185th year

Solvency and financial condition report of Generali Group 2016

generali.com

GENERALI

Solvency and financial condition report of Generali Group 2016

Index

Summary

INTRODUCTION

Generali Group falling under the scope of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (hereinafter Solvency II Directive) is required to predispose its own Solvency and Financial Condition Report (SFCR).

This is in accordance with the Solvency II Directive as implemented by the Legislative Decree 209/2005 as well as with the Delegated Regulation 2015/35/EC ('Delegated Act') and related Guidelines. In addition to the European Regulation requirements, the report also contains information pertinent to IVASS Regulation n. 33/2016.

SFCR specific content is defined by primary legislation and its implementing measures - which provide detailed information on the essential aspects of its businesses, such as a description of the activity and performance of the undertaking, the system of governance, risk profile, evaluation of assets and liabilities and capital management - for solvency purposes.

The objective of the SFCR is to increase transparency in the insurance market, requiring insurance and reinsurance undertakings to disclose publicly, at least on an annual basis, a report on their solvency and financial condition.

Policyholders and beneficiaries are the main addressees of SFCR benefitting from an increased market discipline that encourages best practices as well as from a higher market confidence that leads to an improved understanding of the business.

The document is approved by the Board of Directors.

Section D "Valuation for Solvency Purposes" and the paragraph E.1. "Own funds" has been audited by EY S.p.A. pursuant to article 47-septies, paragraph 7 of the Legislative Decree 209/2005 by IVASS with Letter to the market dated 7 December 2016.

The present document follows the structure required by the Delegated Acts.

All the amounts commented in the text and in the tables are presented in million euro (€ millions), if not differently stated. The Quantitative Reporting Templates (QRT) defined by the regulation are in thousand euro (€ thousand).

At the end of this report you can find the terms and acronyms used within the Glossary.

BUSINESS AND PERFORMANCE (SECTION A)

Since 1831 we are an Italian, independent Group, with a strong international presence. We are one of the largest global players in the insurance industry, a strategic and highly relevant sector for the growth, development and welfare of modern societies. In almost 200 years we have built a Group that operates in over 60 countries through more than 420 companies and almost 74 thousand employees.

From a management and organizational perspective the group is organized by country: Italy, Germany, France, Central and Eastern European Countries, and Global Business Lines & International, including for example EMEA, Asia and Americas and other global activities such as Europ Assistance, Generali Employee benefits, etc.

The main key performance indicators presented here below are derived from the Annual Integrated Report and Consolidated Financial Statements 2016.

Gross written premiums

-3.9%

€ 70,513 mln

Including € 3,324 mln premiums from investment contracts

Life segment premiums

71%

P&C segment premiums

29%

Operating result

+0.9%

€ 4,830 mln

Operating return on equity

-0.5 pps

13.5%

Total Assets Under Management (AUM)

+6.1%

€ 530 bln

Our people

73,727

men

50.6%

women

49.4%

Our clients

55 mln

Our exclusive distributors

151 thousands

LIFE

Increasing operating result thanks to the positive technical performance. The trend in premiums continued to embed the approach in the offering that is even more disciplined.

Gross written premiums	NBV	Operating result
-6.3%	+14.6%	+5.5%
€ 49,730 mln	€ 1,256 mln	€ 3,127 mln
Including € 3,324 mln premiums from investment contracts		

PROPERTY &CASUALTY

Positive trend in premiums driven by motor segment. Increasing operating result due to the improvement of the Group combined ratio thanks to the reduction in loss ratio.

Gross written premiums	COR	Operating result
+2.1%	-0.7 pps	+2.9%
€ 20,783 mln	92.5%	€ 2,044 mln

SYSTEM OF GOVERNANCE (SECTION B)

Generali Group also relies on a sound risk management system including governance and structured risk management processes. It is the set of rules, procedures and structures that ensure the effective operation of the company and enable it to identify, manage and monitor the main risks to which it is exposed.

To ensure a consistent framework through the Group, the Parent Company sets Group Directives on Internal Control and Risk Management System, complemented by Group Risk Policies, which have to be applied by all Group companies.

The Group internal control and risk management system is founded on the establishment of three lines of defence:

- Operating Functions (the “risk owners”), which represent the first line of defence and have ultimate responsibility for risks relating to their area of expertise;
- Actuarial, Compliance and Risk Management Functions, which represent the second line of defence;
- Internal Audit, which represents the third line of defence.

RISK PROFILE (SECTION C)

Generali Group is mostly exposed to financial, credit, underwriting and operational risks. The nature of these risk and the overall Generali’s risk profile description are provided in Section C.

Generali Group measures its risks by means of the Group’s Partial Internal Model (PIM) for financial, credit, life and non-life underwriting risks. Operational risks are measured by means of a Standard Formula, complemented by quantitative and qualitative risk assessments. The PIM provides an accurate representation of the main risks to which the Group is exposed, measuring not only the impact of each risk taken individually but also their combined impact on the Group’s own funds.

VALUATION FOR SOLVENCY PURPOSES (SECTION D)

Section D includes a complete overview on the valuation of Solvency II assets and liabilities. The general principle for the valuation is an economic, market-consistent approach using assumptions that market participants would use in valuing the same asset or liability (article 75 of the Solvency II Directive).

In particular, assets and liabilities other than technical provisions are recognized in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee approved by the European Union before the balance sheet date, provided they include valuation methods that are consistent with the market approach.

Technical provisions under Solvency II are calculated as the sum of best estimate liabilities plus risk margin. The significant methods and assumptions used in this calculation are detailed in the chapter D.2.

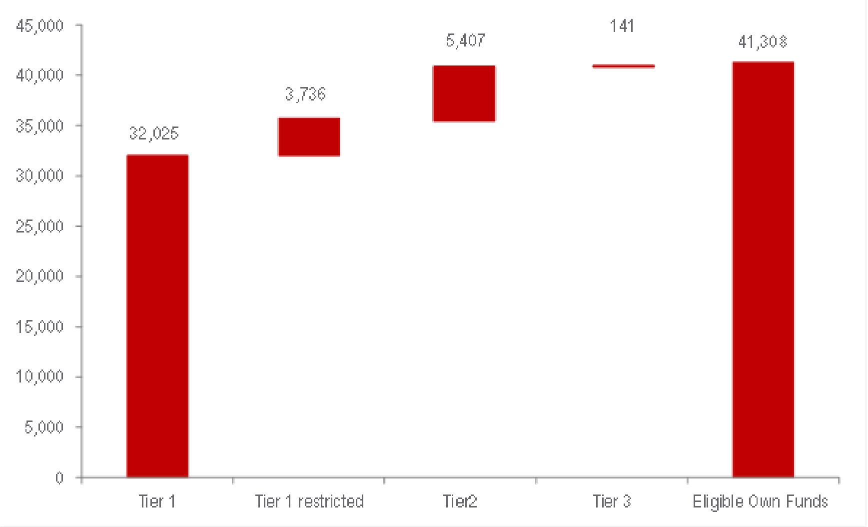
CAPITAL MANAGEMENT(SECTION E)

The Group defines principles for capital management activities of the Parent company and Group Legal Entities.

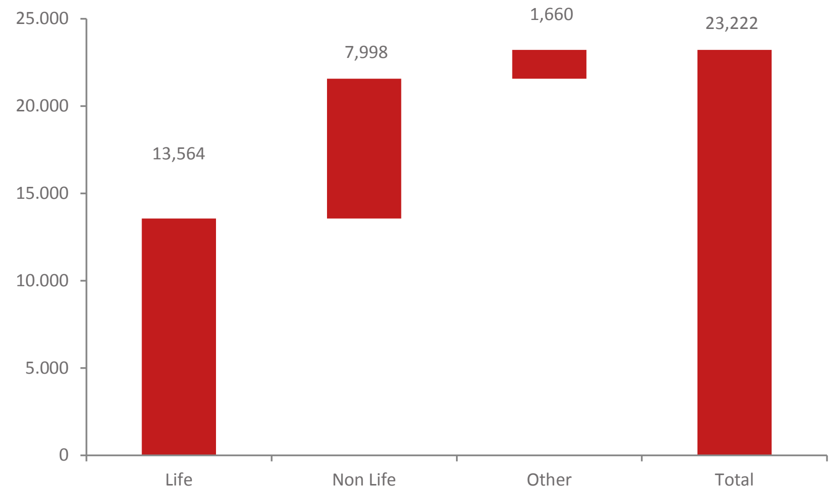
Capital management activities aim to establish common guiding principles and standards for carrying out management and control procedures of own funds in accordance with the relevant regulatory requirements and legislative frameworks at both Group and Local level, and in line with the level of risk appetite and strategy of the Generali Group.

The capital position as of 31.12.2016 is presented in Section E which provides a detailed overview of the structure of Own Funds, as well as components related to Solvency Capital Requirements.

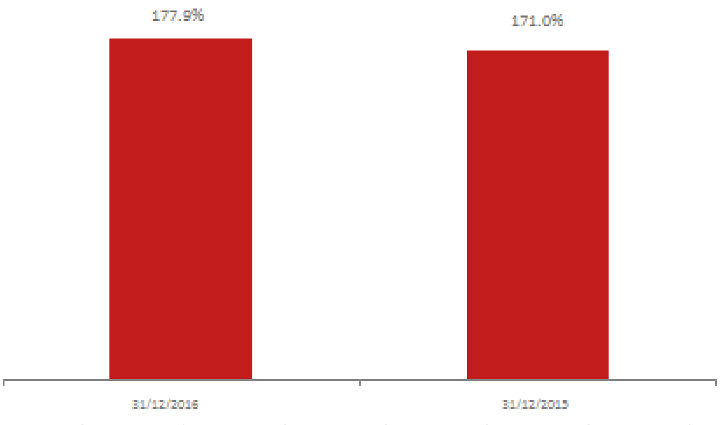
Eligible Own Funds



SCR



Regulatory Solvency II ratio



A. Business and Performance

A.1. BUSINESS

A.1.1. INFORMATION ON THE GROUP

Assicurazioni Generali S.p.A. is the parent company of the Generali Group, an Italian independent Group, with a strong international presence, established in Trieste in 1831. We are one of the largest global players in the insurance industry, a strategic and highly relevant sector for the growth, development and welfare of modern societies. In almost 200 years, we have built a Group that operates in over 60 countries through more than 500 companies and almost 74 thousand employees.

OUR VISION, OUR MISSION, OUR VALUES

Our vision

Our purpose is to actively protect and enhance people's lives

Actively
We play a proactive and leading role in improving people's lives through insurance.

Protect
We are dedicated to the heart of insurance - managing and mitigating risks of individuals and institutions.

Enhance
Generali is also committed to creating value.

People
We deeply care about our clients' and our people's future and lives.

Lives
Ultimately, we have an impact on the quality of people's lives: wealth, safety, advice and service are instrumental in improving people's chosen way of life for the long term.

Our mission

Our mission is to be the first choice by delivering relevant and accessible insurance solutions

First choice
Logical and natural action that acknowledges the best offer in the market based on clear advantages and benefits.

Delivering
We ensure achievement striving for the highest performance.

Relevant
Anticipating or fulfilling a real life need or opportunity, tailored to local and personal needs and habits, perceived as valuable.

Accessible
Simple, first of all, and easy to find, to understand and to use; always available, at a competitive value for money.

Insurance solutions
We aim at offering and tailoring a bright combination of protection, advice and service.

Our values

Deliver on the promise
We tie a long-term contract of mutual trust with our people, clients and stakeholders; all of our work is about improving the lives of our clients. We commit with discipline and integrity to bringing this promise to life and making an impact within a long lasting relationship.

Value our people
We value our people, encourage diversity and invest in continuous learning and growth by creating a transparent, cohesive and accessible working environment. Developing our people will ensure our company's long term future.

Live the community
We are proud to belong to a global Group with strong, sustainable and long lasting relationships in every market in which we operate. Our markets are our homes.

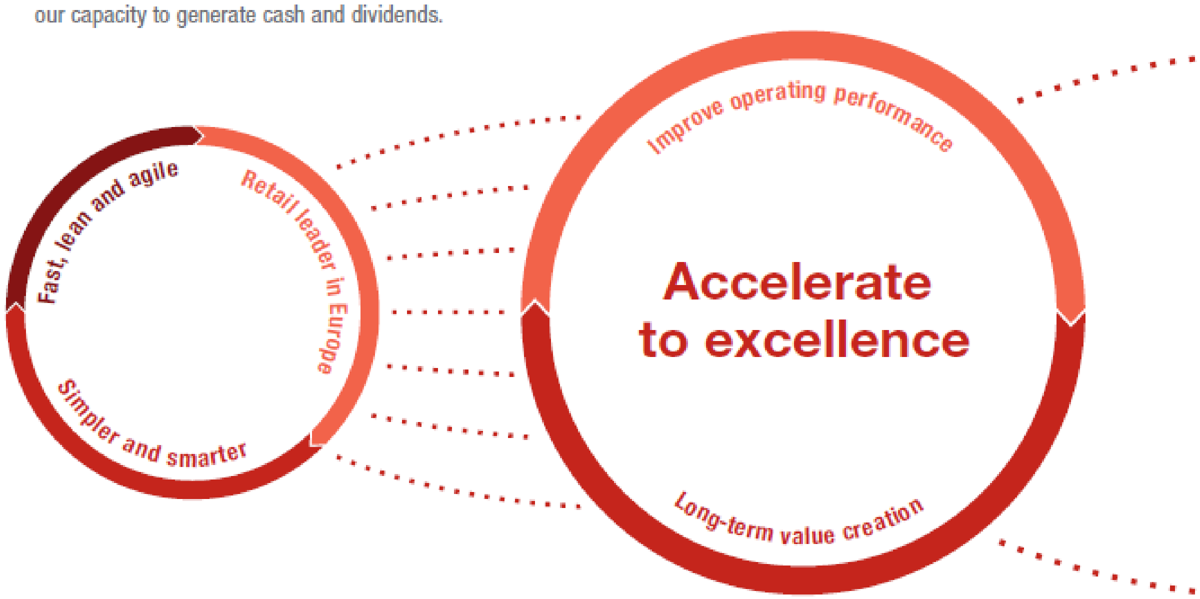
Be open
We are curious, approachable and empowered people with open and diverse mindsets who want to look at things from a different perspective.

OUR STRATEGY[1]

Accelerate to excellence

2015 | SIMPLER AND SMARTER **2016-2018**

In May 2015 we rolled out our strategy of becoming a simpler and smarter insurer for customers and distributors, to improve our capacity to generate cash and dividends.



The external context is increasingly challenging: on one hand, economic, financial and political uncertainty which results in greater volatility in interest rates, government and corporate bond spreads and the equity markets and, on the other hand, different customer behaviour, driven primarily by rapid technological evolution and more stringent regulations.

Our people always

[1] All information reported in the document are referred to 31 December 2016. Please refer to Annual Integrated Report and Consolidated Financial Statements 2016 for further information.

SIMPLER, SMARTER. FASTER

- **> € 7 bln** cumulative net operating cash (2015-2018)
- **> € 5 bln** cumulative dividends (2015-2018)
- **> 13 %** Operating ROE on average (2015-2018)

Improve operating performance

- Optimise international footprint — **At least € 1 bln** cash proceeds from disposals
- Rationalise the operating machine — **€ 200 mln** net reduction in nominal OpEx cost base in mature markets by 2018
- Enhance technical capabilities — **Best combined ratio** further improvement in outperformance vs peers; **Guarantees maximum 0%** on new retail business

Long-term value creation

- Rebalance the insurance portfolio — **-30 bp** reduction in average portfolio guarantee to 1.5% by 2018; **+6 pps** on the total capital-light reserves by 2018
- Customer and distribution innovation — **+2 pps** increase in retention in three years
- Strengthen the brand — **+3%** brand preference in mature markets

at the heart of the strategy

GROUP STRUCTURE

The Group operates in the following segments, offering the range of products described below:

INSURANCE

LIFE

In the Life segment, its offer ranges from savings and family protection policies to unit-linked policies and complex plans for multinationals.

PROPERTY & CASUALTY

In the Property & Casualty segment, the well-balanced portfolio goes from mass-market coverage such as Car, Home, Accident & Health, to sophisticated commercial and industrial risk coverage.

The Group is committed to achieving the optimal client segmentation and enhancing product innovation in order to deliver a targeted approach to clients. Generali aims to be best-in-class for client retention and satisfaction.

HOLDING AND OTHER BUSINESSES SEGMENT

The holding and other businesses segment includes the activities of the Group companies in the banking and asset management sectors, the costs incurred for the direction, coordination and financing activities, as well as all other operations that the Group considers to be ancillary to the core insurance business.

ASSET MANAGEMENT

Generali is a leading global asset manager with managed assets of around €500 billion, consisting largely of fixed income bonds, with the remainder in shares, real estate investments and cash. Of the total portfolio, an average of 80% is dedicated to insurance asset management, while the remainder comprises investments on behalf of non-insurance customers (third party, institutional and retail) and unit-linked customers.

For Generali, asset management is not only a cornerstone of the insurance business, but also a function that has a significant impact on the economy, enabling the Group to actively influence areas such as environmental protection and respect for human rights and the social sphere. For several years, the Group has partly based its investment strategies on criteria of environmental and social protection and of corporate governance, without sacrificing profitability.

BANKING

Through the activities of Banca Generali Group, Generali offers a wide range of bank services aimed at meeting various needs.

Bank account services are generally offered through the Financial Planner and Private Banker networks of Banca Generali and Banca Generali Private Banking, although clients may also use the online platforms, telephone channel or one of the 45 branches.

HOLDING AND OTHER OPERATIONS

The holding and other activities mainly include the holding and territorial sub-holding direction and coordination activities.

OUR REFERENCE MARKETS

The activities span the Life Business (savings, family protection and unit-linked policies, etc.) and the Property & Casualty business (car, home, accident and health insurance, etc.). We are among the leaders in the retail sector and over time have strengthened our position in the corporate sector with a dedicated international unit. We are also an active global player in asset management, with €500 billion of assets.

PRODUCTS AND DISTRIBUTORS

Generali Group is a leader in the insurance market offering a complete range of insurance solutions the Group offers its clients – retail, SME and corporate – in both the Life and Property & Casualty segments.

We develop simple, integrated, customized and competitive Life and Property & Casualty insurance solutions for our clients: the offer ranges from savings, individual and family protection policies, unit-linked policies, as well as motor third-party liability (MTPL), home, accident and health policies, to sophisticated coverage for commercial and industrial risks and tailored plans for multinational companies.

We distribute our products and we offer our services based on a multi-channel strategy, while also relying on new technologies: not only through a global network of agents and financial advisors, but also through brokers, bancassurance and direct channels which allow our clients to obtain information on alternative products, compare options for the desired product, acquire the preferred product and rely on excellent after-sales service and the best customer experience.

Distribution networks are a key and valuable asset for our business model. Their role is to deal with and assist customers at their best, striving for customer experience excellence and promoting the Generali brand. For this reason, we hold a regular, ongoing dialogue with them.

GEOGRAPHICAL FOOTPRINT

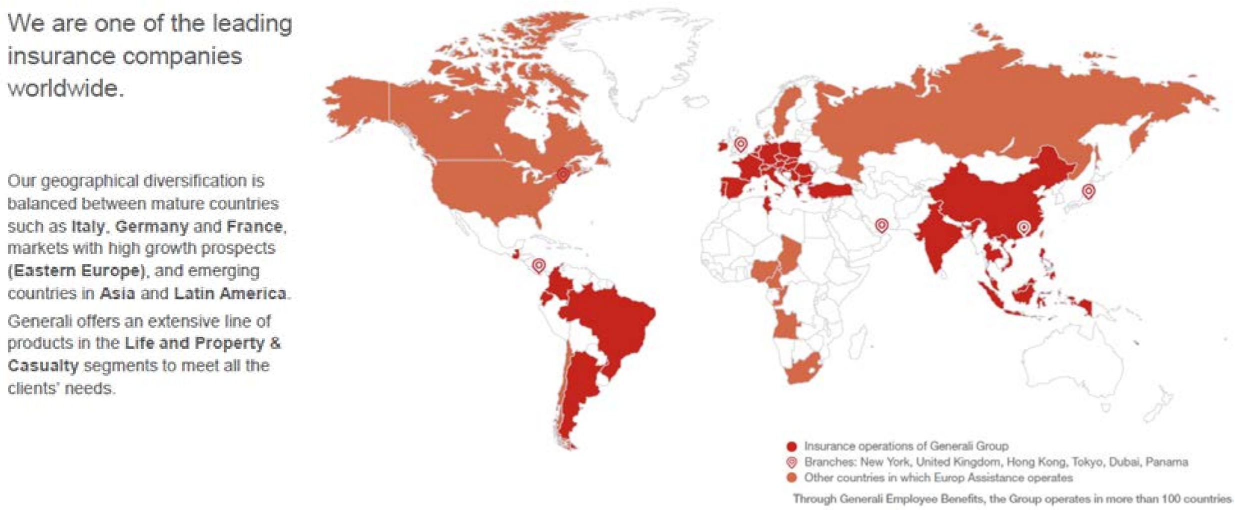
GLOBAL PRESENCE

Since the very beginning, our strong international vocation has set us apart and is one of our greatest strengths.

