

Investments

In the table below Group investments are split into the four IAS categories, as reported on balance sheet, as well as by nature into the equity instruments, fixed income instruments, real estate instruments, other investments and cash and similar instruments.

Given their short term investments nature, the reverse repurchase agreements are reclassified within 'cash and similar instruments'. For the same reason repurchase agreements are reclassified in the same item, as well. Derivatives instruments are presented net of derivatives held as financial liabilities, Hedging derivatives are ex-

cluded, as they are presented within hedged item asset classes.

Investments fund units (IFU) are allocated to respective asset classes based on prevailing underlying assets. IFU are therefore allocated within the items equity instruments, fixed income instruments, real estate instruments, other investments and cash and similar instruments.

Comments on specific balance sheet items are presented in the following paragraphs.

Investments

(€ million)	31/12/2015		31/12/2014	
	Total Book value	Impact (%)	Total Book value	Impact (%)
Equity instruments	18,353	4.9%	17,610	4,8%
Available for sale financial assets	15,469	4.1%	15,170	4,2%
Financial assets at fair value through profit or loss	2,884	0.8%	2,440	0,7%
Fixed income instruments	328,454	87.0%	318,884	87,3%
Bonds	297,552	78.8%	290,558	79,6%
Other fixed income instruments	30,903	8.2%	28,325	7,8%
Held to maturity investments	1,984	0.5%	2,940	0,8%
Loans	46,175	12.2%	48,674	13,3%
Available for sale financial assets	271,326	71.8%	258,602	70,8%
Financial assets at fair value through profit or loss	8,970	2.4%	8,667	2,4%
Real estate investments	13,783	3.6%	14,872	4,1%
Other investments	3,338	0.9%	3,662	1,0%
Investments in subsidiaries, associated companies and joint ventures	1,369	0.4%	1,284	0,4%
Derivatives	-935	-0.2%	-150	0,0%
Receivables from banks or customers	1,764	0.5%	1,694	0,5%
Other investments	1,140	0.3%	834	0,2%
Cash and similar instruments	13,768	3.6%	10,223	2,8%
Total	377,697	100.0%	365,250	100,0%
Investments back to unit and index-linked policies	74,966		67,707	
Total investments	452,662		432,957	

7 Held to maturity investments

Held to maturity investments

(€ million)	31/12/2015	31/12/2014
Quoted bonds	1,949	2,910
Other held to maturity investments	35	31
Total	1,984	2,940

The Group limits the use of this category only to high quality quoted bonds that Group companies are able to hold till maturity. The decrease compared to 31 December 2014 was mainly attributable to maturity and subsequent repayment of certain bonds held.

Debt securities in this category are almost entirely investment grade.

The fair value of the held to maturity investments amounted to € 2,140 million, of which € 2,105 million represented by bonds.

8 Loans and receivables

Loans and receivables

(€ million)	31/12/2015	31/12/2014
Loans	46,434	49,086
Unquoted bonds	32,365	35,338
Deposits under reinsurance business accepted	755	754
Other loans and receivables	13,314	12,994
Mortgage loans	6,290	6,082
Policy loans	2,715	2,852
Term deposits with credit institutions	1,899	2,198
Other loans	2,411	1,862
Receivables from banks or customers	1,764	1,694
Receivables from banks	202	136
Receivables from customers	1,562	1,558
Total	48,198	50,780

This category accounts for 10.3% of total investments. It mainly consisted of unquoted bonds and mortgage loans, which represent 69.7% and 13.5% of total loans, respectively. More than 90% of the bonds category is represented by fixed income medium-to-long term bond instruments.

The decrease was mainly due to net sales carried out during the year.

The debt securities of this category are almost entirely investment grade and more than 70% of the class boasts a rating greater or equal to A.

Receivables from banks or customers are mainly short-term.

The fair value of total loans amounted to € 53,496 million, of which € 36,892 million related to bonds.

9 Available for sale financial assets

Available for sale financial assets

(€ million)	31/12/2015	31/12/2014
Unquoted equities at cost	43	48
Equities at fair value	9,540	9,734
quoted	7,009	8,133
unquoted	2,531	1,600
Bonds	258,039	247,076
quoted	254,400	242,282
unquoted	3,639	4,794
Investment fund units	18,563	17,139
Other available for sale financial assets	3,214	2,502
Total	289,399	276,498

This category accounted for 63.9% of the total investments. The increase compared 31 December 2014 was attributable to net acquisition in the period, particularly of debt securities, only partially matched by decrease in value of bonds due both to higher market rates and widening of spreads.

