187th year

Solvency and financial condition report of Assicurazioni Generali S.p.A. 2018

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GENERALI

Solvency and financial condition report of Assicurazioni Generali S.p.A. 2018

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 and ends on 31 December 2.

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 8 April 2019.

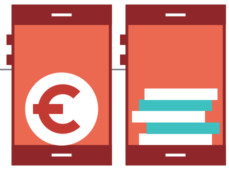
Section D "Information on the valuation for solvency purposes" and paragraphs E.1 "Own funds" and E.2 "Solvency capital requirement and minimum capital requirement" included in the section E "Capital management" are audited by EY S.p.A., pursuant to the article 47-*septies*, paragraph 7 of the Legislative Decree 209/2005 and IVASS Regulation n. 42/2019.

Highlights

SOLVENCY RATIO

-0.1p.p.

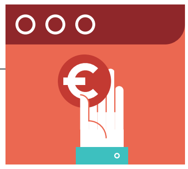
256.9%



SOLVENCY CAPITAL RQUIREMENT

-2.7%

€ 17,213 million



MINIMUM CAPITAL REQUIREMENT

2.7%

€ 4,303 million

OWN FUNDS

-2.7%

€ 44,227 million

ELIGIBLE OWN FUNDS COVERING THE SOLVENCY CAPITAL REQUIREMENT

2.7%

€ 44,227 million

ELIGIBLE OWN FUNDS COVERING THE MINIMUM CAPITAL REQUIREMENT

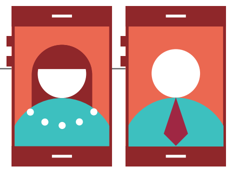
-3.3%

€ 39,217 million

EMPLOYEES

-15.8%

1,686



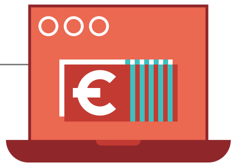
+1.0%

1,102 Total staff in Italy

-36.0%

584 Foreign branches staff

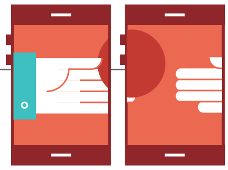
NET PROFIT



+4.9%

€ 1,473 million

UNDERWRITING PERFORMANCE



-64.9%

€ 84 million

LIFE UNDERWRITING PERFORMANCE

-89.5%

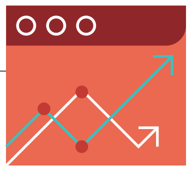
€ 16 million

NON-LIFE UNDERWRITING PERFORMANCE

-20.6%

€ 68 million

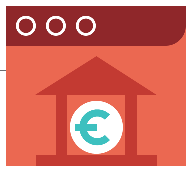
INVESTMENT PERFORMANCE



+10.4%

€ 2,280 million

OTHER ACTIVITIES PERFORMANCE



+1.1%

-€ 890 million

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:

Management of Investments	The parent company provides the strategic direction, management and coordination and control of all its affiliated and investments
Management of capital structure	The parent company coordinates and manages all activities aimed at capital optimization, via the balance between the strengthening of capital, profits and cash flow. The efficiency of the capital structure is also guaranteed through the optimization of financial debt
Direction and coordination activity	The parent company sets guidelines to improve efficiency in operational management
Insurance and reinsurance activity	The insurance and reinsurance business of the parent company is conducted through both the Head Office and foreign branches

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

- United Kingdom;
- Hong Kong;
- 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.

Until the sale occurred in April 2018, it also operated in Panama through its foreign branch.

Moreover, the activities related to the gradual transfer of the P&C insurance portfolio of the Japanese branch, following the agreement executed in 2017, started in April and are still ongoing.

There aren't 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 2018, the contribution of the different areas is provided:

Net result

+68,824 thousand

€ 1,473,283 thousand

The profit for the year amounted to 1,473,283 thousand,,increased compared to 1,404,459 thousand of previous period. The increase is characterized by:

Underwriting performance

-155,112 thousand

€ 83,884 thousand

- a strong decrease in the underwriting performance, related to the life insurance and reinsurance obligations (-137,537 thousand) and, in particular to the indirect business accepted directly by the Parent Company and through the Generali Employee Benefit network and to the direct business underwritten by the London branch. The underwriting performance for non-life insurance and reinsurance obligations also decrease (-17,575 thousand), because of the worsening of the result related to the reinsurance accepted directly by the Parent Company, for the most part offset by the improved result of the London branch;

Investment performance

+213,871 thousand

€ 2,279,567 thousand

- an increase in the investment performance due to the greater dividends coming from the subsidiaries and, to a lesser extent, to higher interests for loans to subsidiaries;
- a light increase in the performance of other activities, due to the improvement in the exchange rates trend on foreign currencies, differently from last year, when the Company suffered for the depreciation of some currencies in which there was a net asset exposure. The above-mentioned effect is only partially offset by a decrease in the other components of the other activities.

Performance of other activities

+10,067 thousand

€ -890,166 thousand

Further details are provided in paragraph A.2., A.3. and A.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 Man- aging 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 in the corporate and commercial and employee benefit segment.

Liquidity profile is confirmed to be strong, without any substantial change compared to previous year.

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 31.12.2018	Solvency vale as at 31.12.2018	Solvency vale as at 31.12.2017	Changes between Solvency value as at 31.12.2018 and as at 31.12.2017
Assets different from reinsurance recoverables	44,157,627	67,744,654	73,208,312	-5,463,658
Technical provisions net of reinsurance recoverables	8,050,247	8,383,116	13,311,077	-4,927,961
Liabilities different from reinsurance recoverables	21,130,560	22,234,104	20,511,103	1,723,001
Excess of assets over liabilities	**14,976,820**	**37,127,434**	**39,386,132**	**-2,258,698**

The significant increase of the excess of assets over liabilities evaluated according to the statutory financial statements requirements and to the Solvency II requirements is related to the holdings in related undertakings which respectively amount to 29,534,420 thousand and 52,766,411 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..

For what concern the main changes between Solvency value as at 31 December 2018 compared to the previous year, is to be noted that:

- the “Assets different from reinsurance recoverables” decrease because of the lower value of the holdings in related undertakings that amounted to 55,056,845 thousand last year (-2,290,434 thousand) and the decrease of the asset held for index-linked and unit-linked contracts (-3,039,227 thousand) as a consequence of the closing of the reinsurance treaty with Generali PanEurope. Moreover, a reduction can be observed in the deposits to cedants (-1,890,129 thousand) due to the closing of some reinsurance treaties, partially offset by the increase in the loans and mortgages (+1,322,321 thousand) as a consequence of the incorporation of Generali Finance B.V.;
- the “Technical provisions net of reinsurance recoverables” 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 2017. The observed decrease in the life technical provisions from 31 December 2017 to 31 December 2018 (-5,118,346 thousand) is mainly given by the closing of some reinsurance treaties due to the dismissal of two Group companies (Ireland and the Netherlands) occurred during 2018 and to the natural run-off of some portfolios accepted from intragroup companies which are closed to new business. The increase in non-life technical provisions (+190,384 thousand) is mainly due to the impact of man made large claims, affecting the business accepted from the Group companies (almost entirely held in Assicurazioni Generali net portfolio) and the impact of some nat cat claims affecting the branches portfolios.
- The “Liabilities different from reinsurance recoverables” increase mainly for the higher value of the subordinated liabilities (+1,243,010 thousand). This effect is due to incorporation of Generali Finance B.V.

E. Capital management

Solvency Ratio decreased slightly from 257% to 259.6% because of the decrease in Own Funds, due mainly to the lower value value of the participations, only partially offset by the decrease of the Solvency Capital Requirement for equity risk.

Solvency Capital Requirement amount to 17,212,959 thousand, 2,7% lower compared to previous year. The main risk is the financial risk, almost entirely related to the equity risk resulting from the change in the value of the participations.

(in thousand euro)	31/12/2018	31/12/2017	Change
Eligible Own Funds	44,227,064	45,454,215	-1,227,151
Solvency Capital Requirement	17,212,959	17,688,505	-475,546
Excess of Own Funds	27,014,105	27,765,510	-751,405
Solvency Ratio	**256.9%**	**257.0%**	**-0.1 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 255.3%.

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)	31/12/2018	31/12/2017	Change
Tier 1 – unrestricted	35,106,634	37,481,118	-2,374,484
Tier 1 – restricted	3,250,204	2,194,826	+1,055,378
Tier 2	5,349,418	5,327,828	+21,590
Tier 3	520,808	450,443	+70,365
Total	**44,227,064**	**45,454,215**	**-1,227,151**

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, decreases, compared to 31.12.2017 of 2,374,484 thousand because of the lower value of the participations.

Tier 1 – restricted, composed by subordinated liabilities admitted in accordance with the transitional measures of Solvency II, increases of 1,055,378 thousand mainly because of the incorporation of Generali Finance B.V. (+1,377,131 thousand). The other changes are reimbursement (-251,838 thousand) and change in fair value of the period (-69,915 thousand).

Tier 2, composed by subordinated liabilities, increases of 21,590 because of the change in fair value for the period.

The increase of tier 3, composed by deferred tax assets, is linked to the change of fair value of the technical provisions, and the other elements of assets and liabilities.

31 December 2018 (in thousand euro)

Tier	Amount	SCR	Weight	Eligibility
Tier 1	38,356,838	17,212,959	222.8%	At least 50%
Tier 2	5,349,418	17,212,959		
Tier 3	520,808	17,212,959	3.0%	Less than 15%
Sum of tier 2 and tier 3	5,870,226	17,212,959	34.1%	Less than 50%
Solvency Ratio	44,227,064	17,212,959	256.9%	

31 December 2017 (in thousand euro)

Livello	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%	

All the available Own Funds (44,227,064 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 2017, 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) 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 2018 (in thousand euro)

Tier	Amount	MCR	Weight	Eligibility	Eligible amount
Tier 1	38,356,838	4,303,240	891.3%	At least 80%	38,356,838
Tier 2	5,349,418	4,303,240	124.3%	Less than 20%	860,648

31 December 2017 (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

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

1) tier 1 Own Funds are totally eligible (38,356,838 thousand), as in the previous year (39,675,944 thousand);
2) tier 2 Own Funds are eligible within the limit of 20% of the Minimum Capital Requirements and are admitted for 860,648 thousand (884,425 thousand as at 31 December 2017).

There are not significant changes in the calculation of the capital requirements as well as in the calculation of the own funds for their 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 Roma
Phone: +39 06 421331
e-mail: scrivi@ivass.it
PEC: ivass@pec.ivass.it

A.1.3. External auditor

The independent auditor is:

EY S.p.A.
Registered office: Via Po, 32 - 00198 Roma
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 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), at 31 December 2018:

Company Name	Shares held	Ownership(*)	Registered office
Mediobanca	**204,109,160**	**13.041%**	**Piazzetta Enrico Cuccia, 1 20121 MILANO**
Gruppo Caltagirone	**74,900,000**	**4.785%**	
CALTAGIRONE EDITORE S.P.A.	3,350,000	0.214%	Via Barberini, 28 - 00187 ROMA
CALTAGIRONE S.P.A.	3,200,000	0.204%	Via Barberini, 28 - 00187 ROMA
CAPITOLUM S.P.A.	500,000	0.032%	Via Barberini, 28 - 00187 ROMA
ECHETLO S.R.L.	450,000	0.029%	Via Barberini, 28 - 00187 ROMA
F G C S.P.A.	520,000	0.033%	Via Barberini, 28 - 00187 ROMA
FGC FINANZIARIA S.R.L.	2,500,000	0.160%	Via Barberini, 28 - 00187 ROMA
FINANZIARIA ITALIA 2005 S.P.A.	2,900,000	0.185%	Via Barberini, 28 - 00187 ROMA
FINCAL S.P.A.	32,950,000	2.105%	Via Barberini, 28 - 00187 ROMA
FINCED S.R.L.	3,150,000	0.201%	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	0.407%	Via Barberini, 28 - 00187 ROMA
MANTEGNA 87 S.R.L.	5,000,000	0.319%	Via Montello, 10 - 00195 ROMA
PANTHEON 2000 S.P.A.	4,100,000	0.262%	Via Barberini 28 - 00187 ROMA
QUARTA IBERICA S.R.L.	1,700,000	0.109%	Via Barberini 28 - 00187 ROMA
SO.CO.GE.IM. S.P.A.	200,000	0.013%	Via Barberini 28 - 00187 ROMA
VM 2006 S.R.L.	7,900,000	0.505%	Via Montello, 10 - 00195 ROMA
DELFIN S.A.R.L. (Gruppo Leonardo Del Vecchio)	**63,696,000**	**4.070%**	**Rue de la Chapelle, 7 - 1325 Luxembourg, Lussemburgo**
SCHEMATRENTATRE S.P.A. (Gruppo Benetton)	**47,616,056**	**3.042%**	**Piazza del Duomo, 19 – 31100 TREVISO**

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 2018 comprised of 455 participations (423 at 31 December 2017).

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:** the Parent Company provides the strategic direction, management and coordination of all its subsidiaries.
2) **direction and coordination activities:** the Parent Company sets the guidelines to improve efficiency in operational management;
3) **management of capital structure:** the parent company coordinates and manages all activities aimed at capital optimization, via the balance between the strengthening of capital, profits and cash flow. 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;

4) **insurance and reinsurance activity:** the parent company operates both in Italy and through its own foreign branches, located in the following countries:
   - United Kingdom;
   - Hong Kong;
   - U.S.A.;
   - United Arab Emirates;
   - Japan.

Until the sale occurred in April 2018, it also operated in Panama through its foreign branch.

The gradual transfer of the non-life insurance portfolio of the Japanese office, following the agreement signed in December 2017, is underway starting from April. These activities provide for the possibility, offered to policyholders, to renew directly with the third company buyer of his own insurance policies expiring after 1 April 2018. This phase will end on 31 March 2019 and will be followed by the sale of the remaining insurance portfolio and subsequent closure of the branch.

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, by the network Generali Employee Benefit (GEB) and trough the United Kingdom branch for non-life insurance business.

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.

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 reported the key events of 2018:

- during the month of February, the Generali Group completed the sale of assets in the Netherlands through the holding company Participatie Maatschappij Graafschap Holland N.V. As part of the transaction, the Parent Company reinsurance ceased its reinsurance support provided to the insurance subsidiaries of Generali Nederland.
- since 1 April 2018, Assicurazioni Generali S.p.A. has commenced a stage preparatory for transferring the insurance portfolio of the Japanese branch to Mitsui Sumitomo Insurance Group (MSIG) which provides the possibility, offered to the policyholders, to directly renew with the acquiring third-party Company their insurance policies expiring after 1 April 2018. This stage will end on 31 March 2019 and will be followed by the transfer of the remaining insurance portfolio and resulting closing of the branch.
- on 19 April 2018, Assicurazioni Generali S.p.A. completed the share capital increase to 1,565,165,364, in execution of the Long Term Incentive Plan adopted by the Shareholders' Meeting of the Company on 30 April 2015.
- in April, Assicurazioni Generali S.p.A. finalised transfer of the assets and liabilities of the Panama branch, including the insurance portfolio. The transaction generated a gross capital gain of 77 million against a transfer price stated in US $ 172 million.
- in April, Assicurazioni Generali S.p.A. finalised the merger by incorporation of the Dutch subsidiary Generali Finance B.V., directly held 100%. The transaction mainly consists of incorporating intercompany loans receivable and loans payable issued on the market.
- in April, the Generali Group finalised the disposal of its shareholding in the Colombian companies, i.e. 91.3% of Generali Colombia Seguros Generales S.A. and 93.3% of Generali Colombia Vida - Compañia de Seguros S.A. The direct shareholding interest held by Assicurazioni Generali S.p.A. in the two companies was equal respectively to 88.2% and 11.5%. The transaction generated 13.9 million in gross capital gain.
- in May, Assicurazioni Generali S.p.A. set up a new

branch in the Grand Duchy of Luxembourg under the right of establishment dedicated to the Employee Benefits business (GEB). The new Generali branch will be operational in the Group reinsurance sector starting from 2019.

- in June, Assicurazioni Generali S.p.A. completed disposal of its investments in the subsidiaries Assurances Maghrebia S.A. and Assurances Maghrebia Vie S.A., of which it held 44.2% and 22.1% of the share capital, respectively. The transaction generated 4.9 million in total capital gain.
- also in the month of June, the Generali Group finalised the transfer of its subsidiary Generali PanEurope dac, in which Assicurazioni Generali S.p.A. held 69.5% of the share capital. The transaction generated 121 million in total capital gain. As part of the transaction, withdrawal of several accepted portfolios relating to the major reinsurance treaties was finalised;
- the new Group organisational structure came into force on 1 September and it will increase the Group's ability to pursue the important challenges of the 2019-2021 Strategic Plan. One of the organisational changes was creation of the position of General Manager, who reports directly to the Group CEO. This position was assigned to Frédéric de Courtois. Cristiano Borean was appointed Group CFO, and he joins the Group Management Committee (GMC). Luigi Lubelli left the Group at the end of the year.
- in October, Assicurazioni Generali S.p.A. announced that it will exercise the option of early repayment of the 7.678% Perpetual Fixed/Floating Rate Notes for the amount of 150 million (option exercise date 19 November 2018).
- in November, investors were presented the new Generali Group strategy called Generali 2021, in line with the Group's ambition to be a "lifetime partner" for its customers by offering innovative and personalised solutions thanks to its unequalled distribution network; and to be the European insurance market leader for private customers, professionals and the SMEs while at the same time creating a global and focused asset management platform and pursuing high potential opportunities in the markets.
- in November, Assicurazioni Generali S.p.A. announced that it will exercise the option of early repayment of the 7.898% Perpetual Fixed/Floating Rate Notes for the amount of 100 million (option exercise date 19 December 2018).
- the legal transfer of the Non-Life portfolio in run-off of the London branch was completed in December following the favourable opinion given by IVASS. This portfolio transfer came after a reinsurance transfer to the transferee Company in the previous year.

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 2018 showed an increase of 68.824 thousand euro due to the increase in investment performance mainly related to higher dividends from subsidiaries partly compensated by worsening in underwriting activity.

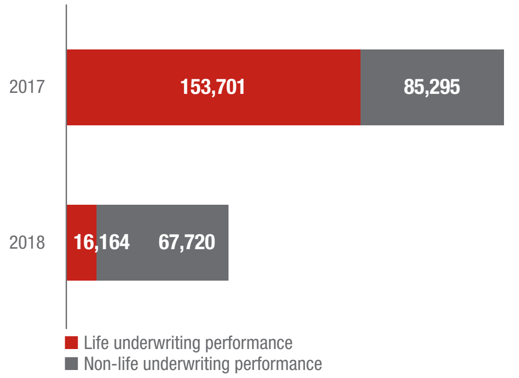
(in thousand euro)	2018	2017
Underwriting performance	83,884	238,996
Investment performance	2,279,567	2,065,696
Other activities performance	-890,166	-900,233
Net result	**1,473,283**	**1,404,459**

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

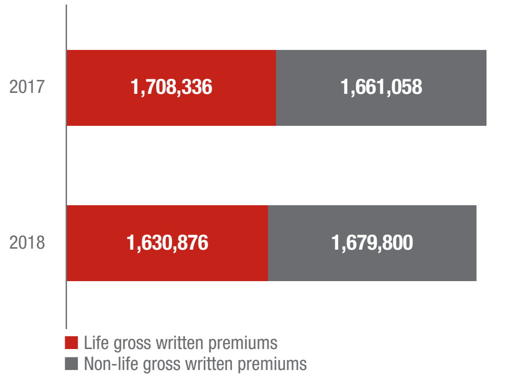
Results



The underwriting performance decreases from 238,996 thousand to 83,884 thousand, due to the following effects:

- life insurance business result strongly decreases from 153,701 thousand to 16,164 thousand.
- non-life insurance business result decreases from 85,295 thousand to 67,720 thousand.

Total gross premiums



Gross written premiums decrease to 3,310,676 thousand from 3,369,394 thousand of 2017. In detail, the premium income from the life segment amounts to 1,630,876 thousand (1,708,336 thousand in the previous year) while from the non-life segment amounts to 1,679,800 thousand (1,661,058 thousand in the previous year).

A.2.2. Life underwriting performance

(in thousand euro)	2018	2017
Gross written premiums	1,630,876	1,708,336
of which direct business	205,718	225,180
of which indirect business	1,425,157	1,483,156
Ceded and retroceded premiums	-421,732	-363,580
Net premiums	1,209,144	1,344,757
Change in technical provisions	461,490	658,729
Claims, maturities and surrenders	-1,610,243	-2,028,999
Operating costs	-204,807	-213,774
Other technical income and charges	17,909	8,663
Technical interests of the life segment	142,671	384,326
Underwriting performance	**16,164**	**153,701**

%	2018	2017
Total expense ratio	16.9	15.9
Acquisition costs / net premium	13.0	13.0
Administration costs / net premiums	3.9	2.9

Life underwriting performance amounts to 16,164 thousand, a significant decrease compared to 153,701 thousand in the previous year. This performance is mainly affected by the decrease in life reinsurance business (from 115,641 thousand to-3,790 thousand) and, to a lesser extent, in life insurance business (from 38,060 thousand to 19,954 thousand).

The above-described results are impacted by:

- the decrease in **gross written premiums**, which amount to 1,630,876 thousand, representing a significant decline from the 1,708,336 thousand of the previous year. The decrease is manly related to life insurance business, from 225,180 thousand of the previous year to 205,718 thousand, and which was affected in particular by the disposal of the Panama Branch, that took place last April (-27,500 thousand), only partially offset by the growth in the employee benefits segment of the London Branch (+13,932 thousand). Life reinsurance business also decreases from 1,483,156 thousand to 1,425,157 thousand due to the physiological contraction of the volumes of reinsurance treaties in run-off with the subsidiary Alleanza Assicurazioni S.p.A. (-35,833 thousand) and for the termination of the reinsurance business with the subsidiary Generali Levensverzekering Maatschappij N.V. (-38,383 thousand), following the sale to third parties of the company;
- the decrease in **claims, maturities and surrenders**, ncluding the change in technical provisions (from 1,370,270 thousand to 1,148,752 thousand), is mainly attributable to life reinsurance business due to the physiological contraction of the reinsurance treaties in run-off with the subsidiary Alleanza Assicurazioni S.p.A. and the loss of reinsurance relationships with the subsidiaries Generali Levensverzekering Maatschappij N.V. and Generali PanEurope Dac (sold during the course of 2018). In addition to this, life insurance business is also affected by the disposal of the aforementioned Panama Branch and the increase in the change in the provision whose risk is borne by the policyholders of the Dubai Branch who in turn reflects the losses recorded during the period in this sector;
- the decrease in **operating expenses**, which amount to 204,807 thousand, compared to 213,774 thousand in the previous year with an impact on net premiums of 16.9%, up by one p.p. compared to 15.9% in the previous year. The incidence of acquisition costs is 13% in line with 2017, while that of administrative expenses has increased from 2.9% to 3.9%. The increase in administrative expenses related to life reinsurance business is mainly due to the growth observed in the Generali Employee Benefits unit because of the ongoing reorganization plan.

- **technical interests** decrease from 384,326 thousand to 142,671 thousand is attributable to life reinsurance business due to the contraction of the reinsurance treaties in run-off with the subsidiary Alleanza Assicurazioni S.p.A. and for the termination of the reinsurance business with the subsidiaries Generali Levensverzekering Maatschappij N.V. and Generali PanEurope Dac. In addition to this, technical interest decrease also in life insurance business mainly due to the losses recorded by the Dubai Branch during the year in the policy whose risk is borne by the policyholders and to the decrease recorded in the London Branch in unit-linked incomes in run-off.

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)	2018	2017
Italy	222,883	257,811
France	168,590	209,289
Canada	128,060	129,622
Germany	116,779	111,772
United Kingdom	109,177	95,378
Other	885,387	904,465
Total	**1,630,876**	**1,708,336**

Compared to the previous year, there was a decrease in premiums from Italy (-34,928 thousand) due to the physiological contraction of the volumes of the reinsurance treaties in run-off with the subsidiary Alleanza Assicurazioni S.p.A. , from France (-40,699 thousand) due to minors acceptance by the Generali Employee Benefits unit, by the subsidiary Generali Vie and by the aggregate Other (-19,077 thousand) due in particular to the aforementioned termination of the reinsurance relationship with the subsidiary Generali Levensverzekering Maatschappij NV and the disposal of the Panama Branch.