The Group is present in more than 60 Countries, through 576 companies and almost 74 thousand employees.

Our international presence is our greatest strength: Generali is a major, Europe-centric company that however is continuing to build its presence selectively, also in Asia and South America. In particular, we are the leading insurer in Italy, the second largest in Germany and in France we are seventh in the Life insurance segment and sixth in the Property & Casualty segment.

From a management and organizational perspective, the Group is organized by country as follows: Italy, Germany, France, Central and Eastern European Countries, and Global Business Lines & International, including for example EMEA, Asia and Americas and other global activities such as Europ Assistance, Generali Employee benefits, etc.



In the Annex you can find a simplified Group structure.

The main indicators for the most important countries and aggregations of countries are presented below:

ITALY

From 10 to 3 brands
Starting from the end of 2015, only three Group brands operate in Italy.
Generali Life and P&C company with a single distribution network made up of more than 1,500 agencies for the retail and middle market business. Dedicated Commercial business unit.
Alleanza Company dedicated to Italian families, with its network of direct producers and a range of Life and P&C products.
Genertel Life and P&C company on the alternative channels (phone, web and bancassurance), Italy's market leader in this segment.

1994 Genertel roll-out, first online insurance provider in Italy

1998 Banca Generali is founded

2000 Ina Assitalia take-over

2006 Toro take-over

2012-13 Announcement of the new plan for growth. Launch of Generali Italia following the incorporation of the Group's main insurance activities and shareholdings in Italy

PLAN FOR GROWTH

Generali Italia has launched a simplification programme of its key processes, which aims to redesign 20 industrial processes of the Company within 3 years to offer the best customer experience to clients and agents.

- A new way of working: 6 Simplification Labs, new spaces where 400 employees could work together in cross-functional teams to design the new process in 16-20 weeks.
- A "simpler, smarter & faster" approach based on the collaboration with clients and agents. The new way of working includes a collaborative design of new processes and instruments with the active involvement of clients and agents.

€ 23.6 bln premium income in 2016

9.3 mln customers

Leading player in **direct channels**

Market's leading insurer

3,200 agents, more than **14,500 subagents** and employed producers, more than **21,000 independent producers** and self-employed agency professionals.
Networks supported by **1,500 financial advisors**

GERMANY

Main companies
- ● Generali Deutschland AG
- ▲ Generali Versicherungen
- ▲ AachenMünchener
- ◣ CosmosDirekt

▲ COMPANY OPERATING IN BOTH LIFE AND NON-LIFE SEGMENTS
■ COMPANY OPERATING MOSTLY IN NON-LIFE SEGMENT
● COMPANY OPERATING MOSTLY IN LIFE SEGMENT
● HOLDING
◣ DIRECT CHANNELS
◖ ASSISTANCE SERVICES

1837 Start operating

1998 AMB Group take-over

2009 Establishment of Generali Deutschland to control all the German businesses. Merger between Generali Versicherungen and Volksfürsorge completed

2013 Squeeze-out of the minority shareholdings in Generali Deutschland Holding

2015 Launch of a strategic repositioning in the market

THE STRATEGIC REPOSITIONING ON THE GERMAN MARKET

The aim is to better serve customers leveraging on distribution strength; to offer smarter products with a focus on technologies, and to have a streamlined governance achieving higher efficiency.
The pillars of our strategy:

- Top management close to customers and sales networks
- New normal "Life", realignment "P&C"
- Smart insurance
- Focus on customers; Customised offer in three distribution pillars: Generali Versicherungen, AachenMünchener/DVAG and CosmosDirekt

€ 16.2 bln premium income in 2016

14.3 mln customers

Leading player in **direct channels**

Second-largest primary insurance group in the market

Partnership with the largest financial advisory network in Germany - DVAG - with more than **3,400 regional and branch offices**

3,100 agents. Network supported by over **15,000 brokers** and multiple agents

FRANCE

1832
Start operating

1995
Establishment of Generali France Holding

2003
Continent Holding take-over

2006
Merger 20 controlled companies in 2 operating companies: Generali Iard and Generali Vie

€ 10.9 bln premium income in 2016

7.7 mln customers

Leading player in **internet savings**

Among the **leading operators** in the market

Almost **900 agents** and **1,700 employed producers,** supported by **1,900 financial advisors**

Main companies
- Generali France
- Generali Vie
- Generali Iard
- Europ Assistance

- COMPANY OPERATING IN BOTH LIFE AND NON-LIFE SEGMENTS
- COMPANY OPERATING MOSTLY IN NON-LIFE SEGMENT
- COMPANY OPERATING MOSTLY IN LIFE SEGMENT
- HOLDING
- DIRECT CHANNELS
- ASSISTANCE SERVICES

CENTRAL EASTERN EUROPE

1832
Start operating

1989
Expansion plan launched in the area

2008
Creation of Generali PPF Holding, JV between Generali and PPF Group

2015
Full control of GPH. Company name changed into Generali CEE Holding

€ 3.5 bln premium income in 2016

8.9 mln customers

2,000 salaried sales professionals and **9,000 agents**

GENERALI LEADER IN CEE

The Group is an indisputed leader in CEE in terms of profitability, with a combined ratio among the best in the sector.

MARKET RANKING

Czech Republic	#2
Hungary	#2
Slovakia	#3
Poland	#6
Romania, Bulgaria, Croatia, Slovenia, Montenegro	Among Top 10

GENERALI IN CEE - 2007 VS 2016

early 2007 | end 2016

Premium income
1 bln → 3.5 bln

Clients
4 mln → > 10 mln

Main companies
- Ceska Pojistovna - Czech Rep.
- Generali Pojistovna - Czech Rep.
- Generali Biztosito - Hungary
- Generali Towarzystwo - Poland

- COMPANY OPERATING IN BOTH LIFE AND NON-LIFE SEGMENTS
- COMPANY OPERATING MOSTLY IN NON-LIFE SEGMENT
- COMPANY OPERATING MOSTLY IN LIFE SEGMENT
- HOLDING
- DIRECT CHANNELS
- ASSISTANCE SERVICES

EMEA REGION

Main companies
- ● Generali España - Spain
- ▲ Generali Seguros - Spain
- ● Generali Holding Vienna - Austria
- ▲ Generali Versicherung - Austria
- ● Generali Schweiz - Switzerland
- Generali Pan Europe - Ireland

▲ COMPANY OPERATING IN BOTH LIFE AND NON-LIFE SEGMENTS
■ COMPANY OPERATING MOSTLY IN NON-LIFE SEGMENT
● COMPANY OPERATING MOSTLY IN LIFE SEGMENT
● HOLDING
DIRECT CHANNELS
ASSISTANCE SERVICES

1995 Full take-over of Generali España Holding

1998 Estabishment of Generali Versicherung from the merger between Generali Leben and Erste Allgemeine in Austria

1999 Establishment of Generali PanEurope

2006 Merger between Generali Schweiz Holding and Albula Verwaltungs und Beteiligungs AG

2009 Establishment of Generali España from the merger between Vitalicio and Estrella

11,300 agents and **14,800 brokers**

7.5 mln customers

€ 10.6 bln premium income in 2016

Operating since **1832**

GENERALI LEADER IN AUSTRIA, SWITZERLAND AND SPAIN

The Generali Group is one of the leading insurers in Austria, Spain and Switzerland. In addition to these markets, the EMEA region includes Belgium, Greece, Guernsey, Ireland, Netherlands, Portugal, Tunisia, Turkey and Dubai.

ASIA

Main companies
- ● Generali China Life Insurance
- ● Pt Asuransi Jiwa Generali Indonesia
- ■ Future Generali India
- ● Future Generali India Life

▲ COMPANY OPERATING IN BOTH LIFE AND NON-LIFE SEGMENTS
■ COMPANY OPERATING MOSTLY IN NON-LIFE SEGMENT
● COMPANY OPERATING MOSTLY IN LIFE SEGMENT
● HOLDING
DIRECT CHANNELS
ASSISTANCE SERVICES

2013 Acquisition of full control of Generali Asia, the holding company of the Group's operations in the Philippines, Thailand and Indonesia

CHINA

Generali boasts a strong presence in the most important Asian market and is one of the leading foreign JV players. Present in the Life segment since 2002 and in the P&C segment since 2007, Generali operates in China in partnership with China National Petroleum Corporation (CNPC). Leveraging its multi-channel distribution, it operates in 10 municipalities and provinces with over 12,500 agents and more than 1,800 back office staff, supported by bancassurance ties. Generali has been selected by the Chinese authorities as a pension plan consultant for former civil service employees.

AMERICAS

Main companies
- ▲ Generali Brasil Seguros
- ▲ La Caja De Ahorro Y Seguro - Argentina

2013 Creation of Americas region in line with the strategy to semplify the Group and its governance

The Group is one of the largest foreign insurance operators in Latin America and intends to expand its business further in this attractive market. Generali has developed a vast range of solutions customized for the needs of local clients, leveraging a significant expertise in the region. In Latin America, the Group operates in 6 markets: Brasil, Argentina, Colombia, Guatemala, Ecuador and Panama. With Generali U.S. Branch, the Group is also active in Northern America, providing a wide range of services and insurance products and working closely with the Group's companies and their international clients.

INSURANCE FOR COMPANIES AND GLOBAL BUSINESS LINES

In addition to the above, at an international level, the Group also operates in segments both via legal entities and branches[2] of Assicurazioni Generali, as described below.

Generali Employee Benefits (GEB) is one of the largest networks in the world offering insurance coverage to employees of multinationals, including those posted abroad. Headquartered in Brussels and operating in over 100 countries, directly or through servicing agreements, the GEB Network has an integrated insurance solutions offering that covers life, accident, disability, sickness and pension plans. All of which can be combined in efficient international pool arrangements (a system for sharing the multinational program

[2] The significant branch - accordingly with article 354 of Delegated Acts - of Assicurazioni Generali is the United Kingdom branch. A description of its activity and main source of income is included in the SFCR of Assicurazioni Generali SpA.

results between insurer and client) or captive arrangements (a system for larger and more complex companies that manages the program along with the client's captive structure). The coordination center is in Brussels.

Europ Assistance is a global group specialized in customer care, particularly in the travel industry which it pioneered to become a world leader, as well as in the health and home & family sectors. It aims to guarantee 24/7 assistance that is technologically advanced, personalized and sustainable anywhere in the world. Headquartered in Paris and present in over 200 countries, through its own facilities and cooperation agreements, it has 300 million retail customers and more than 5,000 corporate clients, providing services to their employees and clients.

Generali Global Corporate & Commercial is the Generali Group unit that develops the Property & Casualty business and insurance services for mid to large size businesses. It offers complete insurance solutions to clients and brokers in over 140 countries through eight main offices in Europe, Asia and the Americas. With a global network of more than 1000 dedicated professionals and more than 100 risk control engineers, Generali Global Corporate & Commercial has an integrated insurance solutions offering from property and casualty to engineering, marine, aviation and specialty risks.

Generali Global Health is a Generali Group business unit that offers health insurance solutions worldwide, dedicated to international companies, organizations and bodies, and expatriate and travelling employees. With particular focus on multinational clients, and promoting the expertise of other Group companies such as GEB and Europ Assistance, Generali Global Health offers: modular and flexible health products, insurance management with the broadest geographic coverage, a widespread network of hospitals and outpatient care in the major world markets, and personalized and multilingual client service. The coordination center is in London.

CONSOLIDATION PERIMETER

The Group operates in over 60 countries through 428 companies. For Group IFRS consolidation purposes 393 companies are consolidated line by line and 35 valued at equity method.

The consolidation perimeter for Solvency II Balance Sheet is different reflecting the presentation rules mainly for the entities of other financial sectors (financial and credit institutions, IORP and UCITS) which are not consolidated line by line but classified as participations valued at:

- quoted market price for listed entities (currently only Banca Generali); or
- adjusted IFRS equity method (IFRS tangible NAV).

For more detailed information please refer to Group QRT S.32.01.22 ‘Undertakings in the scope of the Group’, within the Annex section of this document.

OUR ORGANIZATION

In Generali organisational model, the Group Head Office (GHO) has a significant role providing direction and coordination of the Business Units at global level. In line with the Group strategy, it promotes a focus on customers in the creation of new products, the definition of services and the implementation of distribution channels.

The model:
- enhances entrepreneurial skills and local autonomy;
- promotes the integration of best practices in terms of insurance, financial and investment methods as well as the achievement of Group synergies and focus on efficiency at global level;
- pursues operational excellence with the Centers of Expertise to support the whole organisation.

The Group organisation system is based on two pillars: the GHO and the Business Units.

The GHO provides strategic direction at global level and it maximises strategies, reaping opportunities to support the business.

In particular, the GHO:
- directs, leads and coordinates the Business Units;
- acts as competence centre, ensuring operational excellence, promoting key skills and Group synergies.

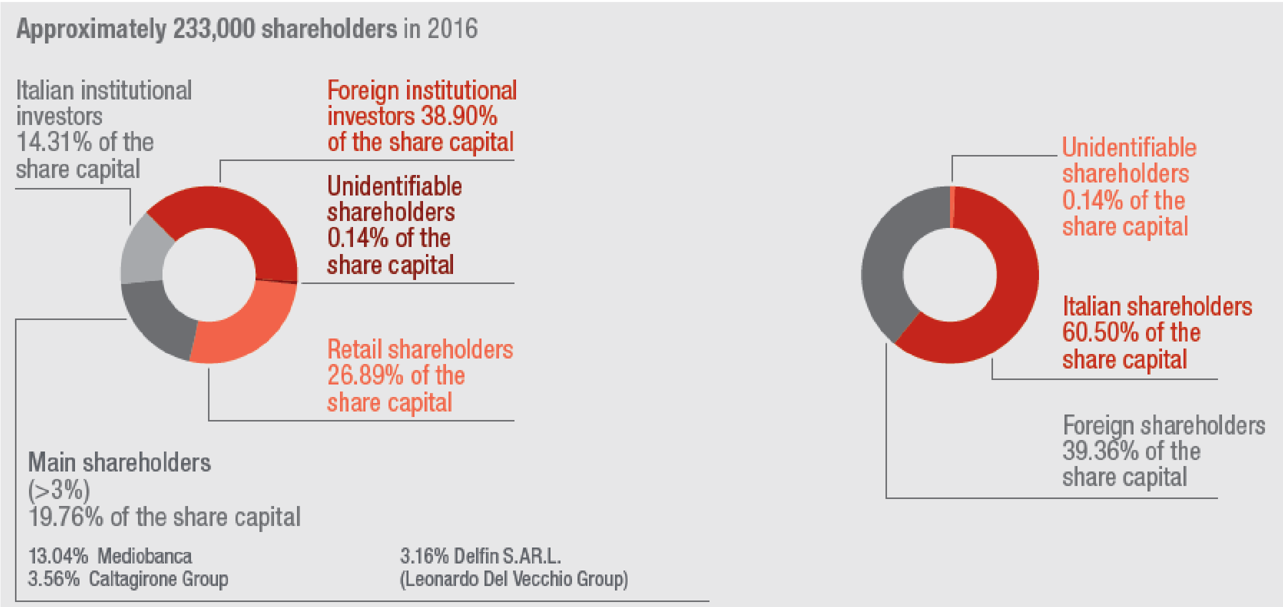
The Business Units build on the value of entrepreneurship and local autonomy, ensuring control at international level in terms of:
- geographic areas (geographies), as they lead local strategies and establish a more targeted approach on customer segments in the creation of products, the implementation of distribution channels and the provision of services;
- global lines, which leverage on business opportunities by developing insurance solutions at global level.

The Business Units[3] are:

- 3 main countries (Italy, France and Germany);
- CEE countries (Central and Eastern Europe);
- Global Business Lines & International, including EMEA (Europe, Middle East and Africa), Asia and Americas as well as Business Global Corporate & Commercial, Europ Assistance, Generali Employees Benefits, Generali Global Health and Group Bancassurance;
- the investment area.

OWNERSHIP STRUCTURE

Our shareholder structure, as of 31 December 2016, as well, a list of our significant shareholders are reported below.



[3] Note that due to recent rationalisation of geographical organisation (as described above) the 2016 performance indicators presented in the following sections are still reflecting the previous geographical division, which is defined as follows:
- three main markets - Italy, France and Germany
- four regional structures:
  - CEE: Central and Eastern European countries that are part of the EU;
  - EMEA: Austria, Belgium, Greece, Guernsey, Ireland, the Netherlands, Portugal, Spain, Switzerland, Tunisia, Turkey and Dubai;
  - LatAm: Argentina, Brazil, Colombia, Ecuador, Guatemala and Panama;
  - Asia: China, Indonesia, India, Hong Kong, Vietnam, Thailand, the Philippines, Japan and Malaysia.

In addition to these areas, the International Operations cluster includes Holding activities - including Group reinsurance and the international business of the Parent Company not allocated to the other geographical areas - the EuropAssistance business and securities and real estate investment management activities carried out for Group companies.

List of significant shareholders (exceeding 3% of the capital)

Group	n°shares	% shareholders' equity	Registered office
MEDIOBANCA	**203.328.047**	**13,035%**	**PIAZZETTA ENRICO CUCCIA 1 20121 MILANO (MI) - ITALIA**
Gruppo Caltagirone	**55.501.977**	**3,558%**	**123**
CALTAGIRONE EDITORE S.P.A.	3.350.000	0,215%	VIA BARBERINI 28 ROMA 00187
ECHETLO S.R.L.	400.000	0,026%	VIA BARBERINI 28 ROMA 00187
F G C S.P.A.	520.000	0,033%	VIA BARBERINI 28 ROMA 00187
FINANZIARIA ITALIA 2005 S.P.A.	2.650.000	0,170%	VIA BARBERINI 28 ROMA 00187
FINCAL S.P.A.	17.455.097	1,119%	VIA BARBERINI 28 ROMA 00187
FINCED S.R.L.	2.350.000	0,151%	VIA BARBERINI 28 ROMA 00187
Francesco Gaetano CALTAGIRONE	115.000	0,007%	VIA ULISSE ALDROVANDI 25 ROMA 00197
GAMMA S.R.L.	6.365.000	0,408%	VIA BARBERINI 28 ROMA 00187
MANTEGNA 87 S.R.L.	2.700.000	0,173%	VIA MONTELLO 10 ROMA 00195
PANTHEON 2000 S.P.A.	4.100.000	0,263%	VIA BARBERINI 28 ROMA 00187
QUARTA IBERICA S.R.L.	1.650.000	0,106%	VIA BARBERINI 28 ROMA 00187
SO.CO.GE.IM. S.P.A.	100.000	0,006%	VIA BARBERINI 28 ROMA 00187
SO.FI.COS. S.R.L.	4.746.880	0,304%	VIA MONTELLO 10 ROMA 00195
VIAPAR S.R.L.	1.100.000	0,071%	VIA MONTELLO 10 ROMA 00195
VM 2006 S.R.L.	7.900.000	0,506%	VIA BARBERINI 28 ROMA 00187
DELFIN S.A.R.L.	**49.342.000**	**3,163%**	**7 Rue de la Chapelle, 1325 Luxembourg, Lussemburgo**

DETAILED INFORMATION ON THE GROUP, SUPERVISORY AUTHORITY AND EXTERNAL AUDITOR

Company References:

Assicurazioni Generali S.p.A.

Parent Company of Generali Group, entered in the Register of Italian Insurance groups under n° 026.
Company established in Trieste in 1831, with share capital of €1,559,883,538.00 fully paid-up.

Registered Office in Trieste (Italy), Piazza Duca degli Abruzzi 2.
Register of Italian Insurance and Reinsurance Companies under no. 1.00003.

Fiscal code, VAT and Trieste Companies' Register no. 00079760328

Phone: +39 040 671111

Fax: +39 040 671600

E-mail: contact@generali.com

Name and contact details of the supervisory authority:

IVASS – Istituto per la vigilanza sulle assicurazioni

Address: Via del Quirinale 21, 00187 Roma

Phone number: +39 06 421331

e-mail: scrivi@ivass.it

Name and contact details of the external auditor:

EY S.p.A.

Registered office: Via Po, 32 - 00198 Rome

Share capital €3,250,000.00 underwritten and paid-up €2,950,000.00 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 on the Register of external auditors under no. 70945 published on G.U. Suppl. 13 - IV Special Series dated 12/17/1998.

Company registered on the Special Register of Consob external auditors under no. 2 resolution no. 10831 dated 07/16/1997.

A.1.2. IMPORTANT EVENTS

2016

January

Fitch confirmed the Insurer Financial Strength (IFS) rating at A- for Generali, with a stable outlook.

Mario Greco affirmed that he would be unwilling to serve another term as CEO. On 9 February the Board of Directors of Assicurazioni Generali approved the mutually agreed termination of all existing relations.