Available for sale bonds represented 89.2% of total bonds with a rating higher or equal to BBB, class assigned to the Italian government bonds.

As already mentioned, available for sale financial assets are measured at fair value and unrealized gains and losses on these assets are accounted for in shareholders' equity in an appropriate reserve. The amortized cost of the available for sale financial assets amounted to € 258,722 million.

The table below shows unrealized gains and losses and gains and losses recognized in profit or loss in the reporting period of available for sale financial assets:

Available for sale financial assets - unrealised gains and losses 31/12/2015

(€ million)	Fair value	Unrealized gains / losses	Amortized cost
Unquoted equities at cost	43	0	43
Equities at fair value	9,540	1,230	8,310
Bonds	258,039	27,675	230,364
Investment fund units	18,563	992	17,571
Other available for sale financial assets	3,214	780	2,434
Total	289,399	30,677	258,722

Available for sale financial assets - unrealised gains and losses 31/12/2014

(€ million)	Fair value	Unrealized gains / losses	Amortized cost
Unquoted equities at cost	48	0	48
Equities at fair value	9,734	994	8,739
Bonds	247,076	33,307	213,770
Investment fund units	17,139	1,041	16,098
Other available for sale financial assets	2,502	548	1,953
Total	276,498	35,890	240,608

Available for sale financial assets: gains and losses at profit or loss 31/12/2015

(€ million)	Realized gains	Realized losses	Net impairment losses
Equities	1,241	-372	-331
Bonds	1,598	-139	-26
Investment fund units	476	-110	-219
Other available for sale financial assets	4	-16	-39
Total	3,319	-637	-614

Available for sale financial assets: gains and losses at profit or loss 31/12/2014

(€ million)	Realized gains	Realized losses	Net impairment losses
Equities	1,438	-189	-580
Bonds	1,488	-49	0
Investment fund units	398	-64	-229
Other available for sale financial assets	59	-3	-39
Total	3,383	-304	-848

10 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

(€ million)	Financial assets held for trading		Financial assets designated as at fair value through profit or loss		Total financial assets at fair value through profit or loss	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Equities	5	4	180	54	185	58
Quoted	5	4	18	21	23	25
Unquoted	0	0	162	33	162	33
Bonds	23	22	5,175	5,213	5,199	5,235
Quoted	23	22	4,171	4,221	4,194	4,242
Unquoted	0	0	1,004	992	1,004	992
Investment fund units	3	667	11,339	6,298	11,342	6,965
Derivatives	1,630	1,560	0	0	1,630	1,560
Hedging derivatives	0	0	338	373	338	373
Investments back to policies where the investment risk is borne by the policyholders and back to pension funds	0	0	74,966	67,707	74,966	67,707
Other financial investments	0	0	726	1,163	726	1,163
Total	1,661	2,253	92,724	80,808	94,385	83,061

This category accounted for 20.9% of total investments. In detail, these investments were mainly allocated in the life segment (€ 91,611 million, which accounted for 97.1% of this category) whereas the residual part referred to the non-life segment (€ 2,179 million which accounted for 2.3% of this category) and in the financial segment (€ 596 million, which accounted for 0.6% of this category).

The increase compared to 31 December 2014 was due to the increase both in financial assets where the risk is borne by policyholders and in other items of the category, due both to net acquisition in the period and to the revaluation of investments, mainly of Investment Fund Units.

Bond securities in this category belong to classes of rating greater than or equal to BBB.

Assets covering contracts where the financial risk is borne by the policyholders

(€ million)	Policies where the investment risk is borne by the policyholders		Pension funds		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Assets	73,245	65,522	1,721	2,185	74,966	67,707
Total assets	73,245	65,522	1,721	2,185	74,966	67,707
Financial liabilities	15,673	14,361	1,121	1,526	16,793	15,886
Insurance provisions (*)	57,612	51,428	26	90	57,637	51,519
Total liabilities	73,284	65,789	1,147	1,616	74,431	67,405

11 Land and buildings (investment properties)

The table below shows the main changes in land and buildings (investment properties) in the reporting period, i.e. those held to earn rentals or capital appreciation or both, and their fair value::

