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## 8. CORPORATE SOCIAL RESPONSIBILITY

### 8.1 Distribution of Global Value Added

The following is a summary of the 2016 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 Value Added) 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 2015 and 2016 and using the ABI guidelines as a reference.

#### The distribution of Value Added

In 2016, the Banca Generali Group reported **net revenues** of 741.1 million euros, down by 50.4 million euros (-6.4%) compared to 2015, whereas **consumption** decreased slightly by 3.0 million euros.

Revenue performance was primarily affected by the trend in performance fees (-60.0 million euros) and the decrease in interest income (-8.0 million euros), only partly offset by the greater net income from trading activities and dividends and the rise in recurring fees.

The reduction of consumption was primarily caused by the lower impact of provisions and adjustments, which offset a moderate increase in general and administrative expense (+5.3 million euros), partially offset.

During the process of allocating Value Added, the contributions paid to the National Resolution and Interbank Deposit Protection Funds, amounting to 8.3 million euros, 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 Value Added (GVA) reached 614.1 million euros and was broken down as follows:

- > **Human Resources** (employees and other collaborators): approximately 13.1% of gross GVA, for a total of 80.4 million euros, compared to 87.9 million euros for the previous year (13.3%), which however included 10.2 million euro provisions for the restructuring plan;
- > **Financial Advisors**: 47.4% of gross GVA, for a total of 290.8 million euros, inclusive of net provisions for incentives, recruitment plans and other contractual indemnities of 32.3 million euros (up from 42.1% in 2015);
- > **Shareholders**: 20.3% of gross GVA, a slight decrease from 21.0% in 2015, due to the decline in the dividend approved from 1.20 euros to 1.07 euros;
- > **State**: approximately 13.2% of gross GVA, or 80.9 million euros, down compared to the previous year, due to the combined effect of the lesser estimated income tax burden.

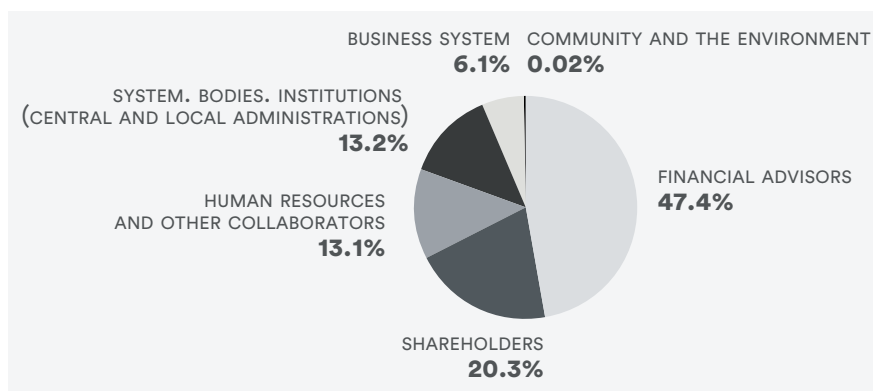
The business system retained, in the form of undistributed profits, depreciation and amortisation, an overall amount of 37.2 million euros, or 6.1% of GVA (10.5% in 2015). The amount is to be regarded as an investment that the other categories of stakeholders make each year in order to keep the company in efficient condition and foster its development.

