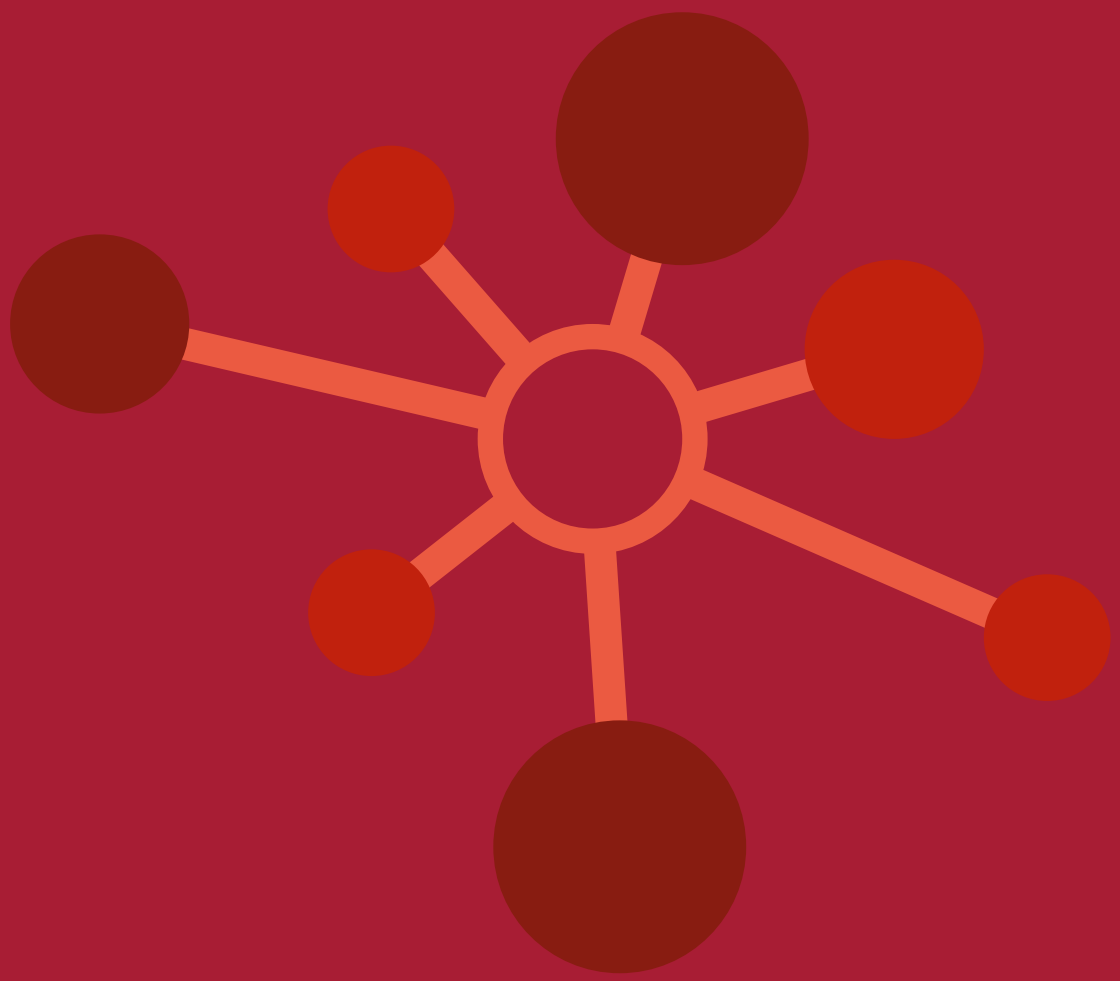
Solvency and financial condition report of Assicurazioni Generali S.p.A. 2017



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Solvency and financial condition report of Assicurazioni Generali S.p.A. 2017

This report has been translated for convenience only. The document approved by the Board of Directors of Assicurazioni Generali S.p.A. has been prepared in Italian and it is available on the Italian version of the web site www.generali.com.

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Summary

Introduction

The **Solvency and financial condition report** shall be drawn up in accordance with article 290 of the Commission Delegated Regulation (EU) n. 2015/35 (from now on the Delegated Acts), supplementing Directive 2009//138/CE ("Solvency II", from now on the Directive).

The report contains also the additional information, in addition to the requirement of European Regulation, requested pursuant to IVASS Regulation n. 33/2016.

The report includes detailed information regarding:

a) the business of the Company and the performance achieved during the period;
b) the system of governance;
c) the risk profile;
d) the valuation of asset and liabilities, in accordance with the valuation principles set in the article from 75 to 86 of the Directive, and pursuant to the Delegated Acts and the IVASS Regulations n. 18/2016 and 34/2017, as well as a qualitative description of the main differences from the amounts in the statutory financial statements;
e) capital management, including disclosure of the Solvency Capital Requirement, the Minimum Capital Requirement and Own Funds covering the mentioned Capital Requirement.The reference period of this report starts from 1 January$_t$ and ends on 31 December 2017.

In March, following the authorization request submitted by Assicurazioni Generali S.p.A., IVASS - the Italian Insurance Supervisory Authority - approved the use, starting from 1 January 2016, of a partial internal model to calculate the Solvency Capital Requirement. Therefore, the quantitative information (Quantitative Reporting Template – QRT) and this report are prepared based on the result of the Partial Internal Model.

The amounts of this report are expressed in thousand euro, unless otherwise specified.

This report has been approved by the Board of Directors of Assicurazioni Generali S.p.A. on 3 May 2018.

Section D "Information on the valuation for solvency purposes" and paragraph E.1 "Own funds", included in the section E "Capital management" are audited by EY S.p.A., pursuant to the article 47-septies, paragraph 7 of the Legislative Decree 209/2005, as request by IVASS with Letter to the market dated 7 December 2016..

Highlights

Solvency Ratio

+19.4 p.p.

257.0 %

Solvency Capital Requirement

+5.1%

€ 17,688,505 thousand

Minimum Capital Requirement

+6.3%

€ 4,422,126 thousand

Own Funds

+13.6%

€ 45,454,215 thousand

Eligible Own Funds covering the Solvency Capital Requirement

+13.6%

€ 45,454,215 thousand

Eligible Own Funds covering the Minimum Capital Requirement

+16.3%

€ 39,675,944 thousand

Employees

-0.3%

2,003

-2.6%

1,091 Total staff in Italy

+2.5%

912 Foreign branches staff

Net profit

+2.3%

€ 1,404,459 thousand

Underwriting performance

+20.9%

€ 238,996 thousand

Life underwriting performance

+50.3%

€ 153,701 thousand

Non-life underwriting performance

-10.6%

€ 85,295 thousand

Investment performance

+15.7%

€ 2,065,696 thousand

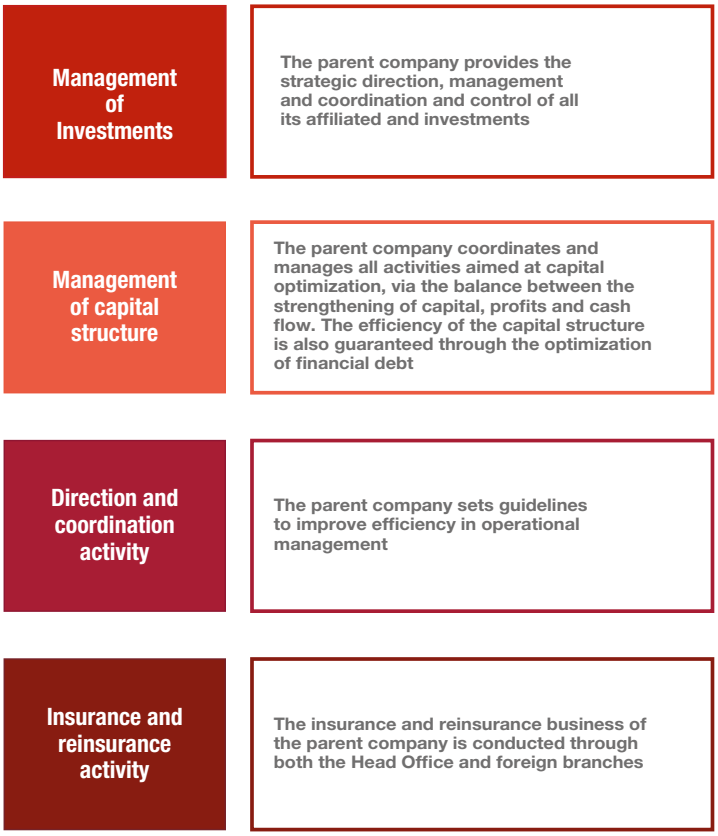
Other activities performance

-1.5%

- € 900,233 thousand

A. Business and performance

Assicurazioni Generali S.p.A. is a company that performs insurance and reinsurance business in Italy and abroad both in the Life and Non-life segments and it is also the ultimate parent company of Generali Group. The business model can be summarized as follows:



In particular, as regards the insurance and reinsurance activity carried out abroad, foreign branches are located in the following countries:

- United Kingdom;
- Hong Kong;
- Panama;
- U.S.A.;
- United Arab Emirates;
- Japan.

Direct business is mainly underwritten through the foreign branches above-mentioned, while, for what concerns indirect business, premium collection is mainly attributable to Europe, North America and Hong Kong, special administrative region of China.

It is to be noted that In August, Assicurazioni Generali S.p.A. executed an agreement for the transfer of the assets and liabilities of the Panama branch, including the insurance portfolio, for US $ 172 million. The operation was completed in April 2018.

Moreover, Assicurazioni Generali S.p.A. executed an agreement for the gradual transfer of the P&C insurance portfolio of the Japanese branch.

There aren' substantial changes in the business model, compared to last year. Further details about business are provided in paragraph A.1..

In relation to the net result for 2017, the contribution of the different areas is provided:

Net result

+308,199 thousand

1,404,459 thousand

Underwriting performance

+41,306 thousand

238,996 thousand

Investment performance

280,469 thousand

2,065,696 thousand

Performance of other activities

-13,576 thousand

-900,233 thousand

The profit for the year amounted to 1,404,459 thousand, increasing compared to 1,096,261 thousand of previous period. The increase is characterized by:

- an increase in the underwriting performance, related to the life insurance and reinsurance obligations (+51,444 thousand) and in particular to the indirect business underwritten directly by Head Office. The underwriting performance for non-life insurance and reinsurance obligations decreased (-10.138 thousand), because of the higher catastrophic claims which have characterised in particular the Global Corporate & Commercial segment of the London branch, offset for the most part by the positive performance of the reinsurance directly accepted by Head Office;
- an increase of investment performance primarily due to greater dividends coming from subsidiaries, to higher net realized gains (in particular arising from the disposal of the participation in Guatemala Aseguradora General S.A.) and to greater interest income from intra-group loans;
- a light decrease of the other activities performance due to the combined effect of negative exchange rates differences for the depreciation of some currencies with net positive exposure for the Company and to lower income from tax, in line with the increase of the taxable income.

Further details are provided in paragraph A.2., A.3. and A.4.4.

B. System of governance

The Company provided itself with a system of governance which includes: a corporate governance system consistent with the so called traditional model, based on the presence of a shareholders' meeting, a board of directors – that delegates some of its powers to the Managing Director – and a board of auditors, an internal control and risk management system as well Fit and Proper and outsourcing rules.

System of governance has not changed materially compared to previous year.

C. Risk profile

Equity risk represent the main contribution to the risk profile of the Company because participation are the main class of the assets of Assicurazioni Generali

S.p.A., due to its role of ultimate parent company of the Group.

Other than financial and credit risk, the Company is exposed to life and non-life underwriting risks, arising from the accepted reinsurance from Group Companies and from direct business mainly underwritten through foreign branches.

Liquidity profile is confirmed to be strong, in consideration of the effective coordination of cash-flows between the ultimate parent company and its participation.

Risk management processes and risk governance are regulated by a set of risk policies, defining identification, measurement, management, monitoring and reporting processes for each risk category on the basis of risk strategy.

Risk profile has not changed materially compared to previous year.

D. Valuation for Solvency purposes

In the following table, a summary of excess of assets other liabilities is presented

Solvency Balance Sheet - Summary

(in thousand euro)	Statutory Financial Statements value as at 31.12.2017	Solvency value as at 31.12.2017	Solvency value as at 31.12.2016
Assets different from reinsurance recoverables	46,859,518	73,208,312	68,296,851
Technical provisions net of reinsurance recoverables	12,668,140	13,311,077	14,665,224
Liabilities different from technical provisions	19,365,895	20,511,103	19,943,388
Excess of assets over liabilities	**14,825,483**	**39,386,132**	**33,688,239**

The significant increase of the excess of assets over liabilities evaluated according the statutory financial statements requirements and to the Solvency II requirements is related to the holdings in related undertakings which respectively amounted to 29,731,819 thousand and 55,056,845 thousand. The difference is originated by the different evaluation criteria: in fact, in the statutory financial statements, almost all participations are valued at cost, adjusted for any write-down considered permanent, while in Solvency are valued at fair value, on the basis of the rules described at paragraph D.1.1.. The increase of the excess of assets over liabilities compared to the Solvency value as at 31 December 2016 is also due to the same class, that amounted to 49,581,920 in the prior year.

The Assicurazioni Generali's Solvency II technical provisions at 31 December 2017 have been calculated according to the Solvency II regulation, as the sum of the best estimate of liabilities and the risk margin, adopting the same methodologies as at 31 December 2016.

The observed decrease in the life technical provisions from 31 December 2016 to 31 December 2017 (-885,562 thousand) is mainly due to the natural run-off of some portfolios accepted from intragroup companies which are closed to new business, whereas, the reduction in non-life technical provisions (-468,585 thousand) is mainly due to the cancellation of the transfer of the French corporate portfolio to UK branch and the 100% quota share treaty of UK branch Asbestos, Pollution and Health Hazard portfolio to extra Group reinsurer. Finally, compared to previous year-end valuation, the technical provisions have not been significantly impacted by the updates in the best estimate operating assumptions.

Detailed explanation about the valuation for Solvency purposes is provided in section D.

There are not significant changes to be reported with regard to the valuation of assets and liabilities.

E. Capital management

Solvency Ratio strengthened from 237.6% to 257% because of the increase in Own Funds, due mainly to the higher value of the participations, only partially offset by the increase of the Solvency Capital Requirement for equity risk.

(in thousand euro)	31/12/2017	31/12/2016	Change
Eligible Own Funds	45,454,215	39,998,978	5,455,237
Solvency Capital Requirement	17,688,505	16,835,748	852,757
Excess of Own Funds	27,765,710	23,163,230	4,602,480
Solvency Ratio	**257%**	**237.6%**	**19.4 p.p**

The application of the volatility adjustment on the technical provisions has a limited impact on Assicurazioni Generali S.p.A.: in fact, without this adjustment the Solvency Ratio would be 256.1%.

The summary of the most important amounts and indicators related to the Solvency Capital Requirement, to the Minimum Capital Requirement and to the Own Funds, broke down by tiering and compared to previous year, are presented below:

Eligibility of own funds, based on the tiering

Eligible own funds covering the solvency capital requirement

Eligible own funds covering the solvency capital requirement

(in thousand euro)	31/12/2017	31/12/2016	Change
Tier 1 - unrestricted	37,481,118	31,727,249	5,753,869
Tier 1 - restricted	2,194,826	2,309,599	-114,773
Tier 2	5,327,828	5,406,545	-78,717
Tier 3	450,443	555,585	-105,142
Total	**45,454,215**	**39,998,978**	**5,455,237**

The Own Funds of Assicurazioni Generali S.p.A. consist mainly of high quality capital, in fact tier 1 constitutes the 87% of total, while tier 2 constitutes 12% and tier 3 constitutes 1% of the total.

Tier 1 – unrestricted, composed by subscribed capital, share premium account and reconciliation reserve, increase, compared to 31.12.2016 of 5,753,869 thousand because of the higher value of the participations.

Tier 2 – restricted, composed by subordinated liabilities admitted in accordance with the transitional measures of Solvency II, decreases by 114,773 thousand mainly because of the change in fair value for the period and, to a lesser extent because of the change of euro/pound exchange rate.

Tier 2, composed by subordinated liabilities, decreases of 78,717 because of the change in fair value for the period.

The decrease of tier 3, composed by deferred tax assets, is linked to the change of fair value of the life technical provisions, that is less pronounced compared to the prior year.

31 December 2017 (in thousand euro)

Tier	Amount	SCR	Weight	Eligibility
Tier 1	39,675,944	17,688,505	224.3%	At least 50%
Tier 2	5,327,828	17,688,505		
Tier 3	450,443	17,688,505	2.5%	Less than 15%
Sum of tier 2 and tier 3	5,778,271	17,688,505	32.7%	Less than 50%
Solvency Ratio	*45,454,215*	*17,688,505*	*257%*	

31 December 2016 (in thousand euro)

Tier	Amount	SCR	Weight	Eligibility
Tier 1	34,036,849	16,835,748	202.2%	At least 50%
Tier 2	5,406,545	16,835,748		
Tier 3	555,585	16,835,748	3.3%	Less than 15%
Sum of tier 2 and tier 3	5,962,129	16,835,748	3.4%	Less than 50%
Solvency Ratio	*39,998,978*	*16,835,748*	*237.6%*	

All the available Own Funds (45,454,215 thousand euro) are eligible to cover the Solvency Capital Requirement on the basis of the eligibility based on the tiering pursuant to Solvency II regulation. Also in 2016, all the available Own Funds were eligible to cover the Solvency Capital Requirement, in fact:

a) tier 1 Own Funds are more than a half of the Solvency Capital Requirement;
b) tier 3 Own Funds are less than 15% of the Solvency Capital Requirement;
c) sum of tier 2 and tier 3 does not exceed 50% of Solvency Capital Requirement.

Eligible own funds covering the minimum capital requirement

31 December 2017 (amounts in thousand euro)

Tier	Amount	MCR	Weight	Eligibility	Eligible amount
Tier 1	39,675,944	4,422,126	897.2%	At least 80%	39,675,944
Tier 2	5,327,828	4,422,126	120.5%	Less than 20%	884,425

31 December 2016 (amounts in thousand euro)

Tier	Amount	MCR	Weight	Eligibility	Eligible amount
Tier 1	34,036,849	4,208,937	808.7%	At least 80%	34,036,849
Tier 2	5,406,545	4,208,937	128.5%	Less than 20%	841,787

As far as concern the eligibility of the available Own Funds to cover the Minimum Capital Requirement:

a) tier 1 Own Funds are totally eligible (39,675,944 thousand euro), as in the previous year (34,036,849 thousand euro);
b) tier 2 Own Funds are eligible within the limit of 20% of the Minimum Capital Requirements and are admitted for 884,425 thousand (841,787 thousand euro as at 31 December 2016).

There are not significant changes in the calculation of the capital requirements as well as in the calculation of the own funds for thei coverage.

A. Business and Performance

A.1. Business

A.1.1. Name and legal form of the company

Assicurazioni Generali S.p.A., is a company that performs insurance and reinsurance business in Italy and abroad both in the Life and Non-life segments.

Company established in Trieste in 1831
Share capital € 1,565,165,364 fully paid-up
Registered office in Trieste, piazza Duca degli Abruzzi, 2
Tax code and Company Register no. 00079760328
Company registered on the Register of Italian insurance and reinsurance companies under no. 1.00003
Parent Company of the Generali Group, entered on the Register of insurance groups under no. 026
Certified email (Pec): assicurazionigenerali@pec.generaligroup.com

A.1.2. Supervisory authority

The Italian Insurance Supervisory Authority is IVASS (the Institute for the Supervision of Insurance), the contact details for which are:

IVASS
Institute for the Supervision of Insurance
via del Quirinale 21
00187 Rome
Phone: +39 06 421331
e-mail: scrivi@ivass.it
Certified email (Pec): ivass@pec.ivass.it

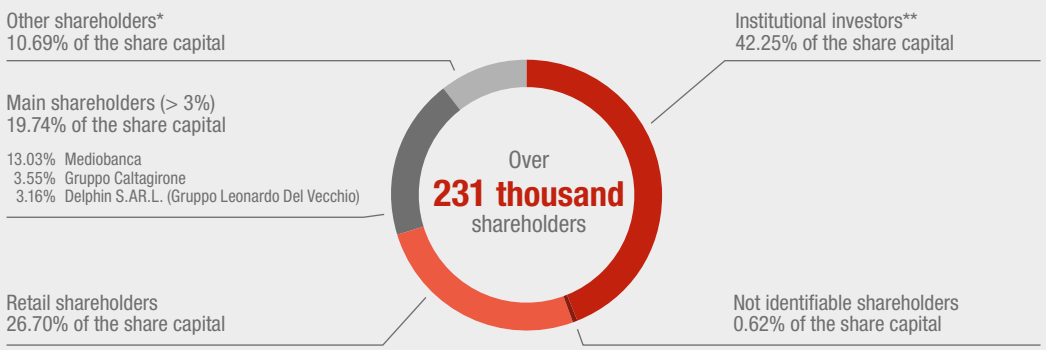
A.1.3. External auditor

The independent auditor is:

EY S.p.A.
Registered office: Via Po, 32 - 00198 Rome
Share capital € 3,250,000.00 underwritten and paid-up € 3,100,000.00 i.v.
Registered at S.O. of the Business Register at C.C.I.A.A. in Rome
Tax code and registration number 00434000584 - number R.E.A. 250904
VAT number 00891231003
Company registered in the Register of external auditors under no. 70945 published on G.U. Suppl. 13 - IV Special Series dated 12/17/1998
Company registered in the Special Register of Consob external auditors under no. 2 pursuant to resolution no.10831 dated 07/16/1997

A.1.4. Description of the holders of qualifying holdings in the company

The ownership of the Company is as follows:



* The category takes account of legal entities including Foundations, Trust Companies, Religious Institutions.
** The category includes Asset managers, Sovereign Funds, Pension Funds, Life Insurers.

The data are updated as at 9 March 2018.

The following table presents details of the qualifying shareholders, i.e. holding more than 3% of the capital of Assicurazioni Generali, that are subjected to the obligation to communicate to CONSOB, pursuant legislative decree 58/98 (Consolidated Law in Finance).

Company Name	Shares held	Ownership(*)	Registered office
Mediobanca	**203,544,760**	**13.033%**	**Piazzetta Enrico Cuccia, 1 20121 MILANO**
Gruppo Caltagirone	**55,500,000**	**3.544%**	
CALTAGIRONE EDITORE S.P.A.	3,350,000	0.214%	Via Barberini, 28 - 00187 ROMA
ECHETLO S.R.L.	400,000	0.026%	Via Barberini, 28 - 00187 ROMA
F G C S.P.A.	520,000	0.033%	Via Barberini, 28 - 00187 ROMA
FINANZIARIA ITALIA 2005 S.P.A.	2,650,000	0.170%	Via Barberini, 28 - 00187 ROMA
FINCAL S.P.A.	17,450,000	1.117%	Via Barberini, 28 - 00187 ROMA
FINCED S.R.L.	2,530,000	0.150%	Via Barberini, 28 - 00187 ROMA
Francesco Gaetano Caltagirone	115,000	0.007%	Via Ulisse Aldrovandi, 25- 00197 ROMA
GAMMA S.R.L.	6,365,000	0.408%	Via Barberini, 28 - 00187 ROMA
MANTEGNA 87 S.R.L.	2,700,000	0.173%	Via Montello, 10 - 00195 ROMA
PANTHEON 2000 S.P.A.	4,100,000	0.263%	Via Barberini 28 - 00187 ROMA
QUARTA IBERICA S.R.L.	1,650,000	0.106%	Via Barberini 28 - 00187 ROMA
SO.CO.GE.IM. S.P.A.	100,000	0.006%	Via Barberini 28 - 00187 ROMA
SO.FI.COS. S.R.L.	4,750,000	0.304%	Via Montello, 10 - 00195 ROMA
VIAPAR S.R.L.	1,100,000	0.071%	Via Montello, 10 - 00195 ROMA
VM 2006 S.R.L.	7,900,000	0.506%	Via Montello, 10 - 00195 ROMA
DELFIN S.A.R.L. (Gruppo Leonardo Del Vecchio)	**49,342,000**	**3.163%**	**Rue de la Chapelle, 7 - 1325 Luxembourg, Lussemburgo**

(*) (*) updated as at 9 March 2018

A.1.5. Details of the Company's position within the legal structure of the Group

The Company is the Parent Company of Generali Group which at 31 December 2017 comprised of 423 participations (428 at 31 December 2016).

Annex 1 reports the list of all subsidiaries, companies in which a significant interest is held and subject to management and coordination with details of the company name, the legal form, the shares held and, if different, the share of voting rights.

Annex 2 reports the Group's simplified geographical structure, with indication of main companies.
For details on transactions with qualifying shareholders and with intragroup counterparties see paragraph A.5.

A.1.6. Company's material lines of business and material geographical areas of operation

The business model of Assicurazioni Generali S.p.A. is based on the following core elements:

1. **management of Investments and direction and coordination activities**: the parent company provides the strategic direction, control and coordination of all its subsidiaries, setting the guidelines in order to continually improve efficiency in operational management and realizes management and coordination activity of subsidiaries;
2. **management of capital structure**: the parent company coordinates and manages all activities aimed at capital optimization, following the balance between the strengthening of capital profits and cash flow generation. The target of improving the Group liquidity position is pursued through the activities of Corporate Treasury: the centralization process of Group activities requires that the Local Treasury, instead of allocating the liquidity to short-term investments, transfer this operational liquidity through pooling activities (centralization) to the parent Company. The efficiency of the capital structure is also guaranteed through the optimization of financial debt;
3. **insurance and reinsurance activity**: the parent company operates both in Italy and through its own foreign branches; in particular, the foreign branches are located in the following countries:
   - United Kingdom;
   - Hong Kong;
   - Panama;
   - U.S.A.;
   - United Arab Emirates;
   - Japan.

The direct business, both life insurance and non-life insurance, is mainly underwritten through foreign branches, in particular Hong Kong and United Kingdom.

The indirect (or accepted) business both proportional and non-proportional is managed by the Reinsurance Head Office in Trieste and through the network Generali Employee Benefit (GEB).

Indirect business represents the bulk of the Company's gross premiums and it is mainly attributable to intragroup reinsurance. The Company, operating as the reinsurer for Group Companies, cedes part of its business to external reinsurers to benefit from advantages derived from the extent of its portfolio and economies of scale.
The acceptances are mainly attributable to Europe, North America and Hong Kong, special administrative region of China.

Note that In August, Assicurazioni Generali S.p.A. executed an agreement for transfer of the assets and liabilities of the Panama branch, including the insurance portfolio, for US $ 172 million. The operation was completed in April 2018.

Moreover, Assicurazioni Generali S.p.A. executed an agreement for the gradual transfer of the P&C insurance portfolio of the Japanese branch.

Annex 4, which contains Quantitative Report Template S.05.01 "Premiums, claims and expenses by line of business" show volumes by line of business.

Further details concerning the trend of the Company's underwritten activity will be disclosed in the Section A.2.

A.1.7. Any significant business or other events that have occurred over the reporting period

Below are the key events of 2016:

- in the month of June, Assicurazioni Generali S.p.A. executed a reinsurance agreement with Lion II Re DAC, an Irish special purpose company, in order to cover catastrophic losses caused by storms and floods in Europe and by earthquakes in Italy. Lion II Re DAC issued a tranche of debt securities for 200 million euro in order to fund the commitments undertaken pursuant to the reinsurance agreement, thus transferring part of the risk to the bond investors;
- in September, Assicurazioni Generali S.p.A. acquired the residual stake of its interest in Generali Finance B.V. from its subsidiary Generali Italia S.p.A. in the amount of 199 million. This purchase was carried out in preparation for the merger by incorporation to take place in 2018;
- also in December, Assicurazioni Generali S.p.A. executed two agreements for the transfer, in reinsurance, of the portfolio in run-off of the London and New York branches, in preparation for the future legal transfer of the London portfolio, subject to the approval of the competent authorities. The reinsurance transfer has determined the recognition, under the balance sheet assets, of the technical provisions sold for 309 million. In addition, the reinsurance transfer generated a gross capital gain for the Company of 196 million, recognised under the extraordinary items since the reinsurance agreement does not qualify as a protection, but as an integral part of the transaction.

A.1.8. Overall economic performance

The following table presents the summary of net results, as well as the results of the last financial statements approved.

The following paragraph will describe the results of the different activities that contributed to form the net results.

Net results at 31 December 2017 showed an increase of 308.199 million due to the increase in investment performance mainly due to higher dividends from subsidiaries and, to a lesser extent, higher net realized gains on investments.

Moreover, the life underwriting performance showed and increase due to the results of the business accepted directly by the Reinsurance Head Office, while the non-life underwriting performance was lightly decreasing compared to last year because of the higher catastrophic claims which have characterised in particular the Global Corporate & Commercial segment.

The result of the other activities decreased because of the net losses on foreign currency and the lower tax income, partially offset by the realized gains deriving from the cession of the P&C insurance portfolio in run-off of the London and New York branches.

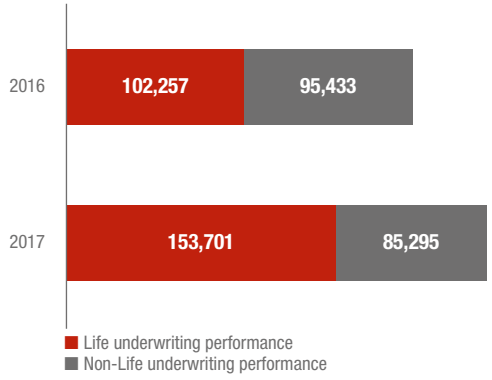
(in thousand euro)	2017	2016
Underwriting performance	238,996	197,690
Investment performance	2,065,696	1,785,227
Other activities performance	-900,233	-886,657
Net result	**1,404,459**	**1,096,261**

Annex 3 presents the reconciliation between the values in the profit and loss in the last financial statements approved and the table above.

A.2. Underwriting performance

A.2.1. Total underwriting performance

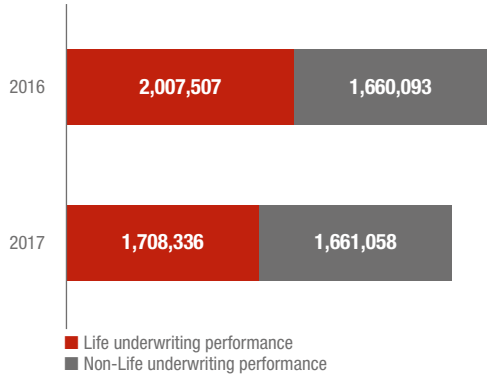
Results



The result of the underwriting activity increased from 197,690 thousand to 238,997 thousand, due to the following effects:

- increase from 102,257 thousand to 153,701 thousand in life underwriting performance, mainly attributable to the growth in the life reinsurance business result, which rose from 65,955 thousand to 115,641 thousand; the performance of life direct business went from 36,302 thousand in the previous year to 38,060 thousand;
- decrease from 95,433 thousand to 85,295 thousand of the non-life underwriting performance insurance and reinsurance business. The direct business and accepted proportional reinsurance balance decreased from 34,376 thousand to -84,233 thousand, while the balance of the accepted non-proportional reinsurance increased from 61,057 thousand in the previous year to € 169,527 thousand.

Total gross premiums



Gross written premiums amounted to 3,369,394 thousand, a decline from the 3,667,601 thousand of 2016. In detail, the premium income from the life segment amounted to 1,708,336 thousand (2,007,507 thousand in the previous year) while from the non-life segment was 1,661,058 thousand (1,660,093 thousand in the previous year).

The non-life and life underwriting performance are provided below.

A.2.2. Life underwriting performance

(in thousand euro)	2017	2016
Gross written premiums	1,708,336	2,007,507
of which direct business	225,180	486,321
of which indirect business	1,483,156	1,521,186
Ceded and retroceded premiums	-363,580	-371,896
Net premiums	1,344,757	1,635,611
Change in technical provisions	658,729	211,500
Claims, maturities and surrenders	-2,028,999	-1,859,163
Operating costs	-213,774	-254,879
Other technical income and charges	8,663	15,288
Technical interests of the life segment	384,326	353,900
Underwriting performance	**153,701**	**102,257**

%	2017	2016
Total expense ratio	15.9	15.6
Acquisition costs / net premiums	13.0	13.6
Administration costs / net premiums	2.9	2.0

Life underwriting performance amounted to 153,701 thousand, increased compared to 102,257 thousand in the previous year. This trend was influenced almost entirely by the improvement in the life reinsurance business (from 65,955 thousand to 115,641 thousand), attributable to the increase in the profitability of reinsurance accepted directly by the Parent Company. In particular, this increase derives from the reinsurance acceptances from the subsidiaries Generali Levensverzekering Maatchappij N.V. and Alleanza Assicurazioni S.p.A..

The above described results are impacted by:

- the decrease in **gross written premiums**, which amounted to 1,708,336 thousand, representing a significant decline from the 2,007,507 thousand of the previous year. In particular, the decrease is linked to direct business (225,180 thousand versus 486,32 thousand of the previous year), driven by the line of business "other life insurance" and impacted almost entirely by Hong Kong branch, which gross written premiums decreased by 258,795 thousand (from 288,080 thousand to 29,285 thousand). This decline is due to the shift of the individual High Net Worth policies' new production from the Hong Kong branch to the new local company of the Group, Generali Life (Hong Kong) Limited. Life reinsurance business also declined, impacted significantly by the physiological decline of the volumes of run-off reinsurance treaties with the subsidiary Alleanza Assicurazioni S.p.A. (-35,759 thousand);
- the decrease in **claims, maturities and surrenders**, including the change in technical provisions (from 1,647,664 thousand to 1,370,270 thousand), mainly attributable to the line of business "other life insurance", which is due to the previously mentioned shift of the individual High Net Worth policies' new production form Hong Kong branch to the new local Group Company;
- there was also a decline in life reinsurance business, mainly due to the reinsurance acceptances made directly by the Parent Company from the subsidiaries Generali Levensverzekering Maatchappij N.V. and Alleanza Assicurazioni SpA. With regard to acceptances from the subsidiary Generali Levensverzekering Maatchappij NV, the decline is mainly due to the reduction in the interest rate risk reserve, deriving both from the increase in specific financial returns and from the refinement of the methods for calculat-

ing technical provisions of the Dutch company. As for reinsurance acceptances from the subsidiary Alleanza Assicurazioni SpA, the decrease derives from the almost entire write-off of the interest rate risk reserves, which more than offsets the physiological contraction, taking into account that the related reinsurance treaties are in run-off;

- the decrease in **acquisition and administration costs**, which amounted to 213,774 thousand, compared to 254,879 thousand in the previous year, with an expense ratio of 15.9% (increased by 0.3 p.p. compared to 15.6% in the previous year). The acquisition cost ratio amounted to 13% (13.6% in the previous year), while the administrative expense ratio increased from 2% to 2.9%. The decrease of the acquisition cost ratio is driven by the line of business "other life insurance", due to the shift of the new production from Hong Kong branch to to the new local Group company, while for the administrative expenses, the life reinsurance business recorded an increase due to a refinement of the methodology for the attribution of indirect costs;
- an increase in **technical interests** from € 353,900 thousand to € 384,326 thousand, mainly attributable to the life reinsurance business due to the net recovery in financial profitability, which is reflected in the technical interests of the reinsurance treaties with the subsidiary Generali PanEurope dac within the contracts where the risk is borne by the policyholders.