Investment properties

(in milioni euro)	31/12/2015	31/12/2014
Gross book value as at 31 December previous year	14,875	14,873
Accumulated depreciation and impairment as at 31 December previous year	-2,247	-2,046
Carrying amount as at 31 December previous year	12,628	12,828
Foreign currency translation effects	112	39
Acquisition of the period	257	305
Capitalized expenses	112	90
Changes in consolidation scope	-3	167
Reclassifications	-28	-241
Sales of the period	-788	-260
Depreciation of the period	-171	-177
Net impairment loss of the period	-8	-123
Carrying amount as at the end of the period	12,112	12,628
Accumulated depreciation and impairment as at the end of the period	2,254	2,247
Gross book value as at the end of the period	14,366	14,875
Fair value	17,385	17,650

Sales of the period refer to disposal of some investment properties, located mainly in Italy and France.

The fair value of land and buildings (investment properties) at the end of the reporting period is mainly based on external appraisals.

12 Cash and cash equivalents

Cash and cash equivalents

(€ million)	31/12/2015	31/12/2014
Cash and cash equivalents	211	154
Cash and balances with central banks	41	14
Cash at bank and short-term securities	8,792	8,340
Total	9,044	8,508

Due to high volatility of the markets that occurred in particular at the end of 2015 it had been decided to maintain higher levels of cash and cash equivalents until investment opportunities improved.

Details on investments

Bonds

Group's exposures to bonds - detailed by rating and maturity - are reported at book value in the following tables:

Bonds: breakdown by rating

(€ million)	Available for sale fin. assets	Financial assets at fair value through profit	Held to maturity investments	Loans	Total
AAA	30,201	399	1,309	12,202	44,111
AA	61,172	591	93	3,723	65,578
A	39,236	854	8	4,716	44,814
BBB	112,439	2,799	380	9,267	124,885
Non investment grade	14,198	297	120	2,048	16,664
Not Rated	793	258	39	408	1,499
Total	258,039	5,199	1,949	32,365	297,552

Bonds: breakdown by maturity

(€ million)	Available for sale financial assets	Financial assets at fair value through profit or loss	Held to maturity investments	Loans	Total
Up to 1 year	7,301	481	191	657	8,630
Between 1 and 5 years	46,582	1,507	695	10,831	59,616
Between 5 and 10 years	89,886	773	844	6,383	97,886
More than 10 years	112,657	2,423	219	14,309	129,608
Perpetual	1,613	15		184	1,812
Total	258,039	5,199	1,949	32,365	297,552

Bond investments totalled € 297,552 million at the end of the period. The portfolio was composed for € 163,474 million by government bonds, while corporate bonds amounted to € 134,077 million.

Group's exposures to government bonds, detailed by country of risk and rating, are reported at book value in the following tables:

Government bonds: breakdown by country

(€ million)	31/12/2015			
	Total book value	Impact (%)	of which home-country	Impact (%)
Government bonds	163,474		106,866	
Italy	63,787	39.0%	59,251	92.9%
France	31,028	19.0%	23,308	75.1%
Germany	6,296	3.9%	5,171	82.1%
Central and Eastern Europe	11,228	6.9%	6,744	60.1%
Rest of Europe	32,838	20.1%	11,247	34.3%
Spain	12,046	7.4%	5,228	43.4%
Austria	5,230	3.2%	2,126	40.7%
Belgium	8,887	5.4%	2,119	23.8%
Others	6,675	4.1%	1,774	26.6%
Rest of world	8,931	5.5%	1,146	12.8%
Supranational	9,367	5.7%		0.00%

The government bonds portfolio amounted to € 163,474 million at the end of the period, with the 61.9% of the portfolio represented by Italian, French and German

debt instruments. The exposure to individual sovereign bonds is mainly allocated to their respective countries of operation.

Government bonds: breakdown by rating

(€ million)	31/12/2015		31/12/2014	
	Total book value	Impact (%)	Total book value	Impact (%)
Government bonds	163,474		165,014	
AAA	21,112	12.9%	23,495	14.2%
AA	53,655	32.8%	57,238	34.7%
A	6,964	4.3%	7,222	4.4%
BBB	78,186	47.8%	73,325	44.4%
Non investment grade	3,420	2.1%	3,172	1.9%
Not Rated	137	0.1%	563	0.3%

In terms of exposure to different rating classes, the Class AAA credit rating includes German and US titles, class AA includes French government bonds while the class BBB mainly includes Italian and Spanish bonds.