These trends are partially offset by higher premiums from the United Kingdom (+13,798 thousand) in the collective policies for the death and permanent disability of the employee benefits sector of the London Branch and from Germany (+5,007 thousand) mainly thanks to higher premiums accepted by the Generali Employee Benefits unit by the subsidiary Generali Lebensversicherung Aktiengesellschaft.

Premiums, claims and expenses by line of business and by country are detailed in Attachments 4.2 (Quantitative Reporting Template S.05.01.02) and 4.3 (Quantitative Reporting Tamplate S.05.02.01).

A.2.3. Non-life underwriting performance

(in thousand euro)	2018	2017
Gross written premiums	1,679,800	1,661,058
of which direct business	452,324	402,459
of which indirect business	1,227,477	1,258,599
Ceded and retroceded premiums	-545,300	-489,281
Net premiums	1,134,500	1,171,777
Change in technical provisions	-27,576	-1,077
Claims	-799,425	-823,560
Operating costs	-229,836	-252,728
Other technical income and charges	-9,944	-9,117
Underwriting performance	**67,720**	**85,295**

%	2018	2017
Loss ratio	72.2	70.3
Total expense ratio	20.3	21.6
Acquisition costs / net premium	15.4	17.2
Administration costs / net premiums	4,8	4.4
Combined ratio	**92.5**	**91.9**

The non-life underwriting performance amounts to 67,720 thousand, lower compared to 85,295 thousand in the previous year. This trend is affected by the decline of non-proportional reinsurance business accepted directly by the Parent Company, which decreased from 169,527 thousand to 44,610 thousand, because of a higher frequency of Man Made claims and a limited impact of Nat Cat claims in comparison with a 2017 exceptionally favourable. This performance is largely offset by the improvement in direct business and proportional reinsurance accepted, which rose from -84,233 thousand to 23,110 thousand thanks, in particular, to the improvement in the result of the London Branch which last year was negatively affected by natural events of catastrophic nature in the Global Corporate & Commercial segment.

The result described above is determined by:

- **gross written premiums**, increase to 1,679,800 thousand (1,661,058 thousand in the previous year). In detail, there was a growth in the direct business (from 402,459 thousand to 452,324 thousand) attributable to higher premiums of the London branch. In particular, this increase is mainly due to general liability insurance area and in the insurance business related to medical expenses (Generali Global Health segment) and the increase in volumes of the New York and Hong Kong branches in the Global, Corporate & Commercial segment, which involves various business areas. In addition to this, there was an increase in Gross premiums written in the non-proportional reinsurance business area (from 403,441 thousand to 410,622 thousand) thanks to reinsurance acceptances carried out directly by the Parent Company, while the volumes of the proportional reinsurance business decreased (from 855,158 thousand to 816.854 thousand) due to the lower reinsurance acceptances carried out by the Generali Employee Benefits unit of the subsidiary Generali Assurances Générales SA and the decline in premiums accepted in the Group Corporate & Commercial segment by the London Branch;
- the slight increase in **claims** for the period, including **the change in technical provisions** (from 824,637 thousand to 827,001 thousand), where the decrease observed in the direct area and proportional reinsurance accepted, mainly attributable to the seg-

ment Global Corporate & Commercial of the London branch which in 2017 was particularly hit by claims related to natural catastrophe events, is offset by the worsening of the non-proportional reinsurance business area accepted directly by the Parent Company which was characterized by a higher frequency of claims Man Made and with a limited impact of Nat Cat claims, unlike in 2017, which recorded an exceptionally low loss ratio;

- The decrease in **acquisition and administration costs**, which amount to 252,728 thousand (229,836 thousand in the previous year) is manly due to the direct business and proportional reinsurance business, particularly in the London branch, which in 2017 was affected by higher acquisition costs on new production in the Global Corporate segments & Commercial and Generali Global Health and, to a lesser extent, in the Panama Branch due to the aforementioned disposal in the year and in the Tokyo Branch whose portfolio is being transferred.

- The **net combined ratio** rises at 92.5% from 91.9% of the previous year, mainly due to the loss ratio component (from 70.3% to 72.2%), partly offset by the decrease in the expense ratio component (from 21.6% to 20.3%).

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

(in thousand euro)	2018	2017
Italy	300,933	241,251
United Kingdom	215,129	166,516
United States of America	154,042	114,413
Hong Kong (*)	152,695	139,640
Bulgaria	118,090	64,195
Other	738,911	935,043
Total	**1,679,800**	**1,661,058**

(*) Special administrative region of Cina

The increase in gross written premiums to 1,679,800 thousand from 1,661,058 thousand in the previous year is manly due the following effects:

- significant increase in premiums from Italy (+59,682 thousand) mainly attributable to acceptances from London branch with the subsidiary Generali Italia in the Global Corporate & Commercial segment;
- growth in volumes from the United Kingdom (+48,613 thousand) which is observed in particular in the area of direct activity on general liability insurance and medical expense insurance relating to the Generali Global Health segment;
- growth in premiums from Hong Kong (+13,056 thousand) and the United States of America (+39.629 thousand) is mainly thanks to Global, Corporate & Commercial segment.
- the significant increase in acceptances from Bulgaria (+53,895 thousand), is mainly due to subsidiary GP Reinsurance EAD;

For what concern “Other” (-196.132 thousand), the decrease mainly concerns France (-165.472 thousand), and in particular acceptances from its subsidiary Generali IARD in non-proportional activity.

Premiums, claims and expenses by line of business and by country are detailed respectively in Attachments 4.2 (Quantitative Reporting Template S.05.01.02) and 4.3 (Quantitative Reporting Template S.05.02.01).

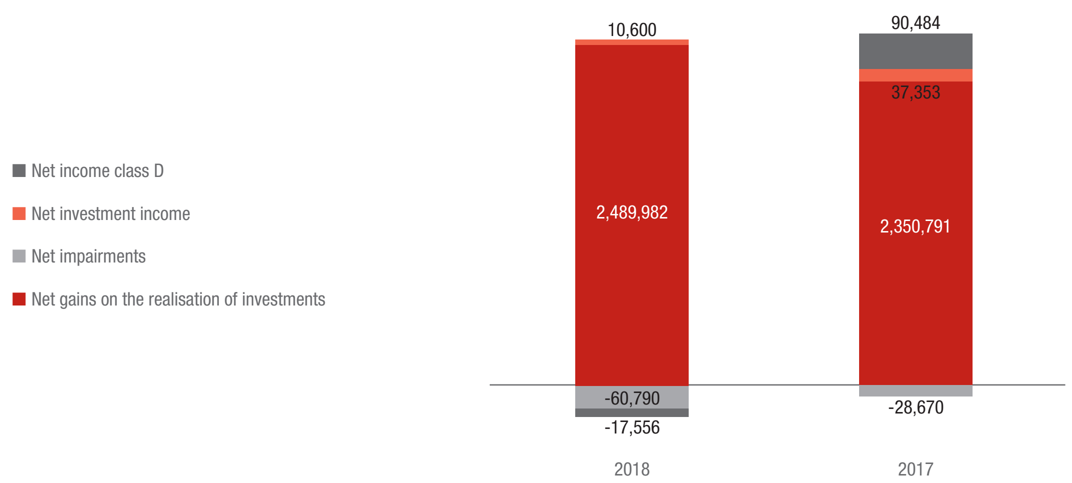
A.3. Investment performance

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 2,279,567 thousand for the year and 2,065,969 thousand in the prior year, while the result of ordinary financial operations gross of the technical interest of the life segment (amounting to 142,671 thousand for the year and 384,326 in the prior year) amounted to 2,422,237 thousand for the year and 2,450,022 thousand in the prior year.

(in thousand euro)	2018	2017
Result of the ordinary financial operations (gross of the technical interest)	2,422,237	2,450,022
minus technical interest of the life segment	-142,671	-384,326
Result of the investment operations	**2,279,567**	**2,065,696**

The result of the ordinary financial operations is described below:



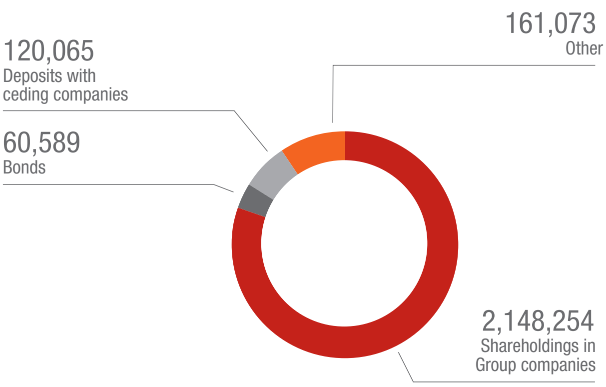
The class D net expense amounted to 17,556 thousand, down compared to the 90,484 thousand income of the previous year. The decrease is mostly due to the interest receivable on reinsurance deposits (68,889 thousand change) and, in particular, to interest related to reinsurance deposits concerning the company Generali Pan-Europe dac, transferred during the first half of 2018. The residual change can mainly be attributed to net unrealized capital losses, which amounted to 16,261 thousand compared to the net unrealized capital gains of 18,598 thousand of the previous year, for the most part on mutual fund units.

Investment adjustments, net of the gains and losses for the year, amounted to 60,790 thousand compared with 28,607 thousand in 2017. The amount mainly comes from value adjustments of bonds recognised in the short-term segment for 18,189 thousand (2,604 thousand in 2017) and in the equity segment for 16,433 thousand (3,165 thousand in 2017). The equity value adjustment concerns the company GLL GmbH & Co. Retail for a value of 9,537 thousand. The value adjustments of derivative financial instruments also contribute for 23,364 thousand (17,884 thousand in 2017), mainly regarding greater value adjustments on options and domestic currency swaps. Of note inside this time is the value adjustment of 19,175 thousand regarding the coverage of Motor TPL loss ratio on 12 Group companies (insurance linked security Horse) classified in this category because the risk subjected to the coverage is not in the insurance portfolio of Assicurazioni Generali S.p.A.

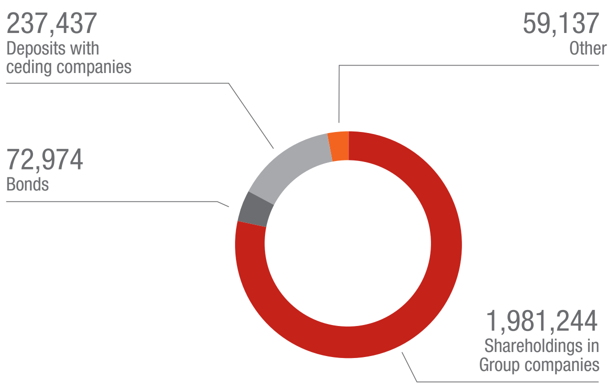
Realized gains and losses were positive for 10,600 thousand; in the previous year they amounted to 37,353 thousand. In the current year, realized gains and losses mainly arising from the closing of several positions of derivative financial instruments were recorded for 12,811 thousand and from gains on the bond portfolio for 1,155 thousand (12,653 thousand in 2017), partially offset by net realized losses on mutual fund units for 3,914 thousand (2,049 thousand in 2017). The previous year, on the other hand, was affected by the realized gains deriving from the sale of the equity stake not classified in the long-term segment in the subsidiary Guatemala Aseguradora General S.A. for 19,610 thousand.

Details of the net income from investments, totalling 2,489,982 thousand (2,350,791 thousand in the previous year), are provided below.

Net investment income 2018



Net investment income 2017



The dividends received from the companies of the Group totalled 2,148,254 thousand, an increase of 167,010 thousand compared with the previous year (1,981,244 thousand). The main income from the shareholdings is the dividend received from Generali Italia, totalling 1,000,000 thousand (in line with the previous year).

Net interest on reinsurance deposits amounted to 120,065 thousand, decreasing compared with the previous year (237,437 thousand). The decrease is to be attributed primarily to the sale of the subsidiary Generali Levensverzekering Maatschappij N.V. (negative change of 54,003 thousand) and the acceptance of reinsurance in run-off by the subsidiary Alleanza Assicurazioni S.p.A. (negative change of 58,780 thousand), which also showed lower financial returns.

Income from bonds is equal to 60,589 thousand (72,974 thousand in the previous year), of which 24,149 thousand deriving from government bonds (32,555 thousand in 2017) and 36,440 thousand deriving from corporate bonds (40,419 thousand in 2017). The decline is mainly associated with the exit of the Panama securities portfolio, in addition to the repayments of investments in short-term government bonds on the head office portfolios, whose liquidity flows were used in monetary instruments.

Other income net of other expense rose from 59,137 thousand to 161,073 thousand. The increase is mainly attributable to greater interest on loans with companies of the Group (change of 78,468 thousand) against incorporated loans following the above-mentioned merger of Generali Finance B.V. and, in particular, with the counterparties Generali Beteiligungs Gmbh and Generali Deutschland AG. The increase is also due to lower costs on derivative financial instruments (change of 6,022 thousand) and to lower tax costs on property transfers tied to the repurchase of the minority interests in the subsidiary Generali Deutschland AG, which took place in 2015 (change of 16,310 thousand).

Ordinary return on investments[1], determined on the basis of the average rate of return, therefore stands at 6.1% (5.8% in 2017).

A requested by art. 293, paragraph 3, letter (c) of the Delegated Acts 2015/35 it is stated that the investment in cartolarised securities amounted to 35,068 thousand for the year end and 41,589 for the prior year.

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)	2018	2017
Other ordinary income and charges	-1,227,606	-1,232,701
Extraordinary income and charges	190,641	210,977
Income taxes	146,798	121,491
Performance of other activities	**-890,167**	**-900,233**

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)	2018	2017
Interest expenses on financial debt	-768,591	-714,768
Allocation to non technical provisions	-30,003	10,878
Holding expenses	-365,212	-351,705
Amortisation of intangible assets	-15,950	-20,198
Other	-47,850	-156,907
Total	**-1,227,606**	**-1,232,701**

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 31/12/2018 and 31/12/2017

A discussion on the items of the above table is provided below, with exception made for the interest expenses on financial debt that is specifically discussed in the next section.

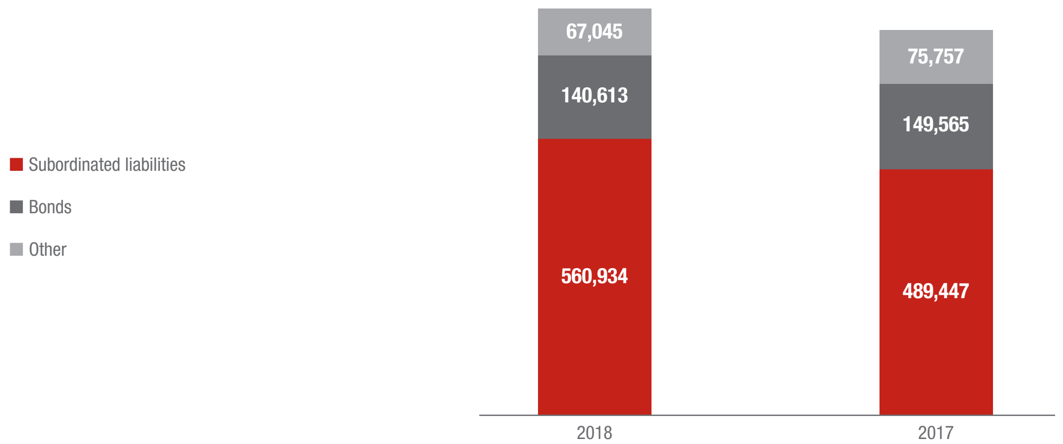
The net expense resulting from the allocations to provisions for other future risks and charges amounted to 30,003 thousand, compared to the net income of 10,878 thousand of the previous year. This change is to be attributed to:

- net expense tied to the allocation of the solidarity provision (INPS Circular number 56 of 10 March 2015) for 13,469 thousand (expense of 773 thousand in 2017);
- net expense relating to allocations to the provision for other future risks and charges, which amounted to 20,203 thousand, mostly related to the transfer of the insurance portfolio of the Japanese branch (10,773 thousand) and the opening of the Luxembourg branch (10,928 thousand).

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 365,212 thousand, up versus the same figure of the previous year (351,705 thousand). The increase is mainly due to costs borne for the M&A activities carried out during the year.

As for the remaining items of the table, the item Other improved by 109,057 thousand. Please note that the exchange rate trend led to a charge of 7,548 thousand (charge of 111,164 thousand in 2017). This impact is intrinsic in the business model of the Company, which operates in foreign currencies in both managing shareholdings and in the insurance and reinsurance business carried out by the Head Office structure and the foreign branches. The negative impact of the previous year was primarily linked to the net exposure in Chinese Renminbi, Swiss Francs and Brazilian Reals which were depreciated against the Euro respectively by 6.7%, 9.2% and 16%.

Interest expenses on financial debt



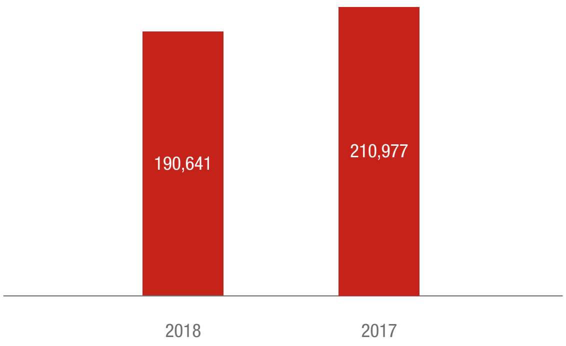
Interest expense on the financial debt of the Company amounted to a total of 768,591 thousand, an increase from 714,768 thousand in 2017.

The increase is attributable to the interest on subordinate liabilities (from 489,447 thousand in the previous year to 560,934 thousand), mainly against the loan taken over by Assicurazioni Generali following the incorporation of Generali Finance B.V..

As a partial offset, a decrease of the interest on debenture loans was recorded (from 149,565 thousand in 2017 to 140,613 thousand) due to a partial early repayment of the principal of the debenture loan falling due in December 2020.

The interest paid on other loans decreased (67,045 thousand compared to 75,757 thousand in 2017) by virtue of the lower interest rate to pay on the new positions compared to those paid back during the year, whose effect is greater than the increase in overall debt exposure.

A.4.3. Extraordinary income and charges



The results from extraordinary operations are positive, at 190,641 thousand (210,977 thousand in the previous year).

Mainly contributing to the formation of this result are the realized gains coming from the transfer of the Panama branch (77,459 thousand) and of the shareholdings in the following companies: Generali PanEurope dac (120,667 thousand), Generali Colombia Seguros Generales S.A. and Generali Colombia Vida - Compañia de Seguros S.A. (13,896 thousand), Assurances Maghrebia S.A. and Assurances Maghrebia Vie S.A. (4,911 thousand), Sara Assicurazioni (12,243 thousand).

This result is partially offset by the income tax costs relating to prior years for 30,434 thousand (19,228 thousand income in 2017) in connection with the supplementary returns submitted during the year.

What primarily affected the result of the previous year were the realized gains deriving from the transfer of the Non-Life portfolio in run-off of the London and New York branches for 195,625 thousand.

A.4.4. Income taxes

Income taxes for the year show an overall income of 146,798 thousand (121,491 thousand in the previous year). The increase is primarily due to deferred IRES taxes, which was up from 161,760 thousand in the previous year to 189,612 thousand.

Specifically, deferred IRES taxes amounted to 189,612 thousand (161,760 thousand in 2017). Taxes also include deferred IRAP taxes of 4,827 thousand (compared to a 5,470 thousand charge in the previous year), a charge for taxes due in Italy on the income of some Group subsidiaries overseas (Controlled Foreign Companies – CFC) of 21,728 thousand (10,636 thousand last year), an 855 thousand charge for other substitute taxes on contributions of real estate in real estate funds, and lastly, a charge for taxes paid abroad amounting to 25,058 thousand (24,163 thousand in the last year).

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 proposal of statutory financial statements:

(in thousand euro)	Subsidiaries	Associates	Joint ventures
Assets			
Investments	37,251,075	213,638	0
Credits and other operations	676,899	3,160	1,217
Total assets	37,927,974	216,798	1,217
Liabilities			
Financial liabilities	4,779,159	0	0
Tecnical provisions	5,855,898	5,956	1,268
Other debits and liabilities	2,044,070	10	106
Total liabilities	12,679,127	5,966	1,374
Incomes and charges			
From transactions with ceding companies (1)	261,961	16,639	507
Net incomes from investments (1)	2,274,307	-10,427	0
Other incomes and charges	-56,866	0	0
Extraordinary incomes and charges	137,823	4,911	0

(1) The interests from deposits with ceding companies are include in the item “Incomes and charges from transactions with ceding companies ”instead of item“ net.

Transactions with the Group companies are part of the usual activities of management of investments and management and coordination, management of the capital structure and Group reinsurance and are subject to the specific control discipline by the Supervisory Authority (IVASS). No atypical transactions have been carried out with respect to the normal business of the company.

As part of the shareholdings management activities, the principal balances can be found on the balance sheet among the investments and on the side of the income statement under net income from investments, mainly with regard to dividends received. Dividends received from Group companies totaled 2,148,254 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 liquidity management: the direct pooling agreements allowed the deposit, as of 31 December 2018, in Assicurazioni Generali SpA of 1,846,957 thousand. The main counterparties are Generali Beteiligungs GmbH for 1,364,812 thousand, Generali Global Private Equity for 118,981 thousand, Generali Versicherung AG for 100,040 thousand, Generali France SA for 70,070 thousand, Generali España, S.A. de Seguros y Reaseguros for 66,170 thousand, GSS – Generali Shared Services Scarl for 34,484 thousand, Lion River I NV for 27,070 thousand, Generali Real Estate SGR SpA for 27,040 thousand, Generali Real Estate S.p.A. for 15.705 thousand, Generali Italia SpA for 10,659 thousand, Participatie Maatschappij Graafschap Holland NV for 9,448 thousand, Generali CEE Holding B.V. for 2,156 thousand and Generali Asia N.V. for 312 thousand. On the other hand, the Company has a credit position of 118,619 thousand, of which 99,998 thousand towards Generali VIE S A. and 18,619 towards MyDrive Solutions Ltd. Interests due amount to 3,101 thousand, while interests income amount to 57 thousand;
- financial investments and liabilities, net investment income and other charges in relation to the management of loans received and granted: at 31.12.2018

the Company has outstanding loans to Group companies for 1,556,903 thousand towards Generali Beteiligungs GmbH., for 1,187,500 thousand towards Generali Italia SpA, for 313,997 thousand towards Generali Deutschland AG, for 37,500 towards Generali Schweiz Holding AG, for 26,243 thousand towards Europ Assistance Holding SA, for 7,000 thousand Generali Vitality Gmbh and for 2,785 towards CNM Global INC. On the liabilities side, there are loans from group companies to the following counterparties: Participatie Maatschappij Graafschap Holland N.V. for 3,678,778 thousand, Generali Versicherung Ag for 652,581 thousand, Generali Deutschland Holding for 128,800 thousand, Cosmos Leben for 110,000 thousand, AachenMünchener Leben for 59,000 thousand, Generali Investments SpA for 55,000 thousand, Transocean Holding Corporation for 40,000 thousand, Redoze Holding for 28,000 thousand, UMS Immobiliare Genova SpA for 27,000 thousand and Verorgungskasse AM GD for 1 thousand. Interests income has been recognized for 158,113 thousand, mainly attributable to Generali Italia S.p.A. (62,334 thousand) and Generali Beteiliguns GmbH (77,525 thousand) and interest exenses for 67,045 thousand, mainly related to Participatie Maatschappij Graafschap Holland N.V. (54,551)

- 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;

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 expenses deriving from the payments to pension funds of the Company’s employees and managers amount to 10,898 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 Fin. Priv. Srl for 14,352 thousand.

With regard to Art. 18 of the Procedures on transactions with related parties approved by the Board of Directors in 2018, 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 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 yearly financial statements as at 31 December 2018.

