-	-	-	-	-	-
- Net equity	-	-	-	-	-	-
- Profit and Loss	-	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
D. Amount at year-end	**61,775**	**-**	**-**	**22,159**	**-**	**83,934**
D.1 Total net adjustments	-	-	-	21,564	-	21,564
E. Gross amount at year-end	**61,775**	**-**	**-**	**43,723**	**-**	**105,498**
F. Valued at cost	**61,775**	**-**	**-**	**22,159**	**-**	**83,934**

Breakdown of goodwill

(€ THOUSAND)	31.12.2015	31.12.2014
Merger of Prime Consult Sim and INA Sim	2,991	2,991
Merger of Banca del Gottardo	31,352	31,352
Credit Suisse Italia's business unit	27,432	27,432
Total	**61,775**	**61,775**

Breakdown of intangible assets - other assets

	31.12.2015	31.12.2014
Charges associated with the implementation of legacy CSE procedures	2,056	1,610
Other software costs	132	124
Customer relationships (former Banca del Gottardo)	1,907	2,860
Customer relationships (former Credit Suisse)	15,936	17,088
Advance payments on intangible assets	2,128	2,219
Total	**22,159**	**23,901**

The consideration for the acquisition of the former Credit Suisse's business unit amounting to 44,712 thousand euros was allocated pursuant to IFRS 3 (PPA — Purchase Price allocation) for 17,280 thousand euros to intangible assets (Transactions with customers) and for 27,432 thousand euros to goodwill. The asset recognised for contractual relations on assets under management is the economic valuation of expected financial flows from this portfolio based on the profitability ratio and adequate impairment rates. A useful life of 15 years has been estimated for this asset.

Section 13 - Tax assets and liabilities - Item 130 (Assets) and Item 80 (Liabilities)

Breakdown of item 130 (Assets): tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
Current taxation	**21,430**	**2,063**
Sums due for taxes to be refunded	1,633	1,965
IRES arising on National Tax Consolidation scheme	16,458	-
IRES (8.5% surtax excess)	98	98
IRAP	3,241	-
Deferred tax assets	**40,249**	**38,410**
With impact on profit and loss account	**39,364**	**37,760**
IRES	34,212	32,913
IRAP	5,152	4,847
With impact on Net equity	**885**	**650**
IRES	792	605
IRAP	93	45
Total	**61,679**	**40,473**

Notes
1. Current tax assets and liabilities represent the net positive or negative imbalance between the estimated income taxes due for the year and the associated tax credits due to overpayments in previous tax periods, prepayments made and amounts withheld.
2. In the case of Banca Generali in particular, current tax assets and liabilities due to IRES take the form, respectively, of an account receivable from or payable to the consolidating company, Assicurazioni Generali S.p.A. Due to Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then calculates and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.
3. Sums due for taxes to be refunded refer mostly to the excess IRES paid in years 2007-2011 due to the effect of the introduction, in accordance with Law Decree No. 201/2011, of the deductibility from that tax of the share of IRAP paid on the cost of labour. The account receivable was recognised on the basis of the provisions of the Order of the Director of the Italian Revenue Service of 17 December 2012, which governs the methods for presenting refund applications, and also takes the form of a positive entry in Assicurazioni Generali's tax consolidation programme.

Breakdown of tax liabilities - Item 80

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
Current taxation	**-**	**8,390**
IRES arising on National Tax Consolidation scheme	-	5,086
IRES	-	-
IRAP	-	3,304
Deferred tax liabilities	**12,857**	**10,377**
With impact on Profit and Loss Account	**1,841**	**1,546**
IRES	1,654	1,442
IRAP	187	104
With impact on Net equity	**11,016**	**8,831**
IRES	9,325	7,481
IRAP	1,691	1,350
Total	**12,857**	**18,767**

13.1 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2015	PURSUANT TO LAW NO. 214/2011	31.12.2014	PURSUANT TO LAW NO. 214/2011
With impact on Profit and Loss Account	**39,364**	**11,495**	**37,760**	**13,012**
Previous fiscal losses	-	-	-	-
Provisions for liabilities and contingencies	27,605	-	24,403	-
Credit devaluation	3,143	3,143	3,094	3,076
Redeemed goodwill (pursuant to Article 15, para. 10, of Legislative Decree 185/08)	5,040	5,040	6,048	6,048
Redeemed goodwill (pursuant to Article 176, para. 2-*ter*, of TUIR) of former BG SGR	1,145	1,145	1,233	1,233
Consolidated goodwill of BG Fiduciaria (Article 15, paragraph 10-ter, of Legislative Decree 185/08)	1,379	1,379	1,379	1,379
Other goodwill of former BG SGR	788	788	1,276	1,276
Collective reserve for collateral granted	130	-	149	-
Other	134	-	178	-
With impact on Net equity	**885**	**-**	**650**	**-**
Measurement at fair value of AFS debt securities	568	-	308	-
Actuarial losses IAS19	317	-	342	-
Total	**40,249**	**11,495**	**38,410**	**13,012**

Notes

1. The DTAs eligible for conversion into tax credits pursuant to Law No. 214/2011 include:
   a) assets associated with redeemed goodwill in accordance with Article 10 of Legislative Decree No.185/08 and Article 172 of TUIR;
   b) assets related to goodwill recognised for tax purposes but not for accounting purposes as they refer to business combinations "under common control" (Circular Letter Assonime No. 33/2013, paragraph 3.3.2);
   c) assets associated with write-downs in excess of 0.30% of the banking portfolio, pursuant to Article 106, para. 3 of TUIR, in the version effective until 2012 (previously eligible for deduction over 18 years on a straight-line basis);
   d) assets associated with write-downs of loans to customers recognised in the financial statements in accordance with Article 106, paragraph 3, as reformulated by the 2014 Financial Stability Law applicable for financial years 2013 and 2014 (formerly deductible in the financial year of reference and in the following four years using the straight-line method);
   e) assets related to 25% of value adjustments of loans operated in 2015 pursuant to new Article 106, paragraph 3, introduced by Law Decree No. 83 of 27 June 2015.

   The above-mentioned Law Decree No. 83/2015 made effective the full deductibility of value adjustments of loans in the year in which they are recognised and changed the deductibility percentages of prior write-downs yet to be deducted at 31 December 2014 (and by 25% of value adjustments for 2015). It also envisages a ten-year time horizon — from 2016 to 2025 — with variable annual rates for total repayment.

   The 2015 Financial Stability Law (Law No. 305 of 28 December 2015) provided for a general decrease of the ordinary IRES rate from 27.5% to 24% effective 1 January 2017. However, for the credit sector alone, a 4.5% IRES surtax too was introduced in parallel, applicable as of the same date and essentially aimed at allowing for the recovery of extensive DTAs accrued by the banking industry. Due to the combined effect of these two measures, no value adjustment was made on DTAs/DTLs to adjust the tax rates.

13.2 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
With impact on profit and loss account	**1,841**	**1,546**
Capital gains by instalments from the transfer of the funds business unit	281	563
Goodwill, excluding off-balance sheet items	1,408	831
Provisions for termination indemnity (IAS 19)	152	152
With impact on net equity	11,016	8,831
Measurement at fair value of AFS financial assets	11,016	8,831
Total	**12,857**	**10,377**

13.3 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	31.12.2015	31.12.2014
1. Amount at year-start	**37,760**	**33,572**
2. Increases	**16,125**	**15,181**
2.1 Deferred tax assets for the year	16,125	15,123
a) relative to prior years	215	245
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	15,910	14,878
2.2 New taxes or increases in tax rates	-	58
2.3 Other increases	-	-
3. Decreases	**14,521**	**10,993**
3.1 Deferred tax assets eliminated in the year	14,521	10,993
a) transfers	14,163	10,473
b) write-downs for non-recoverability	358	520
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	-	-
4. Amount at year-end	**39,364**	**37,760**

13.3.1 Change in deferred tax assets pursuant to Law No. 214/2011

	31.12.2015	31.12.2014
1. Amount at year-start	**13,012**	**11,617**
2. Increases	**66**	**3,965**
3. Decreases	**1,583**	**2,570**
3.1 Transfers	1,583	2,311
3.2 Conversion into tax credits	-	-
a) due to losses for the year	-	-
b) due to fiscal losses	-	-
3.3 Other decreases	-	259
4. Amount at year-end	**11,495**	**13,012**

At 31 December 2015, the item 2. “Increases” refers to 25% of the receivables written down pursuant to Article 106, paragraph 3, of TUIR (it was 2,202 thousand euros in 2014). During the previous year, the DTAs for 1,763 thousand euros on the goodwill of former BG SGR arising on the acquisition of the business unit of former GAM in 2005, which were previously classified among non material DTAs for transformation purposes (Circular Letter Assonime No. 33/2013, paragraph 3.3.2), were also recognised. The goodwill refers to a business combination in which the bank acquired control of the acquiree but which has been recognised as a business operation under common control under the IASs/IFRSs, and is relevant for tax and not accounting purposes.

13.4 Change in deferred liabilities (offsetting entry to the Profit and Loss Account)

	31.12.2015	31.12.2014
1. Amount at year-start	**1,546**	**2,032**
2. Increases	**576**	**128**
2.1 Deferred tax liabilities recognised during the year:	576	128
a) relative to prior years	20	-
b) change in accounting criteria	-	-
c) other	556	128
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
of which: business combinations	-	-
3. Decreases	**281**	**614**
3.1 Deferred tax liabilities eliminated during the year:	281	614
a) transfers	281	281
b) change in accounting criteria	-	-
c) other	-	333
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**1,841**	**1,546**

13.5 Changes in deferred tax assets (offsetting entry to the Net Equity)

	31.12.2015	31.12.2014
1. Amount at year-start	**650**	**1,092**
2. Increases	**363**	**563**
2.1 Deferred tax assets for the year:	363	563
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	363	563
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**128**	**1,005**
3.1 Deferred tax assets eliminated in the year	128	728
a) transfers	128	728
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	277
4. Amount at year-end	**885**	**650**

The item 3.3 “Other decreases” refers to the reduction in deferred tax assets following the re-absorption of deductible temporary differences as a result of reversals of assets in the AFS portfolio.

13.6 Changes in deferred tax liabilities (offsetting entry to the Net Equity)

	31.12.2015	31.12.2014
1. Amount at year-start	**8,831**	**3,417**
2. Increases	**8,299**	**8,284**
2.1 Deferred tax liabilities recognised during the year:	8,299	8,284
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	8,299	8,284
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**6,114**	**2,870**
3.1 Deferred tax liabilities eliminated during the year:	5,480	2,870
a) transfers	5,480	2,870
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	634	-
4. Amount at year-end	**11,016**	**8,831**

The item 3.3 “Other decreases” refers to the reduction in deferred tax liabilities following the re-absorption of taxable temporary differences as a result of higher value adjustments of assets in the AFS portfolio.

Section 15 - Other assets - Item 150

15.1 Breakdown of other assets

	31.12.2015	31.12.2014
Fiscal items	**59,546**	**35,233**
Advances paid to fiscal authorities - current account withholdings	1,304	1,524
Advances paid to fiscal authorities - stamp duty	33,516	16,075
Advances of substitute tax on capital gains	22,064	16,109
Excess payment of substitute tax for tax shield	634	634
Other sums due from fiscal authorities	1,789	624
Fiscal Authority/VAT	-	183
Sums due from fiscal authorities for other taxes to be refunded	239	84
Leasehold improvements	**3,798**	**1,228**
Operating loans not related to financial transactions	**134**	**695**
Sundry advances to suppliers and employees	**4,375**	**12,460**
Cheques under processing	**18,414**	**17,161**
C/a cheques drawn on third parties under processing	1,040	188
Our c/a cheques under processing c/o service	11,307	10,321
Money orders and other amounts receivable	6,067	6,652
Other amounts to be debited under processing	**17,708**	**19,300**
Amounts to be settled in the clearing house (debits)	1,896	279
Clearing accounts for securities and funds procedure	15,224	16,867
Other amounts to be debited under processing	588	2,154
Amounts receivable for legal disputes related to non-credit transactions	**3,502**	**3,645**
Trade receivables from customers and banks that cannot be traced back to specific items	**29,333**	**27,287**
Other amounts	**71,784**	**52,155**
Prepayments for the new supplementary fees for FAs	68,835	50,670
Other accrued income and deferred charges that cannot be traced back to specific items	2,949	1,482
Sundry amounts	-	3
Total	**208,594**	**169,164**

Note
1. Receivables from fiscal authorities for withholdings on current accounts represent the positive unbalance between payments on account and the related payable to fiscal authorities.

PART B - INFORMATION ON THE BALANCE SHEET - LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
1. Due to central banks	**-**	**811,645**
2. Due to banks	**333,941**	**227,224**
2.1 Current accounts and demand deposits	1,392	5,408
2.2 Term deposits	5,261	6,792
2.3 Loans:	303,927	200,734
2.3.1 Repurchase agreements	303,927	200,734
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	23,361	14,290
Total	**333,941**	**1,038,869**
Fair value - L1	-	-
Fair value - L2	333,941	1,038,869
Fair value - L3	-	-
Total (fair value)	**333,941**	**1,038,869**

Notes
1. At 31 December 2014, the item “Due to central banks” referred to a LTRO entered into in 2012 and repaid in February 2015.
2. The item “Other debts” entirely refers to deposits made by BSI S.A. as a guarantee for some non-performing exposures, arising on the acquisition of Banca del Gottardo Italia (collateral deposits).

Section 2 - Due to customers - Item 20

2.1 Due to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
1. Current accounts and demand deposits	**4,706,918**	**4,163,043**
2. Term deposits	**-**	**-**
3. Loans	**43,282**	**51,312**
3.1 Repurchase agreements	-	-
3.2 Other	43,282	51,312
4. Liabilities for repurchase commitments of own equity instruments	**-**	**-**
5. Other debts	**133,129**	**138,522**
Total	**4,883,329**	**4,352,877**
Fair value - L1	-	-
Fair value - L2	4,840,047	4,309,608
Fair value - L3	44,007	42,263
Total (fair value)	**4,884,054**	**4,351,871**

Notes
1. The item 5 “Other debts” refers for 51,020 thousand euros to the stock of money orders issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, other amounts available to customers and, for the remaining amount, to trade payables to the sales network.
2. The item 3.2 “Other” amounted to 43,282 thousand euros, referring entirely to the subordinated loan illustrated in the following table 2.2.

2.2 Due to customers: subordinated debts

TYPE OF TRANSACTIONS/VALUES	31.12.2015	31.12.2014
Due to customers: subordinated debts	**43,282**	**51,312**
Generali Versicherung subordinated loan	-	8,058
Generali Beteiligungs GmbH subordinated loan	43,282	43,254

The outstanding subordinated loan in the amount of 43 million euros was entered into with the German company Generali Beteiligungs GmbH to fund the acquisition of the Credit Suisse (Italia) S.p.A. business unit. The loan, entered into on 30 October 2014, has a ten-year term and is repayable on maturity in one instalment. Provision is also made for an early repayment option, as from the sixth year, subject to the supervisory authority’s prior approval. The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year the rate will be reparameterised to the 3-month Euribor, plus the same spread identified when the original fixed rate was determined. The loan is subordinated in the event of a default by the bank.

During the year, the subordinated loan in the amount of 40 million euros granted by the German subsidiary insurance company Generali Versicherung AG to the merged company Banca BSI Italia S.p.A. was fully reimbursed. The said loan, under the contractual form known as Schuldschein (loan), provided for a repayment schedule that called for five annual instalments, the fifth of which paid on 1 October 2015, and an interest rate equal to the 12-month Euribor plus 225 basis points. The loan was subordinated in the event of a default by the Bank.

Section 4 - Financial liabilities held for trading - Item 40

4.1 HFT financial liabilities: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2015 - FAIR VALUE				31.12.2014 - FAIR VALUE			
	NOMINAL VALUE	L1	L2	L3	NOMINAL VALUE	L1	L2	L3
A. Cash liabilities								
1. Due to banks	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds:	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	-	-	-	-
3.1.2 other bonds	-	-	-	-	-	-	-	-
3.2 Other securities:	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	-	-	-	-
3.2.2 other	-	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives								
1. Financial	**-**	**-**	**463**	**-**	**-**	**-**	**2655**	**-**
1.1 Trading	-	-	463	-	-	-	2,655	-
1.2 Related to the fair value option	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-
2. Credit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**463**	**-**	**-**	**-**	**2,655**	**-**
Total (A + B)	**-**	**-**	**463**	**-**	**-**	**-**	**2,655**	**-**

Section 8 - Tax liabilities - Item 80

Breakdown of tax liabilities - item 80

Section 13 (Assets) provides an analysis.

Section 10 - Other liabilities - Item 100

10.1 Breakdown of other liabilities

	31.12.2015	31.12.2014
Trade payables	**31,216**	**32,923**
Due to suppliers	29,922	29,800
Due for payments on behalf of third parties	1,294	3,123
Due to staff and social security institutions	**15,663**	**14,688**
Due to staff for accrued holidays etc.	3,741	3,359
Due to staff for productivity bonuses	5,867	6,507
Contributions to be paid to social security institutions	2,535	2,121
Contributions to Financial Advisors to be paid to Enasarco	3,520	2,701
Tax authorities	**14,863**	**24,195**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	4,592	4,156
Withholding taxes on investment return payable to tax authorities	903	3,275
Notes to be paid into collection services	8,549	16,764
VAT and other tax payables	819	-
Amounts to be debited under processing	**88,405**	**66,590**
Bank transfers, cheques and other sums payable	4,270	17,240
Amounts to be settled in the clearing house (credits)	25,608	34,212
Liabilities from reclassification of portfolio subject to collection (SBF)	1,074	601
Other amounts to be debited under processing	57,453	14,537
Sundry items	**3,542**	**4,831**
Amounts to be credited	330	608
Sundry items	975	1,347
Accrued expenses and deferred income	1,020	1,443
Sums made available to customers	744	890
Payables for non-performing signature loans	473	543
Total	**153,689**	**143,227**

Note
1. Based on the instructions included in Circular Letter No. 262/05, write-downs for non-performing signature loans are commonly recognised among other liabilities. At 31 December 2015, this item referred only to the collective reserve for performing signature loans.

Section 11 - Provisions for termination indemnity - Item 110

11.1 Provisions for termination indemnity: year changes

		31.12.2015	31.12.2014
A.	**Amount at year-start**	**4,829**	**4,230**
	Change in the opening balance	**-**	**-**
B.	**Increases**	**64**	**732**
	B.1 Provisions for the year	64	136
	B.2 Other increases	-	596
	of which: business combinations	-	*18*
C.	**Decreases**	**445**	**133**
	C.1 Amounts paid	353	133
	C.2 Other decreases	92	-
	of which: business combinations	-	-
D.	**Amount at year-end**	**4,448**	**4,829**

11.2 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of the employment, in accordance with IAS 19.
The provision was measured based on the actuarial value using the method described in Part A.2 of these Notes and Comments.

The following are the main actuarial assumptions and the breakdown of the provision for the year and of actuarial gains/(losses):

	31.12.2015	31.12.2014
Discount rate	1.80%	1.53%
Annual inflation rate	1.50%	1.50%
Salary increase rate	1.50%	1.50%
Average duration (years)	11	11

		31.12.2015	31.12.2014
1.	**Provisions**	**64**	**136**
	- current service cost	-	-
	- interest cost	64	136
2.	**Actuarial gains and losses**	**-92**	**596**
	- based on financial assumptions	-108	720
	- based on actuarial demographic assumptions	16	-124
Total provisions for the year		**-28**	**732**
Actuarial value		**4,448**	**4,829**
Value calculated re. Article 2120 of the Italian Civil Code		**4,438**	**4,690**

Section 12 - Provisions for liabilities and contingencies - Item 120

12.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	31.12.2015	31.12.2014
1. Company provisions for pensions	**-**	**-**
2. Other provisions for liabilities and contingencies	**113,942**	**93,586**
2.1 Litigation	15,704	14,385
2.2 Staff	20,502	11,584
2.3 Other	77,736	67,617
Total	**113,942**	**93,586**

Breakdown of other provisions for liabilities and contingencies

	31.12.2015	31.12.2014
Provision for staff expenses	**20,502**	**11,584**
Provision for restructuring plan	10,170	-
Provision for staff expenses - other	10,332	11,584
Provisions for legal disputes	**15,704**	**14,385**
Provision for risks related to litigations connected with sales network's embezzlements	11,338	10,470
Provision for risks related to legal disputes with sales network	1,811	1,525
Provision for risks related to legal disputes with staff	779	739
Provision for other legal disputes	1,776	1,651
Provisions for termination indemnity for Financial Advisors	**41,424**	**26,731**
Provision for termination indemnity of sales network	31,996	20,978
Provision for portfolio overfee indemnities	2,403	2,009
Provisions for pension bonuses for financial advisors	7,025	3,744
Provisions for risks related to network incentives	**33,457**	**37,061**
Provision for network development plans	15,909	15,416
Provision for deferred bonus	1,247	4,434
Provisions for managers with access gate	3,849	3,574
Provision for sales incentives	5,592	2,691
Provision for fees – travel incentives	2,631	2,601
Provision for fee plans	336	348
Provision for loyalty programme	3,893	7,997
Other provisions for liabilities and contingencies	**2,855**	**3,825**
Total	**113,942**	**93,586**

12.2 Provisions for liabilities and contingencies: year changes

	PROVISIONS FOR PENSIONS	OTHER PROVISIONS	TOTAL
A. Amount at year-start	**-**	**93,586**	**93,586**
B. Increases	**-**	**61,826**	**61,826**
B.1 Provisions for the year	-	61,826	61,826
B.2 Other increases	-	-	-
of which: business combinations	-	-	-
C. Decreases	**-**	**41,470**	**41,470**
C.1 Use in the year	-	30,897	30,897
C.2 Other decreases	-	10,573	10,573
of which: business combinations	-	-	-
D. Amount at year-end	**-**	**113,942**	**113,942**

Provisions for liabilities and contingencies: details of movements

	31.12.2014	USES	SURPLUS	OTHER CHANGES	PROVISIONS	31.12.2015
Provision for staff expenses	**11,584**	**-5,488**	**-3,366**	**-**	**17,772**	**20,502**
Provision for restructuring plan	-	-	-	-	10,170	10,170
Provision for staff expenses - other	11,584	-5,488	-3,366	-	7,602	10,332
Provisions for legal disputes	**14,385**	**-1,171**	**-577**	**-**	**3,067**	**15,704**
Provision for risks related to litigations connected with sales network's embezzlements	10,470	-538	-390	-	1,796	11,338
Provision for risks related to legal disputes with sales network	1,525	-300	-48	-	634	1,811
Provision for risks related to legal disputes with staff	739	-	-	-	40	779
Provision for other legal disputes	1,651	-333	-139	-	597	1,776
Provisions for termination indemnity for Financial Advisors	**26,731**	**-269**	**-1,117**	**-**	**16,079**	**41,424**
Provision for termination indemnity of sales network	20,978	-233	-1,032	-	12,283	31,996
Provision for portfolio overfee indemnities	2,009	-1	-48	-	443	2,403
Provisions for pension bonuses for financial advisors	3,744	-35	-37	-	3,353	7,025
Provisions for risks related to network incentives	**37,061**	**-22,993**	**-5,489**	**-**	**24,878**	**33,457**
Provision for network development plans	15,416	-10,548	-4,320	-	15,361	15,909
Provision for deferred bonus	4,434	-2,789	-681	-	283	1,247
Provisions for managers with access gate	3,574	-1,230	-	100	1,405	3,849
Provision for sales incentives	2,691	-1,828	-	-100	4,829	5,592
Provision for fees - travel incentives	2,601	-2,466	-135	-	2,631	2,631
Provision for fee plans	348	-348	-	-	336	336
Provision for loyalty programme	7,997	-3,784	-353	-	33	3,893
Other provisions for liabilities and contingencies	**3,825**	**-976**	**-24**	**-**	**30**	**2,855**
Total	**93,586**	**-30,897**	**-10,573**	**-**	**61,826**	**113,942**

12.4 Provisions for liabilities and contingencies - other provisions

12.4.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:
> the share of the variable compensation of managers of the Banking group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's Remuneration policy;
> allocations to the provision for Relationship Managers (RM) recruitment plans, valued also based on the specific contractual conditions agreed upon and on the probability to achieve the net inflow targets set;
> allocations for post-employment medical benefits of Group's executives, valued using the actuarial method pursuant to IAS 19;
> the provision related to the performance bonus, if at the balance sheet date the company supplementary contract (CIA) has expired or has not been renewed yet.

The above-mentioned provisions have as their balancing entries staff expenses.

Provisions for staff expenses also include, to a lesser extent, provisions outside the scope of IAS 19 but for which IAS 37 applies and that have therefore as their balancing entries net provisions for liabilities and contingencies.

12.4.2 Restructuring provisions– Redundancy incentives plan

At year-end, as part of a company restructuring plan aimed at bringing the banking group's organisational structure into line with the new strategic objectives and adjusting the set of professional and managerial skills possessed by the bank's current collaborators, a voluntary redundancy plan was launched for employees nearest to retirement age, resulting in an estimated total charge of approximately 10.2 million euros.
The incentive plan, presented to union representatives at the end of 2015 and followed by individual meetings with employees, has thus far met with strong approval from those affected.

12.4.3 Provisions for legal disputes

This type of provisions for risks includes provisions for pending litigations connected with sales network's embezzlements after insurance coverage, as well as those with disputes currently underway with the sales network and employees and other legal and extra-legal disputes with customers and other entities.

12.4.4 Provisions for contractual indemnities for the sales network

These include provisions for termination indemnities paid to the sales network, the portfolio development indemnity and the social-security bonus.

Provisions covering the cost of the termination indemnity of Financial Advisors with an agency agreement is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments.
The expense associated with obligations extant at period-end relating to Financial Advisors is valued using the statistical-actuarial method, with the advice of independent professionals.
The following are the main actuarial assumption:

TERMINATION INDEMNITY	31.12.2015	31.12.2014
Discount rate (Eur IRS + 200 bps)	3.0%	3.5%
Turnover rate (professionals)	1.59%	1.65%
Average duration (years)	15 years	18 years
DBO IAS 37/Indemnity provision at the measurement date	48.7%	38.2%

The ratio between Deferred benefit obligations (DBO) at nominal value of the accrued obligation towards Financial Advisors is given using the value of the provision after one-off deductions related to seniority.

The increase in the provision for termination indemnities accrued by Financial Advisors during the year was mainly due to basic fees as a result of the increase in the number of active Financial Advisors and the ongoing development of activities, the reduction in discounting and the adjustment of demographic parameters, both statistical and statutory (adjustment of retirement age as per Fornero Law).

Moreover, a sensitivity analysis highlights the changes that would be caused by a +/-0.50% variation in discounting rates:

(€ THOUSANDS)	BASE (3.0%)	SENSITIVITY (3.5%)	SENSITIVITY (2.5%)
IFR	31,235	29,189	33,035
Change		-2,046	+1,900

A specific measurement is made for Financial Advisors who have left service.
The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 3.0 million euros, is still based on the payment criteria established by the previous employer and was recognised as a debt payable to the acquired sales network. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The portfolio development indemnity is instead a scheme (further details are provided in Part A.2 of the Notes and Comments that calls for Financial Advisors with at least five years of service who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reallocation of the latter.
The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank — equal to 25% of the total indemnity — in the event of termination for death or permanent disability.
Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the bank's residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

Finally, the "**pension bonus**" is a component of the sales network's indemnity plans, which entails the yearly provision of an amount based on the achievement of pre-set sales objectives and to be paid only upon final termination for retirement or permanent disability. The actuarial method is used also for this type of evaluation.

12.4.5 Provisions for sales network incentives

This aggregate includes:

> the estimate of the charges accrued in relation with several recruitment plans for middle-term expansion of managed portfolios. These plans envisage different kinds of incentives (entry bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence in the company for one or more years (up to 5 or 7 years);

> the share of network managers' annual incentives deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's remuneration policy;

> the share of annual incentives (particular transactions), contingent upon the maintenance over time of the inflow targets achieved;

> provisions for incentive plans based on the network's performance for the period, including the BG Premier Club trip and other special fee plans (supplementary allowances, stabilisers, target-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuous service on the network or the achievement of sales targets.