In terms of geographic localization of business volumes, the following table shows the top 5 countries by origin of gross written premiums for life insurance and reinsurance.

(in thousand euro)	2017	2016
Italy	257,811	291,746
France	209,289	178,519
Canada	129,622	124,375
Germany	111,772	104,751
United Kingdom	95,378	94,732
Other	904,465	1,213,383
Total	**1.708.336**	**2.007.507**

Compared with the previous year, there was a decrease of gross written premiums from Italy and a significant growth of gross written premiums from Hong Kong. In the first case, the decrease was affected by lowest gross written premiums accepted by the subsidiary Alleanza Assicurazioni S.p.A., while in the second the increase was a result of the marketing of new individual policy line insurance products from Hong Kong branch.

A.2.3. Non-life underwriting performance

(in thousand euro)	2017	2016
Gross written premiums	1,661,058	1,660,093
of which direct business	402,459	401,192
of which indirect business	1,258,599	1,258,902
Ceded and retroceded premiums	-489,281	-492,109
Net premiums	1,171,777	1,167,984
Change in technical provisions	-1,077	-51,255
Claims, maturities and surrenders	-823,560	-763,606
Operating costs	-252,728	-248,073
Other technical income and charges	-9,117	-9,617
Underwriting performance	**85,295**	**95,433**

%	2017	2016
Loss ratio	70,3	68,4
Total expense ratio	21,6	21,2
Acquisition costs / net premium	17,2	16,7
Administration costs / net premiums	4,4	4,5
Combined ratio	**91,9**	**89,6**

The underwriting performance amounted to 85,295 thousand, lower compared 95,433 thousand in the previous year. This trend is influenced by the decline in the balance of direct business and accepted proportional reinsurance, which rose from 34,376 thousand to -84,233 thousand, affected significantly by the increase in the loss ratio related to natural catastrophe events, which impacted in particular the Global Corporate & Commercial division of the U.K. branch (more precisely in the line of business "fire and other damage to property"). This contraction was largely offset by the positive trend in the non-proportional reinsurance directly accepted by the Parent Company.

The result described above is determined by:

- the substantial stability of **gross written premiums**, which amounted to 1,661,058 thousand (1,660,093 thousand in the previous year). In detail, direct business remained almost stable (from 401,192 thousand to 402,459 thousand), the accepted proportional reinsurance increased from 845,497 thousand to 855,158 thousand due to the effect, in particular, of the growth of reinsurance acceptances made by the Generali Employee Benefits unit (operating in the lines of business of medical expenses insurance and income protection insurance) by the subsidiaries Generali Assurances Générales SA and Generali Italia SpA.. Accepted non-proportional reinsurance decreased from € 413,405 thousand to € 403,441 thousand, mainly within reinsurance acceptances made directly by the Parent Company from the subsidiary Generali IARD SA;
- the increase in **claims, maturities and surrenders** (from 763,606 thousand to 823,560 thousand), attributable to direct business and accepted proportional reinsurance, which impacted the Global Corporate & Commercial division of the U.K. branch, in particular due to natural catastrophe events in 2017. This trend was largely offset by the improvement in the non-proportional reinsurance accepted directly by the Parent Company, characterized by the absence of significant impacts from Man Made and Nat Cat catastrophe events, unlike the previous year, which was affected by significant insurance claims impacting the line of business "fire and other damage to property";
- the increase in **acquisition and administration costs**, which amounted to 252,728 thousand (248,073 thousand in the previous year). The increase is attributable to accepted proportional re-

insurance, as a consequence of higher acquisition costs impacting the U.K. branch within the new production in the Global Corporate & Commercial and Generali Global Health divisions. Starting from 2017, for the reinsurance accepted directly by the Parent Company a different method of allocation of indirect costs to the administration expenses has been applied, which also contributed, although to a lesser extent, to the increase of the item

On the basis of the aforementioned trends, the net combined ratio resulted at 91.9%, higher compared to the 89.6% of the previous year. The increase was recorded both in the loss ratio component (from 68.4% to 70%) and in the expense ratio (from 21.2% to 21.6%).

The following table shows the top 5 countries by origin of gross written premiums for non-life insurance and reinsurance.

(in thousand euro)	2017	2016
France	249,413	280,543
Italy	241,251	237,675
United Kingdom	166,516	153,480
Hong Kong	139,640	138,163
United States of America	114,413	108,069
Other	749,826	742,163
Total	**1,661,058**	**1,660,093**

The growth in gross written premiums was driven by the acceptances from France, in particular from the treaty underwritten by the United Kingdom branch in the Global Corporate & Commercial segment ceded by the subsidiary Generali IARD and, to a lesser extent, by the acceptance from the same subsidiary of non-proportional reinsurance in the property line of business underwritten by the Reinsurance Head Office.

Concerning Italy, the increase is related to the non-proportional reinsurance acceptances from the property line of business, while the strong increase in China is related to the proportional reinsurance acceptances underwritten from the Hong Kong branch.

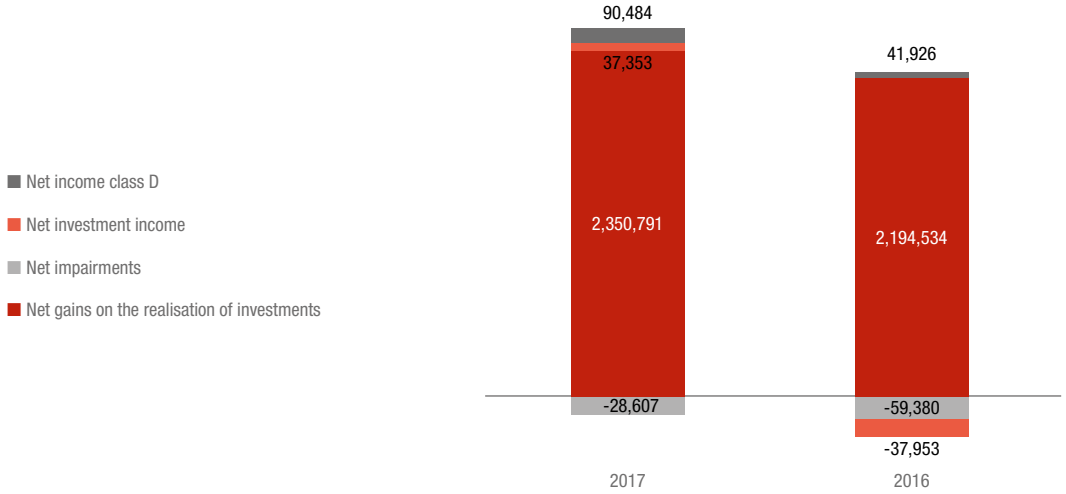
A.3. Investment performance

The result of the investment operations includes mainly the income from shares and other investments, net of related expenses, as well as net realized and unrealized gains and losses. The result does not include the technical interests of the life segment, i.e. the share of investment returns that belong to the policyholders and for this reason are reclassified in underwriting result.

Net investment results amounted to 2,065,696 thousand for the year and 1,785,227 thousand in the prior year, while the result of ordinary financial operations gross of the technical interest of the life segment (amounting to 384,326 thousand for the year and 353,900 in the prior year) amounted to 2,065,696 thousand for the year and 1,785,227 thousand in the prior year.

(in thousand euro)	2017	2016
Result of the ordinary financial operations (gross of the technical interest)	2,450,022	2,139,127
minus technical interest of the life segment	-384.326	-353,900
Result of the investment operations	**2,065,696**	**1,785,227**

The result of the ordinary financial operations is described below:



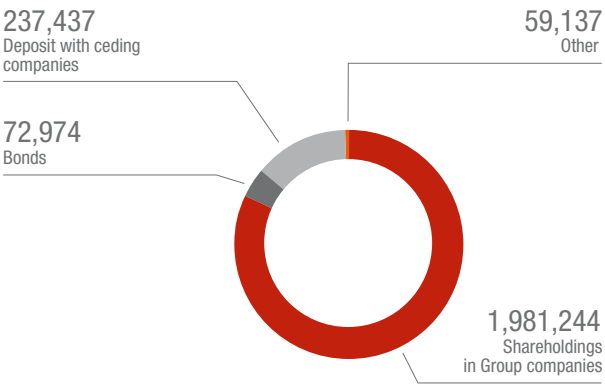
The class D net income amounted to 90,484 thousand, up from 41,926 thousand of the previous year. This year is benefiting mainly from greater interest on reinsurance deposits, which amounted to 67,031 thousand compared to 26,238 thousand in the previous year, and especially interest related to reinsurance deposits concerning the subsidiary Generali PanEurope dac. The positive results were affected by greater latent net capital gains amounting to 18,598 thousand versus 14,491 thousand in the previous year.

Investment adjustments, net of the gains and losses for the year, amounted to 28,607 thousand compared with 59,380 thousand in 2016. The change derives primarily from lower value adjustments in the equity segment compared with the previous year (changes amounting to 54,190 thousand) which was affected by value adjustments applied to the equity investment in Lion River I (26,869 thousand), Fata Asigurari (8,874 thousand) and Generali Shared Service Scarl (7,316 thousand). This positive change was partially offset by larger adjustments of the derivative financial instruments (a change of 22,271 thousand) of which 18,860 thousand concern the value adjustment applied to the coverage of loss ratio on 12 Group companies (insurance linked securiry Horse) classified in this category because the risk subjected to the coverage is not in the insurance portfolio of Assicurazioni Generali S.p.A..

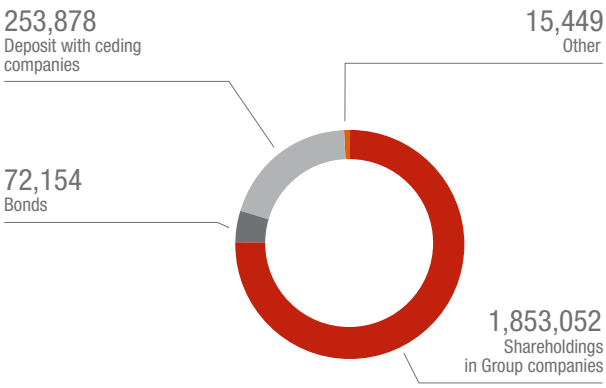
Net realized gains were positive for 37,353 thousand; in the previous year they were negative for 37,953 thousand. In this period, net realised gains, deriving primarily from the sale of the equity stake in the subsidiary Guatemala Aseguradora General S.A. for 19,610 thousand and from the sale of bonds for 12,653 thousand, were recorded. The previous year was negatively affected by a net realized loss deriving from the closure of certain derivative financial instrument positions (53,693 thousand), partially offset by realized gains from the disposal of mutual fund units (8,817 thousand) and securities and other investments (4,421 million).

Details of the net income from investments, totalling 2,350,791 thousand (2,194,534 thousand in the previous year), are provided below.

Net investment income 2017



Net investment income 2016



The dividends received from the companies of the Group totalled 1,981,244 thousand, an increase of 128,192 thousand compared with the previous year (1,853,052 thousand). The main income from equity investments is the dividend received from Generali Italia, totalling 1,000,000 thousand (up by 100,000 thousand versus the previous year).

Net interest on reinsurance deposits amounted to 237,437 thousand, decreasing compared with the previous year (253,878 thousand). The decrease is to be attributed primarily to the acceptance of reinsurance in run-off by the subsidiary Alleanza Assicurazioni S.p.A. (negative change of 20,325 thousand).

Income from bonds is equal to 72,974 thousand (72,154 thousand in the previous year), of which 32,555 thousand deriving from government bonds (35,782 thousand in 2016) and 40,419 thousand deriving from corporate bonds (36,418 thousand in 2016).

Other income net of other charges went from 15,449 thousand of previous year to 59,137 thousand primarily due to greater interest on loans with the companies of the Group (a change of 45,465 thousand) and in particular attributable to the subordinated loan issued by Generali Italia S.p.A. (1,187,500 thousand) and purchased from Generali Finance B.V., that held previously, during the 2017.

Ordinary return on investments[1], determined on the basis of the average rate of return, stands at 5.8% (5.3% in 2016) .

As requested by art. 293, paragraph 3, letter (c) of the Delegated Acts 2015/35 it is stated that the investments in cartolarised securities amounted to 41,589 thousand for year end and 44,901 for the prior year.

1 The average rate of return on investments is the ratio of income for the period to half the sum of investments at book value at 31/12/2017 and 31/12/2016

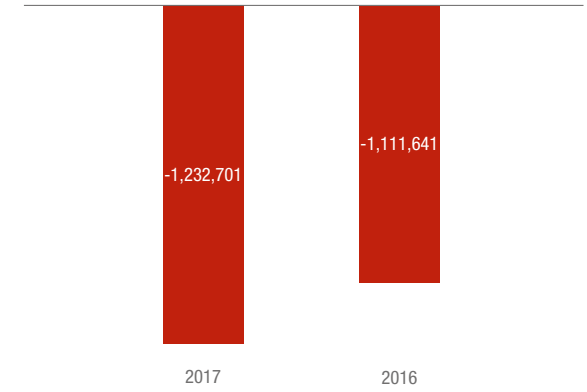
A.4. Performance of other activities

A.4.1. Summary of the performance of other activities

The following table shows the different components that form the result of other activities, which will then be analyzed in the following paragraphs:

(in thousand euro)	2017	2016
Other ordinary income and charges	–1,232,701	–1,111,641
Extraordinary income and charges	210,977	34,773
Income taxes	121,491	190,212
Performance of other activities	**–900,233**	**–886,657**

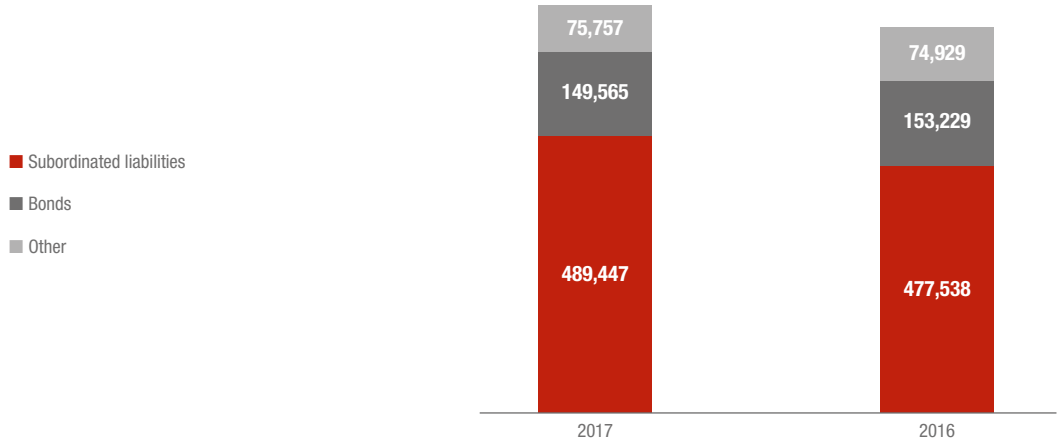
A.4.2. Other ordinary income and charges



The breakdown of other ordinary income and charges is shown in the table below.

(in thousand euro)	2017	2016
Interest expenses on financial debt	–714,768	–705,696
Allocation to non technical provisions	10,878	–6,605
Holding expenses	–351,705	–352,176
Amortisation of intangible assets	–20,198	–20,262
Other	–156,907	–26,903
Total	**–1,232,701**	**–1,111,641**

Interest expenses on financial debt



Interest expense on the financial debt of the Company amounted to a total of 714,768 thousand, an increase from 705,696 thousand in 2016.

The increase refers to the interest on subordinated liabilities (from 477,538 thousand in the previous year to 489,447 thousand) and is primarily due to the issuing of a subordinated liability amounting to 850,000 thousand carried out in June 2016, partially offset by the repayment of a subordinated loan of 468,082 thousand carried out in the same month.

As a partial offset, a slight decrease of the interest on a debenture loan was recorded (from 153,229 thousand in 2016 to 149,565 thousand) due to a partial repayment of the capital share of the loan to fund the tax recognition of goodwill relating to Alleanza Assicurazioni S.p.A..

Interests from other loans are subtantially in line with the figures of the previous year.

Holding expenses

The expense borne by the Company for the direction and coordination of the companies belonging to the Group, net of the income from brand royalties, amounted to 351,705 thousand, a slight decrease versus the same figure of the previous year (352,176 thousand).

Allocation to non-technical provisions

Net income from the use of non-technical provisions amounted to 10,878 thousand. In detail, the total income amounted to 62,688 thousand primarily due from the release of the tax provision mainly related to favourable result of the assessments carried out on the Company for the tax periods 2010, 2011 and 2012. This income is partially offset by the expenses of 51,810 thousand mainly due to a provisions related the close pension fund of the London Branch employees.

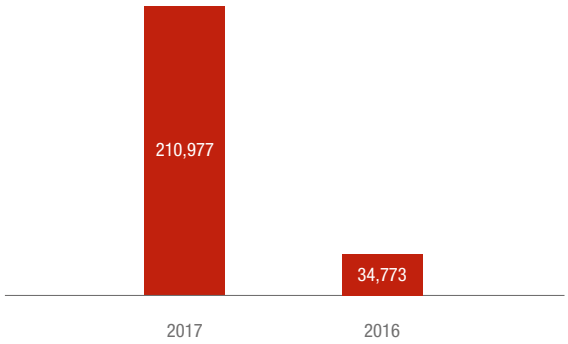
Amortisation of intangible assets

Amortisation of intangible assets is stable compared to the previous year..

Other

The item “Other” showed a net expense up by 130,005 thousand, report negative exchange rate differences for 111,164 thousand (positive for 10,709 thousand in 2016) therefore showing a negative change of 121,872 thousand. This impact primarily linked to the net exposure in Chinese Renminbi, Swiss Francs and Brazilian Reals which, during the period, were depreciated against the Euro respectively by 6.7%, 9.2% and 16%.

A.4.3. Extraordinary income and charges



The results from extraordinary operations are positive, at 210,977 thousand (34,773 thousand in the previous year).

The balance of the current financial year is primarily affected by the earned profits deriving from the reinsurance cession of the P&C insurance portfolio in run-off of the London and New York branches for 195,625 thousand. The amount is classified as extraordinay item because the above-mentioned operation has been carried out in order as first step to the legal transfer of the portfolio which will be completed during 2018. Moreover lower tax related to previous years for 19,228 thousand were registered.

Expenses referring to incentive plans for exiting personnel contributed to this result by 16,813 thousand (16,991 thousand in 2016), partially offset by net contingent assets amounting to 6,747 thousand (expense of 1,343 thousand in 2016) referring primarily to the change of the pro-rata VAT of 2016, and realized gains deriving from the sale of long term investments for 7,208 thousand (54,695 thousand in 2016, of which 37,955 thousand deriving from the liquidation of the stake in Telco AG S.r.l.)

A.4.4. Income taxes

Income taxes for the year show an overall income of 121,491 thousand (190,212 thousand in the previous year). The decrease is primarily due to IRES tax income which was down from 217,729 thousand in the previous year to 161,760 thousand for the year in question, following the increase of the taxable income.

More specifically, the income for the current IRES decreased to 195,482 thousand (from 204,969 in the previous year) whereas deferred IRES taxes involved an expense of 33,722 thousand (compared with an income of 12,760 thousand in the previous year).

Taxes also include an IRAP tax charge of 5,470 thousand (3,298 thousand in the previous year), a charge for taxes due in Italy on the income of some Group Companies overseas (Controlled Foreign Companies – CFC) of 10,636 thousand (14,774 thousand last year) and lastly a charge for taxes paid abroad amounting to 24,163 thousand (9,445 thousand in the previous year) of which 19,774 thousand referable to the foreign branches.

A.5. Any other information

A.5.1. Related parties transaction

Below is the summary of the main intragroup amounts, as resulting from the last approved statutory financial statements:

(in thousand euro)	Subsidiaries	Associates	Joint ventures
Assets			
Investments	40,590,173	219,900	493
Credits and other operations	784,486	2,242	2,857
Total assets	41,374,659	222,142	3,350
Liabilities			
Financial liabilities	3,811,359	0	0
Tecnical provisions	10,208,405	6,211	492
Other debits and liabilities	2,227,632	2	2
Total liabilities	16,247,396	6,213	494
Incomes and charges			
From transactions with ceding companies(1)	428,005	34,870	5,436
Net incomes from investments	2,119,273	–28,461	–314
Other incomes and charges	–62,830	0	0
Extraordinary incomes and charges	–252	0	0

(1) Interest on deposit to cedants are included in the line "From transaction with ceding companies", instead of "Net incomes from investments"

As part of the **management activities of the investments** the principal balances can be found on the side of the balance sheet as investments and on the side of the income statement under net income from investments, mainly with regard to dividends received. In relation to this area, it is noted, as a significant transaction carried out during the period, the acquisition of the residual portion of the investment in Generali Finance B.V. from its subsidiary Generali Italia S.p.A. for an amount of 199 million. The transaction was concluded at market values. Dividends received from Group companies totaled 1,981,244 thousand.

With regard to the **management of the capital structure** and liquidity, the main balances can be found between:

- receivables and payables and other income and charges with regard to the centralized management of liquidity: the direct pooling agreements allowed the deposit, as of 31 December 2017, with Assicurazioni Generali SpA of 1,953,805 thousand. The main counterparties are Generali Beteiligungs GmbH for 899,688 thousand, Participatie Maatschappij Graafschap Holland N.V. for 347,354 thousand, Generali Finance B.V. for 266,074 thousand, Generali Global Private Equity S.A. SICAR for 153,064 thousand, Generali Holding Vienna AG for 80,820 thousand, Lion River I N.V. for 69,542 thousand, Generali España, S.A. de Seguros y Reaseguros for 40,131 thousand, Generali Belgium S.A. for 33,001 thousand, L'Equité S.A. for 20,029 thousand, Generali Real Estate S.p.A. SGR for 15,005 thousand, Generali France S.A. for 9,930 thousand, Generali Asia N.V. for 8,311 thousand, Generali Shared Service S.c.a.r.l. for 7,989 thousand. On the other hand, the Company has a credit position of 271,192 thousand, of which 261,343 thousand to Generali Italia S.p.A. and 9,847 thousand to MyDrive Solutions Ltd. Interests due amount to 2,399 thousand, while interests income amount to 180 thousand;

- financial investments and liabilities and net investment income and other charges in relation to the management of loans and receivables: in particular, the Company has outstanding loans to Group companies of 1,187,500 thousand at 31 December 2017 to Generali Italia S.p.A., for 370,900 thousand to Generali Beteiligungs GmbH, for 57,500 thousand to Generali Schweiz Holding AG, for 24,983 thousand to Europ Assistance Holding SA for 15,000 thousand towards Generali PanEurope dac and 7,000 thousand towards Generali Vitality Gmbh. On the liabilities side, there are loans from group companies to the following counterparties: Participatie Maatschappij Graafschap Holland N.V. for 3,158,778 thousand, Generali Holding Vienna for 484,501 thousand, Generali Investments S.p.A. for 55,000 thousand, Transocean Holding Corporation for 40,000 thousand, UMS Immobiliare Genova S.p.A. for 27,000 thousand, Generali Versicherung Ag for 18,080 thousand and Redoze Holding for 18,000 thousand. Interests income was recorded for 79,619 thousand, mainly attributable to Generali Italia S.p.A. (55,853 thousand) and Generali Beteiliguns GmbH (20,882 thousand) and interest due for 75,757 thousand, mainly related to Participatie Maatschappij Graafschap Holland N.V. (58,117 thousand) and Generali Holding Vienna for 7,976 thousand. In relation to the aforementioned loan to Generali Italia S.p.A. equal to 1,187,500 thousand, it should be noted that the same was purchased during the year by Generali Finance B.V. and the consideration was paid for by offsetting 381,100 thousands of a loan to the selling party and the remainder in cash;
- guarantees given to third parties in the interest of group companies in relation to the debt issued on the market by the subsidiary Generali Finance B.V. (guarantee for a nominal amount of 1,500,000 thousand);
- the commitments, in relation to the subscription of ancillary own funds of the subsidiary Generali Vie S.A.. In particular, these commitments are divided into:
  - i) an “Equity committment letter” with which the Company has committed to subscribe for at market value, directly or indirectly, capital of the subsidiary for up to 250 million euros;
  - ii) a “Commitment Letter to pay and subscribe for a full T2 item” with which the Company is instead committed to subscribe, directly or indirectly, bonds Tier 2 of the subsidiary at market value for up to 250 million euros;
- investments, relating to the capital increases carried out, described in section 2.2.1. of this note.

With regard to the Group’s **reinsurance business**, the main items affected are those relating to technical provisions, receivables and payables linked to reinsurance transactions and technical items in the income statement which determine the income and charges relating to reinsurance transactions.

The charges deriving from the payments to pension funds of the Company’s employees and managers amount to 10,394 thousand.

During the year the income deriving from the remuneration of the use of the trademark by companies belonging to the Group, recorded under other income, amounted to 60,430 thousand.

With reference to the other related parties, the most significant relationship is in place with the Mediobanca Group, in which bonds are held for 25,633 thousand.

With regard to Art. 18 of the Procedures on transactions with related parties approved by the Board of Directors in 2017, it should be noted that, beyond the aforementioned operations (i), no transactions of major significance have been completed in the period of reference (ii) no Transactions with related parties that have had a significant impact on the financial position or results of the Group have been completed (iii) there are no changes or developments of the Transactions described in the previous annual report that have had a significant effect on the situation balance sheet or results of the Company.

B. System of Governance

B.1. General information on the system of governance

The corporate governance system

The Company has adopted the Italian traditional administration and governance system based on the General Shareholders Meeting, the Board of Directors – that delegates some of its powers to the Managing Director (hereinafter also Group CEO) – and the Board of Auditors.

The General Shareholders Meeting passes shareholder resolutions on the topics under its responsibility. The Board of Directors has responsibility over the strategic vision and the pursuit of the corporate purpose as well as the implementation of core operations; while the CEO is in charge of the operational management that is applied on the basis of the corporate system of delegated powers and proxies. The Board of Auditors has a supervisory role on compliance with applicable regulations, the Articles of Association and the principles of sound administration and the adequacy of the organizational, administrative and accounting structure including its proper functioning.
Under the Articles of Association, the Board of Directors must include at least 10 and up to 21 members, appointed at the General Shareholders Meeting after determining the number. The appointment is based on the submission of lists. The majority list is entitled to appoint the majority of the members of the Board of Directors. The Directors must meet certain requirements of professionalism, integrity and independence.
The current Board of Directors has 13 members appointed by the General Shareholders Meeting on 28 April 2016, and will remain in office until approval of the financial statements as at 31 December 2018.

The Board of Directors has all managing powers to pur-sue the corporate purpose. It also has ultimate responsibility to ensure that resolutions passed by the General Shareholders Meeting are implemented promptly and appropriately.

In particular, the Board of Directors has some exclusive powers, such as the approval of the yearly and half-yearly financial reports, the draft allocation of profits, the adoption of strategic, industrial and financial plans, major economic, financial or capital importance and related-party transactions.

In particular, exclusive powers of the Board of Directors include:

- assigning down-payments on dividends to shareholders during the financial year;
- drafting proposals on the allocation of profits;
- opening or closing offices and structures abroad;
- resolutions on mergers, in the events described in the applicable regulations, opening or closing of secondary offices, and amendments to the provisions of the Articles of Association and General Shareholders Meeting Regulation, if they become incompatible with any new mandatory legislative provisions;
- deliberating on the start or end of individual business operations;
- appointing the General Manager, establishing his/her powers and duties, as well as revoking them;
- taking decisions on the criteria for management and coordination of the companies belonging to the Group;
- group and the implementation of instructions issued by IVASS;
- resolving on the other subjects which by law cannot be delegated by it.

The Board of Directors is ultimately responsible for the internal control and risk management system and periodically assess its adequacy and efficacy. The Board of Directors has assigned the role of Internal Control Risk Management Director to the Group CEO. In that capacity, he/she identifies the main business risks, taking into account the business features of the Company and its subsidiaries, and regularly communicates them to the Board of Directors. The Group CEO implements the guidelines set by the Board of Directors, organising the design, implementation and management of the internal control and risk management system, and constantly reviews its adequacy and effectiveness.

The Board Committees

The Board of Directors, in order to effectively perform its tasks, is supported by five Board Committees, which perform recommendatory, advisory and preparatory functions:

- Risk and Control Committee. This committee is composed of 5 members, 4 of which are independent (including the Committee Chair). It assists the Board of Directors in determining the guidelines for the internal control and risk management system, the regular assessment of its adequacy and effective operation, and the identification and management of the main business risks, including those deriving from prejudicial events which come to the notice of the Board of Directors. It issues opinions on proposals regarding the appointment, dismissal and remuneration of the heads of the Internal Control functions and their working plans;
- Related-Party Transactions Committee. The committee is composed of 5 independent directors and has the task of drafting opinions on related-party transactions in line with the Related-Party Transaction Procedure adopted by the Board. These opinions focus on the corporate interests in performing the relevant transactions, the reasons for the transaction and the benefits and substantial fairness of their terms. The committee also issues opinions on the review of related-party transaction procedures;
- Corporate Governance and Social & Environmental Committee. The committee is composed of 3 3 members, of which two independent and supports the Board when taking decisions about the corporate governance rules of the Company and the Group. It releases an opinion on the annual self-assessment process of the Board of Directors (Board Review) and on the documents for the General Shareholders Meeting as well as on the policy of on boarding. It provides support to the Board of Directors on the validation of independence requirements of Directors, respectability, professionalism under the appli-cable regulations and the Fit and Proper policy for Directors and the first reporting line managers to the CEO or the General Manager (if appointed) as well as the members of the Group Management Committee. It also supports the Board of Directors on compliance with requirements of non-eligibility, incompatibility or forfeiture for Directors, Permanent Statutory Auditors tors and the General Manager (if appointed).

  As for social sustainability, the GSC is required to express its opinion on the Charter of Sustainability Commit-ments, and on other components of the environmen-tal management system and any other sustainability issues involving the Company and the Group;
- Investment and Strategic Transaction Committee. The committee is composed of 6 members, one of whom is independent. The committee performs prior assessments of transactions, operations or other initiatives of strategic importance It conducts prior examinations and expresses an opinion on investment and divestment transactions falling within the sphere of responsibility of the Board of Directors and examines Group strategic asset allocation and asset liability management strategies. The committee is required to perform a periodic analysis of the investment policies, the main operational guidelines and the corresponding results, assessing their adequacy, in order to advise the Group CEO to submit proposed changes to the Board of Directors. This periodic analysis is also related to the Group's asset allocation (by asset class and main concentrations, also by comparison with the main competitors), the ALM situation, as well as investment and divestment operations of particular importance performed during the preceding period;
- Appointments and Remuneration Committee.

  The committee is composed of 5 members, 3 of whom are independent (including the Committee Chair). The number of members is reduced to three when remuneration issues are discussed. The committee performs consultative, recommendatory and preparatory functions for the Board of Directors, with the support of Corporate Governance and Social & Environmental Committee, when taking decisions related to the size and composition of the Board of Directors and the replacement of the independent directors. The committee performs preparatory activities relating to the drafting of the succession plan for executive Directors and expresses an opinion on the proposals of the Group CEO on the succession plan for Group Management Committee members and on the development and management policies of Global Leadership Group members. It also issues opinions and proposals to the Board of Directors on the definition of remuneration policies and the fees to the Managing Director and Group CEO, the General

Manager (if appointed), the Chairman of the Board of Directors, the other Directors and Statutory Auditors. The committee issues opinions on proposals of the Group CEO on the appointment and remuneration of the Group Management Committee and Global Leadership Group members and chairs, executive directors and managing directors of strategic sub-sidiaries.

Control functions

The Company has adopted an internal control and risk management system based on three lines of defense: operational functions, second-line control functions (actuarial, compliance and risk management) and third line control function (internal audit).

While the ultimate risk management responsibility is assigned to the operational functions, within their specific responsibilities, the task of the second-line control functions is to continuosly monitor the risks and to support the Board of Directors and Senior Management[2] in the performance of their respective tasks. The internal audit task is to assess the efficiency and effectiveness of the internal control system.

The control functions have no operational duties and are solely devoted to guaranteeing effective risk control and have a high level of independence compared to the operational function.

They report directly to the Board of Directors that defines the remuneration of each head and ensures that adequate resources have been assigned. The Board of Directors assesses the results of activities performed by such functions and approves the relevant plan.

Control functions have free access to all information they need to carry out their tasks.

The results of the activities of control functions are regularly brought to the attention of the Group CEO, the Board of Directors, also through the Control and Risk Committee and the Board of Statutory Auditors, and contribute, on the one hand, to the definition of the company's strategic planning, and on the other hand, to assessment of the adequacy of the internal control and risk management system.

The Directives on Internal Control and Risk Management System approved by the Board of Directors include core interactions among control functions in order to make their activities more efficient and effective. Such interactions determine a coordination in planning activities, a continuous exchange of information, common taxonomies, processes, tools and methodologies for risk assessment.

Group Risk Management

Group Risk Management supports the Board of Directors and Senior Management in defining the risk management strategy, risk monitoring and risk measurement and, through an appropriate reporting system, the elements for the assessment of the risk management system.

In particular, the Group Risk Management:

- contributes to the definition of risk management policy and supports the definition and implementation of risk policies;
- defines risk assessment criteria and methodologies, including the Partial Internal Model (PIM) of the Group to calculate the Solvency Capital Requirement;
- proposes to the Group CEO the limits on investment and liquidity risks and revises the operating limits for underwriting risks in line with the risk strategy;
- informs the Board of Directors and the Group CEO about the evolution of risks and any breach of the limits set;
- defines the outcome of risk assessments, reports the risks identified as most significant and prepares the Company's Own Risk and Solvency Assess-ment (ORSA) Report on an annual basis (more frequently in case of significant changes to the risk profile);
- monitors the implementation of risk management policy and the overall risk profile.

The Group Chief Risk Officer reports hierarchically to the Group CEO and functionally to the Board of Directors, also through the Control and Risk Committee.

2 The Senior Management comprises the Managing Director, the General Manager (if appointed), and the senior executives who, within the company, cover the first reporting lines of the Managing Director or General Manager.

Group Compliance

Group Compliance supports the Board of Directors and the Senior Management in identifying, evaluating and monitoring the risks that may arise from laws and regulations also internally and participates in the set-up of an adequate control system.

More specifically, Group Compliance

- advises the Board of Directors, the Group CEO and Senior Management on compliance with the laws, regulations and EU provisions applicable to the Company and the Group;
- assesses the possible impact on the activities of the Company and the Group of changes in the regulatory environment and law guidelines, identifying possible actions to mitigate the risk of non-compliance;
- identifies and assesses the risk of non-compliance;
- contributes to safeguarding the integrity and reputation of the Group by taking initiatives to strengthen staff awareness on compliance issues;
- supports the creation of an organization able to fulfil the regulatory requirements and assess its adequacy and effectiveness on an ongoing basis.

The Group Compliance Officer reports to the Group General Counsel and functionally to the Board of Directors also through the Control and Risk Committee.

Group Actuarial Function

The Group Actuarial Function supports the Board of Directors, carrying out coordination and control duties on the calculation of technical reserves according to Solvency II, the valuation of the underwriting policies and reinsurance agreements, as well as contributing to the effective implementation of the risk management system.

The Group Head of Actuarial Function reports functionally to the Board of Directors for the Solvency II control functions and to the Chief Financial Officer.