The Board of Directors has all managing powers to pursue 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 (*direttore generale*), 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 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 key 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 and the corporate interest and substantial fairness of their terms. The committee also issues opinions on the review of Related-Party Transactions Procedures.
- Corporate Governance and Social & Environmental Committee. The committee is composed of 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 applicable 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 and the General Manager (if appointed). As to social sustainability, the GSC is required to express its opinion, among the others, on the reporting methodology of non-financial information and the non-financial statement as well as on the Charter of Sustainability Commitments, and on other components of the environmental 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 advisory, recommendatory and preparatory tasks for the Board of Directors and the Group CEO, within the limits of their respective powers, on transactions of strategic importance for the Group and on investments. Specifically, 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 periodic analysis of the investment policies, the main operational guidelines and the corresponding results, assessing their adequacy, in order to advise the Group CEO on proposed changes for submission 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 the Corporate Governance and Social & Environmental Committee, when taking decisions related to the size and composition of the Board of Directors and to 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 fees to the Managing Director and Group CEO, the General Manager (direttore generale, if appointed), the Chairman of the Board of Directors, the other Directors and Statutory Auditors, and, after consulting the Group CEO, holders of internal positions in the Company and the Group that carry membership of the GMC. The committee submits proposals and formulates opinions to the Board of Directors on the setting of performance targets correlated with the variable component of the remuneration of executive directors and other directors holding particular offices and verifies whether those targets have been met. Lastly, 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 subsidiaries.

Key functions

The Company has adopted an internal control and risk management system based on three lines of defence: operational functions, second-line key functions (actuarial, compliance and risk management) and third-line key 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 key functions is to continuously 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 key 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.

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

The results of the activities of key 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 key 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 provides, 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 the related risk guidelines;
- develops and maintains the Partial Internal Model (PIM) of the Group to calculate the Solvency Capital Requirement;
- proposes risk tolerances aimed at ensuring business management consistent with the risk appetite established within the Risk Appetite Framework approved by the Board of Directors;

- monitors the implementation of the risk management policy and the overall risk profile. Specifically, monitoring of the investment limits defined in the Group Investments Risk Guidelines and those defined in the "Delibera Quadro sugli Investimenti" adopted in compliance with IVASS Regulation n.24/2016 is foreseen;
- supports the integration of the risk dimension in business processes;
- informs the Board of Directors and the Senior Management on the risk profile development;
- reports any violations of the limits based on the processes defined and regulated by the policies and guidelines for each category of risk;
- defines the outcome of risk assessments, reports the risks identified as most significant and prepares the Company's Own Risk and Solvency Assessment (ORSA) Report on an annual basis (and more frequently in case of significant changes to the risk profile);

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

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 Board of Directors also through the Control and Risk Committee.

At least twice a year, the Group Compliance Officer submits to the Board of Directors a report containing a summary of the assessment of the Company's exposure to the non-compliance risk, the main activities carried out and any critical issues identified. Once a year, the Group Compliance Officer proposes the annual plan of the processed activities taking into account the results of the non-compliance risk assessment process (compliance risk-assessment). The plan is approved by the Board of Directors.

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 to the Board of Directors for the Solvency II key function activities and to the Chief Financial Officer.

Group Audit

The internal audit function is performed by Group Audit, which is responsible for the evaluation of the adequacy and effectiveness of the internal control system and of all other elements of the system of governance.

In particular, Group Audit 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 development of a business climate favorable 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 provides the Board of Directors with the results and recommendations concerning the activities performed and indicates the corrective actions to be taken in case malfunctions and issues have been detected. The Board of Directors determines the actions to be taken with respect to each issue and ensures that these actions are carried out. Furthermore, Group Audit is responsible to inform the Board of Directors and management about the situations of significant risk exposure of the organization and weaknesses in control systems (including risks of fraud or mismanagement in corporate governance).

The Head of Group Audit does not depend from any operating area and reports directly to the Company's Board of Directors.

Significant changes to the system of governance in 2018

The significant changes to the system of governance in 2018 are mainly those described below:

- in February, the Regulation of the Board and its internal committees has been modified to update the competences of the Board of Directors, of the Corporate Governance and Social & Environmental Committee and of the Risk and Control Committee in connection with non-financial declaration draft in accordance with the legislative decree 254/2016, as deriving from the changes in the regulations;
- in May, in light of the new regulatory framework, the Board of Directors revoked the Board resolution dated May 14, 2014 through which Maurizio Basso was appointed as Delegato del titolare to privacy purposes and it appointed, with immediate effect, Maurizio Basso as the Company Data Protection Officer;
- in July, the Board of Directors has approved the new organizational structure of the Group, giving relevance, among the others, to the GMC membership end to the new roles of the General Manager and the CEO of International, appointing Frédéric De Courtois and Jaime Anchùstegui respectively, and removing the corresponding roles of Group Chief Operations & Insurance Officer and CEO of GBL & International;
- in July, the Board of Directors has appointed Cristiano Borean as Group CFO and Manager in charge of Preparation of the Company's Financial Reports, replacing the former holder, Luigi Lubelli;
- in November, the Board of Directors has appointed Anna Pieri as Head of the Group Actuarial Function as of January 1, 2019, replacing the former holder, Salvatore Colotti;
- in December, the Regulation of the Board and its internal committees has been newly modified to comply with the rules provided by the IVASS Regulation 38/2018.

General principles of the remuneration policy

For 2018, the Company adopted a remuneration policy which targets members of the Board of Directors, including the Managing Director/Group CEO, the members of the Group Management Committee, and others directly reporting to the Managing Director/Group CEO and the Board of Directors with a significant impact on the Group's risk and strategic profile, the heads of the key functions (i.e. Key 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 responsibilities assigned and the 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 Group results, behaviour and values;
- clear governance and compliance with the regulatory framework.

The remuneration package of the recipients of the remuneration policy consists of a fixed remuneration, a variable remuneration, and fringe benefits, structured in order to ensure a fair balance between these different components. 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 remuneration remunerates the role held and responsibilities assigned. It also takes into account the experience of the individual in question, the skills required, and the contribution to achievement of business goals.

The variable remuneration is composed by annual and deferred incentive plans that are designed to motivate the management to achieve business goals by creating a direct link between incentives and financial and non-financial goals. 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 non-executive Directors (other than the Managing Director/ Group CEO)

For 2018, the remuneration policy provided for all non-executive Directors (independent and not independent) 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 disease, as well as healthcare and business and personal use of a company car with driver.

Remuneration policy for the Managing Director/Group CEO and the managers with strategic responsibilities

For 2018, the Managing Director/Group CEO, the other managers with strategic responsibilities (members of the Group Management Committee, others reporting directly to the CEO and of the Board of Directors 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 an annual and a deferred 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 financial and non-financial performance objectives.

The Short Term Incentive (STI) plan provides for the assignment of an annual cash bonus, comprised between 0% and 200% of the individual baselinew[2], 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 Regulatory Solvency Ratio equal to 120% 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, efficiency, business transformation & strategy acceleration 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 Regulatory Solvency Ratio equal to 120%;
- 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 ex ante in order 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 willful 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 clawback if the performances considered should later be found to be unsustainable or ineffective as a result of willful 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.

2 Baseline represents the amount of individual variable remuneration to be paid out in case of achievement of results at a target level.

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

The remuneration package for the heads of Key Functions (i.e. Key functions: Internal Audit, Risk Management, Compliance and Actuarial function) and their first reporting line managers consists of a fixed and variable remuneration and fringe benefits. The fixed remuneration is established according to the level of the responsibilities and duties assigned, it is suited to guarantee the independence and autonomy required for these roles. The variable remuneration is linked to the participation in a specific deferred monetary incentive plan whose goals have a multi-year timeframe that relates exclusively to the effectiveness and quality of controls. excluding any form of variable compensation linked to economic KPIs and financial instruments which may give rise to conflicts of interest.

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 2018

In 2018, no significant transactions were performed involving shareholders, individuals or entities 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 key 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:

a) 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;
b) business strategy and business model, meaning a detailed understanding of the company's business strategy and model;
c) 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;
d) 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;
e) 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.

As a general rule, the management and personnel of the key 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.

3 For the Board of Directors, please refer to article 76 of the Code of Private Insurance, article 3 of Economic Development Ministry Decree no. 220 of 11 November 2011 as well as article 36 of Legislative Decree no. 201 of 6 December 2011
4 For the Board of Director and Group CEO, please refer to article 76 of the Code of Private Insurance, article 5 of Economic Development Ministry Decree no. 220 of 11 November 2011.

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) above.

Negative information other than those listed in points (i), (ii), (ii) 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 members 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 a 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 heads of the key functions is performed by the Board of Directors, while the evaluation of the rest of the key function personnel is performed, respectively, by the head of each key 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 AG Risk Management Policy, defined in line with the Risk Management Group Policy, which is the cornerstone of all risk-related policies and guidelines. The Policy covers all risks the Company is exposed to, on a current and forward-looking basis.

The risk management system consists in the following phases:

1. Risk identification → **2. Risk measurement** → **3. Risk management and control** → **4. Risk reporting**

1. Risk identification
The purpose of the risk identification is to ensure that all material risks to which the Company is or could be exposed are properly identified. The 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 in order 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 of-ten of systemic nature, are considered.

2. Risk measurement
Identified risks are measured through their contribution to the capital requirement (for so-called quantifiable risks), complemented by other modelling techniques (for so-called non-quantifiable risks) deemed appropriate and proportionate to better reflect the Company's risk profile. Using the capital metric ensures that each quantifiable risk is covered by an adequate amount of capital that could absorb the losses incurred if the risks materialize. For SCR calculation purposes 1 in 200 years events are considered.

The capital requirement is calculated by means of the Partial Internal Model (PIM[6]) for financial, credit, life and non-life underwriting risks. Operational risks are meas-ured 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 Company's risks are managed in line with the "risk appetite" defined by the Board of Directors (BoD) within the Group's Risk Appetite Framework (RAF). The RAF defines the level of risk considered acceptable in conducting business and provides the overall framework for embedding risk management into business processes. In particular, the RAF includes the risk appetite statement, risk preferences, risk metrics, tolerance and target levels.

The RAF statement is complemented by qualitative assertions (risk preferences) supporting the decision-making processes as well as by risk tolerances providing quantitative boundaries to avoid excessive risk-taking, as well as by a target operating range to provide indications on the solvency level at which the Company aims to operate. Tolerance and target levels are referred to 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 processes to be applied in case of risk tolerance breaches. Should an indicator approach or breach the defined tolerance levels, escalation mechanisms are activated.

Further details on underwriting, investment and operational risks' management are provided in sections C.1., C.2., C.3., C.4. and C.5., respectively Underwriting Risk, Market Risk, Credit Risk, Liquidity Risk and Operational Risk.

4. Risk reporting
The purpose of risk reporting process is to keep business Functions, Senior Management, BoD and the Supervisory Authority informed on an ongoing basis on the development of the risk profile, the trends of the single risks and about the breaches of risk tolerances.

The ORSA Report, including current and forward-looking risk assessment, is prepared on annual basis.

The main risk reporting tool, being the ORSA Report, is further described in section B.3.3..

Risk Management Function
The Risk Management Function supports the BoD and Senior Management in ensuring the effectiveness of the risk management system and provides advice and support to the main decision-making processes (in particular for the strategic planning process, the strategic asset al-

5 More details on emerging risk definition are provided in section C.6..
6 In the document the terms "Model", "Internal Model", "Partial Internal Model" and "PIM" are equivalent.

location, the product development process, as well as for extraordinary operations).

In terms of risk governance, a description of how the abovementioned Risk Management Function is implemented and integrated into the organizational structure and the underlying decision-making processes is provided in section B.1. General information on the system of governance.

B.3.2. Internal model framework

Internal model governance

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

Governance and processes regarding the PIM 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 the model 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, Group Internal Model Change Policy has been also defined with the aim to specify 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 Group Chief Risk Officer (GCRO) in the decision making on PIM developments or model changes and to control the full model lifecycle, assuring proper compliance with the Group Internal Model Governance Policy. This Committee is chaired by the Model Design Authority, responsible for ensuring the overall consistency and reliability of the PIM.

The GCRO 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 GCRO is also responsible for defining the methodology of each model component, on the basis of the Internal Model Committee's proposals, as well as for the results production, and ultimately for submitting the relevant Internal Model supporting documentation to the BoD.

The BoD, 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 material changes have occurred during the period with reference to the PIM governance.

Internal model validation

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

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

The validation output is designed to support Senior Management and BoD in understanding the appropriateness of the Internal Model, including improvement areas where PIM presents weaknesses and limitations, especially with regards 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 Internal Model.

Within the validation activities, the results obtained during previous validation cycles are also taken into account, as well as developments within internal and external business environment, financial market trends and PIM changes. The Internal Model validation process excludes those aspects already covered by the assurance work of the Actuarial Function (i.e. technical provisions and related IT systems, actuarial platforms and their governance).

Furthermore, the validation procedures also serve as an incentive mechanism to ensure timely and accurate incorporation of PIM modelling 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 carried out periodically and when requested by the BoD, Senior 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) process is to provide the assessment of risks and of the overall solvency needs on a current and forward-looking basis.

The ORSA Report includes the assessment of the solvency position based on the Strategic Plan. The ORSA process includes the assessment of all risks, quantifiable and not in terms of capital requirements (e.g. liquidity risk). Within the ORSA process, stress tests and sensitivity analyses are also performed to assess the resilience of the solvency position and risk profile to changed market conditions or specific risk factors. This process is coordinated by the Risk Management, supported by other Functions for what concerns own funds, technical provisions and other risks.

The ORSA Report, documenting the main results of this process, is produced on an annual basis. A non-regular ORSA Report can also be produced in case of significant changes of the risk profile. The ORSA Report is reviewed by Group Compliance Function. The ORSA Report is also reviewed by Senior Management and, after discussion and approval, by the Board of Directors of Assicurazioni Generali S.p.A., assisted by the Risk Control Committee, submitted to the Supervisory Authority.

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 on an ongoing basis, 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 is 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. According 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 organisational 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 functions 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 Senior Management and the Board of Directors with an integrated view, also forward-looking, of the operational and compliance risk able to support the decision of strategic planning and perform an overall evaluation 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 function is responsible, for the major relevant risk, for delivering the compliance programme promoting training sessions for employees, the issuance of internal regulations 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 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 of Directors with analysis, appraisals, recommendations and information concerning the activities performed; it also carries out assurance and advisory activities for the benefit of the Board of Directors, 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. These mandatory guidelines constitute the key requirements for the internal audit professional practice and for the evaluation of the effectiveness of the audit activity itself.

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, enabling the sharing of relevant information necessary for the performance of their respective responsibilities.

To prevent the occurrence of potential conflicts of interest, the Head of Group Audit allocates tasks and sets goals within the function in promoting rotation of duties and responsibilities within the team.

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

At least annually, the Head of Group Audit proposes to the Risk and Control Committee of Assicurazioni Generali an Internal Audit Plan before the submission to the Board of Directors for approval.

The Plan is developed using a risk-based methodology in order to prioritize the audit universe, taking into account all the activities, the complete system of governance, the expected developments of activities and innovations and including inputs from Top management and the Board. The planning takes into account 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 are included. The Head of Group Audit communicates the impact of any resource limitations and significant interim changes to the Board of Directors.

The Plan is reviewed and updated at least every six months in response to changes occurred in the organization's business, risks, operations, programs, systems, controls and findings.

Where necessary, Group Audit may carry out activities, which are not included in the Plan.

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 indicates the findings regarding the efficiency and suitability of the internal control system based on their relevance, 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 findings identified and the agreed deadlines for the implementation of these corrective actions.

While the responsibility for addressing issues raised remains within business management, the Group Audit is responsible for implementing appropriate follow-up activities on issues and their corresponding remedial actions.

The Head of Group Audit, at least every six months, provides the Board of Directors with a report on activities and significant findings 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 works with other key 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 activities compliance conformance with the Group Audit Manual, Core Principles for the Professional Practice of Internal Auditing, 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 and validate 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 function and their results, clearly identifies any deficiencies and recommends how such deficiencies should be remedied.

The function is provided with a number of resources proportionate to the nature, scale and complexity of the assigned 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 responsibilities.

B.7. Outsourcing

Assicurazioni Generali S.p.A 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 the 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 aimed at:

- Identifying the main processes to comply with both 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, Distribution 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.

D.8. Any other information

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 2018, this assessment was carried out in March, as to the second half of 2017, and July, as to the first half of 2018. In both cases, the assessment outcomes have been positive.

C. Risk Profile

C.1. C.1. Underwriting risk

C.1.1. Life underwriting risk

Risk exposure

The Company is exposed to life underwriting risk deriving from indirect business, as it operates as the main reinsurer of Group companies, and from direct business mainly performed through the foreign branches operating in the United Kingdom (UK), Hong Kong and Dubai.

The life portfolio is given by traditional products, which mainly includes savings products, pure risk and health covers, and annuity portfolios.

Life underwriting risks can be distinguished in 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. Policy lapse is the main contractual option held by the policyholders, together with the possibility to reduce, suspend or partially surrender 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 the significant uncertainty of pricing and provisioning assumptions related to extreme (pandemic risk) or irregular events;
- longevity risk that, similarly to mortality, is defined as the risk resulting from changes in mortality rates, where a decrease in mortality rates leads to an increase in the value of insurance liabilities;
- disability and morbidity risk derives from changes in disability, sickness, morbidity and recovery rates[7];
- lapse risk is linked to the loss or adverse change in liabilities due to a change in the expected exercise rates of policyholder options. The relevant options are all legal or contractual policyholder rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse. Mass lapse events are also considered;
- expense risk derives from changes in expenses incurred in servicing insurance or reinsurance contracts;
- health risk is specifically related to health insurance coverage and includes the health risk related to catastrophic events.

Risk measurement

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

Capital requirements for life underwriting risks are calculated on the basis of the difference between the insurance liabilities before and after the application of the stress.

Life underwriting risk is measured by means of the PIM, in line with the measurement adopted last year.

Capital requirement for life underwriting risk amounts to 211,995 thousand Euro before diversification (231,263 thousand Euro as at YE2017), and to 51,956 thousand Euro after diversification with other risks (51,165 thousand Euro as at YE2017). There are no significant changes compared to previous year.

Life underwriting risk contribution to the risk profile after 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.

7 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.

Risk management and mitigation

Life underwriting risk management inherent to direct business is based on the product pricing process. This process consists of setting product features and assumptions regarding expenses, biometric and policyholders' behavior assumptions as to manage any adverse impact in the realization of these assumptions.

Part of life underwriting risks are reinsured 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 Actuarial **Function Policy and related guidelines.**

No transfers of life underwriting risks to Special Purpose Vehicles (SPVs) are reported at YE2018.

Risk concentration

No significant risk concentrations within life underwriting risks are to be reported.

C.1.2. Non-life underwriting risk

Risk exposure

The Company is exposed to non-life underwriting risk mainly deriving from indirect business, as it operates as the main reinsurer of Generali Group companies, and from direct business underwritten through the foreign branches (mainly United Kingdom (UK), Hong Kong and United States) within corporate & commercial and employee benefits segments.

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. extreme or 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 earthquakes in Italy and to 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.

Non-life underwriting risk is measured by means of the PIM, in line with the measurement adopted last year.

Capital requirement for non-life underwriting risk amounts to 785,236 thousand Euro before the diversification (786,763 thousand Euro as at YE2017) and 328,145 thousand Euro after the diversification with other risks (332,086 thousand Euro as at YE2017).

Compared to the previous year, a reduction of catastrophe risk is observed, due to the reduction in the indirect business of the Group companies (mainly Generali Italia) towards AG and to the increase in the capacity of retrocession treaties to cover catastrophe risks.

Non-life underwriting risk contribution to the risk profile after diversification remains limited, given the nature of Assicurazioni Generali S.p.A., whose balance sheet is mainly composed by investments in participations.

Risk management and mitigation

Reinsurance is the key risk mitigation technique for the non-life portfolio. It aims to optimize the use of risk capital by ceding part of the underwriting risk to selected counterparties, whilst simultaneously minimizing the credit risk associated with such operations. The Company's non-life reinsurance strategy is embedded into the broader Group strategy and 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 a tool for mitigating non-life catastrophe risk.

However, with the purpose to optimize the reinsurance treaties and to continuously develop know-how in the most innovative risk transfer techniques, part of the Italian earthquake and European windstorm/flood exposures were placed in the more competitive Insurance-Linked Securities (ILS) market thus guaranteeing the optimization of the overall pricing.

During 2018, the Company has adopted alternative risk transfer solutions which are analysed on an ongoing basis. In line with last year, in addition to traditional reinsurance, a further protection has been placed to reduce the impact of an unexpected high Loss Ratio for the Group Motor Liability portfolio. In particular, such transfer represents a partial transfer of pricing risk to the Special Purpose Vehicle (SPV) called Horse.

The process described and the regular assessment performed on an annual basis enable to confirm the adequacy of the risk mitigation techniques. The operational limits proposed by the P&C, Claims and Reinsurance Functions are validated by the Risk Management Function which is also responsible for measuring, monitoring and preparing the risk profile reporting.

Risk concentration

Further limits, related to the management of risk concentrations deriving from the reinsurance and underwriting business performed at Group level, have been defined in the Risk Concentrations Management Group Policy.

C.2. Market risk[8]

Risk exposure

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.

In addition to the equity risk driven by participations, 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.

The Company is also exposed to the risk of interest rate changes, arising from investments in bonds, and to the 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. Additional risks the Company is exposed to are property risk and concentration risk.

Risk measurement

Financial risk is measured by means of the PIM, in line with the measurement adopted last year.

Capital requirement for financial risk amounts to 15,848,315 thousand Euro before the diversification (16,425,343 thousand Euro as at YE2017), 15,783,683 thousand Euro after the diversification with other risks (16,377,730 thousand Euro as at YE2017). The decrease in financial risks with respect to the previous year is mainly attributable to the equity risk and derives from the reduction of the value of participations in subsidiaries.

Risk management and mitigation (Prudent Person Principle)

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 (SAA) 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 regulations, maximizes the investment contribution to value creation, taking into account solvency, actuarial and accounting indicators.

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 the liabilities. This selection process aims to guarantee the security, quality, profitability and liquidity of the overall portfolio, providing an adequate diversification of the investments.

The aim of ALM&SAA is to optimize a risk-return profile over a predefined 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 redefining the target weights for the different assets classes, duration and the related tolerance ranges expressed in terms of investment limits. This technique contributes to an appropriate mitigation of financial risks.

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

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

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'). Risk Management also coordinates the reporting on compliance with the limits set and on the derivatives exposure.

The Company uses derivatives with the aim of mitigating the risk of the asset and liability portfolios. The derivatives help the Company to improve the quality, liquidity and profitability of the portfolio, according to the Strategic Plan.

Operations in derivatives are governed by the Company Investment Policy approved by the BoD pursuant to IVASS Regulation n. 24/2016. In this context, the Risk Management Function prepares a specific report on a quarterly basis. The Report describes the exposure in derivatives distinguished by purpose and portfolio aiming at providing the BoD with an overall view of the current exposure in derivatives (in terms of derivative type , notional, market value, type of risk subject to hedging, transaction objective and counterparties) as well as individual transactions carried out in the reference period (new transactions, positions lapsed during the period).

Operations in derivatives of Assicurazioni Generali S.p.A. are mainly focused on hedging either Company or Group risks (in these operations the risk being mitigated is not directly related to the Company but to other Group companies and the role of Assicurazioni Generali S.p.A. is to centrally manage the risk mitigation strategies).

No transfers of financial risks to Special Purpose Vehicles (SPVs) are reported at YE2018.

Risk concentration

The concentration towards an individual issuer (meant as ultimate) is managed through maximum exposure limits established by both the Company Investment Policy and by the Group Investments Risk Guidelines. These limits depend on the rating assigned to the issuer (so-called ultimate rating) and are calculated considering the overall exposure (with respect to the total portfolio) regardless of the asset class. This structure is integrated by specific diversification limits for each issuer calculated exclusively on equity exposure. In addition, as defined in the Risk Concentrations Management Group Policy, bonds of a single issuer can only be underwritten up to the maximum value of the overall debt of the same issuer (the same applies to equity securities with respect to the issuer's share capital).

The concentration by commodity sector, by geographic area and by currency is managed through a set of specific limits provided by the Company Investment Policy. Details about limits and/or prohibitions, with reference to the geographic area, are also provided in the Group Investments Risk Guidelines.

In line with the criteria defined by the Company Investment Policy and by the Group Investments Risk Guidelines, the concentration risk, measured with the PIM, is not material for the Company in 2018.