In 2014, provisions were also made, for 8.0 million euros, for the Fidelity plan agreed upon with Financial Advisors of the former Credit Suisse business unit, intended to facilitate their inclusion in Banca Generali's sales structure and for loyalty-building purposes. This provision entails the payment of incentives in two annual tranches at the end of 2015 and 2016, provided the FAs are still part of Banca Generali's network. The first tranche amounting to 3.8 million euros was paid in December 2015.

12.4.6 Other provisions for liabilities and contingencies

Lastly, other provisions for liabilities and contingencies include provisions made at the end of 2013 to cover the tax dispute (2.7 million euros), as well as other provisions for operating risks.

Tax disputes

With reference to the tax dispute, provisions refer to the tax audit of the parent company, Banca Generali, pertaining to tax year 2010 carried out by the Italian Agency of Revenue, Friuli Venezia Giulia Regional Department, and completed in July 2013. A single assessment audit has been served thus far in relation to this audit, in the amount of 56 thousand euros, and with reference to the substitute tax on bonuses. The alleged irregularities presented by the revenue authorities in the auditors' report on findings served upon the conclusion of the audit primarily centre on the applicability of the VAT exemption to a financial brokerage transaction and have been accounted for by provisioning prudentially in view of the authorities' possible claims.
The tax dispute would have ordinarily become statute-barred as at 31 December 2015. At year-end, the conditions for the extension to twice the normal audit term were deemed to have been satisfied as a result of the notice served to the Courts. Such notice however was already dismissed at the beginning of 2014.

On 30 July 2015, the Rome Special Tax Police Unit of the Italian Finance Police initiated an audit concerning several financial transactions undertaken by the Bank in 2010 and 2011 in its trading of derivative financial instruments on Italian equities traded on regulated markets. As of the 2015 balance sheet date, the audit process was still ongoing and no notice of any alleged irregularities has been received.

Section 14 - Company net equity - Items 130, 150, 160, 170, 180, 190 and 200

14.1 Breakdown of capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (EURO)	BOOK VALUE (€ THOUSAND)
Share capital				
- ordinary shares	1.00	116,092,599	116,092,599	116,093
Treasury shares				
- ordinary shares	1.00	-97,177	-97,177	-2,555
		115,995,422	**115,995,422**	**113,538**

14.2 Capital - Number of shares: year changes

ITEMS/TYPE	ORDINARY	OTHER
A. Existing shares at year-start	**115,677,077**	**-**
- paid up	115,677,077	-
- partially paid	-	-
A.1 Treasury shares (-)	-10,071	-
A.2 Outstanding shares: at year-start	115,667,006	-
B. Increases	**416,629**	**-**
B.1 Newly issued shares		
- against payment:	415,522	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrant	415,522	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	1,107	-
B.3 Other changes	-	-
C. Decreases	**-88,213**	**-**
C.1 Cancellation	-	-
C.2 Buy back of treasury shares	-88,213	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	**115,995,422**	**-**
D.1 Treasury shares (+)	97,177	-
D.2 Existing shares at year-end	116,092,599	-
- paid up	116,092,599	-
- partially paid	-	-

14.3 Capital: further information

At the reporting date, the share capital of the Bank consisted of 116,092,599 ordinary shares of 1 euro each, with regular dividend entitlement, and was fully paid up.
During the year, as a result of the exercise of options within the stock option plans reserved for Financial advisors, 415,522 newly issued shares were issued, for a total of 416 thousand euros.

14.4 Income reserves: further information

	31.12.2014	PROFIT ALLOCATION DIVIDEND	TREASURY SHARES PURCHASE/ SALE	ISSUE OF NEW SHARES	STOCK OPTION PLANS	STOCK GRANT PLANS OF AG	OTHER CHANGES	31.12.2015
Legal reserve	23,081	70	-	-	-	-	-	23,151
Restricted reserve for treasury shares	41	-	2,514	-	-	-	-	2,555
Restricted reserve for shares of the Parent Company	1,058	-	-	-	-	-	-6	1,052
Extraordinary reserve	-	-	-	-	-	-	-	-
Unrestricted reserve	1,016	-	-1,022	-	-	-	6	-
Contribution to AG stock grant	2,095	-	-	-	-	2,312	-	4,407
Merger surplus - BG SGR	3,853	-	-	-	-	-	-	3,853
Share-based payments reserve (IFRS 2)	1,596	-	-	-520	1,717	-	-507	2,286
Share-based payments reserve (IFRS 2) - plans ended	-	-	-	-	-	-	507	507
Reserve from income (loss) carried forward	59,202	53,958	-1,492	-	-	-	-	111,668
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	-	3,710
Total	**95,652**	**54,028**	**-**	**-520**	**1,717**	**2,312**	**-**	**153,189**

As required by Article 2427, paragraph 7-bis, of the Italian Civil Code, the following table contains an analytical illustration of net equity items, including an indication of their origins, possible draw-downs and distribution, and draw-downs made during previous years.

	31.12.2015	POSSIBLE DRAW-DOWNS (1)	UNAVAILABLE PORTION	AVAILABLE PORTION	DISTRIBUTABLE PORTION	DRAW-DOWNS 2015-2013	
						DIVIDENDS	LOSSES
Share capital	**116,093**		**-**	**-**	**-**	**-**	**-**
Additional paid-in capital	**50,063**	**A, B, C (3)**	**-**	**50,063**	**-**	**-**	**-**
Reserves	**153,189**	**-**	**3,607**	**149,582**	**123,638**	**15,062**	**-**
Legal reserve	23,151	B	-	23,151	-	-	-
Restricted reserve for treasury shares	2,555	B	2,555	-	-	-	-
Reserve for shares of the Parent Company	1,052	B	1,052	-	-	-	-
Extraordinary reserve	-	A, B, C	-	-	-	-	-
Unrestricted reserve	-	A, B, C	-	-	-	-	-
Merger surplus	3,853	A, B, C	-	3,853	3,853	-	-
Contribution to AG stock grant	4,407	A, B, C	-	4,407	4,407	-	-
Share-based payments reserve	2,793	A, B, C (4)	-	2,793	-	-	-
Reserve from income (loss) carried forward	111,668	A, B, C	-	111,668	111,668	15,062	-
Equity reserve from the transfer of the funds business unit	3,710	A, B, C	-	3,710	3,710	-	-
Valuation reserves	22,500		22,500	-	-		
Revaluation reserves	**-**	**A, B, C**	**-**	**-**	**-**	**-**	**-**
Positive fair value AFS fin. assets (2)	22,500		22,500	-	-	-	-
Net profit (loss) for the year	184,292	A, B, C	-	184,292	184,217	-	-
Net equity for accounting purposes	**526,137**		**26,107**	**383,937**	**307,855**		

(1) Availability refers to possible draw-downs for:
A Capital increase;
B Replenishment of losses;
C Distribution to shareholders.
(2) Restricted reserve pursuant to Article 6 of Legislative Decree No. 38/2005.
(3) May not be distributed until the legal reserve has reached 1/5th of share capital.
(4) The reserve can only be used for stock option plans.

PART B - INFORMATION ON THE BALANCE SHEET

Other information

1. Guarantees issued and commitments

TRANSACTION	31.12.2015	31.12.2014
1) Financial guarantees issued	**84,460**	**62,324**
a) Banks	-	249
b) Customers	84,460	62,075
2) Commercial guarantees issued	**33,241**	**56,803**
a) Banks	-	-
b) Customers	33,241	56,803
3) Irrevocable commitment to dispense funds	**1,024**	**3,952**
a) Banks:	70	188
i) of certain use	70	188
ii) of uncertain use	-	-
b) Customers:	954	3,764
i) of certain use	-	-
ii) of uncertain use	954	3,764
4) Underlying commitments to credit derivatives: hedging sales	**-**	**-**
5) Assets pledged as collateral of third-party bonds	**3,383**	**2,092**
6) Other commitments	**-**	**-**
of which: the commitment to buy back treasury shares	-	-
Total	**122,108**	**125,171**

Notes
1. Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
2. Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.
3. Assets pledged as collateral of third-party bonds consist of the default fund contributed to cover contingent losses of defaulted operators within the New MIC and transactions concerning customers' securities and derivatives.
4. At 31 December 2014, commercial guarantees included 31.5 million euros for the exposure to Cooperative Operaie di Trieste Istria e Friuli, relating to the guarantee in favour of lending members of the cooperative to back 30% of the loan from the said members pursuant to current laws (Resolution CICR of 19 July 2005). The cooperative, formerly put under temporary receivership in 2014, was authorised in 2015 to start the pre-composition procedure entailing the transfer of assets. The guarantee, formally expired on 31 December 2014, was therefore executed on 15 July 2015 in favour of guaranteed lending members. However, it should be noted that the guarantee was entirely covered by a pledge on a Cooperative's portfolio under management by the Banca Generali. Therefore, the Bank did not incur any charge for its execution.

2. Assets pledged as collateral for own liabilities and commitments

PORTFOLIO	31.12.2015 REPURCHASE AGREEMENTS	ECB	CC&G	TOTAL	31.12.2014 REPURCHASE AGREEMENTS	ECB	CC&G	TOTAL
1. HFT financial assets	-	-	-	-	-	-	-	-
2. Financial assets at fair value	-	-	-	-	-	-	-	-
3. AFS financial assets	303,812	364,099	45,611	713,522	179,212	467,176	39,943	686,331
4. HTM financial assets	-	226,285	171,979	398,264	20,681	1,138,545	155,457	1,314,683
5. Loans to banks	-	4,989	-	4,989	-	16,388	-	16,388
6. Loans to customers	-	-	-	-	-	-	-	-
7. Property and equipment	-	-	-	-	-	-	-	-
8. Intangible assets	-	-	-	-	-	-	-	-
Total	**303,812**	**595,373**	**217,590**	**1,116,775**	**199,893**	**1,622,109**	**195,400**	**2,017,402**

Note
1. Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB. This amount also includes financial instruments pledged with Cassa di compensazione e Garanzia for possible operations on a new MIC and for ordinary operations.

4. Trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2015	31.12.2014
1. Execution of orders on behalf of customers	**23,949,025**	**23,581,452**
a) Purchases:	11,475,947	11,267,154
1. Settled	11,456,622	11,234,766
2. To be settled	19,325	32,388
b) Sales:	12,473,078	12,314,298
1. Settled	12,466,344	12,305,192
2. To be settled	6,734	9,106
2. Asset management	**2,779,613**	**2,875,479**
a) Individual	2,779,613	2,875,479
b) Collective	-	-
3. Custody and administration of securities (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 securities	-	-
b) Other third-party securities held in deposit - other:	6,503,741	14,571,569
1. Issued by the bank that prepares the financial statements	14,975	15,203
2. Other securities	6,488,766	14,556,366
c) Third-party securities deposited with third parties	6,457,344	14,502,470
d) Portfolio securities deposited with third parties	3,483,747	3,781,774
4. Other		
UCITS units placed with the customers	9,338,194	-

Notes
1. Securities under custody and administration are recognised at nominal value.
2. At 31 December 2015, the portion of UCITS units placed by the banking group to its customers, previously recognised under the items b) "Other third-party securities held in deposit: Other" and c) "Third-party securities deposited with third parties", has been reclassified under the item 4. "Other".

5. Financial assets offset in the financial statements or falling within the scope of master netting arrangements or similar agreements.

No transactions involving derivatives, repurchase agreements, security lending or other offsetting entries in the balance sheet or transactions that could fall within the scope of master netting arrangements were reported.

6. Financial liabilities offset in the financial statements or falling within the scope of master netting arrangements or similar agreements.

TECHNICAL TYPE	GROSS AMOUNT OF FINANCIAL LIABILITIES (A)	AMOUNT OF FINANCIAL ASSETS OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS (C = A - B)	CORRELATED AMOUNTS NOT OFFSET IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2015 (F = C - D - E)	NET AMOUNT AT 31.12.2014
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	-	-	-	-	-	-	-
2. Repurchase agreements	303,927	-	303,927	303,927	-	-	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2015	**303,927**	**-**	**303,927**	**303,927**	**-**	**-**	**X**
Total at 31.12.2014	**200,734**	**-**	**200,734**	**200,734**	**-**	**X**	**-**

IFRS 7 requires a detailed disclosure on offsetting of financial instruments pursuant to IAS 32 or financial instruments that can be potentially set off, under certain conditions, but have been recognised in the balance sheet without any offsetting as they fall within the scope of master netting arrangements or similar agreements that do not meet all the requirements under IAS 32, paragraph 42.
In this regard, it should be noted that Banca Generali has not entered into any netting arrangements that meet the requirements of IAS 32.42 on offsetting in the financial statements.
With reference to financial instruments that can be potentially set off under certain conditions, it should be noted that Banca Generali usually in repurchase agreements (REPO) with banks has in place master netting arrangements that enable offsetting of credits and debts in case of default of the counterparty and compliant with international standards (Global Master Repurchase Agreement - GMRA). Such transactions are also covered by GMRA-compliant financial guarantee agreements, envisaging the bilateral exchange of collaterals in cash and/or government bonds.
These agreements, in the case of repurchase agreements, mitigate the liquidity risk by offsetting the debt to the counterparty up to the fair value of the collateral.

In the table, repurchase agreements are valued at amortised cost, whereas financial instruments used as collateral are valued at fair value up to the amount of the guaranteed liability.

PART C - INFORMATION ON THE PROFIT AND LOSS ACCOUNT

Section 1 - Interest - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	2015	2014
1. HFT financial assets	249	-	-	249	546
2. AFS financial assets	23,032	-	-	23,032	27,894
3. HTM financial assets	19,800	-	-	19,800	59,875
4. Loans to banks	2,266	71	-	2,337	4,324
5. Loans to customers	546	23,728	-	24,274	25,059
6. Financial assets at fair value	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	44	44	2
Total	**45,893**	**23,799**	**44**	**69,736**	**117,700**

The item “Other assets” includes “positive” interest paid to the bank on inflows transactions, due to the effect of negative Euribor rates during the second half of the year. This largely refers to interest on interbank debit deposits.

1.3 Breakdown of interest income and similar revenues: further information

	2015	2014
1.3.1 Interest income on financial assets in foreign currencies	184	59
1.3.2 Interest income on finance lease transactions	-	-
Total	**184**	**59**

1.4 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER TRANSACTIONS	2015	2014
1. Due to central banks	73	-	-	73	1,811
2. Due to banks	751	-	-	751	2,635
3. Due to customers	2,686	-	-	2,686	6,324
4. Securities issued	-	-	-	-	-
5. HFT financial liabilities	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	4	4	-
8. Hedging derivatives	-	-	-	-	-
Total	**3,510**	**-**	**4**	**3,514**	**10,770**

The item “Other liabilities (and funds)” includes “negative” interest paid by the bank on lending transactions, due to the effect of negative Euribor rates during the second half of the year. It substantially refers to charges associated with interbank active deposits and overnight deposits made at the Bank of Italy.

1.6 Breakdown of interest expense and similar charges: further information

	2015	2014
1.6.1 Interest expense on financial assets in foreign currencies	40	10
1.6.2 Interest expense on finance lease liabilities	-	-
Total	**40**	**10**

Section 2 - Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	2015	2014
a) Guarantees issued	674	353
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	391,231	321,764
1. Trading of financial instruments	14,300	15,090
2. Currency trading	-	-
3. Asset management:	28,776	29,385
3.1 Individual	28,776	29,385
3.2 Collective	-	-
4. Custody and administration of securities	487	452
5. Depository bank	-	-
6. Placement of securities	176,876	154,325
7. Order receiving and collection	5,468	6,806
8. Consultancy activities:	4,658	1,619
8.1 Investment advice	4,658	1,619
8.2 Advice on financial structure	-	-
9. Distribution of third-party services	160,666	114,087
9.1 Asset management:	3,169	2,772
9.1.1 individual	2,672	2,772
9.1.2 collective	497	-
9.2 Insurance products	157,171	111,136
9.3 Other products	326	179
d) Collection and payment services	3,370	3,481
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Keeping and management of current accounts	2,577	2,845
j) Other services	1,890	1,308
of which: all-inclusive fees on credit lines	*1,493*	*905*
Total	**399,742**	**329,751**

2.2 Fee income: distribution channels of products and services offered

CHANNELS/VALUES	2015	2014
a) Group branches	**953**	**918**
1. Asset management	-	-
2. Placement of securities	953	918
3. Third-party products and services	-	-
b) External offer	**365,365**	**296,879**
1. Asset management	28,776	29,385
2. Placement of securities	175,923	153,407
3. Third-party products and services	160,666	114,087
c) Other distribution channels	**-**	**-**
1. Asset management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
Total	**366,318**	**297,797**

2.3 Breakdown of fee expense

SERVICES/VALUES	2015	2014
a) Guarantees received	72	113
b) Credit derivatives	-	-
c) Management and brokerage services:	252,789	205,277
1. Trading of financial instruments	4,902	5,950
2. Currency trading	-	-
3. Asset management:	-	-
3.1 Own portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	1,249	1,233
5. Placement of financial instruments	-	-
6. External offer of financial instruments, products, and services	246,638	198,094
d) Collection and payment services	2,043	2,580
e) Other services	284	160
Total	**255,188**	**208,130**

Section 3 - Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

ITEMS/INCOME	2015		2014	
	DIVIDENDS	PROCEEDS FROM UCITS UNITS	DIVIDENDS	PROCEEDS FROM UCITS UNITS
A. HFT financial assets	67	21	68	58
B. AFS financial assets	2,840	192	2,444	-
C. Financial assets measured at fair value	-	-	-	-
D. Shareholdings	177,360	-	122,596	-
Total	**180,267**	**213**	**125,108**	**58**

Section 4 - Net income (loss) from trading activities - Item 80

4.1 Breakdown of net income (loss) from trading activities

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSS	LOSS FROM TRADING	NET RESULT 2015	NET RESULT 2014
1. HFT financial assets	**142**	**917**	**285**	**211**	**563**	**812**
1.1 Debt securities	22	420	163	109	170	697
1.2 Equity securities	120	146	21	74	171	-136
1.3 UCITS units	-	351	101	28	222	251
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: exchange gains and losses	**-**	**-**	**-**	**-**	**3,260**	**3,482**
4. Derivatives	**-**	**931**	**-**	**262**	**663**	**290**
4.1 Financial:	-	931	-	262	663	290
- On debt securities and interest rates:	-	-	-	-	-	405
- interest rate swaps	-	-	-	-	-	-
- government bond forwards	-	-	-	-	-	405
- On equity securities and stock indexes:	-	931	-	262	669	-133
- options	-	931	-	262	669	-133
- futures	-	-	-	-	-	-
- On currency and gold [1]	-	-	-	-	-6	18
- Other	-	-	-	-	-	-
4.2 Credit	-	-	-	-	-	-
Total	**142**	**1,848**	**285**	**473**	**4,486**	**4,584**

(1) It includes currency options and currency outrights.

Section 6 - Gain (loss) from transfer/repurchase - Item 100

6.1 Breakdown of gain (loss) from transfer/repurchase

	2015			2014		
ITEMS/INCOME COMPONENTS	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
Financial assets						
1. Loans to banks	2,182	-	2,182	1,473	-	1,473
2. Loans to customers	1,177	1,659	-482	1,647	-	1,647
3. AFS financial assets	21,681	2,080	19,601	47,056	2,390	44,666
3.1 Debt securities	19,673	1,516	18,157	46,980	2,374	44,606
3.2 Equity securities	-	200	-200	76	16	60
3.3 UCITS units	2,008	364	1,644	-	-	-
3.4 Loans	-	-	-	-	-	-
4. HTM financial assets	-	-	-	-	10	-
Total assets	**25,040**	**3,739**	**21,301**	**50,176**	**2,400**	**47,786**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

The losses from disposal on loans to customers amounting to 1,659 thousand euros refer to the sale to the Dutch subsidiary Redoze Holding N.V. of the pool loan granted in 2007 to Investimenti Marittimi S.p.A., a company classified as substandard at the end of 2013. The said transaction is illustrated in further detail in Part H — Related Parties — of these Notes and Comments.
The losses from disposal on equity securities refer, for 191 thousand euros, to the sale of the equity investment (equal to 15% of the share capital) in the subsidiary Simgenia S.p.A., in relation with the subsequent merger into the subsidiary Alleanza S.p.A.

AFS equity reserves transferred back to the profit and loss account are illustrated in the following table.

	POSITIVE	NEGATIVE	NETTE
Debt securities	16,752	-	16,752
Equity securities	-	-	-
UCITS units	296	-321	-25
Total	**17,048**	**-321**	**16,727**

Section 8 - Net adjustments/reversal value for impairment - Item 130

8.1 Breakdown of net adjustments to non-performing loans

	ADJUSTMENTS			REVERSALS					
	SPECIFIC			SPECIFIC		PORTFOLIO			
TRANSACTIONS/INCOME COMPONENTS	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS	2015	2014
A. Loans to banks	**-**	**-**	**294**	**-**	**-**	**-**	**-**	**-294**	**-681**
Loans	-	-	-	-	-	-	-	-	-
Debt securities	-	-	294	-	-	-	-	-294	-681
B. Loans to customers	**49**	**1,244**	**143**	**4**	**578**	**-**	**27**	**-827**	**-6,849**
Non-performing loans purchased:	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Operating loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other:	49	1,244	143	4	578	-	27	-827	-6,849
- Loans	49	1,048	-	4	578	-	27	-488	-6,229
- Operating loans	-	196	-	-	-	-	-	-196	-327
- Debt securities	-	-	143	-	-	-	-	-143	-293
C. Total	**49**	**1,244**	**437**	**4**	**578**	**-**	**27**	**-1,121**	**-7,530**

Other write-downs on loans to customers, amounting to 1,048 thousand euros, refer for 497 thousand euros to positions recognised at year-end among bad loans, for 400 thousand euros to positions past due from over 90 days, and for the remaining amount (150 thousand euros) to unlikely to pay. These write-downs were partially offset through reversals amounting to 578 thousand euros, largely relating to positions expired at the end of the previous year and reclassified out of the non-performing category.
Value adjustments to operating loans chiefly refer to write-downs of advances fees to former Financial Advisors.
During the year, reversals to the collective reserve on performing loans amounted to 27 thousand euros.
Portfolio adjustments on debt securities classified under “Loans to customers” (143 thousand euros) and “Loans to banks” (294 thousand euros) refer to the adjustments of the collective reserve allocated to account for contingent losses on the bond portfolio calculated on the basis of issues risk profile (rating/residual life).

8.2 Breakdown of net adjustments for impairment of available-for-sale financial assets

	ADJUSTMENTS			REVERSALS					
	SPECIFIC			SPECIFIC		PORTFOLIO			
TRANSACTIONS/INCOME COMPONENTS	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS	2015	2014
A. Debt securities	-	-	-	-	-	-	-	-	-
B. Equity securities	-	2,845	-	-	-	-	-	-2,845	-3,035
C. UCITS units	-	-	-	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
F. Total	**-**	**2,845**	**-**	**-**	**-**	**-**	**-**	**-2,845**	**-3,035**

Adjustments to equity securities refer for 1,427 thousand euros to the addition of the impairment already carried out in the previous year on the investment in Veneto Banca, which was measured on the basis of the outcome of the extraordinary shareholders' meeting held in last December, which resolved to transform the company into a joint-stock company and list it on the stock exchange.
An impairment loss was recognised on the capital contribution made at the end of 2014 to the joint venture formed to produce the movie "Le leggi del Desiderio". The adjustment to equity securities for 1,418 thousand euros was determined based on box office results achieved by the movie. Against this outcome, the tax credit of 840 thousand euros accrued was in any case recognised among other net operating income.

8.3 Breakdown of net adjustments for impairment of held-to-maturity financial assets

	ADJUSTMENTS			REVERSALS					
	SPECIFIC			SPECIFIC		PORTFOLIO			
TRANSACTIONS/INCOME COMPONENTS	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS	2015	2014
A. Debt securities	-	-	2,684	-	-	-	109	-2,575	-286
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-	-
D. Total	**-**	**-**	**2,684**	**-**	**-**	**-**	**109**	**-2,575**	**-286**

Portfolio adjustments on debt securities classified under "HTM financial assets" for a net amount of 2,575 thousand euros refer to the adjustments of the collective reserve allocated to account for contingent losses on the bond portfolio calculated on the basis of issues risk profile (rating/residual life).

8.4 Breakdown of net adjustments for impairment of other financial transactions

	ADJUSTMENTS			REVERSALS					
	SPECIFIC			SPECIFIC		PORTFOLIO			
TRANSACTIONS/INCOME COMPONENTS	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS	2015	2014
A. Guarantees issued	-	-	-	-	-	-	70	70	-144
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to grant funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
D. Total	**-**	**-**	**-**	**-**	**-**	**-**	**70**	**70**	**-144**

Reversals, amounting to 70 thousand euros, refer to the adjustments of the collective reserve for performing signature loans.

Section 9 - General and administrative expense - Item 150

Breakdown of general and administrative expense

		2015	2014
150 a)	Staff expenses	74,869	68,964
150 b)	Other general and administrative expense	130,349	124,858
Total		**205,218**	**193,822**

9.1 Breakdown of staff expenses

TYPE OF EXPENSES/VALUES	2015	2014
1) Employees	**73,455**	**67,944**
a) Wages and salaries	39,814	37,924
b) Social security charges	10,538	9,951
c) Termination indemnity	625	604
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	64	136
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	3,456	2,958
- defined contribution	3,456	2,958
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	2,700	1,596
i) Other employee benefits	16,258	14,775
2) Other staff	**744**	**700**
3) Directors and Auditors	**1,504**	**1,177**
4) Retired personnel	**12**	**13**
5) Recovery of expenses for seconded staff from other companies	**-846**	**-917**
6) Repayments of expenses for seconded staff from other companies	**-**	**47**
Total	**74,869**	**68,964**

9.2 Average number of employees by category

	2015	2014
Employees	**787**	**771**
a) Managers	42	44
b) Total executives	219	206
of which:		
- *3rd and 4th level*	*124*	*119*
- *1st and 2nd level*	*95*	*88*
c) Employees at other levels	526	521
Other employees	**-6**	**-7**
Total	**781**	**764**

Breakdown of headcount

	2015	2014
Employees	**796**	**777**
a) Managers	41	43
b) Total executives	225	212
of which:		
- *3rd and 4th level*	*127*	*121*
- *1st and 2nd level*	*98*	*91*
c) Employees at other levels	530	522
Other employees	**-5**	**-6**
Contract and temporary workers	4	6
Seconded staff from other companies	-	-
Seconded staff to other companies	-9	-12
Total	**791**	**771**

9.4 Other employee benefits

	2015	2014
Short-term productivity bonuses payable (result-based bonuses, managers' non-deferred MBO remuneration, etc.)	8,856	9,073
Provisions for Relationship Manager recruitment plans	2,676	-
Provisions for long-term incentives: managers' deferred MBO remuneration and LTIP cash bonuses	924	1,623
Provisions for post-employment medical care plans	-	222
Charges for staff supplementary pensions	2,499	2,420
Amounts replacing cafeteria indemnities	744	563
Training expenses	362	499
Allowances and charitable gifts	152	102
Transfer incentives and other indemnities	17	247
Other expenses	28	26
Total	**16,258**	**14,775**

9.5 Breakdown of other general and administrative expense

	2015	2014
Administration	**12,729**	**18,712**
Advertising	3,854	3,264
Consultancy and professional advice expenses	4,775	11,206
Corporate boards and auditing firms	393	360
Insurance	2,929	2,811
Entertainment expenses	166	311
Membership contributions	547	543
Charity	65	217
Operations	**34,376**	**32,444**
Rent and usage of premises and management of property	16,601	15,520
Outsourced administrative services	5,727	6,150
Post and telephone	2,925	2,838
Print material	1,159	1,107
Other expenses for sales network management	2,997	2,717
Other expenses and purchases	2,442	1,569
Other indirect staff expenses	2,525	2,543
Information system and equipment	**33,250**	**33,401**
Expenses related to outsourced IT services	24,097	23,456
Fees for IT services and databases	5,807	5,342
Software maintenance and servicing	2,587	3,049
Fees for equipment hired and software used	164	123
Other maintenance	595	1,431
Indirect taxation	**41,287**	**40,301**
Stamp duty on financial instruments	40,133	37,666
Substitute tax on medium/long-term financial instruments	702	681
Other indirect taxes to be paid by the bank	452	1,954
Contributions to the Italian National Resolution Fund and the Interbank Deposit Protection Fund	**8,707**	-
Total	**130,349**	**124,858**

General and administrative expense include, for 8.7 million euros, the new contributions to Italian National Resolution Fund (BRRD-FRN) and Interbank Deposit Protection Fund (DSGD-FITD). This is the first year of application of the new mechanisms. The Bank Recovery and Resolution Directive (BRRD) entered into force on 1 January 2015 and was transposed into the Italian legislation with Legislative Decree No. 180/2015. The ex-ante contribution mechanism provided for by the deposit guarantee system (DSGD) was directly transposed into the Articles of Association of the Interbank Deposit Protection Fund (FITD) in December 2015.
Moreover, the ordinary contribution to the National Resolution Fund was increased for an amount equal to three times the ordinary contribution (maximum amount allowed) for the crisis resolution procedure started on 22 November for four regional banks.