Group Audit

Group Audit supports the Board of Directors by ensuring an independent evaluation of the adequacy and effectiveness of the internal control system and other elements of the governance system, the need for adaptation, including through support and consulting activities to other business functions, and, therefore the effective functioning of the controls designed to ensure the proper conduct of the processes, taking into account the levels of risk appetite.

In particular, the function assists the Board of Directors in carrying out part of its control activities as well as the various structures of the Company in pursuit of its internal control objectives, contributing, *inter alia*, to the develop-ment of a Business climate conducive to the dissemination of the culture of control.

Group Audit may also provide advisory activities on governance, risk management and control issues when deemed appropriate for the organization, as well as special and unplanned activities expressly required by the Board of Directors or management.

Group Audit must also inform the Board of Directors and management situations of significant exposure of the organization to risks and weaknesses in control bodies (including risks of fraud or mismanagement in corporate governance).

The Head of Group Audit is not dependent on any operating area and reports directly to the Company's Board of Directors.

Significant changes to the system of governance in 2017

The significant changes to the system of governance in 2017 are mainly those described below:

- at the end of January 2017 the General Manager left the Company, as per the Board of Directors' resolution of 25 January 2017 which terminated his employment contract with the company; in accordance with the provisions of the company's Articles of Association, his position as General Manager was not reassigned. As a consequence, all the first level corporate functions previously reporting to the General Manager, would report to the Group CEO;
- as of 25 January 2017, the Investments Committee was renamed as Investment and Strategic Opera-

tions Committee. It performs consultative, recommendatory and preparatory functions also relating to operations having strategic relevance;
- In April 2017, the Shareholders' Meeting appointed the Board of Statutory Auditors for the three-year period 2017-2019.

General principles of the remuneration policy

For 2017, the Company adopted a remuneration policy which targets members of the Board of Directors, including the Managing Director, the General Manager (if appointed), members of the Group Management Committee, and others reporting directly to the Managing Director and the General Manager (if appointed) with a significant impact on the Group's risk and strategic profile, the heads of the control functions (Internal Audit, Risk Management, Compliance and Actuarial Function), as well as the managers reporting directly to them.
The remuneration policy of the Company is based on the following principles:
- equity and consistency of remuneration in relation to the assigned responsibilities and capabilities demonstrated;
- alignment with corporate strategy and goals defined;
- competitiveness with respect to market trends and practices;
- focus on merit and performance, in terms of results, behaviour and values;
- clear governance and compliance with the regulatory framework.

The overall remuneration of the target population includes a fixed component, a variable component and a number of benefits, structured in a well-balanced and consistent fashion. Total remuneration is valued in terms of fairness and internal consistency with regard to the role and position assigned to the relevant person as well as in terms of external alignment with the market.

The fixed component of the remuneration rewards the role held and responsibility assigned, also taking into account the expertise and competences of the relevant person as well as the quality of his/her contribution to the achievement of the business results.

The variable component is defined on the basis of short (i.e. yearly) and long term (i.e.deffered) incentive plans aimed at motivating management in achievement of the business goals through a direct link between such incentive plans and the business goals, both in quantitative and qualitative terms. A significant relevance is assigned to the variable deferred remuneration component. Caps on the maximum amount of both the overall and the individual variable remuneration are always set, linked to the effective achievement of the performance conditions and the target set.
Non-monetary benefits include, in particular, supplementary pensions and health care, company car as well as benefits related to internal and international mobility, in line with current market practice.

The Company carries out analysis of the structure of the overall remuneration in order to ensure an adequate balance between the fixed, short and long term variable component, benefits and to promote the management commitment to achieving sustainable results. This approach is considered a key factor for the alignment between remuneration and strategic objectives. In particular, the fixed remuneration component is determined as an amount that does not incentivise the undertaking of inappropriate risks by management and that allows the effective enforceability, in the theoretical event the relevant conditions are met, of specific ex post corrective mechanisms (malus and clawback) on the variable component. The weighting and structure of the variable remuneration component are balanced so as to incentivise the achievement of sustainable results over time, while taking due consideration of the risk framework and discourage conduct that would lead to excessive exposure.

Remuneration policy for members of the Board of Directors (other than the CEO)

For 2017, the remuneration policy provided for all non-executive Directors (independent and not independ-ent) sets out that remuneration shall consist of a fixed component and of an attendance fee which will be issued for each attended meeting of the Board of Directors, in addition to the reimbursement of expenses incurred for their attendance and, in general terms, for the discharge

of their responsibilities. Such non-executive Directors benefit from an insurance coverage against professional liability. Consistent with the best international market practice, no variable component or any supplementary pensions are provided for such non-executive directors.
Directors who are also members of board committees (but at the same time not managers of the Generali Group) are rewarded, on top of the remuneration they receive as members of the Board of Directors, with an additional emolument related to competences assigned to the relevant committees and to the effort and time required for attending such committees, in terms of the number of meetings and preparation required. These emoluments are established by the Board of Directors in accordance with article 2389, 3rd paragraph, of the Italian Civil Code.
The remuneration policy for the Chairman of the Board of Directors includes emoluments in connection with his role as member of the Board of Directors, as specified above, and in addition an annual fixed remuneration determined on the basis of comparative analyses with similar roles both at national and international level. As for all non-executive Directors, the remuneration of the Chairman does not include any variable component and, therefore, the provisions of the remuneration policy on short and long term incentive plans do not apply to his remuneration. The policy for this role also entails the assignment of certain non-monetary benefits, such as insurance coverage against professional injury and dis-ease, as well as healthcare and business and personal use of a company car with driver.

Remuneration policy for the chief executive director, the general manager and the other managers with strategic responsibilities

For 2017, the Chief Executive Director, the Gen-eral Manager (in office until 31 January 2017) and the other managers with strategic responsibilities (members of the Group Management Committee, others reporting directly to the CEO and of the General Manager with a significant impact of the risk and strategic profile of the Generali Group) receive a total remuneration package consisting of a fixed component, a variable component (on a yearly and on a deferred basis) and benefits.
In terms of total target remuneration, the intention is to align the remuneration at a competitive level, between the median and the upper quartile of the reference market, with an individual positioning linked to the assessment of performance, of the potential and the strategic relevance of the person considered according to a segmented approach.

In particular, the variable component of the remuneration includes a short term and a long term variable component and may be respectively achieved on the basis of the criteria provided for the Short Term Incentive (STI) plan and the Long Term Incentive (LTI) plan. Such components reward the achievement of qualitative and quantitative performance objectives.

The Short Term Incentive (STI) plan provides for the as-signment of an annual cash bonus, comprised between 0% and 200% of the baseline, which is defined on the basis of:

- Group funding, related to the results achieved in terms of operating results and net profit adjusted of the Group;
- achievement of a minimum threshold of Economic Solvency Ratio equal to 130% consistent with the hard limit of the Risk Appetite Framework approved by the Board of Directors;
- achievement of individual goals, defined in terms of value creation, risk adjusted profitability, effectiveness, strategic initiatives, customer centricity and people empowerment. The final assessment of the level of achievement of such goals is also based on an individual assessment concerning the consistency with compliance value and control culture as well as compliance with code of conduct rules and governance processes; such assessment may also be used as a malus/clawback clause, if necessary.

The Long Term Incentive (LTI) plan provides for the assignment of shares of Assicurazioni Generali S.p.A. and presents the following characteristics:
- based on a total time frame of 6 years;
- linked to specific performance objectives (Return on Equity and Relative Total Shareholder Return);
- subject to the achievement of a minimum threshold of Economic Solvency Ratio equal to 130%;
- a three-year performance cycle and further lock-up period of the assigned shares of up to two years (so called minimum holding period).

All the objectives used in the context of the incentive systems are defined first, to ensure that the annual performance indicators are consistent with those used as reference for the long term incentive plans.

No incentive will be paid in the event of wilful misconduct or gross negligence or in case of significant worsening of the capital and financial situation of the Company or of the Group. Any amount disbursed will be subject to claw-back if the performances considered should later be found to be unsustainable or ineffective as a re-sult of wilful misconduct or gross negligence. Moreover, specific thresholds and malus clauses are envisaged for the variable remuneration, both short and medium/long-term, defining limits below which a reduction/zeroing of any incentive is made, subject to the assessment by the Board of Directors.

In line with applicable law, the Company requires its employees not to use any personal coverage or insurance strategies (so called hedging) that could alter or undermine the risk alignment effects embedded in variable remuneration mechanisms.

It is provided that the supplementary pension schemes are governed by individual contracts, applicable collective bargaining agreements and the additional regulations of the Generali Group.

Remuneration policy for the heads of the control functions and the managers directly reporting to them

The overall remuneration package for the heads of control functions and their first reporting line managers consists of a fixed and a variable component plus additional benefits. The fi xed component is established according to the level of the responsibilities and duties assigned to such persons and is suited to guaranteeing the independence and autonomy required for such roles. The variable component is linked to participation in a specific deferred monetary incentive system that has multi-year goals relating exclusively to the effectiveness and quality of controls, excluding any form of incentive based on economic objectives and financial instruments which may be a source of conflicts of interests.
It is provided that the supplementary pension schemes are governed by individual contracts, applicable collective bargaining agreements and the additional regulations of the Generali Group.

Significant transactions performed during the year 2017

In 2017 no significant transactions were performed involving shareholders, individuals or entity with considerable influence over the company or members of the Board of Directors.

B.2. Fit and proper requirements

The Company has adopted an internal regulation ("Fit and Proper Policy") according to which the members of the Board of Directors, the Group CEO and its first reporting line, included the General Manager (if appointed) and the first reporting line of the General Manager (if appointed) as well as personnel of the control functions must , in addition to regulatory requirements, fulfil[3] the fit and proper requirements.

Fit requirements

The Board of Directors shall collectively possess appropriate experience and knowledge about:

- the market in which the company operates, meaning an awareness and understanding of the wider relevant business and economic environment and an awareness of the level of knowledge and needs of customers;
- business strategy and business model, meaning a detailed understanding of the company's business strategy and model;
- system of governance, meaning awareness and understanding of the risks that the company is facing and the capability to manage them as well as the ability to assess the effectiveness of the company's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas;
- actuarial and financial analysis, meaning the ability to assess the company's actuarial and financial information, identify and assess key issues and take any necessary measures (including appropriate controls) based on this information;
- regulatory framework and requirements, meaning awareness and understanding of the regulatory framework in which the company operates, in terms of both regulatory requirements and expectations and ability to adapt to changes in the regulatory framework without delay.

3 For the Board of Directors, please refer to article 76 of the Code of Private Insurance, article 3 of the Economic Development Ministry Decree no. 220 of 11 November 2011 as well as article 36 of the Legislative Decree n. 201 of 6 December 2011. For the Board of Statutory Auditors, please refer to article 76 of the Code of Private Insurance, article 3 of the Economic Development Ministry Decree no. 220 of 11 November 2011, article 36 of the Legislative Decree n. 201 of 6 December 2011 as well as article 1 of the Decree no.162/2000 of the Ministry of Justice.

As a general rule, the management and personnel of the control functions must fulfil the professional qualifications, knowledge and experience appropriate and sufficient to cover all their assigned roles.

Proper requirements

In addition to the professional requirements, the Company requires that the proper requirements are satisfied according to local legislation[4], and a good personal reputation.
Professional integrity is assessed in connection with:

a) criminal convictions;
b) negative assessments by competent supervisory authorities stating the inadequacy of the person to hold the relevant office;
c) serious disciplinary or administrative measures applied as a consequence of wilful misconduct or gross negligence, also related to relevant breaches of the Group Code of Conduct and the implementing provisions.

Criminal convictions and disciplinary measures are assessed in relation to laws governing banking, financial, securities or insurance activity, or concerning securities markets or securities or payment instruments, including, but not limited to, laws on money laundering, market manipulation, or insider dealing and usury, as well as any offences of dishonesty such as fraud or financial crime. They also include any other serious criminal offences under legislation relating to companies, bankruptcy, insolvency or consumer protection.

The internal regulations provide that the following situations will automatically preclude appointment or continuation in their current role:

(i) a definitive conviction in relation to the above mentioned laws, or
(ii) a definitive conviction providing for detention of at least two years for any offence with criminal intent, or
(iii) the existence of any of the other situations under b) and c) mentioned above.

Negative information other than those listed in points (i), (ii), (iii) above including non-definitive criminal convictions, will not automatically preclude appointment or continuation in their current role. Unless otherwise provided by the applicable legislation, previous infringements do not automatically result in the person not being assessed as proper for the duties he/she has to perform. While criminal, disciplinary or administrative convictions or past misconduct are significant factors, the assessment of the proper requirements is to be done on a case by case basis. Hence, consideration needs to be given to the type of misconduct or conviction, the level of appeal (definitive vs. non definitive convictions), the lapse of time since the misconduct or conviction, and its severity, as well as the person's subsequent conduct.

Assessment process of the fitness and proper requirements

Assessment of the fit and proper requirements of the member of the Board of Directors is performed by the Board of Directors itself in one of the first meetings after their appointment as well as at least once a year and whenever a change in the composition of the Board of Directors occurs (e.g. in the event of replacement of one of the members of the corporate body, following the revocation, withdrawal of such member or death).

Assessment of the requirements of the Group CEO, General Manager (if appointed) and their first reporting line is performed by the Board of Directors, in coordination with the Appointments and Remuneration Committee.

Assessment of the heads of the control functions is performed by the Board of Directors, while the evaluation of the rest of the control function personnel is performed, respectively, by the head of each control function.

B.3. Risk management system including the own risk and solvency assessment

B.3.1. Risk management system

The principles defining the risk management system are provided in the Group Risk Management Policy, which is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy covers all risks the Company is exposed to, on a current and forward-looking basis.

4 For the Board of Director and Group CEO, please refer to article 76 of the Code of Private Insurance, article 5 of the Economic Development Ministry Decree no. 220 of 11 November 2011. For the Board of Statutory Auditors, please refer to, in addition to the above mentioned regulations, the article 2 of the Decree no.162/2000 of the Ministry of Justice.

The risk management system is based on the following processes:

1. Risk identification
The purpose of the risk identification process is to ensure that all material risks which the Company is exposed or could be exposed to are properly identified. Group Risk Management interacts with the main business functions in order to identify their main risks, assess their importance and ensure that adequate measures are taken to manage them according to a sound governance process. Within this process also emerging risks[5], related to new risks and trends, characterized by uncertain evolution and often of systemic nature, are also considered.

2. Risk measurement
The process of risk measurement aims to assess the identified risks through their contribution to the capital requirement (for so-called quantifiable risks), complemented by other modelling techniques deemed appropriate and proportionate to better reflect the Company risk profile (for so-called non-quantifiable risks). Using the same metric for measuring the risks and the capital requirements ensures that each risk is covered by an adequate amount of capital that could absorb the loss incurred if the risk materializes.

The capital requirement is calculated by means of the Group Partial Internal Model (PIM) for financial, credit, life and non-life underwriting risks. Operational risks are measured by means of standard formula, complemented by quantitative and qualitative risk assessments. The PIM provides an accurate representation of the main risks, measuring not only the impact of each risk taken individually but also their combined impact on the Company's own funds.

Risks not included in the capital requirement calculation, such as liquidity risk and other risks, are evaluated based on quantitative and qualitative techniques, models and additional stress testing or scenario analysis.

3. Risk management and control
The risks, which the Company is exposed to, are managed in line with the "risk appetite" defined by the Board of Directors within the Group Risk Appetite Framework (RAF). As part of the coordination and direction activity, the risk strategy is defined and then applied to the Group's companies. The RAF defines the level of risk considered acceptable in conducting business and thus provides the overall framework for embedding risk management into business processes. In particular, the RAF includes the statement of risk appetite, the risk preferences, the risk metrics and the levels of tolerance.

The RAF statement is complemented by qualitative assertions (risk preferences) supporting the decision-making processes as well as by risk tolerances providing quantitative boundaries, limiting excessive risk-taking. Tolerance levels are set on the basis of capital and liquidity metrics.

The RAF governance provides a framework for embedding risk management into day-to-day and extraordinary business operations and control mechanisms as well as the escalation and reporting to be applied in case of risk tolerance breaches. Should an indicator approach or breach the defined tolerance levels, escalation mechanisms are activated.

Major details on underwriting and investment risks management are provided in sections C.1., C.2. and C.3., respectively Underwriting Risk, Market Risk and Credit Risk.

4. Risk reporting
The purpose of risk reporting process is to keep business functions, Top Management, Board of Directors and also the Supervisory Authority informed on an ongoing basis about the development of the risk profile, the trends of single risks and about the breaches of risk tolerances.
Furthermore, the ORSA Report, including current and forward-looking risk assessment, is prepared on annual basis.

5 Major details on emerging risk definition are provided in section C.6.

B.3.2. Internal model framework

Internal model governance

The risks are measured by means of the PIM, which has been approved by the Supervisory Authority for the SCR calculation.

Governance and processes regarding the Internal Model are defined in the Group Internal Model Governance Policy, to ensure that:

- models and components are appropriate for their purpose;
- procedures are in place to design, implement, use and validate new models and model changes;
- the appropriateness of models on an ongoing basis is confirmed.

To rule the activities related to the Internal Model developments necessary to ensure its appropriateness over time, and more in general to support the Internal Model change process, the Group Internal Model Change Policy has also been also defined with the aim of specifying roles and responsibilities in the implementation of major and minor changes.

A dedicated committee, the Internal Model Committee, has been established to approve PIM calibrations, to support the CRO decision making on PIM developments or model changes and to monitor the full model lifecycle, assuring proper compliance with the Group Internal Model Governance Policy. This Committee is chaired by the Model Design Authority, which is responsible for ensuring the overall consistency and reliability of the PIM.
The CRO defines the processes and controls to ensure the ongoing appropriateness of the design and operations of the PIM, so that it continues to appropriately reflect the risk profile. The CRO is also responsible for defining the methodology of each Model component, based on the Internal Model Committee's proposal, as well as for producing results, and the presentation of the documentation related to the Partial Internal Model to the Board of Directors.

The Board of Directors, assisted by the Risk and Control Committee, ensures the ongoing appropriateness of the design and operations, the ongoing compliance of the PIM and also that the Internal Model continues to appropriately reflect the risk profile.

No substantial changes of the PIM governance have taken place during the current year.

Internal model validation

The PIM is subject to regular independent validation on an ongoing basis, which aims to ensure the completeness, robustness and reliability of the processes and results as well as their compliance with regulatory requirements.

The validation process is compliant with the principles and procedures defined in the Group Internal Model Validation Policy and the related Group guidelines, defined in accordance with Art. 124 of the Solvency II Directive.

The outcomes of the validation process are designed to support Top Management and Board of Directors in understanding the appropriateness of the Internal Model, including areas for improvement, where the PIM presents points of attention and limitations, especially with regard to its use.

To ensure an adequate level of independence, the resources performing the validation activities are not involved in the development and operation of the PIM.

Within the validation activities, the results of the previous years are also considered, as well as the developments in the internal and external business context, the performance of the financial markets and the changes to the PIM. The validation process is not applied to the aspects already covered by the Actuarial Function checks (in terms of technical provisions, IT structures, actuarial platforms and their governance).

The validation process also operates as an incentive mechanism to ensure timely and accurate integration of Internal Model refinements.

In order to warrant the appropriateness of the array of elements contained within the PIM, the validation covers both the quantitative and qualitative aspects of the Internal Model, and is therefore not limited to the calculation engine and methodology.

The validation process is performed periodically and when requested by the Board of Directors, Top Management or, for example, in case of changes to the PIM.

B.3.3. ORSA process

The purpose of Own Risk and Solvency Assessment (ORSA) Report is to provide the assessment of risks and of the overall solvency needs on a current and forward-looking basis.

In the ORSA process the main risks are assessed and documented on the basis of the Strategic Plan. Both the risks included in the SCR calculation and those not included are taken into account. This process is coordinated by the Group Risk Management, supported by the other functions for what concerns own funds, technical provisions and other risks.

The ORSA results, together with the evidence of the methodologies used, are submitted to the Board of Directors once a year. The Board of Directors, after the discussion and approval of ORSA result, communicates them to the Top Management and to the interested entities, together with the Board's determinations reached, with an adequate level of details.
Based on the outcome of the process, the Own Risk and Sol-vency Assessment Report (ORSA Report) is prepared, which represents the main risk reporting tool.

The ORSA Report is produced on an annual basis. After the discussions and approval by the Board of Directors, assisted by the Risk and Control Committee, the Report is submitted to the Supervisory Authority. Furthermore, in case of significant changes in the risk profile, a non-regular ORSA Report is produced.

Risk and capital management are closely integrated processes. This integration is deemed essential for the alignment of the business and risk strategies.

The ORSA process and, more specifically, the capital projections and the forward-looking assessment of the risk profile contribute to the strategic planning process and to the capital management.

To grant the alignment between risk and business strategies, the Risk Management actively supports the strategic planning process.

B.4. Internal control system

The internal control system adopted by the Company is an integrated system involving the entire organisational structure: the corporate body as well as the corporate function have to contribute, in a coordinated and interdependent manner, to the maintenance of the system.
As already stated in section B.1 of this report, the Board of Directors ultimately responsible for ensuring the adequacy and effectiveness of the internal control and risk management system; the Group CEO also has the role of internal control and risk management director.
Each component of the organisational structure has tasks and responsibilities, taking into account applicable insurance regulations as well as provisions applicable to listed companies and the corporate governance code for listed-companies adopted by the Company.
As already stated, the internal control system of the Company has been set up in the “3 lines of defence” of the system:

- the operational functions are responsible for performing line controls or first-level controls, including the manager in charge of corporate accounting reporting;
- the Risk Management, Compliance and Actuarial functions are responsible for second-level controls;
- the Internal Audit function is responsible for third-level controls.

Regarding line or first-level controls, the heads of each organisational unit have the task of ensuring proper management of risk correlated with the activities performed and introducing suitable controls, in compliance with the organisational structure and the guidelines of the Group CEO, to guarantee implementation of the Internal Control and Risk Management Directives of the Board of Directors. The roles and responsibilities of each organisational unit are established in the system of delegated powers and the policies approved by the Board of Directors.

In this context, the role of the Manager in charge of corporate accounting reporting is crucial and is responsible for ensuring the drafting of suitable administrative and accounting procedures for the formation of the annual and consolidated financial statements and any other financial disclosure.

Second-level controls ensure continuous monitoring of most significant risks in the corporate business. Accord-

ing to the system adopted by the Company, the responsibility for such controls is assigned to corporate functions which have no operational duties and are solely devoted to guaranteeing effective risk control.

These functions are, from an organisationational point of view: Group Actuarial Function, Group Compliance and Group Risk Management.

To ensure that said functions have a degree of independence, the Group Chief Risk Officer, the Group Compliance Officer and, for Actuarial Function activities only, the Group Head of Actuarial Function report directly to the Board of Directors.

Third level controls are assigned to the Group Audit Function, which is responsible for monitoring and evaluating the efficacy and efficiency of the internal control system. This function is characterised by strong independence from the business and has a high degree of autonomy; the head of the function does not depend hierarchically on any head of the operational areas, but reports to the Board of Directors.

The role and the responsibilities of the second-level and third-level controls are established by specific Group policies approved by the Board of Directors.

The compliance operating model

The Company has adopted the compliance operating model, in line with the risk management system, that identifies the core process both for the operational func-tions and the compliance function.

The compliance operating model includes the following five core processes:

1. compliance risk identification;
2. their assessment;
3. mitigation initiatives;
4. continuous risk monitoring;
5. reporting and planning.

The risk identification process is aimed at ensuring that the compliance obligations applicable to the organization both externally and internally are always identified and allocated under the responsibility of the operational functions.

The risk assessment process, also from a forward looking perspective, aims to assess the risks to which the organization is exposed and the level of adequacy of the internal control system for achieving its intended outcomes. The Company has adopted a dual approach Top Down and Bottom Up for the risk assessment in order to (i) provide the Senior Management and the Board of Directors an integrated view, also forward looking, of the operational and compliance risk able to support the deci-sion of strategic planning and perform an overall evalu-ation of the adequacy of the internal control system; (ii) evaluate the adequacy and the effectiveness of the controls, also through control activities, in order to support the daily decision of the operational functions.
The risk mitigation process is aimed at ensuring the adoption of all initiatives useful to improving the regulatory provisions. In this context, the compliance is responsible, for the major relevant risk, for delivering the compliance programme promoting training sessions for employees, the issuance of internal reg-ulations and procedures and , in accordance with the operational function, defining the minimum control standard.

The risk monitoring process aims to achieve an updated view of the organization's ability to manage compliance risks. The process involves the collection and continuous analysis of data and indicators that can provide useful information for this purpose.

The reporting process aims to ensure that adequate information flows to Senior Management and the Board of Directors, whose function is to make decisions that take into account the level of exposure to compliance risks and assessments of the adequacy and effectiveness of internal control over its ability to handle these risks.

B.5. Internal audit function

The internal audit activities are performed by Group Audit in line with the organizational rules defined in the Group Audit Policy approved by the Board of Directors.

Group Audit is an independent, effective and objective function established to examine and evaluate the adequacy and the effectiveness of the internal control system and other elements of the system of governance.

The function provides the Board with analysis, appraisals, recommendations and information concerning the activities performed; it also carries out assurance and advisory activities for the benefit of the Board, the Top Management and other departments.

Group Audit is provided with appropriate budget and resources and its staff possesses the knowledge, skills and competencies required to carry out their work with proficiency and due professional care.

Group Audit has full, free, unrestricted and timely access to any and all of the organization's records, physical properties, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information. The Head of Group Audit has free and unrestricted access to the Board of Directors.

Group Audit governs itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

The Head of Group Audit shall not assume any responsibility for any other operational function and should have an open, constructive and cooperative relationship with regulators, which supports sharing of information relevant to carry out their respective responsibilities.

To prevent potential conflicts of interest from arising, the Head of Group Audit shall allocate tasks and set goals within the function in promoting rotation of duties and responsibilities within the team.

The activity of Group Audit remains free from interference by any element in the organization and Internal Auditors do not have direct operational responsibility or authority over any of the activities audited.

At least annually, the Head of Group Audit proposes to the Risk and Control Committee of Assicurazioni Generali an internal audit plan before being submitted for the approval of the Board.

The Plan is developed based on a prioritization of the audit universe using a risk-based methodology, taking into account all the activities, the complete system of governance, the expected developments of activities and innovations and including input of Top management and the Board. The planning shall take account of any deficiencies found during the audits already made and of any new risk detected.

In each Audit plan submitted by the Head of Group Audit for the approval of the Board of Directors, timing as well as budget and resource requirements for the next calendar year is included. The Head of Group Audit communicates the impact of any resource limitations and significant interim changes to the Board.

This plan is reviewed and updated at least on a bi-annual basis in response to changes in the organization's business, risks, operations, programs, systems, controls and findings. Where necessary, Group Audit may carry out audits which are not included in the Audit Plan or advisory services.

All audit activities are carried out following a consistent methodology. The scope of auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal control processes in relation to the organization's defined goals and objectives.

Following the conclusion of each engagement, a written audit report is prepared and issued to the auditee and the auditee's hierarchy.

This report, that indicates the significance of the issues found, covers at least any issues regarding the efficiency and suitability of the internal control system, as well as major shortcomings regarding the compliance with internal policies, procedures and processes. It includes the agreed corrective actions taken or to be taken concerning the issues identified and also the agreed deadlines for the implementation of these corrective actions.

Group Audit is responsible for monitoring appropriate follow-up on issues raised and agreed actions.

The Head of Group Audit, at least on a bi-annual basis, provides the Board of Directors with a report on activities and significant issues during the period and a proposal of an action plan. The Board of Directors of Assicurazioni Generali determines what actions are to be taken with respect to each issue and ensure that those actions are carried out. However, in the event of any particularly serious situations the Head of Group Audit will immediately inform the Risk and Control Committee, Board of Directors and Board of Auditors.

Group Audit work with other control functions and the external auditors to ensure coverage is maximized and duplication of effort is avoided.

Group Audit maintains a quality assurance and improvement program that covers all aspects of audit activity. The program includes an evaluation of the audit activity's conformance with the Group Audit Manual, the Definition of Internal Auditing and the Standards, and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the audit activity and identifies opportunities for improvement.

B.6. Actuarial function

The Assicurazioni Generali's actuarial function, denominated Group Actuarial Function, was created in 2015 to comply with the Solvency II regulation which requires an effective actuarial function to be established in all insurance and reinsurance undertakings.

The main responsibilities of the function are the following:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the Board of Directors of the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk-management system.

The Group Actuarial Function is located under the Chief Financial Officer area to ensure an effective coordination for the calculation of technical provisions. To preserve the independence in carrying out his activities, the head of the actuarial function functionally reports to the Board of Directors, to which he has independent and direct access. Moreover, his performance management, which does not include business objectives, is evaluated by the Board of Directors.

Within this framework and as required by the Solvency II regulation, the head of the actuarial function produces a written report to be submitted to the Board of Directors at least annually. This report provides with the opinions on the reliability and adequacy of the calculation of technical provisions, on the overall underwriting policy and on the adequacy of reinsurance arrangements and documents all tasks that have been undertaken by the actuarial func-tion and their results, clearly identifies any deficiencies and reccomends as to how such deficiencies should be remedied.

The function is provided with a number of resources proportionate to the nature, scale and complexity of the as-signed tasks. The personnel hold appropriate actuarial qualifications (with a degree in actuarial sciences, statistics or mathematics, or other finance/insurance specific post graduate qualifications) and with the knowledge and skills necessary to the proper exercise of the relevant re-sponsibilities.

B.7. Outsourcing

Assicurazioni Generali adopted an Outsourcing Policy that sets consistent minimum mandatory outsourcing standards, assign main outsourcing responsibilities and ensure that appropriate controls and governance structures are established as part of any outsourcing initiative.

The Policy requires the appointment, for each outsourcing agreement, of a specific outsourcing business referent. The business referent is responsible for the overall execution of the outsourcing lifecycle, from risk assessment to end management of the agreement and subsequent monitoring activities of the Service Level Agreements defined in each contract.

Assicurazioni Generali S.p.A. implemented a dedicated operating procedure in order to establish all the necessary processes and activities. The operating procedure is aimed at:

- identifying the main processes to comply with both Group Outsourcing Policy and Italian regulatory requirements;
- defining the activities and responsibilities to ensure implementation of the above mentioned requirements, including the processes for monitoring the outsourcing activities;
- adopting and adapting the Outsourcing Policy criteria and principles to the Assicurazioni Generali S.p.A. organization and business model;
- providing the necessary templates and tools to perform the required activities.

Assicurazioni Generali S.p.A., including its foreign branches, has outsourced the following critical or important functions or activities: IT Infrastructure and Software Management, Accounting and Balance Sheet Management, Claims and Reservation, Portfolio Administration, Facility Management, Customer Relationship Management and Investments.

The outsourcing of critical or important operational functions or activities is implemented mainly in Italy through an "in-country" model in which the supplier is resident in the same country as the company. The providers are therefore mainly located in Italy and in countries in which Assicurazioni Generali S.p.A. operates with foreign branches.

B.8. Any other information

Assessment of the adequacy of the system of governance

The Risk and Control Committee supports the Board of Directors in the assessment of the adequacy and effectiveness of the internal control and risk management system. In 2017, this assessment was carried out in March and July.

The latest assessment was completed in March 2018, In this context, the Board of Directors, based on the opinions of the Risk and Control Committee, the Group CEO (in his capacity as Director in charge for the internal control and risk management system) and the heads of the control functions, expressed its positive opinion on the overall adequacy and effectiveness of the internal control and risk management system, inviting management to implement the corrective actions identified by each control function, particularly with regard to strengthening the areas requiring greater attention among those identified.

Significant changes to the system of governance in the first months of 2018

In order to provide a complete and up-to-date representation of the Company's governance system, although the information concerns a period after the end of the 2017 financial year, it is considered appropriate to report a complete and clear description of the Company's governance system. During February 2018, the regulation of the Board of Directors and its committees was amended in order to identify the competences of the Board, the Corporate Governance and Social & Environmental Sustainability Committee and of Risk and Control Committee in relation to non-financial statement pursuant to Legislative Decree 254/2016.

C. Risk Profile

C.1. Underwriting risk

C.1.1. Life underwriting risk

Life underwriting risk mostly derives from indirect busi-ness, given that Assicurazioni Generali S.p.A. acts as the main reinsurer of other Group companies. The Company's direct business is mainly performed through foreign branches operating in the United Kingdom, Hong Kong and Dubai.

The life portfolio has a prevailing component of traditional savings business. The portfolio also includes some annuity portfolios, with the presence of longevity risk, pure risk covers, with related mortality risk, and non-traditional business (unit-linked) accepted from Group companies.

Life and health underwriting risks include biometric and operating risks embedded in the life and health insurance policies. Biometric risks derive from the uncertainty in the assumptions regarding mortality, longevity, health, morbidity and disability rates taken into account in the insurance liability valuations. Operating risks derive from the uncertainty regarding the amount of expenses and the adverse exercise of contractual options by policyholders. The lapse of the policy is the most significant contractual option held by the policyholders, together with the possibility to reduce, suspend or partially redeem the insurance coverage.

The main life and health underwriting risks of the Company are the following:

- mortality risk, defined as the risk of loss, or of adverse changes in the value of insurance liabilities, resulting from changes in mortality rates, where an increase in mortality rates leads to an increase in the value of insurance liabilities. Mortality risk also includes mortality catastrophe risk, resulting from changes in mortality rates linked to the pricing or provisioning assumptions in case of extreme events (pandemic risk);
- longevity risk that, similarly to mortality, is defined as the risk resulting from changes in mortality rates, where a decrease leads to an increase in the value of insurance liabilities;
- disability and morbidity risk defined as the risk of loss or adverse changes of the value of insurance liabilities, resulting from changes in disability, sickness, morbidity and recovery rates[6];
- health risk is related specifically to health products and it is linked to changes of policyholder's health, which could have a negative impact on the insurance liabilities' value. This risk also includes the catastrophic component;
- expense risk results from changes in the expenses incurred in servicing insurance or reinsurance contracts;
- lapse risk derives from unexpected exercise of the policyholder's rights to fully or partly terminate, restrict or suspend insurance cover, also as a consequence of catastrophic events.

The approach underlying the life underwriting risk measurement is based on the calculation of the loss resulting from unexpected changes in biometric/operating assumptions.

Capital requirement for life underwriting risks is calculated on the basis of the difference between the Technical provisions before and after the application of the stress.

Life underwriting risks are measured by means of the Generali Group Partial Internal Model.

Capital requirement for life underwriting risk amounts to €231.3 million before the diversification and to €51.2 million after the diversification with other risks.

Life underwriting risk contribution to the risk profile after the diversification remains limited due to the business of Assicurazioni Generali S.p.A., whose financial statement is mainly composed by participations, and due to the high level of diversification with other risks.

Life underwriting risk management inherent to direct business, being a less significant component of the portfolio, is based on the product pricing process. This process consists of setting product features and assumptions regarding expenses, biometric and policyholders' behavior assumptions with the purpose of managing any adverse impact from the realization of these assumptions.
In order to mitigate life underwriting risks, the Company reinsures part of its business through external reinsurers. The reinsurance program is updated on an annual basis and is subject to the Life Actuarial Function assessment regarding its adequacy in accordance with the Group Actuarial Function Policy and related guidelines.