Sensitivity analysis

The Company has conducted sensitivity analysis on the main risk factors, which include increases and reductions in the interest rates (+/- 50 bps), regulatory update of the long-term interest rates planned by EIOPA during 2019 (so-called ultimate forward rate, -15 bps for the EUR curve) and equity shocks of 25%. In these cases, the Company's solvency position showed the following variations:

- +1.0 percentage points in case of increase of interest rates by 50 bps;
- -1.3 percentage points in case of decrease of interest rates by 50 bps;
- -0.2 percentage points in case of the regulatory update of the ultimate forward rate planned by EIOPA during 2019;
- +3.0 percentage points in case of increase of equity price by 25%;
- -2.2 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

Risk exposure

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

Credit risk includes:

- spread widening risk, defined as the risk of adverse changes in the market value of debt security assets. Spread widening can be linked either to the market's assessment of the creditworthiness of the specific obligor (often implying a decrease in rating), or to a market-wide systemic reduction in the price of credit assets;
- default risk, defined as the risk of incurring in losses because of the inability of a counterparty to honor its financial obligations. This risk includes both the default on bond portfolio and the default of counterparties in cash deposits, risk mitigation contracts, such as reinsurance, and other types of exposures subject to credit risk.

Risk measurement

Credit risk is measured by means of the PIM, in line with the measurement adopted last year.

Capital requirement for credit risk amounts to 1,332,505 thousand Euro before the diversification (1,089,184 thousand Euro as at YE2017), 880,090 thousand Euro after the diversification with other risks (741,990 thousand Euro as at YE2017). The increase is due to the spread risk, arising from the increase in exposures to intra-group loans, following the merger of Generali Finance into Assicurazioni Generali S.p.A..

The SCR calculated based on Solvency II does not include the allowance for credit risk on Italian government bonds, nor does it reflect any benefit from the Stochastic Volatility Adjustment.

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 Risk Management Group Policy[9]. 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 has to be 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 internal credit rating assignment system at counterparty level is based on the evaluation of quantitative metrics and qualitative elements. The risk elements that are considered, among others, are referred to the assessment of the riskiness of the sector to which they belong, of the country in which the activities are carried out and of the controlling group, where present. At financial instrument level, instead, the risk of its issuer is one of the main elements considered, including the peculiarities of the instrument itself.

As for the financial risk, the monitoring of credit risk is in line with the Group Investments Risk Guidelines and with the Company Investment Policy. A specific reporting on the compliance with limits defined and on derivatives' exposures is also in place.

Further limits, related to the management of risk concentrations in investments and exposures to reinsurance counterparties, are defined in the Risk Concentration Management Group Policy.

Risk management and mitigation (Prudent Person Principle)

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

The ALM&SAA process already described in the previous section also applies 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 risk diversification is encouraged.

9 In January 2019 the Risk Management Policy of Assicurazioni Generali S.p.A. has been approved.

The most important strategy for the mitigation of credit risk used by the Company is, as for financial risks, the application of a liability-driven SAA. The Company actively manages counterparty default risk by also using a collateralization 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. The collateralisation strategies with counterparties in derivatives are governed by specific Credit Support Annexes (CSA), which regulate in detail the so-called marginalization of the collateral, ensuring that it is updated on a daily basis to the required levels of protection.

No transfers of credit risks to Special Purpose Vehicles (SPVs) are reported at YE2018.

Risk concentration

As regards the concentration of credit risk, please refer to section C.2. Market risk.

Sensitivity Analysis

The Company has conducted sensitivity analysis on the following 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:

- +1.2 percentage points in case of spread widening on Italian government bonds (BTP) by 100 bps (it is to be noted that at YE2018, in case of a spread increase on Italian government bonds by 100 bps, the "Country IT" component of the Volatility Adjustment would be activated);
- -0.9 percentage points in case of spread widening on corporate bonds by 50 bps.

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

C.4. Liquidity risk

Esposizione al rischio

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

The Company's liquidity risk profile derives from cash flows related to operating activities, dividend policy, financing and investing activities.

The operating activity generates cash flows related to the direct insurance business, reinsurance activities towards Group companies and subsequent cessions to external reinsurers, in addition to administrative expenses and taxes.

The liquidity sources not related to the Company's operating activity are the dividends received from the subsidiaries, loans obtained, interest income on loans and credits and other cash flows linked to disposals and investments.

Main liquidity uses, not arising from operating activity, are represented by the payment of dividends to shareholders, investments, repayments of loans and payment of interest expenses.

In addition to the abovementioned financial flows, the Company bears the implicit liquidity risk arising from the issuance of guarantees and commitments in favor of its subsidiaries.

Risk measurement

The expected cash flows are closely monitored, in particular through the planning and control tool called "Annual Liquidity Forecast", which includes the cash flow projection over a time period corresponding to the end of the current period, updated on a weekly basis and with a high level of detail of expected cash flows.

The Annual Liquidity Forecast for the current period is the main quantitative support for determining future cash flows, potential liquidity buffers to be held and any source of financing to be activated.

The annual valuation, based on the projection of the cash position at YE2019, shows a sufficient cash generation to meet the commitments planned for the year and more than sufficient to maintain the solid liquidity profile of Assicurazioni Generali S.p.A. without substantial changes in respect to the previous year.

Risk management and mitigation

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

Generally, within the liquidity risk monitoring and management the broader Group's perimeter is considered, in order to identify potential liquidity risks at Group companies' level. In case of potential critical issues, Group companies promptly inform the relevant Company's functions.

Assicurazioni Generali S.p.A., being the Group Parent Company, coordinates and monitors the centralized management of the Group liquidity through the Group treasury. In particular, the centralized cash pooling allows increased flexibility in transferring cash and reduces the potential risks related to short-term liquidity needs, both at company level and at Group level.

Risk concentration
Illiquid investments are regulated, both in terms of definitions and maximum limits, within the Company Investment Policy approved by the BoD.

The abovementioned limits are applied separately to the Investments and Treasury portfolio while the Participations portfolio, given its nature, is not subject to particular limitations.

The Company Investment Policy establishes further maximum limits for ultimate, commodity sector, geographic area, etc., which, although not directly related to the liquidity of the investments, can reduce, through diversification, the impact of any negative event (counterparty default, Country default, etc.).

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 Assicurazioni Generali S.p.A. life business has been calculated in accordance with the Art.260 (2) defined in the Delegated Acts and amounts to 76,518 thousand Euro at YE2018. Compared to YE2017, the decrease of EPIFP (-31%, equal to -33,750 thousand Euro) is mainly due to the termination of the treaty following the disposal of the Dutch company Generali Levensverzekering, the run-off of reinsured portfolios and the worsening of market conditions.

The amount of EPIFP for the Assicurazioni Generali S.p.A. non-life business has been calculated in accordance with the Art.260 (2) defined in the Delegated Acts and amounts to 2,292 thousand Euro at YE2018. There are no significant changes compared to YE2017.

The total amount of EPIFP is equal to 78,810 thousand Euro as at YE2018.

C.5. Operational risk

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

Risk measurement
Operational risk is measured by means of standard formula, in line with the measurement adopted last year. It is also assessed using a quanti-qualitative approach defined within a structured framework that identifies the main operational risk scenarios. Through this process the prioritisation of the actions to be undertaken and the allocation of resources to critical areas are defined.

Capital requirement for operational risk amounts to 117,099 thousand Euro at YE2018 (119,460 thousand Euro at YE2017). There are no significant changes to be reported compared to the previous year.

Risk management and mitigation
Although the ultimate responsibility for managing the risk sits in the first line of defence (so-called risk owners), 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.

Since 2015, the Group has been exchanging economic loss data related to operational risk, properly anonymized, 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 also participate. The aim is to use the data to improve the risk management and to anticipate emerging trends. In addition, since losses are collected by the first line of defence, this process contributes to create awareness among risk owners on the main risks that could actually hit the Company.

The loss data collection is integrated by the forward-looking assessments that aim to evaluate the evolution of the exposure to operational risk 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 IT (cyber risk), to market manipulation (market abuse) and abuse of a dominant position (antitrust). The assessment of these risks is stable compared to the previous year: mitigating actions have been identified and implemented to reduce the Company's exposure to these risks; these actions are also monitored in order to identify any further actions for a more effective management of these risks.

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 key partners for 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 and emerging risks are also taken into account.

Reputational risk refers to potential losses arising from a deterioration or a negative perception of the Assicurazioni Generali S.p.A. image or from increasing conflicts with policyholders (due, for example, to the poor quality of the services offered, the placement of inadequate policies and the behavior during sales, post-sales and liquidation phases).

Emerging risks arise from new trends or evolving risks which are difficult to perceive and quantify, although typically systemic. These typically refer to environmental trends (climate change), technological changes (big data), and geopolitical developments. For the identification and the assessment of these risks and to raise the awareness on the implications of the main observed trends, the Risk Management Function engages with a dedicated network, including specialists from business functions (Life & Health Insurance; P&C, Claims and Reinsurance; Investments, Asset & Wealth Management; Actuarial; Sustainability & Social Responsibility; Marketing; Strategy, etc.). The Group also participates to the Emerging Risk Initiative (ERI), a dedicated working group of the CRO Forum, which involves the CROs of the main European groups. Within ERI, emerging risks common to the insurance industry are discussed and specific studies are conducted on single risks.

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 analyses 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 analyses 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.

The ORSA process includes 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 risk factors to which it is exposed, specific assessments were conducted with reference to the following hypotheses:

- increase and decrease of interest rates by 50 bps;
- regulatory update of long-term interest rates planned by EIOPA during 2019 (-15 bps for the EUR curve);
- spread widening on Italian government bonds (BTP) by 100 bps;
- spread widening on corporate bonds by 50 bps;
- increase and decrease of equity price by 25%.

Sensitivity analysis on main risk factors

(€ thousand)	Base at 31/12/2018	Interest rates +50bps	Interest rates -50bps	Regulatory update UFR	BTP spread +100bps	Corporate spread +50bps	Equity +25%	Equity -25%
Eligible own funds	44,227,064	44,814,069	43,433,466	44,095,724	44,314,872	43,523,094	47,220,697	41,340,074
SCR	17,212,959	17,374,891	16,989,895	17,174,095	17,166,059	16,997,299	18,166,947	16,229,042
Solvency Ratio	**256.9%**	**257.9%**	**255.6%**	**256.8%**	**258.2%**	**256.1%**	**259.9%**	**254.7%**
Delta on Eligible own funds		587,004	-793,598	-131,341	87,808	-703,971	2,993,633	-2,886,991
Delta on SCR		161,933	-223,064	-38,864	-46,900	-215,660	953,988	-983,916
Delta on Solvency Ratio		**+1.0p.p.**	**-1.3p.p.**	**-0.2p.p.**	**+1.2p.p.**	**-0.9p.p.**	**+3.0p.p.**	**-2.2p.p.**

Generally, the impacts observed show that the Company's solvency position is particularly strong in the event of stress on the different 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:

- assets should be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;
- 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.

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 volume	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:
- <u>market approach</u>, 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;
- <u>income approach</u>, that converts future amounts (cash flows or income and expenses) to a single current amount, reflecting current market expectations about those future amounts;
- <u>cost approach</u>, 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.

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 ssets:
- goodwill and intangible assets;
- participations;
- deferred tax assets.

Goodwill and intangible assets

In general, 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

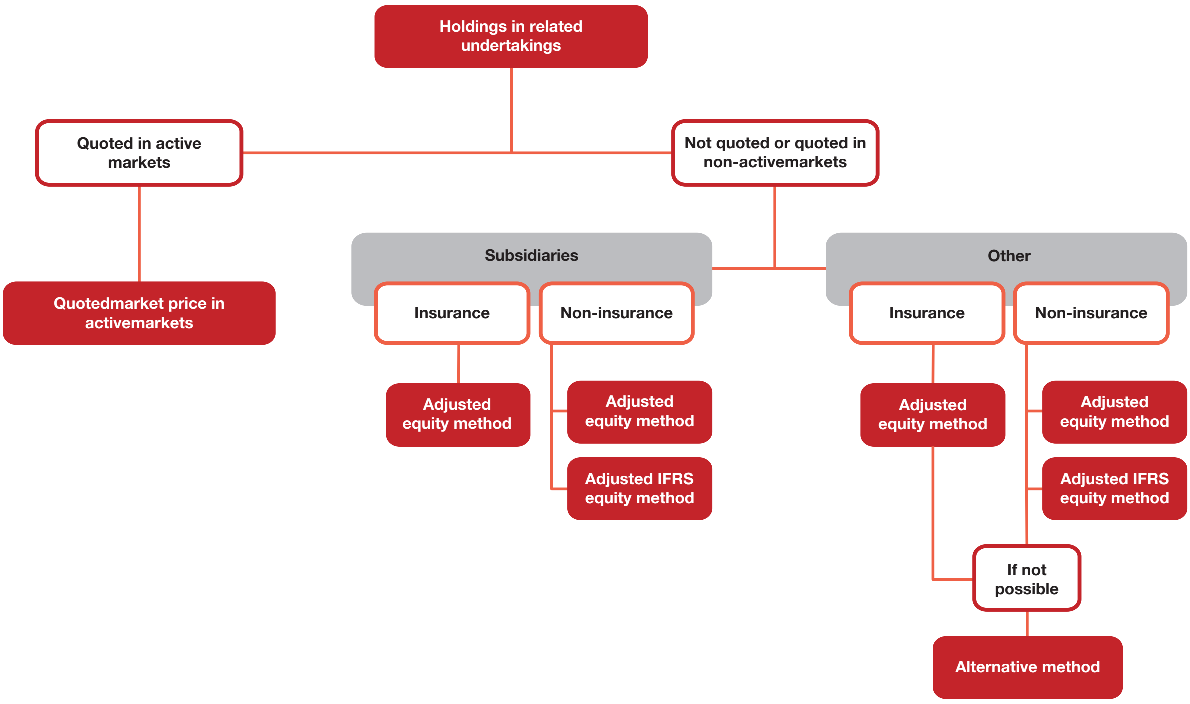
A participation is defined on the basis of the share of ownership, directly or indirectly held, or in any case by a dominant or significant influence over that company.
If the classification is based on the share of ownership, participation in an undertaking is defined by holding, directly or indirectly 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 ofctechnical 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:

- 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;
- 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:

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 31.12.2018	Solvency value as at 31.12.2018	Solvency value as at 31.12.2017	Changes between Solvency value as at 31.12.2018 and as at 31.12.2017
Intangible assets	**39,193**	**0**	**0**	**0**
Deferred tax assets	**190,007**	**520,808**	**450,443**	**70,365**
Property, plant & equipment held for own use	**4,033**	**4,436**	**8,815**	**-4,379**
Investments (other than assets held for in-dex-linked and unit-linked contracts)	**32,560,793**	**55,919,531**	**57,913,805**	**-1,994,274**
Property (other than for own use)	99,562	106,811	106,813	-2
Holdings in related undertakings, including participations	29,534,420	52,766,411	55,056,845	-2,290,434
Equities	52,505	99,598	124,576	-24,978
Bonds	1,847,376	1,913,772	2,170,389	-256,617
Collective Investments Undertakings	872,215	873,612	42,700	830,912
Derivatives	12,655	17,267	12,493	4,774
Deposits other than cash equivalent	142,060	142,060	399,991	-257,931
Assets held for index-linked and unit-linked contracts	**228,850**	**228,850**	**3,268,077**	**-3,039,227**
Loans and mortgages	**3,299,027**	**3,307,635**	**1,985,314**	**1,322,321**
Deposits to cedants	**5,342,732**	**5,268,837**	**7,158,957**	**-1,890,120**
Insurance and intermediaries receivables and reinsurance receivables	**762,643**	**762,643**	**711,333**	**51,310**
Receivables (trade, not insurance)	**767,125**	**767,125**	**675,282**	**91,843**
Own shares (held directly)	**0**	**1,566**	**1,630**	**-64**
Cash and cash equivalent	**757,352**	**757,352**	**744,169**	**13,183**
Any other assets, not elsewhere shown	**205,871**	**205,871**	**290,486**	**-84,615**
Total, assets different from reinsurance re-coverables	**44,157,627**	**67,744,654**	**73,208,312**	**-5,463,658**

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 D.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

(migliaia di euro)		Timing foreseen for the cancellation			
	Total	Within 1 year	From 2 to 5 years	Over 5 years	Undefined
Technical provisions and reinsurance recoverables	112,248	16,085	55,051	41,112	-
Financial liabilities other than debt owed to credit institu-tions	80,208	5,769	31,130	43,309	-
Subordinated liabilities	82,536	12,202	22,350	47,984	-
Insurance and intermediaries receivables and payables, Reinsurance receivables and payables, other receivables and payables (trade, not insurance)	130,652	17,212	68,846	38,726	5,868
Deposits to cedants	20,351	2,578	9,713	8,060	-
Investments: real estate, 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	33,131	4,877	19,299	18,544	-9,589
Altre poste	61,682	7,446	25,937	19,221	9,078
Totale	**520,808**	**66,169**	**232,326**	**216,956**	**5,357**

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 170,991 thousand. 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.

Participations decrease (-2,290,434 thousand) because of the worsening of financial markets, not entirely offset by the higher expected profits of insurance portfolios of the group.

Investment portfolio (equities, bonds, collective investments undertakings)

In the statutory financial statements, fi nancial 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 substantial increase in the collective investment undertakings (+830,912 thousand) due to the higher investment in monetary funds. This effect is partially offset by a decrease in the bond segment (-256,617 thousand), mainly related to government bonds (-151,096 thousand).

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.

Deposits other than cash equivalent

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.

Assets held for index-linked and unit-linked contracts

The recognition is made at fair value both in the statutory financial statements and in the Solvency II balance sheet. The significant decrease of 3,039,227 thousand is related to the closing of a reinsurance treaty concerning index and unit-linked insurance with Generali PanEurope and, to a lesser extent, to the closing of another reinsurance treaty of the same type, with Generali Levensverzekering Maatschappij. These closings were preparatory to the disposal of the above-mentioned companies.

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.

The increase in mortgage loans is mainly due to the new positions relating to loans to Group companies acquired consequently to the incorporation of Generali Finance; in particular the new positions are the following:

- for a nominal value of 1,186,003 thousand in respect of Generali Beteiligungsverwaltung (fair value at year end equal to 1,158,895 thousand);
- for a nominal value of 313,997 thousand in respect of Generali Deutschland Holding (fair value at year end equal to 306,821 thousand).

With regard to deposits to cedants, the decrease (-1.890,120 thousand) is mainly due to the closing of some reinsurance treaties with Generali Levensverzekering Maatschappij, subsequently sold, and to the physiological contraction of the run-off portfolio accepted by the subsidiary Alleanza Assicurazioni.

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.

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 2018 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 2018, 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 2018, -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 2018, the volatility adjustment is equal to +24bps for Euro and to +27bps for GBP. At 31 December 2018 the conditions defined in the EIOPA's formula for the application of the Country specific volatility adjustment have not been met, therefore the BEL has been calculated with the currency specific volatility adjustment, where relevant.

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 unique 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 when financial asymmetries are relevant. 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 valuation 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, the Bornhuetter-Ferguson 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, for the part related to Unearned portion of contracts whose total amount of premiums has already been written at the valuation date, 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. This simplification, adopted in particular for the portfolios of branches with limited materiality, 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 detail, 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 affecting 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 2018 provided by EIOPA, without the volatility adjustment.

The **reinsurance recoverables**, i.e. the amounts expected to be recovered from reinsurance contracts, are valued either by means of projections of the ceded flows or by means of simplified methods based on the BEL subject to reinsurance or on the 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 Assicurazioni Generali's Solvency II life technical provisions at 31 December 2018 and at 31 December 2017, broken down by main components: best estimate of liabilities, risk margin and reinsurance recoverables net of the counterparty default adjustment.

SII life technical provisions

(€ thousand)	31/12/2018	31/12/2017
Best estimate of liabilities - gross of reinsurance	7,152,426	12,133,429
Risk margin	139,449	165,268
Technical provisions - gross of reinsurance	**7,291,875**	**12,298,697**
Reinsurance recoverables	530,133	418,610
Technical provisions - net of reinsurance	**6,761,741**	**11,880,087**

The decrease in the life technical provisions from 31 December 2017 to 31 December 2018 is mainly given by the closing of some reinsurance treaties due to the dismissal of two Group companies (Ireland and the Netherlands) occurred during 2018 and 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 Assicurazioni Generali's Solvency II life technical provisions (and of its main components) at 31 December 2018 with breakdown by main lines of business.

SII life technical provisions at 31/12/2018

(€ thousand)	BEL gross of reins.	Risk margin	SII TP gross of reins.
Life insurance other than index and unit linked	6,453,445	127,962	6,581,407
Index and unit linked	226,910	3,215	230,125
Health insurance similar to life	472,071	8,272	480,343
Total	**7,152,426**	**139,449**	**7,291,875**

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

- 90% of the portfolio is made up of traditional insurance, 63% of which is business with profit participation derived from intra-group reinsurance contracts (from Italy, 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 France) and outside the group;
- about 3% of the business refers to unit-linked contracts, mainly related to Dubai branch business;
- the remaining 7% is made up of SLT health products, which mainly refer to the intra-group business accepted from Germany and France.

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 2018.

Life statutory reserves and SII technical provisions at 31/12/2018

(€ thousand)	Statutory reserves gross of reins.	SII TP gross of reins.
Life insurance and Health (SLT) other than index and unit linked	6,753,491	7,061,750
of which Life insurance other than index and unit linked		6,581,407
of which Health insurance similar to life		480,343
Index e unit linked	225,895	230,125
Total	**6,979,386**	**7,291,875**

Given the significant weight of the portfolio with profit participation, a comparison between statutory reserves and Solvency II technical provisions would be uninformative 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 unrealised gains and losses embedded in the assets backing with profit liabilities, whereas 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 discounts 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, whilst 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 Assicurazioni Generali's Solvency II life technical provisions depends on the assumptions made on a number of operating and economic factors whose future realisation might differ from the expectations at the valuation date, regardless of how accurate these might be.

The main operating assumptions affecting the Assicurazioni Generali business 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 0.5%.

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

Non-life technical provisions

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

The following tables show the amount of Assicurazioni Generali's Solvency II non-life technical provisions at 31 December 2018 and at 31 December 2017, separately for claims and premium provisions, broken down 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

(€ thousand)	31/12/2018	31/12/2017
Best estimate of liabilities - gross of reinsurance	1,641,419	1,623,973
Risk margin	74,869	46,829
Technical provisions - gross of reinsurance	**1,716,289**	**1,670,802**
Reinsurance recoverables	362,839	517,685
Technical provisions - net of reinsurance	**1,353,449**	**1,153,117**

SII non-life technical provisions - Premium provisions

(€ thousand)	31/12/2018	31/12/2017
Best estimate of liabilities - gross of reinsurance	353,813	328,265
Risk margin	14,696	39,887
Technical provisions - gross of reinsurance	**368,509**	**368,153**
Reinsurance recoverables	100,584	90,280
Technical provisions - net of reinsurance	**267,925**	**277,873**

The increase in non-life net technical provisions from 31 December 2017 to 31 December 2018 is mainly due to the impact of man made large claims, affecting the business accepted from the Group companies (almost entirely held in Assicurazioni Generali net portfolio) and the impact of some nat cat claims affecting the branches portfolios.

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

The following table reports the amount of Assicurazioni Generali's Solvency II non-life technical provisions (and of its main components) at 31 December 2018 with breakdown by main lines of business.

SII non-life technical provisions - Claims and Premium provisions at 31/12/2018

(€ thousand)	BEL gross of reins.	Risk margin	SII TP gross of reins.
Direct and accepted proportional	**1,610,721**	**67,138**	**1,677,859**
Medical expense insurance	111,385	2,740	114,125
Income protection insurance	148,068	3,573	151,640
Workers compensation insurance		-	
Motor vehicle liability insurance	20,790	2,005	22,796
Other motor insurance	15,980	865	16,844
Marine, aviation and transport insurance	78,380	3,038	81,418
Fire and other damage to property insurance	670,413	27,757	698,170
General liability insurance	449,624	23,663	473,287
Credit and suretyship insurance	32,777	2,009	34,786
Legal expenses insurance	176	11	188
Assistance	92	9	100
Miscellaneous financial loss	83,037	1,468	84,505
Accepted non-proportional	**384,512**	**22,427**	**406,939**
Non-proportional health reinsurance	8,351	272	8,623
Non-proportional casualty reinsurance	139,393	14,104	153,498
Non-proportional marine, aviation and transport reinsurance	23,895	1,116	25,012
Non-proportional property reinsurance	212,872	6,935	219,807
Total	**1,995,233**	**89,565**	**2,084,798**

The non-life portfolio of Assicurazioni Generali is characterised by a large variety of business. In fact it is composed of 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 of the direct and accepted business underwritten by the branches of Assicurazioni Generali; particularly relevant 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 2018.