The item also includes the supervisory fees debited by the ECB as of this year, to cover the costs borne for direct and indirect supervision of European Banks.
In contrast, in the previous year the acquisition of the Credit Suisse business unit involved the recognition among general and administrative expense of non-recurring charges for an overall amount of 4.0 million euros, for legal assistance (1.6 million euros), registry taxes (1.5 million euros) and migration expenses (0.9 million euros).

Section 10 - Net provisions for liabilities and contingencies - Item 160

10.1 Breakdown of net provisions for liabilities and contingencies

	2015			2014		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provision for risks related to staff expenses	**11,524**	**-2,912**	**8,612**	**1,109**	**-1,527**	**-418**
Provision for restructuring plan	10,170	-	10,170	-	-	-
Provision for staff expenses - Other [1]	1,354	-2,912	-1,558	1,109	-1,527	-418
Provision for legal disputes	**3,067**	**-577**	**2,490**	**3,442**	**-711**	**2,731**
Provision for risks related to legal disputes with subscribers	1,796	-390	1,406	2,192	-	2,192
Provision for risks related to legal disputes with FAs	634	-48	586	352	-13	339
Provision for risks related to legal disputes with staff	40	-	40	30	-	30
Provision for risks related to legal disputes with other parties	597	-139	458	868	-698	170
Provision for termination indemnity of Financial Advisors	**16,079**	**-1,117**	**14,962**	**11,939**	**-419**	**11,520**
Provision for termination indemnity of Financial advisors	12,283	-1,032	11,251	9,101	-377	8,724
Provision for portfolio overfee indemnities	443	-48	395	566	-22	544
Provisions for pension bonuses for financial advisors	3,353	-37	3,316	2,272	-20	2,252
Provisions for risks related to network incentives	**24,878**	**-5,495**	**19,383**	**26,279**	**-737**	**25,542**
Provision for network development plans	15,361	-4,326	11,035	10,836	-532	10,304
Provision for deferred bonus	283	-681	-398	452	-	452
Provision for sales incentives	4,829	-	4,829	2,289	-	2,289
Provisions for managers with access gate	1,405	-	1,405	1,766	-	1,766
Provision for fees – travel incentives	2,631	-135	2,496	2,601	-156	2,445
Provision for fee plans	336	-	336	338	-49	289
Provision for loyalty programme	33	-353	-320	7,997	-	7,997
Other provisions for liabilities and contingencies	**30**	**-24**	**6**	**1,001**	**-455**	**546**
Total	**55,578**	**-10,125**	**45,453**	**43,770**	**-3,849**	**39,921**

Note
1. Allocations to provisions for staff expenses do not include the items considered in IAS 19, classified as "Staff expenses - other benefits".

Section 11- Net adjustments/reversals value of property and equipment - Item 170

11.1 Breakdown of net adjustments of property and equipment

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2015	NET RESULT 2014
A. Property and equipment					
A.1 Owned	1,202	-	-	1,202	1,380
- Operating	1,202	-	-	1,202	1,380
- Investment	-	-	-	-	-
A.2 Leased	-	-	-	-	-
- Operating	-	-	-	-	-
- Investment	-	-	-	-	-
Total	**1,202**	**-**	**-**	**1,202**	**1,380**

Section 12 - Net adjustments/reversals value of intangible assets - Item 180

12.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2015	NET RESULT 2014
A. Intangible assets					
A.1 Owned	4,058	-	-	4,058	2,992
- generated in-house	-	-	-	-	-
- other	4,058	-	-	4,058	2,992
A.2 Leased	-	-	-	-	-
Total	**4,058**	**-**	**-**	**4,058**	**2,992**

Breakdown of value adjustments of intangible fixed assets - amortisation

	2015	2014
Charges associated with the implementation of legacy CSE procedures	1,837	1,729
Customers relationships	2,105	1,145
Other intangible fixed assets	116	118
Total	**4,058**	**2,992**

Section 13 - Other operating income and expenses - Item 190

13.1 Breakdown of other operating expenses

	2015	2014
Adjustments of leasehold improvements	1,033	1,257
Write-downs of other assets	89	69
Indemnities and compensation for litigation and claims	1,019	329
Charges from accounting adjustments with customers	849	387
Charges for card compensation and guarantees	15	25
Costs associated with tax disputes, fees and penalties	175	38
Other contingent liabilities and non-existent assets	887	149
Other charges related to the acquisition of the former CSI business unit	-	1,293
Total	**4,067**	**3,547**

13.2 Breakdown of other operating income

	2015	2014
Recovery of taxes from customers	40,233	37,714
Recovery of expenses from customers	505	480
Fees for outsourcing services	380	422
Charge-back of portfolio development indemnity to incoming Financial Advisors	973	1,015
Indemnities for advisors' termination without notice	40	188
Other recoveries of repayments and costs from advisors	1,218	815
Tax credit related to movie production	840	-
Contingent assets - staff expenses	1,234	638
Other contingent assets and non-existent liabilities	1,921	435
Insurance compensation and indemnities	125	102
Other income	569	372
Total	**48,038**	**42,181**
Total other net income	**43,971**	**38,634**

Section 17 - Gains (losses) from disposal of investments - Item 240

17.1 Breakdown of gains (losses) from disposal of investments

INCOME COMPONENTS/VALUES	2015	2014
A. Buildings	**-**	**-**
Gains from disposal	-	-
Losses from disposal	-	-
B. Other assets	**-6**	**-18**
Gains from disposal	1	-
Losses from disposal	7	18
Net result	**-6**	**-18**

Section 18 - Income tax for the year for current operations - Item 260

18.1 Breakdown of income tax for the year for current operations

INCOME COMPONENTS/VALUES	2015	2014
1. Current taxation (-)	-16,613	-37,291
2. Change in prior years current taxes (+/-)	990	1,433
3. Reduction of current taxes for the year (+)	-	-
3.*bis* Reduction of current taxes arising on tax credits, pursuant to Law No. 214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	1,604	4,187
5. Changes of deferred taxation (+/-)	-295	486
6. Taxes for the year (-)	**-14,314**	**-31,185**

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 indicated in item 260 of the Profit & Loss Account, and the theoretical corporate income tax IRES determined by applying the current applicable tax rate of 27.5% to the pre-tax profit.
The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credited to the P&L account compared to the theoretical taxation.

	2015	2014
Current taxation	**-16,613**	**-37,291**
IRES	-8,766	-25,654
IRAP	-7,844	-11,635
Other	-3	-2
Prepaid and deferred taxation	**1,309**	**4,673**
IRES	1,092	3,681
IRAP	217	992
Taxes of prior years	**990**	**1,433**
IRES	555	996
IRAP	435	437
Income taxes	**-14,314**	**-31,185**
Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**198,606**	**195,594**
Theoretical taxation	**-54,617**	**-53,788**
Non-taxable income (+)		
Dividends	47,077	32,667
ACE	1,359	613
Deductible IRAP and other	681	737
Non-deductible charges (-)		
Non-deductible interest expense (4%)	-39	-118
Impairment of equity securities PEX	-606	-834
Other non-deductible costs	-1,648	-1,558
IRAP	-7,192	-10,206
Taxes of prior years	555	996
Other (foreign) taxes	-3	2
Change in deferred taxes without offsetting entry	119	304
Actual tax expense	**-14,314**	**-31,185**
Total actual tax rate	**7.2%**	**15.9%**
Actual tax rate (IRES)	**3.6%**	**10.7%**
Actual tax rate (IRAP)	**3.6%**	**5.2%**

Section 19 - Income (loss) of disposal groups, net of taxes - Item 280

19.1 Breakdown of income (loss) of disposal groups, net of taxes

INCOME COMPONENTS/VALUES	2015	2014
1. Income	-	-
2. Charges	-	-
3. Measurement of groups of assets held for sale and associated liabilities	-	-
4. Gains (losses) on disposal	-	4,208
5. Taxes and duties	-	-1,157
Net profit (Loss)	**-**	**3,051**

Gains on disposal at 31 December 2014 referred to the disposal of the shareholding in BG Dragon Sicav, classified as a shareholding held exclusively for sale in the short term, pursuant to IFRS 5. The divestment was made in accordance with the above-mentioned IFRS 5 and generated a significant gain thanks to the high appreciation of the Chinese share market over the last quarter of 2014.

Section 21 - Earnings per share

21.1 Average number of ordinary shares after dilution

	2015	2014
Net profit for the year (€ thousand)	184,292	167,459
Net profit attributable to ordinary shares (€ thousand)	184,292	167,459
Average number of outstanding shares (thousand)	115,867	115,427
EPS - Earnings per share (€)	**1.591**	**1.451**
Average number of outstanding shares after dilution (thousand)	116,418	116,039
EPS - Diluted earnings per share (€)	**1.583**	**1.443**

PART D – COMPREHENSIVE INCOME

Analytical statement of comprehensive income

	ITEMS	GROSS AMOUNT	INCOME TAXES	NET AMOUNT
10.	**Net profit (loss) for the year**	**X**	**X**	**184,292**
	Other components of income without transfer to profit and loss			
20.	Property and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	92	-25	67
50.	Non-current assets held for sale	-	-	-
60.	Share of valuation reserves of investments valued at equity	-	-	-
	Other components of income with transfer to profit and loss			
70.	**Hedges of foreign investments:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to Profit and Loss Account	-	-	-
	c) other changes	-	-	-
80.	**Exchange differences:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to Profit and Loss Account	-	-	-
	c) other changes	-	-	-
90.	**Cash-flow hedges:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to Profit and Loss Account	-	-	-
	c) other changes	-	-	-
100.	**AFS financial assets:**	**6,305**	**-1,926**	**4,379**
	a) fair value changes	23,032	-7,304	15,728
	b) transfer to Profit and Loss Account:	-16,727	5,377	-11,350
	- adjustments due to impairment	-	-	-
	- gains (losses) on disposal	-16,727	5,377	-11,350
	c) other changes	-	1	1
110.	**Non-current assets held for sale:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to Profit and Loss Account	-	-	-
	c) other changes	-	-	-
120.	**Share of valuation reserves of investments valued at equity:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to Profit and Loss Account	-	-	-
	- adjustments due to impairment	-	-	-
	- gains (losses) on disposal	-	-	-
	c) other changes	-	-	-
130.	**Total other components of income**	**6,397**	**-1,951**	**4,446**
140.	**Comprehensive income (Item 10 + 130)**	**-**	**-**	**188,738**

PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES

Foreword

The development of a genuine risk culture within Banca Generali is based upon an understanding of the risks that the Bank assumes and how they are managed, while always taking full account of the risk tolerance threshold defined in the Bank's Risk Appetite Framework (RAF).
In this context, the internal control system plays a key role in the risk management process, as well as in the Bank's corporate governance generally.

The internal control system is a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies, while also seeking to achieve:
> the efficiency and effectiveness of work processes;
> the safety of the company's assets and protection against losses;
> the reliability and integrity of accounting and operating information;
> operational compliance with the law and supervisory regulations;
> policies, plans, regulations and internal procedures; and
> the dissemination of a culture of control involving training initiatives for the various levels.

The Banca Generali Banking Group has designed an internal control model consistent with national and international best practices, minimising the risks of inefficiency, overlapping of roles and sub-optimal system performance. The system is structured on three different levels:
> first-tier checks: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;
> second-tier checks: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
  - Risk and Capital Adequacy Department is tasked with identifying, measuring/evaluating and monitoring all the types of risks to which the Banking Group is exposed in terms of its own assets (excluding the risks of non-compliance, money laundering and financing of terrorism), providing relevant information and thereby contributing to the definition and implementation of the Risk Appetite Framework, as well as all related risk management policies. The Department acts with a view to maintaining risk levels within the limits and tolerance thresholds indicated in the exposure profile and strategies established by the Board of Directors in the Risk Appetite Framework. It assures that risks are fully and transversally analysed, and to this end it applies a strategic, consistent and prospective approach and duly provides periodic reports;
  - Compliance Service: it is tasked with verifying the observance of obligations relating to the provision of services for Banking Group companies and preventing and managing the risk of non-compliance with applicable legislation;
  - Anti Money Laundering Service: it is responsible, within the Banking Group, for preventing and combating transactions involving money laundering and financing of terrorism;
> third-tier checks: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

The proper functioning of the risk governance system adopted by the Banca Generali Group is ensured by consistency from the standpoint of organisational structure, competencies and a guarantee of the independence of functions.

Within the internal control system, it is possible to identify the second tier as the home to an internal risk management culture that then effectively translates into company behaviour and choices.

The following entities operate within the Internal Control System, in addition to the tasks assigned to the Board of Directors, Chief Executive Officer, control body and independent auditors (who are responsible for accounting control):
> the Audit and Risk Committee, which was set up pursuant to the Corporate Governance Code of Listed Companies and supervisory regulations, and is tasked with performing a supporting role, with investigative, propositional and advisory duties in relation to the Board of Directors and the Board of Statutory Auditors, in particular on matters of internal control and risk management, related parties and connected parties, statutory auditing and equity in-

vestments. The tasks and functions of the Committee, as well as the frequency of its meetings and the operating procedures to be followed to ensure that its duties are smoothly and properly performed, shall be regulated pursuant to specific Internal Audit and Risk Committee Rules;
> the Risks Committee is charged with enduring coordinated coverage of the system for managing and controlling the risks assumed by the Group in compliance with the Risk Appetite Framework; it is vested with specific responsibility for monitoring the Group's risks, such as the management of risk containment measures, as well as decision-making powers for identifying and implementing risk containment measures;
> the Supervisory Body, which is the corporate body in charge of updating the Organisational and Management Model and monitoring the implementation of and compliance with the said Model;
> the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005.

Section 1 - Credit risk

Qualitative information

1. General aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.
In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali Group's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.
The bank's exposure to credit risk mainly arises from its loans to customers (both corporate and retail), financial instruments held in portfolios measured at amortised cost and AFS portfolios, and investments in the money market (interbank deposits).

Loans are issued to high-standing retail customers (mainly individuals), generally with collaterals, and, to a lesser extent, to corporate customers to whom loans, almost totally backed by collaterals on financial instrument, were issued during 2015.
As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at individuals.

With regard to credit risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Group has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.

The Group has defined an extensive system of powers and limits associated with loan authorisation. In this context, it has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In order to supervise the loans after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding credit positions.
First-tier control activities are conducted by the Lending Department and the Finance Department, the latter being responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.
The Risk and Capital Adequacy Department is responsible for second-tier controls and monitors the performance of each credit exposure — and non-performing exposures in particular — assessing the consistency of classifications, the fairness of provisions and the appropriateness of credit collection process in order to provide an overall analysis of the portfolio's risk profile and report any anomalies in the first-tier control.

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

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

2. Credit Risk Management Policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and Procedures.
In addition to issuing loans, the Lending Department is also charged with credit managing and first-tier control, with a special focus on the performance of doubtful loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are negligible.

Credit Risk Mitigation Techniques

In order to mitigate credit risk, collaterals — or more sporadically personal guarantees — are typically required to secure the loans granted.
Collaterals can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgage guarantees, which refer almost exclusively to residential properties used as main home, are accepted when higher in value than the obligation being guaranteed. When collaterals are in the form of securities, a discount is usually applied upon disbursement of the loan and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee (indemnity) provided by BSI S.A. for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008.
This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity was maintained for those positions managed with the aim of recovery and those positions that showed a default event for which payment of the indemnity was requested from the guarantor, BSI S.A.
At 31 December 2015, the guarantees covered a residual class of loans (not classified as bad loans) for an amount of approximately 10 million euros.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

Non-performing financial assets

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

On 20 January 2015, following the issue by the European Community of the technical rules for the implementation of tolerance thresholds for reporting non-performing exposures with forbearance measures, the Bank of Italy updated its Circular Letter No. 272 "Matrix of Account". The Bank incorporated the new classification of non-performing exposures in its new Lending Rules approved in February 2015, effective on 2015 reporting, and therefore classifying non-performing loans as follows:
a) bad loans;
b) unlikely to pay (new definition, which replaces the prior category of subjective substandard loans);
c) non-performing, past-due exposures, which include the former category of objective substandard loans.

The individual cash exposures for which the Bank, due to the debtor's worsening economic-financial conditions, allows changes to the original contractual conditions or a total/partial refinancing of a contract that would not have been allowed if the debtor had not found itself in such difficulties, are identified and classified as forborne exposures. Such

exposures do not form a separate category, but are classifiable among both performing and non-performing loans, constituting an attribute common to the various categories of assets.
The software provider is releasing all necessary features to duly manage this new classification.

The process of identifying doubtful loan positions requires constant monitoring of past-due positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.
Losses are analysed and estimated for each position based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

The aggregate of non-performing loans chiefly consists of exposures referring to Banca del Gottardo Italia's costumers and guaranteed by indemnity issued by the seller BSI S.A.; as described above, these exposures do not entail any risk for the Bank.
Therefore, no adjustments were made to these positions with respect to the impairment already carried out by Banca del Gottardo Italia.
If this category, which accounts for over 80% of total net value of non-performing exposures, is excluded, the ratio of this aggregate to the total loans to customers is negligible (approximately 0.33%).

Quantitative information

A. Credit quality

A.1 Creditexposures to non-performing and performing loans: balances, adjustments, performance, income and geographical breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITSs.

A.1.1 Breakdown of credit exposures by portfolio and credit quality (balance sheet amounts)

PORTFOLIOS/QUALITY	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. AFS financial assets	-	-	-	-	2,892,709	2,892,709
2. HTM financial assets	-	-	-	-	423,585	423,585
3. Loans to banks	-	-	-	-	374,776	374,776
4. Loans to customers	24,729	5,104	3,371	24,934	1,813,439	1,871,577
5. Financial assets at fair value	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	-	-	-
Total at 31.12.2015	**24,729**	**5,104**	**3,371**	**24,934**	**5,504,509**	**5,562,647**
Total at 31.12.2014	**14,942**	**19,617**	**5,888**	**21,266**	**5,558,309**	**5,620,022**

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net amounts)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS			PERFORMING LOANS			
	GROSS EXPOSURE	SPECIAL ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. AFS financial assets	-	-	-	2,892,709	-	2,892,709	2,892,709
2. HTM financial assets	-	-	-	426,600	3,015	423,585	423,585
3. Loans to banks			-	378,701	3,925	374,776	374,776
4. Loans to customers	47,245	14,041	33,204	1,840,773	2,400	1,838,373	1,871,577
5. Financial assets at fair value	-	-	-	X	X	-	-
6. Financial assets held for sale	-	-	-	-	-	-	-
Total at 31.12.2015	**47,245**	**14,041**	**33,204**	**5,538,783**	**9,340**	**5,529,443**	**5,562,647**
Total at 31.12.2014	**62,453**	**22,006**	**40,447**	**5,585,931**	**6,356**	**5,579,575**	**5,620,022**

PORTFOLIOS/QUALITY	ASSETS WITH OBVIOUSLY POOR CREDIT QUALITY		OTHER ASSETS NET EXPOSURE
	CUMULATIVE CAPITAL LOSSES	NET EXPOSURE	
1. HFT financial assets	-	-	23,805
2. Hedging derivatives	-	-	-
Total at 31.12.2015	**-**	**-**	**23,805**
Total at 31.12.2014	**-**	**-**	**25,053**

A.1.3 Cash and off-balance sheet loans with banks: gross and net values and maturity brackets

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE					SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
	NON-PERFORMING ASSETS				PERFORMING LOANS			
	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	BEYOND 1 YEAR				
A. Cash exposures								
a) Bad loans	-	-	-	-	X	-	X	-
of which: forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
of which: forborne exposures	-	-	-	-	X	-	X	-
c) Non-performing past-due exposures	-	-	-	-	X	-	X	-
of which: with forbearance measures	-	-	-	-	X	-	X	-
d) Performing past-due exposures	X	X	X	X	-	X	-	-
of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other non-performing exposures	X	X	X	X	612,415	X	3,925	608,490
of which: with forbearance measures	X	X	X	X	-	X	-	-
Total A	**-**	**-**	**-**	**-**	**612,415**	**-**	**3,925**	**608,490**
B. Off-balance sheet exposures								
a) Non-performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	284	X	-	284
Total B	**-**	**-**	**-**	**-**	**284**	**-**	**-**	**284**
Total (A + B)	**-**	**-**	**-**	**-**	**612,699**	**-**	**3,925**	**608,774**

Cash exposures to banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.6 Cash and off-balance sheet credit exposures with customers: gross and net values and maturity brackets

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE - NON-PERFORMING ASSETS - UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	BEYOND 1 YEAR	PERFORMING LOANS	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Cash exposures								
a) Bad loans	-	-	-	38,179	X	13,450	X	24,729
of which: forborne exposures	*-*	*-*	*-*	*1,902*	*X*	*967*	*X*	*935*
b) Unlikely to pay	13	-	34	5,260	X	203	X	5,104
of which: forborne exposures	*13*	*-*	*-*	*5,046*	*X*	*11*	*X*	*5,048*
c) Non-performing past-due exposures	-	596	2,924	239	X	388	X	3,371
of which: with forbearance measures	*-*	*-*	*-*	*-*	*X*	*-*	*X*	*-*
d) Performing past-due exposures	X	X	X	X	24,934	X	-	24,934
of which: forborne exposures	*X*	*X*	*X*	*X*	*-*	*X*	*-*	*-*
e) Other non-performing exposures	X	X	X	X	4,921,694	X	2,400	4,919,294
of which: with forbearance measures	*X*	*X*	*X*	*X*	*23*	*X*	*-*	*23*
Total A	**13**	**596**	**2,958**	**43,678**	**4,946,628**	**14,041**	**2,400**	**4,977,432**
B. Off-balance sheet exposures								
a) Non-performing	3,095	-	-	-	X	-	X	3,095
b) Performing	X	X	X	X	115,925	X	-	115,925
Total B	**3,095**	**-**	**-**	**-**	**115,925**	**-**	**-**	**119,020**
Total (A + B)	**3,108**	**596**	**2,958**	**43,678**	**5,062,553**	**14,041**	**2,400**	**5,096,452**

Cash exposures with customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

Bad loans

Net bad loans amounted to 24.7 million euros, net of 13.5 million euros adjustments. They refer to loans to former Banca del Gottardo Italia's customers for 23.0 million euros (net of 10.6 million euros of prior adjustments), fully covered by cash collateral deposits granted by BSI S.A. as part of the indemnity guarantee.
Therefore, net bad loans to remaining ordinary customers amounted to 1.7 million euros, or slightly below 7%.
In the reporting year, this aggregate generated inflows and write-offs for a total of 2.6 million euros, mainly regarding the closing-out of indemnity-guaranteed positions and transfer to other categories of non-performing loans for 10.9 million euros, of which 8.9 million euros referring to indemnity-guaranteed positions.
An exposure amounting to 1.9 million euros, which in the previous year had been classified among restructured loans and had been written down by nearly 50%, was transferred to bad loans. With regard to the latter, after the end of 2015 a settlement agreement was finalised with the counterparty which enabled to reduce the gross exposure to 1.15 million euros.

Unlikely to pay

At 31 December 2015, the aggregate mainly included:
> cash loans for a net amount of 5,052 thousand euros attributable to customers of the former Banca del Gottardo Italia, guaranteed by indemnities and thus with no risk of loss to the Bank; this amount includes 5,046 thousand euros net subject to forbearance measures;
> other positions backed by collateral (19 thousand euros) or currently subject to rescheduling plan (11 thousand euros);

> other exposures for a net amount of 22 thousand euros referring to 98 positions with average balance below 300 euros.

The aggregate decreased due to:
> transfer of defaulted positions guaranteed by indemnity, amounting to 8.9 million euros;
> transfer of a previously restructured position to bad loans, for an amount of 1.9 million euros;
> sale of the Investimenti Marittimi position, totalling 10.7 million euros at 31 December 2014, to the subsidiary Redoze Holding AG, as described in greater detail in Part H of the Notes and Comments.

Non-performing, past-due exposures

At year-end 2015, this aggregate reported a net amount of 3,371 thousand euros and consisted for over 95% of 9 positions backed by collateral (almost fully pledged), for which renewal of the credit line was underway.
The aggregate was subject to adjustments for 388 thousand euros overall.

Performing, past-due exposures

Performing, expired exposures include also positions past due or expired by more than 90 days, for which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted, in compliance with the provisions set forth in the Bank of Italy Circular Letter No. 272.
In almost all cases, these are positions guaranteed by pledges of securities found to be expired on the reporting date and currently being repaid.

At 2015 year-end, this aggregate totalled 24,934 thousand euros, including positions already settled in the first two months of the year and amounting to 9,123 thousand euros.

The residual amount still past due is composed of:
> 15,584 thousand euros of positions secured by collateral, almost exclusively consisting of pledges of financial instruments, for outstanding balances in excess of the approved credit limits due to interest charges or extended positions subject to repayment plans;
> 912 marginal positions totalling 227 thousand euros, with an average amount past due of approximately 250 euros each, subject to debt recovery procedures or written off when deemed uncollectible.

Forborne exposures

on-performing exposures with forbearance measures totalled 6,961 thousand euros at 31 December 2015 and may be broken down as follows:
> 5,046 thousand euros attributable to a position reclassified amongst unlikely to pay, subject to forbearance in the form of turnaround agreements (pursuant to Article 67, paragraph 3, of the Bankruptcy Law) and associated with the portfolio guaranteed by the seller BSI BA (indemnity);
> 1,902 thousand euros attributable to a position classified as a bad debt, already examined in detail in the section regarding this category of non-performing assets.

The amount of performing forborne exposures is negligible.