6 Recovery rates refer to the assumptions adopted by the Company in the calculation of the Technical provisions, with regards to the time period in which the policyholders will benefit of the disability, sickness and morbidity compensation.

C.1.2. Non-life underwriting risk

Given that the Company acts as the main reinsurer of Generali Group companies, the non-life underwriting risks mainly derive from its indirect business as well as from direct corporate & commercial business undertaken by the foreign branches (mainly United Kingdom, United States and Hong Kong) and employee benefits.

Underwriting risks embedded in the non-life insurance policies are pricing and reserving risks:

- pricing risk (i.e. pricing and catastrophe risks) arising from the uncertainty related to the assumptions on frequency and severity used in the definition of insurance premiums; the distinction between pricing and catastrophe risks is only related to the nature of risks (i.e. exceptional events in case of catastrophic risks and other risks in case of pricing risks);
- reserving risk relates to the uncertainty of the assumptions for future payments used when defining the claims reserves posted in the financial statements.

In terms of CAT events, the main catastrophe exposures are related to the earthquakes in Italy and, with reference to the accepted business, to the windstorms and floods in Europe. Less material catastrophe risks are also taken into account and assessed by means of specific analyses, through stress test and scenario analysis.

The non-life underwriting risks are measured by means of the Generali Group Partial Internal Model.

Capital requirement for non-life underwriting risk amounts to 786.8 million before the diversification and 332.1 million after the diversification with other risks.

Compared to the previous year, a reduction in the reserving risk was observed due to the reinsurance of the run-off portfolio previously retained by the London branch.

Non-life underwriting risk contribution to the risk profile after the diversification remains limited given the nature of the Company, whose financial statement is mainly composed by investments in participations.

Reinsurance is the key risk mitigation technique for non-life portfolio. It aims at optimizing the use of risk capital by ceding part of the underwriting risk to selected counterparties simultaneously minimizing the credit risk associated with such operation. The Company non-life reinsurance strategy is strongly embedded into the broader Group strategy and it is developed consistently with the risk appetite and the risk preferences defined in the RAF, taking into account the reinsurance market cycle.

The Company has historically preferred traditional reinsurance as the main catastrophe risk mitigating technique. Given the trend of increasing weight of European windstorm exposures in the protected portfolio in the past years, part of these exposures have been carved out from the main reinsurance protection and placed in the Insurance Linked Securities (ILS) market, maintaining the dominant Italian exposure in the traditional reinsurance market with a consequent optimization of the overall pricing. This approach has been extended during 2017 to other catastrophe risks (earthquake and flood in Italy).
Alternative risk transfer solutions are continuously analyzed and the Company adopted different options during the fiscal year. As an example, in addition to traditional reinsurance, a protection was placed on the capital market to reduce the impact of a high loss ratio for the Group motor liability portfolio. In particular, such transfer constitutes a partial transfer of pricing risk to the special purpose vehicle called *Horse*.

The adequacy of risk mitigation techniques are confirmed based on the process described and the assessment conducted on annual basis. The operational limits proposed by the Underwriting Function (Group Operations & Reinsurance) are validated by the Group Risk Management which is also responsible of measuring, monitoring and preparing the reporting related to the risk profile.

Further limits, related to the underwriting risks management and to reinsurance counterparty default risk at Group level, have been defined in the Group Risk Concentrations Management Policy.

C.2. Market risk[7]

Since participations in Group companies are the main asset class within the Company's portfolio, equity risk represents the main contribution to the risk profile. More generally, equity risk derives from adverse changes in the market value of the assets or of the liabilities due to changes in the level of equity market.

Moreover, as a result of its insurance activity, the Company invests the collected premiums in a wide variety of financial assets, with the purpose of honouring future promises to policyholders and generating value for its shareholders. Therefore, the Company is exposed to the risk that invested assets do not perform as expected be-cause of falling or volatile market prices and that cash of maturing bonds are reinvested at unfavourable market conditions, typically lower interest rates.
Financial risks are measured by means of Generali Group Partial Internal Model.

Capital requirement for financial risks amounts to 16,425.3 million before the diversification (15,677.4 million as at YE2016) and 16,377.7 million after the diversification with other risks. The increase of market risk with respect to the previous fiscal period is mainly due to the equity risk and derives from the increase of the value of participations in the Group companies.

Equity risk represents the main contribution to the capital requirement of the Company. Moreover, the Company is also exposed to interest rate risk, arising from investments in bonds, and to currency risk arising from direct exposures due to branches (in particular linked to the UK branch) and from the participations in subsidiaries located in non-euro area, mainly in Central-Eastern Europe.

The Company manages its assets according to the so-called *Prudent Person Principle*, and strives to optimize their return minimizing the negative impact of short term market fluctuations on its solvency. The *Prudent Person Principle* is the main cornerstone of the investment management process.

To ensure a comprehensive management of the impact of financial risks on assets and liabilities, the Strategic Asset Allocation (SAA) process needs to be liability-driven and strongly interdependent with the underwriting process. For this reason, the Company has integrated the Strategic Asset Allocation and the Asset Liability Management (ALM) within the same process.

The aim of the ALM&SAA process is to define the most efficient combination of asset classes which, according to the Prudent Person Principle and related regulation, maximizes the investment contribution to value creation, taking into account solvency, actuarial and accounting impacts.

The assets' selection is performed by taking into consideration the risk profile of the liabilities held in order to satisfy the need to have appropriate and sufficient assets to cover liabilities. This selection process aims to guarantee the security, the quality, the profitability and the liquidity of the overall portfolio, providing an adequate diversification of the investments.

The aim of ALM is to optimize a risk-return profile over a pre-defined time horizon, identifying a variable target satisfying the expected return and a corresponding risk measure.

The main risk mitigation technique consists in the rebalancing of the assets portfolio by means of redefining the target weights for the different assets classes and duration as well as the related tolerance ranges, expressed in terms of investment limits. This technique contributes to an appropriate mitigation of financial risks.

Monitoring on assets and liabilities matching and compliance with the limits defined in the ALM&SAA, as well as on risk limits, is performed regularly.

Regarding the investments, a reporting process is foreseen in order to allow the timely adoption of potential remedial measures. The content and frequency of this reporting is defined in the Company Investment Policy (so-called '*Delibera Quadro sugli investimenti*'). Based on it, Group Risk Management coordinates the reporting on compliance with limits set and on the derivatives exposure.

The Company also uses derivatives with the aim of mitigating the risk of the asset and liability portfolios. The derivatives help the Company to improve the quality, the

7 In this section the financial risks are analyzed, which better represent the risks taxonomy of the Generali Group.

liquidity and the profitability of the portfolio, according to the Business Planning targets. Operations in derivatives are subject to a regular monitoring and reporting process, and in terms of governance requiring specific authorization before entering into derivatives transactions are required.

The Company has conducted sensitivity analyses on the main risk factors, which include increases and reductions of the interest rates (+/- 50 bps), reductions in the long-term interest rate (so-called Ultimate forward rate, -15 bps) and equity shocks of 25%. In these cases the Company's solvency position showed the following variations:

- +1.1 percentage points in case of increase of interest rates by 50bps;
- -1.4 percentage points in case of decrease of interest rates by 50bps;
- -0.3 percentage points in case of decrease of Ultimate forward rate by 15bps;
- +2.4 percentage points in case of increase of equity price by 25%;
- -1.5 percentage points in case of decrease of equity price by 25%.

Details of the impacts of such analysis are provided in section C.7.

C.3. Credit risk

The Company is exposed to credit risk related to invested assets and also arising from other counterparties (i.e. reinsurance). Similarly to financial risk, the Company has to grant that the value of assets does not fall below the value of insurance obligations.

Credit risks include:

- spread widening risk, defined as the risk of adverse changes in the market value of bonds. The spread widening can be linked either to the decrease of the market's assessment of the creditworthiness of one or more specific counterparties (often implying a rating downgrade) or to a market-wide systemic reduc-tion in the price of assets;
- default risk, defined as the risk of incurring in losses because of the inability of a counterparty to honour its financial obligations. This is approached distinctly for defaults on bond portfolio and for the default of counterparties in cash deposits, risk mitigation contracts, such as reinsurance, and other types of exposures subject to credit risk.

The credit risks are measured by means of the Generali Group Partial Internal Model.

Capital requirement for credit risk amounts to 1,089.2 million before the diversification and 742.0 million after the diversification with other risks.

It should be noted that the SCR calculated based on Solvency II does not include the allowance for credit risk on Italian government bonds, i.e. BTP, as it does not reflect any allowance for the Volatility Adjustment. Given the reduced volume of the Company's exposure to these and the impact in terms of Volatility Adjustment, the effect on solvency position would tend to largely balance out.

The management of credit risk is based on the same Prudent Person Principle described in the section C.2. related to the market risk.

The ALM&SAA process already described in the previous section applies also to the optimization of the asset portfolio allocation with respect to credit risks.

As required by internal regulation investments in securities with a high credit rating (investment grade) are preferred and diversification of risk is encouraged.

The credit risk assessment is based on the credit rating assigned to counterparties and financial instruments. To limit the reliance on external rating assessments provided by rating agencies, an internal credit rating assignment framework has been set within the Group Risk Management Policy. Within this framework, additional rating assessments can be performed at counterparty and/or financial instrument level. This applies even if an external rating is available. The additional rating assessment is renewed at least annually. Moreover, additional assessments shall be performed each time the parties involved in the process possess any information, coming from reliable sources, that may affect the creditworthiness of issuer/issues.

The most important of credit risk mitigation strategy used by the Company is, as for financial risks, the application of a liability-driven SAA, which can limit the impact of the market spread volatility. The Company

actively manages the counterparty default risk by using also a collateralisation strategy in order to mitigate the losses that the Company might suffer as a result of the default of one or more of its counterparties.

As for the financial risk, the monitoring of the credit risk is in line with the above mentioned Group Investments Risk Guidelines (GIRG) and with the *Delibera Quadro sugli investimenti*; a specific reporting on the compliance with limits defined and on derivatives' exposures is also in place.

Further limits, related to the investments concentration risk management and to the exposures towards reinsurance counterparties have been defined in the Group Risk Concentrations Management Policy.

The Company has conducted sensitivity analyses on the main risk factors, which include the increase of Italian government bonds spread (in the amount of 100 bps) and corporate spreads (in the amount of 50 bps). In these cases the Company's solvency positions showed the following variations:

- -3.2 percentage points in case of spread widening on Italian government bonds (BTP) by 100bps;
- -0.5 percentage points in case of spread widening on corporate bonds by 50bps.

The details on impacts of such analysis are provided in section C.7.

C.4. Liquidity risk

Liquidity risk is defined as the uncertainty, deriving from business operations, investment or financing activities, over the ability to meet payment obligations in a full and timely manner, in a current or stressed environment.

The Company's liquidity risk profile is driven by cash-flows related to operating, financing and investment activities as well as to the dividend policy.

The operating activity generates cash-flows related to the direct insurance business, reinsurance activity towards Group companies and the subsequent cession to external reinsurers, as well as administrative expenses and taxes.

The liquidity sources not related to the Company's operating activity are dividends collected from subsidiaries, loans, interests on loans and receivables and other cash-flows linked to divestments and investments.
Main liquidity commitments, not arising from operating activity, are represented by payment of dividends to shareholders, investments, repayments of loans and the payment of interests payable.

In addition to the financial flows above mentioned, the Company bears the implicit liquidity risks arising from the issuance of guarantees and commitments in favour of its subsidiaries.

The Company manages its financial resources according to sound and prudent management principles, based on the risk appetite established by the Board of Directors.

The expected cash-flows are closely monitored, in particular through the planning and control tool called *Annual liquidity forecast*, represented by a cash-flows projection over a time period corresponding to the end of the current year, updated on a weekly basis and with a high level of detail of expected cash-flows.

The annual liquidity forecast represents the main quantitative support to calculate the future cash-flows, the potential liquidity buffers to be held and any funding sources to be activated.

Finally, defined investment limits allow to limit risk concentrations, taking into account different aspects, including asset class, counterparty, rating, commodity sector and geographic area, as significant concentrations of liquidity risk could arise from large exposures towards single counterparties and/or groups.

Generally, within the liquidity risk monitoring and management focus is given on the broader Group perimeter. In case of potential critical issues, Group companies promptly inform the relevant Company's functions.

Assicurazioni Generali S.p.A., as the Parent Company, coordinates and monitors the centralized management of the Group liquidity, through the Group treasury. In particular, the use of a centralized cash pooling grants

increased flexibility in transferring cash across business unit and reduces the potential risks related to short-term liquidity needs, both at Company and at Group level.

The annual assessment shows a robust liquidity position for Assicurazioni Generali S.p.A., without substantial changes in respect to the previous year.

C.4.1. Expected profit included in future premiums

The Expected Profit included in Future Premiums (EPIFP) represents the expected present value of future cash-flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts, that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The amount of EPIFP for the life business written by Assicurazioni Generali S.p.A. has been calculated in accordance with the regulatory requirements defined in the Delegated Acts and amounts to 110.3 million at year-end 2017.

The amount of EPIFP for the non-life business written by Assicurazioni Generali S.p.A. has been calculated in accordance with the regulatory requirements defined in the Delegated Acts and amounts to 3.4 million at year-end 2017.

C.5. Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or IT systems, or from external events. The operational risks to which Generali Group is exposed are identified and declined within the Risk Map defined in the Risk Management Policy and in the Operational Risk Management Policy. This risk includes also legal and compliance risks, while strategic and reputational risks are excluded.

Although the ultimate responsibility for managing the risk sits in the first line of defence (so-called risk owners), Group Risk Management defines the methodologies and the processes for the identification, measurement, management and monitoring of the most important risks. In doing so, it provides the management at all levels with a holistic view of the broad operational risk spectrum.

Operational risk is measured by means of the standard formula. It is also measured using both quantitative and qualitative approach defined within a structured framework that allows the identification of the main operational risk scenarios. This process establishes the priority of the actions to be taken and the allocation of resources to critical areas.

Since 2015, the Group has been exchanging economic loss data related to operational risk in an anonymous way through the “Operational Risk data eXchange Association (ORX)”, a global association of operational risk practitioners where the main banking and insurance players at global level participate. The aim is to use the data to improve internal controls and to anticipate emerging trends. In addition, since losses are collected by the first line of defence, this process contributes to creating awareness among risk owners on the main risks that actually hit the Company.

The loss data collection is integrated by the forward-looking assessments that aim to evaluate the evolution of the operational risk exposure in a given time horizon, foreseeing potential risks and supporting the appropriate decisions for an effective and timely response.

Based on the last assessments, the most relevant scenarios at Company level are related to cyber and non-compliance risks, with respect to the sectorial regulatory developments. These risks are currently managed through specific Group projects.

The capital requirement for operational risk amounts to 119.5 million.

To further strengthen the internal control systems and in addition to the usual risk owners’ responsibilities for managing their risks, the Company established specialised units within the first line of defence with the scope of dealing with specific risks (e.g. cyber risk, fraud, financial reporting risk) and that act as a key partner for the Group Risk Management.

One of the main results from this cooperation is constituted by a series of risk mitigating measures triggered as result of control testing, the assessments and the collection of operational risk events.

An example is the creation of a dedicated unit for the management and coordination of IT Security (cyber risk) that steers the evolution of the IT security strategy and operating model, ensuring a timely detection and resolution of the vulnerabilities that occasionally affect the business.

C.6. Other material risks

Although not included in the SCR calculation, reputational, emerging and contagion risks are also taken into account.

Reputational risk refers to potential losses arising from deterioration or a negative perception of the Company among its customers and other stakeholders.

Emerging risks arise from new trends or risks difficult to perceive and quantify, although typically systemic. These risks usually include changes to the internal or external environment, social trends, regulatory developments, technological achievements, etc. For the identification and assessment of these risks, the Group Risk Management engages within a dedicated network, including specialists from different business functions (e.g. Insurance, Investment, Actuarial, Sustainability and Social Responsibility, etc.). To strengthen the understanding and awareness of emerging risks, the Company is also part of the Emerging Risk Initiative. Within this working group, emerging risks common to the insurance industry are discussed and specific studies are conducted.

Contagion risk or the risk inherent in the Group structure, may arise from negative implications that events occurred within one Group company may negatively affect the other Group companies.

C.7. Any other information

C.7.1. Sensitivity analysis

Sensitivity analysis is performed in order to evaluate the adequacy of the solvency position and the vulnerability to the main risks factors. The sensitivity analysis take into account unexpected, potentially severe but plausible events. The result in terms of impact on the capital and financial position aims to create awareness and prepare to take appropriate management actions should such event materialize.

The sensitivity analysis consider changes to specific risk factors. The sensitivities and the values of the stresses are defined based on the main risk factors of the Company.

Within the ORSA process are taken into account also more complex scenarios that consider events in which the joint occurrence of different stress factors is taken into account.

Sensitivity analysis on main risk factors

In order to assess the reaction of the Company's solvency position at the stress occurrence with respect to the main risk factors to which it is exposed, specific assessments were conducted with reference to the following hypotheses:

- increase and decrease of interest rates by 50bps;
- decrease of long-term interest rate by 15bps;
- spread widening on Italian government bonds (BTP) by 100bps;
- spread widening on corporate bonds by 50bps;
- increase and decrease of equity price by 25%.

Sensitivity analysis on main risk factors

(in thousand euro)	Base at YE2017	Interest rates +50bps	Interest rates -50bps	UFR -15bps	BTP Spread +100bps	Corporate Spread +50bps	Equity +25%	Equity -25%
Eligible own funds	45,454,215	46,368,770	44,395,012	45,276,125	43,475,880	45,089,119	48,141,200	42,772,011
SCR	17,688,505	17,966,203	17,368,426	17,641,841	17,131,905	17,581,532	18,561,536	16,741,306
Solvency Ratio	**257.0%**	**258.1%**	**255.6%**	**256.6%**	**253.8%**	**256.5%**	**259.4%**	**255.5%**
Delta on Eligible own funds		914,555	-1,059,203	-178,090	-1,978,335	-365,096	2,686,985	-2,682,204
Delta on SCR		277,698	-320,079	-46,664	-556,600	-106,973	873,030	-947,199
Delta on Solvency Ratio		**+1.1p.p.**	**-1.4p.p.**	**-0.3p.p.**	**-3.2p.p.**	**-0.5p.p.**	**+2.4p.p.**	**-1.5p.p.**

Generally, the impacts observed show that the Company's solvency position is particularly strong in the event of stress on the main risk factors.

D. Valuation for Solvency purposes

The following paragraphs aim to describe the valuation criteria and the methodology used by the Company for the determination of the value of assets and liabilities for solvency purposes (fair value).

Valuation methods of non-technical asset and liabilities, different from deferred taxes

Article 9 of the Delegated Acts states that the international accounting standards, endorsed by the European Union with Regulation 1606/2002 are suitable for the valuation of asset and liabilities different from the technical provisions for Solvency II purposes, under the condition that these principles include valutation methods coherent with the requirements stated in the article 75 of the Directive. According to this approach assets and liabilities are valued as follows:

i. assets should be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;
ii. liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

The IFRSs' accounting bases, such as the definitions of assets and liabilities as well as the recognition and derecognition criteria, are applicable as the default accounting framework, unless otherwise stated in the Delegated Acts.

Fair value measurement approach

Balance sheet items shall be valued on an economic basis in accordance with article 75 of the Directive, having as reference IFRS, that, in order to achieve this objective, provide the prevalence of "substance over form". In fact, the definition of fair value in IFRS 13 is based on the concept of market closing price, that requires the use of a defined input hierarchy.

Fair value hierarchy

In order to improve the coherence and the comparability of fair value measurement and the related disclosure, IFRS 13 lays down a fair value hierarchy, which classify into three level the input of the valuation techniques used. This hierarchy attaches the highest priority to the quoted market prices (non-adjusted) for identical assets and liabilities (Level 1) and the lowest priority to non-observable input (Level 3).

If the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Level 1 inputs

Level 1 inputs are quoted prices (non-adjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. If an entity holds a position in a single asset or liability (including a position that includes a large number of identical assets and liabilities, ad the possession of financial instruments) and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

In order to define an active market, the Company takes into account the following:
- the items traded within the market are homogeneous;
- willing buyers and sellers can normally be found at any time;
- prices are available to the public.

Characteristics of an inactive market include the following:
- there is a significant decline in trading volume and level of trading activity;
- available prices vary significantly over time or between market participants;
- available prices are not current or are Mark-to-Model;
- a significant trading volume is between related parties;
- there are restrictions on trading.

The Company take into account the following variables, when performing evaluations:

Variable	Active market	Non-active market
Availability of the quotations	Non-exclusive publisher Available to general public	Exclusive - publisher - Available only for one participant
Frequency of the quotations	High	Low
Frequency of the transactions	High	Low
Length of time to find a buyer	Short	Long
Number of player in the market compared to the transaction	High	Low
Number of other player in the market which may participate in the trade of instrument	High	Low
Transaction between independent counterparties concluded at fair value prices	Yes	No
Quotations based on normal activities of the players and not for rushed sales	Yes	No

Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

They include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability, for example:
  - interest rates and yield curves observable at commonly quoted intervals;
  - implied volatilities;
  - credit spreads;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market- corroborated inputs').

Level 3 inputs

Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data; the Company can start the evaluation process using own data, but these they need to be adjusted if the available information show that other players could use different data.

Fair value measurement

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

The general approach provide that the valuation at fair value:

- is referred to a particular asset or liability that is the subject of the measurement (consistently with its unit of account);
- for a non-financial asset, must take into account the capability of an operator to generate economic benefit using the asset at its best or selling the asset to another operator that will use the asset at its best;
- consider the principal (or most advantageous) market for the asset or liability;
- must be performed using appropriate valuation technique for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

Moreover, as stated in the IFRS 13, the Company followed specific guidelines in the valuation at fair value and, in particular:

- took into account the characteristics of the asset or liability being measured and in particular the price determined by the market participants on the basis of these characteristics at the measurement date (e.g. the condition and location of the asset and any restrictions on the sale and use of the asset);
- assumed that the asset or the liabilities has been transferred in an orderly transaction between market participants at the measurement date under current market conditions;
- assumed the transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability;
- with reference to non-financial asset, took into account its highest and best use;
- assumed that a financial or non-financial liability or an entity's own equity instruments (e.g. equity emitted as compensation in business combination) is transferred to a market participant at the measurement date, without settlement, extinguishment, or cancellation at the measurement date.

Alternative valuation techniques

If the criteria for the use of quoted market price are not met, the Company uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The three valuation techniques are:

- market approach, that provides the use of prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or a group of assets and liabilities;
- income approach, that converts future amounts (cash flows or income and expenses) to a single current amount, reflecting current market expectations about those future amounts;
- cost approach, that reflects the amount that would be required currently to replace the service capacity of an asset;
- valuation techniques could be used individually or in combination, based on the most appropriate approach.

In the following table a summary of excess of assets other liabilities is presented:

Solvency Balance Sheet - Summary

(in thousand euro)	Statutory Financial Statements value as at 31.12.2017	Solvency value as at 31.12.2017	Solvency value as at 31.12.2016	Changes between Solvency value as at 31.12.2017 and as at 31.12.2016
Assets different from reinsurance recoverables	46,859,518	73,208,312	68,296,851	4,911,461
Technical provisions net of reinsurance recoverables	12,668,140	13,311,077	14,665,224	-1,354,147
Liabilities different from technical provisions	19,365,895	20,511,103	19,943,388	567,715
Excess of assets over liabilities	**14,825,483**	**39,386,132**	**33,688,239**	**5,697,893**

D.1. Specific information about the valuation on assets different from reinsurance recoverables

D.1.1. Details of valuation for solvency purposes

In accordance with the Directive, the Company has determined the fair value of assets mainly applying the International Accounting Standards (IFRS 13), except in case of exceptions established for some items, for which IAS / IFRS valuation methods are expressly excluded.

In particular, exceptions are related to the following categories of assets:
- goodwill and intangible assets;
- participations;
- deferred tax assets.

Goodwill and intangible assets

In general, pursuant to Article 12 of the Delegated Regulation, goodwill and intangible assets must be valued at zero in the Solvency II context.

It is possible to value intangible assets at a value other than zero only if it can be demonstrated that the asset can be sold separately and there exists a value for identical or similar assets, calculated using quoted market prices in active markets.

Participations

A participation is defined on the basis of the share of ownership, directly or indirectly held, or in any case by a dominant or significant influence over that company.

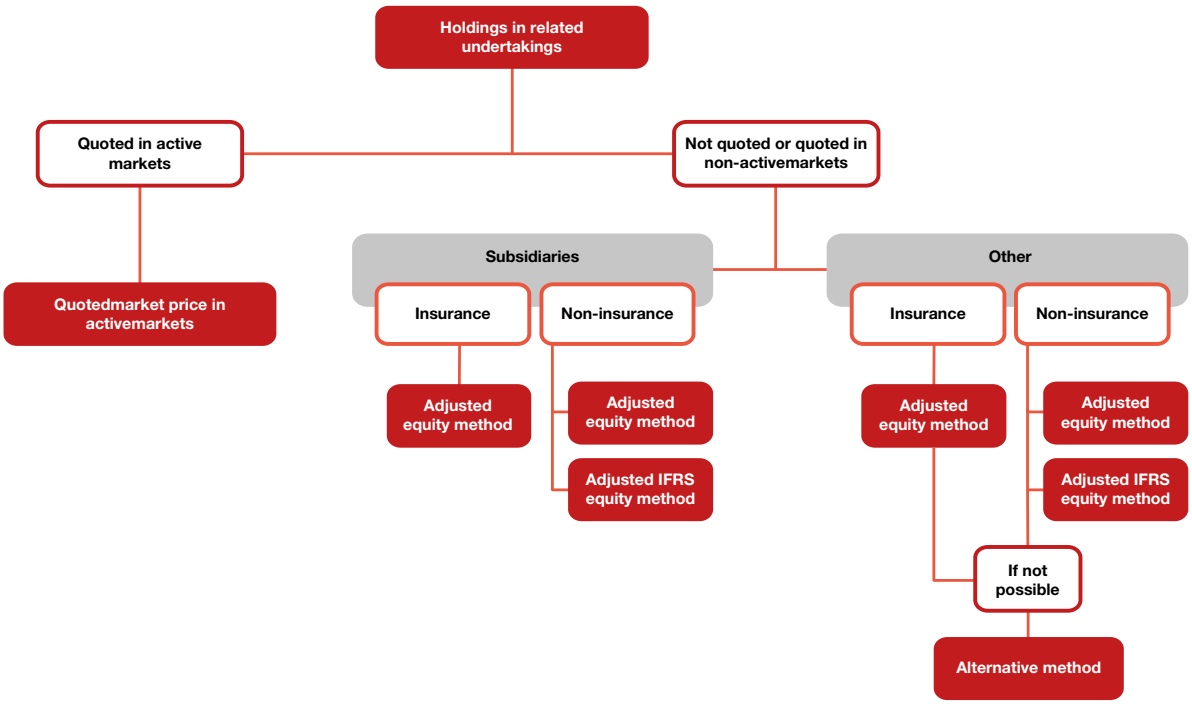
If the classification is based on the share of ownership, participation in an undertaking is defined by holding, directly or indirectly through subsidiaries, 20% or more of the capital or the voting power of an investee.

Valuation

The diagram below shows the approach used by Generali Group for the valuation of participations.

This approach is consistent with Article 13 of the Delegated Regulation, which indicates a specific hierarchy of valuation methods to be used for the purposes of the new solvency regime.

Pursuant to the provisions, the Company has used the following criteria:
a) quoted market prices in active markets;
b) net equity method adjusted (if the methodology in point (a) cannot be applied);
c) IFRS adjusted equity method (in the case of non-insurance companies);
d) alternative valuation techniques (in the case of affiliated companies or jointly controlled entities).



In the case of availability of quoted prices in active markets, the value of the participation corresponds to that value. The market price also includes assessments made on items of the subsidiary that should not be included in a Balance Sheet drawn up for Solvency I, but this valuation is justified since this value is the one at which the share could be sold.

However, many equity investments are not quoted, in particular subsidiaries or joint ventures: in this case, for participations in insurance or reinsurance companies, the adjusted equity method is used. The adjusted equity method represents the share of the excess of assets over liabilities, in accordance with Art. 75 of the Directive.

In the case the holding is not an insurance or reinsurance company, the equity method as defined in the international accounting standards may be used, net of the goodwill (IFRS adjusted equity method). The use of the IFRS adjusted equity method instead of the adjusted equity method may not lead to a proper valuation since, in many cases, not all the balance sheet items are valued at fair value; however, this method is introduced to facilitate and harmonize the valuation when it is difficult to assess the balance sheet of the subsidiary on the basis of Solvency II principles. Therefore, this methodology can only be applied if it is the same as used in the financial statements. The goodwill deduction is made in order to make this method consistent with the adjusted equity method. If it is not possible to apply this method to affiliated companies. An alternative valuation method consistent with the approach defined in art. 75 of the Directive must be used. It is to be noted that the value related to participation for which alternative valuation methods have been used is absolutely immaterial.

Deferred taxes

As required by IAS 12, deferred tax liabilities correspond to the amounts of income taxes due to in future periods as they relate to temporary differences in taxable income; instead, the deferred tax assets are the amounts of income taxes that can be recovered in future years and they refer to:

- deductible temporary differences;
- carryforward of unused tax losses.

Valuation

Pursuant to Solvency II regulations, deferred tax assets and liabilities have been determined on the basis of the provisions contained in the international accounting standards (IAS 12). In particular, deferred taxes, other than deferred tax assets attributable to the carryforward of tax losses and tax credits, have been valued on the basis of the difference between the values attributable to assets and liabilities, recognized and valued in accordance with the provisions contained in art. 75 of the Solvency II Directive and in the case of technical provisions in accordance with Articles 76 to 85 of that Directive, and the values determined for those assets and liabilities for tax purposes.

In addition, deferred tax assets are recognized only when it is probable that a future taxable profit will be realized and counterbalanced by using deferred tax assets, taking into account legal or regulatory obligations on the terms for carrying forward tax losses and unused tax credits.

The recognition of deferred tax assets and liabilities arising from temporary differences is required by IAS 12; a temporary difference emerges from the different value of assets and liabilities in relation to their value for tax purposes. Temporary differences can be:

1. taxable temporary differences; that are, temporary differences that, in the determination of taxable income for future periods, will result in taxable amounts when the book value of the asset or liability is realized or expired;
2. deductible temporary differences; that are, temporary differences that, in the determination of future taxable income, will result in deductible amounts when the book value of the asset or liability is realized or extinguished.

Deferred tax liabilities are always recognized, unless they arise:

a) from initial recognition of goodwill;
b) from the initial recognition of an asset or liability in an operation that:
   i. it is not a business combination;
   ii. at the time of the transaction, does not affect neither the accounting profit nor the taxable income.

The recognition of deferred tax assets is subject to certain conditions. In particular, the probability of generating taxable income against which the deductible temporary difference can be utilized must be assessed.

Taking into account general accounting standards for deferred tax liabilities described above, the calculation of deferred tax assets and liabilities in the Solvency II regime results from the adjustments made for moving from the valuation methodology established by national accounting standards, based on the ISVAP Regulation n. 22 April 4, 2008, to Solvency II Directive. The deferred tax assets and liabilities already account for temporary differences between the values calculated for tax purposes and the book values. Therefore, an increase in net assets in the Balance Sheet drawn up for Solvency II purposes, compared to net assets accounted in the financial statements, leads to the recognition of deferred tax liabilities; conversely, a decrease in net assets leads to the recognition of deferred tax assets.

In summary, a deferred tax liability must be recognized in the following cases:

- the value of an asset in the Balance Sheet drawn up for Solvency II is higher than the value calculated for tax purposes;
- the value of a liability in the Balance Sheet calculated for Solvency II is lower than the value calculated for tax purposes.

On the contrary, a deferred tax asset must be recognized in the following cases:

- the value of an asset in the Balance Sheet drawn up for Solvency II results to be lower than the value calculated for tax purposes;
- the value of a liability in the Balance Sheet calculated for Solvency II is higher than the value calculated for tax purposes.

Offseting of deferred tax assets and liabilities

In accordance with paragraph 74 of IAS 12, the company must clear off deferred tax assets and liabilities if and only if:

1. the company has the legal right to settle current tax amounts on a net basis;
2. deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on the same entity.

D.1.2. Differences between valuations made for balance sheet purposes in the statutory financial statements and valuations made for solvency balance sheet purposes, detailed by main asset class

Taking into account the general valuation principles relating to the solvency financial statements previously explained, a summary table is presented below, including a comparison between the statutory balance sheet and the solvency balance sheet as at 31.12.2017. A column containing the comparatives of the solvency values as at 31.12.2016 is also included, as well as the description of the different recognition and assessment criteria detailed by substantial asset classes.

Solvency Balance Sheet – Assets different from reinsurance recoverables

(in thousand euro)	Statutory Financial Statements value as at 31.12.2017	Solvency value as at 31.12.2017	Solvency value as at 31.12.2016	Changes between Solvency value as at 31.12.2017 and as at 31.12.2016
Intangible assets	**30,127**	**0**	**0**	**0**
Deferred tax assets	**187,095**	**450,443**	**555,585**	**-105,142**
Property, plant & equipment held for own use	**12,059**	**8,815**	**18,669**	**-9,854**
Investments (other than assets held for index-linked and unit-linked contracts)	**32,341,641**	**57,913,805**	**53,095,527**	**4,818,278**
Property (other than for own use)	98,897	106,813	102,587	4,226
Holdings in related undertakings, including participations	29,731,819	55,056,845	49,581,920	5,474,925
Equities	33,670	124,576	112,216	12,360
Bonds	2,025,723	2,170,389	2,314,898	-144,509
Collective Investments Undertakings	40,314	42,700	506,609	-463,909
Derivatives	11,227	12,493	10,471	2,022
Deposits other than cash equivalent	399,991	399,991	466,826	-66,835
Assets held for index-linked and unit-linked contracts	**3,268,077**	**3,268,077**	**3,456,300**	**-188,223**
Loans and mortgages	**1,707,073**	**1,985,314**	**794,517**	**1,190,797**
Deposits to cedants	**6,927,863**	**7,158,957**	**8,229,345**	**-1,070,388**
Insurance and intermediaries receivables and reinsurance receivables	**711,333**	**711,333**	**612,799**	**98,534**
Receivables (trade, not insurance)	**675,282**	**675,282**	**578,768**	**96,514**
Own shares (held directly)	**0**	**1,630**	**1,514**	**116**
Cash and cash equivalent	**744,169**	**744,169**	**655,065**	**89,104**
Any other assets, not elsewhere shown	**254,799**	**290,486**	**298,762**	**-8,276**
Total, assets different from reinsurance recoverables	**46,859,518**	**73,208,312**	**68,296,851**	**4,911,461**

The main differences between values for solvency purposes and values in the statutory financial statements are highlighted below, describing the different evaluation criteria applied. The more substantial changes arising from the comparison of 2017 solvency report and previous year's solvency report are also commented.

Intangible assets

The intangible assets are valued as equal to zero within the Solvency II framework, since there are no conditions for their recognition, on the basis of what is described in paragraph A.1.1. "Specificity in assessments for solvency purposes".

Deferred taxes assets

The recognition of deferred tax assets is made in accordance with the principles described in the relevant section in paragraph D.1.1. The difference between values in the statutory financial statements and values in the solvency balance sheet arises by virtue of the valuation differences of the other items.