Group's exposures to investments in corporate bonds, detailed by sector and rating, are reported at book value in the following tables:

Corporate bonds: breakdown by sector

(€ million)	31/12/2015	
	Total book value	Impact (%)
Corporate bonds	134,077	
Financial	45,783	34.1%
Covered Bonds	29,466	22.0%
Asset-backed	1,626	1.2%
Utilities	18,957	14.1%
Industrial	10,676	8.0%
Consumer	9,571	7.1%
Telecommunication services	6,391	4.8%
Energy	5,501	4.1%
Other	6,106	4.6%

Corporate bonds: breakdown by rating

(€ million)	31/12/2015		31/12/2014	
	Total book value	Impact (%)	Total book value	Impact (%)
Corporate bonds	134,077		125,544	
AAA	23,000	17.2%	25,238	20.1%
AA	11,923	8.9%	7,563	6.0%
A	37,850	28.2%	38,145	30.4%
BBB	46,699	34.8%	40,722	32.4%
Non investment grade	13,244	9.9%	11,804	9.4%
Not Rated	1,362	1.0%	2,072	1.7%

The investments in corporate bonds totalled € 134,077 million at the end of the period. The portfolio was composed for 38.1% by non-financial corporate bonds, for 35.4% by financial corporate bonds and for 22.0% by covered bonds.

Equities

Group's exposures to investments in equities, detailed by sector and country of risk, are reported at fair value in the following tables:

Equity investments: breakdown by sector

(€ million)	31/12/2015	
	Total fair value	Impact (%)
Equity instruments	18,352	
Financial	4,529	24.7%
Consumer	1,083	5.9%
Utilities	1,517	8.3%
Industrial	811	4.4%
Other	1,827	10.0%
Alternative investments	4,549	24.8%
Asset allocation funds	4,037	22.0%

Direct equity investments: breakdown by country of risk

(€ million)	31/12/2015	
	Total fair value	Impact (%)
Direct equity investments	9,767	
Italy	1,944	19.9%
France	2,775	28.4%
Germany	1,018	10.4%
Central and Eastern Europe	110	1.1%
Rest of Europe	2,376	24.3%
Spain	192	2.0%
Austria	134	1.4%
Switzerland	249	2.6%
The Netherlands	445	4.6%
United Kingdom	464	4.7%
Others	892	9.1%
Rest of world	1,544	15.8%

Real estate investments

Group's exposures to direct real estate investments, detailed by country of location, is reported at fair values in the following table:

Direct real estate investments: breakdown by country of location

(€ million)	31/12/2015		31/12/2015	
	Investment properties		Self-used real estates	
	Total fair value	Impact (%)	Total fair value	Impact (%)
Direct Real-estate investments	17,385		3,286	
Italy	5,131	29.5%	1,644	50.0%
France	5,109	29.4%	309	9.4%
Germany	2,769	15.9%	677	20.6%
Central and Eastern Europe	417	2.4%	68	2.1%
Rest of Europe	3,690	21.2%	452	13.8%
Spain	724	4.2%	98	3.0%
Austria	1,437	8.3%	126	3.8%
Switzerland	1,062	6.1%	213	6.5%
Others	467	2.7%	15	0.5%
Rest of world	269	1.5%	136	4.1%

Further information on reclassified financial instruments

As of 1st January 2009 the Group transferred to the loans and receivables category € 14,658 million of cor-

porate bonds, according to the IAS 39 reclassification option. At 31 December 2015, after sales and pay backs during the years, the stock of these reclassified financial instruments amounted to € 3,738 million.

Details on reclassified financial instruments

(€ million)	Book Value reclassified as at 1 January 2009	Book Value reclassified as at 1 January 2015	Change of the period	Book Value at the end of the period	Fair Value as at the end of the period
Available for sale financial assets	14,028	4,202	531	3,671	4,152
Financial assets at fair value through profit or loss	630	127	60	67	72
Total reclassified investments	14,658	4,329	591	3,738	4,224

As a consequence of the recovery in the value of corporate bonds, the reclassification in loans category of investments previously classified as available for sale financial assets, implied a missing recognition of the revaluation of the related equity reserve of € 481 million (considering both the group share and minorities), € 81 million net of policyholders share and deferred taxes for the 2015 year.