March

IVASS - the Italian Insurance Supervisory Authority - approved the use, starting from 1 January 2016, of a partial internal model to calculate the consolidated Solvency Capital Requirement at Group level as well as the Solvency Capital Requirement for the main Italian and German insurance companies, for the French property&casualty companies and for the Czech company Ceska Pojistovna a.s..

The Board of Directors of Assicurazioni Generali co-opted Philippe Donnet, vesting him with executive powers and appointing him Group CEO, and appointed Group CFO Alberto Minali as General Manager of the Company.

April

Assicurazioni Generali completed the share capital increase to € 1,559,883,538, in execution of the Long Term Incentive Plan approved by the Shareholders' Meeting of the Company on 30 April 2013.

The Shareholders' Meeting elected the new Board of Directors to hold office for three financial years, until the approval of the financial statements as at 31 December 2018. The Board of Directors appointed for the three years 2016-2018 Gabriele Galateri di Genola Chairman of the Company, Francesco Gaetano Caltagirone and Clemente Rebecchini Deputy Chairmen, and Philippe Donnet Group CEO and Managing Director.

May

A subordinated bond was issued for an overall amount of € 850 million, targeting institutional investors. The issuance was intended to refinance the subordinated debt with the first call date in 2017, which amounts to € 869 million. The subordinated bond issue received ratings BBB by Fitch, Baa3 by Moody's and bbb+ by AM Best.

June

Generali Finance B.V. exercised the early redemption option of two perpetual subordinated notes rispettivamente per respectively for € 1,275 million and £ 700 million. These debts have already been refinanced through the subordinated bond launched by Assicurazioni Generali on 20 October 2015 for an overall amount of € 1,250 million, targeting institutional investors.

In Germany, Generali Vitality was launched, the first health and well-being programme in Europe designed to promote and incentivize healthy behaviour by members.

July

Moody's confirmed the IFS rating at Baa1 for Generali, with a stable outlook.

September

Generali supported the people impacted by the earthquake in central Italy and actively participated in several programmes for the management of the second phase of the emergency.

The Generali Group and The Progressive Group of Insurance Companies, among global leaders in the field of telematics applied to motor insurance, entered into a Research & Development agreement to strengthen their respective skills in the area of data analytics and boost their product ranges.

Two agreements were signed for the disposal of companies in Guatemala and Liechtenstein. These transactions are part of the active management strategy of our operations, which privileges investments in more appealing geographical areas for the Group and in business lines with greater potential and less capital or cash absorption.

October

AM Best confirmed the Financial Strength Rating (FSR) at A (Excellent) for Generali, the rating of the debt instruments issued or guaranteed by Generali and the stable outlook.

Fitch confirmed the IFS rating at A- for Generali, with a stable outlook.

November

The Generali Group presented the updated strategic plan at Investor Day, confirming its targets for 2018.

The Business Digital Transformation agreement with Microsoft was announced, which aims to enhance the efficiency of Generali employees, agents and partners, improve operating processes and boost revenues thanks to new insurance products and innovative business models.

The Board of Directors announced its favourable assessment of the conversion into Banca Monte dei Paschi di Siena (BMPS) shares of the Group's exposure to the subordinated debt of BMPS.

December

Moody's confirmed the IFS rating at Baa1 for Generali, with a stable outlook, thanks to the strong geographical diversification of the Group in spite of the negative outlook on the Italian sovereign.

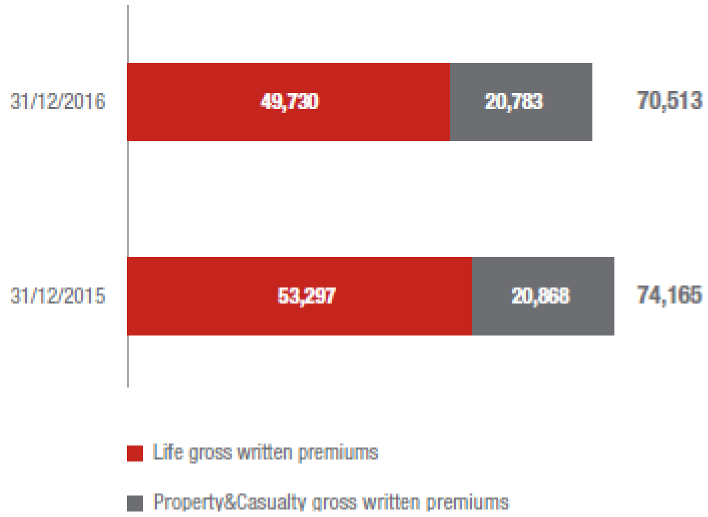
The Board of Directors of Assicurazioni Generali appointed Marco Sesana as Italy Country Manager.

An innovative Insurance Linked Security (ILS) named Horse Capital I was placed in the capital market to cover the loss ratio on the aggregated motor third-party liability (MTPL) portfolio of 12 of the Group's European companies.

A.2. UNDERWRITING PERFORMANCE

A.2.1. OUR PERFORMANCE[4]

TOTAL GROSS WRITTEN PREMIUMS



The Group's **gross written premiums** total €70,513 million (-3.9%), following the decline in the Life segment (-6.3%), while Property & Casualty (+2.1%) reflects the recovery observed in 2016.

Life premiums amount to €49,730 million (-6.3%), reflecting the increasingly disciplined approach to the offer, aiming to optimize the return on invested capital, and the current performance of financial markets. With reference to the lines of business, there is a contraction of 10.9% in unit-linked products, of 5.7% in savings products and of 2.8% in protection.

Property & Casualty premiums amount to €20,783 million. On a like-for-like basis, the 2.1% increase is attributed to the motor segment (+4.3%), driven by Spain, CEE Countries, Germany and Argentina, which more than offset the continuing decline in motor premium income in Italy (-5.2%). Confirming the recovery observed during the year, non-motor premium income is also up slightly (+0.5%) in general across the countries in which the Group operates, with the exception of Italy (-3.6%).

OPERATING RESULT[5]

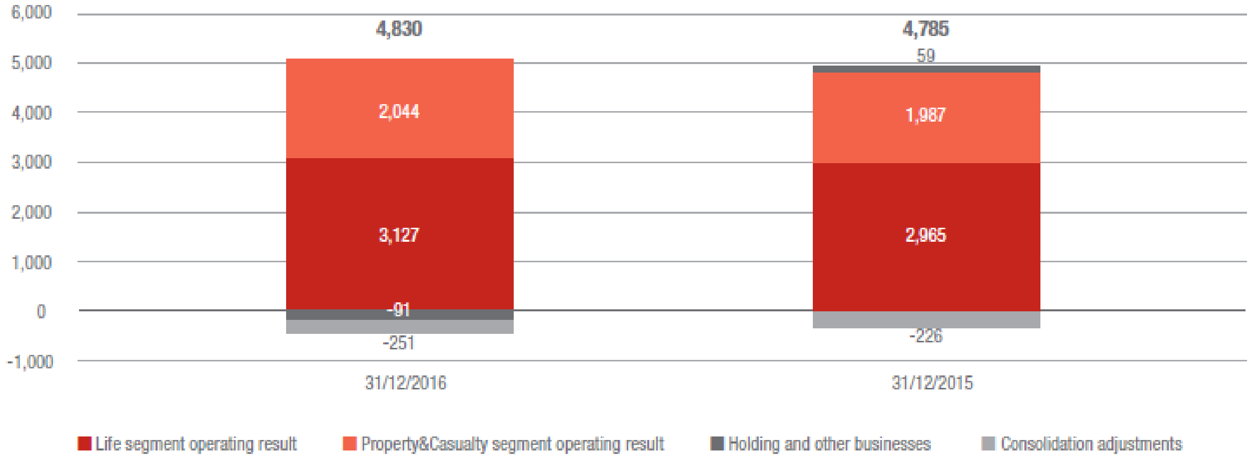
The **Group's operating result** reach the highest level ever, at €4,830 million, with further growth of 0.9% (€4,785 million at 31 December 2015) thanks to the positive performance of Life and Property & Casualty businesses.

In particular, Life operating result amounts to €3,127 million, up by 5.5% due to good technical performance, even in the currently complex environment in the financial markets which impacts profitability. Property & Casualty operating result is also positive at €2,044 million, up 2.9% thanks to the continuous improvement in the combined ratio, which, at 92.5%, is confirmed in first place amongst our peers, consistent with the Group's strategic policy of technical excellence.

The operating result of the Holding and other businesses segment declines to €-91 million. This performance mainly reflects the decreased contribution of other businesses, particularly the reduction in performance fees in the financial segment, influenced by the related market performance, and lower net realized gains in the real estate sector.

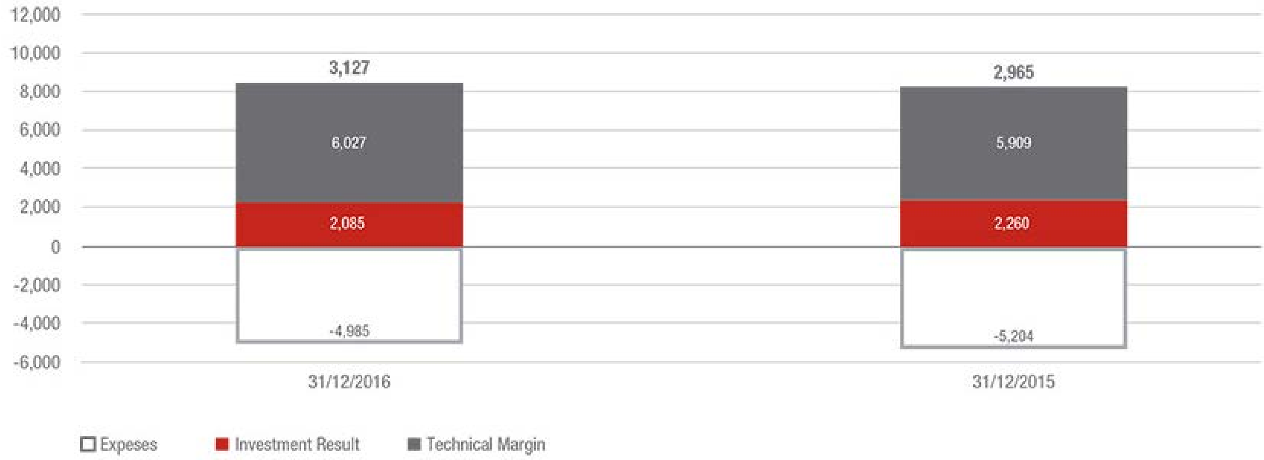
The **operating return on equity**, the Group's main economic profitability target is 13.5% (14% at 31 December 2015), confirming the achievement of the strategic objective for the third consecutive year (>13%).

[4] This figures are based on IFRS accounting principles. For definition of operating segments please refer to Group integrated report 2016, available on corporate web page
[5] For operating result definition please refer to Group integrated report 2016, available on corporate web page.



LIFE OPERATING RESULT

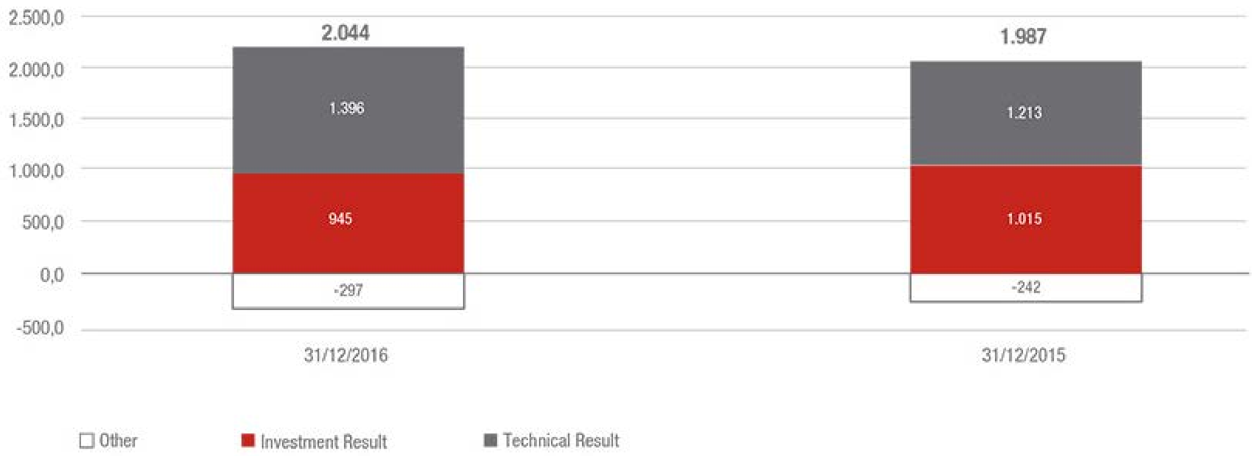
Operating result in the Life segment amounts to €3,127 million, up 5.5% compared to the €2,965 million at the end of 2015, thanks in particular to the increase in the **technical margin**, equals to €6,027 million (+2%) which benefits from the positive development in profitability of risk lines.



Net **investment result**, amounting to €2,085 million decreases by -7,7% from the €2,260 million recorded at 31 December 2015. This performance is particularly due to the decline in net realized gains, reflecting the planned strategy of reducing this income component with a view to supporting the future return on investments. This is partially offset by the increase in current income from investments in equity and bonds despite the low interest rates in general.

Acquisition and administration costs related to the insurance business and other operating expenses increase from €-5,204 million at 31 December 2015 to €-4,985 million. More specifically, acquisition and administration costs related to insurance business amount to €-4,888 million, down 3.1% compared to 31 December 2015. Acquisition costs contribute to this change, amounting to €-3,884 million, down -4%, reflecting the general decline in the various countries in which the Group conducts business. Administration costs are essentially stable, amounting to €-1,004 million.

PROPERTY AND CASUALTY OPERATING RESULT



Operating result for the Property & Casualty segment increases to €2,044 million (€1,987 million at 31 December 2015). This is attributable mainly to the excellent performance of **technical result** amounting to €1,396 million, significant growth compared to 31 December 2015 (+15%) and also inclusive of the impact of catastrophe claims of around €295 million (€313 million at 31 December 2015), mainly deriving from storms and flooding that took place in France and Germany in May and June, and the earthquakes that struck central Italy in August and October.

Financial result in the Property & Casualty segment amounts to €945 million, down compared to 31 December 2015 (-6.9%). In particular, current income from investments amounts to €1,229 million (€1,314 million at 31 December 2015); this decrease is mainly attributable to the continuing context of low interest rates.

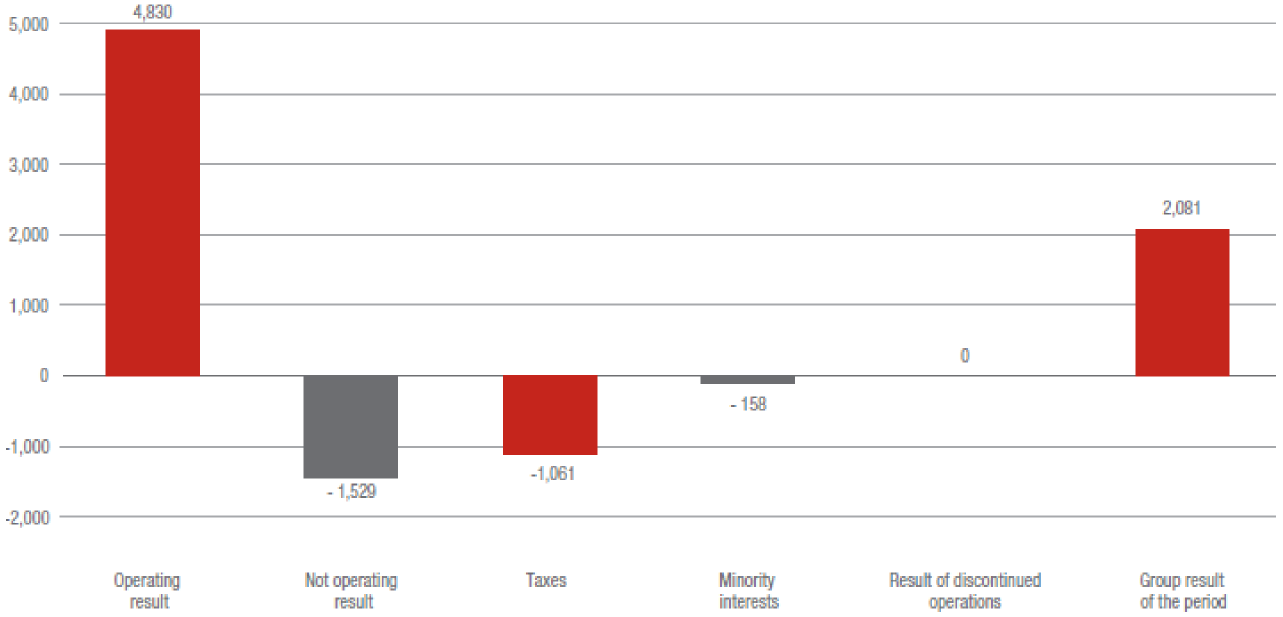
Other operating items of the Property & Casualty segment, which primarily include non-insurance operating expenses, depreciation and amortization of tangible assets and multi-annual costs, provisions for recurring risks and other taxes, are up to €-297 million (€-242 million at 31 December 2015) mainly due to higher provisions for risk.

NON-OPERATING RESULT

Non-operating result of the Group is €-1,529 million (€-1,318 million at 31 December 2015). More specifically:

- **non-operating investment income** is €-217 million compared to €159 million positive contribution last year. The difference is mainly attributable to higher net impairment loss of €-543 million (€-503 million at 31 December 2015) and are primarily impairments recognized on financial investments and lower net realized gains, standing at €422 million (€758 at 31 December 2015) due mainly to the planned lower profits on real estate and equity portfolios;
- **other net non-operating expenses** decrease to €-519 million (€-712 million at 31 December 2015). This item is comprised of €-139 million in amortization on the value of the acquired portfolios (€-142 at 31 December 2015), €-176 million in restructuring costs (€-269 at 31 December 2015) and €-205 million in other net non-operating expenses (€-302 million at 31 December 2015), that mainly includes the allocation to risk provisions;
- non-operating holding expenses amount to €-794 million (€-764 million at 31 December 2015). This performance is influenced by interest expenses on financial debt which, as a result of new issues of €1.25 billion in the fourth quarter of the previous year and €850 million in May 2016, changes from €-684 million to €-723 million.

GROUP RESULT



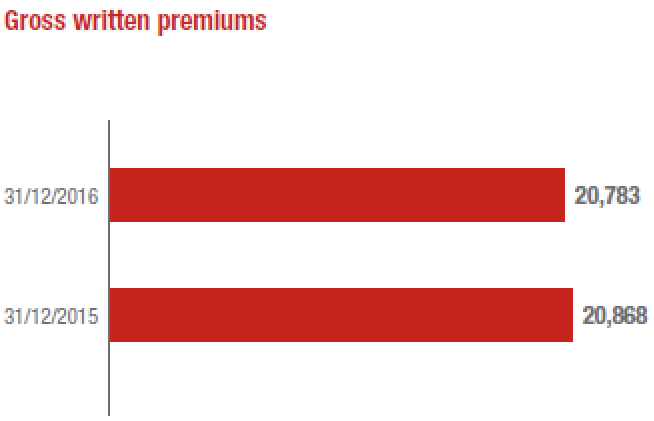
Due to improvements in operating results outlined above, the result for the period attributable to the Group is €2,081 million, showing an increase of 2.5% over the €2,030 million recorded at 31 December 2015.

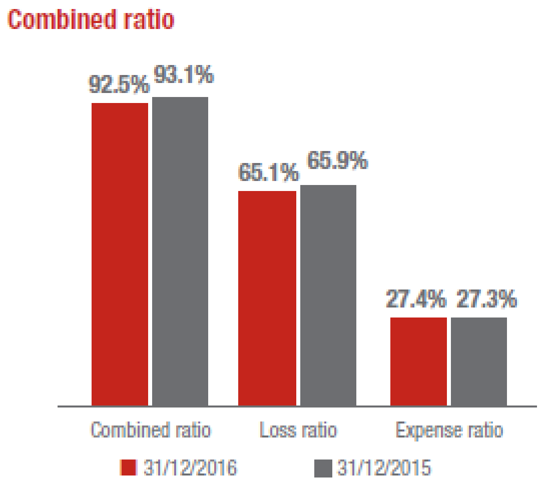
The tax rate is 29.1% (32.6% at 31 December 2015). Compared to last year, this performance is primarily attributable to the reduction of the nominal tax rate on corporate income in France and Spain, as well as extraordinary income recognized in Germany against lower taxes in previous years.

The result attributable to minority interests amounting to €158 million, which corresponds to a minority rate of 7.1% (10.1% at 31 December 2015) is down compared to €229 million the previous year due to the results of Banca Generali and Generali China Life.