In the table below, deferred tax assets are detailed by the relevant financial statement class, as well as the timing for their cancellation.

Net deferred tax assets

(in thousand euro)		Timing forseen for the cancellation			
	Total	Within 1 year	From 2 to 5 years	Over 5 years	Undefined
Technical provisions and reinsurance recoverables	192,303	88,384	50,183	53,737	-
Financial liabilities other than debt owed to credit institutions	92,960	592	91,706	662	-
Subordinated liabilities	117,442	4,341	54,402	58,700	-
Insurance and intermediaries receivables and payables, Reinsurance receivables and payables, other receivables and payables (trade, not insurance)	129,082	14,343	68,846	41,595	4,298
Deposits to cedants	-63,643	-35,335	-13,091	-15,217	-
Investments: holdings in participations, equities, bonds, collective investments undertakings, derivatives, deposits other than cash equivalents, assets held for index-linked and unit-linked contracts and loans and mortgages	-83,122	-31,545	-28,815	-13,626	-9,136
Other	65,421	17,391	27,857	16,192	3,981
Total	**450,443**	**58,170**	**251,087**	**142,042**	**-856**

Holdings in related undertakings, including participations

In the statutory financial statements, participations are valued differently according to their classification (fixed or non-fixed investments). In principle, participations are classified as fixed investments, since they are intended to be maintained in the investments portfolio of the Company, and are therefore valued at the cost adjusted for any write-down considered permanent. Participations classified as non-fixed investment are valued at the lower between the purchase cost and the realisable value and amount to 187 million. The original cost of the participations is fully or partially restored whenever the reasons for the write-downs cease to exist.

In Solvency II balance sheet participations are valued on the basis of the rules described in the relevant section in paragraph D.1.1.

The significant growth compared to previous year is explained in paragraph E.1.3.

Investment portfolio (equities, bonds, collective investments undertakings)

In the statutory financial statements, financial instruments are valued differently based on their classification (fixed or non-fixed investments). Financial instruments that are intended to be maintained in the investment portfolio of the Company are classified as fixed investments, and are therefore valued at the cost adjusted for any write-down considered permanent. Financial instruments classified as non-fixed investments are valued at the lower of the purchase cost and the realisable value. The original cost of the participations is fully or partially restored whenever the reasons for the write-downs cease to exist.

In the solvency financial statements, the values are recognized at fair value.

Compared to the solvency balance sheet of the previous year, there is a decrease in the bond segment (-144,510 thousand), which is essentially due to lower government securities and structured bonds (-501,409 thousand);

this decrease was partially offset by higher investments in corporate bonds (+360,211 thousand). The significant decrease in collective investment undertakings is instead essentially linked to the disinvestment of the units held in monetary funds.

Derivatives

In the statutory financial statements valuation differs on the basis of the purpose of the operation:

- hedging transactions are those carried out in order to protect the Company from financial risks related to the value of individual assets or liabilities, groups of assets, liabilities or future operations and cash flows. Derivative financial instruments aimed at risk reduction are valued according to the "matching principle". In particular, gains and losses on the valuation of these derivatives are charged to the profit and loss statement in line with the corresponding gain or loss of the underlying asset or liability; consistently, the relevant offset of these gains and losses from valuation are recorded in the balance sheet;
- in the cases where transactions are not classifiable as hedging transactions, only the fair value losses of the derivative are recorded in the income statement with offset in the balance sheet, while fair value gains are not recognized.

In Solvency II balance sheet derivatives are always valued at fair value.

Mortgage loans, loans and deposits to cedants

Mortgage loans and loans and deposits with ceding companies are recognized in the statutory financial statements at nominal value which, taking into account their characteristics, corresponds to the presumed recoverable amount.

In the Solvency II balance sheet, these items are recognized at fair value.

In particular, for deposits with ceding undertakings, there is a net increase of 231,095 thousand, linked to unrealized gains on assets, which is included in the calculation of the remuneration of the deposit itself.

The increase in mortgage loans is due to the following new positions relating to loans to Group companies:

- for a nominal value of 1,187,500 thousand in respect of Generali Italia;
- for a nominal value of 57,500 thousand in respect of Generali Schweiz Holding;
- for a nominal amount of 30,000 thousand in respect of Europ Assistance Holding;
- for a nominal value of 15,000 thousand in respect of Generali PanEurope;
- for a nominal value of 7,000 thousand in respect of Generali Vitality.

In addition, the closing of the position towards Generali Finance amounted to a nominal value of 381,100 thousand, which partially offsets the previously mentioned new positions.

With regard to deposits to cedants, the decrease is due to the effect of the physiological contraction of the run-off portfolio accepted by the subsidiary Alleanza Assicurazioni, as well as the termination of the treaty with Generali IARD with subsequent cancellation of the related deposit.

Insurance and intermediaries receivables, reinsurance receivables and receivables (trade, not insurance)

There are no differences between the recognition in the statutory financial statements and recognition in the solvency financial statements, since in the statutory financial statements these receivables are valued at the presumed recoverable value, corresponding to their fair value.

The increase in insurance and intermediaries receivables and reinsurance receivables is mainly attributable to the receivables related to the activity in the Global Corporate & Commercial division carried out by the UK branch, while the receivables (trade, not insurance) are increased due to higher tax receivables.

Deposits other than cash equivalents

In the financial statements, the recognition is made at face value (which, taking into account the characteristics of such deposits, corresponds to the presumable recoverable amount). In the Solvency II balance sheet, the amount recognized is the same, taking into account the non-significant changes in fair value against maturities having a generally tight timescale. The decrease recorded during the year is due to the lower deposits with group companies, consequent to centralized treasury activities.

All other activities, not elsewhere shown

This is a residual class of assets, in which the most significant amounts relate to the linkage account for balances between the life and non-life segment, the offsetting of provisional reimbursement premiums related to reinsurance, active reinsurance accounts, and accrued income and deferred charges not related to financial instruments.

D.2. Technical provisions

The Assicurazioni Generali's Solvency II technical provisions (gross of reinsurance) at 31 December 2017 have been calculated according to the Solvency II regulation, as the sum of the best estimate of liabilities (BEL) and the risk margin.

The BEL corresponds to the probability weighted average of the present values of future cash flows related to insurance and reinsurance obligations in force at the valuation date; therefore, it includes both a probabilistic assessment of their occurrence and an appropriate assessment of the time value of money, obtained for each relevant currency on the basis of the risk-free interest rate term structure at 31 December 2017, observed in the market and officially provided by EIOPA. The basic risk free interest rate curves are derived, for the main currencies, from interbank swap rates and include an adjustment to consider the residual default risk of these instruments, the so-called credit risk adjustment (at 31 December 2017, -10bps for the main currencies). Moreover, the valuation curve used for the BEL calculation can be further adjusted by means of the so called volatility adjustment, to consider the additional return that can be achieved in a risk-free manner by the assets backing insurance liabilities. The currency specific volatility adjustment is provided by EIOPA and is used for the valuation of most of the Assicurazioni Generali's portfolios. At 31 December 2017, the volatility adjustment is equal to +4bps for Euro and to +18bps for GBP.
The method used to derive the BEL is based on the projection and discounting of all expected future cash-flows for the entire contract duration, in line with the contract boundaries defined by the regulation. In particular, the projections consider all cash-in flows related to future premiums and cash-out flows due to the occurrence of insured events (e.g. benefits and claims), the possible exercise of contractual options (e.g. surrender or paid-up options) and the expenses incurred in servicing insurance and reinsurance obligations.
In further detail, in calculating the life technical provisions, the expected future cash flows are valued either in a deterministic scenario (i.e. certainty equivalent – methodology used for the valuation of contracts without any financial asymmetry) or as the mean value of a set of stochastic projections, to allow the calculation of the cost of financial guarantees and contractual options. The actuarial platforms also include specific assumptions on future management actions (e.g. management of asset allocation, of unrealised gains and losses, and of profit sharing funds) and on the dynamic policyholder behaviour (i.e. the variation of the policyholders' propensity to the exercise of contractual options at predefined terms depending on the different economic conditions).

In calculating the non-life technical provisions, a distinction is made for the outstanding claims, whether reported or not, occurred before the evaluation date whose costs and related expenses have not been completely paid by that date (claims provisions) and the future claims of contracts that are either in force at the valuation date or for which a legal obligation exists to provide coverage (premium provisions). The BEL calculation of the claims provisions is based on actuarial methods commonly used in international practice, among which the most common are the Link Ratio methods, the Bornhuetter-Ferguson methods and the Average Cost per Claim methods. The BEL for premium provisions is calculated taking into account the cash in-flows related to future premiums and the cash out-flows related to future claims and expenses applying appropriate loss ratio and expense ratio (calculated according to a best estimate view) to the IFRS premiums reserves.

The BEL associated with a residual part of the portfolio is assumed equal to the IFRS reserves. In consideration of the prevailing nature of the contracts involved (in life, mono annual contracts renewable at non-guaranteed conditions; in non-life, portfolios of branches with limited materiality), the adopted simplification is considered proportionate to the nature, scale and complexity of the underlying risks.

The risk margin is the part of technical provisions that ensures that the overall value of the technical provisions is equivalent to the amount a third party would theoretically require to take over and meet the insurance liabilities, taking into account the cost of capital required to support those liabilities over their remaining future lifetime and regarding non-hedgeable risks, i.e. underwriting risks, credit risks related to reinsurance contracts and operational risks.

In line with the regulation, the risk margin is calculated on a net of reinsurance basis. In further details, the capital requirement needed to cover the non-hedgeable risks is determined using the (Partial) Internal Model. As required by the regulation, risk capitals are calculated without the use of the volatility adjustment and considering the diversification benefits among different risks impacting the business. The projection of risk capitals and their allocation by line of business is performed using risk drivers specific to each risk. The yearly rate used to determine the cost of capital is 6%. The cost of capital of each projection year is discounted at the valuation date using the interest rate term structure at 31 December 2017 provided by EIOPA, without the volatility adjustment.

The reinsurance recoverables, i.e. the amounts expected to be recovered from reinsurance contracts, are valued by means of simplified methods based on ceded IFRS reserves. The adopted approach is considered proportionate to the nature, scale and complexity of the underlying risks. In addition, as required by the Solvency II regulation, all reinsurance recoverables are reduced by the counterparty default adjustment to reflect the reinsurer's default risk.

The Assicurazioni Generali's Solvency II technical provisions net of reinsurance are calculated as the difference between the technical provisions gross of reinsurance and the reinsurance recoverables.

Life technical provisions

SII life technical provisions: overview and details by component

The following table shows the amount of the Assicurazioni Generali's Solvency II life technical provisions at 31 December 2017 and at 31 December 2016, split by main components: best estimate of liabilities, risk margin and reinsurance recoverables net of the counterparty default adjustment.

SII life technical provisions

(in thousand euro)	31/12/2017	31/12/2016
Best estimate of liabilities - gross of reinsurance	12,133,429	12,970,730
Risk margin	165,268	189,091
Technical provisions - gross of reinsurance	**12,298,697**	**13,159,821**
Reinsurance recoverables	418,610	394,173
Technical provisions - net of reinsurance	**11,880,087**	**12,765,649**

The decrease of the life technical provisions from 31 December 2016 to 31 December 2017 is mainly due to the natural run-off of some portfolios accepted from intragroup companies which are closed to new business.

SII life technical provisions: details by line of business

The following table reports the amount of the Assicurazioni Generali's Solvency II life technical provisions (and of its main components) at 31 December 2017 split by main lines of business.

SII life technical provisions at 31/12/2017

(in thousand euro)	BEL gross of reins.	*Risk margin*	SII TP gross of reins.
Life insurance other than index and unit linked	8,307,831	152,510	8,460,341
Index and unit linked	3,388,702	8,479	3,397,181
Health insurance similar to life	436,896	4,278	441,175
Total	**12,133,429**	**165,268**	**12,298,697**

With reference to the technical provisions gross of reinsurance, Assicurazioni Generali's portfolio is composed as follows:

- 69% of the portfolio is made of traditional insurance, 63% of which is business with profit participation derived from intra-group reinsurance contracts (from Italy, the Netherlands, Germany and Portugal), while the remaining 37% is made up of non-profit-participating businesses in the UK branch or coming from reinsurance portfolios by intra-group companies (mainly from the Netherlands and France) and outside the group;
- about 28% of the business is made of unit-linked contracts, mainly derived from intra-group business accepted from Ireland, the Netherlands and Switzerland;
- the remaining 4% is made of SLT health products, which mainly refer to the intra-group business accepted from Germany, France and Guernsey.

SII life technical provisions: comparison with statutory reserves

The following table compares the life statutory reserves with the Solvency II life technical provisions at 31 December 2017.

Life statutory reserves and SII technical provisions at 31/12/2017

(in thousand euro)	Statutory reserves gross of reins.	SII TP gross of reins.
Life insurance other than index and unit linked	7,928,861	8,460,341
Index and unit linked	3,261,789	3,397,181
Health insurance similar to life	466,466	441,175
Total	**11,657,116**	**12,298,697**

Given the significant weight of the portfolio with profit participation, the comparison between statutory reserves and Solvency II technical provisions is not informative because of the substantial methodological differences between the two valuations methods. In particular, the valuation of the statutory reserves, which is based on the asset valuation at cost, does not reflect the profit sharing components due to unrealized gains and losses embedded in the assets backing with profit liabilities; on the contrary this component is included in the Solvency II technical provisions whose valuation is based on a market valuation of assets.

In further detail, the valuation of the statutory reserves uses demographic pricing assumptions, does not consider the profit participation of policyholders and discounts the contractual cash flows at the technical rate defined at the inception of the contract. The valuation of the Solvency II technical provisions instead, uses best estimate assumptions, considers the future (financial and technical) profit sharing components and the cost of the financial guarantees and contractual options, and dis-

counts expected future cash flows by means of the current structure of interest rates. Moreover, under the Solvency II framework, the valuation of technical provisions includes the risk margin; on the contrary this component is not included in the valuation of statutory reserves.

SII life technical provisions: sources of uncertainty

In addition to methods, models and data used, the valuation of the Assicurazioni Generali's Solvency II life technical provisions depends on the assumptions made on a number of operating and economic factors whose future realisations might differ from the expectations at the valuation date, regardless of how accurate these can be.

The main operating assumptions which affect the business of the Assicurazioni Generali are longevity, mortality, morbidity, lapses and expenses. Among these operating factors, longevity is the most significant and it has an impact mainly on the annuities of UK branch portfolio; in particular, a 10% reduction in the mortality assumptions for business subject to longevity risk leads to an increase in BEL of about 0.7%. For the other operating factors, a 10% variation with respect to the best estimate assumptions leads to BEL impacts between 0.1% and 0.2%.

Compared to the previous year-end valuation, the updating of the best estimate operating assumptions has not produced any relevant impact on the Assicurazioni Generali's Solvency II life technical provisions.

Non-life technical provisions

SII non-life technical provisions: overview and details by component

The following table shows the amount of the Assicurazioni Generali's Solvency II non-life technical provisions at 31 December 2017 and at 31 December 2016, separately for claims and premium provisions, split by main components: best estimate of liabilities, risk margin and reinsurance recoverables net of the counterparty default adjustment.

SII non-life technical provisions - Claims provisions

(in thousand euro)	31/12/2017	31/12/2016
Best estimate of liabilities - gross of reinsurance	1,623,973	1,857,089
Risk margin	46,829	153,216
Technical provisions - gross of reinsurance	**1,670,802**	**2,010,304**
Reinsurance recoverables	517,685	376,725
Technical provisions - net of reinsurance	**1,153,117**	**1,633,579**

SII non-life technical provisions - Premium provisions

(in thousand euro)	31/12/2017	31/12/2016
Best estimate of liabilities - gross of reinsurance	328,265	299,693
Risk margin	39,887	31,203
Technical provisions - gross of reinsurance	**368,153**	**330,896**
Reinsurance recoverables	90,280	64,900
Technical provisions - net of reinsurance	**277,873**	**265,996**

The reduction in non-life technical provisions from 31 December 2016 to 31 December 2017 is mainly due to:

- cancellation of the transfer of the French corporate portfolio to UK branch,
- 100% quota share treaty of UK branch APH portfolio (*Asbestos, Pollution & Health Hazard*) to extra Group reinsurer.

SII non-life technical provisions: details by line of business

The following table reports the amount of the Assicurazioni Generali's Solvency II non-life technical provisions (and of its main components) at 31 December 2017 split by main lines of business.

SII non-life technical provisions - Claims provisions at 31/12/2017

(in thousand euro)	BEL gross of reins.	Risk margin	SII TP gross of reins.
Direct and accepted proportional	**1,313,844**	**31,868**	**1,345,712**
Medical expense insurance	41,010	491	41,500
Income protection insurance	99,696	1,290	100,986
Workers compensation insurance	0	0	0
Motor vehicle liability insurance	67,321	1,543	68,865
Other motor insurance	16,879	27	16,905
Marine, aviation and transport insurance	99,957	2,199	102,157
Fire and other damage to property insurance	573,956	11,508	585,464
General liability insurance	353,145	13,750	366,895
Credit and suretyship insurance	40,510	647	41,157
Legal expenses insurance	0	0	0
Assistance	0	0	0
Miscellaneous financial loss	21,370	413	21,783
Accepted non-proportional	**310,129**	**14,961**	**325,090**
Non-proportional health reinsurance	10,779	271	11,049
Non-proportional casualty reinsurance	133,018	10,431	143,449
Non-proportional marine, aviation and transport reinsurance	20,582	517	21,099
Non-proportional property reinsurance	145,751	3,742	149,493
Total	**1,623,973**	**46,829**	**1,670,802**

SII non-life technical provisions - Premium provisions at 31/12/2017

(in thousand euro)	BEL gross of reins.	Risk margin	SII TP gross of reins.
Direct and accepted proportional	**314,613**	**39,763**	**354,376**
Medical expense insurance	47,059	1,274	48,333
Income protection insurance	30,397	354	30,751
Workers compensation insurance	0	0	0
Motor vehicle liability insurance	2,364	190	2,554
Other motor insurance	14,011	321	14,332
Marine, aviation and transport insurance	12,778	393	13,171
Fire and other damage to property insurance	122,155	30,493	152,648
General liability insurance	47,339	6,061	53,400
Credit and suretyship insurance	10,117	434	10,551
Legal expenses insurance	1	0	1
Assistance	96	3	100
Miscellaneous financial loss	28,296	240	28,536
Accepted non-proportional	**13,653**	**124**	**13,777**
Non-proportional health reinsurance	0	0	0
Non-proportional casualty reinsurance	1,971	15	1,986
Non-proportional marine, aviation and transport reinsurance	1,827	13	1,839
Non-proportional property reinsurance	9,855	97	9,952
Total	**328,265**	**39,887**	**368,153**

The non-life portfolio of Assicurazioni Generali is characterized by a large variety of business. In fact it is composed by inward reinsurance business, originated by the business that local units of Generali Group cedes to the Holding company in addition to some minor extra-Group acceptances. Moreover, it is composed by the direct and accepted business underwritten by the branches of Assicurazioni Generali; particularly relevant it is the business underwritten by UK branch consisting of a significant corporate and commercial component as well as multinational business.

SII non-life technical provisions: comparison with statutory reserves

The following table compares the life statutory reserves with the Solvency II non-life technical provisions at 31 December 2017.

Non-life statutory reserves and SII TP - Claims and premium provisions at 31/12/2017

(in thousand euro)	Statutory reserves gross of reins.	SII TP gross of reins.
Non-life (excluding health)	2,014,327	1,806,335
Health (similar to non-life)	275,191	232,620
Total	**2,289,519**	**2,038,954**

The difference between statutory reserves and Solvency II non-life technical provisions is due to the substantial methodological differences between the two valuations. The valuation of the statutory reserves is made in accordance with local accounting principles as ultimate cost without discounting the future cash-flows. The Solvency II valuation, instead, is based on the projection of future cash flows performed using best estimate assumptions,

considering contract boundaries and discounting using the current interest rate term structure. Moreover, under the Solvency II framework, the valuation of technical provisions includes the risk margin; on the contrary, this component is not included in the valuation of IFRS reserves.

SII non-life technical provisions: sources of uncertainty

The evaluation of the non-life technical provisions of Assicurazioni Generali depends on the assumptions made on a number of operating and economic factors whose future realizations might differ from the expectations at the valuation date, regardless of how accurate these can be. These uncertainties are managed according to the standard international approaches and, in particular in the projection of future claims and expenses related to very volatile portfolios, discussing expected trends with claims, loss adjusters and underwriting experts.

More in details, the evaluation of the Assicurazioni Generali's Solvency II non-life technical provisions is characterized by the high volatility innate in its type of business and by the variety of the portfolio composition. Moreover, it is affected by the changes into reinsurance strategy as well as into underwriting policy, as occurred for example in the recent years with the step-by-step centralization of the infra-Group acceptances (completed in 2013) and the evolution in the reinsurance structure of the corporate portfolios underwritten by the local companies and ceded to UK branch via contractual reinsurance treaties. In any case such aspects have been adequately taken into account in order to perform a proper evaluation of the non-life technical provisions.

Compared to previous year-end valuation, the updating of the best estimate operating assumptions has not produced any relevant impact on the Assicurazioni Generali's Solvency II non-life technical provisions.

Use of long-term guarantee measures

76% of the Solvency II life technical provisions and 90.3% of the non-life total portfolio are calculated using the volatility adjustment (as referred to in Article 77d of the Solvency II Directive). A change to zero of the volatility adjustment for each currency would correspond to an increase of €25,870 thousand in the life technical provisions net of reinsurance and an increase of €3,977 thousand in the non-life technical provisions net of reinsurance.

The impacts due to a change to zero of the volatility adjustment on technical reserves, own funds and Solvency capital requirement are reported below.

Impacts of a change to zero of the volatility adjustment - at 31/12/2017

(in thousand euro)	Amount with volatility adjustment	Impact of a change to zero of the volatility adjustment
Technical provisions - net of reinsurance	14,337,651	33,164
Basic own funds	45,454,215	-21,627
Eligible own funds to meet the Solvency capital requirement	45,454,215	-21,627
Solvency capital requirement	17,688,505	54,130
Eligible own funds to meet the minimum capital requirement	40,560,370	-27,140
Minimum capital requirement	4,422,126	13,532

For Assicurazioni Generali, the application of the volatility adjustment has limited impacts and does not result in non-compliance with the Solvency Capital Requirement.

The matching adjustment (as referred to in Article 77b of the Solvency II Directive) is not used for the calculation of the Assicurazioni Generali's Solvency II life and non-life technical provisions.

The transitional measure on the risk-free interest rate-term structure (as referred to Article 308c of the Solvency II Directive) and the transitional measure on technical provisions (as referred to in Article 308d of the Solvency II Directive) are not used in the calculation of the Assicurazioni Generali's Solvency II life and non-life technical provisions.

D.3. Specific information on the valuation of liabilities different from technical provisions

D.3.1. Details of valuation for solvency purposes

For the purposes of Solvency II, the fair value measurement methodology for liabilities is generally fair value. The determination of value is in compliance with the international accounting standards, on the basis of principles described in paragraph 2.1; exceptions are established only for some items, for which the valuation methods envisaged under the IAS / IFRS framework are excluded.

In particular, this applies to the following items:
- contingent liabilities;
- financial liabilities;
- deferred tax liabilities.

Contingent liabilities

Art. 11 of the Delegated Regulation refers to International Accounting Standards and therefore to IAS 37, paragraph 10 for the purpose of defining contingent liabilities. Therefore, a contingent liability is defined as:
- a possible obligation, that arises from past events, the existence of which will be confirmed only from the occurrence of one or more future events which are not totally under the control of the company; or
- an existing obligation that arises from past events but is not detected because:
  - (i) it is unlikely that the use of resources to produce economic benefits will be necessary to extinguish the obligation; or
  - (ii) the amount of the obligation cannot be determined with sufficient reliability.

In particular, contingent liabilities include bonds, where "potential" implies uncertainty over the amount and timing.

Valuation

As for the definition, the assessment of contingent liabilities is defined within IAS 37. Nevertheless, for the purposes of the balance sheet, a company is not obliged to recognize any contingent liability, providing only adequate information; while within Solvency II framework, it should be recognized if it is material and the probability of using resources to produce economic benefits is not remote.

Contingent liabilities are considered material if information about the current or potential size or nature of those liabilities could influence the decision-making or judgement of the intended user of that information.

In case of the impossibility of making a reliable estimate of the value of a contingent liability for the purposes of Solvency II, an exception is made and only adequate information is provided.

The value of contingent liabilities shall be equal to the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure; no adjustment is made to take into account the credit risk of the company itself. The determination of the value must also consider the following elements at the measurement date:
- estimates of future cash flows, reflecting expectations regarding possible variations in the amount and / or timing;
- the value of money over time, represented by the risk-free interest rate of assets that have a duration coinciding with the periods taken into account in relation to the expected cash flows;
- uncertainty about cash flows (risk premium).

In case the estimate involves a large number of elements, the obligation is estimated by probable weighting of the various cash flows available in the various scenarios. Even if the most likely outcome is to be considered as best estimate as possible, the company must take into account other possible results and make appropriate adjustments depending on whether such other possible results are for the most part inferior or superior to the most probable outcome.

The discount rate must reflect current market valuations of the present value of money (risk-free interest rate).

Lastly, the uncertainties associated with the fact that actual cash flows may differ to the expected ones must also be taken into account: therefore an adjustment must be made to take account of this risk (risk premium). This risk

premium takes into account the amount that the company may be required to pay in excess of the expected cash flow value.

The table below shows the main differences based on IAS 37 with respect to the Solvency II context.

Probabilità del sorgere dell'obbligazione	Probabilità dell'uscita di flussi di cassa	IAS 37	Solvency II
Possible obligation	No probable outflow (taken as less than 50%)	Not recognized. Disclosed as a contingent liability if the possibility of the out flow is not remote	Recognized in the balance sheet, only if material and possibility of outflow is not remote. [In any case, should be valued]
			If not material, not recognized but Pillar III quantitative disclosure
Present obligation	No probable outflow (taken as less than 50%)	Not recognized. Disclosed as a contingent liability if the possibility of the out flow is not remote	Recognized in the Balance sheet only if material and possibility of out flow is not remote; also Pillar III quantitative disclosure
			If not material, not recognized and not disclosed
Present obligation	Probable outflow	Recognized if reliable estimate or disclosed as a contingent liability if no reliable estimate (rare)	If reliable estimate is possible: recognized in the Balance sheet
			If no reliable estimate is possible not material or not possible a reliable estimate not recognized. Disclosed qualitative information on the Solvency Financial Condition Report (SFCR)

Financial liabilities

Valuation

In relation to financial liabilities, art. 14 of the Delegated Regulation makes explicit reference to international accounting standards for their initial recognition.

In order to ensure compliance with Solvency II principles, liabilities, including financial liabilities, are valued at fair value, without making adjustments to consider changes in the company's creditworthiness, after initial recognition.

The methodology for the valuation of financial liabilities in order to define fair value is based on the following approaches:

- mark to market approach (default approach): it is based on the use of prices immediately available for ordinary transactions provided by independent sources (quoted prices in active markets);
- mark to model approach: it's an evaluation technique based on models using reference parameters, extrapolations or calculations that source as much as possible data form the market (maximizing market data and minimizing unobservable data).

In order to ensure compliance with Solvency II principles, it is necessary to extrapolate from the changes in fair value the part related to changes in the creditworthiness of the company.

The change in the fair value of the financial liability arising from the change in the credit risk associated with such liability shall be determined as:

a) the change in fair value that is not attributable to changes in market conditions that may involve a market risk;
b) the use of alternative methods considered by the company as most representative of the change in the fair value of the liability arising from credit risk.

Assessment of creditworthiness

According to IFRS 9, changes in market conditions that increase market risk include changes in benchmarks, financial instruments prices of other companies, commodity prices, exchange rates, indices and interest rates.

If the only significant change in market conditions in relation to the liabilities assessed is a variation in the reference interest rates, the amount of the change attributable to changes in creditworthiness can be estimated as follows:

a) initially, the TIR of the liability at the beginning of the period is calculated as the rate equal to the future cash flows contractually established at the fair value of the asset. By deducting from the rate thus calculated the interest rate fixed as the benchmark at the beginning of the period, the component of the TIR specific to the assessed instrument may be calculated;
b) the company subsequently calculates the present value of the liability cash flows contractually established at the end of the period using a discount rate equal to the sum of the rate fixed as the benchmark at the end of the period and the extrapolated TIR component on the basis of the calculation carried out at the previous point;
c) the difference between the two current values calculated in the previous paragraph determines the change in fair value not attributable to the interest rate set as a benchmark.

The above procedure is based on the assumption that changes in fair value other than changes in credit risk and interest rate set as benchmarks are not significant and therefore this methodology is inappropriate if other factors may also cause variations of the fair value.

The methodology for determining the portion of the change in the fair value of the financial liability attributable to the change in credit risk is used to take as much as possible reference to observable data on the market.

Deferred tax liabilities

Regarding deferred taxation, refer to paragraph D.1.1 in the relevant section.

D.3.2. Detail of differences between valuations made for fiancial statement purposes and for solvency balance sheet purposes, detailed by main liability class

Solvency Balance Sheet – liabilities different from technical provisions

(in thousand euro)	Statutory Financial Statements value as at 31.12.2017	Solvency value as at 31.12.2017	Solvency value as at 31.12.2016	Changes between Solvency value as at 31.12.2017 and as at 31.12.2016
Provisions other than technical provisions and contingent liabilities	**68,623**	**73,813**	**117,855**	**-44,042**
Pension benefit obligations	**38,543**	**24,525**	**5,718**	**18,807**
Deposits from reinsurer	**331,210**	**331,210**	**307,642**	**23,568**
Derivatives	**210,625**	**397,682**	**496,750**	**-99,068**
Debts owed to credit institutions	**221,661**	**225,373**	**2,638**	**222,735**
Financial liabilities other than debts owed to credit institutions	**9,966,570**	**10,459,136**	**10,186,863**	**272,273**
Insurance and intermediaries payables and reinsurance payables	**302,278**	**302,278**	**263,347**	**38,931**
Payables (trade, not insurance)	**694,724**	**694,724**	**417,288**	**277,436**
Subordinated liabilities	**7,051,952**	**7,522,654**	**7,716,144**	**-193,490**
Any other liabilities, not elsewhere shown	**479,707**	**479,707**	**429,142**	**50,565**
Total, liabilities different from technical provisions	**19,365,893**	**20,511,102**	**19,943,387**	**567,715**

The main differences arising from the valuation criteria applied in the statutory financial statements and those applied in the solvency report are presented below, as well as the description of the main changes between the values recognized in 2017 and 2016 solvency reports

Provisions other than technical provisions

there are no differences in valuation except for the fact that that the Solvency II balance sheet includes participations that show a negative value (this could actually never occur in the statutory financial statements).

Contingent liabilities other than those booked in the provisions other than technical provisions are not recognized in the statutory financial statements, while they are recognized in the Solvency II balance sheet if their value is significant.

The following table shows the breakdown of the item "Provisions other than the technical provisions and contingent liabilities":

Provisions other than technical provisions

(in thousand euro)	Solvency value as at 31 December 2017	Solvency value as at 31 December 2016
Tax funds	45,278	84,962
Provisions for litigations	6,415	11,367
Other provisions	15,002	16,969
Holdings in participation with negative value	192	4,557
Contingent liabilities	6,927	0
Total	73,813	117,855

The decrease in provisions other than the technical provisions is mainly due to the write off of provisions for taxes, as a consequence of the favorable outcome of the checks performed on the Company for the tax periods 2010, 2011 and 2012.

The amount of the participations with a negative value is related to Fondo Sammartini and Generali Consulting LLC, while in the previous year almost all of the amount was due to the negative value of Generali Vitality.

At December 31, 2017, contingent liabilities amounted to 6,927 thousand, relating to possible disbursements in disputes in which the loss is deemed unlikely or disbursements linked to early retirement incentives, which are also deemed unlikely.

Pension benefit obligations

This item represents the employee termination debt: in the financial statements it is determined in accordance with the provisions of
Art. 2120 of the Italian Civil Code, as well as by law no. 296 of 27 December 2006 and the labour agreements in force at the balance
sheet date.

This item also includes the allocation made during 2017 for the presumable amount to be remitted to the closed pension fund reserved for the employees of U.K. branch. This allocation explains the increase of the item in respect of 2016 solvency report.

In the solvency report, the calculation is made in accordance with the International Accounting Standard (IAS 19), which means that it is subject to an actuarial valuation. Liabilities therefore represent the present value of the presumable obligation and consist of obligations related to employee severance indemnity and seniority awards.

For the assessment of the obligations, two types of variables have been considered:

- those specific of the staff in the Company;
- those specific of both the reference market and the Company,

In addition, demographic and economic-financial variables have been taken into account.

With regard to the demographic technical basis, the so called “state” transaction have been determined and quantified in a probabilistic way. In fact, these shall determine the provision of benefits and therefore, transaction from actively employed to retired, total and/or partial disability, achievement of the age planned for the “seniority reward”, early exit for resignation/termination and the advance on termination payments pursuant to article 2120 of the Civil Code.

With regard to the economic and financial variables, the discount rate is determined according to IAS 19 and it is based on the returns of high quality corporate securities at the valuation date, or, for “non-significant” cases, on the basis of the return of government bonds.

Finally, ISTAT projections, guidelines of the National Institute of Actuaries and the Economic and Financial Planning Document have been taken into account with regard to the calculation of the prospective inflation rate.

With regard to the closed pension fund reserved for employees of U.K. branch, being a defined benefit plan, the projected unit credit method was used. The discount rate was determined by taking into consideration the market yields of “AA” rated bonds; the yield curve has been extrapolated over thirty years, in line with the yields on British government bonds.

The prospective inflation rate was calculated taking into account the publication of the Bank of England.

Deposits from reinsurers

In the statutory financial statements the recognition is made at nominal value, while in the solvency balance sheet the recognition is at fair value. Given the characteristics of these deposits, the nominal value is deemed to represent an acceptable approximation of the fair value. The increase compared to the previous year is related to the business retroceded through the Generali Employee Benefits network.

Deferred tax liabilities

Deferred tax liability determination and recognition has been reported in paragraph D.1.1, together with deferred tax assets. Since these items meet the requirements set out in the relevant section in paragraph D.1.1, they have been offset against those related to deferred tax assets and therefore their value is equal to zero.

Derivatives

The recognition is made in the same manner as derivatives in the asset section, described in paragraph D.1.2. The main component of this item relates to the negative value of derivatives hedging subordinated debt in British pounds; the positive change compared to last year it is mainly connected to this type of coverage.

Debts with credit institutions, financial liabilities other than debts with credit institutions and subordinate liabilities

In the statutory financial statements, the nominal value is recognized, while in the solvency balance sheet they are recognized as detailed in the relevant section of paragraph D.3.1 related to financial liabilities. In particular, for payables to credit institutions, the nominal value is considered to represent an acceptable approximation of the fair value, giving the characteristics of that item.

The increase in payables to credit institutions is due to a reverse repurchase agreement of securities, while the increase of financial liabilities other than payables to credit institutions is mainly due to the following effects:

- increase in payables relating to centralized treasury activities (including indirect cash pooling) for an amount of 233,932 thousand;
- the launch of two new loans payable to Participatie Maatschappij Graafschap Holland and Redoze Holding, for a nominal amount of200,000 thousand and 18,000 thousand respectively;

As regards subordinated liabilities, no positions were issued or redeemed during the year.