Non-life statutory reserves and SII TP - Claims and premium provisions at 31/12/2018

(€ thousand)	Statutory reserves gross of reins.	SII TP gross of reins.
Non-life (excluding health)	1,864,524	1,810,410
Health (similar to non-life)	297,984	274,388
Total	**2,162,508**	**2,084,798**

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 is instead 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 realisations might differ from the expectations at the valuation date, regardless of how accurate these might 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 detail, the valuation of Assicurazioni Generali's Solvency II non-life technical provisions is characterised 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 in reinsurance strategy as well as in underwriting policy, as occurred in the recent years for example with the step-by-step centralisation of the infra-Group acceptances (completed in 2013) and the evolution of the reinsurance structure of 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 the previous year-end valuation, the updating of the best estimate operating assumptions has not produced any relevant impact on Assicurazioni Generali's Solvency II non-life technical provisions.

Use of long-term guarantee measures

84% of the Solvency II life technical provisions and 88% 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 €69,812 thousand in the life technical provisions net of reinsurance and an increase of €11,742 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 31/12/2018

(€ thousand)	Amount with volatility adjustment	Impact of change to zero of the volatility adjustment
Technical provisions - net of reinsurance	8,383,116	81,554
Basic own funds	44,227,064	-59,094
Eligible own funds to meet the Solvency capital requirement	44,227,064	-59,094
Solvency capital requirement	17,212,959	90,517
Eligible own funds to meet the minimum capital requirement	39,217,486	-77,028
Minimum capital requirement	4,303,240	22,629

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.

<table>
<tr><th>Probability of the obligation</th><th>Probability of the outflow of economic resources</th><th>IAS 37</th><th>Solvency II</th></tr>
<tr><td rowspan="2">Possible obligation</td><td rowspan="2">No probable outflow (taken as less than 50%)</td><td rowspan="2">Not recognized.

Disclosed as a contingent liability if the possibility of the out flow is not remote</td><td>Recognized in the balance sheet, only if material and possibility of outflow is not remote.
[In any case, should be valued]</td></tr>
<tr><td>If not material, not recognized but Pillar III quantita-tive disclosure</td></tr>
<tr><td rowspan="2">Present obligation</td><td rowspan="2">No probable outflow (taken as less than 50%)</td><td rowspan="2">Not recognized.

Disclosed as a contingent liability if the possibility of the out flow is not remote</td><td>Recognized in the Balance sheet only if material and possibility of out flow is not remote; also Pillar III quantitative disclosure</td></tr>
<tr><td>If not material, not recognized and not disclosed</td></tr>
<tr><td rowspan="2">Present obligation</td><td rowspan="2">Probable outflow</td><td rowspan="2">Recognized if reliable estimate or disclosed as a contingent liability if no reliable estimate (rare)</td><td>If reliable estimate is possible: recognized in the Bal-ance sheet.</td></tr>
<tr><td>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)</td></tr>
</table>

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 31.12.2018	Solvency value as at 31.12.2018	Solvency value as at 31.12.2017	Changes between Solvency value as at 31.12.2018 and as at 31.12.2017
Provisions other than technical provi-sions and contingent liabilities	**102,067**	**103,114**	**73,813**	**29,301**
Pension benefit obligations	**32,477**	**12,738**	**24,525**	**-11,787**
Deposits from reinsurer	**518,396**	**518,396**	**331,210**	**187,186**
Derivatives	**220,733**	**392,217**	**397,682**	**-5,465**
Debts owed to credit institutions	**11,941**	**11,941**	**225,373**	**-213,432**
Financial liabilities other than debts owed to credit institutions	**10,819,592**	**11,245,698**	**10,459,136**	**786,562**
Insurance and intermediaries payables and reinsurance payables	**293,486**	**293,486**	**302,278**	**-8,792**
Payables (trade, not insurance)	**492,584**	**492,584**	**694,724**	**-202,140**
Subordinated liabilities	**8,261,573**	**8,765,664**	**7,522,654**	**1,243,010**
Any other liabilities, not elsewhere shown	**377,710**	**398,267**	**479,707**	**-81,440**
Total, liabilities different from technical provisions	**21,130,560**	**22,234,104**	**20,511,102**	**1,723,002**

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 2018 and 2017 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 dicembre 2018	Solvency value as at 31 dicembre 2018
Tax funds	34,668	45,278
Other provisions	65,387	21,416
Holdings in participation with negative value	699	192
Contingent liabilities	2,360	6,927
Total	**103,114**	**73,813**

The increase in the provisions other than technical provisions is mainly due to amount related to:

- expenses for the allocation of the solidarity provision (INPS Circular number 56 dated 10 March 2015) for 13,469;
- expenses for the transfer of the insurance portfolio of the Japanese branch for 10,773 thousand;
- expected costs for the opening of the new Luxembourg branch for 10,928;

The decrease in the tax funds is mainly due to the write off of the amount set aside for taxes on real estate transfer related to the repurchase of minority interests in the subsidiary Generali Deutschland Holding.

The amount of the participations with a negative value is related to Fondo Sammartini and Generali Consulting LLC.

At December 31, 2018, contingent liabilities amounted to 2,369 thousand, relating to possible disbursements in disputes in which the loss is deemed unlikely.

With reference to the main outstanding litigation proceedings, it should be noted that during 2016 Generali received from Banco BTG Pactual S.A. requests for damages, by means of a notice arbitration, as provided by the Share and Purchase Agreement of BSI S.A.. In this regard, the following main developments occurred during the year are summarized.

On 5 October 2018, Banco BTG Pactual SA filed a further brief in which it reiterated its claims for damages arising, according to the counterparty, on the alleged violation of the representations, warranties and covenants assumed by the seller in the context of the sale of BSI S.A.. Within the deadline set by the Arbitral Tribunal, Generali then filed further briefs in which it reiterated the firm objection, both in fact and in law, of the opposing claims, reiterating the preliminary exceptions raised. Taking into account the status of the arbitration proceeding and the legal opinions acquired in this regard, it is considered that the conditions of probability and ability to make a reliable estimate related to the abovementioned request for damages to be recognized in the provisions other than technical provisions or in the contingent liabilities are not met.

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 for the Italian employees and in accordance with the local laws and regulation for what concerns the employees of the foreign branches.

This item also includes the allocation for the presumable amount to be remitted to the closed pension fund reserved for the employees of U.K. branch.

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.

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 decrease in payables to credit institutions is due to the fact that a reverse repurchase agreement was in course at 31 December 2017 for an amount of 194,940; this position was closed during January 2018.

The increase of financial liabilities other than payables to credit institutions is mainly due to the following effects related to the infra group loans::

- takeover of two positions previously held by Generali Finance, as a consequens of the incorporation of this company. In particular one position for a nominal value of 200,000 thousand (fair value at year end equal to 200,012 thousand) and one position for a nominal value 50,000 (fair value at year end equal to 50,003 thousand);
- new loans with Participatie Maatschappij Graafschap Holland for a nominal value of 920,000 thousand (fair value at year end equal to 932,732 thousand);
- new loan with Generali Versicherung for a nominal value of 150,000 thousand (fair value at year end equal to 151,738 thousand);
- new loan with Generali Deutschland Holding for a nominal value of 128,000 thousand (fair value at year end equal to 128,800 thousand);
- new loan with AachenMünchener Lebensversicherung for a nominal value of 59,000 thousand (fair value at year end equal to 59,404thousand);
- new loan with Cosmos Lebensversicherungs for a nominal value of 110,000 thousand (fair value at year end equal to 110,574 thousand);
- reimbursement of three loans from Participatie Maatschappij Graafschap Holland for a nominal value of 650,000 thousand (fair value as at 31 Dicembre 2017 equal to 652,702 thousand).

Moreover, is to be noted the decrease for the payment of the annual portion (63,885 thousand) of the senior bond issued to fund the tax recognition of goodwill relating to Alleanza Assicurazioni and the decrease of the payables related to cash pooling activities for 106,848.

For what concern the subordinated liabilities, the increase is mainly related to the position acquired consequently to the incorporation of Generali Finance for a nominal value of 1,499,350 (fair value at year end equal to 1,560,365 thousand), partially offset by the reimbursement of the Perpetual Fixed/Floating Rate for a nominal value of 250,000 thousand (fair value as at 31 Dicembre 2017 equal to 258,569 thousand).

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.

The decrease of the other payables (trade, not insurance) is driven by lower payables to Group companies with regard to the fiscal consolidation in which Assicurazioni Generali SpA acts as consolidating company and by the decrease of suspense items, that last year were particularly relevant, 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.

In the Solvency II balance sheet, differently from the statutory financial statements, future benefits due to employees and employees on retirement (if some conditions are met) for health coverage must be recognized, accordingly to the International Standard Account (IAS 19).

For all the entitled subject the valuation must be performed and in particular:
- the valuation of the residual amount of the annual contribution needed for the payment of the coverages to employees on retirement;
- the identification of the amount related to the commitment for the coverages to the employee at the valuation date.

In order to perform the valuation:
- the predictable new hires are not taken into account;
- the characteristics of the employees must be taken into account;
- the actual rules for the retirement must be taken into account.

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,

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.

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 256.9% at 31 December 2018. Compared to the result at 31 December 2017, the Solvency Ratio decreases by 0.1 p.p.

Solvency Ratio

(in thousand euro)	31/12/2018	31/12/2017	Change
Eligible Own Funds	44,227,064	45,454,215	-1,227,151
Solvency Capital Requirement	17,212,959	17,688,505	-475,546
Excess of Own Funds	27,014,105	27,765,710	-751,605
Solvency Ratio	**256.9%**	**257.0%**	**-0.1 p.p**

The decrease in the solvency ratio is mainly due to the decrease in the Eligible Own Funds for the value of the investments of its subsidiaries, which is mainly affected by the worsening of financial market conditions.

The solvency requirement consequently decreases mainly due to the reduction in the equity risk linked in turn to the trend in the value of the investments.

Economic Movements in Eligible Own Funds

(in thousand euro)	Own Funds
Eligible Own Funds - 31.12.2017	**44,454,215**
Subsidiaries investments	**-2,290.434**
Other variations:	**1,063,283**
Subordinated liabilities included in Own Funds	1,076,968
Other minor variations	-13,685
Eligible Own Funds - 31.12.2018	**44,227,064**

From 31 December 2017 to 31 December 2018, the Eligible Own Funds decreased from € 45,454,215 thousand to € 44,227,064 (- 1,227,151).

Investments in subsidiaries decreased by € 2,290,434 thousand; this value was affected by the improvement in expected profits of the group insurance portfolios, in line with the observed growth of the business, more than offset by the worsening of the conditions of the financial market. The latter was mainly driven by the decrease in the interest rate curve and by the trend negative in the equity segment and the deterioration attributable to the widening of spreads on corporate and government securities.

Other variances, which amount to 1,063,283, complete the movement from one year to the next and are mainly attributable to the increase of subordinated liabilities for 1,076,968 of which:

1) 1) 1,377,131 due to the merger by incorporation of the Dutch subsidiary Generali Finance B.V. held 100% directly, whose accounting effects are backdated to 1st January 2018;
2) 251,838 due to two early repayments on subordinated perpetual debt securities;
3) 48,325 due to fair value adjustments for the period.

E.1.2. Capital Management Policy

The Capital Management Policy aims at improving the management and governance of Own Funds by achieving an integrated Group wide approach to the management and governance. The 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 projection horizon is of three-years, consistently with the Group Strategic Plan.

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

- The classification and the analysis of Own Funds performed on a regular basis to comply with the capital requirement 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 performed in order to ensure that:
  a) Own Funds are not overburdened by agreements that would undermine their effectiveness;
  b) all the required are 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, that latest version which approved by the Board of Directors of Assicurazioni Generali S.p.A. in December 2018, 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:

1) the excess of assets over liabilities as defined in chapter D
2) less deductions for foreseeable dividends and distributions
3) plus subordinated liabilities eligible for Basic Own Funds
4) less deductions for shares of the parent company
5) less deferred tax assets on subordinated liabilities in the Basic Own Funds

Eligible Own Funds to meet SCR

(in thousand euro)	31/12/2018	31/12/2017	Change
Excess of assets over liabilities	**37,127,434**	**39,386,132**	**-2,258,698**
Foreseeable dividend	-1,412,641	-1,330,391	-82,250
Subordinated liabilities in BOF	+8,599,621	+7,522,654	+1,076,967
Own shares	-6,459	-6,738	+279
Deferred tax assets on subordinated liabilities	-80,891	-117,442	+36,551
Basic Own funds	**44,227,064**	**45,454,215**	**-1,227,151**
Ancillary Own Funds	**0**	**0**	**0**
Total eligible Own Funds to meet SCR	**44,227,064**	**45,454,215**	**-1,227,151**

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 31/12/2018 pursuant to IVASS Regulation no. 22, dated 4th April 2008 (and subsequent amendments and integrations), and the excess of assets over liabilities, as well as with the Eligible 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	31/12/2018
Equity			**14,976,820**
Deduction of immaterial items		**-**	**39,193**
Change due to the valuation of non-technical assets		**+**	**23,295,420**
	Land and buildings	+	7,651
	Holdings in related undertakings	+	23,231,992
	Equities	+	47,093
	Bonds	+	66,396
	Collective investment undertakings	+	1,396
	Deposit to cedants	-	73,895
	Loans and mortgages	+	8,609
	Other	+	6,178
Change due to the valuation of technical provisions		**-**	**332,869**
Change due to the valuation of non-technical liabilities		**-**	**1,103,545**
	Subordinated liabilities	-	504,091
	Payables and other liabilities	-	599,454
Change in deferred tax assets		+	330,801
Excess of assets over liabilities		**+**	**37,127,434**
Declared dividends		-	1,412,641
Deduction of own shares		-	6.459
Subordinated liabilities included in basic own funds		+	8,599,621
Deferred taxes on the subordinated liabilities included in basic own funds		-	80,891
Total Basic Own Funds			**44,227,064**
Ancillary Own Funds			**0**
Total Eligible Own Funds			**44,227,064**

Main changes are attributable to:

- **change due to the valuation of non-technical assets (+23,295,420)**: 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 are evaluated at fair value (further details are included in paragraph D.1).
- **change due to the valuation of technical provisions (-332,869)**;
  - **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 uses as a discount rate, 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 using, as discount rate, the technical rate defined at the issuance of the policy (further details are included in paragraph D.2.);
  - **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 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.(further details are included in paragraph D.2.2);
- **change due to the valuation of non-technical liabilities (-1,103,545)**: these liabilities are evaluated, in principle, at the nominal value in the statutory financial statements while, in the Solvency II framework are evaluated at fair value (further details are included in paragraph D.3.),
- **change in the net deferred tax assets (+330,801)**: 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.1.2).

Total eligible own funds to meet scr

Eligible Own Funds

(in thousand euro)	31/12/2018	31/12/2017	Change
Ordinary share capital (gross of own shares)	1,565,165	1,561,808	3,357
Share premium account related to ordinary share capital	3,568,250	3,568,250	0
Reconciliation reserve	30,054,110	32,468,502	-2,414,392
Subordinated liabilities	8,599,622	7,522,654	1,076,968
An amount equal to the value of net deferred tax assets	520,808	450,443	70,365
Own funds from the financial statements that should not be repre-sented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	80,891	117,442	-36,551
Deduction from participations in financial and credit institution	0	0	
Basic Own Funds	**44,227,064**	**45,454,215**	**-1,227,151**
Ancillary Own Funds	**0**	**0**	
Total Eligible Own funds	**44,227,064**	**45,454,215**	**-1,227,151**

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 the deferred tax assets linked to subordinated liabilities;

The reduction of 1,227,151 thousand of own funds compared to the previous year is mainly due to the decrease in the reconciliation reserve.

The following table provides the calculation of the reconciliation reserve:

Reconciliation reserve

(in thousand euro)	31/12/2018	31/12/2017	Change
Excess of assets over liabilities	**37,127,434**	**39,386,132**	**-2,258,698**
Own shares	-6,459	-6,738	+279
Foreseeable dividends and distributions	-1,412,641	-1,330,391	-82,250
Other basic own fund items	-5,654,224	-5,580,501	-73,723
Reconciliation Reserve	**30,054,110**	**32,468,502**	**-2,414,392**

The decrease of the excess of assets over liabilities is due to the the decrease in the value of equity investments as previously commented.

Details of the change of -2,258,698 thousand of the excess of assets over liabilities are provided in chapter D.

The other basic own funds items to be deducted (**5,654,224**) from the reconciliation reserve are:

a) paid-in ordinary share capital and the related share premium account (**5,133,416**);
b) net deferred tax assets (**520,808**).

Own Funds by tiering

The items that compose Basic Own Funds are classified into three tiers, depending on the extent they possess the 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 composed by 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 tiering:

Basic Own funds by tier

(in thousand euro)	31/12/2018	31/12/2017	Change
Tier 1 - unrestricted	35,106,634	37,481,118	-2,374,484
Tier 1 - restricted	3,250,204	2,194,826	+1,055,378
Tier 2	5,349,418	5,327,828	+21,590
Tier 3	520,808	450,443	+70,365
Total	**44,227,064**	**45,454,215**	**-1.227,151**

Basic Own Funds by tiers 31.12.2018

(in thousand euro)	Total	Tier 1 - unrestricted	Tier 1 - restrict-ed	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	1,565,165	1,565,165			
Share premium account related to ordinary share capital	3,568,250	3,568,250			
Reconciliation reserve	30,054,110	30.054,110			
Subordinated liabilities	8,599,622		3,250,204	5,349,418	
An amount equal to the value of net deferred tax assets	520,808				520,808
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classi-fied as Solvency II own funds	80,891				
Total Basic Own Funds after e deductions	**44,227,064**	**35,106,635**	**3,250,204**	**5,349,418**	**520,808**

Basic Own Funds by tiers 31.12.2017

(in thousand euro)	Total	Tier 1 - unrestricted	Tier 1 - restrict-ed	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 classi-fied as Solvency II own funds	117,442				
Total Basic Own Funds after deductions	**45,454,215**	**37,481,118**	**2,194,826**	**5,327,828**	**450,443**

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 **5,133,416** thousand of euro and show the following characteristics:

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

The decrease with respect to 31.12.2017 (-2,374,484) is mainly attributable to the decrease in the reconciliation reserve due to the decrease in the 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 the transitional measures with reference to article 308 ter, paragraph 9 of the Directive, as amended by article 2 of Directive 2014/51/UE (from now on “Omnibus II”). The increase with respect to 31.12.2017 of 1,055,378 thousand euro is due to redeemed for -251,838, due to Generali Finance B.V transaction (merger by incorporation) for 1,377,131 mentioned above and finally for -69,915 thousand euro due to fair value change of the period.

Tier 2 basic Own Funds

Tier 2 basic Own Funds are entirely composed by subordinated liabilities pursuant 308 ter, paragraph 10 of the Directive, as amended by article 2 of Omnibus II. The increase of 21,590 is mainly due to the fair value change for the period.

Tier 3 basic Own Funds

Includes only amounts related to deferred tax assets which are classified in tier 3 capital pursuant to article 76 of the Delegated Act. The increase of 70,365 is mainly due to the fair value adjustment of life and non-life technical provision, as well as fair value adjustment of other assets and liabilities.

Deduction from participations in financial and credit institution

With regard to the deduction request 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 the tiering

Eligible own funds covering the solvency capital requirement

31.12.2018 (in thousand euro)

Tier	Amount	SCR	Weight	Eligibility
Tier 1	38,356,838	17,212,959	222.8%	At least 50%
Tier 2	5,349,418	17,212,959		
Tier 3	520,808	17,212,959	3.0%	Less than 15%
Sum of tier 2 and tier 3	5,870,226	17,212,959	34.1%	Less than 50%
Solvency Ratio	44,227,064	17,212,959	256.9%	

31.12.2017 (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	257.0%	

With regard to the limits established for the eligibility of Own Funds on the basis of levels, in relation to the Solvency Capital Requirement based on the art. 82 paragraph 1 of the Delegated Act, all own funds are entirely eligible both in 2018 (44,227,064 thousand euro) and in 2017 (45,454,215 thousand euro) 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

31.12.2018 (in thousand euro)

Tier	Amount	MCR	Weight	Eligibility	Eligible amount
Tier 1	38,356,838	4,303,240	891.3%	At least 80%	38,356,838
Tier 2	5,349,418	4,303,240	124.3%	Less than 20%	860,648

31.12.2017 (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

With regard to the limits established for the admissibility of Own Funds based on levels, in relation to the Minimum Capital Requirement on the basis of art. 82 paragraph 2, the Level 1 own funds cover the entire Minimum Capital Requirement both in 2018 (38,356,838 thousand euro) and in 2017 (39,675,944 thousand euro).

Tier 2 Own Funds are eligible only within the limit of 20% of the MCR, or 860,648 thousand euro (884,425 in 2017).

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

With regards 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. They are subordinated liabilities included in Tier 1 Own Funds in accordance with transitional measures, detailed in the subsequent paragraph. The amount is equal to 3,250,204 thousand euro (8.5% of tier 1 Own Funds) and therefore is 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 8,599,622 thousand euro and are entirely eligible for the coverage of the Solvency Capital Requirement. Of which 6,454,029 were beneficiaries of the transition measures as they were issued before the entry into force of the Delegated Acts and 2,145,593 thousand euro issued in 2015 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
4,60%	1.340,6	EUR	1,395.1	21/11/2014	21/11/2025	PERP	Tier 1	YES
6,27%	350.0	GBP	482.5	16/06/2006	16/06/2026	PERP	Tier 1	YES
6,42%	495.0	GBP	616.6	08/02/2007	08/02/2022	PERP	Tier 1	YES
7,24%	350.0	EUR	325.5	04/03/2009	04/03/2019	PERP	Tier 1	YES
8,50%	350.0	EUR	352.4	06/03/2009	06/03/2019	PERP	Tier 1	YES
9,00%	50.0	EUR	51.0	15/07/2009	15/07/2019	PERP	Tier 1	YES
10,13%	750.0	EUR	793.0	10/07/2012	10/07/2022	10/07/2042	Tier 2	YES
7,75%	1.250.0	EUR	1.318.4	12/12/2012	12/12/2022	12/12/2042	Tier 2	YES
4,13%	1.000.0	EUR	1.092.4	02/05/2014	n.d	04/05/2026	Tier 2	YES
5,50%	1.250.0	EUR	1.297.3	27/10/2015	27/10/2027	27/10/2047	Tier 2	NO
5,00%	850.0	EUR	848.3	08/06/2016	08/06/2028	08/06/2048	Tier 2	NO

Transactional measures for the inclusion of the 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 3,250,204 have been classified as tier 1 Own Funds;
b) subordinated liabilities amounting to 3,203,825 have been classified as tier 2 Own Funds.

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

The classification mentioned in b) was performed because these instruments were used up to 25% to meet the required margin under 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

(€ thousand)	Total
31/12/2018	17,212,959

SCR Value

(€ thousand)	Total
31/12/2017	17,688,505

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 value is presented below:[10]

MCR Value

(€ thousand)	Total
31/12/2018	4,303,240

MCR Value

(€ thousand)	Total
31/12/2017	4,422,126

10 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 31/12/2018 by risk module before and after diversification*

(€ thousand)	Before diversification		After diversification	
	Total	Impact (%)	Total	Impact (%)
SCR before diversification	**18,295,111**	**100.0%**		
Financial risks	15,848,315	86.6%	15,783,683	91.7%
Credit risks	1,332,505	7.3%	880,090	5.1%
Life underwriting risks	211,955	1.2%	51,956	0.3%
Non-life underwriting risks	785,236	4.3%	328,145	1.9%
Operational risks	117,099	0.6%	117,099	0.7%
Cross Term** (non linearity adj.)	51,987		51,987	0.3%
Diversification benefit	-1,134,138			
SCR after diversification	**17,212,959**		**17,212,959**	**100.0%**
Tax absorption	0			
Model adjustment	0			
Total SCR	**17,212,959**			

* 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 31/12/2017 by risk module before and after diversification*

(€ thousand)	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.