A.1.7 Cash credit exposures with customers: changes in gross non-performing exposures

CAUSES/CATEGORIES	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING, PAST-DUE EXPOSURES
A. Gross exposure at year-start	**28,589**	**27,529**	**6,335**
- *of which: exposures transferred but not written off*	-	-	-
B. Increases	**12,154**	**11,279**	**3,761**
B.1 Inflows from performing exposures	-	127	3,526
B.2 Transfers from other categories of non-performing loans	10,915	14	-
B.3 Other increases	1,239	11,138	235
- *of which: business combinations*	-	-	-
C. Decreases	**2,564**	**33,501**	**6,337**
C.1 Outflows to performing exposures	-	27	6,208
C.2 Write-offs	1,626	11,224	35
C.3 Repayments received	938	11,335	80
C.4 Gains from disposals	-	-	-
C.5 Losses from disposals	-	-	-
C.6 Transfer to other categories of non-performing loans	-	10,915	14
C.7 Other decreases	-	-	-
D. Gross exposure at year-end	**38,179**	**5,307**	**3,759**
- *of which: exposures transferred but not written off*	-	-	-

A.1.7-*bis* Cash credit exposures with customers: changes in gross forborne exposures, broken down by credit quality

CAUSES/CATEGORIES	FORBORNE EXPOSURES NON-PERFORMING	FORBORNE EXPOSURES PERFORMING
A. Gross exposure at year-start	**1,847**	**-**
- *of which: exposures transferred but not written off*	-	-
B. Increases	**5,114**	**23**
B.1 Inflows from performing non-forborne exposures	4,940	23
B.2 Inflows from performing forborne exposures	-	X
B.3 Inflows from non-performing exposures with forbearance measures	X	-
B.4 Other increases	174	-
C. Decreases	**-**	**-**
C.1 Outflows for performing non-forborne exposures	X	-
C.2 Outflows for performing forborne exposures	-	X
C.3 Outflows for non-performing exposures with forbearance measures	X	-
C.4 Write-offs	-	-
C.5 Repayments received	-	-
C.6 Gains from disposals	-	-
C.7 Losses from disposals	-	-
C.8 Other decreases	-	-
D. Gross exposure at year-end	**6,961**	**23**
- *of which: exposures transferred but not written off*	-	-

A.1.8 Non-performing cash credit exposures with customers: changes in total adjustments

	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING, PAST-DUE EXPOSURES	
CAUSES/CATEGORIES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
A. Total adjustments at year-start	**13,647**	**-**	**7,912**	**624**	**447**	**-**
- *of which: exposures transferred but not written off*	-	-	-	-	-	-
B. Increases	**1,455**	**967**	**1,809**	**11**	**499**	**-**
B.1 Adjustments	604	343	150	11	401	-
B.2 Losses from disposals	11	-	1,659	-	-	-
B.3 Transfer from other categories of non-performing exposures	840	624	-	-	-	-
B.4 Other increases	-	-	-	-	98	-
C. Decreases	**1,652**	**-**	**9,519**	**624**	**558**	**-**
C.1 Reversal of adjustments	-	-	-	-	-	-
C.2 Reversal of collections	19	-	48	-	515	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	1,626	-	6,917	-	-	-
C.5 Transfer to other categories of non-performing exposures	-	-	797	624	43	-
C.6 Other decreases	7	-	1,757	-	-	-
D. Total adjustments at year-end	**13,450**	**967**	**202**	**11**	**388**	**-**
- *of which: exposures transferred but not written off*	-	-	-	-	-	-

Besides the exposures included in the previous tables, other non-performing positions recognised in the Financial Statements amounted to 969 thousand euros, attributable to operating receivables not involving loans, mostly relating to disputes and pre-dispute positions against former Financial Advisors (terminated or expired contracts).

OPERATING RECEIVABLES UNDER DISPUTE	GROSS	WRITE-DOWNS	NET
FAs, former SIM, arising on litigation	14	-14	-
FA litigation	2,499	-1,530	969
Advances to FAs	102	-102	-
INA agents	813	-813	-
Write-downs of receivables from FAs	**3,428**	**-2,459**	**969**
Write-downs of operating receivables	**219**	**-219**	**-**
Total	**3,647**	**-2,678**	**969**

A.2 Classification of exposure based on external and internal ratings

Banca Generali has not yet defined an internal rating system for evaluating its customers' credit standing. The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Cash and off-balance sheet credit exposures, broken down by external rating classes

	EXTERNAL RATING CLASSES							
EXPOSURES	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-	WITHOUT RATING	TOTAL
HFT financial assets	-	-	10,134	115	-	-	13,027	23,276
AFS financial assets	16,032	44,416	2,772,068	40,900	4,457	-	14,836	2,892,709
HTM financial assets	7,992	5,493	377,367	24,087	8,646	-	-	423,585
Loans to customers		4,979	16,535	13,528	-		1,836,535	1,871,577
Loans to banks	-	2,985	26,995	51,473	35,040	-	258,283	374,776
A. Cash exposure	**24,024**	**57,873**	**3,203,099**	**130,103**	**48,143**	**-**	**2,122,681**	**5,585,923**
Financial derivatives	-	-	-	-	-	-	529	529
Credit derivatives	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**529**	**529**
C. Guarantees issued	**-**	**-**	**2,224**	**-**	**-**	**-**	**115,477**	**117,701**
D. Commitment to dispense funds	**-**	**-**	**30**	**-**	**-**	**-**	**994**	**1,024**
E. Other	**-**	**-**	**50**	**-**	**-**	**-**	**-**	**50**
Total	**24,024**	**57,873**	**3,205,403**	**130,103**	**48,143**	**-**	**2,239,681**	**5,705,227**

A.3 Breakdown of guaranteed exposure by type of guarantee

A.3.2 Guaranteed credit exposure with customers

		COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2)						
						CREDIT DERIVATIVES		SIGNATURE LOANS				
	EXPOSURE NET AMOUNT	BUILDINGS - MORTGAGES	BUILDINGS - FINANCE LEASE	SECURITIES	OTHER COLLATERA-LISED GUARANTEES	CLN	OTHER ENTITIES	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	OTHER ENTITIES	**TOTAL (1) + (2)**
1. Guaranteed cash credit exposure:	**1,644,792**					**-**	**-**	**-**	**-**	**427**	**11,447**	**1,615,812**
1.1 Totally guaranteed	1,564,670	387,237	-	732,085	434,079	-	-	-	-	427	10,842	1,564,670
- *of which: non-performing*	*29,947*	*17,331*	-	*7,864*	*165*	-	-	-	-	-	*4,587*	*29,947*
1.2 Partially guaranteed	80,122	1,997	-	35,022	13,518	-	-	-	-	-	605	51,142
- *of which: non-performing*	*911*	*3*	-	-	-	-	-	-	-	-	-	*3*
2. Guaranteed off-balance sheet credit exposure:	**96,012**	**138**	**-**	**70,351**	**21,832**	**-**	**-**	**-**	**-**	**-**	**1,663**	**93,984**
2.1 Totally guaranteed	93,723	90	-	70,306	21,664	-	-	-	-	-	1,663	93,723
- *of which: non-performing*	*935*	-	-	*859*	*8*	-	-	-	-	-	*68*	*935*
2.2 Partially guaranteed	2,289	48	-	45	168	-	-	-	-	-	-	261
- *of which: non-performing*	*2,000*	-	-	*34*	*81*	-	-	-	-	-	-	*115*

B. Breakdown and concentration of credit exposures

B.1 Sector breakdown of cash and off-balance sheet credit exposures with customers (book value)

EXPOSURE/COUNTERPARTY	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	TOTAL VALUE ADJUSTMENTS
A. Cash exposures			
1. Governments	**2,958,315**	**-**	**-**
A.1 Bad loans	-	-	-
- *of which: forborne exposures*	-	-	-
A.2 Unlikely to pay	-	-	-
- *of which: forborne exposures*	-	-	-
A.3 Non-performing past-due exposures	-	-	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	2,958,315	-	-
- *of which: forborne exposures*	-	-	-
2. Other public institutions	**-**	**-**	**-**
A.1 Bad loans	-	-	-
- *of which: forborne exposures*	-	-	-
A.2 Unlikely to pay	-	-	-
- *of which: forborne exposures*	-	-	-
A.3 Non-performing past-due exposure	-	-	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	-	-	-
- *of which: forborne exposures*	-	-	-
3. Financial companies	**222,827**	**155**	**453**
A.1 Bad loans	100	120	-
- *of which: forborne exposures*	-	-	-
A.2 Unlikely to pay	1	34	-
- *of which: forborne exposures*	-	-	-
A.3 Non-performing past-due exposure	5	1	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	222,721	-	453
- *of which: forborne exposures*	-	-	-
4. Insurance companies	**20,856**	**-**	**-**
A.1 Bad loans	-	-	-
- *of which: forborne exposures*	-	-	-
A.2 Unlikely to pay	-	-	-
- *of which: forborne exposures*	-	-	-
A.3 Non-performing, past-due exposure	-	-	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	20,856	-	-
- *of which: forborne exposures*	-	-	-
5. Non-financial companies	**524,783**	**11,761**	**1,947**
A.1 Bad loans	18,489	11,706	-
- *of which: forborne exposures*	*935*	*967*	-
A.2 Unlikely to pay	5,087	26	-
- *of which: forborne exposures*	*5,048*	*11*	-
A.3 Non-performing past-due exposure	108	29	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	501,099	-	1,947
- *of which: forborne exposures*	-	-	-
6. Other entities	**1,250,651**	**2,125**	**-**
A.1 Bad loans	6,140	1,624	-
- *of which: forborne exposures*	-	-	-
A.2 Unlikely to pay	16	144	-
- *of which: forborne exposures*	-	-	-
A.3 Non-performing past-due exposure	3,258	357	-
- *of which: with forbearance measures*	-	-	-
A.4 Performing exposures	1,241,237	-	-
- *of which: forborne exposures*	*23*	-	-
Total A - Cash exposure	**4,977,432**	**14,041**	**2,400**

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
B. Off-balance sheet exposure			
1. Governments	**40**	**-**	**-**
B.1 Bad loans	-	-	-
B.2 Unlikely to pay	-	-	-
B.3 Other non-performing assets	-	-	-
B.4 Performing exposures	40	-	-
2. Other public institutions	**-**	**-**	**-**
B.1 Bad loans	-	-	-
B.2 Unlikely to pay	-	-	-
B.3 Other non-performing assets	-	-	-
B.4 Performing exposures	-	-	-
3. Financial companies	**114**	**-**	**-**
B.1 Bad loans	-	-	-
B.2 Unlikely to pay	-	-	-
B.3 Other non-performing assets	-	-	-
B.4 Performing exposures	114	-	-
4. Insurance companies	**4,224**	**-**	**-**
B.1 Bad loans	-	-	-
B.2 Unlikely to pay	-	-	-
B.3 Other non-performing assets	-	-	-
B.4 Performing exposures	4,224	-	-
5. Non-financial companies	**72,555**	**-**	**-**
B.1 Bad loans	68	-	-
B.2 Unlikely to pay	3,011	-	-
B.3 Other non-performing assets	-	-	-
B.4 Performing exposures	69,476	-	-
6. Other entities	**42,087**	**-**	**-**
B.1 Bad loans	-	-	-
B.2 Unlikely to pay	-	-	-
B.3 Other non-performing assets	16	-	-
B.4 Performing exposures	42,071	-	-
Total B - Off-balance sheet exposure	**119,020**	**-**	**-**

Summary

	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
Governments	2,958,355	-	-
Public institutions	-	-	-
Financial companies	222,941	155	453
Insurance companies	25,080	-	-
Non-financial companies	597,338	11,761	1,947
Other entities	1,292,738	2,125	-
Overall total (A+B) at 31.12.2015	**5,096,452**	**14,041**	**2,400**
Overall total (A+B) at 31.12.2014	**5,302,542**	**22,006**	**2,636**

B.2 Geographical breakdown of cash and off-balance sheet credit exposures with customers (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash exposures										
A.1 Bad loans	24,729	12,871	-	579	-	-	-	-	-	-
A.2 Unlikely to pay	5,104	203	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	3,370	387	1	1	-	-	-	-	-	-
A.4 Other performing exposures	4,728,261	1,966	169,346	428	44,989	6	1,632	-	-	-
Total A	**4,761,464**	**15,427**	**169,347**	**1,008**	**44,989**	**6**	**1,632**	**-**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	68	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	3,011	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	16	-	-	-	-	-	-	-	-	-
B.4 Other performing exposures	115,832	-	93	-	-	-	-	-	-	-
Total B	**118,927**	**-**	**93**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2015	**4,880,391**	**15,427**	**169,440**	**1,008**	**44,989**	**6**	**1,632**	**-**	**-**	**-**
Total at 31.12.2014	**5,219,738**	**23,786**	**72,078**	**856**	**10,323**	**-**	**403**	**-**	**-**	**-**

B.3 Geographical breakdown of cash and off-balance sheet credit exposures with banks (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due, exposures	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposures	487,427	3,872	69,017	53	52,046	-	-	-	-	-
Total A	**487,427**	**3,872**	**69,017**	**53**	**52,046**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Other performing exposures	30	-	204	-	-	-	-	-	-	-
Total B	**30**	**-**	**204**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2015	**487,457**	**3,872**	**69,221**	**53**	**52,046**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2014	**403,132**	**3,713**	**33,613**	**6**	**28,680**	**-**	**-**	**-**	**-**	**-**

B.4 Large exposures

The Regulation (EU) No. 575/2013 (CRR) and the Directive No. 2013/36/EU (CRD IV), published on the Official Journal of the European Union on 27 June 2013, enacted the new rules defined by the Basel Committee on banking supervision. On 17 December 2013, the Bank of Italy applied the above provisions by issuing Circular Letter No. 285 "New Prudential Supervisory Provisions Concerning Banks" — further amended in 2014 — and Circular Letter No. 286 "Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies". In detail, according to the new rules, exposure values of a bank to a counterparty or to a group of connected counterparties must be defined as a "large exposure" if it is equal to or above 10% of the bank's eligible capital base.
The EU Regulation CRR No. 575/2013 defines the "eligible capital" as the sum of Tier 1 capital and Tier 2 capital that is equal to or less than one third of Tier 1 capital.
The exposure value of an asset item shall be its accounting value and not its weighted value. Therefore, the positions which fall within the meaning of "Large Exposure" are recognised at both book value and weighted value.

LARGE EXPOSURES	31.12.2015	31.12.2014
a) Carrying amount	3,758,456	4,197,646
b) Weighted amount	204,853	343,899
c) Number	8	14

C. Securitisation

C.1 Securitisation

The securisation portfolio contains only Quarzo CL1 securities, with underlying residential and commercial mortgages (RMBS/CMBS).

C.1.1 Breakdown of exposure resulting from securitisation by quality of underlying assets

TYPE OF UNDERLYING ASSETS/EXPOSURES	CASH EXPOSURES						TOTAL NET EXPOSURE
	SENIOR		MEZZANINE		JUNIOR		
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	
A. With own underlying assets:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-
B. With third-party underlying assets:	**13,027**	**13,027**	**-**	**-**	**-**	**-**	**13,027**
a) Non-performing	-	-	-	-	-	-	-
b) Other	13,027	13,027	-	-	-	-	13,027

C.1.3 Exposures resulting from the third-party main securitisation, broken down by type of securitised assets and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURES	CASH EXPOSURES					
	SENIOR		MEZZANINE		JUNIOR	
	BOOK VALUE	ADJUSTMENTS OF REVERSALS	BOOK VALUE	ADJUSTMENTS OF REVERSALS	BOOK VALUE	ADJUSTMENTS OF REVERSALS
A. Cash exposures						
A.1 QUARZO CL1 FRN 31.12.2019 ABS	13,027	-	-	-	-	-
Portfolio trading ISIN IT0004284706 underlying RMBS/CMBS						
B. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**
C. Lines of credit	**-**	**-**	**-**	**-**	**-**	**-**

C.1.4 Exposures arising on securitisations broken down by portfolio and type

EXPOSURE/PORTFOLIO	TYPE OF FINANCIAL-ASSET PORTFOLIO						
	HFT FINANCIAL ASSETS	FINANCIAL ASSETS AT FAIR VALUE	HTM AFS	HTM FINANCIAL ASSETS	LOANS	31.12.2015	31.12.2014
1. Cash exposures	**13,027**	**-**	**-**	**-**	**-**	**13,027**	**13,964**
Senior	13,027	-	-	-	-	13,027	13,964
Mezzanine	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Senior	-	-	-	-	-	-	-
Mezzanine	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-

E. Transfer Operations

E.1 Transferred financial assets not written off: book value and total value

TECHNICAL TYPE /PORTFOLIO	HFT FINANCIAL ASSETS			AFS FINANCIAL ASSETS			HTM FINANCIAL ASSETS			LOANS TO BANKS			LOANS TO CUSTOMERS			TOTAL 31.12.2015	TOTAL 31.12.2014
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Cash assets	-	-	-	304,153	-	-	-	-	-	-	-	-	-	-	-	304,153	199,893
1. Debt securities	-	-	-	304,153	-	-	-	-	-	-	-	-	-	-	-	304,153	199,893
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITSs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2015	**-**	**-**	**-**	**304,153**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**304,153**	**-**
- *of which: non-performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2014	**-**	**-**	**-**	**179,212**	**-**	**-**	**20,681**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**199,893**
- *of which: non-performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A = Transferred financial assets fully recognised (book value)
B = Transferred financial assets partially recognised (book value)
C = Transferred financial assets partially recognised (total value)

E.2 Financial liabilities for transferred assets not written off: book value

LIABILITIES/ASSETS PORTFOLIO	HFT FINANCIAL ASSETS	FVO FINANCIAL ASSETS	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS TO BANKS	LOANS TO CUSTOMERS	TOTAL
1. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) for fully recognised assets	-	-	-	-	-	-	-
b) for partially recognised assets	-	-	-	-		-	-
2. Due to banks	**-**	**-**	**303,927**	**-**	**-**	**-**	**303,927**
a) for fully recognised assets	-	-	303,927	-	-	-	303,927
b) for partially recognised assets	-	-	-	-	-	-	-
Total at 31.12.2015	**-**	**-**	**303,927**	**-**	**-**	**-**	**303,927**
Total at 31.12.2014	**-**	**-**	**179,064**	**21,670**	**-**	**-**	**200,734**

Section 2 – Market risks

The bank's exposure to market risk mainly arises on the trading of financial instruments on its own account. Market risk is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).
In particular, securities measured at fair value and classified in the HFT and AFS portfolios are exposed to risk, as fluctuations in their prices impact the Group's profit and loss account and/or net equity.

With regard to market risk management, the Bank has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority. The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.
Second-tier checks are a responsibility of the Risk and Capital Adequacy Department, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Departmentconducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international banks and, to a lesser extent, in securities of corporate issuers.
The portfolio's exposure to the equities market remains limited with respect to the bond component, and derivatives transactions are absolutely marginal in extent.
The Bank's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.
The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.
Banca Generali holds only small amounts of securities denominated in foreign currencies.
Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio. VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.
VaR measurement is used for the sole purpose of performing a management analysis of the Bank, which have no internal models aimed at submitting regular reports to the Supervisory Body.

2.1 Interest Rate and Price Risk- Regulatory Trading Book

Qualitative information

A. General Aspects

The main activities of the Bank that increase its exposure to interest rate risk relating to its trading book include:
> management of the government bond book;
> management of the financial bond portfolio;
> dealings in interest rate derivatives, all of which over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Finance Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:
> supporting the activities of the sales network in relation to placing repurchase agreements for customers;
> supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);
> providing medium-term liquidity management by investing in government securities and/or securities of major banks;
> investing with a view to asset allocation in floating- and/or fixed-rate financial bonds and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The bank's investments in structured securities are negligible.

B. Management Processes and Interest Rate Risk Measurement Techniques

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio.

VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.
The following table shows the average risk of the Bank's portfolio (both trading and banking books) for 2015:

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Average VaR 99% 1 day (€/000)	13,433.41	10,422.62	10,904.24	9,539.34

Throughout 2015, market risk remained at moderate levels, with an average one-day 99% VaR of less than 0.4% of the total portfolio.

Quantitative information

1. Regulatory trading portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	**-**	**13,078**	**5,534**	**4,346**	**352**	**-**	**-**	**-**	**23,310**
1.1 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	13,078	5,534	4,346	352	-	-	-	23,310
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreement liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**143,579**	**6,258**	**17,248**	**80**	**-**	**-**	**-**	**167,165**
3.1 With underlying securities	-	123	18	-	80	-	-	-	221
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	53	18	-	40	-	-	-	111
+ short positions	-	70	-	-	40	-	-	-	110
3.2 Without underlying securities	-	143,456	6,240	17,248	-	-	-	-	166,944
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	71,728	3,120	8,624	-	-	-	-	83,472
+ short positions	-	71,728	3,120	8,624	-	-	-	-	83,472

2. Regulatory trading portfolio: breakdown of exposures in capital securities and stock indices for the main countries on the market of listing

TYPE OF TRANSACTION/INDEX	LISTED			NON-LISTED
	ITALY	FRANCE	OTHER	
A. Equity securities				
Long positions	826	-	505	-
Short positions	-	-	-	-
B. Equity security purchases/sales to be settled				
Long positions	-	-	-	-
Short positions	-	-	-	-
C. Other derivatives on capital securities				
Long positions	-	-	-	-
Short positions	22	-	-	-
D. Stock index derivatives				
Long positions	-	-	-	-
Short positions	19	-	-	-

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by interest-rate risk or exchange-rate risk), regardless of whether such changes are the result of factors specific to the instrument or issuer in question, or are due to factors that influence all similar financial instruments traded on the market.

Price risk arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc., and in relation to UCITS units held in the portfolio.
However, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

3. Regulatory trading portfolio: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.
This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primary risk factors, which for Banca Generali Group are interest-rate and price risk.
In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/-100 basis points in the rate curve.
The next stage involves establishing the potential effects on the Profit and Loss Account, both in terms of the point change in the fair value of the portfolio under analysis on the reporting date, and the change in the net interest income for the current year.
In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +133.1/-133.1 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

By contrast, an interest rate movement of +100/-100 basis points would have had an overall effect on the fair value of the portfolio of debt securities held for trading of -290.3/+290.3 thousand euros, gross of the tax effect. The fair value delta component of government bonds carried in the HFT portfolio associated with such bonds would amount to -1.5/+1.5 thousand euros due to the hypothesised shift in the rate curve.

	HFT
FV equity delta (+10%)	133.10
FV equity delta (-10%)	-133.10
FV bonds delta (+1%)	-290.30
- *of which: government bonds*	*-1.49*
FV bonds delta (-1%)	290.30
- *of which: government bonds*	*1.49*
Net interest income delta (+1%)	83.25
Net interest income delta (-1%)	-83.25

2.2 Interest Rate and Price Risk - Banking Portfolio

Qualitative information

A. General aspects, management processes and interest rate and price risk measurement techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, net equity.

With regard to the management of the interest rate risk of the banking book is exposed, the Bank has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk. The Risk and Capital Adequacy Department is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed. The Internal Audit Department is responsible for third-tier controls of loans and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Most of the interest rate risk in the Bank's banking portfolio arises from:
- trading on the interbank deposits market;
- customer lending activities; and
- investment operations of the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the Group's objectives in terms of net interest income.

The price risk associated with the banking portfolio is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).
Financial instruments mainly refer to equities and UCITS units listed on regulated markets, except for SIF Tyndaris SICAV (closed-end fund linked to the real-estate market), the Algebris NPL fund, the equity investment in the vehicle Athena Private Equity and Veneto Banca.
The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

B. Fair Value and Cash Flow Hedging

The bank does not currently engage in fair value or cash flow hedging.

Quantitative information

1. Banking portfolio: broken down by time-to-maturity (according to repricing date) of financial assets and liabilities

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	**1,862,566**	**500,776**	**1,591,587**	**133,401**	**1,227,507**	**231,870**	**14,941**	**-**	**5,562,648**
1.1 Debt securities									
- with early repayment option	-	4,756	-	-	-	14,032	-	-	18,788
- other	2,494	347,086	1,585,672	127,044	1,195,958	204,820	-	-	3,463,074
1.2 Loans to banks	119,070	139,213	-	-	-	-	-	-	258,283
1.3 Loans to customers									
- current accounts	927,906	1	3	5	979	-	-	-	928,894
- other loans	813,096	9,720	5,912	6,352	30,570	13,018	14,941	-	893,609
- with early repayment option	695,977	5,566	4,451	6,352	30,489	13,018	14,941	-	770,794
- other	117,119	4,154	1,461	-	81	-	-	-	122,815
2. Cash liabilities	**4,829,737**	**259,173**	**50,015**	**-**	**-**	**43,283**	**-**	**-**	**5,182,208**
2.1 Due to customers									
- current accounts	4,706,918	-	-	-	-	-	-	-	4,706,918
- other payables	98,066	-	-	-	-	43,283	-	-	141,349
- with early repayment option	-	-	-	-	-	-	-		-
- other	98,066	-	-	-	-	43,283	-	-	141,349
2.2 Due to banks									
- current accounts	1,392	-	-	-	-	-	-	-	1,392
- other payables	23,361	259,173	50,015	-	-	-	-	-	332,549
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying securities									
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities									
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
4. On off-balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-

2. Banking portfolio: internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associated with equities classified among AFS assets of +1.7/-1.7 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of -44/+44 million euros, gross of the tax effect.
The fair value delta component associated with the government bonds in the banking book would amount to -55.3/+55.3 million euros as a result of the hypothesised shift in the rate curve, or 62.7% of the fair value delta of the entire banking book.

A change of +100/-100 basis points in interest rates would have an effect of +29/-29 million euros on the flow of interest on the banking book consisting of debt securities classified among financial assets available for sale (AFS), held to maturity (HTM), loans and receivables (L&R) and loans.

	HFT	AFS	HTM+L&R	LOANS (*)	TOTAL
FV equity delta (+10%)	133.10	1,719.60	-	-	1,852.70
FV equity delta (-10%)	-133.10	-1,719.60	-	-	-1,852.70
FV bonds delta (+1%)	-290.30	-44,018.29	-23,736.50	-20,418.40	-88,463.48
- *of which: government bonds*	*-1.49*	*-37,599.30*	*-17,702.28*	-	*-55,303.07*
FV bonds delta (-1%)	290.30	44,018.29	23,736.50	20,418.40	88,463.48
- *of which: government bonds*	*1.49*	*37,599.30*	*17,702.28*	-	*55,303.07*
Net interest income delta (+1%)	83.25	11,560.16	516.02	16,895.33	29,054.76
Net interest income delta (-1%)	-83.25	-11,560.80	-516.05	-16,896.49	-29,056.58

(*) Loans to banks and Loans to customers.

The same criteria were also applied to a sensitivity analysis of net interest income of all financial statement items. It resulted in a potential impact on the Profit and Loss Account of +22.4 thousand euros, gross of the tax effect, in case of increase of interest rates by 1%, and -22.5 thousand euros in case of decrease by the same amount.

	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	29,054.76	-6,658.91	22,395.85
Net interest income delta (-1%)	-29,056.58	6,543.86	-22,512.72

2.3 Exchange rate risk

Qualitative information

A. General Aspect, Management Processes and Exchange Rate Risk Measurement Techniques

Exchange rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.
With regard to exchange risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department performs first-tier controls of exchange-rate risk management.
The Risk and Capital Adequacy Department Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the exchange rate risk.

The Internal Audit Department is responsible for third-tier controls of loans and inflows in foreign currency.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the Exchange rate risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Most of the exchange-rate risk arises from:
- trading of securities and other financial assets in foreign currency;
- interest to be collected and/or paid, reimbursements, fees or dividends in foreign currency;
- bank transfers in foreign currency to customers (Institutional and Retail customers);
- currency trading on behalf of customers.

The main objective of exchange rate operations is to contain open positions in foreign currencies, exclusively currency account currencies.
Exchange rate risk is mitigated through funding activities in the same currency as that of lending transactions.