Insurance and intermediaries payables, reinsurance payables and payables (trade, not insurance)

There are no differences between the recognition in the statutory financial statements and recognition in the solvency financial statements, since in the statutory financial statements these payables are valued at the nominal value, representing a correct approximation of their fair value.

There are no differences in recognition and recognition between the annual financial statements and the financial statements, as the former takes place at the nominal value which, given the nature of these payables, represents a correct approximation of the relative fair value.

The increase in insurance and intermediaries payables is mainly linked to the reinsurance business in the Global Corporate & Commercial division of U.K. branch, while the increase in payables (trade, not insurance) is driven by higher payables to Group companies with regard to the fiscal consolidation in which Assicurazioni Generali SpA acts as consolidating company. The increase is also due to higher payables in respect of suspense items for which, although the cash flow has been recorded, the matching with the related credit instrument has not been performed.

All other liabilities, not elsewhere shown

This is a residual class of liabilities, in which the most significant amounts relate to the suspense account for balances between the life and non-life segment, the offsetting of provisional reimbursement premiums related to reinsurance, reinsurance suspense accounts and accruals and deferred income.

D.4. Alternative methods for valuation

With regard to alternative methods for valuation, reference should be made to the sub-section “Alternative valuation techniques” at the beginning of section D.

D.5. Any other information

No other information to be reported

E. Capital management

E.1. Own funds

E.1.1. Solvency ratio

The Solvency Ratio for Assicurazioni Generali stands at 257% at 31 December 2017. Compared to the result at 31 December 2016, the Solvency Ratio increased by 19.4%.

Solvency Ratio

(in thousand euro)	31/12/2017	31/12/2016	Change
Eligible Own Funds	45,454,215	39,998,978	5,455,237
Solvency Capital Requirement	17,688,505	16,835,748	852.757
Excess of Own Funds	27,765,710	23,163,230	4,602,480
Solvency Ratio	**257%**	**237.6%**	**19.4 p.p**

The increase in the solvency ratio is mainly due to the increase in the Eligible Own Funds for the value of the investments of its subsidiaries, only partly offset by the increase in the related capital requirements for equity risk.

E.1.2. Capital management policy

Group and local capital management policy defines the principle related to the capital management activities to be followed by Assicurazioni Generali S.p.A. and the companies of the Group.

The capital management activities are intended as monitoring and management of own funds. In particular the policy defines the procedure in place for:

- classification and the analysis of own funds performed on a regular basis to comply with the capital requirements in force at issuance and in subsequent periods;
- regulating the issuance of own fund items, based on the medium—term "Capital Management Plan" and the three-year Strategic Plan. This activity is per-formed in order to ensure that
  a) own funds are not overburdened by agreements that would undermine their effectiveness;
  b) all the required or allowed operations related to own funds regulation are completed in a timely manner;
  c) the items of ancillary own funds are paid promptly;
  d) all the contract terms are clear and unambiguous and encompass cases related to the postponement or cancellation of the distribution of own funds;
- ensuring that policies or declarations related to dividends from ordinary shares are taken into account for the solvency position analysis;
- setting up common guidance and standards in order to efficiently achieve all the tasks, in compliance with regulation, both from the local and Group perspectives, in line with the risk appetite and the strategy declared by Generali Group.

The Capital Management Policy, the latest version which approved by the Board of Directors of Assicurazioni Generali S.p.A. in December 2017, must be reviewed at least on an annual basis, in order to incorporate developments in relevant legislation, best practices or market practices, as well as Group strategy and organization.

E.1.3. Eligible own funds

In accordance with the Solvency II Directive, the Own Funds eligible to meet the Solvency Capital Requirement are obtained from the sum of Basic Own Funds and Ancillary Own Funds recognized and approved by the supervisory authority.

To satisfy legislative requirements, Solvency II Basic Own Funds after deduction are calculated as the sum of:

- the excess of assets over liabilities as defined in chapter D
- less deduction for foreseeable dividends and distributions
- plus subordinated liabilities eligible for Basic Own Funds
- less deductions for shares of the parent company
- less deferred tax assets on subordinated liabilities in the Basic Own Funds

Eligible Own Funds to meet SCR

(in thousand euro)	31/12/2017	31/12/2016	Change
Excess of assets over liabilities	**39,386,132**	**33,688,239**	**5,697,893**
Foreseeable dividend	-1,330,391	-1,249,447	-80,944
Subordinated liabilities in BOF	+7,522,654	+7,716,144	-193,490
Own shares	-6,738	-1,514	-5,224
Deferred tax assets on subordinated liabilities	-117,442	-154,444	+37,002
Basic Own funds	**45,454,215**	**39,998,978**	**5,455,237**
Ancillary Own Funds	**0**	**0**	**0**
Total eligible own funds to meet SCR	**45,454,215**	**39,998,978**	**5,455,237**

Reconciliation between equity resulting from statutory financial statements and eligible own funds

The tables below present the reconciliation between the equity in the statutory financial statements of 31/12/2017 pursuant to IVASS Regulation n. 22, dated 22 April 2008 (and subsequent amendment and integration), and the excess of assets over liabilities, as well as with the Available Own Funds.

The items that make up the excess of assets over liabilities are valued in accordance with Chapter IV of the Directive, which requires evaluation of the amount for which they could be traded between knowledgeable willing parties in an arm's length transaction (fair value).

Item	Sub-item	Sign	31/12/2017
Equity			14,825,483
Deduction of immaterial items		-	30,127
Change due to the valuation of non-technical assets		+	26,115,573
	Land and buildings	+	4,671
	Holdings in related undertakings	+	25,325,026
	Equities	+	90,906
	Bonds	+	144,665
	Collective investment undertakings	+	2,386
	Deposit to cedants	+	231,095
	Loans and mortgages	+	278,241
	Other	+	38,583
Change due to the valuation of technical provisions		-	642,937
Change due to the valuation of non-technical liabilities		-	1,145,208
	Subordinated liabilities	-	470,702
	Payables and other liabilities	-	674,506
Change in deferred tax assets		+	263,348
Excess of assets over liabilities		+	39,386,132
Declared dividends		-	1,330,391
Deduction of own shares		-	6,738
Subordinated liabilities included in basic own funds		+	7,522,654
Deferred taxes on the subordinated liabilities included in basic own funds		-	117,442
Total Basic Own Funds			**45,454,215**
Ancillary Own Funds			**0**
Total Eligible Own Funds			**45,454,215**

Main changes are attributable to:

- **change due to the valuation of non-technical assets (+26,115,573)**: in the financial statements these assets are evaluated, in principle, at cost or at the lowest of cost and fair value, while, in the Solvency II framework they are measured at fair value (further details are included in paragraph D.1).
- **change due to the valuation of technical provisions (-642,937);**
  - **life**: the valuation performed under Solvency II framework takes into account future cash-flows projected on the basis of best estimate assumptions, future profit participation, cost of the financial guarantees and contractual options and as a discount rate, uses the current interest rate structure. Moreover, under the Solvency II framework, the valuation of technical provisions includes the risk margin. Instead, in the statutory financial statements, technical provisions are valued using demographic hypothesis for pricing, without considering future profit participations and , as discount rate, using the technical rate defined on the issuance of the policy (further details are included in paragraph D.2.1);
  - **non-life**: the difference between statutory reserves and Solvency II non-life technical provisions is due to the substantial methodological differences between the two valuations. The valuation of the statutory reserves is made in accordance with local accounting principles as ultimate cost without discounting future cash-flows. The Solvency II valuation, instead, is based on the projection of future cash flows performed using best estimate assumptions, considering contract

boundaries and discounting using the current interest rate term structure. Moreover, under the Solvency II framework, the valuation of technical provisions includes the risk margin; on the contrary, this component is not included in the valuation of IFRS reserves.(further details are included in paragraph D.2.2);

- **change due to the valuation of non-technical liabilities (-1,145,208)**: these liabilities are evaluated, in principle, at nominal value in the statutory financial statements while, in the Solvency II framework they are measured at fair value (further details are included in paragraph D.3.),
- **change in the net deferred tax assets (+263,348)**: it is caused by the differences in the valuation of balance sheet items in the Solvency II framework. This brings up temporary differences (for more details refer to paragraph D.3.1).

Total eligible Own Funds to meet SCR

Eligible Own Funds

(in thousand euro)	31/12/2017	31/12/2016	Change
Ordinary share capital (gross of own shares)	1,561,808	1,559,884	1,924
Share premium account related to ordinary share capital	3,568,250	3,568,250	0
Reconciliation reserve	32,468,502	26,753,559	5,714,943
Subordinated liabilities	7,522,654	7,716,144	-193,490
An amount equal to the value of net deferred tax assets	450,443	555,585	-105,142
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	117,442	154,444	-37,002
Deduction from participations in financial and credit institution	0	0	0
Basic Own Funds	**45,454,215**	**39,998,978**	**5,455,237**
Ancillary Own Funds	**0**	**0**	**0**
Total Eligible Own funds	**45,454,215**	**39,998,978**	**5,455,237**

The Basic Own Funds include:

a) paid-in ordinary share capital and the related share premium account,
b) reconciliation reserve;
c) subordinated liabilities;
d) net deferred tax assets;
e) the reduction due to deferred tax assets linked to subordinated liabilities;

The change of 5,455,237 in the Own Funds compared to the prior year is mainly due to the increase in the reconciliation reserve:

Reconciliation reserve

(in thousand euro)	31/12/2017	31/12/2016	Change
Excess of assets over liabilities	**39,386,132**	**33,688,239**	**5,697,893**
Own shares	-6,738	-1,514	-5,224
Foreseeable dividends and distributions	-1,330,391	-1,249,447	-80,944
Other basic own fund items	-5,580,501	-5,683,719	+103,218
Reconciliation Reserve	**32,468,502**	**26,753,559**	**5,714,943**

The increase in the excess of assets over liabilities is due to the higher value of the participations, mainly related to Generali Italia and Generali Beteiligungs. These values were affected by the improvement in expected profits of the Group insurance portfolios, in line with the observed growth of the business, and the improvement in financial market conditions, mainly driven by the rise in the in-terest rate curve and the positive trend of the equity sector. Due to the close link with the Group's eligible own funds, where the investments held by Assicurazioni Generali are consolidated line by line, further information on the changes in value of the eligible own funds of Assicurazioni Generali can be obtained from the Group's 2017 SFCR.

The other basic own funds items to be deducted (**5,580,501**) from the reconciliation reserve are:

a) paid-in ordinary share capital and the related share premium account (**5,130,058**);

b) net deferred tax assets (**450,443**).

Own funds by tier

The items that compose Basic Own Funds are classified into three tiers, depending on the extent of their ability to absorb losses due to adverse business fluctuations on a going-concern basis and in the case of winding-up, and as shown in the following tables, in Assicurazioni Generali Basic Own Funds are mainly com-posed of high-quality capital. Indeed, Tier 1 counts for about 87% of the total, Tier 2 represents 12% and Tier 3 less than 1% of the total.

The following table provides the Basic Own Funds by tier:

Basic Own Funds by tier

(in thousand euro)	31/12/2017	31/12/2016	Change
Tier 1 - unrestricted	37,481,118	31,727,249	5,753,869
Tier 1 - restricted	2,194,826	2,309,599	-114,773
Tier 2	5,327,828	5,406,545	-78,717
Tier 3	450,443	555,585	-105,142
Total	**45,454,215**	**39,998,978**	**5,455,237**

Basic Own Funds by tier 31.12.2017

(in thousand euro)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	1,561,808	1,561,808			
Share premium account related to ordinary share capital	3,568,250	3,568,250			
Reconciliation reserve	32,468,502	32,468,502			
Subordinated liabilities	7,522,654		2,194,826	5,327,828	
An amount equal to the value of net deferred tax assets	450,443				450,443
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	117,442				
Total Basic Own Funds after e deductions	**45,454,215**	**37,481,118**	**2,194,826**	**5,327,828**	**450,443**

Basic Own Funds by tier 31.12.2016

(in thousand euro)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	1,559,884	1,559,884			
Share premium account related to ordinary share capital	3,568,250	3,568,250			
Reconciliation reserve	26,753,559	26,753,559			
Subordinated liabilities	7,716,144		2,309,599	5,406,545	
An amount equal to the value of net deferred tax assets	555,585				555,585
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	154,444				
Total Basic Own Funds after deductions	**39,998,978**	**31,727,249**	**2,309,599**	**5,406,545**	**555,585**

Tier 1-unrestricted basic own funds

Tier 1 –unrestricetd Basic Own Funds are composed by:

a) paid-in ordinary share capital and the related share premium account;
b) reconciliation reserve;

Paid-in ordinary share capital and the related share premium account are entirely classified as tier 1, amount to **5,130,058** thousand and show the following characteristics:

- ordinary shares are issued after the deliberation of the shareholder's meeting;
- in case of winding-up of the Company, shareholders are subordinated to all the other creditors for the distri-bution of assets, proportionally to the shares owned.

The increase with respect to 31 December 2016 (+5,753,869) is mainly due to the increase in the reconciliation reserve resulting from higher fair value of participation as stated above.

Tier 1-restricted basic Own Funds

Tier 1 –restricted Basic Own Funds include the subordinated liabilities that benefit from transitional measures with reference to article 308 ter, paragraph 9 of the Directive, as amended by article 2 of Directive 2014/51/UE ("Omnibus II"). The decrease with respect to 31 December 2016 of 114,773 thousand euro is due to the exchange rate effect (GBP / EUR) for 46,078 thousand and the change in fair value for the period of 68,695 thousand.

Tier 2 basic Own Funds

Tier 2 basic Own Funds are entirely composed of subordinated liabilities pursuant 308 ter, paragraph 9 of the Directive, as amended by article 2 of Omnibus II. The decrease of 78,717 is mainly due to the fair value change for the period.

Tier 3 basic Own Funds

Includes only amounts related to deferred tax assets classified as tier 3 capital pursuant to article 76 of the Delegated Act. The decrease of 105,142 is mainly due to the fair value adjustment of life and non-life technical provisions, as well as fair value adjustment of other assets and liabilities.

Deduction from participations in financial and credit institution

With regard to the deduction required by article 70, paragraph 1 letter (f) of the delegated act, no amount has been deducted, because all the participation held in credit and financial institution are considered strategic.

Ancillary Own Funds

There are no items classified as ancillary Own Funds and the Company did not request any authorization from the Supervisory Authority for the classification of any item as ancillary Own Funds.

E.1.4. Eligibility of Own Funds, based on tiering

Eligible Own Funds covering the Solvency Capital Requirement

31 December 2017 (in thousand euro)

Tier	Amount	SCR	Weight	Eligibility
Tier 1	39,675,944	17,688,505	224.3%	At least 50%
Tier 2	5,327,828	17,688,505		
Tier 3	450,443	17,688,505	2.5%	Less than 15%
Sum of tier 2 and tier 3	5,778,271	17,688,505	32.7%	Less than 50%
Solvency Ratio	45,454,215	17,688,505	257%	

31 December 2016 (in thousand euro)

Tier	Amount	SCR	Weight	Eligibility
Tier 1	34,036,849	16,835,748	202.2%	At least 50%
Tier 2	5,406,545	16,835,748		
Tier 3	555,585	16,835,748	3.3%	Less than 15%
Sum of tier 2 and tier 3	5,962,129	16,835,748	35.4%	Less than 50%
Solvency Ratio	39,998,978	16,835,748	237.6%	

As far as compliance with Solvency Capital Requirement is concerned, pursuant to article 82 paragraph 1 of the Delegated Act, own Funds are entirely eligible (45,454,215) because:

a) tier 1 Own Funds are more than one half of the Solvency Capital Requirement;
b) tier 3 Own Funds are less than 15% of the Solvency Capital Requirement;
c) sum of tier 2 and tier 3 does not exceed 50% of the Solvency Capital Requirement.

Eligible Own Funds covering the Minimum Capital Requirement

31 dicembre 2017 (valori in migliaia di euro)

Tier	Amount	MCR	Weight	Eligibility	Eligible amount
Tier 1	39,675,944	4,422,126	897.2%	At least 80%	39,675,944
Tier 2	5,327,828	4,422,126	120.5%	Less than 20%	884,425

31 December 2016 (in thousand euro)

Tier	Amount	MCR	Weight	Eligibility	Eligible amount
Tier 1	34,036,849	4,208,937	808.7%	At least 80%	34,036,849
Tier 2	5,406,545	4,208,937	128.5%	Less than 20%	841,787

As far as compliance with Minimum Capital Requirement (MCR) is concerned, pursuant to article 82 paragraph 2 of the Delegated Act, tier 1 Own Funds (39,675,944) fully cover the MCR.

Tier 2 Own Funds are eligible only within the limit of 20% of the MCR, or 884,425 thousand euro (841,787 in 2016).

Limit related to some items included in eligible tier 1 Own Funds (the sum is less than 20% of the total)

With regard to the limit of some items included in tier 1 Own Funds pursuant to article 82 paragraph 3 of the Delegated Act, only amounts related to letter d) of the above-mentioned article are included. These are subordinated liabilities included in Tier 1 Own Funds in accordance with transitional measures, detailed in the subsequent paragraph. The amount is equal to 2,194,826 thousand (5.5% of tier 1 Own Funds) and is therefore entirely eligible since it is less than 20% of Tier 1 Own Funds.

E.1.5. Subordinated liabilities included in Own Funds

Subordinated liabilities amount to 7,522,654 thousand euro and are entirely eligible for the coverage of the Solvency Capital Requirement. of which 5,400,889 were beneficiaries of the transition measures as they were issued before the entry into force of the Delegated Acts and 2,121,765 thousand euro issued in 2015 and in 2016.

Subordinated liabilities (in million euro)

Nominal interest rate	Nominal amount issued	Currency	Solvency 2 amount	Issue date	Call date	Expiry date	Tier	Transactional measures
6,27%	350.0	GBP	505.1	16/06/2006	16/06/2026	PERP	Tier 1	YES
6,42%	495.0	GBP	650.0	08/02/2007	08/02/2022	PERP	Tier 1	YES
7,68%	150.0	EUR	154.7	19/11/2008	19/11/2018	PERP	Tier 1	YES
7,90%	100.0	EUR	103.9	19/12/2008	19/12/2018	PERP	Tier 1	YES
7,24%	350.0	EUR	364.3	04/03/2009	04/03/2019	PERP	Tier 1	YES
8,50%	350.0	EUR	364.0	06/03/2009	06/03/2019	PERP	Tier 1	YES
9,00%	50.0	EUR	52.8	15/07/2009	15/07/2019	PERP	Tier 1	YES
10,13%	750.0	EUR	796.9	10/07/2012	10/07/2022	10/07/2042	Tier 2	YES
7,75%	1.250.0	EUR	1.320.8	12/12/2012	12/12/2022	12/12/2042	Tier 2	YES
4,13%	1.000.0	EUR	1.088.3	04/05/2014	n.a.	02/05/2026	Tier 2	YES
5,50%	1.250.0	EUR	1.284.7	27/10/2015	27/10/2027	27/10/2047	Tier 2	NO
5,00%	850.0	EUR	837.0	08/06/2016	08/06/2028	08/06/2048	Tier 2	NO

Transitional measures for the inclusion of subordinated liabilities in Own Funds

Pursuant to article 308 ter, paragraphs 9 and 10 of the Directive, as integrated by article 2 of Omnibus II:

a) subordinated liabilities amounting to 2,194,826 have been classified as tier 1 Own Funds;
b) subordinated liabilities amounting to 3,206,063 have been classified as tier 2 Own Funds.

The classification mentioned in a) was performed because these instruments were used by up to 50% to meet the required margin under the Solvency I framework.
The classification mentioned in b) was performed because these instruments were used by up to 25% to meet the required margin under the Solvency I framework.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. SCR and MCR values

The Solvency Capital Requirement (SCR) is calculated as the Value at Risk (VaR) of the own funds, subject to a confidence level of 99.5% over a one-year period (in other words the SCR is calculated to ensure 1 in 200 years events coverage).

The SCR value is presented below:

SCR Value

(in thousand euro)	Total
YE2017	17,688,505

SCR Value

(in thousand euro)	Total
YE2016	16,835,748

The SCR shows a slight increase from €16,835.7 million to €17,688.5 million.

The Minimum Capital Requirement (MCR) is calculated by using premiums and reserves (net of reinsurance) with reference to the 12 months period preceding the calculation of non-life part and just the reserves for the life one.

The MCR[8] value is presented below.

MCR Value

(in thousand euro)	Total
YE2017	4,422,126

MCR Value

(in thousand euro)	Total
YE2016	4,208,937

8 The MCR calculation is required to determine the minimum level of capital, under which the Company would be exposed to an unacceptable level of risk, when allowed to continue its operations. The MCR remains within the corridor between 25% and 45% SCR. Moreover, to define MCR coverage, stricter OF eligibility rules are applied.

E.2.2. SCR breakdown

The Solvency Capital Requirement is calculated using the Partial Internal Model and is composed as follows:

Total SCR at YE2017 by risk module before and after diversification*

(in thousand euro)	Before diversification		After diversification	
	Total	Impact (%)	Total	Impact (%)
SCR before diversification	**18,652,012**	**100.0%**		
Financial risks	16,425,343	88.1%	16,377,730	92.7%
Credit risks	1,089,184	5.8%	741,990	4.2%
Life underwriting risks	231,263	1.2%	51,165	0.3%
Non-life underwriting risks	786,763	4.2%	332,086	1.9%
Operational risks	119,460	0.6%	119,460	0.7%
Cross Term** (non linearity adj.)	51,075		51,075	0.3%
Diversification benefit	-1,029,581			
SCR after diversification	**17,673,505**		**17,673,505**	**100.0%**
Tax absorption	0			
Model adjustment	15,000			
Total SCR	**17,688,505**			

* The table concerning risk modules, differently from the official QRT template S.26.00, shows amounts "before tax absorption effects". This representation better reflects the risk profile breakdown currently used within the business, in line with internal risk reporting procedures.

** With Cross Term, the PIM identifies all the non-linearity effects of the Model that involve more than one risk factor simultaneously.

Total SCR at YE2016 by risk module before and after diversification*

(in thousand euro)	Before diversification		After diversification	
	Total	Impact (%)	Total	Impact (%)
SCR before diversification	**17,685,784**	**100.0%**		
Financial risks	15,677,391	88.6%	15,632,815	93.2%
Credit risks	829,990	4.7%	568,992	3.4%
Life underwriting risks	207,282	1.2%	32,229	0.2%
Non-life underwriting risks	835,308	4.7%	370,472	2.2%
Operational risks	135,813	0.8%	135,813	0.8%
Cross Term** (non linearity adj.)	25,308		25,308	0.2%
Diversification benefit	-945,463			
SCR after diversification	**16,765,630**		**16,765,630**	**100.0%**
Tax absorption	0			
Model adjustment	70,118			
Total SCR	**16,835,748**			

* The table concerning risk modules, differently from the official QRT template S.26.00, shows amounts "before tax absorption effects". This representation better reflects the risk profile breakdown currently used within the business, in line with internal risk reporting procedures.

** With Cross Term, the PIM identifies all the non-linearity effects of the Model that involve more than one risk factor simultaneously.

It can be observed that:

- the SCR amounts to €17,688.5 million, with an increase of 5.1% in respect to previous period;
- the main risk is financial risk, almost entirely due to equity risk deriving from participations in Group companies. The SCR increase in respect to previous period is due to the higher values of Own funds of the participations themselves;
- credit risk increases due to higher intra-group loans.

The Model adjustment reduction is mainly due to the change in the Internal Model related to the interest rate risk evaluation, in line with the process defined in Group Internal Model Change Policy and approved by the College of Supervisors.

Simplified methodologies are not adopted for the standard formula calculation. The Company does not use the Undertaking Specific Parameters, nor the Matching Adjustment.

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The section is not applicable as the duration-based equity risk sub-module (Solvency II Directive, Article 304) is not used by the Company.

E.4. Differences between the standard formula and any internal model used

E.4.1. Internal model purpose

For the purpose of the SCR calculation, the PIM is used to better capture the Company's risk profile, as it allows a more precise connection between the effective exposures and the capital requirements correlated to the specific business and other areas of Company's activities.

The PIM allows to better capture the effective risk profile in terms of granularity, calibration and aggregation between the risks.

The PIM is developed based on the Company's specific portfolios and considers the experience gained in relation to each of them. Based on the observed interdependencies, the correlations among risks are defined in so-called *correlation matrix*.

E.4.2. Internal model scope

The PIM is structured based on all quantifiable risks that Generali Group has identified as relevant to its business, allowing for the calculation of the SCR both at single and at aggregated risk level.

The credit and financial risks, life underwriting risks and non-life underwriting risks are calculated on the basis of the Partial Internal Model.

The contribution of operational risks to the SCR calculation is defined according to the standard formula.

The capital requirement for operational risk calculated by the standard formula is added to the risks calculated with the Internal Model, which are diversified among them.

E.4.3. Methods used in the internal model

In implementing the PIM, the Company has adopted the so-called *Monte-Carlo* approach with "proxy function" to determine the Probability Distribution Forecast (PDF) of the changes in the basic own funds over a 1-year time horizon.

The own funds probability distribution allows to determine the potential losses at any percentile for risks in scope and, in particular, the SCR corresponding to the 99.5th percentile. Monte-Carlo method is broadly used in the industry to obtain numerical results using the embedded characteristics of repeated random sampling to simulate complex real world events. Proxy functions are

mathematical functions that simulate the interaction between risk drivers and insurance portfolios to obtain the most reliable results. The aggregation process uses advanced mathematical techniques following market best practices. The calibration procedure involves quantitative and qualitative aspects.

Life underwriting risks

The life underwriting risk Internal Model stress calibration is based on historical portfolio data, rather than on stress levels defined by the regulation as required by the standard formula approach. The impact on the technical provisions of the potential deviations in the underlying calculation assumptions, arising from adverse events, is defined through:

- a combination of market data and exposures for the calibration of catastrophe risks (mortality and health);
- historical portfolio data for all other life risks.

The methodology underlying the life underwriting risks' calibration is in line with Generali Group guidelines. Given the nature of the Company's business, for which the life underwriting risks mainly arise from the business of the Group subsidiaries which have in place reinsurance treaties with the Parent Company, these risks are evaluated in line with the underwriting risks calculated by the ceding Group Company.

Non-life underwriting risks

The mains differences between standard formula and PIM regarding non-life underwriting risks are the following:

- a bottom-up calibration approach on the underwritten business for pricing and reserving risks within PIM, while the standard formula approach is based on standard deviation;
- regarding CAT risks, standard formula calibration uses predefined EIOPA ratios based on the geography of exposures, while the PIM uses advanced methods based on market best practices;
- for what concerns reinsurance, the standard formula adopts simplified approaches, while PIM considers a specific modelling for forward looking reinsurance treaties with residual simplifications on past treaties and facultative reinsurance.

Financial and credit risks

The main differences between standard formula and PIM, related to financial and credit risks, are the following:

- for market risk, the standard formula approach is based either on the application of standardized stress factors directly on assets or, in the case of interest rate risk, on the application of a standardized and simplified stress level on the curves used to discount the future cash-flows;
- the PIM adopts more sophisticated modelling techniques, based on a more granular Risk Map (also the interest and equity volatility risks are, for example, considered, while they are not considered in standard formula and the calculation of the default risk is applied also to the bond portfolio);
- moreover, the Internal Model aims at a more accurate representation of the risk profile, also within the same risk module. The PIM calibrates specific stress distributions related to the peculiarities of each financial instrument, instead of applying the same stress coefficients on large asset classes.

PIM data

The PIM refers to market data (mainly related to the assets characteristics), accounting data as well as statistical portfolios data in order to consider both market and business drivers for SCR assessment purposes. This information represents the data set for the stochastic modelling of own funds for PIM purpose.

The PIM data quality is granted based on the process defined in the Group Data Quality Policy. On this basis, the data application scope is defined based on proportionality and materiality principles, and the data quality is evaluated through the execution of controls aimed at ensuring the accuracy, completeness and appropriateness of the data.

The SCR calculation through PIM methods is subject to an independent validation process, based on the principles defined in the Group Internal Model Validation Policy, as described in section B.3.

E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

This section is not applicable.

E.6. Any other information

No other information to be reported.

Annex

Annex 1 – Participations

Company	Country	Group Equity Ratio
Assicurazioni Generali S.p.A.	Italy	100.00
Genertel S.p.A.	Italy	100.00
Generali CyberSecurTech S.r.l.	Italy	100.00
UMS Immobiliare Genova S.p.A.	Italy	99.90
Risparmio Assicurazioni S.p.A. in liquidazione	Italy	100.00
Europ Assistance Italia S.p.A.	Italy	99.99
Europ Assistance Trade S.p.A.	Italy	99.99
Europ Assistance VAI S.p.A.	Italy	99.99
Generali Welion S.c.a.r.l.	Italy	100.00
Generali Properties S.p.A.	Italy	100.00
Assitimm S.r.l.	Italy	100.00
Initium S.r.l. in liquidazione (*)	Italy	49.00
Alleanza Assicurazioni S.p.A.	Italy	100.00
Genagricola - Generali Agricoltura S.p.A.	Italy	100.00
Agricola San Giorgio S.p.A.	Italy	100.00
Sementi Dom Dotto S.p.A.	Italy	100.00
GenerFid S.p.A.	Italy	50.26
Finagen S.p.A. in liquidazione	Italy	100.00
Banca Generali S.p.A.	Italy	50.26
Fondo Scarlatti - Fondo Immobiliare chiuso	Italy	67.28
Generali Real Estate S.p.A.	Italy	100.00
Investimenti Marittimi S.p.A.	Italy	30.00
Servizi Tecnologici Avanzati S.p.A.	Italy	25.00
Fondo Immobiliare Mascagni	Italy	100.00
Fondo Immobiliare Toscanini	Italy	99.98
GSS - Generali Shared Services S.c.a.r.l.	Italy	99.84
Generali Business Solutions S.c.p.A.	Italy	99.70
Tiberina S.r.l. Unipersonale	Italy	100.00
Telco S.p.A. (*)	Italy	19.30
CityLife S.p.A.	Italy	100.00
Residenze CYL S.p.A.	Italy	66.67
CityLife Sviluppo 2 S.r.l.	Italy	100.00
CityLife Sviluppo 3 S.r.l.	Italy	100.00
CityLife Sviluppo 4 S.r.l.	Italy	100.00
CityLife Sviluppo 5 S.r.l.	Italy	100.00
CityLife Sviluppo 6 S.r.l.	Italy	100.00
D.A.S. Difesa Automobilistica Sinistri - S.p.A. di Assicurazione	Italy	50.01
D.A.S. Legal Services S.r.l.	Italy	50.01
Alfuturo Servizi Assicurativi s.r.l.	Italy	100.00
Fondo Canaletto	Italy	98.95
Fondo Yielding (*)	Italy	44.53
BG Fiduciaria - Società di Intermediazione Mobiliare S.p.A.	Italy	50.26
Generali Real Estate S.p.A. SGR	Italy	100.00
Generali Investments Holding S.p.A.	Italy	99.58
Solaris S.r.l. in liquidazione	Italy	50.00
Fondo Sammartini (*)	Italy	48.00
Fondo Donizetti	Italy	100.00
Genertellife S.p.A.	Italy	100.00
Generali Innovation Center for Automobile Repairs S.c.a.r.l.	Italy	100.00
Generali Italia S.p.A.	Italy	100.00
Generali Investments Europe S.p.A. Società di Gestione Risparmio	Italy	99.65
Donatello Intermediazione S.r.l.	Italy	100.00
Dialog Lebensversicherungs-Aktiengesellschaft	Germany	100.00
Generali Deutschland Alternative Investments GmbH & Co. KG	Germany	100.00
Generali Deutschland Alternative Investments Verwaltungs GmbH	Germany	100.00
vSPS Management GmbH	Germany	100.00
Generali Deutschland AG	Germany	100.00
AachenMünchener Lebensversicherung AG	Germany	100.00
AachenMünchener Versicherung AG	Germany	100.00
Generali Lebensversicherung Aktiengesellschaft	Germany	100.00
Generali Versicherung Aktiengesellschaft	Germany	100.00
Central Krankenversicherung Aktiengesellschaft	Germany	100.00
Europ Assistance Versicherungs-Aktiengesellschaft	Germany	99.99
Europ Assistance Services GmbH	Germany	99.99
Cosmos Lebensversicherungs Aktiengesellschaft	Germany	100.00
Cosmos Versicherung Aktiengesellschaft	Germany	100.00
ENVIVAS Krankenversicherung AG	Germany	100.00
ADVOCARD Rechtsschutzversicherung AG	Germany	100.00
Generali Deutschland Pensionskasse AG	Germany	100.00

Company	Country	Group Equity Ratio
BBG Beteiligungsgesellschaft m.b.H.	Germany	100.00
Generali Beteiligungs-GmbH	Germany	100.00
Alstercampus Verwaltungsgesellschaft mbH	Germany	50.00
Generali Partner GmbH	Germany	100.00
Generali Deutschland Finanzierungs-GmbH	Germany	100.00
Generali 3. Immobilien AG & Co. KG	Germany	100.00
VVS Vertriebsservice für Vermögensberatung GmbH	Germany	74.00
GLL GmbH & Co. Retail KG i.L.	Germany	52.49
Generali Pensionsfonds AG	Germany	100.00
Generali European Real Estate Income Investments GmbH & Co. Geschlossene Investment KG	Germany	99.99
Generali Northern America Real Estate Investments GmbH & Co. KG	Germany	99.94
Generali Deutschland Immobilien Verwaltungs GmbH	Germany	100.00
AM Erste Immobilien AG & Co. KG	Germany	100.00
CENTRAL Erste Immobilien AG & Co. KG	Germany	100.00
CENTRAL Zweite Immobilien AG & Co. KG	Germany	100.00
Deutsche Bausparkasse Badenia Aktiengesellschaft	Germany	100.00
BA1 Alstercampus Grundstücksgesellschaft mbH & Co. KG	Germany	50.00
Volksfürsorge 1.Immobilien AG & Co. KG	Germany	100.00
Thuringia Generali 1.Immobilien AG & Co. KG	Germany	100.00
Thuringia Generali 2.Immoblien AG & Co. KG	Germany	100.00
AM Vers Erste Immobilien AG & Co. KG	Germany	100.00
Zweite AM RE Verwaltungs GmbH	Germany	100.00
Generali Akademie GmbH	Germany	100.00
Versicherungs-Planer-Vermittlungs GmbH	Germany	100.00
Thuringia Versicherungsvermittlungs-GmbH	Germany	100.00
MLV Beteiligungverwaltungsgesellschaft mbH	Germany	100.00
Generali Finanz Service GmbH	Germany	100.00
Deutsche Vermögensberatung Aktiengesellschaft DVAG (*)	Germany	40.00
MPC Real Value Fund GmbH & Co. KG	Germany	100.00
AM Sechste Immobilien AG & Co. KG	Germany	100.00
DBB Vermögensverwaltung GmbH & Co. KG	Germany	100.00
Generali Deutschland Services GmbH	Germany	100.00
Generali Deutschland Schadenmanagement GmbH	Germany	100.00
Generali Deutschland Finanzdienstleistung GmbH	Germany	100.00
Generali SicherungsTreuhand GmbH	Germany	100.00
Generali Deutschland Informatik Services GmbH	Germany	100.00
ATLAS Dienstleistungen für Vermögensberatung GmbH	Germany	74.00
AM Gesellschaft für betriebliche Altersversorgung mbH	Germany	100.00
Cosmos Finanzservice GmbH	Germany	100.00
Volksfürsorge Fixed Assets GmbH	Germany	100.00
Generali Vitality GmbH	Germany	100.00
FPS GmbH	Germany	98.95
FLI GmbH	Germany	98.95
Central Fixed Assets GmbH	Germany	100.00
AVW Versicherungsmakler GmbH	Germany	26.00
AM RE Verwaltungs GmbH	Germany	100.00
AM Versicherungsvermittlung GmbH	Germany	100.00
FFDTV GmbH	Germany	98.95
ver.di Service GmbH	Germany	50.00
Dein Plus GmbH - Vorteile für Gewerkschaftsmitglieder	Germany	60.00
VOV GmbH	Germany	43.00
Generali Pensions- und SicherungsManagement GmbH	Germany	100.00
Volksfürsorge 5.Immobilien AG & Co. KG	Germany	100.00
Louisen-Center Bad Homburg Verwaltungsgesellschaft mbH	Germany	94.90
Grundstücksgesellschaft Einkaufszentrum Marienplatz-Galerie Schwerin mbH & Co. KG	Germany	100.00
Verwaltungsgesellschaft Marienplatz-Galerie Schwerin mbH	Germany	100.00
Grundstücksgesellschaft Einkaufszentrum Louisen-Center Bad Homburg mbH & Co. KG	Germany	100.00
GID Fonds AAREC	Germany	100.00
GID Fonds ALAOT	Germany	100.00
GID Fonds CLAOT	Germany	100.00
GID Fonds AVAOT	Germany	100.00
GID Fonds CEAOT	Germany	100.00
GID Fonds VLAOT	Germany	100.00
GID Fonds GLLAE	Germany	100.00
GID Fonds GDRET	Germany	100.00
GID Fonds AMLRET	Germany	100.00
GID Fonds GVMET	Germany	100.00
GID Fonds GLMET	Germany	100.00