A.2.2. UNDERWRITING PERFORMANCE[6]

PROPERTY & CASUALTY SEGMENT

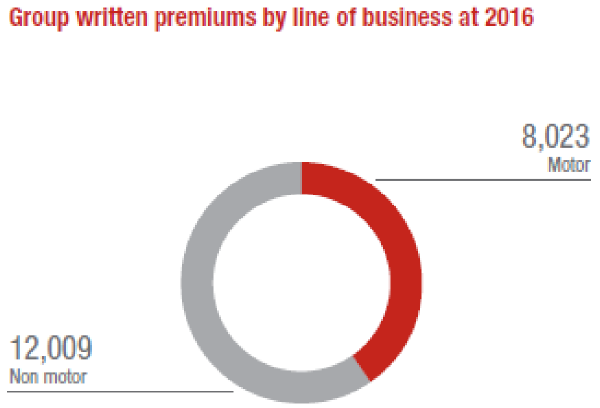


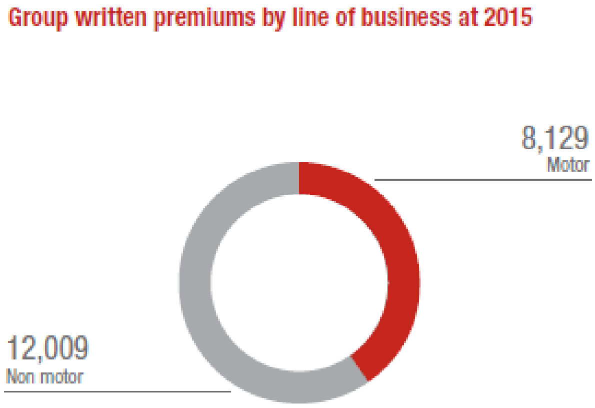


PROPERTY & CASUALTY GROSS WRITTEN PREMIUMS

Property & Casualty premiums continue their recovery amounting to €20,783 million. The performance (on a like-for-like basis, +2.1%) can be attributed to the development of the motor segment (+4.3%), driven by Spain, CEE Countries, Germany and Argentina, which more than offset the continuing decline in motor premium income in Italy (-5.2%). France is stable.

Non motor premium income is also up slightly (+0.5%), benefitting from positive development in general across countries in which the Group carries business, with the exception of Italy.





The geographical footprint [7] of the Property & Casualty premium income is summarized in the table below:

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[6] Figures reported are based on IFRS principles. for the definition of operating segments, please refer to Annual Integrated Report 2016, available on the Group web site.

[7] All 2016 performance indicators presented in the following sections are defined as follows:
- three main markets - Italy, France and Germany
- four regional structures:
  - CEE: Central and Eastern European countries that are part of the EU;
  - EMEA: Austria, Belgium, Greece, Guernsey, Ireland, the Netherlands, Portugal, Spain, Switzerland, Tunisia, Turkey and Dubai;
  - LatAm: Argentina, Brazil, Colombia, Ecuador, Guatemala and Panama;
  - Asia: China, Indonesia, India, Hong Kong, Vietnam, Thailand, the Philippines, Japan and Malaysia.

In addition to these areas, the International Operations cluster includes Holding activities - including Group reinsurance and the international business of the Parent Company not allocated to the other geographical areas - the Europ Assistance business and securities and real estate investment management activities carried out for Group companies.

(€ million)	Gross written premiums		Gross direct written premiums			
			Motor		Non Motor	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Italy	5,701	5,947	2,184	2,303	3,390	3,515
France	2,514	2,538	840	884	1,624	1,593
Germany	3,651	3,608	1,429	1,397	2,219	2,206
Central and Eastern Europe	2,041	1,976	1,052	989	952	950
EMEA	4,539	4,410	1,745	1,675	2,726	2,652
Spain	1,461	1,358	448	380	972	936
Austria	1,441	1,432	561	557	871	863
Switzerland	761	759	310	330	449	427
Other EMEA	876	860	426	406	434	426
Americas	971	1,156	749	865	213	283
Asia	198	128	16	12	90	79
International Operations	1,168	1,106	8	4	794	731
Total Group	**20,783**	**20,868**	**8,023**	**8,129**	**12,009**	**12,009**

In **Italy**, the reduction of gross written premiums is attributable to both segment trends. The result of the motor segment (-5.2%) is impacted by a decrease in average premiums and the loss of important fleet contracts during the first part of the year. The negative trend in the non-motor segment (-3.6%) is entirely due to the SME sector which is affected by strong competition.

Property & Casualty premium income in **France** is down to a modest extent; the motor segment (-0.6%) reflects lower average retail premiums and the fleet portfolio restructuring actions. The slight decline in the non-motor segment (-0.4%) is caused primarily by multi-risk and corporate businesses.

The increase in German gross written premiums is due to the positive trends of both motor and non motor segments. The motor segment (+2.3%) benefits from pricing policies on the existing portfolio; non motor segment also increases slightly (+0.6%).

In **Central and Eastern Europe**, premium income improves due entirely to the motor segment (+7.1%), in particular the Czech Republic (+4.6%, thanks primarily to Casco line), Romania (+64.6%, especially due to retail trends), Slovakia (+13%) and Hungary (+8.3%).

PROPERTY & CASUALTY UNDERWRITING COMBINED RATIO

	31/12/2016	31/12/2015	Change
Combined ratio	**92.5%**	**93.1%**	**-0.7**
Loss ratio	65.1%	65.9%	-0.8
current year loss ratio excluding natural catastrophes	69.3%	68.9%	0.4
natural catastrophes impact	1.5%	1.6%	-0.1
prior year loss ratio	-5.7%	-4.6%	-1.1
Expense ratio	27.4%	27.3%	0.1
Acquisition cost ratio	21.6%	21.3%	0.2
Administration cost ratio	5.8%	5.9%	-0.1

Group **combined ratio (Cor)** improves to 92.5% (-0.7 pps compared to 31 December 2015), due entirely to a drop in the loss ratio (-0.8 pps); the cost rate rises to 27.4% (27.3% at 31 December 2015).

The current year loss ratio excluding natural catastrophes increases by 0.4 pps due to the deterioration observed in the non-motor sector, while the loss ratio from previous years stands at -5.7 pps. As usual, the Group maintains its prudent reserving approach, confirmed by the stable reserving ratio of 155%. The percentage catastrophic claims is 1.5%, compared to 1.6% in 2015.

Acquisition and administration costs related to the insurance business are €5,388 million, a slight decline (-0.3%) compared to 31 December 2015 (€5,404 million). In detail, administration costs of €1,142 million drop by 2.8%, thanks to the reductions seen in Germany and France. The ratio of costs to net earned premiums is down slightly at 5.8%.

Acquisition costs are essentially stable, amounting to €4,246 million (+0.4%). The ratio of acquisition costs to net earned premiums therefore increase to 21.6% (21.3% at 31 December 2015).

Therefore, the expense ratio is 27.4% (27.3% at 31 December 2015).

The development of combined ratio through the Group is summarized in the table below:

	Combined ratio		Loss ratio		Expense ratio	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Italy	89.9%	89.1%	66.0%	66.6%	23.9%	22.5%
France	99.4%	100.2%	71.5%	72.6%	27.9%	27.6%
Germany	90.0%	92.4%	63.0%	64.6%	27.0%	27.9%
Central and Eastern Europe	89.5%	90.1%	58.6%	57.9%	30.9%	32.2%
EMEA	93.3%	95.2%	65.1%	66.9%	28.2%	28.3%
Spain	92.3%	93.2%	64.5%	65.1%	27.9%	28.1%
Austria	91.9%	93.4%	64.3%	66.1%	27.7%	27.3%
Switzerland	92.8%	92.2%	67.5%	68.3%	25.3%	23.8%
Other EMEA	98.8%	107.0%	65.6%	71.0%	33.2%	36.1%
Americas	102.7%	106.1%	64.2%	66.0%	38.4%	40.1%
Asia	100.5%	94.4%	58.9%	49.7%	41.7%	44.7%
International Operations	90.0%	85.9%	66.7%	63.6%	23.4%	22.3%
Total Group	**92.5%**	**93.1%**	**65.1%**	**65.9%**	**27.4%**	**27.3%**

In **Italy** the Combined Ratio increases mainly because of the expense ratio of the non-motor portfolio. Loss ratio improves (-0.6 pps) thanks to the positive contribution of the prior years' loss ratio and nat cat claims, which count for €100 million (1.9 pps; 2.1 pps in 2015), of which €56 million are attributable to the earthquake in centre Italy.

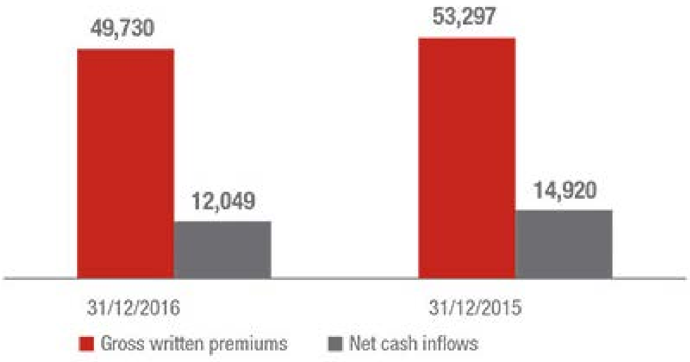
Cor in **France** continues to improve as a result of the decline in the loss ratio, which reflects actions undertaken in recent years to restore an adequate level of profitability. The impact of catastrophe claims remain basically unchanged (1.8 pps compared to 1.9 pps in 2015).

Net Cor in **Germany** improves significantly thanks to the reduced current accident year loss and to the expense ratio restraint, which reflects cost-reduction policies, and the reduced catastrophe losses (€71 million, 2.0 pps. instead of 2.3 pps last year).

The improved Net Cor in **Central and Eastern Europe** can be ascribed entirely to the limitation of the expense ratio (-1.3 pps, linked to cost reduction policies), offsetting the pressure that is observed in the net loss ratio, which reflects the deterioration in non-motor segments.

The full overview of all Solvency II lines of business premium income, claims and expenses for P&C segment is shown in the reporting template S.05.01.02 (see annex).

LIFE SEGMENT



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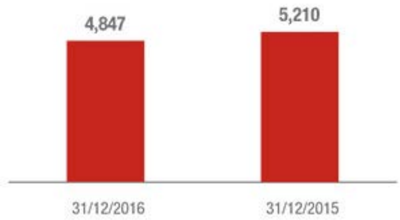


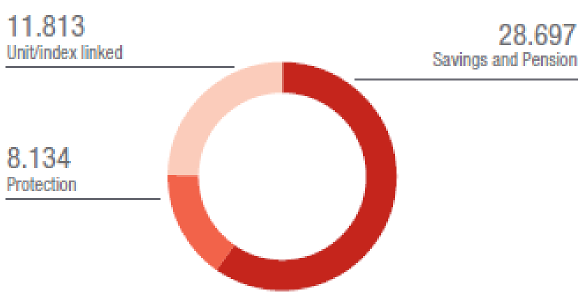
NBV

LIFE GROSS WRITTEN PREMIUMS[8]

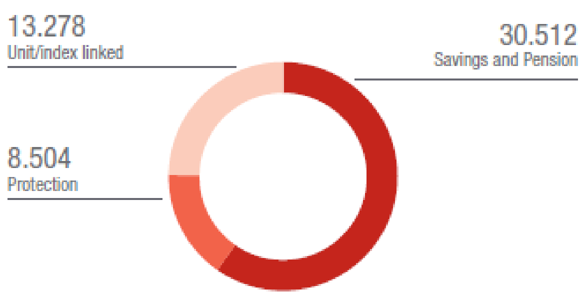
Written premiums in the life segment, including premiums related to investment contracts, amount to €49,730 million, a 6.3% decrease over the previous year, reflecting the increasingly disciplined approach taken to the offer.

With regard to the lines of business, the planned decline in savings products continues (-5.7%), reflecting the actions of rebalancing income towards products with better risk/return characteristics in the main countries in which the Group operates. The unit-linked line (-10.9%) is still impacted by equity market volatility, whilst protection line (-2.8%) sees positive performance in the Group's main areas, offset by the downturn in Germany (-12,4%) due to a positive effect in 2015.

Group written premiums by line of business at 31/12/2016



Group written premiums by line of business at 31/12/2015



[8] Including €3,324 million of premiums related to investment contracts.

The geographical footprint of Life premium income is summarized in the table below:

(€ million)	Gross written premiums		Gross direct written premiums					
			Savings and Pension		Protection		Unit/Index Linked	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Italy	17,911	19,400	15,232	15,895	230	230	2,450	3,274
France	8,405	8,787	4,400	4,769	1,759	1,629	1,773	1,928
Germany	12,576	14,146	4,392	5,407	4,191	4,782	3,993	3,957
Central and Eastern Europe	1,448	1,603	705	746	335	312	409	545
EMEA	6,028	6,512	2,055	2,168	957	908	3,010	3,424
Spain	1,041	958	801	741	215	200	25	17
Austria	1,127	1,224	541	646	352	326	234	245
Switzerland	1,122	1,236	217	301	146	150	759	784
Other EMEA	2,738	3,094	496	479	243	231	1,993	2,378
Americas	272	312	33	31	236	279	-	-
Asia	2,380	1,895	1,799	1,407	403	339	177	150
International Operations	709	642	74	82	32	32	-	-
Total Group	**49,730**	**53,297**	**28,689**	**30,504**	**8,142**	**8,512**	**11,813**	**13,278**

Italy reports a significant decrease of unit-linked products (-25.2%), especially for the single premium products, because of volatility in financial markets. As for savings products, the decrease (-4.2%) is attributable to the more selective underwriting policy, which led to a review of the product range, implemented as a counteraction for the current low-interest rate environment.

Savings products shrink (-7.8%) in **France** due to strict underwriting policies to counter the difficult financial context characterized by low interest rates. This difficult environment affects also unit-linked products (-8.0%). There is a positive trend in the pure-risk segment (+7.9%), thanks to the positive effect of the ANI reform.

Savings products in Germany decrease (-18.8%), in particular single premium, consistently with the strategic actions implemented for the reduction of this product category.

In **Central and Eastern Europe**, there is a decline in unit-linked products (-23.9%, particularly single premium policies) and savings products (-6.1%, for the most part recurring premium policies). In detail, this evolution can be ascribed to a significant extent to the drop in the Czech Republic (-7.5%), where there is strong competition amongst the main market players focusing on market share, and in Poland (-28.7%), where premium income decreases due to the complex legislative environment and the company's continuous focus on boosting insurance business profitability. By contrast, protection (+7.9%) records positive performance, in line with the Group strategy.

LIFE NET INFLOWS

Net cash inflows is confirmed at excellent levels, reaching €12.049 million, above the average of the last 5 years. The drop (-18.5%) recorded is due to the comparison with 2015 in which premium income reached a record level of nearly €15 billion.

This performance in particular reflects the drop seen in Germany, France and Italy due to more selective subscription policies for savings products, which are also involved in a significant revision of the offer, to adjust it to the current low-interest rate environment. In addition, there is an increase in amounts paid out in Germany linked to a particular portfolio that had reached its natural maturity. On the other hand, excellent performance continues in Asia, where net premium income grow by 40%.

(€ million)	31/12/2016	31/12/2015
Italy	7,197	7,646
France	438	1,147
Germany	1,560	2,997
Central and Eastern Europe	501	589
EMEA	920	1,444
Spain	-68	-114
Austria	-256	-106
Switzerland	481	553
Other EMEA	764	1,111
Americas	114	142
Asia	1,256	924
International Operations	62	31
Total Group	12,049	14,920

LIFE NEW BUSINESS DEVELOPMENT

New business in terms of **annual premium equivalents (APE)** is €4,847 million, down 6.6% with respect to the previous year. This performance is mainly attributable to the decline in single premium policies (-13.4%) observed in all of the main markets except Asia, where instead there is growth of 47.8%. Annual premiums are basically stable (-0.5%); the decline in Italy, Germany, CEE and EMEA countries is offset by growth in France and Asia.

With reference to the lines of business, there is an improvement in the risk business with a good level of growth (+12.4%), primarily thanks to business in France (+21.7%) and Asia (+72.0%). On the other hand, unit linked business declines (-11.3%) in the main areas: -18.8% in Italy, factoring in the significant increase in “multi-line” products in the previous year, as well as in France and Germany. The savings business also decreases (-9.7%) due to the unfavourable financial situation and the Group’s actions with a view to prudent management of the guarantees offered.

The effectiveness of the actions put in place, in line with the strategic plan are also confirmed by the **new business value (NBV)**, which improves significantly (+14.6%), amounting to €1,256 million (€1,097 million in FY15).

The **new business margin (NBM)** rises significantly by 4.8% to 25.9% (21.0% at 31 December 2015), primarily due to the refocusing of sales towards pure risk business and the effective recalibration of guarantees, although the economic environment is worse than last year.

The full overview of all Solvency II lines of business premium income, claims and expenses for Life segment is shown in the reporting template S.05.01.02 (see annex).

A.3. INVESTMENT PERFORMANCE

Generali Group aims to maximise investment returns for a given Risk Appetite and to achieve the Strategic Plan objectives through portfolio diversification and a prudent liability-driven investment strategy. Over the last few years, market conditions have not been very favourable to Generali’s strategic goals. The crisis that started in 2008 led to a very low interest rate environment that has been still persisting within the Eurozone. Macroeconomic factors, monetary policy actions and the race for yield have impacted the level of interest rates on government bonds and other key market segments such as corporate bonds at global level.

Considering the very low yield environment, in order to sustain investment performance also for the benefit of Life policyholders, the pursued strategy consists in an increase of geographical diversification, exposure towards credit (public and private markets) and alternative debt and equity investments offering attractive risk-adjusted return also under the Solvency II framework.

This chapter will give an overview of the invested Assets of Generali Group, with a break down of asset classes and return on investments.

ASSET CLASS ANALYSIS

At 31 December 2016, expressed in amounts as recognised in Group IFRS consolidated statements, total investments amount to €474,069 million, up 4.7% over the previous year. Group investments amounts to €395,752 million (+4.8%) and unit/index linked investments amount to €78,317 million (+4.5%).

Group investments by Asset class and Line of Business

Asset allocation

(€ million)	Total		Life		Property&Casualty	
	3/12/2016	3/12/2015	3/12/2016	3/12/2015	3/12/2016	3/12/2015
Fixed income investments	348,729	328,454	313,660	296,433	29,136	26,680
Government bonds	174,364	163,474	156,639	149,400	12,346	10,317
Corporate bonds	143,063	134,077	130,304	119,981	13,480	13,476
Other fixed income	31,302	30,903	26,717	27,052	3,310	2,887
Equity instruments	17,701	18,353	13,109	14,066	2,151	2,489
Real estate investments	14,489	13,783	10,025	8,912	3,778	4,338
Cash & cash like	11,099	13,768	7,343	8,605	2,901	4,593
Other investments	3,735	3,338	4,805	4,100	1,475	1,524
Total investments - General account	**395,752**	**377,697**	**348,942**	**332,117**	**39,440**	**39,624**

With respect to the ratio of the main investment categories, the relative exposure of the fixed income instruments is up to 88.1% (87% at 31 December 2015).

Government bonds, which represent 54.9% of the bond portfolio (54.9% at 31 December 2015), are up, standing at €174,364 million (€163,474 million at 31 December 2015) with Italian government bonds making almost the 38% of the total. The change during the period is due primarily to the acquisitions made in 2016. The exposure to individual government bonds are mainly allocated to the respective countries of operation, in line with the Group's investment strategy.

The corporate component increases in absolute terms to €143,063 million (€134,077 million at 31 December 2015), equal to 45.1% of the bond portfolio (45.1% al 31 December 2015). The change is due to the net purchases made during 2016, as well as to an increase in value resulting from the decrease in the credit spread. The corporate component includes guaranteed bank corporate bonds, financial sector bonds and bonds issued by industrial companies. With reference to the new investments, those in the non-financial sector are preferred in order to increase diversification on the basis of the risk-adjusted return criteria.

Equity securities decrease in absolute terms, standing at €17,701 million (€18,353 million at 31 December 2015). The change during the period is partially due to the sales made in the year and partially to the rotation of the portfolio, aimed at reducing of equity risk against negative performances of the market at the beginning of the period.

Cash decreases from 3.7% of general account investments to 2.8% according to the investment strategy.

The ratio of investment properties is stable at 3.7% of general account investments (3.7% at 31 December 2015).

Other investments, that mainly include receivables from banks or banking customers and derivatives, remain stable, at 0.9% of general account investments (0.9% at 31 December 2015).