Quantitative information

1. Breakdown by currency of denomination for assets, liabilities, and derivatives

ITEMS	CURRENCY							
	US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	ICELAND KRONA	CANADIAN DOLLAR	OTHER CURRENCIES	TOTAL CURRENCIES
A. Financial assets	**37,674**	**207**	**19,030**	**6,290**	**1,838**	**1,274**	**2,575**	**68,888**
A.1 Debt securities	-	-	-	-	-	-	151	151
A.2 Equity securities	-	-	-	-	-	-	-	-
A.3 Loans to banks	37,674	111	13,615	6,290	1,838	1,274	2,424	63,226
A.4 Loans to customers	-	96	5,415	-	-	-	-	5,511
A.5 Other financial assets	-	-	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**37,990**	**158**	**18,804**	**6,733**	**1,814**	**1,268**	**2,415**	**69,182**
C.1 Due to banks	-	-	5,261	-	-		-	5,261
C.2 Due to customers	37,990	158	13,543	6,733	1,814	1,268	2,415	63,921
C.3 Debt securities	-	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**723**	**-5**	**-223**	**-38**	**-**	**-**	**1**	**458**
Options	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-
Other derivatives	723	-5	-223	-38	-	-	1	458
- long positions	38,216	-	531	2,778	-	-	440	41,965
- short positions	37,493	5	754	2,816	-	-	439	41,507
Total assets	**75,890**	**207**	**19,561**	**9,068**	**1,838**	**1,274**	**3,015**	**110,853**
Total liabilities	**75,483**	**163**	**19,558**	**9,549**	**1,814**	**1,268**	**2,854**	**110,689**
Excess	**407**	**44**	**3**	**-481**	**24**	**6**	**161**	**164**

2. Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has been also conducted on assets and liabilities denominated in currencies other than the euro, regardless of the portfolio to which they have been allocated.

On the whole, a change of +100/-100 bps would have an effect on the fair value of bonds and securities other than equities in foreign currency of -3.6/+3.6 thousand euros, gross of the tax effect

	ASSETS
FV equity delta (+10%)	-
FV equity delta (-10%)	-
FV non-equity delta (+1%)	-3.62
FV non-equity delta (-1%)	3.62
Net interest income delta (+1%)	668.29
Net interest income delta (-1%)	-668.29

By contrast, an interest rate movement of +100/-100 basis points would have an effect of -/+12.7 thousand euros on the flow of interest on assets and liabilities denominated in currencies other than the euro.

	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	668.29	-680.96	-12.67
Net interest income delta (-1%)	-668.29	680.96	12.67

The Bank does not held equity positions denominated in currencies other than the euro.

2.4 Derivative Financial Instruments

A. Financial Derivatives

A.1 Regulatory and trading portfolio: notional amounts at year-end and average amounts

TYPES OF DERIVATIVES/ UNDERLYING ASSETS	31.12.2015 OTC	31.12.2015 CENTRAL COUNTERPARTIES	31.12.2014 OTC	31.12.2014 CENTRAL COUNTERPARTIES
1. Debt securities and interest rates	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**15,003**
a) Options	-	-	-	15,003
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**67,217**	**-**	**96,979**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	67,217	-	96,979	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**67,217**	**-**	**96,979**	**15,003**

A.3 Financial derivatives: positive gross fair value – breakdown by products

PORTFOLIO/TYPE OF DERIVATIVES	POSITIVE FV 2015		POSITIVE FV 2014	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	**529**	**-**	**2,685**	**1,138**
a) Options	42	-	-	1,138
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	487	-	2,685	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging portfolio	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**529**	**-**	**2,685**	**1,138**

A.4 Financial derivatives: negative gross fair value - breakdown by product

PORTFOLIO/TYPE OF DERIVATIVES	NEGATIVE FV 2015		NEGATIVE FV 2014	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	**463**	**-**	**2,655**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	463	-	2,655	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging portfolio	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**463**	**-**	**2,655**	**-**

A.5 OTC financial derivatives – Regulatory Trading Book: notional values, positive and negative gross fair value by counterparties — contracts other than netting arrangements

CONTRACT OTHER THAN NETTING ARRANGEMENTS	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
1) Debt securities and interest-rates							
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
2} Equity securities and equity indices							
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	42	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	42	-	-	-
3) Currencies and gold							
Notional value	-	-	35,308	-	-	9,872	22,037
Positive fair value	-	-	204	-	-	71	212
Negative fair value	-	-	328	-	-	-	135
Future exposure	-	-	353	-	-	99	220
4) Other values							
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-

A.9 Time-to-maturity of OTC financial derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading portfolio	**67,217**	**-**	**-**	**67,217**
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	67,217	-	-	67,217
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 31.12.2015	**67,217**	**-**	**-**	**67,217**
Total at 31.12.2014	**96,979**	**-**	**-**	**96,979**

Section 3 - Liquidity risk

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

With regard to liquidity risk management, the Bank has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

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

The Risk and Capital Adequacy Department Management Service is responsible for second-tier controls. Liquidity risks are maintained within appropriate short-term and structural operating limits (over one year), which are monitored by the Risk Management Service. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Department is responsible for third-tier controls on lending and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

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

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international financials and, to a lesser extent, in securities of corporate issuers.

The Bank uses a maturity ladder to apply the guidelines set out in the Prudential Supervisory provisions governing the measurement of net financial position. Through the maturity ladder the bank assesses the matching of expected cash flows, by balancing assets and liabilities whose maturity falls within each maturity range; the balances and therefore the mismatches between expected inflows and outflows within each maturity range allows, through the construction of cumulative mismatches, the calculation of the net balance of funding requirement (or surplus) over the period considered.

1. Breakdown of financial assets and liabilities by remaining contractual maturity

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	OVER 3 MONTHS	OVER 6 MONTHS	OVER 1 YEAR UP TO 6 MONTHS	OVER 5 YEARS UP TO 1 YEAR UP TO 5 YEARS	INDEF. MATURITY	TOTAL
Cash assets											
A.1 Government securities	-	-	188	-	181,486	34,087	248,401	1,644,850	829,298	-	2,938,310
A.2 Other debt securities	4	56	326	8,857	23,539	10,454	25,400	451,050	39,000	-	558,686
A.3 UCITS units	32,170	-	-	-	-	-	-	-	-	-	32,170
A.4 Loans											
- to banks	119,070	-		-	-	-	-	-	-	139,213	258,283
- to customers	1,035,859	4	30,897	203	24,864	38,402	92,478	305,183	303,589	-	1,831,479
Total	**1,187,103**	**60**	**31,411**	**9,060**	**229,889**	**82,943**	**366,279**	**2,401,083**	**1,171,887**	**139,213**	**5,618,928**
Cash liabilities											
B.1 Deposits and current accounts											
- from banks	1,393	-	-	-	5,271	-	-	-	-	-	6,664
- from customers	4,705,201	-	-	301	103	186	447	679	-	-	4,706,917
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	156,490	-	-	-	253,912	50,015	-	-	43,028	-	503,445
Total	**4,863,084**	**-**	**-**	**301**	**259,286**	**50,201**	**447**	**679**	**43,028**	**-**	**5,217,026**
Off-balance sheet transactions											
C.1 Financial derivatives with capital swap											
- long positions	-	17,399	-	28,113	26,269	3,120	8,624	58	-	-	83,583
- short positions	-	17,428	-	28,101	26,269	3,120	8,624	40	-	-	83,582
C.2 Financial derivatives with capital swap											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds											
- long positions	-	-	-	-	-	-	-	88	2	-	90
- short positions	90	-	-	-	-	-	-	-	-	-	90
C.5 Financial guarantees issued	160	-	-	-	-	-	-	-	-	-	160
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
Total	**250**	**34,827**	**-**	**56,214**	**52,538**	**6,240**	**17,248**	**186**	**2**	**-**	**167,505**

Section 4 - Operating risks

A. General aspects

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

With regard to operating risk management, the Bank has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The functions dealing with Organisation and IT guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Bank and, if necessary, implements measures to guarantee a higher general level of security.
The Risk and Capital Adequacy Department function identifies and assesses the operational risks inherent in business processes (risk assessment and scoring), measures the impact of operational losses (Loss Data Collection process), monitors the action plans adopted to mitigate material risks, and controls KRIs (Key Risk Indicators) to manage the areas of highest risk.
The Internal Audit function supervises the regular conduct of the Bank's operations and processes, and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

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

PART F - INFORMATION ON NET EQUITY

Section 1 - Net equity

A. Qualitative information

The bank's capital management strategy aims to ensure that the capital and ratios are consistent with its risk profile and regulatory requirements.
Banca Generali is subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by European Union and applied by the Bank of Italy.
Such rules envisage the specific concept of Own Funds, which is separate from the net equity stated in the Financial Statements. Own funds are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.
Ongoing compliance with minimum capital requirements is monitored by the Risk Management Service, whereas the Regulatory Reporting function is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases (historical regulatory archive).

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items.
Additional analyses and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.
Compliance with capital adequacy is also guaranteed by the adoption of ECB's recommendations issued on 17 December 2015 on dividend distribution policies (ECB/2015/49) and ECB's Letter dated 26 November 2015 concerning variable remuneration policies, both aimed at observing minimum capital adequacy requirements in the medium-/long-term and detecting the potential effects of any adverse market situation.

B. Quantitative information

Net equity of Banca Generali at 31 December 2015 amounted to 523.6 million euros, a 81.2 million euro increase compared to the previous year figure.

			CHANGE	
(€ THOUSAND)	31.12.2015	31.12.2014	AMOUNT	%
1. Share capital	116,093	115,677	416	0.4%
2. Additional paid-in capital	50,063	45,575	4,488	9.8%
3. Reserves	153,190	95,653	57,537	60.2%
4. (Treasury shares)	-2,555	-41	-2,514	6131.7%
5. Valuation reserves	22,500	18,054	4,446	24.6%
6. Equity instruments	-	-	-	n.a.
7. Net profit (loss) for the year	184,292	167,459	16,833	10.1%
Total Net equity	**523,583**	**442,377**	**81,206**	**18.4%**

The increase in net equity was influenced by the distribution of the 2014 dividends amounting to approximately 113.4 million euros, authorised by the Shareholders' meeting held on 23 April 2015 to approve the Financial Statements, and the effects generated by previous and new stock option plans, the performance of fair value reserves for the portfolio of AFS financial assets and other reserves which contribute to the comprehensive income.
At year-end, in implementation of the Resolution of the Shareholders' Meeting of 23 April 2015 and the Bank of Italy's authorisation issued on 3 June 2015, a total of 88,213 Banca Generali shares were also purchased in service of the new stock granting plans for the Banking Group's key personnel, as introduced by the new 2015 Remuneration Policy in compliance with Supervisory Provisions.

Net Equity at year-start	**442,377**
Dividend paid	-113,431
Purchase of own shares	-2,514
Previous stock option plans: issue of new shares	4,384
New stock option plans	1,717
AG stock granting plans	2,312
Change in valuation reserves	4,446
Net profit for the year	184,292
Net Equity at year-end	**523,583**
Change	**81,206**

B.1 Breakdown of Net equity

(€ THOUSAND)	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %
1. Share capital	116,093	115,677	416	0.4%
2. Additional paid-in capital	50,063	45,575	4,488	9.8%
3. Reserves	153,190	95,653	57,537	60.2%
- Retained earnings	142,279	88,252	54,027	61.2%
a) Legal reserve	23,151	23,081	70	0.3%
b) Statutory reserve	-	-	-	n.a.
c) Treasury shares	2,555	41	2,514	6131.7%
d) Other	116,573	65,130	51,443	79.0%
- Other	10,911	7,401	3,510	47.4%
4. Equity instruments	-	-	-	n.a.
5. (Treasury shares)	-2,555	-41	-2,514	6131.7%
6. Valuation reserves	22,500	18,054	4,446	24.6%
- AFS financial assets	23,921	19,542	4,379	22.4%
- Property and equipment	-	-	-	n.a.
- Intangible assets	-	-	-	n.a.
- Hedges of foreign investments	-	-	-	n.a.
- Cash-flow hedges	-	-	-	n.a.
- Exchange differences	-	-	-	n.a.
- Non-current assets held for sale	-	-	-	n.a.
- Actuarial gains (losses) from defined benefit plans	-1,421	-1,488	67	-4.5%
- Share of valuation reserves of investee companies valued at equity	-	-	-	n.a.
- Special revaluation laws	-	-	-	n.a.
7. Net profit (loss) for the year	184,292	167,459	16,833	10.1%
Total Net equity	**523,583**	**442,377**	**81,206**	**18.4%**

B.2 Reserves from financial assets available for sale: assets

Valuation reserves from AFS financial assets measure the unrealised capital gains and losses, net of the associated tax effect, on the assets allocated to that portfolio and recognised at fair value.
The change in these reserves contributes to determining the overall company performance in relation to other comprehensive income (OCI), without passing through the profit and loss account.
However, when gains or losses are realised or an impairment loss is recognised, the cumulative amount of the reserve is reclassified to the Profit and Loss Account in the year of reference.

Fair value valuation reserves for AFS financial asset portfolio showed a rapid recovery compared to the abrupt decline recorded at the end of June due to the severe financial market volatility associated with the re-emergence of the Greek crisis.
The aggregate had an overall positive balance of 23.9 million euros, up by 4.4 million compared to year-end 2014.
This trend was mainly influenced by the portfolio of Italian government bonds, for which net reserves amounted to 21.6 million euros compared to 14.7 million euros at year-end 2014.

	31.12.2015			31.12.2014		
ASSETS/VALUES	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL
1. Debt securities	22,844	-838	22,006	18,175	-263	17,912
2. Equity securities	2,434	-260	2,174	1,814	-15	1,799
3. UCITS units	74	-333	-259	217	-386	-169
3. Loans	-	-	-	-	-	-
Total	**25,352**	**-1,431**	**23,921**	**20,206**	**-664**	**19,542**

B.3 Reserves from financial assets available for sale: year changes

In detail, compared to a growth of 13.0 million euros recorded in 2014, a net capital gain of 4.4 million euros was generated in 2015 by the AFS portfolio through equity reserves, as a result of the following factors:

> an increase in net valuation gains of 23.0 million euros, due to the significant recovery of the market values of financial assets, and particularly of the Italian sovereign debt bonds held by the Bank;
> the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-16.7 million euros);
> the positive net tax effect (DTAs) associated with the above changes (-1.9 million euros).

	31.12.2015				
			DEBT SECURITIES		
(€ THOUSAND)	EQUITY SECURITIES	UCITS UNITS	CORPORATE	GOVERNMENT	TOTAL
1. Amount at year-start	**1,799**	**-169**	**3,158**	**14,754**	**19,542**
2. Increases	**753**	**619**	**2,125**	**24,620**	**28,117**
2.1 Fair value increases	741	230	824	24,620	26,415
2.2 Transfer to profit and loss of negative reserves:	-	-	-	-	-
- due to impairment	-	-	-	-	-
- due to disposal	-	321	-	-	321
Other changes	12	68	1,301	-	1,381
3. Decreases	**378**	**709**	**4,871**	**17,780**	**23,738**
3.1 Fair value decreases	338	389	1,604	1,055	3,386
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to profit and loss of positive reserves: due to disposal	-	295	3,267	13,485	17,047
3.4 Other changes	40	25	-	3,240	3,305
4. Amount at year-end	**2,174**	**-259**	**412**	**21,594**	**23,921**

B.4 Valuation reserves relating to defined benefit plans: year changes

	31.12.2015			31.12.2014		
	RESERVE	DTAS	NET RESERVE	RESERVE	DTAS	NET RESERVE
1. Amount at year-start	**-2,052**	**564**	**-1,488**	**-1,475**	**406**	**-1,069**
2. Increases	**-**	**-**	**-**	**-**	**-**	**-**
Decreases of actuarial losses	-	-	-	-	-	-
Other increases	-	-	-	-	-	-
3. Decreases	**92**	**-25**	**67**	**-577**	**158**	**-419**
Increases of actuarial losses	92	-25	67	-577	158	-419
Other decreases	-	-	-	-	-	-
4. Amount at year-end	**-1,960**	**539**	**-1,421**	**-2,052**	**564**	**-1,488**

Section 2 - Own Funds and Surveillance Coefficients

2.1 Own Funds

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

The new rules defined by the Basel Committee for bank supervision were adopted in community law in EU Regulation No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), published in the Official Journal of the European Union on 27 June 2013.
The Bank of Italy applied the above-mentioned provisions by issuing Circular Letter No. 285 of 17 December 2013, "*Supervisory Provisions for Banks*", further amended in 2014, and Circular Letter No. 286, also of 17 December 2013, "*Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies*".
The Regulatory Technical Standards, issued by the European Banking Authority (EBA) and endorsed by the European Commission, provide the operating instructions for applying the new provisions. EBA also prepares the Implementing Technical standards (ITS) aimed at harmonizing prudential reports (COREP) and statistics (FINREP) at European level.

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

In detail, **Pillar 1** was strengthened by introducing a more harmonised definition of capital and increasing capital requirements.
Basel 3 includes the definition of a harmonised concept of common equity Tier 1 capital (CET1), corresponding to ordinary shares and earnings reserves; in addition, more stringent criteria have been established for deducting from capital intangible assets, equity investments in financial and insurance companies and deferred tax assets (DTAs) in excess of pre-set individual and cumulative thresholds.

It also provided for more stringent regulatory capital requirements to more accurately capture potential risks from securitisation positions and trading book and introduced DTAs, which were previously not included.
The minimum overall requirement will remain set at 8% of risk-weighted assets, but more than half of this, or 4.5%, is to be met by common equity. In order to respond to periods of stress, an additional capital conservation buffer is also required beyond the regulatory minimum, equal to 2.5% of common equity in relation to risk-weighted assets. Banks that do not have such capital conservation buffer will in any event be required to comply with limits on the distribution of dividends and the award of bonuses, which will become increasingly stringent as the buffer shrinks.

Basel 3 also introduces new requirements and supervisory systems for the liquidity and financial leverage risks, based on the following ratios:
- Liquidity Coverage Ratio – LCR, a short-term liquidity requirement;
- Net Stable Funding Ratio – NSFR, a longer-term structural stability requirement;
- Leverage ratio, which as of 2017 will limit the maximum expansion of assets based on the size of CET1.

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

Finally, **Pillar 3** covers public reporting requirements on capital adequacy, risk exposure and the general characteristics of related management and control systems, in order to promote market discipline. This pillar has also been revised to introduce, amongst other things, transparency requirements regarding securitisation exposures, more information on the composition of capital for regulatory purposes and the methods used by the Parent Company to calculate capital ratios.
Further information on own funds, capital adequacy, risk exposure and the general characteristics of systems designed to identify, measure and manage these may hence be found in the document entitled Third Basel Pillar 3 or "Pillar 3", published on the Bank's website.

The introduction of the Basel 3 rules is being phased in gradually until full application is achieved between 2019 and 2023, during which the new rules will be applied at an increasing rate.

A. Qualitative information

As in the previous regulations, own funds are calculated as the sum of positive components, included with some limitations, and negative items, based on their capital quality. They consist of the following aggregates:
> Common Equity Tier 1 (CET1);
> Additional Tier 1 (AT1);
> Tier 2 (T2).

1. Common Equity Tier 1 capital (CET1)

A. Common equity Tier 1 capital (CET 1)

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

D. Elements to be deducted from CET1

CET1 is then subject to the following deductions:
a) intangible assets, including goodwill;
b) deferred tax assets (DTAs) that are based on future profitability and do not arise on temporary differences, or involving tax losses;
c) deferred tax assets that rely on future profitability and arise on temporary differences (net of the corresponding deferred tax liabilities); deferred tax assets convertible to credits pursuant to Law 214/2011 calculated in risk weighted assets (RWA) with a 100% weighting are not, however, deducted;
d) deferred tax assets relating to multiple reliefs on the same goodwill for the portion that has not yet been reflected in the current tax position;
e) direct, indirect and synthetic non significant investments (<10%) in CET 1 instruments issued by financial institutions;
f) direct, indirect and synthetic significant investments (>10%) in CET1 instruments issued by financial institutions;
g) any deductions exceeding AT1 capital instruments.

Deductions relating to equity investments in financial institutions and deferred tax assets apply only to amounts exceeding given CET1 thresholds, known as allowances, according to a particular mechanism described below:
1. **non significant investments** in CET1, AT1 and T2 instruments issued by financial institutions are deducted for the portion exceeding 10% of the amount of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and derive from temporary differences, direct, indirect and synthetic investments in CET1 instruments issued by financial institutions, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial instruments;
2. **net deferred tax assets** that rely on future profitability and arise on temporary differences are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
3. **significant investments in CET1 instruments** issued by financial institutions are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
4. amounts not deducted due to the 10% allowance relating to significant investments in CET1 instruments issued by financial institutions and net deferred tax assets that rely on future profitability and derive from temporary differences, added together, are deducted only **for the amount exceeding 17.65%** of CET1 obtained after applying prudential filters and all the deductions, including investments in financial institutions and deferred tax assets calculated in their entirety without taking account of the aforementioned thresholds, except for any deductions exceeding AT1 capital instruments;
5. amounts not deducted due to the allowances are included in risk weighted assets and subject to a 250% weighting.

E. Transitional provisions - impact on CET1

The main aspects of the **transitional provisions** are set out below:
1. the AFS portfolio's positive and negative valuation reserves relating to central EU administration exposures, may be excluded from CET1 up to the date the European Commission approves the new IFRS 9; this exemption was introduced by the Bank of Italy under the national discretionary measures provided for by the CRR;
2. the AFS portfolio's positive valuation reserves, other than those relating to central administration exposures, are calculated in CET1 only from 2015 for 40% and then with the phase-in of 20% per annum (40% in 2015 and 100% in 2018);
3. the AFS portfolio's negative valuation reserves, other than those relating to central administration exposures, are calculated in CET1 with the phase-in of 20% per annum (40% in 2015 and 100% in 2018);
4. actuarial gains/losses deriving from the IAS 19 valuation of Termination Indemnity (TFR) (and defined-benefit pension funds) are reported, net of the prudential filter activated by the Bank of Italy for 2013 in order to sterilise the effects of the new IAS19 with the phase-in of 20% per annum as from 2015 (80% in 2015 and 20% in 2018);
5. DTAs that rely on future profitability and do not arise on temporary differences (tax losses) are deducted at 40% for 2015 (100% from 2018);
6. DTAs that rely on future profitability and arise on temporary differences existing at 1 January 2014 are deducted from CET1 with the phase-in of 10% per annum as from 2015 (10% in 2015 and 100% in 2024);
7. other DTAs that rely on future profitability and derive from temporary differences, generated after 1 January 2014 are deducted from CET1 with the phase-in of 20% per annum as from 2014 40% in 2015 and 100% in 2018);
8. non significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances, are deducted from CET1 with the phase-in of 20% per annum as from 2014 (40% in 2015 and 100% in 2018); direct investments in financial institutions not deducted transitionally from CET1 are deducted for 50% from AT1 and for 50% from T2; indirect investments and synthetic investments are subject to capital requirements and included in risk weighted assets;
9. significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances, are deducted from CET1 with the phase-in of 20% per annum as from 2014 (40% in 2015 and 100% in 2018); direct investments in financial institutions not deducted transitionally from CET1 are deducted for 50% from AT1 and for 50% from T2; indirect and synthetic investments are subject to capital requirements and included in risk weighted assets.

It should be noted that Banca Generali has exercised the sterilisation option for own funds purposes of capital gains and losses deriving from the fair value valuation of AFS financial assets belonging to the Euro area government bond sector, as provided for by the Bank of Italy Order of 18 May 2010. This option was also renewed in the new Basel III prudential supervisory regime, in force since 1 January 2014, as allowed by the Bank of Italy, until the new IFRS 9 becomes effective, scheduled for 2018.

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

IAS 19 previously also recognised the alternative accounting treatment known as the “corridor method”, which allowed:
> the amount of the actuarial gains and losses in excess of the 10% significance threshold of the present value of the defined-benefit obligation (the “overcorridor”) to be recognised in profit and loss; and
> the actuarial gains and losses below that threshold to be deferred, without recognising them in the Financial Statements.
> Since for entities that previously adopted the corridor method the new equity reserve would have a negative impact on capital for regulatory purposes and considering the stance taken at the Community level in conjunction with the approval of the new prudential regulations implementing Basel 3 (the CRR/CRD IV Package) in favour of the gradual recognition over five years of the difference in net equity between the old and new approach, in 2013 the Bank of Italy had introduced a prudential filter to neutralise the effects of the revision of IAS 19. Based on the CRR provisions, the effects of such filter should now be fully reabsorbed in the 2015-2018 transition period.

	31.12.2015
Termination indemnity IAS 19R	-4,448
Termination indemnity IAS 19 (2012)	-4,115
Gross difference	-333
Tax effect	92
Positive filter	**-241**

B. CET1 prudential filters

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

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

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

The tax value of the goodwill subject to tax alignment amounted to 4,932 thousand euros, of which deferred tax assets for Italian corporate income tax (IRES) and regional production taxes (IRAP) of 1,410 thousand euros had been allocated at 31 December 2012. The amount of the filter as at 31 December 2015 thus amounted to 863 thousand euros.

2. Additional Tier 1 capital (AT1)

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

3. Tier 2 capital (T2)

M. Tier 2 capital - T2

Tier 2 capital includes Tier 2 capital instruments and subordinated liabilities, regulated by Articles 63 and subsequent Articles of the CRR and having the following characteristics:
> the original term is not less than 5 years and no incentives are envisaged for early repayment;
> call options, where applicable, may be exercised at the issuer’s sole discretion and in any event no earlier than 5 years, subject to the authorisation of the supervisory authority granted in special circumstances;
> early repayment is also allowed before 5 years only in the event of significant changes to the tax or regulatory regime and always with the prior authorisation of the Supervisory Authority;
> subscription and purchase must not be financed by the Parent Company or its subsidiaries;
> they are not subject to guarantees issued by the Parent Company, its subsidiaries or other companies that have close links with them, which increase their seniority;
> interest does not change based on the Parent Company’s credit rating;
> these instruments are amortised pro rata over the past 5 years for T2 calculation purposes.

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

	EFFECTIVE AS OF	EXPIRY	AMOUNT	REMAINING AMOUNT
Generali Beteiligungs GmbH subordinated loan	30.10.2014	30.10.2024	43,000	43,000

The subordinated loan agreed with the German company Generali Beteiligungs GmbH relates to the acquisition of the Credit Suisse (Italy) S.p.A. business unit.
The loan disbursed on 30 October 2014, for the amount of 43 million euros, has a ten-year term and is repayable on maturity in one instalment.
Provision is also made for an early repayment option, as from the sixth year, subject to the supervisory authority's prior approval.
The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year the rate will be reparameterised to the 3-month Euribor, plus the same spread identified when the original fixed rate was determined.
The loan is subordinated in the event of a default by the bank.

The loan granted by the German insurance subsidiary Generali Versicherung AG on 1 October 2008 to the merged company Banca BSI Italia was fully repaid at the expiry of the fifth and last instalment, 1 October 2015.

N. Elements to be deducted from T2

T2 is subject to the following main deductions:
> direct, indirect and synthetic investments in T2 own instruments;
> direct, indirect and synthetic investments in T2 instruments of financial sector entities.

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

O. Transitional provisions - impact on T2

The main aspects of the transitional provisions for 2014 are as follows:
1. **positive AFS reserves**, other than those relating to EU country government bonds, are recognised transitionally for 2014 at the rate of 50% provided by previous legislation, with a gradual reduction of 20% per annum from 2014 (40% in 2015 and 0% in 2018);
2. **non significant investments** in CET1 capital instruments issued by financial institutions exceeding the 10% allowance and the general allowance, transitionally not deducted from CET1 are deducted for 50% from T2;
3. **significant investments** in CET1 capital instruments issued by financial institutions exceeding the 10% allowance and the general allowance, transitionally not deducted from CET1 are deducted for 50% from T2;
4. non significant investments in T2 capital instruments issued by financial institutions held directly are deducted 100% from T2; non significant investments in Tier 2 capital instruments issued by financial institutions held indirectly or synthetically are phased in as a deduction of 20% per annum as from 2014 (40% in 2015 and 100% in 2018). Indirect and synthetic investments not deducted transitionally are subject to capital requirements and included in risk weighted assets;
5. significant investments in Tier 2 capital instruments issued by financial institutions held directly are 100% deducted from T2; significant investments in Tier 2 capital instruments issued by financial institutions held indirectly or synthetically are phased in as a deduction of 20% per annum as from 2014 (40% in 2015 and 100% in 2018). Indirect and synthetic investments not deducted transitionally are subject to capital requirements and included in risk weighted assets.