It can be observed that:
- the SCR amounts to 17,212,959 thousand Euro, with a reduction of 2.7% in respect to previous period;
- the main risk is financial risk, almost entirely due to equity risk deriving from the change in the value of participation investments in Group companies;
- credit risk increase derives from greater exposures to intra-group loans, following the merger of Generali Finance into Assicurazioni Generali S.p.A.;
- as regards the other types of risk there are no elements to report;
- the ability of taxes to absorb losses (“tax absorption”) remains equal to zero, since the initial tax position in the Solvency II financial statements is a tax credit;
- the model adjustment component related to the non-life underwriting risk (equal to 15.0 million Euro as at YE2017) is equal to zero following the Internal Model change undertaken during the year.

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 for SCR assessment purposes both market information and the underlying characteristics of the managed business. This information represents the data set necessary for the stochastic modelling of the balance sheet items which allow for the valuation of the changes in own funds and consequently of the SCR.

The PIM data quality is granted based on the process defined in the AG 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 on specific criteria, for example, on 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

Undertakings in the scope of the Group

Company	Country	Group Equity Ratio
Assicurazioni Generali S.p.A.	Italy	100,00
Genertel S.p.A.	Italy	100,00
UMS - Immobiliare Genova S.p.A.	Italy	99,90
Europ Assistance Italia S.p.A.	Italy	100,00
Europ Assistance Trade S.p.A.	Italy	100,00
Europ Assistance VAI S.p.A.	Italy	100,00
Generali Investments Partners S.p.A. Società di Gestione Risparmio	Italy	99,55
Generali Welion S.c.a.r.l.	Italy	100,00
Generali Properties S.p.A.	Italy	100,00
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
GenerFid S.p.A.	Italy	50,45
Banca Generali S.p.A.	Italy	50,45
Fondo Scarlatti - Fondo Immobiliare chiuso	Italy	67,28
Generali Real Estate S.p.A.	Italy	100,00
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	99,71
CityLife S.p.A.	Italy	100,00
Residenze CYL S.p.A.	Italy	66,67
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	98,90
Generali Real Estate S.p.A. SGR	Italy	100,00
Generali Investments Holding S.p.A.	Italy	99,55
Fondo Donizetti	Italy	100,00
Fondo Immobiliare Mantegna	Italy	100,00
Fondo Immobiliare Tiepolo	Italy	99,37
Fondo Immobiliare Schubert - comparto 1	Italy	100,00
Fondo Immobiliare Schubert - comparto 2	Italy	100,00
Fondo Immobiliare Schubert - comparto 3	Italy	100,00
Fondo Immobiliare Segantini	Italy	100,00
Genertellife S.p.A.	Italy	100,00
Generali Italia S.p.A.	Italy	100,00
Generali Insurance Asset Management S.p.A. Società di Gestione del Risparmio	Italy	99,63
Generali CyberSecurTech S.r.l.	Italy	100,00
Risparmio Assicurazioni S.p.A. in liquidazione	Italy	100,00
Initium S.r.l. in liquidazione	Italy	49,00
Sementi Dom Dotto S.p.A.	Italy	100,00
Finagen S.p.A. Società in liquidazione	Italy	100,00
Investimenti Marittimi S.p.A.	Italy	30,00
Servizi Tecnologici Avanzati S.p.A.	Italy	25,00
GRA S.p.A.	Italy	50,77
Tiberina S.r.l. Unipersonale	Italy	100,00
Telco S.p.A.	Italy	19,30
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
Fondo Yielding	Italy	44,50
Solaris S.r.l. in liquidazione	Italy	50,00
Fondo Sammartini	Italy	48,00
Generali Jeniot S.p.A.	Italy	100,00

Company	Country	Group Equity Ratio
Donatello Intermediazione S.r.l.	Italy	100,00
Dialog Lebensversicherungs-Aktiengesellschaft	Germany	100,00
GDPK-FI1 GmbH & Co. offene Investment KG	Germany	100,00
Generali Health Solutions 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-AG	Germany	100,00
Europ Assistance Services GmbH	Germany	100,00
Cosmos Lebensversicherungs Aktiengesellschaft	Germany	100,00
Cosmos Versicherung Aktiengesellschaft	Germany	100,00
ENVIVAS Krankenversicherung Aktiengesellschaft	Germany	100,00
ADVOCARD Rechtsschutzversicherung AG	Germany	100,00
Generali Deutschland Pensionskasse AG	Germany	100,00
Generali Beteiligungs-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
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
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
Generali Finanz Service GmbH	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 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
Generali Vitality GmbH	Germany	100,00
FPS GmbH	Germany	98,90
FLI GmbH	Germany	98,90
FFDTV GmbH	Germany	98,90
Generali Pensions- und SicherungsManagement GmbH	Germany	100,00
Volksfürsorge 5.Immobilien AG & Co. KG	Germany	100,00
Grundstücksgesellschaft Einkaufszentrum Marienplatz-Galerie Schwerin mbH & Co. KG	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

Company	Country	Group Equity Ratio
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
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	91,70
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	99,89
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	99,50
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 CLRET 2	Germany	100,00
GID-Fonds ALAET	Germany	100,00
GID-Fonds CLTGP	Germany	100,00
GID-Fonds ALAET II	Germany	100,00
GIE-Fonds AADMSE	Germany	100,00
GIE-Fonds AASBWA	Germany	100,00
GIE-Fonds AADMGI	Germany	100,00
Generali Deutschland Alternative Investments Verwaltungs GmbH	Germany	100,00
vSPS Management GmbH i. L.	Germany	100,00
BBG Beteiligungsgesellschaft m.b.H.	Germany	100,00
Alstercampus Verwaltungsgesellschaft mbH	Germany	50,00
Generali Partner GmbH	Germany	100,00
Generali Deutschland Immobilien Verwaltungs GmbH	Germany	100,00
BA1 Alstercampus Grundstücksgesellschaft mbH & Co. KG	Germany	50,00
Zweite AM RE Verwaltungs GmbH	Germany	100,00
Generali Akademie GmbH	Germany	100,00
Versicherungs-Planer-Vermittlungs-GmbH	Germany	100,00
MLV Beteiligungverwaltungsgesellschaft mbH	Germany	100,00
Deutsche Vermögensberatung Aktiengesellschaft DVAG	Germany	40,00
MPC Real Value Fund GmbH & Co. KG	Germany	100,00
Generali SicherungsTreuhand GmbH	Germany	100,00
Volksfürsorge Fixed Assets GmbH	Germany	100,00
Central Fixed Assets GmbH	Germany	100,00
AVW Versicherungsmakler GmbH	Germany	26,00
AM RE Verwaltungs GmbH	Germany	100,00
Generali Deutschland Versicherungsvermittlung GmbH	Germany	100,00
ver.di Service GmbH	Germany	50,00

Company	Country	Group Equity Ratio
Dein Plus GmbH	Germany	60,00
GEL Management GmbH	Germany	100,00
VOV GmbH	Germany	43,00
Louisen-Center Bad Homburg Verwaltungsgesellschaft mbH	Germany	94,90
Verwaltungsgesellschaft Marienplatz-Galerie Schwerin mbH	Germany	100,00
Blitz 17-628 AG	Germany	100,00
Generali IARD S.A.	France	98,67
Generali Vie S.A.	France	98,67
L'Equité S.A. Cie d'Assurances et Réass.contre les risques de toute nature	France	98,67
GFA Caraïbes	Martinique	98,67
Prudence Creole	Reunion Island	94,36
SAS Lonthènes	France	98,67
Europ Assistance France S.A.	France	100,00
Europ Assistance Océanie S.A.S.	French Polynesia	100,00
Ocealis S.A.S.	France	75,00
Generali France S.A.	France	98,67
Europ Assistance Holding S.A.S.	France	100,00
Cofifo S.A.S.	France	98,67
Suresnes Immobilier S.A.S.	France	98,67
SCI Terra Nova V Montreuil	France	98,67
GEII Rivoli Holding SAS	France	98,90
Immobiliere Commerciale des Indes Orientales IMMOCIO	France	98,67
SAS IMMOCIO CBI	France	98,67
Europ Assistance S.A.	France	100,00
Europ Assistance Brokerage Solutions S.a.r.l.	France	100,00
Europ Téléassistance S.A.S.	France	100,00
SCI Generali Reaumur	France	98,67
Gconcierges S.A.S.	France	100,00
GEIH France OPCI	France	98,90
SCI GRE PAN-EU 74 Rivoli	France	98,90
SCI GRE PAN-EU 146 Haussmann	France	98,90
SCI du 68 Pierre Charron	France	98,90
OPPCI K Archives	France	98,90
OPPCI K Charlot	France	98,90
GRE PANEU Cœur Marais SCI	France	98,90
GRE PANEU Fhive SCI	France	98,90
SAS Retail One	France	98,90
Retail One Fund OPPCI	France	98,82
SCI Retail One	France	98,82
SCI du 54 Avenue Hoche	France	98,67
SCI 42 Notre Dame Des Victoires	France	98,67
SCI Generali Wagram	France	98,67
SCI du Coq	France	98,67
SCI Espace Seine-Generali	France	98,58
SCI GF Pierre	France	98,67
SCI Landy-Novatis	France	98,67
SCI Cogipar	France	98,66
SC Commerce Paris	France	98,67
SCI Landy-Wilo	France	98,67
SCI Generali Carnot	France	98,67
SCI Generali Commerce 1	France	98,67
SCI Generali Commerce 2	France	98,67
SCI Generali le Moncey	France	98,67
SC Generali Logistique	France	98,67
SCI Parcolog Lille Hénin Beaumont 2	France	98,67
SCI Iris La Défense	France	98,67
OPCI Parcolog Invest	France	98,67

Company	Country	Group Equity Ratio
SCI Parc Logistique Maisonneuve 1	France	98,67
SCI Parc Logistique Maisonneuve 2	France	98,67
SCI Parc Logistique Maisonneuve 3	France	98,67
SCI Parc Logistique Maisonneuve 4	France	98,67
SCI Parcolog Isle D'Abeau 1	France	98,67
SCI Parcolog Isle D'Abeau 2	France	98,67
SCI Parcolog Isle D'Abeau 3	France	98,67
SCI Parcolog Combs La Ville 1	France	98,67
SCI Parcolog Bordeaux Cestas	France	98,67
SCI Parcolog Marly	France	98,67
SCI Parcolog Messageries	France	98,67
SCI Commerces Regions	France	98,67
SCI Thiers Lyon	France	98,67
SCI Iliade Massy	France	98,67
SAS Parcolog Lille Henin Beaumont 1	France	98,67
OPCI Generali Bureaux	France	98,67
OPCI Generali Residentiel	France	98,67
OPCI GB1	France	98,67
OPCI GR1	France	98,67
SCI 18-20 Paix	France	98,67
SCI Berges de Seine	France	98,67
SCI 6 MESSINE	France	98,67
SCI 204 Pereire	France	98,67
SCI du 33 avenue Montaigne	France	98,67
SCI 5/7 MONCEY	France	98,67
SCI 28 Cours Albert 1er	France	98,67
SC Novatis	France	98,67
SCI Bureaux Paris	France	98,67
Sarl Breton	France	98,67
SCI Luxuary Real Estate	France	98,58
Association pour La Location du Moncey	France	98,67
Equi#Generali S.A.S.	France	98,67
Cabinet Berat et Fils S.A.S.	France	98,67
ASSERCAR SAS	France	29,34
COSEV@D Société par actions simplifiée	France	98,67
Trieste Courtage S.A.	France	98,66
Generali 7 S.A.	France	98,57
PMC Treize Montluçon S.A.S.	France	98,67
Generali 10 S.A.S.	France	98,67
EAP France SAS	France	50,10
Bien Être Assistance S.A.S.	France	50,10
Risque et Sérénité S.A.	France	60,35
MAPREG	France	24,93
GF Sante S.A.S.	France	98,67
ABT SAS	France	24,67
Metropole Assurances S.à r.l.	France	98,67
Reunion Aerienne & Spatiale SAS	France	32,89
SAP BEA	France	50,10
Generali Global Infrastructure S.A.S.	France	50,75
Generali 11 S.A.S.	France	98,67
Generali 12 S.A.S.	France	98,67
Generali 13 S.A.S.	France	98,67
Generali 14 S.A.S.	France	98,67
Generali 15 S.A.S.	France	98,67
Generali 16 S.A.S.	France	98,67
Generali 17 S.A.S.	France	98,67
SAS 100 CE	France	49,45
SCI Les 3 Collines Le Ferandou	France	47,66
SCI Font Romeu Neige et Soleil	France	98,67

Company	Country	Group Equity Ratio
Sarl Parcolog Lyon Isle d'Abeau Gestion	France	98,67
SCE Château La Pointe	France	98,67
Bois Colombes Europe Avenue SCI	France	49,34
SCI 11/15 Pasquier	France	49,34
SCI 9 Messine	France	49,34
SCI Daumesnil	France	49,34
SCI Malesherbes	France	49,34
SCI 15 Scribe	France	49,34
SCI CIC	Martinique	98,67
SCI GFA Caraibes	Martinique	98,67
Generali Holding Vienna AG	Austria	100,00
Europäische Reiseversicherung Aktiengesellschaft	Austria	74,99
HSR Verpachtung GmbH	Austria	85,00
Generali Versicherung AG	Austria	100,00
BAWAG P.S.K. Versicherung AG	Austria	75,00
Europ Assistance Gesellschaft mbH	Austria	100,00
Car Care Consult Versicherungsvermittlung GmbH	Austria	100,00
Generali Beteiligungs- und Vermögensverwaltung GmbH	Austria	100,00
Allgemeine Immobilien-Verwaltungs GmbH & Co. KG	Austria	100,00
Generali Immobilien GmbH	Austria	100,00
Generali Beteiligungsverwaltung GmbH	Austria	100,00
SW 13	Austria	98,90
Generali Bank AG	Austria	100,00
Generali Leasing GmbH	Austria	100,00
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 PSK Spezial 6	Austria	75,00
3 Banken-Generali - GNLStock	Austria	100,00
3 Banken-Generali-GHStock	Austria	100,00
Lead Equities II. Auslandsbeteiligungs AG	Austria	21,59
Lead Equities II. Private Equity Mittelstandsfinanzierungs AG	Austria	21,59
SK Versicherung AG	Austria	39,66
Drei Banken Versicherungsagentur GmbH	Austria	20,00
Bonus Pensionskassen AG	Austria	50,00
Generali 3 Banken Holding AG	Austria	49,30
M.O.F. Immobilien AG	Austria	20,00
3 Banken-Generali Investment-Gesellschaft m.b.H.	Austria	48,57
Risk-Aktiv Versicherungsservice GmbH	Austria	100,00
BONUS Vorsorgekasse AG	Austria	50,00
Generali Betriebsrestaurants-GmbH	Austria	100,00
TTC - Training Center Unternehmensberatung GmbH	Austria	74,99
Generali European Retail Investments Holdings S.A.	Luxembourg	99,44
Generali Luxembourg S.A.	Luxembourg	98,67
Generali Investments Luxembourg S.A.	Luxembourg	99,55
Generali Real Estate Multi-Manager	Luxembourg	100,00
Generali North American Holding 1 S.A.	Luxembourg	98,67
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	98,90
GRE PAN-EU Munich 1 S.à r.l.	Luxembourg	98,90
GRE PAN-EU Hamburg 1 S.à r.l.	Luxembourg	98,90
GRE PAN-EU Hamburg 2 S.à r.l.	Luxembourg	98,90
GRE PAN-EU Frankfurt 1 S.à r.l.	Luxembourg	98,90
Cologne 1 S.à.r.l.	Luxembourg	99,37
GRE PAN-EU Frankfurt 2 S.à r.l.	Luxembourg	98,90

Company	Country	Group Equity Ratio
Retail One Fund	Luxembourg	98,90
Generali European Real Estate Investments S.A.	Luxembourg	99,44
Frescobaldi S.à.r.l.	Luxembourg	99,44
GLL AMB Generali Cross-Border Property Fund FCP	Luxembourg	100,00
BG Fund Management Luxembourg S.A.	Luxembourg	50,45
GLL AMB Generali City22 S.à.r.l.	Luxembourg	100,00
Corelli S.à.r.l.	Luxembourg	99,44
Torelli S.à.r.l.	Luxembourg	99,44
GLL AMB Generali Bankcenter S.à.r.l.	Luxembourg	100,00
Generali Real Estate Asset Repositioning S.A.	Luxembourg	99,37
Generali Financial Holding FCP-FIS - Sub-Fund 2	Luxembourg	99,87
Point Partners GP Holdco S.à r.l.	Luxembourg	24,86
Point Partners Special Limited Partnership	Luxembourg	24,86
Holding Klege S.à.r.l.	Luxembourg	49,72
GARBE Logistic European Strategic Fund II	Luxembourg	39,73
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	100,00
Europ Assistance Servicios Integrales de Gestion, S.A.	Spain	100,00
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, A.I.E.	Spain	99,90
Preciados 9 Desarrollos Urbanos SL	Spain	98,90
GRE PAN-EU MADRID 2 SL	Spain	98,90
GLL City22 S.L.	Spain	100,00
Europ Assistance Travel S.A.	Spain	100,00
Generali Cliente, Agencia de Seguros Exclusiva, SL	Spain	99,90
Generali Vida Companhia de Seguros S.A.	Portugal	99,99
Generali Companhia de Seguros, S.A.	Portugal	100,00
Europ Assistance - Companhia Portuguesa de Seguros, S.A.	Portugal	100,00
Europ Assistance - Serviços de Assistencia Personalizados S.A.	Portugal	99,98
Ponte Alta, SGPS, Unipessoal, Lda.	Portugal	100,00
Keviana – Empreendimentos Imobiliários, S.A.	Portugal	98,67
Generali Belgium S.A.	Belgium	99,99
Generali Real Estate Investments B.V.	Netherlands	99,99
Europ Assistance Belgium S.A.	Belgium	100,00
Europ Assistance Services S.A.	Belgium	100,00
GRE PAN-EU Brussels 1 s.p.r.l.	Belgium	98,90
GRE PAN-EU Brussels 2 s.p.r.l.	Belgium	98,90
Dedale S.A.	Belgium	99,98
B&C Assurance S.A.	Belgium	99,99
Webbroker S.A.	Belgium	99,99
Verzekeringskantoor Soenen N.V.	Belgium	99,79
Groupe Vervietois d'Assureurs S.A.	Belgium	99,94
Participatie Maatschappij Graafschap Holland N.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	99,60
Lion River I N.V.	Netherlands	99,61
Generali Horizon B.V.	Netherlands	100,00
Lion River II N.V.	Netherlands	99,97
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
GW Beta B.V.	Netherlands	99,93

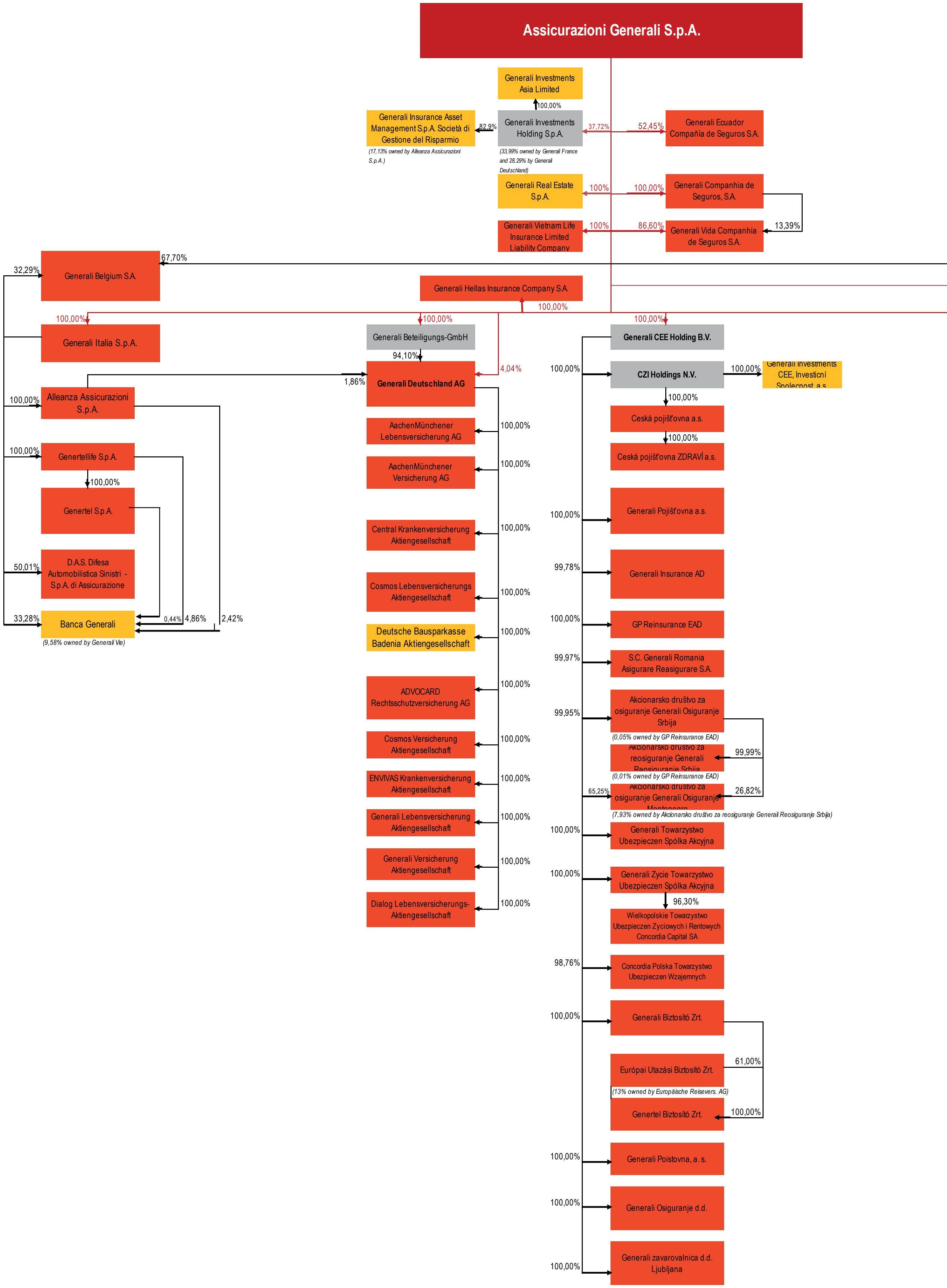
Company	Country	Group Equity Ratio
Amulio Governance B.V.	Netherlands	49,99
Sigma Real Estate B.V.	Netherlands	22,21
MyDrive Solutions Limited	United Kingdom	100,00
Generali Saxon Land Development Company Ltd	United Kingdom	99,60
La Reunion Aerienne London Limited	United Kingdom	32,89
Ioca Entertainment Limited	United Kingdom	17,66
CM Investment Solutions Limited	United Kingdom	99,55
Generali Worldwide Insurance Company Limited	Guernsey	100,00
Generali Portfolio Management (CI) Ltd	Guernsey	100,00
Genirland Limited	Ireland	100,00
Generali Link Limited	Ireland	100,00
Købmagergade 39 ApS	Denmark	98,90
Europ Assistance A/S	Denmark	100,00
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	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
Roar Biztosítási És Pénzügyi Közvetíto Korlátolt Felelösségü Társaság	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 Pojišt'ovna a.s.	Czech Republic	100,00
Europ Assistance s.r.o.	Czech Republic	100,00
Generali Velký Špalícek s.r.o.	Czech Republic	100,00
CP Distribuce a.s	Czech Republic	100,00
GRE PAN-EU Prague 1 s.r.o.	Czech Republic	98,90
PCS Praha Center Spol.s.r.o.	Czech Republic	100,00
Direct Care s.r.o.	Czech Republic	100,00
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
Generali Distribuce 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
Transformovaný fond Penzijní spolecnosti Ceské Pojištovny, a.s.	Czech Republic	100,00
BRISTIH CORNER s.r.o.	Czech Republic	100,00
OVOCNÝ TRH 2 s.r.o.	Czech Republic	100,00
VARENSKÁ 1 s.r.o.	Czech Republic	100,00
REVOLUČNÍ 2 s.r.o.	Czech Republic	100,00
Nadace GCP	Czech Republic	100,00
Generali Poistovna, a. s.	Slovakia	100,00
Green Point Offices a.s.	Slovakia	100,00
VUB Generali dôchodková správcovská spolocnost', a.s.	Slovakia	50,00