RETURN ON INVESTMENTS

Investment yields

	Total		Life		Property&Casualty	
%	3/12/2016	3/12/2015	3/12/2016	3/12/2015	3/12/2016	3/12/2015
Fixed Income						
Current return	3.1%	3.3%	3.2%	3.4%	2.9%	3.2%
Total P&L return	3.5%	3.8%	3.4%	3.8%	3.7%	4.2%
Comprehensive return	4.0%	2.3%	4.1%	2.3%	4.0%	2.1%
Equity & Equity-like						
Current return	4.0%	3.2%	3.9%	3.0%	3.9%	3.1%
Total P&L return	2.2%	8.0%	2.4%	9.3%	-1.4%	8.0%
Comprehensive return	2.5%	9.5%	2.3%	9.9%	1.7%	7.7%
Real Estate						
Current return	5.5%	5.7%	5.7%	5.5%	5.6%	6.0%
Total P&L return	5.2%	6.3%	4.9%	5.2%	7.0%	8.2%
Comprehensive return	5.3%	6.4%	5.0%	5.4%	7.1%	8.1%
TOTAL						
Current return	3.2%	3.4%	3.2%	3.4%	3.0%	3.2%
Total P&L return	3.3%	4.0%	3.3%	4.0%	3.2%	4.1%
Comprehensive return	3.8%	2.8%	3.8%	2.7%	3.6%	2.7%

The current return records a modest decline, standing at 3.2% (3.4% at 31 December 2015), with a slight decrease in absolute terms in current income, amounting to €12,469 million (€ 12.552 million at 31 December 2015). The reduction in the ratio is partly due to the significant increase in investments, and also to the low interest rates that can be obtained when reinvesting. Group current return is mainly influenced by the current return of fixed income category, which slightly decreases mainly because of the persistent low interest rate environment. The slight decrease of current income is only partially offset by the positive trend registered in the equity asset class and alternative asset classes.

The contribution to the result of the period from realized gains and losses through profit or loss (harvesting rate) experiences a reduction to 0.2% (0.5% at 31 December 2015) mainly due to a decline in realized gains both in the life segment and in the Property & Casualty segment, in particular on equity securities and investment properties, aimed at preserving future return of portfolio in a context of ongoing low interest rates, and an increase of impairment losses, mainly on the equities side, due to the negative trend of the markets.

The comprehensive return, that adds to the P&L return unrealized gains and losses recognized in OCI, benefitted mainly from the development of bond yields, mainly in the first part of the year.

INFORMATION ABOUT INVESTMENTS IN SECURITISATION

The Group investments in securitization represents less than 0.5% of Group Total Fixed income. Securitizations are subject to internal limits defined at single legal entity level and monitored on a monthly basis across the Group.

A.4. PERFORMANCE OF OTHER ACTIVITIES

PERFORMANCE OF OTHER ACTIVITIES

The holding and other businesses segment include activities of Group companies in the banking and asset management sectors, the costs incurred for the direction, coordination and financing activities, as well as all other operations that the Group considers to be ancillary to the core insurance business.

The operating result of the aforementioned business sectors is summarized in the table below:

Operating result of the holding and other business segment

(€ million)	31/12/2016	31/12/2015	Change
Holding and other business Operating result	-91	59	n.m.
Financial	370	434	-14.7%
Holding operating expenses	-459	-429	7.0%
Other businesses	-2	55	n.m.

The operating result of the **holding and other businesses segment** amounts to €-91 million, down compared to the €59 million at 31 December 2015. This performance is mainly caused by the financial segment, particularly the lower results of Banca Generali due to lower performance fees, as well as lower realized gains on real estate in the other business segment.

The operating result of the **financial segment** registers a decrease and amounts to €370 million (€434 million at 31 December 2015). The decline (-14.7%) reflects the result of Banca Generali, which declines from €252 million to €190 million at 31 December 2016.

Operating holding expenses amount to €-459 million (€-429 million at 31 December 2015). This increase primarily reflects the development of the Regional Offices aimed at directing, coordinating and controlling the business in key areas in terms of growth opportunities, such as Asia.

The operating result of **other business** amounts to €-2 million, down compared to the €55 million recorded in the corresponding period of the previous year, reflecting lower net realized gains in the real estate sector.

AGREEMENTS RESULTING FROM LEASING OPERATIONS

In the course of ordinary business, Group companies normally enter into leasing agreements as lessees. These agreements are mainly related to use of real estates used for business, company cars, office furniture and equipment. None of these agreements result material at single contract level.

The assets the Group companies hold under financial leasing agreements recognised in the balance sheet amount to €16 million. The related expenses amount to €1 million. The contractual amount of operating lease agreements in which the Group is involved amount to approximately €455 million, for which the annual expenses paid amount to €84 million.

Only to a residual extent, the Group provides leasing services as a specialised leasing service provider. In some cases, Group companies act also as lessors, mainly in connection with real estate rentals through operating leases. The value of real estate involved in these arrangements is of approximately €3,330 million. None of these agreements result material at single contract level. The income recognised in relation to these contracts is €174 million.

Under financial leases, the Group recognises approx. €44 million of lease receivables, of which €2 million is recognised as interest income on financial leases.

A.5. ANY OTHER INFORMATION

A.5.1. RELEVANT OPERATIONS AND TRANSACTIONS WITHIN THE GROUP

There are many different intragroup arrangements in the Group, spanning from assets management services, real-estate management services, bancassurance agreements, to internal reinsurance and risk pooling arrangements, intragroup financing and centralised liquidity management, as well as claims management and similar services. In addition, there are also specific financing arrangements, servicing both operational liquidity and capital needs.

The Parent Company acts as holding company and ultimate Group reinsurer, and together with local holding companies supports different local unit needs, among which capital solidity and soundness.

Consequently there are numerous transactions within the Group, of which, the most material can be grouped as follows:

- intragroup dividends and capital movements;
- intragroup financing servicing both operational financing needs and capital needs (representing local legal entity basic own funds);
- intragroup liquidity management and cash-pooling arrangements;
- intragroup reinsurance;
- guarantees and similar arrangements;
- shared services;
- other transactions.

Considering the size and the structure of the Group there are numerous dividend payments/transactions and capital transfers, mainly towards specific Group companies specialised in investment and asset management.

Intragroup financing was approximately €17,6 billion, contributing to both local legal entities operational financing needs and also as additional capital buffer to Group insurance companies. The latter was of approximately €4,6 billion.

Intragroup liquidity management and cash-pooling arrangements were created to service operational liquidity needs and to optimise liquidity management and liquidity buffer at Group level.

Intragroup reinsurance activities aim to optimise single company and single county risk retention and also to optimise overall group risk retention and reinsurance activity. Local reinsurers or local holding usually act as first risk pooling, later on passed to Parent Company, which defines the external reinsurance structure. Of approximately €67.2 billion of gross written premiums collected, €5.5 billion are ceded in intragroup reinsurance.

Within the Group, guarantees and similar arrangements are put in place, mainly to facilitate specific activities such as real-estate construction and similar projects,, to facilitate specific operations and also to optimise capital structure. Some guarantees are also made to guarantee external debt issuances by a specialised Group company Generali Finance B.V.

Shared services and similar arrangements consist mainly of investment management, bancassurance, IT and claims management.

Operations in derivatives as well as material intragroup asset sales were observed to a very limited extent.

“Other Transactions” includes investment commitments in Group companies. These are mainly commitments associated with alternative investments (private equity), predominantly towards a specialised Group company managing this type of investments, and are funding commitments the same company has towards third parties. Some commitments were also made for other investment opportunities, in particular to real estate investment funds.

There are also two intragroup commitments between Assicurazioni Generali and Generali Vie, the Group’s most important French life insurance operation, put in place at the end of December 2016 in order to optimise its capital structure. These arrangements are considered ancillary own funds strengthening Generali Vie’s capital position. Details are as follows:

- Assicurazioni Generali subscribed an “equity commitment letter” by which it commits to subscribe at fair market value, a capital increase up to €250 million. This arrangement, approved by the French regulator, qualifies as Tier 2 Ancillary Own Funds of Generali Vie. In the event the commitment is called and subsequently paid, it will be classified as Unrestricted Tier 1 Basic Own Funds;
- Assicurazioni Generali subscribed a “Commitment letter to pay and subscribe in a full a T2 item” by which it commits to subscribe at fair market value a Tier 2 subordinated bond issued by Generali Vie for an amount up to €250 million. This arrangement, approved by the French regulator, qualifies as Tier 3 Ancillary Own Funds of Generali Vie. In the event the commitment is called and subsequently paid it will be classified as Tier 2 Basic Own Funds;

In addition there is a similar commitment between Generali Deutschland Holding and Generali Lebensversicherung Aktiengesellschaft, two subsidiaries of the German sub-group. Generali Deutschland Holding is committed to paying a capital increase of the latter. This arrangement, has been approved by the German Regulator as Tier 2 Ancillary Own Funds of Generali Lebensversicherung Aktiengesellschaft.

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

THE CORPORATE GOVERNANCE SYSTEM OF THE GROUP

Assicurazioni Generali S.p.A. (AG), in its capacity as parent company of the Generali Group, has issued internal provisions (mainly, the Group policy denominated “Group Directives on Internal Control and Risk Management System” and the Group Guidelines denominated “Group Guidelines on nominations, delegated powers and remuneration”) applicable to all the most relevant Group companies (insurance, reinsurance, asset management, banking and other significant entities) that have to be followed in the definition of the corporate governance system, with a view of ensuring an adequate level of consistency among the Group.

This paragraph details the main contents of the abovementioned internal provisions while any detail on the corporate governance system of AG is included under the SFCR solo, available on the website at www.generali.com.

RULES ON AMSB COMPOSITION

Each Group company must establish an Administrative, Management or Supervisory Body (the AMSB) . As a general rule, the AMSB shall have a number of members proportional to the dimension and complexity of the relevant Group company and their composition shall follow specific functional perspective criteria. Candidates for nomination to AMSB, including executive roles, shall not hold other positions, including within the Group, which might generate a conflict of role or a conflict of interest.

In addition, each Group company shall ensure that candidates for non-executive roles are normally selected among employees of the Group, with the exception of listed subsidiaries. Executive roles shall not be attributed to the chairmen of AMSB. AMSB’s member, and the AMSB as a whole, must fulfil the fit & proper requirements defined by the Group Fit & Proper Policy.

AMSB GENERAL COMPETENCES

The AMSB holds the ultimate responsibility for compliance with applicable laws, regulations and administrative provisions, including those adopted pursuant the Solvency II Directive for insurance and reinsurance Group companies.

Specific rules concern “reserved matters”, meaning matters that all Group companies’ AMSB shall reserve to their exclusive competence. In this respect, the reserved matters shall be on top of those provided for by the local laws and regulations and, in the implementation of those matters, each Group company shall also take into account scope, nature and complexity of the risks and business it carries out.

In particular, the reserved matter include the followings:

- approval of the organizational structure and set up of possible internal committees within the AMSB;
- definition and approval of the internal control system and of the risk management framework;
- grant, amend and revoke delegated powers to AMSB member(s);
- approval of the remuneration policies in favour of employees and corporate bodies members (including remuneration plans based on financial instruments);
- appointment and revocation of the lines reporting to the Group CEO as well as the heads of control functions and approval of the relevant remuneration;
- approval of the asset allocation strategy;
- approval of outsourcing of critical or important functions/activities, including the general terms and conditions of the outsourcing agreement;
- approval of infra-group transactions, when performed at conditions other than market standards (not arm’s length);
- approval of the draft financial statements to be submitted for approval to the competent corporate body, proposal upon allocation of profits, distribution of any interim dividends;
- approval of any shareholders’ agreement of particular strategic importance as well as any agreement setting forth and/or amending terms and conditions of the investment and/or divestment in any participated company and the relevant rights and obligations as shareholder (e.g.: put and call options);

- opening and closing of secondary offices or branches;
- investments related matters not performed under asset management agreements, merger and demerger, provision of goods and services, cooperation agreements, issuance of financial instruments, granting loans, execution (as borrower) of loan agreements and guarantees (not pertaining the insurance activity), or similar transactions and settlement agreements, provided that specific requirements and thresholds are respectively met.

AMSB COMPETENCES IN CONNECTION WITH THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Furthermore, Group companies shall comply with specific internal provisions regarding the role of the AMSB in connection with internal control and risk management system. In particular, AMSB of Group companies shall ensure that the abovementioned system as well as the other elements of the system of governance are at all times consistent with a number of relevant Group policies. To this end, the AMSB reassesses the consistency periodically and at least once a year.

In particular, the AMSB competences in connection with the internal control and risk management system include the followings:

- establish the control functions defining their mandate and reporting lines as well as, where appropriate, any support committee. The establishment of support committees does not relieve the AMSB of its own responsibilities;
- adopt the relevant Group policies and define the means by which the Senior Management (comprising the CEO, the General Manager, the Financial Reporting Officer and the Head of those functions that carry out management supervision duties) implements the internal control system and keeps it suitable and effective;
- determine the scope and the frequency of the internal review of the system of governance taking into account the nature, scale and complexity of the business as well as the structure of the Group, ensuring in any case that such internal review is made on regular basis;
- ensure that adequate decision-making processes are adopted and formalised and that functions are appropriately separated;
- approve the system of delegating powers and responsibilities, making sure that it remains adequate over time; taking care in avoiding excessive concentration of powers on one person/entity and sets up instruments for assessing the exercise of delegated powers, with the consequent possibility of providing adequate contingency arrangements if it decides to reserve the delegated powers for itself;
- approve the ORSA Report and, based on its results, set the Group company's risk appetite and overall risk tolerance limits;
- approve the main risk management strategies and policies;
- check that Senior Management correctly implements the system of internal controls and risk management in accordance with its issued directives and assesses its functionality and adequacy;
- require to be periodically informed about the effectiveness and adequacy of the system of internal control and risk management and that the most significant critical situations are promptly brought to its attention, whether they are detected by Senior Management, the internal audit function, the risk management and compliance functions or personnel, promptly issuing the directives for the adoption of corrective measures, whose effectiveness it subsequently assesses;
- identify certain events or circumstances that require prompt intervention by Senior Management;
- ensure that there is appropriate interaction between all the committees established within the AMSB, the Senior Management and the risk management, compliance and internal audit functions, also proactively, to ensure its effectiveness;
- carry out, at least once a year, an assessment of the size, composition and functioning of the AMSB as a whole and of its committees, advising on the experts whose presence in the administrative body is considered appropriate and proposing possible corrective actions.

The decisions taken by the AMSB must be appropriately documented. Evidence must be given on how the information from the risk management system has been taken into account.

AMSB COMMITTEES

The AMSB must evaluate whether to establish an Internal Control Committee, composed by non-executive directors, or designate one of its members to oversee the internal control and risk management system.

The Internal Control Committee or the designated AMSB member assists the AMSB, by providing advice and making proposals, in determining policy and guidelines in relation to the system of internal controls, periodical checks on its adequacy and its effective functioning, the identification and management of main corporate risks.

The AMSB must also evaluate whether to establish a Remuneration Committee composed by non-executive directors to perform a competent and independent judgment on the remuneration policy and its oversight.

This evaluation must consider various factors, including the size, nature and scope of the business, the internal organization and resulting complexity of the remuneration policy and its link to the Group Legal Entity's risk profile.

If a remuneration committee is not established, the AMSB must assume the tasks that would otherwise have been assigned to the remuneration committee in a way that avoid conflicts of interest.

The tasks of the Remuneration Committee include: a) supporting the AMSB on the design of the Group Legal Entity's overall remuneration policy; b) preparation of decisions regarding remuneration; c) reviewing the policy regularly to ensure it remains appropriate during changes to the Group Legal Entity's operations or business environment; d) identifying potential conflicts of interest and the steps taken to address them; and e) providing adequate information to the AMSB regarding the performance of the remuneration policy.

The Remuneration Committee or the person designated to assume its tasks needs to have access to all the data and information necessary to advise on the design and maintenance of an effective remuneration policy. To secure proper governance, the Committee ensures proper involvement of the persons responsible for the Control Functions.

SENIOR MANAGEMENT AND MANAGEMENT COMMITTEES

The AMSB appoints a CEO defining its mandate and responsibilities.

For branches of Group companies, the Branch Manager, regardless of the title, plays the role of the CEO, as described here below.

The CEO is responsible for the implementation, maintenance and monitoring of the system of internal controls and risk management, including risks arising from non-compliance with regulations, in accordance with the directives of the AMSB. The Senior Management supports the CEO in the performance of its mandate.

In particular, the CEO:

- defines in detail the organisational set-up of the Group Legal Entity, the tasks and responsibilities of the operational units and their staff, as well as the decision-making processes in line with the directives issued by the AMSB; within this sphere it implements the appropriate separation of tasks between individuals and functions so as to avoid, as far as it is possible, conflicts of interest;
- implements the policies relating to the assessment, even on a forward looking basis, and management of risks as established by the AMSB, ensuring the definition of operational limits and prompt checks on those same limits, as well as the monitoring of exposures to risks and compliance with the levels of tolerance;
- implements, on account of the strategic objectives and consistently with the Risk Management Policy, the underwriting, reserving, reinsurance and other techniques of risk mitigation as well as of operational risk management Policies;
- oversees the maintenance of the functionality and overall adequacy of the organisational set-up, the system of internal controls and risk management, including risks arising from non-compliance with regulations;
- checks that the AMSB is periodically informed about the effectiveness and adequacy of the system of internal controls and risk management as well as of the compliance function and, nevertheless, promptly every time significant critical situations come to light;
- implements the instructions given by the AMSB on the measures to be adopted in order to correct faults that have come to light and make improvements;
- proposes to the AMSB initiatives aimed at adjusting and reinforcing the system of internal controls and risk management.

On the basis of the applicable system of delegated powers, each Group company (including the branches) must establish a managerial Risk Committee, or equivalent, to support the CEO in the implementation, maintenance and monitoring of the internal controls and risk management system. The control functions must participate in Committee meetings providing their evaluation of the adequacy of the internal control system.

The Risk Committee: a) identifies, evaluates and addresses the actions to mitigate the significant risks; b) monitors the adequacy of the main policies, procedures and processes to mitigate risks; c) monitors the effective implementation of the Group Risk Policies; d) challenge and evaluate the results of the risk assessments.

THE CONTROL FUNCTIONS

The Group internal control and risk management system is founded on the establishment of the three lines of defence:

- the operating functions (the risk owners), which represent the first line of defence and have ultimate responsibility for risks relating to their area of expertise;
- actuarial (for insurance and reinsurance entities only), compliance and risk management functions, which represent the second line of defence;
- internal audit, which represents the third line of defence.

Actuarial, compliance, risk management and internal audit functions are the control functions. These functions are to be considered key functions in the system of governance of all the regulated Group companies and other main companies. They must be independent from the operational functions and, as a consequence, they must: (i) retain the responsibility for taking the decisions necessary for the proper performance of their duties without interference from others and (ii) be able to report their results and any concerns and suggestions to the AMSB without restrictions as to their scope or content from anybody else.

ACTUARIAL FUNCTION

According to Solvency II provisions, the Actuarial Function has the responsibility to:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the AMSB of the reliability and adequacy of the calculation of technical provisions;
- oversee the calculation of technical provisions in the cases where there are insufficient data or appropriate quality to apply a reliable actuarial method;
- 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 Head of the actuarial function functionally reports to the AMSB, for the relevant aspects. The Group Actuarial Function Policy sets the framework of the actuarial activities within the Group.

COMPLIANCE FUNCTION

The Compliance Function has the responsibility to advice the AMSB on compliance with laws, regulations and administrative provisions, including those adopted pursuant to the Solvency II Directive for insurance and reinsurance Group companies.

The compliance function advices also on other laws, regulations and administrative provisions, including the Group Code of Conduct and Group policies, as provided by the Group Compliance Management System Policy.

Moreover, the Compliance Function has the responsibility to assess the possible impact of any changes in the legal environment on the operation of the relevant Group company and to identify and assess the compliance risks, including the adequacy of the measures adopted to prevent non-compliance.

While the Compliance Function established at entity level is responsible for the identification and assessment of the compliance risks embedded in the operations of the Group company concerned, the Group Compliance Function, established at parent company level, is also responsible to ensure that adequate resources, methodologies and tools are in place and used across the Group to manage the compliance activities and an adequate consolidated reporting is provided to the Board of Directors of AG.

The Compliance Officer functionally reports to the AMSB.

RISK MANAGEMENT FUNCTION

The Risk Management Function guarantees the accurate implementation of the risk management system in accordance with the Solvency II Directive, the other applicable legal and regulatory provisions, the directions given by the AMSB and the provisions of the Group Risk Management Policy.

This Function supports the AMSB and Senior Management in defining the risk management strategies and tools for identifying, monitoring, managing and measuring risks. It also provides the information needed to evaluate the adequacy of the risk management system as a whole, through an adequate reporting system.

The Risk Management Function is responsible to report to the AMSB on risks that have been identified as potentially material. The Risk Management Function should also report on other specific areas of risks both on its own initiative and following requests from the AMSB.