B. Quantitative information

Own funds, calculated in accordance with the new Basel 3 rules in effect since 1 January 2014, and net of the expected dividend pay-out, amounted to 318.9 million euros, up by 53.1 million euros compared to the end of the previous year.

ITEMS/VALUES	31.12.2015	31.12.2014	CHANGE
Common equity Tier 1 (CET 1)	275,233	217,463	57,770
Additional Tier 1 capital (AT1)	-	-	-
Tier 2 capital (T2)	43,698	48,300	-4,602
Own funds	**318,931**	**265,763**	**53,168**
Net equity for accounting purposes	**523,583**	**442,377**	**81,206**

In the year under review, CET 1 performance was chiefly attributable to the contribution of profit for the year which was not allocated as dividend to be distributed to shareholders (45.1 million euros), equal to about 24.4% of the profit for the year.
In addition, the positive effects of the previous and new stock-option plans also contributed to the performance, partially offset by the buy-back of own shares and the decrease in intangible assets.
Instead, Tier 2 was negatively impacted by the reimbursement of the last instalment of the subordinated loan granted in 2008 by the German subsidiary Generali Versicherung AG.

Own funds at 31.12.2014	**265,763**
Change in Tier 1 capital	
Purchase of own shares	-2,514
Bank's stock option and stock grant plans (LTIPs)	8,413
2014 dividend pay-out	-77
Regulatory provisions for retained earnings 2015	45,097
Transitional provisions: change in AFS positive and negative reserves	919
Change in IAS 19 reserves (net of the filter)	-36
Change in goodwill and intangibles	2,125
Negative prudential filters	-697
Deduction DTAs and significant investments	111
Transitional provisions CET1	4,430
Total changes in TIER 1 capital	**57,770**
Change in Tier 2 capital	
Tier 2 subordinated loans (regulatory amortisation)	-6,005
Transitional provisions: change in AFS positive reserves	-1,217
Significant investments - excess portion deducted from T2	2,620
Total change in TIER 2 capital	**-4,602**
Own funds at 31.12.2015	**318,931**
Change	**53,168**

Composition of Own funds

The composition of own funds is shown synthetically below, illustrating the effects of the prudential filters and the changes linked to the transitional provisions.

	31.12.2015	31.12.2014
A. Tier 1 capital before application of prudential filters	**384,388**	**329,023**
– *of which CET1 instruments covered by transitional provisions*	-	-
B. CET1 prudential filters (+ /-)	-2,968	-2,271
C. CET1 gross of elements to be deducted and effects of the transitional regime	**381,420**	**326,752**
D. Elements to be deducted from CET1	-83,388	-100,241
E. Transitional Regime – impact on CET1	-22,799	-9,049
F. Total Common Equity Tier 1 capital - CET1 (C - D+/- E)	**275,233**	**217,463**
G. Additional Tier 1 capital (AT1) gross of elements to be deducted and transitional regime	**-**	**-**
– *of which AT1 instruments covered by transitional provisions*	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional regime - impact on AT1	-	-
L. Total additional Tier 1 (AT1)	**-**	**-**
M. Tier 2 capital (T2) gross of elements to be deducted and transitional regime	43,000	49,005
– *of which T2 instruments covered by transitional provisions*	-	-
N. Elements to be deducted from T2	-	-
O. Transitional regime - impact on T2	698	-705
P. Total Tier 2 - Tier 2 capital (T2)	**43,698**	**48,300**
Q. Total own funds	**318,931**	**265,763**

In detail, own funds are composed as follows.

	31.12.2015		
OWN FUNDS	FULLY-LOADED	ADJUSTMENTS	PHASE IN
Tier 1 capital	**-**	**-**	**-**
Share capital (including minorities)	116,093	-	116,093
Additional paid-in capital	50,063	-	50,063
Treasury shares	-2,555	-	-2,555
CET1 instruments	**163,601**	**-**	**163,601**
Reserves	153,190	-	153,190
Net profit (loss) for the year	184,292	-	184,292
Share of net profit for the year not included in CET1	-139,195	-	-139,195
Earnings reserves	**198,287**	**-**	**198,287**
AFS valuation reserves	2,327	-1,398	929
AFS valuation reserve - government securities	21,594	-21,594	-
Actuarial reserves IAS 19	-1,421	-	-1,421
Other (neutralisation of actuarial losses IAS 19)	-	193	193
Other components of other comprehensive income (OCI)	**22,500**	**-22,799**	**-299**
Prudent valuation	-2,968	-	-2,968
Cash flow hedge	-	-	-
Negative prudential filters	**-2,968**	**-**	**-2,968**
Goodwill	-61,775	-	-61,775
Goodwill DTLs	1,408	-	1,408
Intangible assets	-22,158	-	-22,158
DTAs to P&L not arising from temporary differences (tax losses)	-	-	-
Other negative items (neutralisation of DTAs arising on multiple prepayment of taxes on goodwill)	-863	-	-863
Total negative items	**-83,388**	**-**	**-83,388**
Adjust. of DTAs/DTLs through P&L arising on temporary differences	**-**	**-**	**-**
Portion exceeding non significant investments (<10%) in CET 1 instruments	**-**	**-**	**-**
Portion exceeding significant investments (>10%) in CET 1 instruments	**-**	**-**	**-**
General deduction – portion exceeding DTAs	-	-	-
General deduction – portion exceeding significant investments	-	-	-
General deduction with threshold 17.65%-15%	**-**	**-**	**-**
Transitional regime - DTA impact on CET1	-	-	-
Significant investments: Transitional regime - impact on CET1	-	-	-
Significant investments: 50% of items to be deducted from CET1	-	-	-
Transitional regime	**-**	**-**	**-**
Total Common Equity Tier 1 capital (CET 1)	**298,032**	**-22,799**	**275,233**
Significant investments: Transitional regime - impact on AT1		-	-
Significant investments: excess to be deducted from AT1	-	-	-
Total Additional Tier 1 capital (AT1)	**-**	**-**	**-**
TOTAL TIER 1 CAPITAL	**298,032**	**-22,799**	**275,233**
T2 instruments (subordinated liabilities)	43,000	-	43,000
Significant investments: 50% excess portion deducted from Tier 1 capital	-	-	-
50% positive AFS reserves — transitional regime — T2 impact (80%)	-	698	698
Total Tier 2 capital	**43,000**	**698**	**43,698**
Total own funds	**341,032**	**-22,101**	**318,931**

2.2 Capital adequacy

A. Qualitative information

Supervisory provisions require banks to comply with specific capital adequacy ratios calculated by relating the corresponding category of own funds (CET1, Tier 1, Total Capital) to the bank's overall risk exposure (RWAs - Risk Weighted Assets).
In particular, own funds must represent at least 8% of total weighted assets in relation to the credit risk profile, valued based on the category of debtor counterparties, term, country risk and guarantees received (**credit and counterparty risk**).
Banks are also required to comply with regulatory capital requirements connected to trading activities. Related **market risks** are calculated on the entire trading portfolio for each different type of risk: debt securities risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.
Internal models may be used to calculate capital requirements for market risk; however, the Banca Generali Group uses standard methods under all circumstances.
Lastly, banks are required to set aside part of their Own Funds to cover **operating risk**, taking into account the type and volumes of operations performed.

A minimum CET1 ratio of 4.5%, a Tier 1 ratio of 6% and a Total Capital Ratio of 8% were envisaged by the Prudential Supervisory Provisions for 2015. In addition to these minimum ratios, the new regulations state that banks must also hold a capital conservation buffer (CCB) equal to 2.5% of the bank's overall risk exposure, consisting of Common Equity Tier 1 capital, bringing the overall capital requirement to 10.5%.

Moreover, with reference to the annual Supervisory Review and Evaluation Process (SREP) carried out by the relevant Supervisory Authority (ECB or national Central Banks), additional capital requirements may be imposed by the said Authority on the basis of a specific evaluation of each intermediary's risk exposure.
In this regard, in November, the Bank of Italy communicated to Banca Generali the following specific capital requirements, including the 2.5% capital conservation buffer, to be applied to the Banking Group commencing with the reporting on Own Funds at 31 December 2015:
CET 1 ratio of 7% and binding ratio of **5.9%** (of which 4.5% as minimum regulatory requirement and 1.4% as additional requirement following the SREP);
Tier 1 ratio of 8.5% and binding ratio of **7.9%** (of which 6% as minimum regulatory requirement and 1.9% as additional requirement following the SREP);
Total Capital ratio and binding ratio of **10.6%** (of which 8% as minimum regulatory requirement and 2.6% as additional requirement following the SREP).

B. Quantitative information

Total capital adequacy requirements for credit, market and operating risks set by the supervisory authority amounted to 184.5 million euros at year-end, with a decrease of 7.2 million euros compared to the previous year (-3.8%).

(€ THOUSAND)	31.12.2015 BASEL 3 PHASE-IN	31.12.2014 BASEL 3 PHASE-IN	CHANGE AMOUNT	CHANGE %
Credit and counterparty risk	142,727	137,548	5,179	3.77%
Market risk	2,505	3,555	-1,050	-29.53%
Operating risk	39,222	50,577	-11,355	-22.45%
Total absorbed capital	**184,455**	**191,680**	**-7,225**	**-3.77%**

The reduction of capital requirements compared to the previous year (-7.2 million euros) was primarily due to the decrease in operational risk (-11.4 million euros) as a result of the change of the parameter used to calculate such risk, in accordance with the fourth update to Bank of Italy Circular No. 286/2013 of 31 March 2015. The effect was partially offset by the increase in the requirement for credit risk (+5.2 million euros) due to the significant increase in lending operations.

The increase in capital requirements to cover credit risk was mainly attributable to the higher exposure to corporate customers (+6.8 million euros) and higher exposures secured by real property (+5.1 million euros).
This performance was however offset by analysis of guarantees eligible for hedging credit risks, which in particular involved non-performing exposures subject to indemnities and permitted a significant decline in capital requirements by approximately 4.4 million euros.
Risk mitigation was also achieved thanks to the absence of exposures in significant investments in financial sector entities and to the decline in net DTAs, two categories that entail an unfavourable 250% weighting.

	2015			2014			CHANGE		
CREDIT RISK REGULATORY PORTFOLIO	INITIAL EXPOSURE	WEIGHTED ASSETS	REQUIREMENT	INITIAL EXPOSURE	WEIGHTED ASSETS	REQUIREMENT	INITIAL EXPOSURE	WEIGHTED ASSETS	REQUIREMENT
Administrations and central banks	3,207,202	52,786	4,223	3,608,386	60,068	4,805	-401,184	-7,282	-583
Non-profit organisations and public entities	-	-	-	2,501	2,500	200	-2,501	-2,500	-200
Supervised intermediaries	822,418	281,056	22,484	678,473	282,457	22,597	143,945	-1,401	-112
Companies	1,248,410	886,833	70,947	1,136,490	801,283	64,103	111,920	85,550	6,844
Detail	977,447	335,566	26,845	1,012,127	342,899	27,432	-34,680	-7,333	-587
Exposures secured by real property	346,968	123,030	9,842	165,599	59,484	4,759	181,369	63,546	5,084
Past-due exposures	52,432	5,788	463	65,851	47,844	3,828	-13,419	-42,056	-3,364
UCITSs	11,295	11,295	904	6,169	6,199	496	5,126	5,096	408
Equity exposures	51,420	51,420	4,114	50,651	77,218	6,177	769	-25,798	-2,064
Other	161,111	35,966	2,877	187,175	38,831	3,106	-26,064	-2,865	-229
Securitisation	-	-	-	-	-	-	-	-	-
Total requirements	**6,878,703**	**1,783,740**	**142,699**	**6,913,422**	**1,718,783**	**137,503**	**-34,719**	**64,957**	**5,197**
Risk of credit valuation adjustment	-	351	28	-	567	45	-	-216	-17
Total credit risk	**6,878,703**	**1,784,091**	**142,727**	**6,913,422**	**1,719,350**	**137,548**	**-34,719**	**64,741**	**5,179**

With regard to the calculation of capital prudential requirement for operating risk, the Bank, in light of its specific operating and organisational characteristics, uses the basic method (BIA – Basic Indicator Approach) as defined by Article 316 of CRR.
This approach calls for the aforementioned calculation to be performed by applying a regulatory coefficient (15%) to the three-year average of an indicator of the volume of company operations (the so-called 'relevant indicator').

The 4th update to the Bank of Italy Circular Letter No. 286/2013 dated 31 March 2015 established that the capital requirement in question be determined by using as parameter the relevant economic indicator provided for in Article 316 of the CRR.

In detail, the relevant indicator is now calculated based on the accounting categories for the profit and loss account under Article 27 of Directive No. 86/635/EEC; institutions that apply accounting standards different from those established by the said Directive shall calculate the relevant indicator on the basis of data that best reflect the definition set out above.
The relevant indicator is the sum of the following elements:
1. Interest receivable and similar income;
2. Interest payable and similar charges;
3. Income from shares and other variable/fixed-yield securities;
4. Commissions/fees receivable;
5. Commissions/fees payable;
6. Net profit or net loss on financial operations;
7. Other operating income.

The reduction in the requirement compared to the one applied up to 2014 was essentially attributable to the aggregate of dividends from equity investments and equity securities in the AFS portfolio, included in the net banking income (ratio of about 18.1 million euros in 2015) but excluded from the new requirement.

The simultaneous increase in own funds however allows to establish the excess capital compared to the minimum capital requirements for risks set by the supervisory authority at 134.5 million euros, up by 74.1 million euros compared to the value recognised at the end of the previous year.
The CET1 ratio reached 11.9%, compared to a minimum regulatory requirement of 7%, and the Total Capital ratio reached 13.8%, compared to a minimum requirement of 10.5%.
Own funds, calculated in accordance with Basel 3 rules, which will become fully applicable as of 1 January 2019, were 341 million euros, with Total Capital Ratio at 14.8%.

(€ THOUSAND)	31.12.2015 BASEL 3 FULL APPL.	31.12.2015 BASEL 3 PHASE-IN	31.12.2014 BASEL 3 PHASE-IN	CHANGE AMOUNT	CHANGE %
Common Equity Tier 1 (CET 1)	298,029	275,233	217,463	57,770	26.57%
Additional Tier 1 capital (AT1)	-	-	-	-	-
Tier 2 capital (T2)	43,000	43,698	48,301	-4,603	-9.53%
Own funds	**341,029**	**318,931**	**265,764**	**53,167**	**20.01%**
B.1 Credit risk	142,727	142,727	137,548	5,179	3.77%
B.2 Market risk	2,505	2,505	3,555	-1,050	-29.53%
B.3 Operating risk	39,222	39,222	50,577	-11,355	-22.45%
Absorbed capital	**184,455**	**184,455**	**191,680**	**-7,225**	**-3.77%**
Excess over absorbed capital	156,574	134,476	74,084	60,392	81.52%
Risk-weighted assets	2,305,685	2,305,685	2,396,000	-90,315	-3.77%
Tier 1/Risk-weighted assets (Tier 1 capital ratio)	12.9%	11.9%	9.1%	2.9%	31.52%
Total own funds/Risk-weighted assets (Total capital ratio)	**14.8%**	**13.8%**	**11.1%**	**2.7%**	**n.a.**

	31.12.2015		31.12.2014	
	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS
A. Risk assets	**6,878,703**	**1,784,091**	**6,913,422**	**1,719,350**
A.1 Credit and counterparty risk				
1. Standardised method	6,878,703	1,784,091	6,913,422	1,719,350
2. Internal rating method				
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk	**X**	**142,701**	**X**	**137,548**
B.2 Risk of credit valuation adjustment	**X**	**26**	**X**	**45**
B.3 Regulation risk	**X**	**-**	**X**	**-**
B.4 Market risks	**X**	**2,505**	**X**	**3,555**
1. Standard methodology	X	2,505	X	3,555
2. Internal models	X	-	X	-
3. Concentration risk		-		-
B.5 Operating risk	**X**	**39,222**	**X**	**50,577**
1. Basic method	X	39,222	X	50,577
2. Standardised method	X	-	X	-
3. Advanced method	X	-	X	-
B.6 Other variables	**X**	**-**	**X**	**-**
B.7 Total prudential requirements	**X**	**184,455**	**X**	**191,725**
C. Risk-weighted assets and regulatory capital ratios				
C.1 Risk-weighted assets	X	2,305,685	X	2,396,563
C.2 Tier 1 capital/ Risk-weighted assets (CET 1 capital ratio)	X	11.9%	X	9.1%
C.3 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)	X	11.9%	X	9.1%
C.4 Total own funds/ Risk-weighted assets (Total capital ratio)	X	13.8%	X	11.1%

PART G - BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.
The results of impairment testing of the Bank's goodwill are also stated in the interest of consistency of presentation.

Section 1 - Transactions undertaken during the year

In 2015, no business combination transactions were undertaken.

Section 2 - Transactions after the close of the year

After 31 December 2015, no business combination transactions were undertaken.

Section 3 - Retrospective adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2015 pursuant to paragraphs 61 and B7 of IFRS 3.
The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

The Banca Generali's goodwill totalled 61.8 million euros at 31 December 2015, broken down as follows:

			CHANGE	
(€ THOUSAND)	31.12.2015	31.12.2015	AMOUNT	%
Prime Consult and INA Sim	2,991	2,991	-	-
Banca del Gottardo Italia	31,352	31,352	-	-
Credit Suisse	27,432	27,432	-	-
Total	**61,775**	**61,775**	**-**	**-**

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 operating segment identified for management reporting, pursuant to IFRS 8.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The following operating segments (business areas) have been identified by the Bank:
> the **Affluent Channel**, which refers to the total earnings generated for the Bank by the network of Financial Advisors, most of whom are employed by Banca Generali, and their respective clients;
> the **Private Banking Channel**, which refers to the total earnings generated for the Bank by the network of Private Bankers and Relationship Managers, and their respective clients;
> the **Corporate Channel**, which refers to the total earnings generated for the Bank on the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group.

The following CGUs have been defined in order to perform the impairment test for such goodwill in accordance with IAS 36:

- Private Banking CGU, for the Private Banking operating segments, to which former Banca Del Gottardo Italia and Credit Suisse Italia's goodwill refer;
- Prime Consult and INA SIM CGU, for the Affluent operating segment to which former Prime Consult and Ina SIM's goodwill refer.

To determine the recoverable amount, both basic methodologies (to arrive at value in use) and market assessments (to arrive at fair value) were considered.
Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method, such as the control method.

In detail, the analytical method employed was the Dividend Discount Model (DDM), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:

a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a pay-out consistent with ordinary profitability.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for each individual CGU were based on an extract of the Generali Banking Group's 2016-2018 Economic and Financial Plan, as approved by the Board of Directors, and further cash-flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

1. Private Banking CGU (PB CGU)

The Private Banking CGU (PB CGU) refers to the overall activity of the Private Banker e Relationship Manager networks and their clients, reporting to the Banca Generali Private Banking Division and the newly established Private Relationship Manager Division, respectively.

Created in 2015, the Private Relationship Manager Division includes all Relationship Managers with an employment agreement with Banca Generali and their clients, with specific reference to the operations of Banca BSI Italia and Banca del Gottardo Italia, currently merged into the parent company Banca Generali.
The Banca Generali Private Banking Division also includes Private Bankers reporting to the business unit made up of the Italian Affluent and Upper Affluent private banking operations of Credit Suisse Italia S.p.A., acquired on 1 November 2014.

In light of the exchange of positions among Private Bankers and Relationship Managers also resulting from the subsequent merger transactions and company reorganisation processes, the two corporate Divisions constitute a single CGU.

The goodwill arising from the acquisitions of Banca del Gottardo Italia and the aforementioned Credit Suisse business unit was allocated to the Private Banking CGU.
The CGU's scope and future cash flows are thus identified on the basis of the AUM managed by the Private Banking and Private Relationship Manager Divisions.

In light of economic-financial forecasts based on the 2016-2018 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is expected to expand by 7.3% over the three years in question (CAGR), whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 1.5%.
The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **8.45%**.
The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

a) risk free rate of 1.7%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of 6.0%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of 1.12 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and variables used during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.
Compared to the RM CGU's carrying amount of **151.1 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **839.6 million euros** and a maximum of **955.6 million euros**.
In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters "cost of capital" (Ke) and "long-term growth rate", using a range of variation of 8.2%-8.7% and 1.25%-1.75%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

2. Prime Consult and INA Sim CGU

The CGU Prime Consult and INA Sim (former Sim CGU) refers to the part of the activity of the Affluent operating segment, relating to the operations of the stock brokerage companies Prime Consult Sim S.p.A and INA Sim S.p.A., merged at the end of 2002, to which all of the goodwill arising from the acquisition may be attributed.

In light of economic-financial forecasts based on the 2016-2018 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is assumed to expand annually by **8.0%** over the three years in question (CAGR), whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 1.5%.
The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **8.45%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

a) risk free rate of 1.7%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of 6.0%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of 1.12 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and variables used during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.
Compared to the Prime Consult and INA Sim CGU's carrying amount of **27.6 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **375.3 million euros** and a maximum of **428.1 million euros**.
In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters "cost of capital" (Ke) and "long-term growth rate", using a range of variation of 8.2%-8.7% and 1.25%-1.75%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

PART H - RELATED PARTY TRANSACTIONS

Procedural aspects

Banca Generali's Board of Directors approved the "Related Party Transaction Procedure", effective as of 1 January 2011, in compliance with the provisions of Article 2391-*bis* of the Italian Civil Code, and Article 4 of the Regulations adopted with Consob Resolution No. 17221 of 12 March 2010, as subsequently amended.
On 12 December 2011, the Bank of Italy updated the Prudential Supervisory Provisions for Banks (Bank of Italy's Circular Letter No. 263/2006), issuing new Provisions on Risk Assets and Conflicts of Interest of Banks and Banking Groups with Connected Parties (Title V, Chapter 5).
The Procedure was last updated to bring it in line with Article 150 of TUF and the provisions introduced by the Bank of Italy on 2 July 2013 with the 15th amendment of Circular Letter No. 263 of 27 December 2006 concerning "New Prudential Supervisory Provisions for Banks" on Transactions of Greater Importance.
The new Procedure for Related Party and Connected Party Transaction and Transactions of Greater Importance, in force as from 1 July 2014, is intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.

The related party perimeter

Based on Consob Regulations, the Provisions issued by the Supervisory Body, and the Procedure, the following parties are considered as Banca Generali's related parties:
- subsidiaries of the Banking Group;
- the ultimate parent company Assicurazioni Generali S.p.A., its subsidiaries (companies subject to common control), included the direct parent Banca Generali S.p.A., and pension funds established for the benefit of Generali Group employees;
- Key Management Personnel of the Bank and the parent company Assicurazioni Generali, close relatives of the cited personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Generali Banking and Group and Insurance Groupare also considered related parties.

With specific regard to **key managers**, the following persons have been designated as such:
- the Directors, the Statutory Auditors, including the Chief Executive Officer and the General Manager;
- other top managers identified in the new organisational model introduced in 2013 and in the Bank's remuneration policies, i.e., the Joint General Manager and the three Central Managers;
- representatives of the parent company Assicurazioni Generali S.p.A. identified as Key Management Personnel in the corresponding procedure regarding transactions with related parties adopted by that insurance group.

Significance thresholds of Related Party transactions

The Procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.
More specifically:
- **Highly Significant Transactions** — that is, transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by Consob Resolution No. 17221, reduced to 2.5% for transactions carried out with a parent company that is listed on regulated markets or with undertakings thereto related, which are in turn related to the Company; they must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
- **Moderately Significant Transactions** — falling short of the threshold defining Highly Significant Transactions; they must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;
- **Low Value transactions**, whose value, defined pursuant to the Bank of Italy's Provisions, cannot exceed the amount of **250,000 euros** for banks with Own Funds below 1 million euros, and are excluded from the scope of application of the regulation on approval and disclosure transparency.

In addition to transactions of a modest amounts, in accordance with Consob Regulation, there are additional circumstances which are not subject to the specific approval procedures:

> **share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-*bis* of the TUF, and related implementing transactions;
> **resolutions regarding the remuneration of Directors** entrusted with specific tasks other than those determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of Key Management Personnel, provided that the Company has adopted a remuneration policy with certain characteristics;
> **ordinary transactions** that are part of the ordinary operations and any and all related financial activities, and effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Greater Importance threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;
> **transactions with or between Subsidiaries and Associates**, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated Own funds, the threshold of transactions of greater importance currently stands at around **21.4 million euros**, reduced to **10.7 million euros** for transactions with the parent company Assicurazioni Generali and the latter's related entities.

Moreover, the provisions issued by the Bank of Italy impose, for the first time, prudential restrictions, based on Own funds, on risk assets in respect of Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk assets carried out with entities qualifying as non-financial related parties. Exposure in respect of the Generali Group's connected parties, on the other hand, is capped at **7.5%** of consolidated Own funds.
Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given set of associated undertakings may in no event exceed **20%** of the sum total of their respective individual Own Funds.

1. Disclosure of compensation of directors and executives

As required by IAS 24, the total compensation recorded in the Profit and Loss account for the year is disclosed below, broken down by personnel category and type.

	31.12.2015					
	DIRECTORS	AUDITORS	KEY MANAGEMENT PERSONNEL	TOTAL	31.12.2014	CHANGE
Short-term benefits (current compensation and social security charges) (1)	1,268	168	3,411	4,846	4,693	153
Post-employment benefits (2)	154	-	-	154	447	-293
Other long-term benefits (3)	98	-	269	367	1,035	-668
Severance indemnities	-	-	-	-	-	-
Share-based payments (4)	77	-	2,476	2,553	1,577	976
Total	**1,595**	**168**	**6,157**	**7,920**	**7,753**	**167**
Total at 31.12.2014	**1,045**	**150**	**6,558**	**7,753**		

(1) Includes current remuneration and social security charges payable by the company and short-term benefits.
(2) Includes the company's pension fund contribution and allocation to the provision for post-retirement benefits provided for by the law and company regulations.
(3) Includes 40% of the bonus with access gate.
(4) Includes the estimated cost for share-based payment plans, determined based on IFRS 2 criteria and recognised in the financial statements.

The table presents the total expenses recognised in the Profit and Loss Account presented in the Annual Financial Statements on the basis of the application of IASs/IFRSs. It therefore also includes the social security charges for which the Company is liable, the allocation to the provision for post-employment benefits, the expenses associated with share-based payment plan determined in accordance with IFRS 2, and the estimate of the variable remuneration accrued during the year on the basis of the Remuneration and Incentivisation Policy for the Key Personnel of the Banking Group.
It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item “Other long-term benefits” includes the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the aforementioned Remuneration Policy.
The item “Short-term benefits” includes the fixed remuneration and the 60% share of variable remuneration accrued in the reporting year and payable in the following one.

Beginning in 2015, these two items do not include a 25% share of the variable remuneration that will be paid in Banca Generali’s shares, as envisaged by the new Remuneration and Incentivisation Policy approved by the Shareholders” Meeting on 23 April 2015.

Therefore, the item “Share-based payments” accounts for the costs associated with IFRS 2 accrued in the year and regarding:
> the Long-Term Incentive Plans (LTIPs) introduced by the parent company Assicurazioni Generali, for a total amount of 2.3 million euros;
> the share-based payments envisaged in the new Remuneration Policy mentioned above and discussed in greater detail in Part I of these Notes and Comments (0.3 million euros).

With regard to the LTIPs of the parent company Assicurazioni Generali, it should be noted that effective the fourth cycle of the plan (2013-2015), the incentive characteristics were completely revised and now only envisage a share bonus in the form of shares of the Parent Company, Assicurazioni Generali, the costs of which is estimated on the basis of the international accounting standard IFRS 2. This incentive plan is described in greater detail in Part A of these Notes and Comments – Section 17 Other information).

For detailed information concerning Remuneration Policies, the reader is therefore referred to the specific document concerning Remuneration Policies instituted by Consob Resolution No. 18049 of 23 December 2011 and, as regards the disclosure required by the Bank of Italy, to the relevant section of Pillar 3.