Company	Country	Group Equity Ratio
GID Fonds GLRET 3	Germany	100.00
GID Fonds GLRET 2	Germany	100.00
GID Fonds GLRET 4	Germany	100.00
Vofü Fonds I Hamburgische Grundbesitz und Anlage GmbH & Co.KG	Germany	54.19
GID-Fonds GPRET	Germany	91.31
GLL AMB Generali Properties Fund I GmbH & Co. KG	Germany	99.90
GLL AMB Generali Properties Fund II GmbH & Co. KG	Germany	100.00
GLL Properties Fund I LP	United States	99.90
GLL Properties Fund II LP	United States	100.00
GLL Properties 444 Noth Michig. LP	United States	100.00
GLL AMB Generali 200 State Street	Germany	100.00
GID Fonds AVAOT II	Germany	100.00
GID Fonds AVAOT III	Germany	100.00
GID Fonds ALRET	Germany	100.00
GID Fonds CERET	Germany	100.00
GID-Fonds CLRET	Germany	100.00
GID Fonds GLRET	Germany	100.00
GID Fonds DLRET	Germany	100.00
GID Fonds GDPRET	Germany	100.00
GID Fonds GVRET	Germany	100.00
Gentum Nr. 1	Germany	100.00
GID Fonds AVRET	Germany	100.00
GID Fonds GLAKOR	Germany	100.00
GID-Fonds GLRET 5	Germany	100.00
GID Fonds DLAET	Germany	100.00
GID-Fonds AAINF	Germany	100.00
GID-Fonds AAHYSL	Germany	98.20
GID-Fonds CLRET 2	Germany	100.00
GID-Fonds AACBGS	Germany	96.95
GID-Fonds ALAET	Germany	100.00
GID-Fonds CLTGP	Germany	100.00
GID-Fonds ALAET II	Germany	100.00
Blitz 17-628 AG	Germany	100.00
Allfinanz Aktiengesellschaft DVAG	Germany	100.00
Generali IARD S.A.	France	98.75
Association pour La Location du Moncey	France	98.75
Generali Vie S.A.	France	98.75
L'Equité S.A. Cie d'Assurances et Réass.contre les risques de toute nature	France	98.75
GFA Caraïbes	Martinique	98.75
Prudence Creole	Reunion Island	94.26
SAS Lonthènes	France	98.75
Europ Assistance France S.A.	France	99.99
Europ Assistance Océanie S.A.S.	French Polynesia	99.99
Ocealis S.A.S.	France	74.99
Generali France S.A.	France	98.75
Europ Assistance Holding S.A.	France	99.99
Cofifo S.A.S.	France	98.75
Cabinet Berat et Fils S.A.S.	France	98.75
ASSERCAR SAS	France	29.36
Suresnes Immobilier S.A.S.	France	98.75
COSEV@D Société par actions simplifiée	France	98.75
SCI Terra Nova Montreuil	France	98.75
Trieste Courtage S.A.	France	98.73
Generali 7 S.A.	France	98.64
GEII Rivoli Holding SAS	France	98.95
PMC Treize Montluçon S.A.S.	France	98.75
Generali 9 S.A.S.	France	98.75
Generali 10 S.A.S.	France	98.75
Immobiliere Commerciale des Indes Orientales IMMOCIO	France	98.75
SAS IMMOCIO CBI	France	98.75
EAP France SAS (*)	France	50.99
Bien Être Assistance S.A.S. (*)	France	50.99
Europ Assistance S.A.	France	99.99
Europ Assistance Brokerage Solutions S.a.r.l.	France	99.99
Risque et Sérénité S.A.	France	60.39
Europ Téléassistance S.A.S.	France	99.99
SCI Generali Reaumur	France	98.75
MAPREG	France	24.95
GF Sante S.A.S.	France	98.75
ABT SAS	France	24.69
Metropole Assurances S.à r.l.	France	98.75

Company	Country	Group Equity Ratio
Gconcierges S.A.S.	France	99.99
Reunion Aerienne & Spatiale SAS	France	32.92
GEIH France OPCI	France	98.95
SCI GRE PAN-EU 74 Rivoli	France	98.95
SCI GRE PAN-EU 146 Haussmann	France	98.95
SAS 100 CE (*)	France	49.47
SCI du 68 Pierre Charron	France	98.95
SCI du 54 Avenue Hoche	France	98.75
SCI 42 Notre Dame Des Victoires	France	98.75
SCI Generali Pyramides	France	98.75
SCI Generali Wagram	France	98.75
SCI du Coq	France	98.75
SCI Espace Seine-Generali	France	98.75
SCI GF Pierre	France	98.75
SCI Landy-Novatis	France	98.75
SCI Les 3 Collines Le Ferandou	France	47.70
SCI Cogipar	France	98.75
SCI Font Romeu Neige et Soleil	France	98.75
SC Commerce Paris	France	98.75
SCI Landy-Wilo	France	98.75
SCI Generali Carnot	France	98.75
SCI Generali Commerce 1	France	98.75
SCI Generali Commerce 2	France	98.75
SCI Generali le Moncey	France	98.75
SC Generali Logistique	France	98.75
SCI Parcolog Lille Hénin Beaumont 2	France	98.75
SCI Iris La Défense	France	98.75
OPCI Parcolog Invest	France	98.75
SCI Parcolog Isle d'Abeau Gestion	France	98.75
SCI Parc Logistique Maisonneuve 1	France	98.75
SCI Parc Logistique Maisonneuve 2	France	98.75
SCI Parc Logistique Maisonneuve 3	France	98.75
SCI Parc Logistique Maisonneuve 4	France	98.75
SCI Parcolog Isle D'Abeau 1	France	98.75
SCI Parcolog Isle D'Abeau 2	France	98.75
SCI Parcolog Isle D'Abeau 3	France	98.75
SCI Parcolog Combs La Ville 1	France	98.75
SCI Parcolog Bordeaux Cestas	France	98.75
SCI Parcolog Marly	France	98.75
SC Parcolog Messageries	France	98.75
SCI Commerces Regions	France	98.75
SCI Thiers Lyon	France	98.75
SCI Iliade Massy	France	98.75
SCE Château La Pointe	France	98.75
Bois Colombes Europe Avenue SCI (*)	France	49.38
SAS Parcolog Lille Henin Beaumont 1	France	98.75
OPCI Generali Bureaux	France	98.75
OPCI Generali Residentiel	France	98.75
SCI 11/15 Pasquier (*)	France	49.38
SCI 9 Messine (*)	France	49.38
OPCI GB1	France	98.75
OPCI GR1	France	98.75
SCI Daumesnil (*)	France	49.38
SCI Malesherbes (*)	France	49.38
SCI 15 Scribe (*)	France	49.38
SCI 18-20 Paix	France	98.75
SCI Berges de Seine	France	98.75
SCI 6 MESSINE	France	98.75
SCI 204 Pereire	France	98.75
SCI du 33 avenue Montaigne	France	98.75
SCI 5/7 MONCEY	France	98.75
SCI 28 Cours Albert 1er	France	98.75
SC Novatis	France	98.75
SCI Bureaux Paris	France	98.75
SCI CIC	Martinique	98.75
SCI GFA Caraibes	Martinique	98.75
Generali Holding Vienna AG	Austria	100.00
Lead Equities II. Auslandsbeteiligungs AG	Austria	21.59
Europäische Reiseversicherung Aktiengesellschaft	Austria	74.99
Lead Equities II. Private Equity Mittelstandsfinanzierungs AG	Austria	21.59
HSR Verpachtung GmbH	Austria	85.00

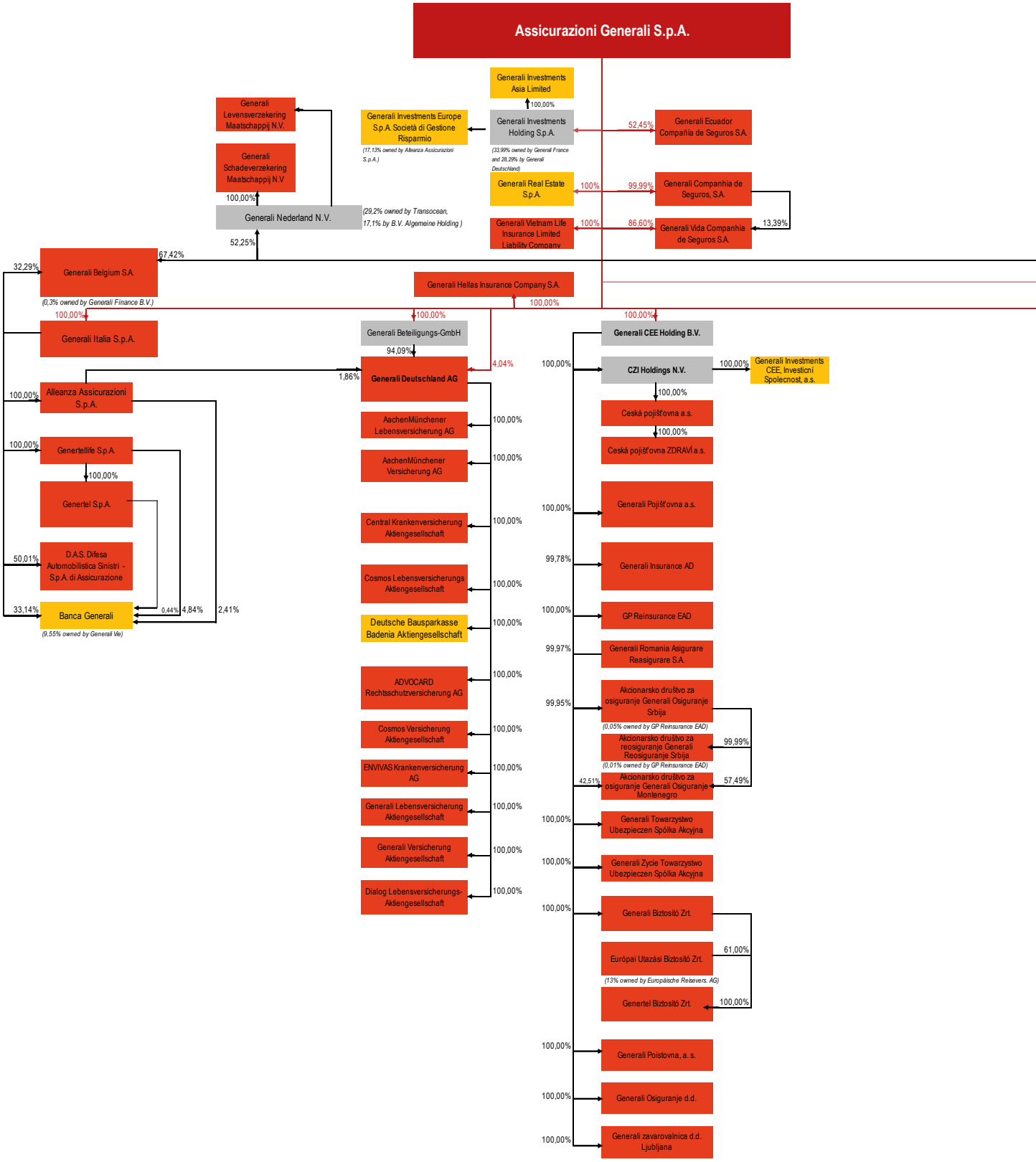
Company	Country	Group Equity Ratio
SK Versicherung AG (*)	Austria	39.66
Generali Versicherung AG	Austria	100.00
Drei Banken Versicherungsagentur GmbH	Austria	20.00
BAWAG P.S.K. Versicherung AG	Austria	75.00
Bonus Pensionskassen AG (*)	Austria	50.00
Europ Assistance Gesellschaft mbH	Austria	99.99
Car Care Consult Versicherungsvermittlung GmbH	Austria	100.00
Generali 3 Banken Holding AG (*)	Austria	49.30
Generali Beteiligungs- und Vermögensverwaltung GmbH	Austria	100.00
Allgemeine Immobilien-Verwaltungs GmbH & Co. KG	Austria	100.00
Generali Immobilien GmbH	Austria	100.00
M.O.F. Immobilien AG	Austria	20.00
Generali Beteiligungsverwaltung GmbH	Austria	100.00
3 Banken-Generali Investment-Gesellschaft m.b.H. (*)	Austria	48.57
SW 13	Austria	98.95
Risk-Aktiv Versicherungsservice GmbH	Austria	100.00
BONUS Vorsorgekasse AG (*)	Austria	25.00
Generali Telefon- und Auftragsservice GmbH	Austria	100.00
Generali Bank AG	Austria	100.00
Generali Betriebsrestaurants GmbH	Austria	100.00
Generali Leasing GmbH	Austria	100.00
TTC - Training Center Unternehmensberatung GmbH	Austria	74.99
Care Consult Versicherungsmakler GmbH	Austria	74.99
3 Banken-Generali-GLStock	Austria	100.00
3 Banken Generali GLBond Spezialfonds	Austria	100.00
3 Banken-Generali-GSBond	Austria	100.00
3 Banken-Generali - GEN4A Spezialfonds	Austria	100.00
BAWAG Spezialfonds 6	Austria	75.00
3 Banken-Generali - GNLStock	Austria	100.00
3 Banken-Generali-GHStock	Austria	100.00
Generali European Retail Investments Holdings S.A.	Luxembourg	99.47
Generali Luxembourg S.A.	Luxembourg	98.75
Point Partners GP Holdco S.à r.l. (*)	Luxembourg	24.87
Point Partners Special Limited Partnership (*)	Luxembourg	24.87
Generali Investments Luxembourg S.A.	Luxembourg	99.58
Generali Real Estate Luxembourg S.à r.l.	Luxembourg	100.00
Generali North American Holding 1 S.A.	Luxembourg	98.85
Generali North American Holding 2 S.A.	Luxembourg	99.94
Generali North American Holding S.A.	Luxembourg	100.00
Generali Europe Income Holding S.A.	Luxembourg	98.95
GRE PAN-EU Munich 1 S.à r.l.	Luxembourg	98.95
GRE PAN-EU Hamburg 1 S.à r.l.	Luxembourg	98.95
GRE PAN-EU Hamburg 2 S.à r.l.	Luxembourg	98.95
GRE PAN-EU Frankfurt 1 S.à r.l.	Luxembourg	98.95
Generali European Real Estate Investments S.A.	Luxembourg	99.47
Frescobaldi S.à.r.l.	Luxembourg	99.47
GLL AMB Generali Cross-Border Property Fund FCP	Luxembourg	100.00
BG Fund Management Luxembourg S.A.	Luxembourg	50.26
GLL AMB Generali City22 S.à.r.l.	Luxembourg	100.00
Corelli S.à.r.l.	Luxembourg	99.47
Torelli S.à.r.l.	Luxembourg	99.47
GLL AMB Generali Bankcenter S.à.r.l.	Luxembourg	100.00
Holding Klege S.à.r.l. (*)	Luxembourg	49.73
Generali Diversification Corporate Opportunities	Luxembourg	98.50
GARBE Logistic European Strategic Fund II (*)	Luxembourg	39.73
Generali Financial Holding FCP-FIS - Sub-Fund 2	Luxembourg	99.88
Generali España, S.A. de Seguros y Reaseguros	Spain	99.90
Cajamar Vida S.A. de Seguros y Reaseguros	Spain	50.00
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	Spain	50.00
Europ Assistance España S.A. de Seguros y Reaseguros	Spain	99.98
Europ Assistance Travel S.A.	Spain	99.98
Europ Assistance Servicios Integrales de Gestion, S.A.	Spain	99.98
Coris Gestión de Riesgos, S.L.	Spain	99.98
Generali España Holding de Entidades de Seguros S.A.	Spain	100.00
Hermes Sociedad Limitada de Servicios Inmobiliarios y Generales	Spain	99.90
Vitalicio Torre Cerdà S.l.	Spain	99.90
Grupo Generali España Agrupación de Interés Económico	Spain	99.90
GLL City22 S.L.	Spain	100.00
Generali Vida Companhia de Seguros S.A.	Portugal	99.99
Generali Companhia de Seguros, S.A.	Portugal	100.00

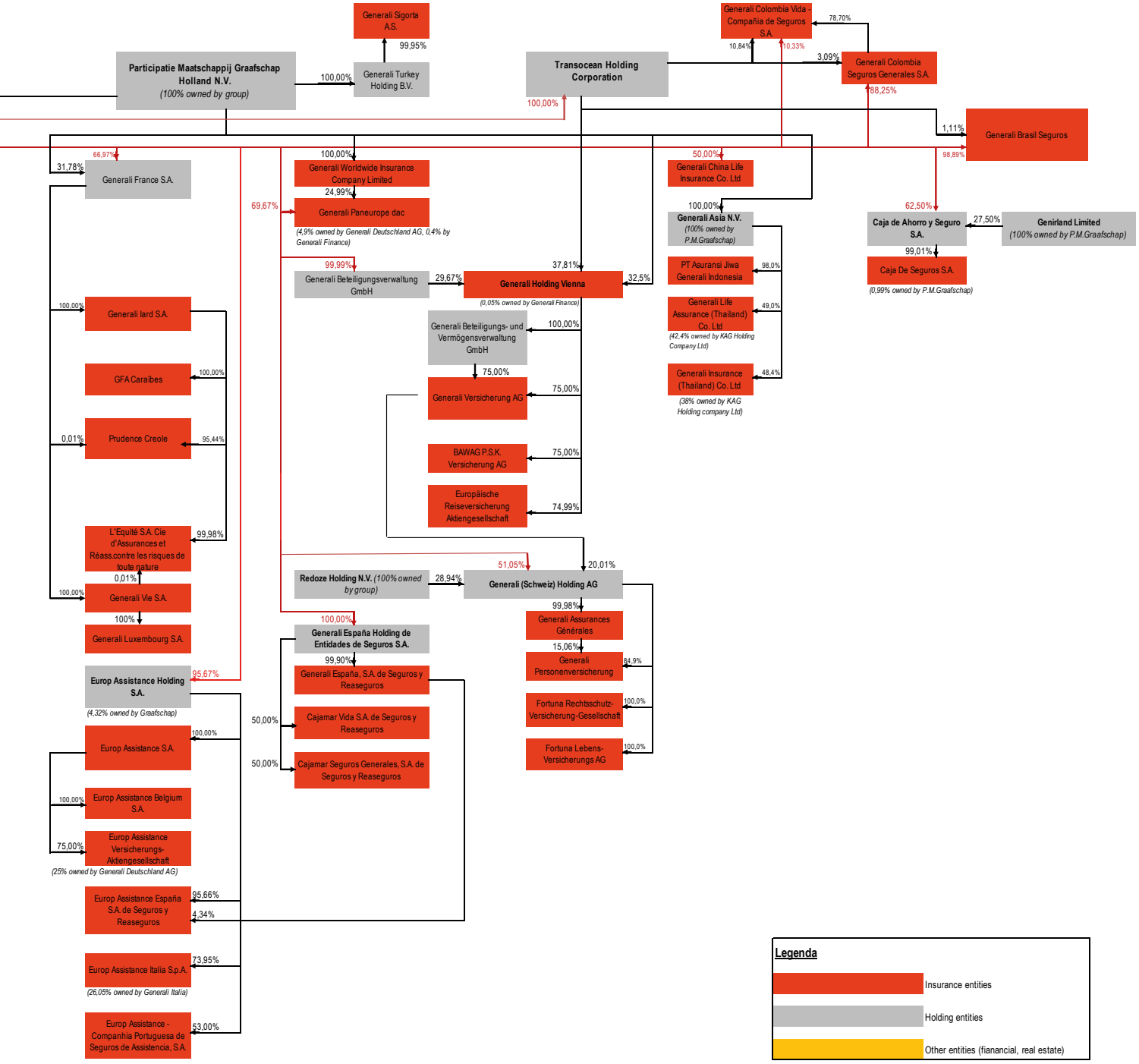
Company	Country	Group Equity Ratio
Keviana – Empreendimentos Imobiliários, S.A.	Portugal	98.75
Europ Assistance - Companhia Portuguesa de Seguros de Assistencia, S.A.	Portugal	52.99
Europ Assistance - Serviços de Assistencia Personalizados S.A.	Portugal	52.97
Ponte Alta - Consultoria e Assistência, Lda	Portugal	52.99
Generali Belgium S.A.	Belgium	99.99
Dedale S.A.	Belgium	99.98
Generali Real Estate Investments B.V.	Netherlands	99.99
Europ Assistance Belgium S.A.	Belgium	99.99
Europ Assistance Services S.A.	Belgium	99.99
B&C Assurance S.A.	Belgium	99.99
Webbroker S.A.	Belgium	99.99
Robert PREVOT SPRL	Belgium	99.98
GRE PAN-EU Brussels 1 s.p.r.l.	Belgium	98.95
Verzekeringskantoor Soenen N.V.	Belgium	99.79
Groupe Vervietois d'Assureurs S.A.	Belgium	99.94
Generali Levensverzekering Maatschappij N.V.	Netherlands	98.54
Generali Schadeverzekering Maatschappij N.V.	Netherlands	98.54
Generali Real Estate Investments Netherlands B.V.	Netherlands	98.54
Participatie Maatschappij Graafschap Holland N.V.	Netherlands	100.00
Generali Nederland N.V.	Netherlands	98.54
B.V. Algemene Holding en Financierings Maatschappij	Netherlands	100.00
Generali Finance B.V.	Netherlands	100.00
Redoze Holding N.V.	Netherlands	100.00
Generali Asia N.V.	Netherlands	100.00
Generali Turkey Holding B.V.	Netherlands	100.00
Saxon Land B.V.	Netherlands	99.63
Admirant Beheer B.V. (*)	Netherlands	49.27
C.V. Admirant (*)	Netherlands	49.27
Lion River I N.V.	Netherlands	99.63
Generali Horizon B.V.	Netherlands	100.00
Lion River II N.V.	Netherlands	99.97
Amulio Governance B.V.	Netherlands	49.99
Sigma Real Estate B.V. (*)	Netherlands	22.22
Nederlands Algemeen Verzekeringskantoor B.V.	Netherlands	98.54
Anac All-Finance Nederland Advies Combinatie B.V.	Netherlands	98.54
Anac B.V.	Netherlands	98.54
Stoutenburgh Adviesgroep B.V.	Netherlands	98.54
Generali CEE Holding B.V.	Czech Republic	100.00
CZI Holdings N.V.	Czech Republic	100.00
CP Strategic Investments N.V.	Netherlands	100.00
La Reunion Aerienne London Limited	United Kingdom	32.92
MyDrive Solutions Limited	United Kingdom	100.00
Ioca Entertainment Limited (*)	United Kingdom	17.59
Generali Saxon Land Development Company Ltd	United Kingdom	99.63
Generali Worldwide Insurance Company Limited	Guernsey	100.00
Generali Portfolio Management (CI) Ltd	Guernsey	100.00
Generali PanEurope dac	Ireland	100.00
Generali Link Limited	Ireland	100.00
Genirland Limited	Ireland	100.00
Europ Assistance A/S	Denmark	99.99
Citadel Insurance plc	Malta	20.16
Generali Hellas Insurance Company S.A.	Greece	100.00
Generali Biztosító Zrt.	Hungary	100.00
Európai Utazási Biztosító Zrt.	Hungary	70.75
Europ Assistance Magyarorszag Kft	Hungary	99.99
Roar Biztosítási és Pénzügyi Közvetíto Kft.	Hungary	100.00
Vàci utca Center Uzletközpont Kft	Hungary	100.00
Generali-Ingatlan Vagyonkezelo és Szolgáltató Kft.	Hungary	100.00
Generali Alapkezelo Zártköruen Muködo Részvénytársaság	Hungary	100.00
Genertel Biztosító Zrt.	Hungary	100.00
GP Consulting Pénzügyi Tanácsadó Kft.	Hungary	100.00
AUTOTÁL Biztosítási Szolgáltató Kft	Hungary	100.00
Top Torony Zrt. (*)	Hungary	50.00
Generali Pojišťovna a.s.	Czech Republic	100.00
Europ Assistance s.r.o.	Czech Republic	99.99
Generali Velky Spalicek S.r.o.	Czech Republic	100.00
CP Distribuce s.r.o.	Czech Republic	100.00
GRE PAN-EU Prague 1 s.r.o.	Czech Republic	98.95
PCS Praha Center Spol.s.r.o.	Czech Republic	100.00
Direct Care s.r.o.	Czech Republic	100.00

Company	Country	Group Equity Ratio
Parížská 26, s.r.o.	Czech Republic	100.00
Palac Krizik a.s.	Czech Republic	100.00
IDEE s.r.o.	Czech Republic	100.00
Small GREF a.s.	Czech Republic	100.00
Námestí Republiky 3a, s.r.o.	Czech Republic	100.00
Mustek Properties s.r.o.	Czech Republic	100.00
Office Center Purkynova, a.s.	Czech Republic	100.00
Ceská pojišt'ovna a.s.	Czech Republic	100.00
Penzijní spolecnost Ceské Pojištovny, a.s.	Czech Republic	100.00
Ceská pojišt'ovna ZDRAVÍ a.s.	Czech Republic	100.00
Generali Investments CEE, Investicní Spolecnost, a.s.	Czech Republic	100.00
FINHAUS a.s.	Czech Republic	100.00
Acredité s.r.o.	Czech Republic	100.00
Generali Real Estate Fund CEE a.s., investicní fond	Czech Republic	100.00
City Empiria a.s.	Czech Republic	100.00
Solitaire Real Estate, a.s.	Czech Republic	100.00
Nadace GCP	Czech Republic	100.00
Transformovaný fond Penzijní spolecnosti Ceské Pojištovny, a.s.	Czech Republic	100.00
Generali Poistovna, a. s.	Slovakia	100.00
Green Point Offices a.s.	Slovakia	100.00
VUB Generali dôchodková správcovská spolocnosť, a.s. (*)	Slovakia	50.00
Generali IT S.r.o.	Slovakia	100.00
GSL Services s.r.o.	Slovakia	100.00
Generali Towarzystwo Ubezpieczen Spólka Akcyjna	Poland	100.00
Generali Zycie Towarzystwo Ubezpieczen Spólka Akcyjna	Poland	100.00
Europ Assistance Polska Sp.zo.o.	Poland	99.99
Generali Finance spólka z ograniczona odpowiedzialnoscia	Poland	100.00
Generali Powszechne Towarzystwo Emerytalne S.A.	Poland	100.00
PL Investment Jerozolimskie I SP. Z o.o.	Poland	100.00
PL Investment Jerozolimskie II SP. Z o.o.	Poland	100.00
Cleha Invest Sp. z o.o.	Poland	100.00
Generali zavarovalnica d.d. Ljubljana	Slovenia	100.00
LEV Registracija, registracija vozil, d.o.o.	Slovenia	100.00
FATA Asigurari S.A.	Romania	100.00
Generali Societate de Administrare a Fondurilor de Pensii Private S.A.	Romania	100.00
S.C. Genagricola Romania S.r.l.	Romania	100.00
S.C. Vignadoro S.r.l.	Romania	100.00
Generali Romania Asigurare Reasigurare S.A.	Romania	99.97
Generali Insurance AD	Bulgaria	99.78
Generali Zakrila Medical and Dental Centre EOOD	Bulgaria	99.78
GP Reinsurance EAD	Bulgaria	100.00
Generali Osiguranje d.d.	Croatia	100.00
Generali Assurances Générales SA	Switzerland	99.98
Generali Personenversicherungen AG	Switzerland	100.00
Fortuna Rechtsschutz-Versicherung-Gesellschaft AG	Switzerland	100.00
Europ Assistance (Suisse) S.A.	Switzerland	69.99
Europ Assistance (Suisse) Assurances S.A.	Switzerland	69.99
Europ Assistance (Suisse) Holding S.A.	Switzerland	69.99
Generali (Schweiz) Holding AG	Switzerland	100.00
Fortuna Investment AG	Switzerland	100.00
Generali Group Partner AG	Switzerland	100.00
Fortuna Lebens-Versicherungs AG	Liechtenstein	100.00
GW Beta	Jersey	100.00
Generali Sigorta A.S.	Turkey	99.95
Europ Assistance Yardim ve Destek Hizmetleri Ticaret Anonim Sirketi	Turkey	99.99
Akcionarsko društvo za osiguranje Generali Osiguranje Montenegro	Montenegro	100.00
Akcionarsko društvo za osiguranje Generali Osiguranje Srbija	Serbia	100.00
Akcionarsko društvo za reosiguranje Generali Reosiguranje Srbija	Serbia	100.00
Akcionarsko društvo za upravljanje dobrovoljnim penzijskim fondom Generali	Serbia	100.00
Generali Development d.o.o.	Serbia	100.00
Europ Assistance CEI OOO	Russian Federetion	99.99
Generali Realties Ltd	Israel	100.00
Generali Global Assistance Inc.	United States	99.99
Europ Assistance North America, Inc.	United States	99.99
Customized Services Administrators Inc.	United States	99.99
GMMI Inc.	United States	99.99
CareLinx Inc.	United States	72.77
Transocean Holding Corporation	United States	100.00
General Securities Corporation of North America	United States	99.57
Montcalm Wine Importers Ltd	United States	100.00

Company	Country	Group Equity Ratio
GNAREH 1 Farragut LLC	United States	99.57
GNAREI 1 Farragut LLC	United States	99.57
Genamerica Management Corporation	United States	100.00
Generali Consulting Solutions LLC	United States	100.00
Generali Claims Solutions LLC	United States	100.00
GLL 200 State Street L.P. (*)	United States	49.99
CMN Global Inc.	Canada	100.00
Caja de Seguros S.A.	Argentina	90.09
Pluria Productores de Seguros S.A. en liquidación	Argentina	86.41
Europ Assistance Argentina S.A.	Argentina	69.28
Caja de Ahorro y Seguro S.A.	Argentina	90.00
Ritenere S.A.	Argentina	90.00
Generali Brasil Seguros S.A.	Brazil	100.00
Europ Assistance Brasil Serviços de Assistência S.A.	Brazil	26.50
EABS Serviços de Assistencia e Partecipaçoes S.A.	Brazil	26.50
CEABS Serviços S.A.	Brazil	26.50
Generali Latam Prestação de Serviços e Partecipações Ltda.	Brazil	100.00
Asesoria e Inversiones Los Olmos SA	Chile	44.57
AFP Planvital S.A.	Chile	38.38
Europ Servicios S.p.A.	Chile	38.98
Europ Assistance SA	Chile	38.98
Care Management Network Inc.	Bahamas	99.98
Europ Assistance (Bahamas) Ltd	Bahamas	99.98
Generali Colombia Vida - Compañia de Seguros S.A.	Colombia	93.05
Generali Colombia Seguros Generales S.A.	Colombia	91.34
Generali Ecuador Compañía de Seguros S.A.	Ecuador	52.45
Atacama Investments Ltd	Virgin Islands (British)	44.06
Generali Pacifique NC	New Caledonia	98.75
Europ Assistance Pacifique	New Caledonia	74.99
PT Asuransi Jiwa Generali Indonesia	Indonesia	98.00
PT Generali Services Indonesia	Indonesia	98.75
MPI Generali Insurans Berhad (*)	Malaysia	49.00
Future Generali India Life Insurance Company Ltd (*)	India	25.50
Future Generali India Insurance Company Ltd (*)	India	25.51
Europ Assistance India Private Ltd	India	99.99
Europ Assistance (Taiwan) Ltd	Taiwan	99.99
Generali Life Assurance Philippines, Inc.	Philippines	100.00
Generali Life Assurance (Thailand) Co. Ltd	Thailand	89.30
Generali Insurance (Thailand) Co. Ltd	Thailand	84.52
IWF Holding Company Ltd	Thailand	94.67
KAG Holding Company Ltd	Thailand	94.98
FTW Company Limited	Thailand	90.57
MGD Company Limited	Thailand	90.57
DWP Partnership	Thailand	90.57
Generali Vietnam Life Insurance Limited Liability Company	Vietnam	100.00
Generali China Life Insurance Co. Ltd	China	50.00
Generali China Insurance Co. Ltd (*)	China	49.00
Europ Assistance Travel Assistance Services (Beijing) Co Ltd	China	99.99
Guotai Asset Management Company (*)	China	30.00
Generali China Assets Management Company Co. Ltd	China	40.00
GIAF Financial Limited	China	100.00
Shanghai Sinodrink Trading Company, Ltd	China	45.00
Europ Assistance Worldwide Services Pte Ltd	Singapore	99.99
Generali Services Pte Ltd	Singapore	100.00
Generali Financial Asia Limited	Hong Kong	100.00
Generali Life (Hong Kong) Limited	Hong Kong	100.00
Generali Investments Asia Limited	Hong Kong	99.58
NKFE Insurance Agency Company Limited	Hong Kong	100.00
Europ Assistance (Macau) - Serviços De Assistência Personalizados, Lda.	Macao	37.10
Assurances Maghrebia S.A.	Tunisia	44.17
Assurances Maghrebia Vie S.A.	Tunisia	22.08
Europ Assistance Worldwide Services (South Africa) (Pty) Ltd	South Africa, Republic	87.49
EASA Training Academy (Pty) Ltd	South Africa, Republic	87.49