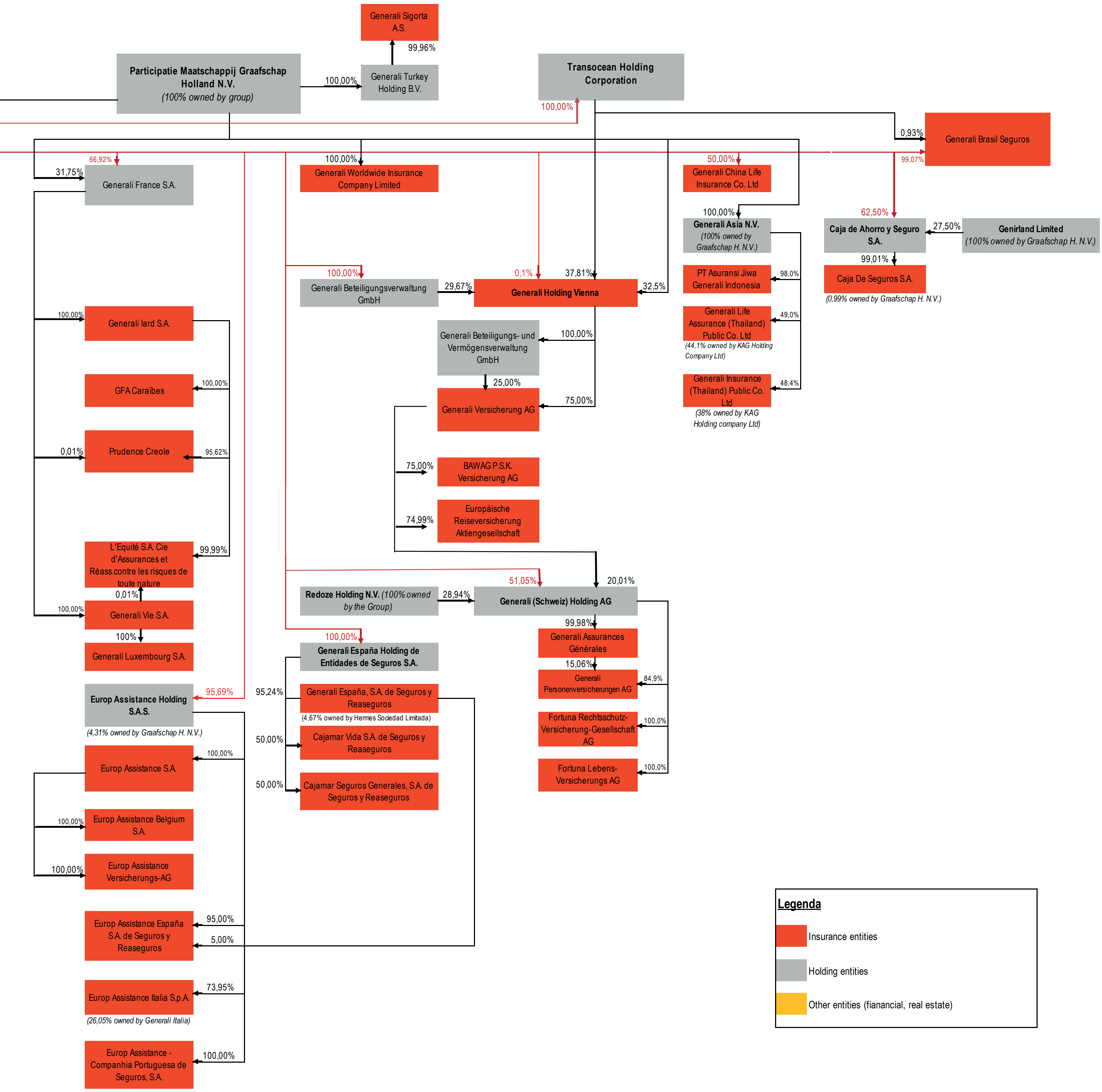
Company	Country	Group Equity Ratio
Generali IT S.r.o.	Slovakia	100,00
GSL Services s.r.o.	Slovakia	100,00
Generali Towarzystwo Ubezpieczen Spólka Akcyjna	Poland	100,00
Generali Zycie Towarzystwo Ubezpieczen Spólka Akcyjna	Poland	100,00
Wielkopolskie Towarzystwo Ubezpieczen Zyciowych i Rentowych Concordia Capital SA	Poland	96,30
Concordia Polska Towarzystwo Ubezpieczen Wzajemnych	Poland	98,76
Europ Assistance Polska Sp.zo.o.	Poland	100,00
PLAC M GP SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	Poland	98,90
PLAC M LP SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	Poland	98,90
BILIKI Plac M	Poland	98,90
Generali Finance spólka z ograniczona odpowiedzialnoscia	Poland	100,00
Generali Powszechne Towarzystwo Emerytalne S.A.	Poland	100,00
PL Investment Jerozolimskie I Spòlka Ograniczona Odpowiedzialnoscia	Poland	100,00
Cleha Invest Sp. z o.o.	Poland	100,00
SIBSEN Invest sp. z o.o.	Poland	100,00
Concordia Innowacje Sp. Z o.o.	Poland	98,76
Bankowy Osrodek Doradztwa i Edukacji Sp. Z o.o.	Poland	25,63
Bezpieczny.pl Sp z.o.o.	Poland	51,00
Generali zavarovalnica d.d. Ljubljana	Slovenia	100,00
LEV Registracija, registracija vozil, d.o.o.	Slovenia	100,00
Generali Societate de Administrare a Fondurilor de Pensii Private S.A.	Romania	100,00
S.C. Generali Romania Asigurare Reasigurare S.A.	Romania	99,97
FATA Asigurari S.A.	Romania	100,00
S.C. Genagricola Romania S.r.l.	Romania	100,00
S.C. Vignadoro S.r.l.	Romania	100,00
Genagricola Foreste S.r.l.	Romania	100,00
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	70,00
Europ Assistance (Suisse) Assurances S.A.	Switzerland	70,00
Europ Assistance (Suisse) Holding S.A.	Switzerland	70,00
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
Generali Sigorta A.S.	Turkey	99,96
Europ Assistance Yardim ve Destek Hizmetleri Ticaret Anonim Sirketi	Turkey	100,00
Akcionarsko društvo za osiguranje Generali Osiguranje Montenegro	Montenegro	100,00
Europ Assistance CEI OOO	Russian Federation	100,00
Generali Russia	Russian Federation	99,93
Generali Insurance Brokers – Russia and CIS Limited Liability Company	Russian Federation	99,93
Akcionarsko društvo za osiguranje Generali Osiguranje Srbija, Beograd	Serbia	100,00
Akcionarsko društvo za reosiguranje Generali Reosiguranje Srbija, Beograd	Serbia	100,00
Akcionarsko društvo za upravljanje dobrovoljnim penzijskim fondom Generali	Serbia	100,00
Generali Development d.o.o. Beograd	Serbia	100,00
Generali Realties Ltd	Israel	100,00
Generali Global Assistance Inc.	United States	100,00
Europ Assistance North America, Inc.	United States	100,00
Customized Services Administrators Inc.	United States	100,00
GMMI, Inc.	United States	100,00
CareLinx Inc.	United States	80,00
Transocean Holding Corporation	United States	100,00
General Securities Corporation of North America	United States	99,51

Company	Country	Group Equity Ratio
GNAREH 1 Farragut LLC	United States	99,51
GNAREI 1 Farragut LLC	United States	99,51
Genamerica Management Corporation	United States	100,00
Generali Consulting Solutions LLC	United States	100,00
Generali Claims Solutions LLC	United States	100,00
Aperture Investors LLC	United States	69,68
Montcalm Wine Importers Ltd	United States	100,00
GLL 200 State Street L.P.	United States	49,74
Generali Alpha Corp.	United States	99,55
CMN Global Inc.	Canada	100,00
Europ Assistance (Bahamas) Ltd	Bahamas	99,99
Generali Pacifique NC	New Caledonia	98,67
Caja de Seguros S.A.	Argentina	90,09
Europ Assistance Argentina S.A.	Argentina	95,65
Caja de Ahorro y Seguro S.A.	Argentina	90,00
Ritenere S.A.	Argentina	90,00
Generali Brasil Seguros S.A.	Brasile	100,00
AG SE&A Prestação de Serviços e Partecipações Ltda.	Brasile	99,99
Europ Assistance Brasil Serviços de Assistência S.A.	Brasile	50,00
EABS Serviços de Assistencia e Partecipaçoes S.A.	Brasile	50,00
CEABS Serviços S.A.	Brasile	50,00
Asesoria e Inversiones Los Olmos SA	Chile	44,57
AFP Planvital S.A.	Chile	38,38
Europ Servicios S.p.A.	Chile	50,96
Europ Assistance SA	Chile	50,96
Generali Ecuador Compañía de Seguros S.A.	Ecuador	52,45
Atacama Investments Ltd	Virgin Islands (British)	44,06
Europ Assistance Pacifique	New Caledonia	75,00
PT Asuransi Jiwa Generali Indonesia	Indonesia	98,00
PT Generali Services Indonesia	Indonesia	98,67
Generali Life Assurance Philippines, Inc.	Philippines	100,00
Generali Life Assurance (Thailand) Public Co. Ltd	Thailand	90,89
Generali Insurance (Thailand) Public Co. Ltd	Thailand	84,51
IWF Holding Company Ltd	Thailand	94,67
KAG Holding Company Ltd	Thailand	94,97
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
Europ Assistance India Private Ltd	India	100,00
Future Generali India Life Insurance Company Ltd	India	49,00
Future Generali India Insurance Company Ltd	India	49,00
Sprint Advisory Services Private Limited	India	47,96
Shendra Advisory Services Private Limited	India	47,96
FG&G DISTRIBUTTION PRIVATE LIMITED	India	49,00
Generali China Life Insurance Co. Ltd	China	50,00
Europ Assistance Travel Assistance Services (Beijing) Co Ltd	China	100,00
Generali China Assets Management Company Co. Ltd	China	40,00
Generali Insurance Agency Company Limited	China	100,00
Generali China Insurance Co. Ltd	China	49,00
Guotai Asset Management Company	China	30,00
Zhonghe Sihai Insurance Agency Company Limited	China	24,99
Shanghai Sinodrink Trading Company, Ltd	China	45,00
Generali Services Pte. Ltd.	Singapore	100,00
Europ Assistance Worldwide Services Pte Ltd	Singapore	100,00
ONB Technologies Pte. Ltd.	Singapore	18,50
Generali Financial Asia Limited	Hong Kong	100,00
Generali Life (Hong Kong) Limited	Hong Kong	100,00
Generali Investments Asia Limited	Hong Kong	99,55

Company	Country	Group Equity Ratio
NKFE Insurance Agency Company Limited	Hong Kong	100,00
Europ Assistance Worldwide Services (South Africa) (Pty) Ltd	South Africa, Republic	87,50
EASA Training Academy (Pty) Ltd	South Africa, Republic	87,50
MPI Generali Insurans Berhad	Malaysia	49,00
Europ Assistance (Macau) - Serviços De Assistência Personalizados, Lda.	Macao	70,00

Annex 2 – Simplified Group Structure


Assicurazioni Generali S.p.A.
Generali Investments Asia Limited
100,00%
Generali Insurance Asset Management S.p.A. Società di Gestione del Risparmio
(17,13% owned by Alleanza Assicurazioni S.p.A.)
82,9%
Generali Investments Holding S.p.A.
(33,99% owned by Generali France and 28,29% by Generali Deutschland)
37,72%
52,45%
Generali Ecuador Compañía de Seguros S.A.
Generali Real Estate S.p.A.
100%
100,00%
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.
67,70%
Generali Hellas Insurance Company S.A.
100,00%
100,00%
Generali Italia S.p.A.
100,00%
Generali Beteiligungs-GmbH
100,00%
Generali CEE Holding B.V.
94,10%
4,04%
1,86%
Generali Deutschland AG
100,00%
Alleanza Assicurazioni S.p.A.
CZI Holdings N.V.
100,00%
Generali Investments CEE, Investiční Společnost, a.s.
100,00%
Ceská pojišťovna a.s.
100,00%
AachenMünchener Lebensversicherung AG
100,00%
100,00%
Genertellife S.p.A.
Ceská pojišťovna ZDRAVÍ a.s.
100,00%
AachenMünchener Versicherung AG
100,00%
Genertel S.p.A.
100,00%
Generali Pojišťovna a.s.
Central Krankenversicherung Aktiengesellschaft
100,00%
50,01%
D.A.S. Difesa Automobilistica Sinistri - S.p.A. di Assicurazione
99,78%
Generali Insurance AD
Cosmos Lebensversicherungs Aktiengesellschaft
100,00%
33,28%
Banca Generali
0,44%
4,86%
2,42%
100,00%
GP Reinsurance EAD
(9,58% owned by Generali Vie)
Deutsche Bausparkasse Badenia Aktiengesellschaft
100,00%
99,97%
S.C. Generali Romania Asigurare Reasigurare S.A.
ADVOCARD Rechtsschutzversicherung AG
100,00%
99,95%
Akcionarsko društvo za osiguranje Generali Osiguranje Srbija
(0,05% owned by GP Reinsurance EAD)
Cosmos Versicherung Aktiengesellschaft
100,00%
Akcionarsko društvo za reosiguranje Generali Reosiguranje Srbija
99,99%
(0,01% owned by GP Reinsurance EAD)
ENVIVAS Krankenversicherung Aktiengesellschaft
100,00%
65,25%
Akcionarsko društvo za osiguranje Generali Osiguranje Montenegro
26,82%
(7,93% owned by Akcionarsko društvo za reosiguranje Generali Reosiguranje Srbija)
Generali Lebensversicherung Aktiengesellschaft
100,00%
100,00%
Generali Towarzystwo Ubezpieczen Spólka Akcyjna
Generali Versicherung Aktiengesellschaft
100,00%
100,00%
Generali Zycie Towarzystwo Ubezpieczen Spólka Akcyjna
Dialog Lebensversicherungs-Aktiengesellschaft
100,00%
96,30%
Wielkopolskie Towarzystwo Ubezpieczen Zyciowych i Rentowych Concordia Capital SA
98,76%
Concordia Polska Towarzystwo Ubezpieczen Wzajemnych
100,00%
Generali Biztosító Zrt.
61,00%
Európai Utazási Biztosító Zrt.
(13% owned by Europäische Reisevers. AG)
100,00%
Genertel Biztosító Zrt.
100,00%
Generali Poistovna, a. s.
100,00%
Generali Osiguranje d.d.
100,00%
Generali zavarovalnica d.d. Ljubljana



Generali Sigorta A.S.
99,96%
Participatie Maatschappij Graafschap Holland N.V. (100% owned by group)
100,00%
Generali Turkey Holding B.V.
Transocean Holding Corporation
100,00%
0,93%
Generali Brasil Seguros
99,07%
66,92%
31,75%
Generali France S.A.
100,00%
Generali Worldwide Insurance Company Limited
50,00%
Generali China Life Insurance Co. Ltd
100,00%
Generali Asia N.V. (100% owned by Graafschap H. N.V.)
62,50%
Caja de Ahorro y Seguro S.A.
27,50%
Genirland Limited (100% owned by Graafschap H. N.V.)
99,01%
Caja De Seguros S.A.
(0,99% owned by Graafschap H. N.V.)
100,00%
Generali Beteiligungsverwaltung GmbH
29,67%
0,1%
37,81%
Generali Holding Vienna
32,5%
PT Asuransi Jiwa Generali Indonesia
98,0%
Generali Life Assurance (Thailand) Public Co. Ltd
49,0%
(44,1% owned by KAG Holding Company Ltd)
Generali Insurance (Thailand) Public Co. Ltd
48,4%
(38% owned by KAG Holding company Ltd)
100,00%
Generali Iard S.A.
Generali Beteiligungs- und Vermögensverwaltung GmbH
100,00%
GFA Caraïbes
100,00%
25,00%
Generali Versicherung AG
75,00%
0,01%
Prudence Creole
95,62%
75,00%
BAWAG P.S.K. Versicherung AG
74,99%
Europäische Reiseversicherung Aktiengesellschaft
L'Equité S.A. Cie d'Assurances et Réass.contre les risques de toute nature
99,99%
0,01%
100,00%
Generali Vie S.A.
51,05%
20,01%
Redoze Holding N.V. (100% owned by the Group)
28,94%
Generali (Schweiz) Holding AG
100%
Generali Luxembourg S.A.
99,98%
Generali Assurances Générales
100,00%
Generali España Holding de Entidades de Seguros S.A.
15,06%
Generali Personenversicherungen AG
84,9%
Europ Assistance Holding S.A.S.
95,69%
(4,31% owned by Graafschap H. N.V.)
95,24%
Generali España, S.A. de Seguros y Reaseguros
(4,67% owned by Hermes Sociedad Limitada)
50,00%
Cajamar Vida S.A. de Seguros y Reaseguros
Fortuna Rechtsschutz-Versicherung-Gesellschaft AG
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.
100,00%
Europ Assistance Versicherungs-AG
95,00%
Europ Assistance España S.A. de Seguros y Reaseguros
5,00%
73,95%
Europ Assistance Italia S.p.A.
(26,05% owned by Generali Italia)
100,00%
Europ Assistance - Companhia Portuguesa de Seguros, S.A.
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	+	1,679,800		
002	-	545,300		
030	+	1,630,876		
031	-	421,732		
Total		2,343,644	Net written premiums	2,343,644
003	-	32,811		
004	+	5,388		
018	-	0		
028	-	153		
064	-	-461,490		
Total		433,915	Change in technical provisions	433,915
017	-	799,384		
019	-	41		
051	-	1,537,735		
065	-	72,507		
Total		-2,409,668	Claims, maturities and surrender	-2,409,668
026	-	229,836		
072	-	204,807		
Totale		-434,643	Operating costs	-434,643
007	+	891		
027	-	10,834		
044	+	18,628		
078	-	720		
Total		7,965	Other tchenical income and charges	7,965
			Technical interests of the life segment	142,671
			Underwriting performance	**83,884**
042	+	1,293,672		
043	+	3,095		
076	-	43,263		
077	-	20,650		
092	+	1,248,898		
097	-	59,515		
Total		2,422,237	Result of the ordinary financial operations	2.422.237
			Interessi tecnici dei rami vita	-142,671
			Investment performance	**2,279,567**
099	+	281,096		
100	-	1,508,703		
Total		**-1,227,606**	Other ordinary income and charges	**-1,227,606**
102	+	238,793		
103	-	48,153		
Total		**190,641**	Extraordinary income and charges	**190,641**
106		**-146,798**	Income taxes	**-146,798**
			Performance of other activities	**-890,167**
107			**Nest result**	**1,473,283**

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	520,808
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	4,436
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**55,919,531**
Property (other than for own use)	R0080	106,811
Holdings in related undertakings, including participations	R0090	52,766,411
Equities	*R0100*	*99,598*
Equities - listed	R0110	17,446
Equities - unlisted	R0120	82,152
Bonds	*R0130*	*1,913,772*
Government Bonds	R0140	968,363
Corporate Bonds	R0150	888,937
Structured notes	R0160	21,404
Collateralised securities	R0170	35,068
Collective Investments Undertakings	R0180	873,612
Derivatives	R0190	17,267
Deposits other than cash equivalents	R0200	142,060
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	228,850
Loans and mortgages	**R0230**	**3,307,635**
Loans on policies	R0240	350
Loans and mortgages to individuals	R0250	393
Other loans and mortgages	R0260	3,306,892
Reinsurance recoverables from:	**R0270**	**993,557**
Non-life and health similar to non-life	R0280	463,423
Non-life excluding health	R0290	386,686
Health similar to non-life	R0300	76,737
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	530,133
Health similar to life	R0320	153,992
Life excluding health and index-linked and unit-linked	R0330	376,141
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	5,268,837
Insurance and intermediaries receivables	R0360	576,568
Reinsurance receivables	R0370	186,076
Receivables (trade, not insurance)	R0380	767,125
Own shares (held directly)	R0390	1,566
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	757,352
Any other assets, not elsewhere shown	R0420	205,871
Total assets	**R0500**	**68,738,211**

		Valore solvibilità II
Liabilities		
Technical provisions - non-life	**R0510**	**2,084,798**
Technical provisions - non-life (excluding health)	**R0520**	**1,810,410**
TP calculated as a whole	R0530	0
Best estimate	R0540	1,727,429
Risk margin	R0550	82,981
Technical provisions - health (similar to non-life)	**R0560**	**274,388**
TP calculated as a whole	R0570	0
Best estimate	R0580	267,803
Risk margin	R0590	6,585
TP - life (excluding index-linked and unit-linked)	**R0600**	**7,061,750**
Technical provisions - health (similar to life)	**R0610**	**480,343**
TP calculated as a whole	R0620	0
Best estimate	R0630	472,071
Risk margin	R0640	8,272
TP - life (excluding health and index-linked and unit-linked)	**R0650**	**6,581,407**
TP calculated as a whole	R0660	0
Best estimate	R0670	6,453,445
Risk margin	R0680	127,962
TP - index-linked and unit-linked	**R0690**	**230,125**
TP calculated as a whole	R0700	0
Best estimate	R0710	226,910
Risk margin	R0720	3,215
Contingent liabilities	R0740	2,360
Provisions other than technical provisions	R0750	100,755
Pension benefit obligations	R0760	12,738
Deposits from reinsurers	R0770	518,396
Deferred tax liabilities	R0780	
Derivatives	R0790	392,217
Debts owed to credit institutions	R0800	11,942
Financial liabilities other than debts owed to credit institutions	R0810	11,245,698
Insurance & intermediaries payables	R0820	152,174
Reinsurance payables	R0830	141,312
Payables (trade, not insurance)	R0840	492,584
Subordinated liabilities	**R0850**	8,765,664
Subordinated liabilities not in BOF	R0860	166,042
Subordinated liabilities in BOF	R0870	8,599,622
Any other liabilities, not elsewhere shown	R0880	398,267
Total liabilities	**R0900**	**31,610,777**

Excess of assets over liabilities	**R1000**	**37,127,434**

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
Premiums written									
Gross - Direct Business	75,045	105,217	0	2,144	11,244	18,836	86,037	134,439	1,274
Gross - Proportional reinsurance accepted	251,180	92,906	0	111	1,996	17,489	297,630	82,011	17,407
Gross - Non-proportional reinsurance accepted									
Reinsurers' share	52,586	107,254	0	336	2,643	7,272	103,460	52,732	16,114
Net	**273,639**	**90,869**	**0**	**1,920**	**10,597**	**29,053**	**280,207**	**163,717**	**2,567**
Premiums earned									
Gross - Direct Business	75,582	98,396	0	4,154	11,634	18,185	73,403	115,859	1,260
Gross - Proportional reinsurance accepted	255,313	96,185	0	119	2,142	15,570	297,824	77,114	22,520
Gross - Non-proportional reinsurance accepted									
Reinsurers' share	52,324	101,556	0	435	2,677	6,991	100,181	48,007	20,159
Net	**278,571**	**93,025**	**0**	**3,838**	**11,100**	**26,764**	**271,046**	**144,966**	**3,620**
Claims incurred									
Gross - Direct Business	51,430	70,796	0	3,124	7,006	13,694	73,060	49,281	11
Gross - Proportional reinsurance accepted	204,659	59,834	0	1,431	247	11,386	147,267	70,727	5,815
Gross - Non-proportional reinsurance accepted									
Reinsurers' share	46,122	70,753	0	4,549	7,087	2,070	22,424	19,479	5,749
Net	**209,967**	**59,877**	**0**	**6**	**166**	**23,010**	**197,903**	**100,528**	**77**
Change in other technical provisions									
Gross - Direct Business	0	0	0	0	0	0	152	0	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted									
Reinsurers' share	0	0	0	0	0	0	0	0	0
Net	**0**	**0**	**0**	**0**	**0**	**0**	**152**	**0**	**0**
Expenses incurred	**74,325**	**22,266**	**0**	**1,779**	**3,533**	**10,415**	**53,419**	**41,151**	**267**
Other expenses									
Total expenses									