Furthermore, the reclassification into loans category of investments previously classified as financial assets at fair value through profit or loss implied a missing recognition of an unrealized gain in the profit or loss for € 5 million, € 0.4 million net of policyholders share and deferred taxes for the 2015 year.

Assets transferred that do not qualify for derecognition

Generali Group in the context of its business activities enters into securities lending transactions (REPO e Reverse REPO). In general, if the Group retains substantially all risks and rewards of the financial assets underlying these transactions, the Group continues to recognise the underlying assets.

For REPO contracts, the Group continues to recognise in its financial statements the underlying financial asset as the risks and benefits are retained by the Group. The consideration received upon sale is recognised as a liability.

As far as Reverse REPO transactions are concerned, if all the underlying risks and rewards are retained by the counterparty for the entire life of the transaction, the related financial asset is not recognised as an asset in the Group's financial statements. The consideration paid is accounted for within the loans and receivable category.

Finally, the Group is committed in a variety of transactions in which some financial assets are pledged as collateral but they are still recognised in the financial statements because all risks and rewards are retained by the Group.

At 31 December 2015, the Group has retained substantially all risks and rewards arising from the ownership of the transferred assets and there are no transfers of financial assets which have been completely or partially derecognised on which the Group continues to control. In particular, the Group continues to recognise approximately € 9,028 million of financial assets linked to various contracts and which are still recognised. In particular, approximately € 3,819 are subject to securities lending transactions mainly in France, approximately € 1,121 million are subject to contracts to REPO while approximately € 4,088 million are assets pledged as collateral (please refer to the paragraph Contingent liabilities, commitments, guarantees, pledged assets and collaterals in section Additional Information).

Derivative financial instruments

The Group's exposure in derivatives is mainly associated with hedging operations on financial assets and liabilities and it is in line with strategies aiming at mitigating

financial and credit risks. The total exposure amounts to € -1,165 million for a corresponding notional amount of € 40,511 million. The notional exposure is presented in absolute amounts, including the positions with both positive and negative balances, and it arises for an amount of € 7.729 million from instruments for which a hedge accounting relationship has been formally designated, in accordance with the international accounting standard IAS 39. The remaining notional amount is attributable to derivative instruments for which, notwithstanding their purpose as hedging instruments, a formal hedge accounting relationship has not been activated.

Derivative instruments designated for hedge accounting

The exposure in terms of amounts recognised in the financial statements amounts to € -229 million.

■ *Fair value hedge*

Fair value hedging relationships mainly relate to macro-hedging strategies implemented in Life portfolios of subsidiaries operating in Central-Eastern Europe, with particular reference to risks arising from fluctuations in interest rates and foreign exchange rates.

■ *Cash flow hedge*

The cash flow hedging relationships mainly relate to cross currency swaps hedging subordinated liabilities issued by the Group in pounds and to micro-hedging operations in the Life portfolios.

■ *Hedge of net investment in foreign operations*

During the financial year, the Group has activated a hedging strategy to neutralise the risk of fluctuations in the foreign exchange rates of its subsidiaries whose functional currency is the Swiss franc.

Other derivative instruments

The recognised amounts in the financial statements for these exposures at 31.12.2015 amounted to € -935 million for a corresponding notional amount of € 32,783 million, which mainly relates to over-the-counter positions. The exposure is mainly associated with operations relating to interest rates hedges and foreign exchange rates

hedges, with particular reference to the US dollar. It should also be noted that during the year the Group has implemented a macro hedge strategy in order to protect capital from the risk of a significant reduction in share prices.

In general, in order to mitigate the credit risk relating to over-the-counter transactions, the Group collateralises

most of them. Furthermore, a list of selected authorised counterparties is identified for the opening of new derivative transactions.

Details on exposure in derivatives instruments designated as hedge accounting and other derivative instruments.

Details on exposure in derivative instruments

(€ million)	Maturity distribution by nominal amount			Total notional	Positive fair value	Negative fair value	Net fair value
	Within 1 year	Between 1 and 5 years	More than 5 years				
Total equity/index contracts	990	704	149	1,843	120	-7	113
Total interest rate contracts	3,017	4,673	6,851	14,541	1,666	-835	831
Total foreign exchange contracts	22,025	202	1,650	23,877	183	-2,256	-2,073
Total credit derivatives	0	0	250	250	0	-35	-35
Total	26,032	5,579	8,900	40,511	1,969	-3,133	-1,165