The Risk Management Function has the responsibility to:

- assist the AMSB and other functions in the effective operation of the risk management system;
- monitor of the risk management system and the implementation of the Risk Management Policy;
- monitor the general risk profile of the Group Legal Entity and provide the reporting defined in the Group Risk Appetite Framework, including the reporting in case of tolerances breaches;
- coordinate a detailed reporting on risks exposures and, in particular, coordinate ORSA Report preparation, based on the process defined in the Group Risk Management Policy;
- advise AMSB on risk management matters, including in relation to strategic affairs such as corporate strategy, mergers and acquisitions and major projects and investments and, in general, foster risk management embedding with business decision making processes;
- as part of the broader risk identification process, identify and assess emerging risks.

Detailed tasks of risk management functions are provided in the Group Risk Management Policy.

The Chief Risk Officer functionally reports to the AMSB.

INTERNAL AUDIT FUNCTION

The Internal Audit Function has the responsibility to evaluate the adequacy and effectiveness of the internal control system of the Group company and to report to the AMSB any finding or recommendation.

The Internal Audit function has the responsibility to:

- establish, implement and maintain an audit plan setting out the audit work to be undertaken in the upcoming years, taking into account all activities and the complete system of governance of the Group Legal Entities;
- take a risk-based approach in deciding its priorities;
- issue audit reports with agreed (with the Auditee) actions (to mitigate the identified risks) based on the result of the audit work and submit a written report to the AMSB at least on a semi-annual basis on activities and significant issues during the period and a proposal of an action plan. The AMSB determines what actions are to be taken with respect to each of the issues presented in the report to the AMSB and ensure that those actions are carried out;
- significant issues reported in the audits will be closely monitored to ensure a proper closing of the agreed actions and then tested for effectiveness. The progress of this and the outstanding issues will at least annually be reported to the AMSB.

The Head of Internal Audit directly reports to the AMSB.

INTERACTIONS AMONG THE CONTROL FUNCTIONS

An effective interaction and coordination among control functions increases the efficacy of their role in supporting the Senior Management and the AMSB in maintaining a clear and integrated view on the Group company's risk exposure.

In this context, the control functions act according to a clear interaction framework, based on the following pillars:

- the control functions plan their activities in a coordinated manner in order to ensure consistency and avoid duplications in their initiatives;
- the control functions meet regularly and share any outcome, finding or information that can be useful to better perform their respective activities (e.g. audit findings related to risks falling under the scope of activity of the other Control Functions; outcomes of the monitoring activities performed by risk management and compliance functions, outcomes of the risk assessments, scenario analysis and testing activities performed by Risk Management and Compliance Functions, etc.);
- the Risk Management and the Compliance Functions provide the organization with common risk assessment methodologies, processes and tools in order to obtain a comprehensive evaluation and representation of the operational and compliance risks. The Compliance Function contributes to the drafting of the ORSA Report and the Risk Appetite Framework and participate in the scenario analysis as far as the compliance risk is concerned;
- the Actuarial and Risk Management Functions define a common governance to effectively manage, from a methodological and technical standpoint, processes and tools supporting the calculation of both the Technical Provisions and Solvency Capital Requirement;
- the Internal Audit, acting as independent third line of defence, performs an independent overall evaluation of the second level Control Functions' operating model, methodologies, tools and procedures;
- any disagreement among the local Control Functions on the above subjects will be submitted to the relevant Group Control Functions. Any disagreement among the Group Control Functions will be submitted to the Board of Directors of AG;
- any disagreement among the local Control Functions that can affect the calculation of the Technical Provisions or Solvency Capital Requirement will be submitted to the relevant local AMSB. Any disagreement among the Group Control Functions that can affect the calculation of the Group Technical Provisions or Group Solvency Capital Requirement will be submitted to the Board of Directors of AG.

MATERIAL CHANGES TO THE SYSTEM OF GOVERNANCE OF THE GROUP OCCURRED IN 2016

No material changes to the Group system of governance occurred in 2016.

REMUNERATION POLICY GENERAL PRINCIPLES

As a general principle, according to the Group Directives on the internal control and risk management system, the remuneration awards recognised by Group companies must not threaten their ability to maintain an adequate capital base.

Remuneration practices must be established, implemented and maintained in line with the business carried out and the risk management strategy, the risk profile, objectives, risk management practices and the long-term interests and performance of the Group Legal Entity and shall incorporate measures aimed at avoiding conflicts of interest.

The Remuneration Policy adopted by the Board of Directors of Assicurazioni Generali S.p.A. sets out the principles and requirements that Group companies must comply with, within the requirements set out by the local regulatory framework, including special requirements provided for banking and financial business, with a view to ensuring consistency among the Group.

The general principles which the abovementioned remuneration policy is based on are the followings:

- equity and consistency of remuneration in relation to the assigned responsibilities and capabilities demonstrated;
- alignment with corporate strategy and goals defined;
- competitiveness with respect to market trends and practices;
- value merit and performance, in terms of results, behaviours and values;
- clear governance and compliance with the regulatory framework.

Beside this, with reference to the values established in the remuneration policy, particular importance is given to:

- the meritocratic alignment of the remuneration systems with sustainable long-term business results, in constant compliance to corporate values that represent the main pillars of remuneration systems and of a prudent risk management;
- the alignment with the overall business strategy based, among others, on a significant international integration of the Group, so that the principles and policies are applied in a coherent manner to all Group's key executives, thus favouring the overall alignment to the Group's goals.

The remuneration package consists of a fixed component, a variable component and benefits, structured in a balanced way. Such remuneration must be consistent with each role, the responsibilities assigned and the skills and abilities demonstrated and must also be aligned to the reference market. This applies both for the Group executive roles as well as for other employees, and complies with the requirements of current national and company labour contracts.

The fixed component of the remuneration rewards the role held and the responsibilities assigned, also taking into account the expertise and the competences of the relevant person as well as the quality of the contribution in terms of achieving business results. The variable component is defined on the basis of short and long term incentive plans aimed at motivating the management to achieve business targets by creating a direct link between incentives and quantitative and qualitative targets set at Group, Region, Country, Business/Function and individual level. A relevance impact is assigned to the variable component of the remuneration linked to the long term incentive plan. Caps to 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.

Benefits include, in particular, supplementary pensions and health care for employees and their families, as well as a company car and other benefits, including those related to internal and international mobility in line with market practices.

The remuneration package structure is analysed in order to ensure that the fixed remuneration is balanced with respect to the short and long-term variable remuneration and benefits, in order to encourage managers to commit fully to achieving sustainable results. In particular the fixed remuneration is determined as an amount that does not incentivise the undertaking of inappropriate risks by the manager and that allows the effective enforceability, in the theoretical event the relevant conditions are met, of specific ex post correctional mechanisms (malus and clawback) on variable compensation. 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 Group's risk framework and discourage conduct that would lead to excessive exposure.

REMUNERATION OF GROUP COMPANIES AMSB MEMBERS

Group companies have to take into consideration and implement local rules on remuneration for the members of their AMSB consistent with those set out under the remuneration policy of the parent company. The latter remuneration policy provides, for all non-executive directors (independent or not independent), 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 attendance and, in general terms, for the discharge of their tasks. This role shall also entail the assignment of certain non-monetary benefits, such as insurance coverage against professional liability. Consistently with the best international market practice, no variable component nor any supplementary pensions are provided for such non-executive directors.

Directors who are also members of board committees (but not at the same time 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 the 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.

REMUNERATION POLICY FOR THE CHIEF EXECUTIVE DIRECTOR, THE GENERAL MANAGER AND THE OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES

The chief executive director, the general manager and the other managers with strategic responsibilities receive a total remuneration package consisting of a fixed component, a variable component (short and long term) and benefits.

In terms of total target remuneration, the Group's intention is to align the remuneration at a competitive level, between the median and the upper quartile of the reference market, with an individual positioning linked to the assessment of performance, of the potential and the strategic relevance of the person considered according to a segmented approach.

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

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

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

The Long Term Incentive (LTI) plan provides for the assignment of shares of Assicurazioni Generali S.p.A. and presents the following characteristics:

- it is based on a total time frame of 6 years;
- is linked to specific performance objectives (Return on Equity and Relative Total Shareholder Return);
- is conditioned upon the achievement of a minimum level of Economic Solvency Ratio equal to 130%;
- provides a three-year performance cycle and further lock-up periods of the assigned shares up to two years (so called minimum holding period).

All the objectives the incentive system makes reference to are defined on an ex ante basis, with a view of ensuring that the annual performance indicators are consistent with those used as reference for the long term incentive plans.

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

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

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

REMUNERATION POLICY FOR THE HEADS OF THE CONTROL FUNCTIONS AND THE MANAGERS DIRECTLY REPORTING TO THEM

The overall remuneration package for the heads of the control functions and their first reporting line managers consists of a fixed and a variable component plus additional benefits. The fixed component is established according to the level of the responsibilities and duties assigned to such persons and is designed to guarantee the independence and autonomy required for such roles. The variable component is linked to the participation in a specific deferred monetary incentive system that has multi-year time goals which relate exclusively to the effectiveness and quality of controls, with the exclusion of any form of financial indicators and financial instruments which may give rise as a conflict of interests source.

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.

MATERIAL TRANSACTIONS EXECUTED IN 2016

No material transactions have been executed during the reporting period by any of the Group companies with shareholders, persons who exercise a significant influence on Assicurazioni Generali S.p.A. nor with the members of Assicurazioni Generali S.p.A. Board of Directors.

B.2. FIT AND PROPER REQUIREMENTS

Assicurazioni Generali, in its capacity as parent company of the Generali Group, has adopted an internal Group Policy called “Group Fit & Proper Policy”, according to which Group companies shall evaluate the fitness and propriety of the “Relevant personnel”, composed by:

- members of the AMSB;
- members of the Board of Statutory Auditors, if any (meaning the board of persons with a control and auditing role, whose appointment is required by applicable legislation or by-laws, excluding external auditing firms);
- key managers (meaning the persons effectively running the business, responsible for high level decision making and for the implementation of the strategies devised and the policies approved by the AMSB);
- personnel of the control functions,
- personnel exerting control over certain outsourced activities (meaning at least the persons exerting control over the outsourced activities in case such activities are internal audit, risk management, compliance, actuarial function or anti-money laundering).

FITNESS REQUIREMENTS

The AMSB of Group insurance and reinsurance companies shall collectively possess appropriate experience and knowledge about at least:

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

The AMSB of the Group companies other than insurance and reinsurance companies shall collectively possess appropriate experience and knowledge on the above fields depending on the specific business sector in which they operate.

The members of the Board of Statutory Auditors (if any) shall comply with the fitness requirements provided by the applicable local legislation.

Each Key Manager as well as the personnel of the control functions must possess the professional qualifications, knowledge and experience which are appropriate and adequate to hold all the roles he/she is in charge of.

The personnel exerting control over outsourced activities must possess sufficient professional qualifications, knowledge and expertise to discharge such control activity. In particular, at a minimum level, the person who has overall responsibility for the outsourced activities must possess enough knowledge and experience regarding the outsourced function to be able to challenge the performance and the results of the service provider.

PROPER REQUIREMENTS

In addition to the professional requirements, Group companies shall evaluate if the Relevant personnel is suitable to perform the role and responsibilities assigned to them based on local legislation, and is reliable with a good reputation.

The professional integrity of the Relevant personnel is assessed on the basis of evidence regarding the following:

- criminal convictions;
- negative assessments by competent supervisory authorities stating the inadequacy of the person to hold the relevant office;
- 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 should be 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 following situations will automatically preclude Relevant personnel from being appointed or continuing in their current role:

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

Negative information other than those listed above, including non-definitive criminal convictions, will not automatically preclude Relevant personnel from being appointed or continuing 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.

Subject to local laws, the content of the labour contracts of the Relevant personnel must ensure the enforcement of the Group Policy provisions mentioned above and compel Relevant personnel to notify their Group company if any of the above situations have arisen.

EVALUATION OF FIT AND PROPER REQUIREMENTS

The evaluation of the AMSB members shall be executed by the AMSB itself in one of the first meetings after their appointment, at least once a year (as a general rule, when approving the annual financial statement) and whenever a change in the composition of the AMSB occurs (e.g. in the event of replacement of one of the members of the corporate body, following the revocation or withdrawal of such member). When a sole director is appointed, the evaluation is performed by the subject (within the Group) who has the power to appoint him/her (in most cases the shareholders).

The evaluation of Key Managers shall be executed by the subject or the collective body in charge of their appointment according to the applicable corporate governance rules.

The evaluation of the Heads of the control functions shall be executed by the AMSB of each Group company when appointing the Head of the relevant control functions and on an ongoing basis (at least annually). The evaluation of the personnel shall be executed by the Head of the control function.

The evaluation of the personnel exerting control over outsourced activities shall be executed by the person in charge of appointing such personnel.

Moreover, the HR Department of the relevant Group company shall request to key managers, all personnel of the control functions and all personnel exerting control over outsourced activities a written self-declaration, at least on an annual basis, confirming the adherence of such persons to the current fit & proper standards.

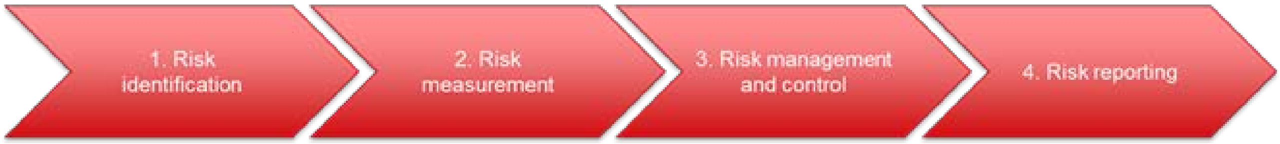
The relevant personnel shall promptly communicate any fact and/or circumstance that leads to the loss of their fit &/or proper requirements to the person or body in charge of the evaluation of their fit and proper requirements.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1. RISK MANAGEMENT SYSTEM

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

Generali Group's risk management process is defined in the following phases:



1. Risk identification

The purpose of risk identification is to ensure that all material risks to which the Group is exposed are properly identified. To this end, the Risk Management Function interacts with the main business Functions in order to identify the main risks, assess their importance and ensure that adequate measures are taken to mitigate them according to a sound governance process. Within this process, emerging risks are also considered.

The categorization of identified risks is consistent with Italian regulation (IVASS Reg. n.20/2008) and reflects the risk categories foreseen by Solvency II.

2. Risk measurement

Identified risks are then measured through their contribution to the capital requirement, complemented by other modelling techniques deemed appropriate and proportionate to better reflect the Group risk profile. Using the same metric to measure risks and capital requirements ensures that each risk is covered by an adequate amount of capital that could absorb the loss incurred if the risk materialized.

The capital requirement is calculated by means of the Group's PIM[9] for financial, credit, life and non-life underwriting risks. Operational risks are measured by means of standard formula, complemented by quantitative and qualitative risk assessments. The Group PIM provides an accurate representation of the main risks to which the Group is exposed, measuring not only the impact of each risk taken individually but also their combined impact on the Group's own funds.

Group PIM methodology is provided in section E. Capital Management.

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 Group RAF defines the level of risk the Group is willing to accept in conducting business and thus provides the overall framework for embedding risk management into business processes.

The purpose of the Group RAF is to set the desired level of risk on the basis of the Group strategy. The Group RAF statement is complemented by qualitative assertions (risk preferences) supporting the decision-making processes as well as by risk tolerances providing quantitative boundaries, limiting excessive risk-taking. These are expressed in terms of hard and soft tolerances.

[9] The Group PIM use for the SCR calculation has been approved for the insurance entities in Italy, France, Germany as well as for the biggest Czech company, Ceska Pojistovna as. For the other entities the standard formula is applied. Other financially regulated entities apply local sectorial requirements.

The Group RAF governance provides a framework for embedding risk management into day-to-day and extraordinary business operations and control mechanisms as well as the escalation and reporting to be applied in case of risk tolerance breaches. The integration of the Group RAF in the business process is in particular foreseen for the strategic planning process, the strategic asset allocation, the product development process, as well as for extraordinary operations management.

Tolerance levels are set on the basis of capital and liquidity metrics. Should an indicator approach or breach the defined tolerance levels, escalation mechanisms are activated.

4. Risk reporting

The purpose of risk reporting is to keep business Functions, Senior Management, BoD and also the Supervisory Authority aware and informed on the development of the risk profile, on the risk trends and on the breaches of risk tolerances.

A description of how the Risk Management Function is implemented and integrated into the organizational structure and decision-taking processes of the undertaking is provided under paragraph B.1.

B.3.2. INTERNAL MODEL FRAMEWORK: GOVERNANCE AND VALIDATION

INTERNAL MODEL GOVERNANCE

Generali deems the Group PIM to be the most appropriate way of assessing the Group SCR. It represents the best way of capturing the risk profile of the entire Group and of the companies in scope in terms of granularity, calibration and correlation of the various risk factors.

The Group PIM is structured around a specific Risk Map, which contains all quantifiable risks that Generali has identified as relevant to its business, allowing for the calculation of the SCR at single risk level and at higher aggregation levels.

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

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

To rule the activities related to the Internal Model developments necessary to ensure its appropriateness over time, and more in general to support the Internal Model change process, the Group Internal Model Change Policy has also been 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 Group PIM calibrations, to support decision making on Group 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, in the person of the Head of Group Enterprise Risk Management, which is responsible for ensuring the overall consistency and reliability of the Group PIM. The official members of the Internal Model Committee are all the Model Owners and the Model Design Authority and possibly further participants required by the Model Design Authority.

The Internal Model Committee is in charge of providing proposals/advices on the Internal Model matters, before the submission to GCRO and ensures the escalation process from Model Owner to the BoD if there are issues not resolved.

The GCRO defines the processes and controls to ensure the ongoing appropriateness of the design and operations of the Group PIM, so that it continues to appropriately reflect the Group risk profile. The GCRO is also responsible for defining the methodology of each model component, on the basis of the Group Internal Model Committee's proposals, as well as for the results production.

The Group CEO reviews with the support of the Balance Sheet Committee the relevant Internal Model supporting documentation before the submission to the BoD by the GCRO. The BoD, assisted by the Risk and Control Committee, ensures the ongoing appropriateness of the design and operations, the ongoing compliance of the Group PIM and also that the Group PIM continues to appropriately reflect the risk profile of the Group.

These roles are generally mirrored within the organizational structure of each company within PIM scope.

No material changes have occurred during the period with reference to the PIM governance.

INTERNAL MODEL VALIDATION

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

The validation process follows the principles and procedures defined within the Group Internal Model Validation Policy and related guidelines.

In particular, the validation outputs are designed to support Senior Management and BoD in understanding the appropriateness of the PIM, including areas of 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 Group PIM.

Within the validation process 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 Group PIM changes. The validation process does not cover PIM governance aspects, as well as IT systems used, such as actuarial platform, nor technical provisions assurance, carried out by the Actuarial Function.

Furthermore, the regular Validation procedures also serve as an incentive mechanism to ensure timely and accurate incorporation of modelling refinements.

In order to warrant the appropriateness of the array of elements contained within the Group PIM, the validation covers both the quantitative and qualitative aspects of the Model, and is therefore not limited to the calculation engine and methodology. Other important items such as data quality, documentation and uses of the Model are validated accordingly.

The validation process is carried out on regular annual basis and when requested by the BoD or Senior Management, such as in case of PIM changes.

B.3.3. ORSA PROCESS

The ORSA process includes the assessment and reporting of all risks on the basis of the strategic plan. To this end both risks in scope of the capital requirement calculation and other risks that are not included in the capital requirement calculation are considered.

The ORSA reporting process is the main risk reporting tool and is coordinated by the Risk Management Function. For what concerns own funds, technical provisions and other risks, support is given by other accountable Functions. Its purpose is to provide the assessment of risks and of the overall solvency needs on a current and forward-looking basis. The ORSA process ensures an ongoing assessment of the solvency position based on the strategic plan and the Group Capital Management Plan, followed by a regular communication of ORSA results to the Supervisory Authority after BoD approval.

Generali Group applies a Group-wide process, which implies a coordination of local processes for the development of the Group ORSA Report.

The Group ORSA Report, documenting main results of this process, is produced on an annual basis. After the discussion and approval by the BoD, assisted by the RCC, the Report is submitted to the Supervisory Authority. Results are shared with the Senior Management and the Group Compliance review is also foreseen.

During the strategic plan finalization phase, the forward looking risk assessment is also updated in line with Group Capital Management Plan.

A non-regular ORSA Report is also produced in case of significant change of the risk profile.

B.3.4. RISK EMBEDDING IN CAPITAL MANAGEMENT PROCESS

Risk and capital management processes are closely integrated processes. This integration is deemed essential in order to align business and capital management processes.

The ORSA on the other hand relies on the capital management plan to assess the adequacy and quality of own funds to cover the overall solvency needs during the planning period.

To grant risk and business strategy alignment on ongoing basis, the Risk Management Function actively supports the strategic planning process and the plan definition process.

B.4. INTERNAL CONTROL SYSTEM

As already stated in paragraph B.1, Assicurazioni Generali S.p.A., in its capacity as parent company of the Generali Group, has adopted a Group Policy named “Group Directives on Internal Control and Risk Management System”, with a view of ensuring that the internal control system of each relevant Group company is based on the same key elements, roles and responsibilities.