2. Disclosure of Related Party Transactions

As part of its normal business operations, Banca Generali has numerous commercial and financial transactions with related parties included in the scope of consolidation of the Generali Group.

Banca Generali is a direct subsidiary of Generali Italia S.p.A., the holding of all the Insurance Group’s operations in Italy. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the “Parent Company” of Banca Generali in compliance with IAS 24.

In the banking area, such relationships include current accounts, the custody and administration of securities, stock brokerage and commercial portfolio collection.

As regards the distribution and sale of financial services, a number of agreements were established regarding the Financial Advisor network’s placement of asset management and insurance products, as well as banking products and services.
To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

Finally, as part of its normal operations, the Bank also maintains outsourcing, IT and administration, insurance and leasing relationships, as well as other minor relationships with Generali Group companies.
Transactions with related parties outside the Generali Group are mostly confined to direct and indirect inflows activities and loans to Key Management Personnel (and their relatives) of the Bank and its Parent Company. These transactions are carried out at arm’s length. Banca Generali’s direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

2.1 Extraordinary and non-recurring transactions

Unusual, atypical or extraordinary transactions

In 2015, no related party transactions were carried out that could be defined as atypical or unusual or likely to have "effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer".

Highly Significant Transactions

In 2015, the Bank did not carry out any transactions qualifying as "highly significant", non-ordinary transactions, entered into at non-market or non-standard conditions which, in accordance with the Related Party Transaction Procedure, would have been subject to market disclosure and the obligation of publishing an information memorandum.

Other Significant Transactions

In 2015, three transactions were approved qualifying as "moderately significant" transactions, and thus subject to the prior non-binding opinion of the Internal Audit and Risk Committee (the amount of which exceeded 250 thousand euros), and were as follows.

DATE	TRANSACTION	RELEVANT PARTY	AMOUNT (EURO/000)
10.03.2015	Sale to Alleanza Assicurazioni S.p.A. of the 15% stake in the subsidiary Simgenia SIM S.p.A. in view of the merger of the same.	Simgenia Sim - Alleanza Assicurazioni S.p.A.	339
01.05.2015	Lease contract GI 9020 500071 with Generali Properties S.p.A.	Generali Properties S.p.A.	1,456
24.06.2015	Transfer of the non-performing loan granted to the related party Investimenti Marittimi S.p.A. (associate company of Assicurazioni Generali) to the subsidiary Redoze Holding N.V. The sale contract was signed on 3 July 2015 and subsequently finalised in the fourth quarter of 2015.	Investimenti Marittimi S.p.A. Redoze Holding N.V.	2,820
28.07.2015	Renewal of the BBB (Banker's Blanket Bond) insurance policy issued by the direct parent Generali Italia S.p.A., after assessing the compliance with market conditions through the company AON S.p.A. – Insurance & Reinsurance Brokers.	Generali Italia S.p.A.	n.a.
07.10.2015	Granting of a signature credit line of 2,260,000 euros to Assicurazioni Generali S.p.A. to secure and back the timely performance of the joint sponsorship obligations with Allianz S.p.A. for the Tre Torri stop of Line 5 of Milan Underground. The credit line was granted at market conditions.	Assicurazioni Generali S.p.A.	2,260
15.12.2015	Board of Directors' approval to proceed with the installation in the Bank's working environment of a new technology known as "Breathe" supplied by Anemotech S.r.l., over which an independent Director exercises significant influence due to a minority interest. The project is expected to be completed in 2016.	Anemotech S.r.l.	425

2.2 Ordinary or recurring transactions

The developments of ordinary transactions with related parties during 2015 are presented in the following sections.

Transactions with Assicurazioni Generali Group

Balance Sheet data

(€ THOUSAND)	SUBSIDIARIES OF THE BANKING GROUP	PARENT COMPANY ASSICURAZIONI GENERALI	SUBSIDIARIES OF THE GENERALI GROUP	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %	% WEIGHT 2015
HFT financial assets	-	270	-	270	271	-1	-0.4%	1.0%
AFS financial assets	-	782	241	1,023	1,327	-304	-22.9%	-
HTM financial assets	-	-	-	-	-	-	n.a.	-
Loans to banks	-	-	-	-	108	-108	-100.0%	-
Loans to customers	29,189	17	20,630	49,836	42,216	7,620	18.1%	2.7%
Equity investments	14,024	-	2,200	16,224	14,025	2,199	15.7%	100.0%
Tax assets (tax consolidation)	-	16,399	-	16,399	1,966	14,433	734.1%	26.6%
Property, equipment and intangible assets	-	-	-	-	-	-	n.a.	-
Non-current assets held for sale and disposal groups	-	-	-	-	-	-	n.a.	n.a.
Other assets	58	-	600	658	253	405	160.1%	0.3%
Total assets	**43,271**	**17,468**	**23,671**	**84,410**	**60,166**	**24,244**	**40.3%**	**1.4%**
Due to banks	-	-	-	-	14,577	-14,577	-100.0%	-
Due to customers	51,168	100,394	811,663	963,225	1,335,739	-372,514	-27.9%	19.7%
HFT financial liabilities	-	-	-	-	-	-	n.a.	-
Other liabilities	238	-	16,982	17,220	10,718	6,502	60.7%	11.2%
Hedging derivatives	-	-	-	-	-	-	n.a.	n.a.
Tax liabilities (tax consolidation)	-	-	-	-	5,081	-5,081	-100.0%	-
Special purpose provisions	-	-	-	-	-	-	n.a.	-
Net equity	-	-	-	-	-	-	n.a.	-
Total liabilities	**51,406**	**100,394**	**828,645**	**980,445**	**1,366,115**	**-385,670**	**-28.2%**	**16.3%**
Guarantees issued	**-**	**2,224**	**795**	**3,019**	**3,289**	**-270**	**-8.2%**	**2.6%**

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounted to 41.1 million euros, compared to the 21.2 million euros recognised at the end of 2014, equal to 0.68% of Banca Generali's total assets.
By contrast, the total debt position reached 929 million euros, accounting for 15.4% of liabilities, down by 364.3 million euros (-28.2%) compared to the previous year.

As part of assets, **HFT and AFS financial assets** claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolios of Banca Generali. As part of the AFS portfolio, shareholdings in subsidiaries of the Generali insurance group refer to the shares held in the consortia of the GBS Group (Generali Business Solutions) and CGS (Generali Corporate Services).

With regard to the AFS portfolio, in the first half of 2015 the stake held in the subsidiary **Simgenia S.p.A.** (15% of share capital) was transferred to the subsidiary Alleanza S.p.A., as Simgenia was discontinued in the previous year and subsequently merged by the transferee at the end of 2015.
Consideration for the transfer amounted to 337 thousand euros against a book value of 528 thousand euros, thus generating a capital loss of 191 thousand euros.
Previously during the six-month period a payment into the loss coverage account was made in the amount of 225 thousand euros. In prior years, the equity investment had been written down for a total impairment loss of 730 thousand euros.

Exposures to Generali Group companies recognised as **loans to customers** amounted to 20.6 million euros and refer to the following transactions:

			31.12.2015		31.12.2014	
COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Italia	Subsidiary of the AG Group	Gesav policy	-	-	-	400
Citylife S.r.l.	Subsidiary of the AG Group	Short-term grant in current account	-	-	-	164
Investimenti Marittimi	Associate of the AG Group	Medium/Long-term grant in current account	-	449	4,030	623
Genertellife	Subsidiary of the AG Group	Operating receivables	19,740	-	11,624	-
Assicurazioni Generali	Parent Company	Operating receivables	17	-	27	-
Other companies of the Generali Group	Subsidiary of the AG Group	Operating receivables	889	-	1,688	-
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	1	104	12	29
			20,647	**553**	**17,381**	**1,216**

The second half of the year saw the disposal of the non-performing exposure to the company **Investimenti Marittimi S.p.A.**, which is included in the scope of related parties since it is an associate of the Parent Company, Assicurazioni Generali, holding a 30% direct investment in the same.
The exposure consisted of a share (18%) of a pooled loan with Banca Carige backed up by a pledge on the controlling equity stake of the shipping company Premuda, which is experiencing a period of financial difficulty, in light of which it has requested a bank debt restructuring. In the fourth quarter of 2013, the company suspended payment of the interest owed on the loan and was classified among probable defaults.
Following the failure to obtain the guarantees required by the Board of Directors of the Bank at the end of 2014, the loan renegotiation transaction was not finalised and the loan expired on 31 December 2014.
As a result of the persisting situation of difficulty experienced by the Premuda Group and the further deterioration of the collateral held, in 2015 the Bank decided to transfer the non-performing loan without recourse.
The Dutch subsidiary Redoze Holding N.V. was identified as the buyer, and on 2 July 2015 a contract of sale was signed for consideration of 2.8 million euros according to a fairness opinion issued by KPMG. The contract of sale, contingent on acceptance by the pool co-lender, was then finalised in the fourth quarter.
At the date of the sale, the net exposure amounted to 4.5 million euros, including 0.4 million euros of arrears interest accrued in the first half of 2015, and net of an adjusting provision of 6.7 million euros, thus resulting in a realised loss of 1.7 million euros.

Operating receivables are comprised of transitional items including fees accrued over the last quarter for the distribution of insurance and financial products of Group companies.

Amounts receivable from the Parent Company and classified as **tax assets** consisted of Banca Generali S.p.A.'s net tax receivables resulting from the balance between tax prepayments, withholdings and credits and the IRES tax calculated at the end of the year. This item also includes the estimated tax credit arising from the application for the refund of the portion of the IRAP tax made deductible for IRES purposes pursuant to Legislative Decree No. 201/2011, and subject to reimbursement within tax consolidation scheme adopted by the Parent Company.

Amounts due to customers attributable to Generali Group's related parties reached 912.0 million euros at the end of the year and included amounts due to the parent company Assicurazioni Generali S.p.A. for 100.4 million euros and amounts due to Generali Italia S.p.A. for 301.2 million euros.

Amounts due to customers also included the **subordinated loan** with Generali Beteiligungs-GmbH, taken up at the end of 2014 to acquire the Credit Suisse Italia S.p.A.'s business line and amounting to 43.3 million euros, gross of accrued interest. The last instalment due on 1 October 2015 and amounting to 8 million euros of the subordinated loan granted in 2008 by the subsidiary Generali Versicherung to acquire Banca del Gottardo Italia S.p.A. was fully repaid upon maturity.

As a result of the Insurance Group's sale of BSI S.A. and its subsidiary to BTG Pactual, completed on 15 September 2015, the latter was excluded from the scope of related parties.
Accordingly, at 31 December 2015 the Banking Group did not report any amount receivable from or payable to related parties that are banking companies.

Finally, a total of 3.0 million euros in personal guarantees was issued for Generali Group companies, of which 2.2 million euros on behalf of Assicurazioni Generali S.p.A.

Profit and Loss Account data

At 31 December 2015, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 142.9 million euros, or 71.9% of operating profit before taxation.

(€ THOUSAND)	SUBSIDIARIES OF THE BANKING GROUP	PARENT COMPANY ASSICURAZIONI GENERALI	OTHER SUBSIDIARIES OF THE GENERALI GROUP	31.12.2015	31.12.2014	CHANGE AMOUNT	CHANGE %	WEIGHT % 2015
Interest income	-	4	549	553	1,214	-661	-54.4%	0.8%
Interest expense	-1	-26	-1,955	-1,982	-4,601	2,619	-56.9%	56.4%
Net interest	**-1**	**-22**	**-1,406**	**-1,429**	**-3,387**	**1,958**	**-57.8%**	**-2.2%**
Fee income	114,753	1	161,061	275,815	211,920	63,895	30.2%	69.0%
Fee expense	-	-	-58	-58	-345	287	-83.2%	-
Net fees	**114,753**	**1**	**161,003**	**275,757**	**211,575**	**64,182**	**30.3%**	**190.8%**
Dividends	-	37	-	37	28	9	32.1%	1.2%
Gain (loss) on trading	-	-	-1,850	-1,850	-	-1,850	n.a.	-7.2%
Operating income	**114,752**	**16**	**157,747**	**272,515**	**208,216**	**64,299**	**30.9%**	**113.7%**
Staff expenses	406	-	420	826	883	-57	-6.5%	-1.1%
General and administrative expense	-598	-86	-15,428	-16,112	-15,384	-728	4.7%	12.4%
Depreciation and amortisation	-	-	-	-	-	-	n.a.	-
Other net operating income	251	6	159	416	470	-54	-11.5%	0.9%
Net operating expenses	**59**	**-80**	**-14,849**	**-14,870**	**-14,031**	**-839**	**6.0%**	**8.9%**
Operating result	**114,811**	**-64**	**142,898**	**257,645**	**194,185**	**63,460**	**32.7%**	**352.1%**
Reversal value of loans	-	-	-	-	-4,211	4,211	-100.0%	-
Adjustments of other assets	-	-	-	-	-402	402	-100.0%	-
Net provisions	-	-	-	-	-	-	n.a.	-
Dividends and income from equity investments	177,360	-	-	177,360	122,596	54,764	44.7%	100.0%
Gain (loss) from the disposal of equity investments	-	-	-	-	-	-	n.a.	-
Operating profit	**292,171**	**-64**	**142,898**	**435,005**	**312,168**	**122,837**	**39.3%**	**219.03%**
Income taxes	**-**	**-**	**-**	**-**	**-**	**-**	**n.a.**	**-**
Profit (loss) from non-current assets, net of taxes	-	-	-	-	3,051	-3,051	-100.0%	n.a.
Net profit (loss) for the year	**292,171**	**-64**	**142,898**	**435,005**	**315,219**	**119,786**	**38.0%**	**236.04%**

Overall, **net interest income** accrued in dealings with companies of the Insurance Group was negative and amounted to 1.4 million euros, with interest paid to such companies (1.9 million euros) accounting for 56.4% of the total amount recognised in the Profit and Loss Account and showing a decline of 2.5 million euros compared to the previous year.

Within this item, interest paid in relation with the subordinated loans of Generali Versicherung and Generali Beteiligungs-GmbH totalled 1.9 million euros, whereas the interest income from other companies of the Generali Group was absolutely negligible due to the persistence of negative short-term interest rates.

Loss on trading amounted to 1,850 thousand euros and referred to the aforementioned transfer of the stake in Simgenia and the non-performing loan granted to Investimenti Marittimi.

Fee income paid back by companies of the insurance Group amounted to 161.1 million euros, equal to 40.3% of the aggregate amount and was broken down as follows:

	BANKING GROUP	GENERALI GROUP	31.12.2015	BANKING GROUP	GENERALI GROUP	31.12.2014	CHANGE
UCITS placement	112,288	2,164	114,452	94,153	2,341	96,494	17,958
Distribution of insurance products	-	155,561	155,561	-	110,380	110,380	45,181
Distribution of asset managed products	2,464	899	3,363	2,087	1,360	3,447	-84
Consultancy	-	1,973	1,973	-	772	772	1,201
Other banking fees	1	465	466	-	827	827	-361
	114,753	**161,062**	**275,815**	**96,240**	**115,680**	**211,920**	**63,895**

The main items were fees for **distribution of insurance products** paid back to **Genertellife**, which grew significantly compared to the previous year thanks to the successful new multi-line policy BG Stile Libero, which gathered over 4.3 billion euros since its launch in March 2014, of which 2.2 billion euros accrued in the year. In addition, Genertellife reported a significant growth in LOB I products in the fourth quarter of the year. Income arising from the distribution of the insurance products of **Genertellife** thus reached 155.6 million euros, with an increase of 40.9% (+45.2 million euros) compared to 31 December 2014.

Fees on the placement of units of UCITSs of the Insurance Group were largely related to the income on the distribution of BG Focus funds, promoted by Generali Investments Europe SGR.

Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in 2015 fee income for advisory service rendered to Alleanza and Generali Italia amounted to 2.0 million euros.

The other bank fees refer primarily to direct debit collection activity on behalf of Group companies.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITSs administered by management companies that belong to the banking and insurance Group. Such fees, amounting to 4.9 million euros, are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.
The Bank also directly collects from customers — through the correspondent bank — subscription fees for the Sicavs promoted by the group (BG Sicav, BG Selection Sicav, Generali Investments Sicav).

	BANKING GROUP	GENERALI GROUP	31.12.2015	BANKING GROUP	GENERALI GROUP	31.12.2014
Sicav underwriting fees	9,420	128	9,548	6,752	195	6,947
Trading fees on funds and Sicavs	1,065	4,964	6,029	2,331	7,207	9,538
	10,485	**5,092**	**15,577**	**9,083**	**7,402**	**16,485**

Fee expense paid back to Insurance Group companies consisted of risk-sharing fees paid to BSI S.A. in the first half of 2015 for the provision of guarantees associated to loans granted.

Net operating expenses recognised by the Bank in relation to transactions with related parties of the Generali Group amounted to 14.9 million euros, equal to 8.9% of the aggregate total and refer to outsourced services in the insurance, leasing, administrative and IT sectors.

	BANKING GROUP	GENERALI GROUP	31.12.2015	BANKING GROUP	GENERALI GROUP	31.12.2014	CHANGE
Insurance services	-	2,112	2,112	-	2,036	2,036	76
Property services	-	5,372	5,372	-	6,518	6,518	-1,146
Administration, IT and logistics services	367	7,865	8,232	107	6,283	6,390	1,842
Financial services	-20	-	-20	-30	-	-30	10
Staff services	-406	-420	-826	-310	-573	-883	57
Total administrative expense	**-59**	**14,929**	**14,870**	**-233**	**14,264**	**14,031**	**839**

Administrative expense incurred in relation to the parent company Assicurazioni Generali S.p.A. amounted to 87 thousand euros and fully refer to insurance services.
Administrative expense incurred in relation to Generali Italia S.p.A. amounted to 3.2 million euros, of which 2.0 million euros refer to insurance services and the remainder to rentals for former INA property leases.
The cost of property services relating to the lease of offices, branch network and Bank's operating outlet premises totalled 5.4 million euros and referred to Generali Italia S.p.A., Generali Properties (2.9 million euros), Fondo Mascagni (1.3 million euros) and Generali Real Estate SGR (1.5 million euros).
Expenses relating to IT, administration and logistics related chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

Transactions with other related parties

Exposure in respect of **Key Managers** of the Bank and its parent company Assicurazioni Generali mainly referred to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other Executives of the Banking and Insurance Group.
Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the Banking and Insurance Group.

In 2015, the Banking Group acquired an **equity investment** in an associate through the parent company Banca Generali S.p.A.
The target was IOCA Entertainment Ltd., based in the United Kingdom, in which Banca Generali subscribed for a 35% interest, in the form of 3,500 shares with a par value of 1.00 pound sterling, for a total of 1,616,125 pound sterling, equivalent to approximately 2.2 million euros at the acquisition date, 19 October 2015.
The company is an e-commerce/social-networking start-up currently engaged in commercial development of an app for smartphones and tablets entitled 'Dishball'.
The portion of the associate's loss for the year attributable to the Banking Group amounted to approximately 40 thousand euros.

In addition, the **AFS portfolio** included an equity investment in Dea Capital — whose amount was not material — attributable to a Key Manager of the Parent Company, Assicurazioni Generali S.p.A. In the first half of 2015, the equity investment earned dividends for 90 thousand euros.

(€ THOUSAND)	KEY MANAG. PERSONNEL	ENTITIES UNDER CONTROL OR SIGNIFICANT INFLUENCE
AFS financial assets	-	421
Loans to customers	1,881	-
Due to customers	12,570	-
Equity investments	-	2,200
Guarantees issued	45	-
Guarantees received	-	-

Profit and loss relationships with the Banking Group's companies

Within the Banking Group, the exposure to subsidiaries amounted to 43.6 million euros and consisted of operating receivables pertaining to the distribution of financial products. Net inflows from Group companies amounted to 72.4 million euros and consist solely of the balances of current account deposits.

The profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Banking group amounted to 292 million euros and primarily consist of:
- fee income given back to the Group's product companies in connection with the distribution of financial products and services by such companies (114.7 million euros);
- dividends distributed by the Luxembourg-based subsidiary BGFM (177.4 million euros).

With respect to aggregate operating expenses, the services rendered by the Parent Company to members of the banking group are highly limited and refer essentially to the exchange of staff and the outsourcing of major administrative services.

Direction and Coordination

Pursuant to Article 2497-*bis* of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.
A summary of the main items of this company's latest Financial Statements is reported hereafter.

2014 Highlights of Assicurazioni Generali

Net profit	**737.8**
Aggregate dividend	**-934.1**
Increase	33.33%
Total net premiums	*2,264.9*
Total gross premiums	3,026.7
Total gross premiums from direct business	616.1
Increase on equivalent terms (a)	-
Total gross premiums from indirect business	2,410.6
Increase on equivalent terms (a)	-
Acquisition and administration costs	399.9
Expense ratio (b)	*17.66%*
Life business	-
Total net premiums	**1,310.8**
Life gross premiums	1,618.6
Increase on equivalent terms (a)	-
Life gross premiums from direct business	178.1
Increase on equivalent terms (a)	-
Life gross premiums from indirect business	1,440.5
Increase on equivalent terms (a)	-
Life acquisition and administration costs	204.2
Expense ratio (b)	*15.58%*
Non-life business	-
Total net premiums	**954.1**
Non-life gross premiums	1,408.1
Increase on equivalent terms (a)	-
Non-life gross premiums from direct business	438.0
Increase on equivalent terms (a)	-
Non-life gross premiums from indirect business	970.1
Increase on equivalent terms (a)	-
Non-life acquisition and administration costs	195.7
Expense ratio (b)	20.51%
Loss ratio (c)	*68.20%*
Combined ratio (d)	*88.71%*
Current financial result	**1,932.5**
Technical provisions	11,101.3
Life segment technical provisions	*9,448.5*
Non-life segment technical provisions	*1,652.8*
Investmentss	38,593.0
Capital and reserves	**13,963.8**

(a) At constant exchange rates.
(b) Ratio of administrative expense to total premiums.
(c) Ratio of accrued claims to accrued premiums.
(d) Total (b) + (c).

The highlights of the Parent Company Assicurazioni Generali S.p.A. shown above were taken from the company's Financial Statements for the year ended 31 December 2014. These are available together with the Independent Auditor's Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm engaged by Banca Generali.

PART I - DISCLOSURE ON PAYMENT PLANS BASED ON OWN FINANCIAL INSTRUMENTS

1. Qualitative information

At 31 December 2015, the payment agreements based on own equity instruments activated by Banca Generali consisted of two stock-option granting plans reserved, respectively, to Financial Advisors, networks managers, and Relationship Managers (employees) of Banca Generali, approved by the General Shareholders' Meeting held on 21 April 2010.

The stock-option plans, launched in 2006 and relating to Banca Generali's listing on the electronic share market organised and managed by Borsa Italiana S.p.A., completed both the vesting and the option strike periods. The options assigned to employees of the Banking Group could be exercised within 15 December 2015.

In 2015, the Remuneration and Incentivisation Policy of the Banca Generali Group, approved by the General Shareholders' Meeting on 23 April 2015, established, inter alia, that part of the variable remuneration of Key Management Personnel be paid by assigning Banca Generali's financial instruments.

1.1 Stock-option plans for salaried managers

In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 15 July 2006 the General Shareholders' Meeting of Banca Generali approved two stock option plans, both relating to the Company's listing on the electronic share market organised and managed by Borsa Italiana S.p.A. These plans called for:
- the granting to Banca Generali Group salaried managers of a maximum amount of 1,113,130 new ordinary shares to be issued;
- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers in the BSI channel, of a maximum of 4,452,530 shares to be issued.

In order to service these plans, the above-mentioned General Shareholders' Meeting also passed a resolution on a divisible share capital increase for a maximum nominal amount of 5,565,660.00, through the issue of new ordinary shares of a nominal value of 1.00 euro each.

On 15 December 2006, after the Banca Generali's ordinary shares started trading on 15 November 2006, the initial allotment in favour of Group managers and Financial Advisors were made, both with a strike price of 9.046 euros, equal to the arithmetic mean of the closing price of the company's listed shares on the MTA recorded during the period from the option allotment date to the same day in the previous calendar month.

The plans' rules and procedures called for Financial Advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met). For salaried managers instead, the plan called for a single three-year vesting period, with the possibility of exercising the options over the following three years (15 December 2012).
In order to compensate the optionees for the loss in value of the plans due to the market conditions that occurred in 2007 and 2008 — which had a negative impact on the stock performance, despite the achievement of excellent results in terms of net inflows — the Shareholders' Meeting held on 21 April 2010 resolved to approve a three year extension of the options' exercise period, under the following new terms.
- for Financial Advisors – 31 March 2014;
- for salaried managers – 15 December 2015.

Throughout the life of the plans, a total of 3,645,870 option rights have been allotted, of which 2,706,870 to Financial Advisors and 939,000 to managers serving under employment contracts.
In 2015, the remaining **30,000** options reserved to salaried manager were exercised.

For a thorough analysis of the accounting aspects of the extension of stock-option plans and the issues associated with the re-determination of the fair value of such plans, the reader is referred to the corresponding sections of the 2009 and 2010 Financial Statements, in which the transactions concerned were originally recognised.

1.2 Rules for the stock option plans for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010

In order to pursue the twofold objective, in the medium- and long-term, of maintaining the interest of the distribution network and network managers in line with the interest of the company, as well as retaining the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity, on 21 April 2010 the Shareholders' Meeting approved two stock option plans, which called for:

> the allotment to Banca Generali's Financial Advisors, area managers, business managers and private bankers of a maximum of 2,300,000 shares to be issued;
> the allotment to Banca Generali's Relationship Managers of a maximum amount of 200,000 ordinary shares to be issued;
> the allotment of options by 30 June 2011, after having verified that overall and individual targets for the development of net inflows by 31 December 2010 have been reached;
> the possibility to exercise the options between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

The main aspects of the plans in question are summarised in the 2014 Consolidated and Separate Financial Statements and those of previous financial years, to which reference can be made for further information.
A share capital increase in one or more tranches, excluding option rights pursuant to Article 2441, paragraphs 5 and 8, of the Italian Civil Code, was approved in service of the stock-option plans indicated above for the issue of a maximum of 2.5 million ordinary shares, in addition to the 5.5 million new shares already approved in relation to the existing stock option plans, already examined.

On 13 May 2011, the Plan Management Committee assessed the achievement of the individual targets established for the different categories of recipients, who then were actually assigned the option rights on 7 June 2011.
The exercise price of the shares, amounting to 10.7118 euros, was determined on the basis of the plans' Regulations, based on the arithmetic mean of the reference price of Banca Generali stock listing in the period from the option allotment date to the same date of the previous solar month.

The fifth tranche of options, accounting for one-six of the total of options allotted, became eligible for exercise as of 1 July 2015, whereas the sixth and last tranche will become eligible on 1 July 2016.

In 2015, a total of **385,348** options were exercised, of which **29,503** by Relationship Managers. In addition, **11,328** options were cancelled due to termination of the agreements with the Financial Advisors to whom they had been allotted. At the end of 2015, the options allotted under the plan reserved for Financial Advisors amounted to **720,265,** whereas the option rights allotted to Relationship Managers amounted to **59,246**.

Measurement of fair value and accounting treatment

Valuation of the stock option plans is based on the fair value of the options allotted, calculated with reference to the final allotment date of the options.
In further detail, since the various tranches of the plan are associated with different vesting dates and option exercise periods, each tranche has been treated as a separate allotment, with the determination of a specific fair value.
The measurement of the fair value of the options was computed using a standardised model available among the operating tools on the Bloomberg platform. This model contemplated information such as the strike price, the vesting period, the exercise window, current share price and implied volatility, expected dividends and the risk-free interest rate. The binomial pricing model also takes into account the possibility of early exercise.
The implied volatility of Banca Generali stock used in the model was determined according to an inductive process commonly used by the market.
In detail, the expected volatility of at-the-money Banca Generali options at three months was first estimated according to surveys of historical volatility and the volatility of more liquid options at three months on the equities of listed issuers with similar structural characteristics. The spread between the volatility of the option at three months and the DJ STOXX 50 index was then calculated, and that spread was applied to the index's implied volatility during the holding period for the new maturities, while also taking the various moneyness profiles into account.