Annex 2 – Simplified Group Structure


Assicurazioni Generali S.p.A.
Generali Investments Asia Limited
100,00%
Generali Investments Holding S.p.A.
(33,99% owned by Generali France and 28,29% by Generali Deutschland)
Generali Investments Europe S.p.A. Società di Gestione Risparmio
(17,13% owned by Alleanza Assicurazioni S.p.A.)
Generali Levensverzekering Maatschappij N.V.
Generali Schadeverzekering Maatschappij N.V
100,00%
Generali Nederland N.V.
(29,2% owned by Transocean, 17,1% by B.V. Algemeine Holding)
52,25%
52,45%
Generali Ecuador Compañia de Seguros S.A.
Generali Real Estate S.p.A.
100%
99,99%
Generali Companhia de Seguros, S.A.
Generali Vietnam Life Insurance Limited Liability Company
100%
86,60%
Generali Vida Companhia de Seguros S.A.
13,39%
32,29%
Generali Belgium S.A.
67,42%
(0,3% owned by Generali Finance B.V.)
Generali Hellas Insurance Company S.A.
100,00%
100,00%
Generali Italia S.p.A.
100,00%
Generali Beteiligungs-GmbH
100,00%
94,09%
Generali Deutschland AG
4,04%
1,86%
Alleanza Assicurazioni S.p.A.
100,00%
Genertellife S.p.A.
100,00%
100,00%
Genertel S.p.A.
D.A.S. Difesa Automobilistica Sinistri - S.p.A. di Assicurazione
50,01%
Banca Generali
33,14%
(9,55% owned by Generali Vie)
0,44%
4,84%
2,41%
AachenMünchener Lebensversicherung AG
100,00%
AachenMünchener Versicherung AG
100,00%
Central Krankenversicherung Aktiengesellschaft
100,00%
Cosmos Lebensversicherungs Aktiengesellschaft
100,00%
Deutsche Bausparkasse Badenia Aktiengesellschaft
100,00%
ADVOCARD Rechtsschutzversicherung AG
100,00%
Cosmos Versicherung Aktiengesellschaft
100,00%
ENVIVAS Krankenversicherung AG
100,00%
Generali Lebensversicherung Aktiengesellschaft
100,00%
Generali Versicherung Aktiengesellschaft
100,00%
Dialog Lebensversicherungs-Aktiengesellschaft
100,00%
100,00%
Generali CEE Holding B.V.
100,00%
CZI Holdings N.V.
100,00%
Generali Investments CEE, Investicni Spolecnost, a.s.
100,00%
Ceská pojišťovna a.s.
100,00%
Ceská pojišťovna ZDRAVÍ a.s.
100,00%
Generali Pojišťovna a.s.
99,78%
Generali Insurance AD
100,00%
GP Reinsurance EAD
99,97%
Generali Romania Asigurare Reasigurare S.A.
99,95%
Akcionarsko društvo za osiguranje Generali Osiguranje Srbija
(0,05% owned by GP Reinsurance EAD)
Akcionarsko društvo za reosiguranje Generali Reosiguranje Srbija
(0,01% owned by GP Reinsurance EAD)
99,99%
42,51%
Akcionarsko društvo za osiguranje Generali Osiguranje Montenegro
57,49%
100,00%
Generali Towarzystwo Ubezpieczen Spólka Akcyjna
100,00%
Generali Zycie Towarzystwo Ubezpieczen Spólka Akcyjna
100,00%
Generali Biztosító Zrt.
Európai Utazási Biztosító Zrt.
61,00%
(13% owned by Europäische Reisevers. AG)
Genertel Biztosító Zrt.
100,00%
100,00%
Generali Poistovna, a. s.
100,00%
Generali Osiguranje d.d.
100,00%
Generali zavarovalnica d.d. Ljubljana


Generali Sigorta A.S.
99,95%
Participatie Maatschappij Graafschap Holland N.V.
(100% owned by group)
100,00%
Generali Turkey Holding B.V.
Transocean Holding Corporation
100,00%
Generali Colombia Vida - Compañia de Seguros S.A.
78,70%
10,84%
10,33%
3,09%
Generali Colombia Seguros Generales S.A.
88,25%
1,11%
Generali Brasil Seguros
98,89%
66,97%
31,78%
Generali France S.A.
100,00%
Generali Worldwide Insurance Company Limited
24,99%
69,67%
Generali Paneurope dac
(4,9% owned by Generali Deutschland AG, 0,4% by Generali Finance)
50,00%
Generali China Life Insurance Co. Ltd
100,00%
Generali Asia N.V.
(100% owned by P.M.Graafschap)
62,50%
Caja de Ahorro y Seguro S.A.
27,50%
Genirland Limited
(100% owned by P.M.Graafschap)
99,01%
Caja De Seguros S.A.
(0,99% owned by P.M.Graafschap)
99,99%
Generali Beteiligungsverwaltung GmbH
29,67%
37,81%
Generali Holding Vienna
(0,05% owned by Generali Finance)
32,5%
PT Asuransi Jiwa Generali Indonesia
98,0%
Generali Life Assurance (Thailand) Co. Ltd
(42,4% owned by KAG Holding Company Ltd)
49,0%
Generali Insurance (Thailand) Co. Ltd
(38% owned by KAG Holding company Ltd)
48,4%
100,00%
Generali Iard S.A.
Generali Beteiligungs- und Vermögensverwaltung GmbH
100,00%
GFA Caraïbes
100,00%
75,00%
Generali Versicherung AG
75,00%
0,01%
Prudence Creole
95,44%
BAWAG P.S.K. Versicherung AG
75,00%
Europäische Reiseversicherung Aktiengesellschaft
74,99%
L'Equité S.A. Cie d'Assurances et Réass.contre les risques de toute nature
99,98%
0,01%
100,00%
Generali Vie S.A.
100%
Generali Luxembourg S.A.
51,05%
20,01%
Redoze Holding N.V. (100% owned by group)
28,94%
Generali (Schweiz) Holding AG
99,98%
Generali Assurances Générales
100,00%
Generali España Holding de Entidades de Seguros S.A.
99,90%
Generali España, S.A. de Seguros y Reaseguros
15,06%
Generali Personenversicherung
84,9%
Europ Assistance Holding S.A.
95,67%
(4,32% owned by Graafschap)
50,00%
Cajamar Vida S.A. de Seguros y Reaseguros
Fortuna Rechtsschutz-Versicherung-Gesellschaft
100,0%
100,00%
Europ Assistance S.A.
50,00%
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros
Fortuna Lebens-Versicherungs AG
100,0%
100,00%
Europ Assistance Belgium S.A.
75,00%
Europ Assistance Versicherungs-Aktiengesellschaft
(25% owned by Generali Deutschland AG)
Europ Assistance España S.A. de Seguros y Reaseguros
95,66%
4,34%
Europ Assistance Italia S.p.A.
73,95%
(26,05% owned by Generali Italia)
Europ Assistance - Companhia Portuguesa de Seguros de Assistencia, S.A.
53,00%
Legenda
Insurance entities
Holding entities
Other entities (fianancial, real estate)

Annex 3 – Reconciliation between the items of the profit and loss in the statutory financial statements and the underwriting performance, the investment performance and the performance of other activities

(in thousand euro)

Compulsory profit and loss account			Reclassified profit and loss account	
Item	Sign	Amount	Item	Amount
001	+	1,661,058		
002	-	489,281		
030	+	1,708,336		
031	-	363,580		
Total		2,516,534	Net written premiums	2,516,534
003	-	24,269		
004	+	23,309		
018	-	0		
028	-	116		
064	-	-658,729		
Total		657,652	Change in technical provisions	657,652
017	-	823,519		
019	-	41		
051	-	1,982,335		
065	-	46,664		
Total		-2,852,559	Claims, maturities and surrenders	-2,852,559
026	-	252,728		
072	-	213,774		
Totale		-466,502	Operating costs	-466,502
007	+	574		
027	-	9,691		
044	+	16,836		
078	-	8,173		
Total		-454	Other technical income and charges	-454
			Technical interests of the life segment	384,326
			Underwriting performance	**238,996**
042	+	1,339,406		
043	+	93,674		
076	-	21,566		
077	-	3,190		
092	+	1,120,346		
097	-	78,648		
Total		2,450,022	Result of the ordinary financial operations	2,450,022
			Technical interests of the life segment	-384,326
			Result of the investment operations	**2,065,696**
099	+	398,403		
100	-	1,631,104		
Total		-1,232,701	Other ordinary income and charges	-1,232,701
102	+	254,534		
103	-	43,557		
Total		210,977	Extraordinary income and charges	210,977
106		-121,491	Income taxes	-121,491
			Performance of other activities	**-900,233**
107			**Net result**	**1,404,459**

Annex 4 – Quantitative Reporting Templates

Annex 4.1

QRT S.02.01.02 – Balance Sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	450,443
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	8,815
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	57,913,805
Property (other than for own use)	R0080	106,813
Holdings in related undertakings, including participations	R0090	55,056,845
Equities	*R0100*	*124,576*
Equities - listed	R0110	17,881
Equities - unlisted	R0120	106,695
Bonds	*R0130*	*2,170,389*
Government Bonds	R0140	1,119,458
Corporate Bonds	R0150	985,544
Structured notes	R0160	23,797
Collateralised securities	R0170	41,589
Collective Investments Undertakings	R0180	42,700
Derivatives	R0190	12,493
Deposits other than cash equivalents	R0200	399,991
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	3,268,077
Loans and mortgages	R0230	1,985,314
Loans on policies	R0240	760
Loans and mortgages to individuals	R0250	3,933
Other loans and mortgages	R0260	1,980,622
Reinsurance recoverables from:	R0270	1,026,574
Non-life and health similar to non-life	R0280	607,964
Non-life excluding health	R0290	544,051
Health similar to non-life	R0300	63,913
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	418,610
Health similar to life	R0320	12,672
Life excluding health and index-linked and unit-linked	R0330	405,938
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	7,158,957
Insurance and intermediaries receivables	R0360	587,170
Reinsurance receivables	R0370	124,163
Receivables (trade, not insurance)	R0380	675,282
Own shares (held directly)	R0390	1,630
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	744,169
Any other assets, not elsewhere shown	R0420	290,486
Total assets	R0500	74,234,886

		Solvency II value
Liabilities		
Technical provisions - non-life	R0510	2,038,954
Technical provisions - non-life (excluding health)	R0520	1,806,335
TP calculated as a whole	R0530	0
Best estimate	R0540	1,723,299
Risk margin	R0550	83,036
Technical provisions - health (similar to non-life)	R0560	232,620
TP calculated as a whole	R0570	0
Best estimate	R0580	228,940
Risk margin	R0590	3,680
TP - life (excluding index-linked and unit-linked)	R0600	8,901,516
Technical provisions - health (similar to life)	R0610	441,175
TP calculated as a whole	R0620	0
Best estimate	R0630	436,896
Risk margin	R0640	4,278
TP - life (excluding health and index-linked and unit-linked)	R0650	8,460,341
TP calculated as a whole	R0660	0
Best estimate	R0670	8,307,831
Risk margin	R0680	152,510
TP - index-linked and unit-linked	R0690	3,397,181
TP calculated as a whole	R0700	0
Best estimate	R0710	3,388,702
Risk margin	R0720	8,479
Contingent liabilities	R0740	6,927
Provisions other than technical provisions	R0750	66,886
Pension benefit obligations	R0760	24,525
Deposits from reinsurers	R0770	331,210
Deferred tax liabilities	R0780	
Derivatives	R0790	397,682
Debts owed to credit institutions	R0800	225,373
Financial liabilities other than debts owed to credit institutions	R0810	10,459,136
Insurance & intermediaries payables	R0820	216,325
Reinsurance payables	R0830	85,953
Payables (trade, not insurance)	R0840	694,724
Subordinated liabilities	R0850	7,522,654
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	7,522,654
Any other liabilities, not elsewhere shown	R0880	479,707
Total liabilities	R0900	34,848,753
Excess of assets over liabilities	R1000	39,386,132

Annex 4.2

QRT S.05.01.02 – Premiums, claims and expenses by line of business

Premiums, claims and expenses by line of business (1/3)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C010	C020	C030	C040	C050	C060	C070	C080	C090
Premiums written										
Gross - Direct Business	R0110	60,380	88,832	0	7,496	25,150	20,190	84,240	99,575	1,610
Gross - Proportional reinsurance accepted	R0120	236,571	85,735	0	218	3,757	87,128	248,718	94,047	22,692
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	61,958	90,491	0	545	3,366	6,014	77,441	49,898	20,015
Net	R0200	234,993	84,076		7,169	25,541	101,305	255,518	143,724	4,287
Premiums earned										
Gross - Direct Business	R0210	54,894	90,734	0	8,067	27,973	20,795	84,701	87,002	1,951
Gross - Proportional reinsurance accepted	R0220	231,820	83,732	0	231	3,872	88,136	250,660	92,790	16,398
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	61,892	91,578	0	417	3,392	6,335	79,020	41,905	14,299
Net	R0300	224,823	82,888		7,882	28,453	102,596	256,340	137,887	4,050
Claims incurred										
Gross - Direct Business	R0310	37,557	60,857	0	3,348	17,011	10,563	84,804	71,414	442
Gross - Proportional reinsurance accepted	R0320	174,767	49,817	0	2,059	137	39,734	303,272	37,429	13,957
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	45,033	64,762	0	901	1,764	438	20,751	46,018	11,517
Net	R0400	167,291	45,912		4,506	15,384	49,858	367,326	62,825	2,882
Changes in other technical provisions										
Gross - Direct Business	R0410	0	0	0	0	0	0	116	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430									
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0
Net	R0500		0				0	116		
Expenses incurred	R0550	56,032	22,599		4,620	11,710	32,253	96,052	50,186	1,867
Other expenses	R1200									
Total expenses	R1300									

Premiums, claims and expenses by line of business (2/3)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of Business for: accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C100	C110	C120	C130	C140	C150	C160	C200
Premiums written	R0110								
Gross - Direct Business	R0120	4	107	14,873					402,459
Gross - Proportional reinsurance accepted	R0130	0	0	76,292					855,158
Gross - Non-proportional reinsurance accepted	R0140				8,030	48,322	19,032	328,057	403,441
Reinsurers' share	R0200	0	0	11,738	3,555	14,017	8,527	141,718	489,281
Net		4	107	79,428	4,475	34,305	10,505	186,339	1,171,777
Premiums earned	R0210								
Gross - Direct Business	R0220	4	105	13,334					389,560
Gross - Proportional reinsurance accepted	R0230	0	0	77,791					845,431
Gross - Non-proportional reinsurance accepted	R0240				7,937	48,359	17,287	328,215	401,798
Reinsurers' share	R0300	0	0	11,256	3,486	11,446	7,088	133,858	465,972
Net		4	105	79,868	4,452	36,912	10,199	194,356	1,170,817
Claims incurred	R0310								
Gross - Direct Business	R0320	132	1	5,208					291,336
Gross - Proportional reinsurance accepted	R0330	0	0	3,862					625,035
Gross - Non-proportional reinsurance accepted	R0340				6,452	13,594	10,746	75,313	106,106
Reinsurers' share	R0400	0	0	1,978	851	6,322	7,384	23,950	231,669
Net		132	0	7,092	5,601	7,273	3,362	51,363	790,808
Changes in other technical provisions	R0410								
Gross - Direct Business	R0420	0	0	-0					116
Gross - Proportional reinsurance accepted	R0430	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0440				0	0	0	0	0
Reinsurers' share	R0500	0	0	0	0	0	0	0	0
Net	R0550			-0					116
Expenses incurred	R1200	5	21	10,585	2	41	65	571	286,608
Other expenses	R1300								9,691
Total expenses									296,299

Premiums, claims and expenses by line of business (3/3)

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C210	C220	C230	C240	C250	C260	C270	C280	C300
Premium written										
Gross	R1410	7,087	577	37,187	180,329	0	0	130,830	1,352,327	1,708,336
Reinsurers' share	R1420	1,777	8	4,043	35,020	0	0	297	322,434	363,580
Net	R1500	5,311	568	33,144	145,309			130,532	1,029,893	1,344,757
Premium earned										
Gross	R1510	7,087	577	37,187	180,329	0	0	130,830	1,352,327	1,708,336
Reinsurers' share	R1520	1,777	8	4,043	35,020	0	0	297	322,434	363,580
Net	R1600	5,311	568	33,144	145,309			130,532	1,029,893	1,344,757
Claims incurred										
Gross	R1610	5,741	334	15,478	121,999	0	0	97,741	1,669,665	1,910,958
Reinsurers' share	R1620	1,135	0	2,190	21,696	0	0	67	246,620	271,708
Net	R1700	4,606	334	13,288	100,303			97,675	1,423,044	1,639,250
Changes in other technical provisions										
Gross	R1710	1,142	26	-13,098	-512	0	0	-2,764	658,025	642,819
Reinsurers' share	R1720	-147	0	-238	-2,739	0	0	-185	-12,600	-15,909
Net	R1800	1,289	26	-12,860	2,227			-2,579	670,625	658,729
Expense incurred	R1900	806	1	7,537	24,326	0	0	19,245	168,002	219,917
Other expenses	R2500									8,173
Total expenses	R2600									228,090

Allegato 4.3

QRT S.05.02.01 – Premiums, claims and expenses by country

Premiums, claims and expenses by country (1/2)

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		FR	GB	HK	US	CH	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premium written								
Gross - Direct Business	R0110	43,996	0	131,608	64,443	95,290	0	335,338
Gross - Proportional reinsurance accepted	R0120	94,187	183,856	34,908	75,196	19,123	77,802	485,072
Gross - Non-proportional reinsurance accepted	R0130	103,067	65,557	0	0	0	11,482	180,106
Reinsurers' share	R0140	37,624	79,471	39,351	1,386	58,669	86,833	303,334
Net	R0200	203,626	169,941	127,165	138,254	55,744	2,451	697,182
Premium earned								
Gross - Direct Business	R0210	39,553	0	123,438	62,742	92,685	0	318,417
Gross - Proportional reinsurance accepted	R0220	84,035	177,981	34,420	72,677	19,187	77,937	466,238
Gross - Non-proportional reinsurance accepted	R0230	102,910	65,062	0	0	0	10,625	178,597
Reinsurers' share	R0240	37,645	77,237	35,009	1,687	56,352	81,477	289,407
Net	R0300	188,853	165,806	122,849	133,731	55,520	7,086	673,845
Claims incurred								
Gross - Direct Business	R0310	28,092	0	131,815	41,196	57,275	0	258,377
Gross - Proportional reinsurance accepted	R0320	65,001	113,020	326	72,167	64,518	60,182	375,214
Gross - Non-proportional reinsurance accepted	R0330	21,645	48,619	380	0	0	865	71,510
Reinsurers' share	R0340	6,965	52,955	23,475	1,484	24,057	30,399	139,336
Net	R0400	107,773	108,685	109,046	111,878	97,735	30,648	565,766
Changes in other technical provisions								
Gross - Direct Business	R0410	116	0	0	0	0	0	116
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	116						116
Expenses incurred	R0550	34,748	36,407	68,310	40,075	13,839	9,002	202,381
Other expenses	R1200							9,604
Total expenses	R1300							211,985

Premiums, claims and expenses by country (2/2)

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R01400		FR	CA	DE	GB	CN	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premium written								
Gross	R1410	257,811	209,289	129,622	111,772	95,378	94,392	898,264
Reinsurers' share	R1420	10,877	0	1,516	3,010	19,738	0	35,141
Net	R1500	246,934	209,289	128,105	108,762	75,640	94,392	863,123
Premium earned								
Gross	R1510	257,811	209,289	129,622	111,772	95,378	94,392	898,264
Reinsurers' share	R1520	10,877	0	1,516	3,010	19,738	0	35,141
Net	R1600	246,934	209,289	128,105	108,762	75,640	94,392	863,123
Claims paid								
Gross	R1610	597,961	177,099	106,299	73,577	105,479	71,562	1,131,976
Reinsurers' share	R1620	2,127	0	313	851	22,436	0	25,728
Net	R1700	595,834	177,099	105,986	72,725	83,043	71,562	1,106,248
Changes in other technical provisions								
Gross	R1710	466,169	-800	56	-27,085	49,243	-2,091	485,492
Reinsurers' share	R1720	1	0	0	-67	-715	0	-781
Net	R1800	466,168	-800	56	-27,018	49,958	-2,091	486,272
Expenses incurred	R1900	21,559	26,188	15,027	13,697	6,016	20,533	103,020
Other expenses	R2500							37
Total expenses	R2600							103,057

Annex 4.4

QRT S.12.01.02 – Life and Health SLT Technical Provisions

Life and Health SLT Technical Provisions (1/2)

			Index-linked and unit-linked insurance			Other life insurance					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010										0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020										0
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030			205,064				1,443,948		10,036,101	11,696,533
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080							34,945		370,992	405,938
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			205,064				1,409,002		9,665,109	11,290,595
Risk Margin	R0100		26			70,734				90,229	160,989
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110										0
Best estimate	R0120										0
Risk margin	R0130										0
Technical provisions - total	R0200		205,091			1,514,681				10,126,331	11,857,522

Life and Health SLT Technical Provisions (2/2)

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010						0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020						0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030		50,865	477		385,554	436,896
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080					12,672	12,672
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090		50,865	477		372,882	424,224
Risk Margin	R0100	392				3,886	4,278
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110						0
Best estimate	R0120						0
Risk margin	R0130						0
Technical provisions - total	R0200	51,734				389,441	441,175

Annex 4.5

QRT S.17.01.02 – Non-life technical provisions

Non - life Technical Provisions (1/2)

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	R0010									
adjustment for expected losses due to counterparty default associated to TP as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	47,059	30,396		2,364	14,011	12,778	122,155	47,339	10,117
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	4,673	13,218		239	351	7,174	32,942	10,737	8,020
Net Best Estimate of Premium Provisions	R0150	42,386	17,178		2,125	13,660	5,604	89,213	36,602	2,097
Claims provisions										
Gross	R0160	41,010	99,696		67,321	16,879	99,957	573,956	353,145	40,510
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	6,813	37,248		38,223	72	59,747	127,842	118,511	31,061
Net Best Estimate of Claims Provisions	R0250	34,197	62,448		29,099	16,806	40,210	446,114	234,634	9,449
Total Best estimate - gross	R0260	88,068	130,093		69,685	30,890	112,736	696,111	400,484	50,627
Total Best estimate - net	R0270	76,582	79,626		31,224	30,466	45,814	535,327	271,236	11,546
Risk margin	R0280	1,765	1,644		1,733	347	2,592	42,001	19,811	1,080
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									
Technical provisions - total										
Technical provisions - total	R0320	89,833	131,737		71,418	31,237	115,328	738,112	420,295	51,708
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	11,486	50,466		38,461	423	66,922	160,783	129,248	39,081
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	78,348	81,271		32,957	30,814	48,406	577,328	291,047	12,627

Non - life Technical Provisions (2/2)

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance:				Total Non-Life obligations
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010								0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050								0
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060	1	96	28,296		1,971	1,827	9,855	328,265
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140			2,551		1,753	1,253	7,367	90,280
Net Best Estimate of Premium Provisions	R0150	1	96	25,744		218	573	2,488	237,986
Claims provisions									
Gross	R0160			21,370	10,779	133,018	20,582	145,751	1,623,973
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240			13,063	1,961	11,736	12,284	59,123	517,685
Net Best Estimate of Claims Provisions	R0250			8,307	8,817	121,282	8,297	86,628	1,106,288
Total Best estimate - gross	R0260	1	96	49,666	10,779	134,989	22,408	155,606	1,952,238
Total Best estimate - net	R0270	1	96	34,051	8,817	121,500	8,871	89,116	1,344,274
Risk margin	R0280	0	3	653	271	10,446	530	3,839	86,716
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290								0
Best estimate	R0300								0
Risk margin	R0310								0
Technical provisions - total									
Technical provisions - total	R0320	1	100	50,319	11,049	145,435	22,938	159,445	2,038,954
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330			15,614	1,961	13,489	13,538	66,490	607,964
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	1	100	34,705	9,088	131,945	9,401	92,955	1,430,990

Annex 4.6

QRT S.19.01.21 – Non-life insurance claims

Gross Claims Paid (non-cumulative)

	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											13,399	13,399	0
N-9	146,569	171,016	44,555	24,144	18,694	9,724	6,194	-2,162	17,305	708		708	436,747
N-8	173,960	127,809	60,323	53,029	21,903	16,266	8,865	15,066	1,251			1,251	478,471
N-7	191,761	96,707	50,650	36,201	15,441	13,409	5,488	1,011				1,011	410,668
N-6	187,717	171,365	66,988	17,147	12,692	17,681	7,533					7,533	481,123
N-5	158,548	191,300	77,095	37,750	17,131	10,180						10,180	492,003
N-4	248,936	237,390	68,396	24,205	24,326							24,326	603,254
N-3	118,227	157,998	55,928	24,639								24,639	356,792
N-2	177,685	156,574	83,827									83,827	418,086
N-1	206,489	201,561										201,561	408,050
N	250,668											250,668	250,668
Total												619,102	4,335,863

Gross undiscounted Best Estimate Claims Provisions

	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											176,001	169,010
N-9	0	0	0	0	0	0	0	0	0	13,359		12,992
N-8	0	0	0	0	0	0	0	0	27,319			26,905
N-7	0	0	0	0	0	0	0	30,415				29,895
N-6	0	0	0	0	0	0	32,088					31,412
N-5	0	0	0	0	0	39,761						38,866
N-4	0	0	0	0	63,369							62,237
N-3	0	0	0	84,735								82,988
N-2	0	0	163,082									160,733
N-1	0	215,856										212,970
N	555,482											551,860
Total												1,379,867

Annex 4.7

QRT S.22.01.21 – Impact of long term guarantees and transitional measures

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions		14,337,651			33,164	
Basic own funds	R0020	45,454,215			-21,627	
Eligible own funds to meet Solvency Capital Requirement	R0050	45,454,215			-21,627	
Solvency Capital Requirement	R0090	17,688,505			54,130	
Eligible own funds to meet Minimum Capital Requirement	R0100	40,560,370			-27,140	
Minimum Capital Requirement	R0110	4,422,126			13,532	

Annex 4.8

QRT S.23.01.01 – Own funds

Own Funds (1/3)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	1,561,808	1,561,808			
Share premium account related to ordinary share capital	R0030	3,568,250	3,568,250			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	32,468,502	32,468,502			
Subordinated liabilities	R0140	7,522,654		2,194,826	5,327,828	
An amount equal to the value of net deferred tax assets	R0160	450,443				450,443
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	117,442				
Deductions						
Deductions for participations in financial and credit institutions	R230					
Total basic own funds after deductions	R290	45,454,215	37,481,118	2,194,826	5,327,828	450,443

Own Funds (2/3)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	45,454,215	37,481,118	2,194,826	5,327,828	450,443
Total available own funds to meet the MCR	R0510	45,003,772	37,481,118	2,194,826	5,327,828	
Total eligible own funds to meet the SCR	R0540	45,454,215	37,481,118	2,194,826	5,327,828	450,443
Total eligible own funds to meet the MCR	R0550	40,560,369	37,481,118	2,194,826	884,425	
SCR	R0580	17,688,505				
MCR	R0600	4,422,126				
Ratio of Eligible own funds to SCR	R0620	257.0%				
Ratio of Eligible own funds to MCR	R0640	917.2%				

Own Funds (3/3)

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	39,386,132
Own shares (held directly and indirectly)	R0710	6,738
Foreseeable dividends, distributions and charges	R0720	1,330,391
Other basic own fund items	R0730	5,580,501
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**32,468,502**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	110,271
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	3,416
Total Expected profits included in future premiums (EPIFP)	**R0790**	**113,687**

Annex 4.9

QRT S.25.02.21 – Solvency Capital Requirement — for undertakings using the standard formula and partial internal model

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model (1/2)

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090
FIN01	Financial Risk	15,978,159,945	15,978,159,945	0	
CRD01	Credit Risk	763,517,830	763,517,830	0	
LUW01	Life underwriting risk	162,115,241	162,115,241	0	
HLT01	Health underwriting risk	0	0	0	
NUW01	Non-life underwriting risk	551,520,518	551,520,518	0	
OPE01	Operational risk	119,459,897	0	0	
INT01	Intangible risk	0	0	0	
TAX01	Tax Cap Effect	796,295,564	796,295,564	0	
MOD1	Model Adjustment	15,000	15,000	0	

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model (2/2)

		C0100
Calculation of Solvency Capital Requirement		
Total undiversified components	R0110	18,386,069
Diversification	R0060	-697,564
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	17,688,505
Capital add-ons already set	R0210	0
Solvency capital requirement	R0220	17,688,505
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	0
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	0
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	17,688,505
accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Annex 4.10

QRT S.28.02.01 – Minimum Capital Requirement — Both life and non-life insurance activity

Minimum capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		MCR(NL,NL) Result	MCR(NL,L) Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	272,806	0

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	76,582	234,993		
Income protection insurance and proportional reinsurance	R0030	79,626	83,636		
Workers' compensation insurance and proportional reinsurance	R0040	0	0		
Motor vehicle liability insurance and proportional reinsurance	R0050	31,224	7,174		
Other motor insurance and proportional reinsurance	R0060	30,466	25,483		
Marine, aviation and transport insurance and proportional reinsurance	R0070	45,814	101,876		
Fire and other damage to property insurance and proportional reinsurance	R0080	535,327	263,406		
General liability insurance and proportional reinsurance	R0090	271,236	142,579		
Credit and suretyship insurance and proportional reinsurance	R0100	11,546	3,314		
Legal expenses insurance and proportional reinsurance	R0110	1	4		
Assistance and proportional reinsurance	R0120	96	107		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	34,051	80,611		
Non-proportional health reinsurance	R0140	8,817	4,916		
Non-proportional casualty reinsurance	R0150	121,500	35,445		
Non-proportional marine, aviation and transport reinsurance	R0160	8,871	9,934		
Non-proportional property reinsurance	R0170	89,116	178,299		

		Non-life activities	Life activities
		MCR(L,NL) Result	MCR(L,L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	0	280,064

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210			5,213,124	
Obligations with profit participation - future discretionary benefits	R0220			26,240	
Index-linked and unit-linked insurance obligations	R0230			3,388,702	
Other life (re)insurance and health (re)insurance obligations	R0240			3,086,754	
Total capital at risk for all life (re)insurance obligations	R0250				

Overall MCR calculation		
		C0130
Linear MCR	R0300	552,870
SCR	R0310	17,688,505
MCR cap	R0320	7,959,827
MCR floor	R0330	4,422,126
Combined MCR	R0340	4,422,126
Absolute floor of the MCR	R0350	6,200
Minimum Capital Requirement	R0400	4,422,126

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	272,806	280,064
Notional SCR excluding add-on (annual or latest calculation)	R0510	8,728,150	8,960,355
Notional MCR cap	R0520	3,927,668	4,032,160
Notional MCR floor	R0530	2,182,038	2,240,089
Notional Combined MCR	R0540	2,182,038	2,240,089
Absolute floor of the notional MCR	R0550	2,500	3,700
Notional MCR	R0560	2,182,038	2,240,089

Independent Auditor's **Report**

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Independent auditor's report pursuant to article 47-septies, comma 7 of Legislative Decree n. 209, dated 7 September 2005, and paragraph n. 10 of IVASS Letter to the market, dated 7 December 2016

(Translation from the original Italian text)

To the board of directors of
Assicurazioni Generali S.p.A.

Opinion

We have audited the following elements of the Solvency and Financial Conditions Report (the "SFCR") of Assicurazioni Generali S.p.A. as at December 31, 2017, prepared pursuant to article 47-septies of Legislative Decree n. 209, dated 7 September 2005:

- reporting templates "S.02.01.02 Balance Sheet" and "S.23.01.01 Own funds" (the "reporting templates");
- sections "D. Valuation for solvency purposes" and "E.1. Own funds" (the "disclosures").

As required by paragraphs n. 9 and n. 10 of IVASS Letter to the market dated 7 December 2016 (the "IVASS Letter", our procedures do not extend to:

- the components of technical provisions related to risk margin (items R0550, R0590, R0640, R0680 and R0720) of the reporting template "S.02.01.02 Balance Sheet";
- the Solvency Capital Requirements (item R0580) and to the Minimum Capital Requirement (item R0600) of the reporting template "S.23.01.01 Own funds";

consequently, they are excluded from our opinion.

The reporting templates and the disclosures, with the exclusions abovementioned, constitute "the reporting templates and related disclosures" as a whole.

In our opinion, the reporting templates and related disclosures included in the SFCR of Assicurazioni Generali S.p.A. as at December 31, 2017 have been prepared, in all material respects, in accordance with the applicable European Union regulations and the national sectoral regulation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the reporting templates and related disclosures* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence of the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants applicable to the audit of reporting templates and related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Emphasis of Matter – Basis of preparation, purpose and restriction on use

We draw attention to section "D. Valuation for solvency purposes" which describes the basis of preparation. The reporting templates and related disclosures have been prepared for solvency supervision purposes in accordance with the applicable European Union regulations and the national sectoral regulation, which results in a special purpose framework. As a result, they may not be suitable for other purposes.
Our opinion is not modified in respect of this matter.

Other matters

The Company has prepared the financial statements as at December 31, 2017 in accordance with Italian regulations governing financial statements on which we issued our independent auditor's report to the shareholders of the Company dated March 27, 2018.

Other Information included in the SFCR

The Directors are responsible for the preparation of the other information included in the SFCR in accordance with the applicable laws and regulations governing the basis of preparation.
The other information included in the SFRC are:

- reporting templates "S.05.01.02 Premiums, claims and expenses by line of business", "S.05.02.01 Premiums, claims and expenses by country", "S.12.01.02 Life and Health SLT Technical Provisions", "S.17.01.02 Non-life technical provisions", "S.19.01.21 Non-life insurance claims", "S.22.01.21 Impact of long term guarantees and transitional measures", "S.25.02.21 Solvency Capital Requirement – for undertakings using the standard formula and partial internal model", "S.28.02.01 Minimum Capital Requirement – Both life and non-life insurance activity";
- sections "A. Business and performance", "B. System of governance", "C. Risk profile", "E.2. Solvency Capital Requirement and Minimum Capital Requirement", "E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement", "E.4. Differences between the standard formula and any internal model used", "E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement" e "E.6. Any other information".

Our opinion on the reporting templates and related disclosures does not cover the other information. In connection with our audit of the reporting templates and related disclosures, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the reporting templates and related disclosures or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify possible inconsistencies or material misstatement, we are required to determine if there is a material misstatement in the reporting templates and related disclosures or in the other information. If, based on the work we have performed, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the reporting templates and related disclosures

The Directors are responsible for the preparation and presentation of the reporting templates and related disclosures in accordance with the applicable laws and regulations governing the basis of preparation, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of reporting templates and related disclosures that are free from material misstatement, whether due to fraud or error.

In preparing the reporting templates and related disclosures, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the reporting templates and related disclosures

Our objectives are to obtain reasonable assurance about whether the reporting templates and related disclosures as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these reporting templates and related disclosures.

As part of an audit in accordance with International Standards on Auditing (ISAs), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the reporting templates and related disclosures, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit of the reporting templates and related disclosures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the SFCR or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We have communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We have provided those charged with governance with a statement that we have complied with regulations and standards on ethics and independence of the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Trieste, 7 may 2018

EY S.p.A.
Signed by: Matteo Brusatori, Partner

This report has been translated into the English language solely for the convenience of international readers.

Editing
Group Integrated Reporting

Coordination
Group Communications
& Public Affairs

The document is
available on
www.generali.com