According to the aforementioned policy, the internal control system of Group companies must be founded on the set-up of the following three lines of defence:

- operating functions (risk owners), which represent the first line of defence and have ultimate responsibility for risks related to their area of expertise;
- actuarial, compliance and risk management functions, which represent the second line of defence;
- internal audit, which represents the third line of defence.

The internal control system must be effective and well integrated into the organisational structure and in the decision-making processes, thereby ensuring compliance with applicable laws, regulations and administrative provisions as well as operational effectiveness and efficiency of Group companies.

Controls are an integral part of every business process. Therefore, the heads of operational departments (i.e. the risk owners) have direct responsibility to take charge for risks falling under their respective competence, manage them and implement appropriate control measures. To this end, they must provide the Senior Management with the information needed to define the policies, methods and tools for the management and control of the risks for which they are responsible, oversee their implementation and ensure their adequacy over time. They also ensure that the operational departments under their responsibility comply with their objectives and policies, implement corrective actions within the scope of their autonomy, while on a higher hierarchical level, they submit specific recommendations or proposals to the Senior Management.

In addition, Group companies must establish actuarial, compliance and risk management functions as second line of defence and the internal audit function as third line of defence according to the provisions of the relevant Group policies.

Control functions must be independent from operational functions and, as a consequence, they must: (i) retain the responsibility for taking the decisions necessary for the proper performance of their duties without interference from others and (ii) be able to report their results and any concerns and suggestions to the AMSB without restrictions as to their scope or content.

COMPLIANCE OPERATIONAL MODEL

Assicurazioni Generali S.p.A., in its capacity as parent company of the Generali Group, has adopted a Group policy called “Group Compliance Management System Policy” which includes specific rules on how the compliance function is implemented. In this respect, the abovementioned policy defines an internal operational model, consistent with the risk management system, which the compliance function of each Group company has to comply with.

In particular, the core processes included under the compliance operating model are the followings:

- risk identification;
- risk measurement;
- risk mitigation;
- risk monitoring;
- reporting and planning.

The risk identification process is aimed at ensuring that the requirements arising in connection with both the internal and the external regulations are identified and allocated under the responsibility of the relevant operational functions.

The risk measurement process is aimed at assessing, also under a forward-looking perspective, the risks which each Group company is exposed to and the level of adequacy of the internal control system to achieve its goals. The compliance function, together with the risk management function, performs and supports risk owners in risk assessment activities and ensures that Group methodologies are applied.

The risk mitigation process aims to ensure the adoption of all actions necessary for the correct implementation of the requirements set out by the internal and external regulations. In particular, the compliance function has to ensure that appropriate training programs for all employees are delivered on a regular basis, internal regulations and procedures are defined and minimum standard for controls identified, in cooperation with the operational functions.

The risk monitoring process aims to achieve an updated picture on the ability of the Group company to manage compliance risks. Such process consists in the collection and periodical analysis of specific data and indicators that ensure the effective deployment of such risk monitoring.

The reporting process aims to ensure that appropriate information flows towards senior management and the AMSB of each Group company in such a way as to allow these parties to make decisions that take into account the level of exposure of the Group company to compliance risks and to assess the adequacy and effectiveness of their internal control systems to manage such risks.

B.5. INTERNAL AUDIT FUNCTION

Within the Generali Group the internal audit activities are performed by Group Audit, consisting of the totality of the Internal Audit Functions in all companies belonging to the Generali Group, as per the organizational rules defined in the Group Audit Policy, approved by the Board of Directors of Assicurazioni Generali.

In particular, as provided by the Group Audit Policy, each Group Company shall be subjected to an Audit activity guaranteed by a function set up in accordance with the principles stated in this Policy. The Internal Audit Function is generally located within the company responsible for the development of the business in the country. Additional Internal Audit Functions are set up in the same country only when audit activities need to be carried out in sectors that are not related to the insurance sector.

Therefore, Group Audit within the Generali Group includes:

- The Internal Audit Function of Assicurazioni Generali, headed by Head of Group Audit;
- 7 Business Unit Audit functions – 3 in the main Countries of the Group (Italy, France, Germany) and 4 in the Regions of the Group (Latam, EMEA, CEE and Asia) – headed by the respective Head of Business Audit;
- Other local entity audit functions, headed by Heads of the Local Audit Function.

The Head of Group Audit reports to the Board of Assicurazioni Generali S.p.A. A solid line reporting model is established between the Head of Group Audit, the Heads of Business Unit Audit and the Heads of the Local Audit Functions.

Based on this model, the Head of the Local Audit Function reports to the Administrative, Management or Supervisory Body and ultimately, to the Head of Group Audit, through the Head of the respective Business Units Audit.

The reporting structure that has been implemented ensures autonomy to act and independence from operational management as well as more effective communication flows. This covers the methodologies to be used, the organizational structure to be adopted (recruiting, appointment, dismissal, remuneration and budget in agreement with the local Administrative, Management or Supervisory Body), objectives setting and the year-end appraisal, reporting methods, as well as the proposed audit activities to be included in the Internal Audit Plan to be submitted to the local Administrative, Management or Supervisory Body for approval.

In addition to the audit activity carried out by the local Audit Functions, in any moment the Internal Audit Function of Assicurazioni Generali carries out specific audits on Group Companies either independently in agreement with local Administrative, Management or Supervisory Body or working alongside the local Audit Functions.

Each Internal Audit Function belonging to Group Audit is an independent, effective and objective function established by the local Administrative, Management or Supervisory Body to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance, with a view of improving the efficacy and efficiency of the internal control system of the organization and its governance processes.

The Internal Audit Function 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 the Internal Audit Function has free and unrestricted access to the Administrative, Management or Supervisory Body.

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. Given the delicate and important nature of the assurance role carried out within the business, all personnel must have specific fit and proper requirements as requested by the Group Fit & Proper Policy.

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

The activity of the Internal Audit Function remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Auditors do not have direct operational responsibility or authority over any of the activities audited. Accordingly, they are not involved in operational organization of the undertaking or in developing, introducing or implementing organizational or internal control measures. However, the need of impartiality does not exclude the possibility to request from the Internal Audit Function an opinion on specific matters related to the internal control principles to be complied with.

At least annually, the Head of each Internal Audit Function proposes to the local Risk and Control Committee an internal audit plan before submitting it for approval to the local Administrative, Management or Supervisory Body.

The Plan is developed based on a prioritization of the audit universe using a risk-based methodology, taking into account all activities, the complete system of governance, the expected development of activities and innovation, including input of Top management and the Board. Planning takes into account any deficiencies found during audits already performed as well as any new or emerging risks detected.

Each Audit plan submitted includes timing as well as budget and resource requirements for the next calendar year. The Head of the Internal Audit Function communicates the impact of any resource limitations and significant interim changes to the Board.

The plan is reviewed and adjusted at least on a bi-annual basis in response to changes in the organization’s business, risks, operations, programs, systems, controls and findings. Where necessary, the Internal Audit Function may carry out audits which are not included in the Audit Plan or advisory services related to governance, risk management and control as appropriate for the organization.

All audit activities are carried out following a consistent methodology common at Group Level. 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 significance of the issues found and covers at least any issues regarding the efficiency and suitability of the internal control system, as well as major shortcomings regarding compliance with internal policies, procedures and processes. It includes the agreed corrective actions to be taken concerning the issues identified and also the agreed deadlines for the implementation of these corrective actions.

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

The Head of the Internal Audit Function, at least on a bi-annual basis, provides the local Administrative, Management or Supervisory Body with a report on activities and significant issues during the period and a proposal of an action plan. The local Administrative, Management or Supervisory Body determines what actions are to be taken with respect to each issue and ensures that these actions are carried out. However, in the event of any particularly serious situations, the Head of Internal Audit will immediately inform the local Risk and Control Committee and the Administrative, Management Or Supervisory Body.

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

B.6. ACTUARIAL FUNCTION

Generali Group’s actuarial function (*Group Actuarial Function*) is one of the key functions in the system of governance and is part of the second line of defence within the Group internal control and risk management system. The 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 Group Actuarial Function, as required by Solvency II regulation are the following:

- coordinate the calculation of group technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of group technical provisions;
- assess the sufficiency and quality of the data used in the calculation of group technical provisions;
- compare best estimates against experience;
- inform the Board of Directors of the reliability and adequacy of the calculation of group technical provisions;

- express an opinion on the overall group underwriting policy;
- express an opinion on the adequacy of group reinsurance arrangements; and
- contribute to the effective implementation of the risk-management system.

In addition, the Group Actuarial Function also defines the common reference framework to be followed by the local actuarial functions of Generali Group companies, both with reference to technical provisions (in terms of methodology, process, monitoring and reporting procedure) and in forming and expressing the opinion on the local underwriting policy and reinsurance arrangements.

In line with the organizational model defined by Generali Group, the Group Actuarial Function is located within the Group CFO area to ensure an effective coordination for the calculation of technical provisions. In addition, to preserve the independence in carrying out his activities, the head of the Group Actuarial Function functionally reports to the Board of Directors, to which he has independent and direct access.

B.7. OUTSOURCING

B.7.1. INFORMATION ON OUTSOURCING POLICY

The Group Outsourcing Policy is intended to set consistent minimum mandatory outsourcing standards at Group level, assign main outsourcing responsibilities and ensure that appropriate controls and governance structures are established within any outsourcing initiative.

The Policy applies to all Group legal entities, outlining the main principles to be followed when implementing outsourcing.

The Policy introduces a risk-based approach, adopting a proportionality principle to apply requirements according to the risk profile (distinguishing between critical and non critical outsourcing), the materiality of each outsourcing agreement and the extent which Generali Group controls service providers.

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

The outsourcing of critical or important operational functions or activities is implemented mainly through an “in-country” model, in which the supplier is resident in the same country as the Group company client.

Main Group Intra Group outsourcers of critical or important functions or activities are listed in the table below.

Service provider name	Intragroup / Third Party	Outsourced Activity
Generali Business Solution S.c.p.A	Intra group	IT Infrastructure and Software Management
		Accounting and Balance Sheet Management
Generali Shared Services S.c.a.r.l.	Intra group	IT Infrastructure and Software Management
Generali Deutschland Informatik Services GmbH	Intra group	IT Infrastructure and Software Management
Generali Deutschland Services GmbH	Intra group	Accounting and Balance Sheet Management
		Product Management and Development
		Underwriting and Portfolio Management
GRUPO GENERALI ESPAÑA AIE	Intra group	IT Infrastructure and Software Management
Generali Investment Europe SpA	Intra group	Investments
Generali Deutschland Schadenmanagement GmbH	Intra group	Claims and Reservation
Generali Deutschland AG	Intra group	Product Management and Development
		Accounting and Balance Sheet Management
Generali Real Estate (GRE)	Intra group	Real Estate Management (Premises and Facility Management)

B.8. ANY OTHER INFORMATION

ASSESSMENT ON THE ADEQUACY OF THE SYSTEM OF GOVERNANCE

The Risk and Control Committee supports the Board of Directors of Assicurazioni Generali S.p.A. in the assessment of the adequacy and effectiveness of the internal control and risk management system across the Group, based on the relevant Group policies. In the course of 2016, such assessment was completed in March and July.

Afterwards, in March 2017, the Board of Directors of Assicurazioni Generali S.p.A., based on the opinions of the Risk and Control Committee, the Group CEO (in his capacity as Director in charge for the internal control and risk management system) and the Group heads of the control functions, expressed its positive opinion as to the overall adequacy and effectiveness of the internal control system across the Group.

OTHER MATERIAL INFORMATION ON THE SYSTEM OF GOVERNANCE OF THE GROUP

No other material information on the system of governance of the Group have to be reported.

C. Risk Profile

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

Life and health underwriting risks derive from the Group's core insurance business in the life and health segment. The major part of the business and the related risks derive from direct business underwritten by the Group. Health business represents a minor component of the portfolio.

Life and health 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.

Life and health underwriting risks are:

- Mortality risk, defined as the risk of loss, or of adverse change 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 or irregular events;
- Longevity risk that, similarly to mortality, is defined as the risk resulting from changes in mortality rates, where a decrease leads to an increase in the value of insurance liabilities;
- Disability and morbidity risks derive from changes in the disability, sickness, morbidity and recovery rates;
- 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 results from changes in the expenses incurred in servicing insurance or reinsurance contracts;
- Health risk results from changes in health claims and also includes health catastrophe risk.

The life portfolio is mostly given by traditional business, which mainly includes insurance with profit participation. Unit-linked products represent a secondary component of the Group portfolio, although their incidence is increasing.

The prevailing component of traditional savings business includes products with insurance coverages linked to the policyholders' life and health; it also includes pure risk covers, with related mortality risk, and some annuity portfolios, with the presence of longevity risk. The vast majority of the insurance coverages includes legal or contractual policyholder rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse; or to fully or partially establish, renew, increase, extend or resume the insurance or reinsurance cover. For this reason the products are subject to lapse risk.

The approach underlying the life underwriting risk measurement is based on the calculation of the loss resulting from unexpected changes in biometric and/or operating assumptions. Capital requirements for life underwriting risks are calculated on the basis of the difference between the Solvency II technical provisions before and after the application of the stress.

Life technical provisions that are the base for the underwriting risk measurement are reported in section D.3.

Life underwriting risks are measured by means of the Group PIM[10]. For the assessment of life and health underwriting risks in terms of SCR, please refer to chapter E. No risk concentrations are reported.

In terms of contribution to the risk profile, it is to be noted that life underwriting risks are well diversified with other risk categories.

Life underwriting risk management is based on two main processes:

- Accurate pricing and
- Ex-ante selection of risks through underwriting.

[10] For the scope of the Group PIM please refer to section E.4. Entities not included in the PIM scope calculate the capital requirement based on standard formula.

Product pricing consists of setting product features and assumptions regarding expenses, biometric and policyholders' behaviour so as to allow the Group to withstand any adverse development in the realization of these assumptions.

For savings business, this is mainly achieved through profit testing, while for protection business with a biometric component, it is achieved by setting prudent assumptions.

Lapse risk, related to voluntary withdrawal from the contract, and expense risk, related to the uncertainty around the expenses that the Group expects to incur in the future, are evaluated in a prudential manner in the pricing of new products. This evaluation is taken into account in the construction and profit testing of a new tariff, considering the underlying assumptions derived from the Group's experience.

For insurance portfolios with a biometric risk component, comprehensive reviews of the mortality experience are compared with expected mortality of the portfolio, determined according to the most up-to-date mortality tables available in each market. To this end, mortality by sex, age, policy year, sum assured and other underwriting criteria are taken into consideration to ensure mortality assumptions remain adequate and avoid the risk of misestimating for the next underwriting years.

The same annual assessment of the adequacy of the mortality tables used in the pricing is performed for longevity risk. In this case, not only are biometric risks considered but also the financial risks related to the minimum interest rate guarantee and any potential mismatch between the liabilities and the corresponding assets.

As part of the underwriting process, Generali Group adopts underwriting guidelines and determines operating limits to be followed by Group companies. This aims to ensure a consistent use of capital and risk exposure and their maintenance between the pre-set limits.

The product approval process foresees a review by the Risk Management Function to ensure that new products are in line with the risk appetite and that risk absorption is considered part of risk-adjusted performance management.

Moreover, a particular emphasis is placed on the underwriting of new contracts with reference to medical, financial and moral hazard risks. The Group has defined clear underwriting standards through manuals, forms and medical and financial underwriting requirements. For insurance riders, which are most exposed to moral hazard, maximum insurability levels are also set, lower than those applied for death covers. In order to mitigate these risks, policy exclusions are also defined.

Regular risk exposure monitoring and adherence to the operative limits, reporting and escalation processes are also in place, allowing for potential remediation actions to be undertaken.

Finally, reinsurance represents the main risk mitigating technique. The Parent Company acts as core reinsurer for the Group companies and cedes part of the business to external reinsurers.

The Group reinsurance strategy is developed consistently with the risk appetite and with the risk preferences defined in the Group Risk Appetite Framework (RAF), and with the reinsurance market cycle.

The definition of a reinsurance arrangement is based on a process managed by Reinsurance Function in constant interaction with Risk Management and Actuarial Functions.

C.1.2. NON-LIFE UNDERWRITING RISK

Non-life underwriting risks arise from the Group's insurance business in the P&C segment. Non-life underwriting risks include the risk of underestimating the frequency and/or severity of the claims in defining pricing and reserves (respectively pricing risk and reserving risk), the risk of losses arising from extreme or exceptional events (catastrophe risk) and the risk of policyholder lapses from P&C insurance contracts. In particular:

- The pricing and the catastrophe risks derive from the possibility that premiums are not sufficient to cover future claims, also in connection with extremely volatile events and contract expenses;
- The reserving risk relates to the uncertainty of the claims reserves (in a one-year time horizon);
- The lapse risk arises from the uncertainty of the underwriting profits recognised in the premium provisions.

Generali cannot avoid exposure to potential losses stemming from these risks intrinsically related to the nature of its core businesses. However, properly defining standards and recognizing, measuring, setting limits to these risks is a crucial activity to ensure the Group's resilience in adverse circumstances and to align P&C underwriting activities with stated Group RAF.

Non-life technical provisions are provided in section D.3., volumes of premiums are disclosed in section A.2 and related attachments.

Non-life underwriting risks are measured by means of the Group PIM[11]. For the majority of risks assessed through the PIM, the assessments are based on in-house developed models and external models that are primarily used to assess the catastrophic events, for which broad market experience is considered beneficial.

For the assessment of non-life underwriting risks in terms of SCR, please refer to section E.

Moreover, the Group uses additional indicators for risk concentrations. This is specifically the case for catastrophe risks and commercial risks, which are both coordinated at central level as they generally represent a key source of concentration. In terms of CAT risk, the Group's largest exposures are earthquakes in Italy, European windstorms and European floods. Less material catastrophe risks are also taken into account and assessed by means of additional scenario analysis.

At the same time, there is a constant improvement on-going in order to consider risk metrics within profitability metrics and to use risk adjusted KPIs in decision making processes.

Based on the Group RAF, P&C risk selection starts with an overall proposal in terms of underwriting strategy and corresponding business selection criteria. During the strategic planning process, targets are established and translated into underwriting limits to ensure business is underwritten according to the plan. Underwriting limits define the maximum size of risks and classes of business that Group companies shall be allowed to write without seeking any additional or prior approval. The limits may be set based on value, risk type, product exposure or class of occupancy. The purpose of these limits is to attain a coherent and profitable book of business founded on the expertise of each company.

Additional indicators such as relevant exposures, risk concentration and risk capital figures are used for the purpose of P&C underwriting risk monitoring. The indicators are calculated on a quarterly basis to ensure alignment with the Group RAF.

Reinsurance is the key mitigating factor for balancing the P&C 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 P&C Group Reinsurance Strategy is developed consistently with the risk appetite and the risk preferences defined in the Group RAF on the one side and taking into account the reinsurance market on the other one.

The Group has historically preferred traditional reinsurance as a tool for mitigating catastrophe risk resulting from its P&C portfolio, adopting a centralized approach where the placement of reinsurance towards the market is managed through a central Group Reinsurance Function.

Due to the increasing weight of European windstorm exposures in the protected portfolio in the past years, part of these exposures have been carved out from the main reinsurance protection and placed in the Insurance Linked Securities (ILS) market, offering more competitive terms, whilst keeping the dominant Italian exposure in the traditional reinsurance market with a consequent optimization of the overall pricing.

Alternative risk transfer solutions are continuously analysed and options for the implementation of such tools are present in Group protections in order to keep the door open to more competitive reinsurance solutions. As an example, in addition to traditional reinsurance, a protection has been recently placed on the capital market to reduce the impact of an unexpectedly high Loss Ratio for the Group Motor liability portfolio.

The process described and the regular assessment performed enable to confirm the adequacy of the risk mitigation techniques. These are carried out by the Risk Management Function which is responsible for the validation of the limits proposed by the Insurance and Reinsurance Function and for the measurement, monitoring and reporting of the Group underwriting risk profile.

C.2. MARKET RISK[12]

The Group is exposed to the following market risks that:

- Invested assets do not perform as expected because of falling or volatile market prices;
- Cash from maturing bonds is reinvested at unfavourable market conditions, typically lower interest rates.

Generali's traditional life savings business is a long term business, therefore the Group holds mostly long term investments which have the capability to absorb short-term decreases and fluctuations in the market value of assets.

Nonetheless, the Group manages its investments in a prudent way according to the so-called "Prudent Person Principle"[13], and strives to optimize the return of its assets while minimizing the negative impact of short term market fluctuations in its solvency.

[11] For the scope of the Group PIM please refer to section E.4. Entities not included in the PIM scope calculate the capital requirement based on standard formula.
[12] This section focuses on financial risks which better represent the taxonomy of the Generali Group. Please refer also to PIM Methodology section E.4.

Under Solvency II, the Group is also required to hold a capital buffer, with the purpose of maintaining a sound solvency position even in the circumstances of adverse market movements.