Considering the particular situation of market volatility that occurred during the option allotment period, the current value of the options has been determined on the basis of the average quotations during the period from 15 May (the date on which the beneficiaries were identified) to 30 June 2011, the date specified in the Rules and Procedures as the final deadline for allotment of the options.

The other specific characteristics of the plans, such as the presence of periods of suspension of exercisability, were also considered for measurement purposes.

Since the plan's Rules and Procedures also call for forfeiture of the right to exercise options in the event of the termination of a Financial Advisor for any reason, except for decease, permanent disability or retirement, an estimate was prepared of the briefer expected residual life of the options compared to their contractual duration due to expected cases of early exercise. To that end, the notional fair value of the shares was adjusted on the basis of the expected turnover rates by option vesting class.

This procedure resulted in the identification of fair values between 1.01 and 0.65 euros depending on the exercise date for the option rights.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between allotment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.
Given the different vesting dates of the various tranches of the plan, each tranche was measured separately for this purpose. It follows that for the first tranche, which may be exercised beginning on 1 July 2011, vesting was immediate, whereas for the sixth tranche, which may be exercised beginning on 1 July 2016, the vesting period was calculated over six years.

1.3 Variable components of remuneration in connection to performance objectives

In accordance with the Supervisory Provisions set forth in the 7th update of Bank of Italy's Circular Letter No. 285/2013 issued on 18 November 2014, the 2015 Remuneration and Incentivisation Policy for the Key Management Personnel of the Banca Generali Group — approved by the Shareholders' Meeting on 23 April 2015 — requires a portion of the variable component of remuneration, both current and deferred, to be paid by assigning Banca Generali's financial instruments.

In detail, Key Management Personnel and main network managers who accrue a variable remuneration linked to short-term objectives exceeding 75 thousand euros in financial year 2015 would be entitled, in addition to the deferral of the disbursement of 40% of the variable component, also to the payment of 25% of the said component through assignment of Banca Generali's shares, based on the following stock-granting and retention mechanism:
> 60% of the bonus to be paid up-front in the year following that under review: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;
> 20% of the bonus to be deferred for one year: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;
> the remaining 20% of the bonus to be deferred by two years: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year.

Therefore, the payment in shares will be conditional not only upon the achievement of the pre-set objectives defined in the MBO mechanism, but also to the satisfaction of access gates established by the Banking Group (TCR - Total Capital Ratio, LCR - Liquidity Coverage Ratio) for the year in which the remuneration is accrued and the following two-year period of retention.

In light of the foregoing, on 23 April 2015 the Shareholders' Meeting resolved to repurchase a maximum number of 88,213 treasury shares within an 18-month period, to be granted to Key Management Personnel and main network managers as variable remuneration.
By resolution dated 3 June 2015, the Bank of Italy authorised the transaction, and also ordered its deduction from the Banca Generali's own funds effective the same date.

Measurement of fair value and accounting treatment

Pursuant to IFRS 2 — *Share-based Payments*, the new mechanisms to assign variable remuneration — discussed in the previous section — are considered as equity-settled share-based payment transactions.

The accounting treatment set forth for these transactions requires an entity to reflect in its profit and loss, under the most appropriate items (staff expenses, fee expense), the estimated expense associated with transaction in which shares are assigned, and allocate a specific equity reserve as offsetting entry.

IFRS 2 envisages that with regard to *transactions with employees and others providing similar services (employees/network managers), the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received.*

From an accounting standpoint, as the share-based payment does not call for an exercise price, it can be considered a stock grant and recognised in compliance with the rules set forth for this category of transactions. The overall expense regarding the allotments was therefore determined based on the number of shares expected to be assigned, on the basis of the objectives achieved, multiplied by the fair value of the Banca Generali stock at the date of allotment.

The overall number of shares to be allotted was defined dividing the portion of variable remuneration payable in the form of shares by the average of Banca Generali stock listing provided by Borsa Italiana calculated over the 90 days preceding the approval of the 2014 Financial Statements by the Bank's Board of Directors (10 March 2015), amounting to 23.9 euros.
In detail, 25% of variable remuneration envisaged by MBO plans was considered for salaried Managers, whereas for Financial Advisors with additional appointment as network manager a 25% of fee incentives accrued in the year was calculated.
However, the number of shares granted to beneficiaries will be effectively determined only upon the assessment of satisfaction of the access gates and the achievement of the individual objectives set for 2015.

The fair value of Banca Generali stock at the allotment date is equal to the market price (29.4 euros) reported on 24 April 2015, namely the date of the Shareholders' Meeting which approved the new Remuneration Policy.

Moreover, as the share assignment will be effected in three tranches, each tranche is considered individually: a first tranche (60%) paid up-front after the approval of the 2015 Financial Statements, and two annual tranches (40%) to be deferred and subject to both the continuation of service and the satisfaction of access gates established on an annual basis.
In detail, the vesting period for the tranche paid up-front will expire on 31 December 2015, whereas that of the other two tranches will expire on 31 December of the financial year considered for assessing the satisfaction of the access gates.

It is estimated that as of 31 December 2015 approximately 67.2 thousand shares will be assigned compared to the maximum amount of 88,318 shares approved by the General Shareholders' Meeting on 24 April 2015.

2. Quantitative information

During 2015, over 415,000 option rights deriving from the new 2010 plans, and for the remaining portion those deriving from the old 2006 stock option plans, were exercised.
The weighted average strike price was 10.59 euros (the strike price range was 9.0 – 10.71 euros), compared to an average price of the Banca Generali stock of 28.1 euros in 2015.
The total amount of proceeds for the bank thus reached 4,384 thousand euros, whereas the value of the IFRS 2 equity reserve set aside in previous years in connection with the rights exercised amounted to 520 thousand euros.
That amount, along with the amount paid out to the beneficiaries, net of the par value of the shares allotted, was added to the share premium reserve (4,488 thousand euros) pursuant to the Supervisory Authority's instructions (Circular Letter No. 262/2005, paragraph 5, Statement of Changes in Net Equity).

The expenses recognised in profit and loss in 2015 in connection with the stock-option plans reserved for Financial Advisors and salaried Relationship Managers authorised in 2010 amounted to 105 thousand euros.
With reference to the new share-based payments referring to the Remuneration Policy, the expense accrued in 2015 is expected to amount to about 1.6 million euros.

At year-end 2015, the IFRS 2 equity reserve therefore amounted to 2.3 million euros, of which 0.7 million euros associated with the 2010 stock-option plans.

The total number of options that can be exercised at the end of financial year 2015 is 393 thousand, with an average strike price of 10.71 euros and a total exercise value of about 4.2 million euros. As of 1 July 2016, the sixth and last tranche of the 2010 stock option plans will also become exercisable.

The remaining average life of such aggregate amount is slightly more than 1.5 years.

(€ THOUSAND)	SHARES THAT MAY BE ASSIGNED BASED ON	AVERAGE PRICES	STOCK OPTIONS - FINANCIAL ADVISORS	AVERAGE PRICES	STOCK OPTIONS - EMPLOYEES	AVERAGE PRICES	TOTAL	AVERAGE PRICES	AVERAGE MATURITY
A. Amount at year-start	**-**	**-**	**1,087,438**	**10.71**	**118,749**	**10.28**	**1,206,187**	**10.67**	**2.86**
B. Increases	**67,184**	**-**	**-**	**-**	**-**	**-**	**67,184**	**-**	**X**
B.1 Newly issued shares	67,184	-	-	-	-	-	67,184	-	X
B.2 Other changes	-	-	-	9.00	-	-	-	-	X
C. Decreases	**-**	**-**	**-367,173**	**10.71**	**-59,503**	**9.85**	**-426,676**	**10.59**	**X**
C.1 Cancelled	-	-	-11,328	10.71	-	-	-11,328	10.71	X
C.2 Exercised	-	-	-355,845	10.71	-59,503	9.85	-415,348	10.59	X
C.3 Expired	-	-	-	-	-	-	-	-	X
C.4 Other changes	-	-	-	-	-	-	-	-	X
D. Amount at year-end	**67,184**	**-**	**720,265**	**10.71**	**59,246**	**10.71**	**846,695**	**9.86**	**1.50**
E. Options that can be exercised at year-end	**-**	**-**	**366,149**	**10.71**	**26,667**	**10.71**	**392,816**	**10.71**	**1.50**
Strike price	**1,611**	**-**	**96**	**X**	**9**	**X**	**1,716**	**X**	**X**
IFRS 2 reserve	**1,611**	**-**	**628**	**X**	**46**	**X**	**2,285**	**X**	**X**

Independent Auditors' Report

pursuant to Articles 14 and 16 of Legislative Decree 27.01.2010, no. 399

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Independent auditors' report in accordance with art. 14 and 16 of legislative decree no.39 of January 27th, 2010

To the shareholders of
Banca Generali S.p.A.

Report of the financial statements

We have audited the accompanying financial statements of Banca Generali S.p.A., which comprise the balance sheet as of December 31st, 2015, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11, paragraph 3 of Legislative Decree N0. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Banca Generali S.p.A. as of December 31st, 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Other matters

The financial statements for the year ended December 31st, 2014 were audited by another auditor who, on March 27th, 2015, expressed an unmodified opinion on those financial statements.

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Report on compliance with other laws and regulation

Opinion on the consistency of the financial statements with the report on operations and of certain information set out on corporate governance and ownership structure

We have performed the procedures required by auditing standard (SA Italia) N0. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in art. 123-bis, paragraph 4 of Legislative Decree N0. 58/98, which are the responsibility of the directors of Banca Generali S.p.A., with the financial statements of Banca Generali S.p.A.. In our opinion, the report on operations and of the information set out in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Banca Generali S.p.A. as of December 31st, 2015.

Milan, March 30, 2016

BDO Italia S.p.A.

Signed by Rosanna Vicari
Partner

This report has been translated into English from the Italian original solely for the convenience of international readers

Board of Statutory Auditors' Report

pursuant to Article 153 of Legislative Decree No. 58/98 and Article 2429, paragraphs 2 and 3, of the Italian Civil Code

Shareholders,

We have reviewed the Annual Financial Report for the year ended 31 December 2015, which consists of:
> the Draft Separate and Consolidated Financial Statements of Banca Generali S.p.A. for the year ended 31 December 2015, including the Notes and Comments and detailed accounting statements;
> the Consolidated Directors' Report on Operations, which includes the Annual Report on Corporate Governance and Company Ownership, in accordance with Article 123-bis of Legislative Decree No. 58/1998.
> all documents were prepared by Directors and duly forwarded to the Board of Statutory Auditors.

The oversight activity attributed to the Board of Statutory Auditors, pursuant to the law and, specifically, to Article 149 of Legislative Decree No. 58/1998, was conducted during the year in accordance with the code of conduct recommended by the Roll of Certified Public Accountants and Commercial Experts, taking also account of CONSOB and Bank of Italy provisions, as well as in accordance with Article 19 of Legislative Decree No. 39/2010.
It bears recalling that the Board of Statutory Auditors currently in service was appointed for the years 2015-2016-2017 through resolution passed by the General Shareholders' Meeting on 23 April 2015, specifying that up to that date all relevant activities had been performed by the former Board of Statutory Auditors.

The Board of Statutory Auditors herewith informs the General Shareholders' Meeting that during the financial year, since its appointment, it has conducted the following activities:
> it participated in 8 meetings of the Board of Directors, verifying that the resolutions adopted and implemented were in compliance with the law and the Articles of Association and ensuring that they were neither imprudent nor gave rise to conflicts of interest not adequately addressed and managed;
> it participated in 6 meetings of the Internal Audit and Risk Committee;
> it participated in 5 meetings of the Remuneration Committee;
> it participated in 4 meetings of the Nomination Committee;
> it participated in 8 meetings of the Supervisory Board, in light of the Board of Directors' Resolution passed on 23 April 2015 which entrusted the Supervisory Board's functions to the Board of Statutory Auditors;
> it participated in 15 regular meetings held to conduct its audits;
> it requested and obtained from the Chief Executive Officer, the Manager in charge of preparing the company's financial reports or other Company Managers information concerning the transactions of greater importance carried out by the Company, and acknowledged that such transactions were not considered openly imprudent or risky, in potential conflict of interest, in contrast with resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets;
> it exchanged information with the Chairmen of the Boards of Statutory Auditors of the investee companies, as well as the Board of Statutory Auditors of the Parent Company, Assicurazioni Generali;
> it verified the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2, of Legislative Decree No. 58/1998, as well as the supervisory instructions issued by the Bank of Italy, and deemed that they were adequate;
> it issued legal opinions, including those relating to the main subjects listed below:
  - remuneration and incentivisation policies;
  - approval of and amendments to Company Rules and Policies;
  - ICAAP process;
> it verified that its members possessed the independence requisites, as well as its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. Moreover, it verified that the independent auditors possessed the independence requisites and found that the procedures adopted by the Board of Directors to ascertain its own internal independence compliance were adequate;
> it systematically monitored the functioning of the Internal Control and Risk Management System, stating its observations on the interim and annual reports concerning the activities performed and the programmes to be implemented by different control functions. It also checked the implementation status of the activity plans and ensuing results. The system envisages line checks, risk management and compliance checks, controls against money laundering, and internal audit activity. Business operations and information flows amongst the various parties involved, including the Board of Statutory Auditors, were efficiently coordinated during the year. Moreover, in the year under review, Internal Audit assessed that the internal control and risk management systems were efficiently implemented, and put forward certain recommendations and suggestions aimed at improving risk management and control, without, however, highlighting any significant shortcomings. The Board of Directors entrusted the Chief Executive Officer with the function of Executive Director in charge of overseeing the functioning of the internal control and risk mana-

gement system. The Head of the Internal Audit Department directly reports to the Board of Directors. On the whole, the Internal Control System was deemed adequate;
- it monitored complaints by investors, without discovering any shortcomings in internal procedures or the Company's organisational layout;
- it verified the general compliance of the Bank with the requirements for correspondence with and notices to the Supervisory Bodies, as well as compliance with industry regulations and the Articles of Associations;
- it evaluated and verified the appropriateness of the administrative and accounting system, as well as its reliability in accurately representing operations through the information received by the Manager in charge of preparing the company's financial reports and the Independent Auditors, and information directly obtained from the heads of the respective functions, as well as data arising from examination of company records. With reference to the application of Law No. 262/2005 and the provisions of letter a), paragraph 1, of Article 19 of Legislative Decree No. 39/10, the Board of Statutory Auditors also monitored the processes and activities carried out by the Bank, within the framework of the Financial Accounting Risk Governance activity, aimed at continuously assessing the adequacy of administrative and accounting procedures and the ensuing financial reports. The Annual Report on Corporate Governance and Company Ownership, as per Article 123-bis of Legislative Decree No. 58/1998, illustrates the main features of the Bank's financial reporting risk model, as defined by the Manager in charge of preparing the company's financial reports. The Company's Independent Auditors issued the report mentioned in Article 19, paragraph 3, of Legislative Decree No. 39/2010, in which no significant shortcomings were highlighted as regards the internal control system applied to the financial reporting process;
- it evaluated, on the basis of the information gathered, the appropriateness of the Company's organisational layout, taking into account its evolution throughout 2015;
- it checked that the Bank adopted regulations, processes and structures suitable for monitoring and overseeing banking-related risks (market risks, credit risks, liquidity risks, operating risks, compliance and money laundering risks), as described in the Directors' Report on Operations and Notes and Comments;
- it evaluated the appropriateness of the internal capital adequacy assessment process (ICAAP);
- it verified, in concert with the Independent Auditors, that the foreign and Italian subsidiaries adopted a suitable administrative and accounting system such as to regularly report to the Company's management and Independent Auditors the economic and financial data required to draw up the Consolidated Financial Statements.

We hereby acknowledge that the Company discharged its obligations relating to the prevention of money laundering, with particular regard to Legislative Decree No. 231/2007, as further amended and extended, and the provisions of the Bank of Italy and the company's Financial Information Unit, including staff training, through the Anti-Money Laundering Service, within the Compliance and Anti-Money Laundering Department.
We also acknowledge that the Bank complied with its obligations concerning privacy with respect to the treatment of personal data pursuant to Italian Legislative Decree No. 196/2003 and other applicable laws in force. Moreover, during 2015, it drew up the Data Security Plan, on a voluntary basis.
In addition, we acknowledge that during the year the Supervisory Board, whose functions are carried out by the Board of Statutory Auditors effective 1 April 2014, monitored the operation and compliance of the Organisational and Management Model, and verified that it has been properly updated and is suitable for preventing over time the commission of the crimes mentioned in the legislation. The work performed showed no irregularities that could be related to the crimes contemplated under the provisions of Legislative Decree No. 231/2001.

We acknowledge that the company adopted, inter alia, the following main codes, policies and procedures, which were duly updated during the year:
- internal dealing, setting up the Internal Dealing Register;
- insider information, with the introduction of the Insider Register;
- related party and connected party transactions and transactions of greater importance;
- transactions with parties that have powers of management, administration and control over the bank;
- internal policies governing control mechanisms for activities at risk and conflicts of interest involving connected parties;
- order execution and transmission policy;
- conflict of interest policy;
- internal rules;
- contingency funding plan;
- single risk management policy;
- Risk Appetite Framework;
- fair value policy;
- Group policy on service outsourcing;
- equity investment management policy;
- policy of enhancement of third-party financial instruments;
- inducement policy;
- policy for the classification of customers;

- portfolio investment process;
- compliance policy; Internal Audit policy;
- internal control system policy;
- Internal Code of Conduct.

Furthermore, we acknowledge that the Company adopted the Corporate Governance Code for Listed Companies. In light of the role and responsibilities entrusted to the Bank's Chairman, the Company did not appoint a lead independent director.

We acknowledge that in 2015, the Bank operated in strict compliance with the "Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance", which lays down specific operating rules governing fact-finding procedures, decision-making powers, record-keeping and disclosure obligations; these transactions and relevant information are given in the Directors' Report on Operations and Notes and Comments.
We also acknowledge that in 2015 the company's intra-group transactions were of a financial and commercial nature, and regarded the supply of services, as described in the Directors' Report on Operations and Notes and Comments.
We acknowledge that Banca Generali complies with the Assicurazioni Generali S.p.A.'s tax consolidation scheme.
We acknowledge that the Directors' Report on Operations and Notes and Comments contain the information regarding the possession of own shares and parent company shares, in respect of which the respective restricted reserves were set aside. The Notes and Comments describe the new prudential regulatory provisions for banks concerning capital requirements. The Bank complies with applicable capital requirements (Common Equity Tier 1, Tier 1, Total Capital Ratio) set forth in the supervisory provisions; detailed information on capital regulatory requirements and capital ratios is given in the Directors' Report on Operations and Notes and Comments. In order to determine its capital for regulatory purposes, Banca Generali exercised the option to neutralise the capital gains and losses deriving from fair-value measurement of AFS financial assets belonging to the Euro Area government bond segment, as allowed under Bank of Italy's Order of 18 May 2010. This option was envisaged also in Basel 3 new prudential supervisory regime introduced as of 1 January 2014 until the new IFRS 9 becomes effective in 2018.
We acknowledge that the Corporate Governance Report includes the information pursuant to Article 123-bis of TUF.
We acknowledge that the Company drew up the Remuneration Policy on the Banking Group's remuneration and incentivisation policies, as well as the report on their implementation.
We acknowledge that the Notes and Comments provide information on the share-based payment plans.

In 2015, the Bank acquired a stake in an associate company. The target was IOCA Entertainment Ltd., a company under the UK law, in which Banca Generali subscribed a 35% interest, in the form of 3,500 shares with a par value of 1.00 pound sterling, for a total of 1,616,125 pounds sterling, equivalent to approximately 2.2 million euros at the acquisition date, 19 October 2015. The company is an e-commerce/social-networking start-up currently engaged in commercial development of the "Dishball" app for smartphones and tablets.
In 2015, the Group did not carry out any transaction that qualified as "transaction of greater importance". There were no atypical and/or unusual transactions to be reported in 2015. Nor were such transactions undertaken with parties other than related parties such as intragroup entities or third parties. "Atypical and unusual transactions" are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and/or timing of occurrence (near the end of the reporting period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders. Similarly, in 2015, the Banking Group did not carry out any related party transaction that qualified as "transactions of greater importance". In addition, as thoroughly described in the Directors' Report on Operations, other related party transactions qualifying as "moderately significant transactions" were carried out, besides ordinary or recurring transactions effected at arm's length, the effects of which are analysed in the dedicated section of Notes and Comments.

With reference to social corporate responsibility, the Directors' Report on Operations provides a summary of the 2015 results achieved in the various areas of the Banking Group's social responsibility, restated according to the GAV (Global Added Value) method.

The Company is subject to management and coordination by the Parent Company "Assicurazioni Generali S.p.A." and all related statutory obligations were duly discharged.

In compliance with the resolution passed by the General Shareholders' Meeting on 23 April 2015, the periodic auditing, the review of the Half-year Report, and the audit of the Separate and Consolidated Financial Statements were entrusted to the auditing firm "BDO Italia S.p.A.", whose term of office will expire upon approval of the 2023 Financial Statements. The Board of Statutory Auditors examined the 2015 audit activity plan and periodically exchanged information with the Independent Auditors; the latter did not notify the Board of Auditors of any events, circumstances or irregularities requiring its attention. In 2015, the Independent Auditors verified regular bookkeeping practices and correct assessment of operations in the accounting entries, and that the Financial Statements for the year ended 31 December 2015 reflected the accounting books and records. The Independent Auditors have issued today a clean report on the Separate and Consolidated Financial Statements for the year ended 31 December 2015.

The Independent Auditors have also issued the statement confirming their independence and the absence of the causes of incompatibility contemplated in Articles 10 and 17 of Legislative Decree No. 39/2010.

In the reporting year, no further tasks were entrusted to BDO Italia S.p.A. or other companies belonging to the same network.

The Manager in charge of preparing the company's financial reports and the Chief Executive Office issued the statement and attestation of compliance required under applicable regulations in the field of accounting and financial statement disclosure.

The Board of Statutory Auditors nonetheless controlled the general criteria used in preparing the financial statements, as well as their compliance with the law and specific regulations regarding the preparation of financial statements of banking institutions.

The Financial Statements were prepared in compliance with Legislative Decree No. 38/2005 and in accordance with the accounting standards issued by IASB and related IFRIC interpretations. Moreover, they were based on the "Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking groups" issued by the Bank of Italy, including the last update (15 December 2015) to the Circular Letter No. 262/2005. The Notes and Comments explain the accounting criteria adopted and provide the necessary information as required by current laws, including information on credit risk, market risk, liquidity risk and operating risk. The Directors' Report on Operations provides information on operations, highlighting developments underway and the potential outlook, and the banking Group's development and reorganisation process in the reporting year. In their Report, Directors illustrate the main risks and uncertainties to which the Company is exposed.
The Board of Statutory Auditors analysed, in concert with the Chief Financial Officer, the accounting treatment applied to goodwill and the impairment process performed on intangible assets, and agreed on the related recognition.
In carrying out our supervisory activity, as described above, no other significant facts emerged that need to be reported to relevant Supervisory Bodies or that are worthy of mention in this report.

As concerns the Consolidated Financial Statements of the Banca Generali Group, the Board of Auditors also acknowledges that they were prepared in compliance with Legislative Decree No. 38/2005 and in accordance with the accounting standards issued by IASB and IFRIC interpretations. Moreover, they were based on "Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups" issued by the Bank of Italy, including the last update (15 December 2015) to the Circular Letter No. 262/2005. The scope of consolidation remained unchanged compared to the previous year and includes the Parent Company, Banca Generali S.p.A., and its subsidiaries, BG Fiduciaria SIM S.p.A., BG Fund Management Luxembourg S.A. (former GFM) and Generfid S.p.A. The Directors' Report on Operations includes information on the performance of subsidiaries.

We acknowledge that no complaints have been received pursuant to Article 2408 of the Italian Civil Code.
We acknowledge that during the year no complaints were received.
Lastly, the Board of Statutory Auditors has no proposal to submit to the General Shareholders' Meeting pursuant to Article 153, paragraph 2, of TUF.

Having regard to the above, the Board of Statutory Auditors considers that the Financial Statements for the year ended 31 December 2015, as presented to you by the Board of Directors, may be approved by you and expresses a favourable opinion regarding the allocation of the profit of 184,291,551.00 euros as proposed by the Board of Directors.

The Board of Statutory Auditors wishes to express its grief for the untimely passing of CEO Piermario Motta. We will remember his professional skills and great kindness.

Milan, 30 March 2016

The Board of Statutory Auditors
Massimo Cremona - Chairman
Mario Anaclerio – Acting Auditor
Flavia Daunia Minutillo – Acting Auditor

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4.

Attestation

pursuant to Article 154, paragraph 5, of Legislative Decree No. 58/98

Board of Directors
10 March 2016

Attestation

Attestation to the Annual Financial Report pursuant to the provisions of Article 154-bis, paragraph 5, of Legislative Decree No. 58 of 24 February 1998, and Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as further amended and extended

1. The undersigned Piermario Motta, in his capacity as Chief Executive Officer, and Stefano Grassi, in his capacity as Manager in charge of the financial reports of Banca Generali S.p.A., taking into account the provisions set out in Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998, hereby declare that the administrative and accounting procedures for preparing the Annual Financial Report for the year at 2015:
   > are appropriate in light of the features of the company, and
   > have been actually applied.

2. The appropriateness of administrative and accounting procedures for preparing the Annual Financial Report at 31 December 2015 was assessed using a process established by Banca Generali S.p.A. based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is generally accepted as a reference framework worldwide.

3. The undersigned further declare that:
   3.1 the Annual Financial Report at 31 December 2015:
   a) was prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of the Italian Civil Code and Legislative Decree No. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;
   b) reflects the accounting books and records;
   c) provides a true and fair view of the assets, liabilities, profit and loss and financial position of the issuer and all its consolidated companies.
   3.2 The Directors' report on operations includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Trieste, 10 March 2016

Signed by:

Piermario Motta
Chief Executive Officer
BANCA GENERALI S.p.A.

Stefano Grassi
Manager in Charge
of the Company's Financial Reports
BANCA GENERALI S.p.A.

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PERSONAL ADVISORY
PERIMETRO RAPPORTI
DIAGNOSI
PIANIFICAZIONE
REPORT
Analisi di diversificazione
Analisi di concentrazione

5.

Annexes

Board of Directors
10 March 2016

Annex 1

Disclosure on the compensation for auditing pursuant to article 149-duodecies of Consob Regulation No. 11971

The following table shows a breakdown of the compensation paid by Banca Generali to the independent auditors BDO Italian S.p.A. engaged to audit the financial statements in accordance with Legislative Decree No. 58/98, as well as to the Italian and foreign entities in the network to which the auditing firm belongs:

(€ THOUSAND)	BDO ITALIA
Parent Company	**79**
Audit	79
Certification	-
Other services	-
Subsidiaries	**-**
Audit	-
Certification	-
Other services	-
Total	**79**

Notes
1. Amounts net of VAT and out-of-pocket expenses.
2. The 2014 Financial Statements, approved by the Shareholders' Meeting on 23 April 2015, was audited by the previously engaged auditing firm, namely Reconta Ernst & Young.

Banca Generali S.p.A.

REGISTERED OFFICE

Via Machiavelli 4 - 34132 Trieste

Share capital

Authorised 119,378,836 euro

Subscribed and paid 116,127,860 euro

Tax code, VAT No. and Trieste
register of companies

00833240328

Company managed and coordinated by Assicurazioni Generali S.p.A.

Bank which is a member of the Interbank Deposit Protection Fund

Registration with the bank register of the Bank of Italy under No. 5358

Parent Company of the Banca Generali Banking Group registered in the banking group register

ABI code 03075.9

Coordination and design **Sege S.r.l.**
Layout **t&t**
Printed by **ADPress (VR)**

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