## Breakdown and Distribution of Global Gross Value Added

ITEMS (€ THOUSAND)	2016	2015	CHANGE
A. Total net revenues	741,006	791,414	-50,408
B. Total consumption	-126,882	-129,915	3,033
C. Net result from insurance operations	-	-	-
D. Core gross value added	614,124	661,499	-47,375
<b>E. Global gross value added</b>	<b>614,146</b>	<b>661,493</b>	<b>-47,347</b>
Divided among:			-
1. Shareholders	124,674	139,237	-14,563
Private shareholders <sup>(1)</sup>	124,674	139,237	-14,563
Minority interests (+/-) for the year	-	-	-
2. Human resources	371,274	366,623	4,651
Employee expense; expense for indefinite- and fixed-term contracts	78,905	85,865	-6,960
Financial Advisor expense, including net payments on account	290,852	278,751	12,101
Expense for other collaborators	1,517	2,007	-490
3. System, entities, institutions (central and local administrations)	80,915	85,931	-5,016
Indirect and income taxation	43,692	42,538	1,154
Expense for contribution to the National Resolution and Interbank Deposit Protection Funds	8,281	8,711	-430
Income taxes for the year	28,942	34,682	-5,740
4. Community and the environment	123	70	53
Charitable gifts	123	70	53
5. Business system	37,160	69,632	-32,472
Change in reserves	31,220	64,322	-33,102
Amortisation and depreciation	5,940	5,310	630
<b>Global gross value added</b>	<b>614,146</b>	<b>661,493</b>	<b>-47,347</b>

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

## Breakdown of Total Added Value



## Statement of determination of the Global Value Added

ITEMS (€ THOUSAND)	2016	2015	CHANGE
10. Interest income and similar revenues	61,778	69,743	-7,965
40. Fee income	604,689	651,960	-47,271
70. Dividends and similar income	1,963	3,120	-1,157
80. Net income (loss) from trading activities	2,383	4,489	-2,106
100. Gain (loss) from sale or repurchase of:	30,371	21,301	9,070
a) receivables	2,204	1,700	504
b) AFS financial assets	28,151	19,601	8,550
c) HTM financial assets	16	-	16
220. Other operating expenses/income <sup>(4)</sup>	39,897	40,841	-944
240. Gains (losses) from equity investments	-75	-40	-35
<b>A. Total net revenues</b>	<b>741,006</b>	<b>791,414</b>	<b>-50,408</b>
20. Interest expense and similar charges	-3,115	-3,513	398
50. Fee expense <sup>(1)</sup>	-33,889	-34,560	671
180.b Other general and administrative expense <sup>(2)</sup>	-88,023	-82,701	-5,322
130. Net adjustments/reversals due to impairment of:	-778	-6,471	5,693
a) receivables	1,921	-1,121	3,042
b) AFS financial assets	-2,865	-2,845	-20
c) HTM financial assets	101	-2,575	2,676
d) other financial transactions	65	70	-5
190. Net provisions for liabilities and contingencies <sup>(3)</sup>	-1,077	-2,670	1,593
<b>B. Total consumption</b>	<b>-126,882</b>	<b>-129,915</b>	<b>3,033</b>
<b>C. Core gross value added</b>	<b>614,124</b>	<b>661,499</b>	<b>-47,375</b>
250. Net result of fair value measurement of tangible and intangible assets	-	-	-
270. Gains (losses) from disposal of investments	22	-6	28
<b>D. Global gross value added</b>	<b>614,146</b>	<b>661,493</b>	<b>-47,347</b>
Amortisation and depreciation	-5,940	-5,310	-630
<b>E. Net global value added</b>	<b>608,206</b>	<b>656,183</b>	<b>-47,977</b>
180.a Staff expenses <sup>(5)</sup>	-371,274	-366,623	-4,651
180.b Other general and administrative expense: indirect taxation <sup>(6)</sup>	-43,692	-42,538	-1,154
Other general and administrative expense: charges for the National Resolution and Interbank Deposit Protection Funds <sup>(6)</sup>	-8,281	-8,711	430
180.b Other general and administrative expense: charitable gifts <sup>(6)</sup>	-123	-70	-53
<b>F. Pre-tax result</b>	<b>184,836</b>	<b>238,241</b>	<b>-53,405</b>
290. Income taxes for the year on operating activities	-28,942	-34,682	5,740
330. Minority interests (+/-) for the year	-	-	-
<b>G. Net profit (loss) of the parent company for the year</b>	<b>155,894</b>	<b>203,559</b>	<b>-47,665</b>

(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 has 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 National Resolution and Interbank 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.