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				Totale
	Legal expenses insurance	**Assistance**	**Miscellaneous financial loss**	**Health**	**Casualty**	**Marine, aviation and transport**	**Property**	
Premiums written								
Gross - Direct Business	4	91	17,994					452,324
Gross - Proportional reinsurance accepted	0	0	56,124					816,854
Gross - Non-proportional reinsurance accepted				9,479	49,311	14,957	336,876	410,622
Reinsurers' share	0	0	7,185	2,244	14,865	8,080	170,530	545,300
Net	**4**	**91**	**66,934**	**7,234**	**34,446**	**6,877**	**166,346**	**1,134,500**
Premiums earned								
Gross - Direct Business	4	122	15,936					414,535
Gross - Proportional reinsurance accepted	0	0	62,391					829,177
Gross - Non-proportional reinsurance accepted				9,479	47,320	12,942	333,538	403,278
Reinsurers' share	0	0	7,755	2,271	14,876	9,660	173,020	539,913
Net	**4**	**122**	**70,572**	**7,207**	**32,444**	**3,281**	**160,518**	**1,107,077**
Claims incurred								
Gross - Direct Business	237	2	6,683					275,323
Gross - Proportional reinsurance accepted	0	0	59,652					561,018
Gross - Non-proportional reinsurance accepted				1,928	20,987	6,167	128,073	157,155
Reinsurers' share	0	0	477	0	2,153	5,652	19,684	206,200
Net	**237**	**2**	**65,858**	**1,928**	**18,834**	**515**	**108,389**	**787,295**
Change in other technical provisions								
Gross - Direct Business	0	0	0					152
Gross - Proportional reinsurance accepted	0	0	0					0
Gross - Non-proportional reinsurance accepted				0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0	0
Net	**0**	**0**	**-0**	**0**	**0**	**0**	**0**	**153**
Expenses incurred	**4**	**29**	**14,573**	**317**	**1,692**	**661**	**17,851**	**242,282**
Other expenses								**10,834**
Total expenses								**253,116**

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

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	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 and relating to other than health insurance obligations	Health reinsurance	Life reinsurance	
Premiums written									
Gross	6,066	775	56,130	142,747	0	0	227,644	1,197,513	1,630,876
Reinsurers' share	1,824	13	2,016	39,032	0	0	0	378,846	421,732
Net	**4,241**	**762**	**54,114**	**103,715**	**0**	**0**	**227,644**	**818,668**	**1,209,144**
Premiums earned									
Gross	6,066	775	56,130	142,747	0	0	227,644	1,197,513	1,630,876
Reinsurers' share	1,824	13	2,016	39,032	0	0	0	378,846	421,732
Net	**4,241**	**762**	**54,114**	**103,715**	**0**	**0**	**227,644**	**818,668**	**1,209,144**
Claims incurred									
Gross	4,789	324	53,037	90,788	0	0	165,450	1,441,662	1,756,050
Reinsurers' share	984	0	1,087	20,233	0	0	0	268,755	291,060
Netto	**3,805**	**324**	**51,949**	**70,555**	**0**	**0**	**165,450**	**1,172,907**	**1,464,990**
Change in other technical provisions									
Gross	357	6	-3,654	-4,867	0	0	570	475,653	468,064
Reinsurers' share	18	0	20	359	0	0	0	6,177	6,574
Net	**339**	**6**	**-3,674**	**-5,226**	**0**	**0**	**570**	**469,476**	**461,490**
Expenses incurred	**379**	**2**	**14,518**	**10,520**			**32,818**	**149,376**	**207,613**
Other expenses									720
Total expenses									**208,332**

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 country (by amount of gross premiums written) – non-life obligations					Total top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		GB	US	HK	BG	DE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	52,275	174,273	125,847	80,239	0	0	432,634
Gross - Proportional reinsurance accepted	R0120	177,523	40,856	28,194	72,457	8,813	52,552	380,396
Gross - Non-proportional reinsurance accepted	R0130	71,135	0	0	0	109,277	60,607	241,019
Reinsurers' share	R0140	73,884	47,270	126,549	18,329	117,495	34,073	417,600
Net	**R0200**	**227,049**	**167,859**	**27,492**	**134,366**	**595**	**79,086**	**636,449**
Premiums earned								
Gross - Direct Business	R0210	44,627	159,237	108,910	73,579	0	0	386,353
Gross - Proportional reinsurance accepted	R0220	185,126	38,822	23,003	78,267	12,297	49,704	387,220
Gross - Non-proportional reinsurance accepted	R0230	68,243	0	0	0	107,820	60,607	236,671
Reinsurers' share	R0240	83,841	46,783	106,697	17,283	119,164	34,554	408,323
Net	**R0300**	**214,156**	**151,276**	**25,216**	**134,563**	**953**	**75,757**	**601,921**
Claims incurred								
Gross - Direct Business	R0310	30,337	71,650	90,347	75,149	0	0	267,483
Gross - Proportional reinsurance accepted	R0320	113,181	55,417	110	46,153	17,808	50,719	283,387
Gross - Non-proportional reinsurance accepted	R0330	10,053	0	0	0	45,400	7,566	63,020
Reinsurers' share	R0340	30,655	30,918	83,874	17,248	18,013	240	180,947
Net	**R0400**	**122,916**	**96,149**	**6,583**	**104,055**	**45,196**	**58,045**	**432,943**
Change in other technical provisions								
Gross - Direct Business	R0410	153	0	0	0	0	0	153
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**	**153**					**0**	**153**
Expenses incurred	**R0550**	**30,319**	**30,805**	**2,785**	**44,762**	**873**	**12,119**	**121,664**
Other expenses	**R1200**							**7,003**
Total expenses	**R1300**							**116,548**

Premi, sinistri e spese per paese (2/2)

		Home country	Top 5 country (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
Premiums written								
Gross	R1410	222,883	168,590	128,060	116,779	109,177	103,340	848,828
Reinsurers' share	R1420	4,916	49,624	89,083	22,474	35,286	34,068	235,451
Net	**R1500**	**217,967**	**118,966**	**38,977**	**94,305**	**73,891**	**69,271**	**613,377**
Premiums earned								
Gross	R1510	222,883	168,590	128,060	116,779	109,177	103,340	848,828
Reinsurers' share	R1520	4,916	49,624	89,083	22,474	35,286	34,068	235,451
Net	**R1600**	**217,967**	**118,966**	**38,977**	**94,305**	**73,891**	**69,271**	**613,377**
Claims incurred								
Gross	R1610	674,436	146,290	109,540	93,254	90,275	74,648	1,188,443
Reinsurers' share	R1620	1,636	52,727	71,710	20,874	19,032	25,776	191,754
Netto	**R1700**	**672,800**	**93,564**	**37,830**	**72,380**	**71,243**	**48,872**	**996,689**
Change in other technical provisions								
Gross	R1710	511,252	-829	0	1,572	9,126	-6,446	514,674
Reinsurers' share	R1720	-92	0	0	6,564	352	1,026	7,851
Net	**R1800**	**511,343**	**-829**		**-4,991**	**8,773**	**-7,472**	**506,823**
Expenses incurred	**R1900**	23,749	15,752	5,500	13,011	3,730	15,571	77,313
Other expenses	**R2500**							37
Total expenses	**R2600**							**61,779**

Annex 4.4

QRT S.12.01.02 – Life and Health SLT Technical Provisions

Life and Health SLT Technical Provisions (1/2)

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			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)
				Contracts without options and guarantees	Contracts with options and guarantees		Contracts without options and guarantees	Contracts with options and guarantees			
		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**	14,238		208,695			39,959	1,305,974		**5,111,489**	**6,680,355**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080							21,279		**354,862**	**376,141**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	14,238		208,695			39,959	1,284,695		4,756,627	6,304,214
Risk Margin	**R0100**		**60**			**53,016**				**78,101**	**131,176**
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**	**14,238**	**208,755**			**1,398,949**				**5,189,590**	**6,811,532**

Life and Health SLT Technical Provisions (2/2)

		Health insurance (direct business)					
			Contracts without options and guarantee	Contracts with options and guarantee	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (health similar to life)**
		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**		54,968	477		416,627	**472,071**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		16,889			137,103	**153,992**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090		38,079	477		279,523	318,079
Risk Margin	**R0100**	**419**				**7,853**	**8,272**
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**	**55,863**				**424,480**	**480,343**

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**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
adjustment for expected losses due to counterparty default associated to TP as a whole	R0050	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	**45,471**	**34,633**	**0**	**541**	**4,070**	**6,445**	**137,791**	**78,697**	**7,476**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	5,080	19,191	0	162	304	1,117	39,306	19,909	6,317
Net Best Estimate of Premium Provisions	**R0150**	**40,391**	**15,442**	**0**	**379**	**3,766**	**5,328**	**98,485**	**58,789**	**1,160**
Claims provisions										
Gross	R0160	**65,914**	**113,435**	**0**	**20,249**	**11,910**	**71,935**	**532,622**	**370,926**	**25,301**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	10,743	39,863	0	897	599	15,455	108,279	95,622	17,941
Net Best Estimate of Claims Provisions	**R0250**	**55,171**	**73,571**	**0**	**19,353**	**11,311**	**56,480**	**424,343**	**275,304**	**7,360**
Total Best estimate – gross	**R0260**	**111,385**	**148,068**	**0**	**20,790**	**15,980**	**78,380**	**670,413**	**449,624**	**32,777**
Total Best estimate – net	**R0270**	**95,562**	**89,014**	**0**	**19,731**	**15,076**	**61,808**	**522,828**	**334,093**	**8,519**
Risk margin	**R0280**	2,740	3,573	0	2,005	865	3,038	27,757	23,663	2,009
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0
Technical provisions – total										
Technical provisions - total	R0320	**114,125**	**151,640**	**0**	**22,796**	**16,844**	**81,418**	**698,170**	**473,287**	**34,786**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	**15,823**	**59,054**	**0**	**1,059**	**904**	**16,572**	**147,585**	**115,531**	**24,258**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	**98,302**	**92,586**	**0**	**21,737**	**15,941**	**64,846**	**550,584**	**357,756**	**10,529**

Non - life Technical Provisions (2/2)

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property	Total Non-life obligations
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
adjustment for expected losses due to counterparty default associated to TP as a whole	R0050	0	0	0	0	0	0	0	**0**
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060	**1**	**91**	**22,479**	**0**	**2,655**	**3,095**	**10,367**	**353,813**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	6	2,033	0	1,627	59	5,474	**100,584**
Net Best Estimate of Premium Provisions	**R0150**	**1**	**86**	**20,445**	**0**	**1,028**	**3,036**	**4,894**	**253,229**
Claims provisions									
Gross	R0160	**175**	**0**	**60,558**	**8,351**	**136,738**	**20,800**	**202,505**	**1,641,419**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	834	1,861	12,229	13,868	44,647	**362,839**
Net Best Estimate of Claims Provisions	**R0250**	**175**	**0**	**59,724**	**6,490**	**124,509**	**6,932**	**157,858**	**1,278,580**
Total Best estimate – gross	**R0260**	**176**	**92**	**83,037**	**8,351**	**139,393**	**23,895**	**212,872**	**1,995,233**
Total Best estimate – net	**R0270**	**176**	**86**	**80,170**	**6,490**	**125,537**	**9,968**	**162,752**	**1,531,809**
Risk margin	**R0280**	11	9	1,468	272	14,104	1,116	6,935	**89,565**
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	**0**
Best estimate	**R0300**	0	0	0	0	0	0	0	**0**
Risk margin	**R0310**	0	0	0	0	0	0	0	**0**
Technical provisions – total									
Technical provisions - total	R0320	**188**	**100**	**84,505**	**8,623**	**153,498**	**25,012**	**219,807**	**2,084,798**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	**0**	**6**	**2,867**	**1,861**	**13,857**	**13,927**	**50,120**	**463,423**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	**188**	**95**	**81,638**	**6,762**	**139,641**	**11,084**	**169,686**	**1,621,375**

Annex 4.6

QRT S.19.01.21 – Non-life insurance claims

Gross Claims Paid (non-cumulative)

-	-	Development year												
		0	1	2	3	4	5	6	7	8	9	10 & +	In current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											8.273	8.273	
N-9	R0160	120.939	126.781	59.442	52.849	21.663	15.986	8.850	15.042	1.233	3.811		3.811	426.595
N-8	R0170	139.138	89.978	51.029	36.457	15.524	13.425	5.507	1.101	4.370			4.370	356.527
N-7	R0180	128.590	137.398	67.834	19.978	12.691	17.923	7.892	5.681				5.681	397.988
N-6	R0190	108.375	179.632	85.261	41.119	16.928	10.212	3.836					3.836	445.363
N-5	R0200	190.569	274.911	76.853	27.528	24.514	8.957						8.957	603.333
N-4	R0210	121.936	153.356	65.861	27.833	16.107							16.107	385.092
N-3	R0220	179.768	149.798	90.815	36.381								36.381	456.763
N-2	R0230	211.852	144.976	64.307									64.307	421.135
N-1	R0240	247.797	244.509										244.509	492.306
N	R0250	182.256											182.256	182.256
Total	R0260												**578.488**	**4.167.360**

Gross undiscounted Best Estimate Claims Provisions

		Development year											
		0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discontinued data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											49,840	48,711
N-9	R0160	0	0	0	0	0	0	0	0	27,319	23,436		22,832
N-8	R0170	0	0	0	0	0	0	0	30,415	25,903			25,437
N-7	R0180	0	0	0	0	0	0	32,088	30,326				29,605
N-6	R0190	0	0	0	0	0	39,761	35,876					35,179
N-5	R0200	0	0	0	0	63,369	37,770						36,995
N-4	R0210	0	0	0	84,735	81,080							79,275
N-3	R0220	0	0	163,082	114,010								111,794
N-2	R0230	0	215,856	151,155									148,244
N-1	R0240	555,482	331,184										327,112
N	R0250	492,362											488,576
Total	R0260												**1,353,761**

Annex 4.7

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

		Annual 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		9,376,673			86,072	
Basic Own Funds	R0020	44,227,064			-59,094	
Eligible own funds to meet Solvency Capital Requirement	R0050	44,227,064			-59,094	
Solvency Capital Requirement	R0090	17,212,959			90,517	
Eligible own funds to meet Minimum Capital Requirement	R0100	39,217,486			-81,554	
Minimum Capital Requirement	R0110	4,303,240			22,629	

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	1,565,165	1,565,165			
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	30,054,110	30,054,110			
Subordinated liabilities	R0140	8,599,622		3,250,204	5,349,418	
An amount equal to the value of net deferred tax assets	R0160	520,808				520,808
Other own funds 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						
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	R0220	80,891				
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	**44,227,064**	**35,106,635**	**3,250,204**	**5,349,418**	**520,808**

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					
Supplementtary members calls under first subparagraph of article 96 (3), of the Directive 2009/138/CE	R0360					
Supplementtary members calls – other than under first subparagraph of article 96 (3), of the Directive 2009/138/CE	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	44,227,064	35,106,635	3,250,204	5,349,418	520,808
Total available own funds to meet the MCR	R0510	43,706,256	35,106,635	3,250,204	5,349,418	
Total eligible own funds to meet the SCR	R0540	44,227,064	35,106,635	3,250,204	5,349,418	520,808
Total eligible own funds to meet the MCR	R0550	39,217,486	35,106,635	3,250,204	860,648	
SCR	**R0580**	**17,212,959**				
MCR	**R0600**	**4,303,240**				
Ratio of Eligible own funds to SCR	**R0620**	**256.9%**				
Ratio of Eligible own funds to MCR	**R0640**	**911.3%**				

Own Funds (3/3)

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	37,127,434
Own shares (held directly and indirectly)	R0710	6,459
Foreseeable dividends, distributions and charges i	R0720	1,412,641
Other basic own fund items	R0730	5,654,224
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**30,054,110**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	76,518
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	2,292
Total Expected profits included in future premiums (EPIFP)	**R0790**	**78,809**

Annex 4.9

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

Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090
FIN01	Financial Risk	15,755,821,012	15,755,821,012		
CRD01	Credit Risk	934,086,128	934,086,128		
LUW01	Life underwriting risk	148,580,240	148,580,240		
HLT01	Health underwriting risk	0	0		
NUW01	Non-life underwriting risk	550,450,664	550,450,664		
OPE01	Operational risk	117,099,133	0		
TAX01	Tax Cap Effect	486,440,628	486,440,628		
MOD01	Model adjustment	0	0		
INT01	Intangible risk	0	0		

		C0100
Calculation of Solvency Capital Requirement		
Total undiversified components	R0110	17,992,478
Diversification	R0060	-779,519
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**	**17,212,959**
Capital add-ons already set	R0210	0
Solvency capital requirement	**R0220**	**17,212,959**
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	17,212,959
Total amount of Notional Solvency Capital Requirements for ring fenced funds	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 (1/2)

		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	292,490	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	95,562	273,639		
Income protection insurance and proportional reinsurance	R0030	89,014	91,538		
Workers' compensation insurance and proportional reinsurance	R0040	0	0		
Motor vehicle liability insurance and proportional reinsurance	R0050	19,731	1,957		
Other motor insurance and proportional reinsurance	R0060	15,076	10,564		
Marine, aviation and transport insurance and proportional reinsurance	R0070	61,808	29,388		
Fire and other damage to property insurance and proportional reinsurance	R0080	522,828	282,246		
General liability insurance and proportional reinsurance	R0090	334,093	165,251		
Credit and suretyship insurance and proportional reinsurance	R0100	8,519	2,691		
Legal expenses insurance and proportional reinsurance	R0110	176	4		
Assistance and proportional reinsurance	R0120	86	0		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	80,170	67,083		
Non-proportional health reinsurance	R0140	6,490	6,773		
Non-proportional casualty reinsurance	R0150	125,537	32,875		
Non-proportional marine, aviation and transport reinsurance	R0160	9,968	6,542		
Non-proportional property reinsurance	R0170	162,752	164,067		

		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**	**508,210**

Minimum capital Requirement - Both life and non-life insurance activity (2/2)

		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			4,079,557	
Obligations with profit participation - future discretionary benefits	R0220			26,033	
Index-linked and unit-linked insurance obligations	R0230			226,910	
Other life (re)insurance and health (re)insurance obligations	R0240			2,289,793	
Total capital at risk for all life (re)insurance obligations	R0250				441,351,421

Overall MCR calculation		
		C0130
Linear MCR	R0300	800,700
SCR	R0310	17,212,959
MCR cap	R0320	7,745,831
MCR floor	R0330	4,303,240
Combined MCR	R0340	4,303,240
Absolute floor of the MCR	R0350	6,200
Minimum Capital Requirement	**R0400**	**4,303,240**

Notional non-life and life MCR calculation		Attività Non Vita	Attività Vita
		C0140	C0150
Notional linear MCR	R0500	292,490	508,210
Notional SCR excluding add-on (annual or latest calculation)	R0510	6,287,771	10,925,188
Notional MCR cap	R0520	2,829,497	4,916,335
Notional MCR floor	R0530	1,571,943	2,731,297
Notional Combined MCR	R0540	1,571,943	2,731,297
Absolute floor of the notional MCR	R0550	2,500	3,700
Notional MCR	R0560	1,571,943	2,731,297

Independent Auditor's Reports

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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 article 4, comma 1, letters a) and b) of IVASS Regulation n. 42, dated 2 August 2018

(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 Condition Report (the "SFCR") of Assicurazioni Generali S.p.A. as at December 31, 2018, 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").

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 MVBS and OF reporting templates and related disclosures" as a whole.

In our opinion, the MBVS and OF reporting templates and related disclosures included in the SFCR of Assicurazioni Generali S.p.A. as at December 31, 2018 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 MVBS and OF 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 MVBS and OF 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, 2018 in accordance with Italian regulations governing financial statements on which we issued our independent auditor's report to the shareholders of the Company dated April 3, 2019.

The Company has prepared the reporting templates "S.25.02.21 Solvency Capital Requirement – for undertakings using the standard formula and partial internal model" and "S.28.02.01 Minimum Capital Requirement – Both life and non-life insurance activity" and the related disclosure presented in section "E.2. Solvency Capital Requirement and Minimum Capital Requirement" included in the SFCR in accordance with the applicable European Union regulations, the national sectoral regulation and the Partial Internal Model of the Company, which are subject to limited review pursuant to article 4, comma 1, letter c) of IVASS Regulation n. 42, dated 2 August 2018, following which we issued on the same date a limited review report attached to the SFCR.

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 SFCR 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 MVBS and OF reporting templates and related disclosures does not cover the other information.

In connection with our audit of the MBVS and OF 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 MVBS and OF 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 MVBS and OF reporting templates and related disclosures or in the other information. If, based on the work 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 MVBS and OF reporting templates and related disclosures

The Directors are responsible for the preparation and presentation of the MVBS and OF 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 MVBS and OF reporting templates and related disclosures that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the MVBS and OF reporting templates and related disclosures, for the appropriateness of the use of the going concern and for disclosing related matters.

The Directors use the going concern basis of accounting in the preparation of MVBS and OF reporting templates and related disclosures 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 MVBS and OF reporting templates and related disclosures

Our objectives are to obtain reasonable assurance about whether the MVBS and OF 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 the MVBS and OF 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 MBVS and OF 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 MVBS and OF 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, 19 April 2019

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.

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Independent auditor's review report pursuant to article 47-septies, comma 7 of Legislative Decree n. 209, dated 7 September 2005, and article 4, comma 1, letter c) of IVASS Regulation n. 42, dated 2 August 2018

(Translation from the original Italian text)

To the Board of Directors of
Assicurazioni Generali S.p.A.

Introduction

We have reviewed the accompanying reporting templates "S.25.02.21 Solvency Capital Requirement – for undertakings using the standard formula and partial internal model" and "S.28.02.01 Minimum Capital Requirement – Both life and non-life insurance activity" (the "SCR and MCR reporting templates") and the related disclosures presented in section "E.2. Solvency Capital Requirement and Minimum Capital Requirement" (the "disclosures" or the "related disclosures") included in the Solvency and Financial Condition Report (the "SFCR") of Assicurazioni Generali S.p.A. (the "Company") as at December 31, 2018, pursuant to article 47-septies of Legislative Decree n. 209, dated 7 September 2005.
The SCR and MCR reporting templates and related disclosures have been prepared by the Management in accordance with the applicable European Union regulations, the national sectoral regulation and the Partial Internal Model of the Company, as described in the disclosures included in the SFCR and as approved by IVASS.

Management's Responsibility

Management is responsible for the preparation of the SCR and MCR reporting templates and related disclosures in accordance with the applicable European Union regulations, the national sectoral regulation and the Partial Internal Model of the Company, as described in the disclosures included in the SFCR and as approved by IVASS, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of SCR and MCR reporting templates and related disclosures that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on SCR and MCR reporting templates and related disclosures. We conducted our review in accordance with International Standard on Review Engagements (ISRE) n. 2400 (Revised) – Engagements to review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the SCR and MCR reporting templates and related disclosures are not prepared, in all material respects, in accordance with the applicable European Union regulations, the national sectoral regulation and the Partial Internal Model of the Company, as described in the disclosures included in the SFCR and as approved by IVASS. This Standard also requires us to comply with relevant ethical requirements.
The review of SCR and MCR reporting templates and related disclosures in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical

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procedures, and evaluates the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on SCR and MCR reporting templates and related disclosures.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that SCR and MCR reporting templates and related disclosures included in the SFCR of Assicurazioni Generali S.p.A. as at December 31, 2018 are not prepared, in all material respects, in accordance with the applicable European Union regulations, the national sectoral regulation and the Partial Internal Model of the Company, as described in the disclosures included in the SFCR and as approved by IVASS.

Basis of preparation, purpose and restriction on use

Without modifying our conclusion, we draw attention to section "E.2. Solvency Capital Requirement and Minimum Capital Requirement" included in the SFCR, which describes the basis of preparation of SCR and MCR reporting templates. The SCR and MCR reporting templated and the related disclosures are prepared, for solvency supervision purposes, in accordance with the applicable European Union regulations, the national sectoral regulation and the Partial Internal Model of the Company, as described in the disclosures included in the SFCR and as approved by IVASS, which results in a special purpose framework. As a result, as required by the article n. 13 of IVASS Regulation n. 42 dated 2 August 2018, the approvals, derogations or other decisions by IVASS, included the structure of the Partial Internal Model, are considered by us as part of the standard framework for our review and the reporting templates and related disclosures may not be suitable for any other purposes. In particular, in accordance with articles 46-bis and 46-ter of Legislative Decree n. 209, dated 7 September 2005, the Partial Internal Model briefly described in the disclosures included in the SFCR has been approved by IVASS in the discharge of its supervisory functions and it could differ from internal models approved for other insurance undertakings.

Trieste, 19 April 2019

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

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Editing
Group Integrated Reporting

Coordination
**Group Communications
& Public Affairs**

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