Within the life business, the Group assumes a considerable financial risk when it guarantees policyholders with a minimum return on the accumulated capital over a long period. If during the contractual period the return generated by the financial investment is below the guaranteed return for a prolonged period, the Group shall compensate itself the contractual guarantees. In addition, independently on their realization, the Group has to ensure that the value of the financial investments backing the insurance contracts does not fall below the value of its obligations.

Unit-linked business typically does not represent a source of financial risk for insurers (except in case of guarantees issued), although market fluctuations typically have profitability implications.

Regarding P&C business, the Group has to ensure that the benefits can be paid on a timely basis when claims occur.

Details on assets portfolio are provided in section A.3.

In more detail, the Group is exposed to:

- Equity risk deriving from the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of equity market prices which can lead to financial losses;
- Equity volatility risk deriving from changes in the volatility of equity markets. Exposure to equity volatility is typically related to equity option contracts;
- Interest rate risk, defined as the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of interest rates in the market. The Group is mostly exposed to downward changes in interest rates as lower interest rates increase the present value of the promises made to policyholders more than the value of the assets backing those promises. As a result, it may become increasingly expensive for the Group to maintain its promises, thereby leading to financial losses. Linked to that, interest rate volatility risk derives from changes in the level of interest rate implied volatilities. This comes, for example, from insurance products sold with embedded minimum interest rate guarantees whose market consistent value is sensitive to the level of interest rates volatility;
- Property risk deriving from changes in the level of property market prices. Exposure to property risk arises from property asset positions;
- Currency risk deriving from adverse changes in exchange rates;
- Concentration risk deriving from asset portfolio concentration to a small number of counterparties. This increases the possibility that a negative event hitting only a small number or even a single counterparty can produce large losses.

Financial risks are measured by means of the Group PIM[14]. In particular, losses are modelled as follows:

- Equity risk is modelled by associating each equity exposure to a market index representative of its industrial sector and/or geography. The potential changes in market value of the equities are then estimated based on past shocks observed for the selected indices;
- Equity volatility risk models the impact that changes in the equity implied volatility can have on the market values of derivatives;
- Interest rate risk models the changes in the term structure of the interest rates for various currencies and the impact of these changes on bonds values (and of other interest rate sensitive assets) and also on the value of future liability cash-flows;
- Interest rate volatility risk models the impact that the variability in interest rate curves can have on both the market value of derivatives and on the value of liabilities sensitive to interest rate volatility assumptions (such as minimum pension guarantees);
- Property risk models returns on a selection of published property investment indices and the associated impact on the value of the Group's property assets. These are mapped to various indices based on property location and type of use;
- For currency risk the plausible movements in exchange rate of the reporting currency of the Group in respect to foreign currencies are modelled, as well as the consequent impact on the value of asset holdings not denominated in the domestic currency;
- For concentration risk the extent of additional risk borne by the Group due to insufficient diversification in its equity, property and bond portfolios is assessed. Concentration risk contribution to the risk profile remains negligible.

For the assessment of financial risks in terms of SCR, please refer to section E. Results of the sensitivity analysis are also provided in section E.

Assets are invested and more generally the investment activity is performed in a sound and prudent manner in accordance with the "Prudent Person Principle", following the provisions set in the Group Investment Governance Policy (GIGP).

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

13 The "Prudent Person Principle" set out in Article 132 of Directive 2009/138/EC requires the company to only invest in assets and instruments whose risk can be identified, measured, monitored, control and reported as well as taken into account in the company overall solvency needs. The adoption of this principle is ruled in the Group Investment Governance Policy (GIGP).

14 For the scope of the Group PIM please refer to section E.4. Entities not included in the PIM scope calculate the capital requirement based on standard formula.

The aim of the SAA&ALM process is to define the most efficient combination of asset classes which, according to the "Prudent Person Principle", maximizes the investment contribution to value creation, taking into account solvency, actuarial and accounting indicators. The aim is not just to mitigate risks but also to define an optimal risk-return profile that satisfies both the return target and the risk appetite of the Group over the business planning period.

The asset portfolio is invested and rebalanced according to the asset class and duration weights. One of the main risk mitigation techniques used by the Group is liability-driven management of the assets. This technique aims at granting the comprehensive management of assets whilst taking into account the liabilities structure (for example, interest rate and currency risk are mitigated when a movement observed on the asset side would correspond to an offsetting movement on the liability side of the balance sheet).

ALM&SAA activities aim at ensuring the Group holds sufficient and adequate assets in order to reach defined targets and meet liability obligations. For this purpose, analyses of the asset-liability relationship under a range of market scenarios and expected/stressed investment conditions are undertaken.

Close interaction between the Investment, Finance, Actuarial, Treasury and Risk Management Functions is pursued in order to ensure that the ALM&SAA process remains consistent with the Group RAF, the strategic planning and the capital allocation processes.

The annual SAA proposal:

- Defines target exposure and limits for each relevant asset class, in terms of the minimum and maximum exposure allowed;
- Embeds the deliberate ALM mismatches permitted and potential mitigation actions that can be enabled on the investment side.

Regarding specific asset classes such as (i) private equity, (ii) alternative fixed income, (iii) hedge funds, (iv) derivatives and structured products, the Group has centralized their management and monitoring. In particular:

- These kind of investments are subject to accurate due diligence in order to assess their quality, the level of risk related to the investment and its consistency with the approved liability-driven SAA;
- The extent and thoroughness of the analysis may vary according to criteria such as the investment structure under evaluation, the volume of investments and the regulatory framework.

The Group also uses derivatives with the aim of mitigating the risk present in the asset and/or liability portfolios. The use of derivatives contributes to the Group portfolio improvement in terms of quality, liquidity and profitability, according to the business planning targets.

For what concerns the Group hedging strategies, the Parent Company carries out a regular monitoring process to ensure their effectiveness over time.

In addition to the risk tolerance limits set on the Group solvency position within the Group RAF, the current Group risk monitoring process is also integrated by the application of the Generali Group Risk Guidelines (GRG). The GRG include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions that Group entities need to adhere with.

C.3. CREDIT RISK

The Group is exposed to credit risks related to invested assets and also arising from other counterparties (i.e. reinsurance). Credit risks include the following two categories:

- Spread widening risk, defined as the risk of adverse changes in the market value of assets due to changes in the market value of assets subject to credit risks (e.g. bonds). The decrease in the market value of an asset due to spread widening can be linked either to the market's assessment of the creditworthiness of the specific obligor (often implying also 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 honour its financial obligations.

Details on assets portfolio are provided in section A.3.

The "Prudent Person Principle" is also applied in the optimization of the portfolio allocation with respect to credit risks. Please see also section C.2 Market risk.

Credit risks are measured by means of the Group PIM[15]. In particular:

[15] For the scope of the Group PIM please refer to section E.4. Entities not included in the PIM scope calculate the capital requirement based on standard formula.

- Credit spread risk models the possible movement of the credit spread levels for bond exposures of different rating, industrial sector and geography based on the historical analysis of a set of representative bond indices. Spread-sensitive assets held by the Group are associated with specific indices based on the characteristics of their issuer and currency;
- Default risk models the impact of default of bond issuers or counterparties to derivatives, reinsurance and other transactions on the value of the Group's assets. Distinct modelling approaches have been implemented to model default risk for the bond portfolio (i.e. credit default risk) and the risk arising from the default of counterparties in cash deposits, risk mitigation contracts (such as reinsurance), and other types of exposures (i.e. counterparty default risk).

The Group PIM's credit risk model evaluates spread risk and default risk also for sovereign bond exposures. This approach is more prudent than the standard formula. Under the standard formula, bonds issued by EU Central Governments and denominated in domestic currency are not subject to credit risk.

For the assessment of credit risk in terms of SCR, please refer to section E. Results of the sensitivity analysis are provided in section E.

The credit risk assessment is based on the credit rating assigned to counterparties and financial instruments. To limit the reliance on external rating assessments provided by rating agencies, an internal credit rating assignment framework has been set within the Group Risk Management Policy.

Within this framework additional rating assessments can be performed at counterparty and/or financial instrument level. This applies even where 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 the issuer/issues.

The most important strategy for the mitigation of credit risk used by the Group is the application of a liability-driven SAA, which can limit the impact of the market spread volatility. In addition, the Group is actively mitigating counterparty default risk by using a collateralisation strategy that strongly mitigates the losses that the Group might suffer because of the default of one or more of its counterparties.

Moreover, in line with the Group PIM, a set of additional quantitative risk metrics support the definition of risk tolerance levels and in general to conduct sensitivity and scenario analyses.

The credit risk monitoring process also relies on the Generali Group Risk Guidelines (GRG), already described in section C.2. Market Risk.

C.4. LIQUIDITY RISK

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

The Group is exposed to liquidity risk from its insurance operating activity, depending on the cash flow profile of the expected new business, due to the potential mismatches between the cash inflows and the cash outflows deriving from the business.

Liquidity risk can also stem from investing activity, due to potential liquidity gaps deriving from the management of the asset portfolio as well as from a potentially insufficient level of liquidity in case of disposals (i.e. capacity to sell adequate amounts at a fair price and within a reasonable timeframe). Finally, the Group can be exposed to liquidity outflows related to issued guarantees, commitments, derivative contract margin calls, or regulatory constraints.

The Group's liquidity risk management relies on projecting cash obligations and available cash resources into the future, in order to monitor that available liquid resources are at all times sufficient to cover cash obligations that will become due in the same period.

A set of liquidity risk metrics has been defined to monitor the liquidity situation of each Group insurance company on a regular basis. All such metrics are forward-looking, i.e. they are calculated at a future date based on projections of cash flows, assets and liabilities and an estimation of the level of liquidity of the asset portfolio.

The metrics are calculated under both the so-called "base scenario", in which the values of cash flows, assets and liabilities correspond to those projected according to each company's Strategic Plan scenario, and a set of so-called "stress scenarios", in which the projected cash inflows and outflows, the market price of assets and the amount of technical provisions are recalculated to take into account unlikely but plausible circumstances that would adversely impact the liquidity of each company.

Liquidity risk limits have been defined in terms of value of the above-mentioned metrics that each Group company cannot exceed. The limit framework is designed to ensure that each Group company holds a "buffer" of liquidity in excess of the amount required to withstand the adverse circumstances depicted in the stress scenarios.

Generali has defined a set of metrics to measure liquidity risk at Group level, based on the liquidity metrics calculated at company level. The Group manages expected cash inflows and outflows so as to maintain a sufficient available cash level to meet the short and medium term needs and by investing in instruments that can be quickly and easily converted into cash with minimum capital losses. The Group considers the prospective liquidity situation in plausible market conditions as well as under stressed scenarios.

The Group has established clear governance for liquidity risk measurement, management, mitigation and reporting consistent with Group regulations, including specific limit setting and the escalation process in case of limit breaches or other liquidity issues.

The principles for liquidity risk management designed in the Group RAF are fully embedded in the strategic planning as well as in business processes including investments and product development.

As far as the investment process is concerned, Generali has explicitly identified liquidity risk as one of the main risks connected with investments. As a result, indicators such as cash flow duration mismatch are embedded in the Strategic Asset Allocation process. Investment limits are set to ensure that the share of illiquid assets remains within a level that does not impair the Group's asset liquidity. As far as product development is concerned, the Group has defined in its Life and P&C Underwriting Policies the principles to be applied to mitigate the impact on liquidity from lapses and surrenders in life business and claims in non-life business.

Finally, Generali Group has set investment limits that the companies must adhere to that limit risk concentrations by taking into consideration a number of dimensions, including asset class, counterparty, credit rating and geography. In fact, material liquidity risk concentrations could arise from large exposures to individual counterparties and/or groups. In case of default or other liquidity issue of a counterparty towards which a significant risk concentration exists, this may negatively affect the value or the liquidity of the Group's investment portfolio and hence its ability to promptly raise cash by selling the portfolio to the market in case of need.

C.4.1. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

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

The amount of EPIFP for the life business written by the Group has been calculated in accordance with article 260(2) of the Delegated Acts and amounts to €11,195 million at year-end 2016.

The amount of EPIFP for the non-life business written by the Group has been calculated in accordance with article 260(2) of the Delegated Acts and amounts to €848 million at year-end 2016.

The total amount of EPIFP is equal to €12,043 million at year-end 2016.

C.5. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Losses from events such as fraud, litigation, damages to Generali premises, cyber-attacks and failure to comply with regulations are therefore covered in the definition. It also includes financial reporting risk but excludes strategic and reputational risks.

Although ultimate responsibility for managing the risk sits in the first line, the so-called risk owners, the Risk Management Function with its methodologies and processes ensures an early identification of the most severe threats across the Group. In doing so, it provides management at all levels with a holistic view of the broad operational risk spectrum that is essential for prioritizing actions and allocating resources in most risk related critical areas.

The target is achieved by adopting methodologies and tools in line with industry best practices and by establishing a strong dialogue with the first line of defence.

Furthermore, since 2015, the Group has been exchanging operational risk data in an anonymized fashion through the "Operational Risk data eXchange Association (ORX)", a global association of operational risk practitioners where main industry players also participate. The aim is to use the data to improve internal controls and to anticipate emerging trends. In addition, since losses are collected by the first line, the process contributes to creating awareness among the risk owners upon risks that actually impact the Group. In this sense, a primary role is played by Group-wide forward-looking assessments that aim to estimate the evolution of the operational risk exposure in a given time horizon, supporting in the anticipation of potential threats, in the efficient allocation of resources and related initiatives.

Based on the last assessments, the most relevant scenarios at Group level are related to cyber and compliance.

The risks related to non-compliance are addressed by a dedicated and independent Group Compliance Function that provides guidance to the local teams and monitors the execution of the Group Compliance Program.

Operational risks are measured following the standard formula approach. For the assessment of operational risks in terms of SCR, please refer to chapter E.

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

Another benefit from this cooperation is constituted by a series of risk management measures triggered across the Group as a result of control testing, assessments, and the collection of operational risk events.

An example is the creation of a dedicated unit for the management and coordination of the Group-wide IT Security that steers the evolution of the IT security strategy and operating model, ensuring a timely detection and fixing of the vulnerabilities that occasionally affect the business. This initiative helps the Group to better cope with the growing threat represented by cyber risk.

C.6. OTHER MATERIAL RISK

C.6.1. RISK CONCENTRATION

Concentration risk is the risk stemming from all risk exposures with a potential loss which is large enough to threaten the solvency or the financial position of (re-)insurance companies. Risk concentrations are significant when they could threaten the solvency or the liquidity position of the Group, thus substantially impacting the Group risk profile. Significant risk concentration, in the case of financial conglomerates, can only arise from risk exposures towards counterparties which are not part of the financial conglomerate. Such exposures may cause concentrations of counterparty risk/credit risk, investment risk, insurance risk, market risk, other risks or a combination or interaction of these risks.

Generali identifies three categories of exposures in terms of main sources of concentration risk for the Group:

- Investment exposures stemming from investment activity;
- Exposures to reinsurance counterparty default risk stemming from ceded reinsurance; and
- Non-life underwriting exposures, specifically natural disasters or man-made catastrophes.

As a financial conglomerate, Generali is subject to supplementary supervision. In this context, Generali Group is required to report on a regular basis and at least annually to the regulator any significant risk concentration at the level of the financial conglomerate.

C.6.2. OTHER RISKS

Although not included in the calculation of SCR, the following risks are also taken into account:

- Reputational risk referring to potential losses arising from deterioration or a negative perception of the Group or among its customers, counterparties and Supervisory Authority.
- Emerging risks arising from new trends or risks difficult to perceive and quantify, although typically systemic. These usually include changes to the internal or external environment, social trends, regulatory developments, technological achievements, etc. For the assessment of these risks, Group Risk Management engages with a dedicated network, including specialists from business Functions (e.g. Insurance, Investment, Actuarial, Corporate Social Responsibility, etc.). To strengthen its understanding and awareness of emerging risks, the Group is also part of the Emerging Risk Initiative. Within this working group emerging risks common to the insurance industry are discussed and specific studies are conducted.
- Contagion risk is inherent in the Group structure. It refers to potential negative implications that events occurring within one Group company may negatively affect other Group companies (or the Group itself).

C.7. ANY OTHER INFORMATION

No additional information to be reported in this section.

D. Valuation for Solvency Purposes

GENERAL VALUATION PRINCIPLES

In the present section a complete overview on the valuation of Solvency II items is provided, describing the criteria adopted for the fair value measurement as well as the methods and the assumptions used for the valuation of each class of asset and liability. The same valuation criteria for assets and liabilities are applied by all the undertakings in Generali group for the determination of their individual solvency position.

The general principles for the valuation of assets and liabilities are based on the Solvency II regulatory framework. The primary objective of the directive is the standardization of valuations and measurements for Solvency II balance sheet. As set out in Article 75 of Directive Solvency II, the regulatory framework requires an economic, market-consistent approach to the valuation of assets and liabilities using assumptions that market participants would use in valuing the same asset or liability.

In order to define the Solvency II figures, all assets and liabilities on the balance sheet must be valued at fair value.

The valuation criteria adopted by Solvency II largely refer to and are developed in conformity with IFRS principles adopted by the European Commission. In broadly accepting valuation methods defined in IFRS, there are cases where IFRS valuation methods are not consistent with article 75 requirements. For this reason, in Solvency II environment specific balance sheet items have to be treated differently from relevant IFRS principle.

The main adjustments between IFRS and Solvency II assets and liabilities relate to:

- differences in the consolidation method of some entities included in the scope of consolidation;
- the elimination of the intangible assets including deferred acquisition costs and goodwill;
- the re-measurement of assets and liabilities different from technical provisions that are not measured at fair value in the IFRS financial statements;
- the re-measurement at fair value of financial liabilities excluding the change in own credit standing;
- the measurement of technical provisions, including reinsurance recoverables, according to Solvency II specifications;
- the recognition of contingent liabilities in case of specified conditions are met;
- the tax impacts related to the adjustments above.

In the following table, a comparison between Solvency II balance sheet and IFRS statutory balance sheet is provided.

Due to the different classification of assets and liabilities and consolidation scope, the official IFRS Balance Sheet presented in the Annual Report is reclassified in order to allow the comparison between Solvency II and statutory values on a like-for-like basis.

In the below reported table, a step-by-step approach has been developed: starting from the official IFRS Balance Sheet aligned to the Solvency II required breakdown of assets and liabilities, then the IFRS amounts are reclassified to apply Solvency II rules for presenting Financial & Credit, Pension entities assets and liabilities[16], as well as the Solvency II definition of specific balance sheet positions.[17]

At this stage the IFRS reclassified items are comparable with Solvency II values providing a more meaningful comparison between IFRS and Solvency II valuation of assets and liabilities.

[16] Reported as "Holding in related undertakings" into the line "Investments (other than assets held for index-linked and unit-linked contracts)".
[17] In particular, financial liabilities related to investment contracts [a]re reclassified into Technical Provisions.

Reconciliation between IFRS and Solvency II balance sheet

(€ million)	IFRS carrying amount (a)	Reclassification (b - a)	IFRS homogeneous perimeter (b)	Change to SII value (c-b)	Solvency II value (c)
Goodwill, DAC and intangible assets	10,950	-148	10,801	-10,801	0
Deferred tax assets	2,477	-252	2,225	-502	1,723
Property, plant & equipment held for own use	3,195	-163	3,032	513	3,545
Investments (other than assets held for index-linked and unit-linked contracts)	377,125	-4,584	372,541	7,950	380,491
Assets held for index-linked and unit-linked contracts	78,317	-19	78,298	84	78,382
Loans and mortgages	12,948	-6,206	6,742	445	7,187
Reinsurance recoverables	3,933	-3	3,930	-754	3,176
Deposits to cedants	782	945	1,727	-0	1,727
Receivables	14,764	-313	14,451	-60	14,390
Own shares	0	0	0	3	3
Cash and cash equivalents	7,533	-804	6,729	-6	6,723
Any other assets, not elsewhere shown	9,157	-7,256	1,901	-118	1,783
Total assets	**521,179**	**-18,803**	**502,377**	**-3,247**	**499,130**

(€ million)	IFRS carrying amount (a)	Reclassification (b - a)	IFRS homogeneous perimeter (b)	Change to SII value (c-b)	Solvency II value (c)
Technical provisions	421,477	17,861	439,338	-17,841	421,497
Contingent liabilities	0	0	0	24	24
Provisions other than technical provisions	1,804	-359	1,445	-30	1,416
Pension benefit obligations	4,298	-60	4,238	-0	4,238
Deposits from reinsurers	577	0	577	-96	481
Deferred tax liabilities	2,616	-212	2,404	4,930	7,334
Liabilities derivatives	1,960	-45	1,915	-7	1,908
Financial liabilities	39,755	-34,356	5,399	492	5,892
Payables	11,089	-340	10,749	-223	10,526
Subordinated liabilities	9,122	39	9,161	731	9,892
Any other liabilities, not elsewhere shown	2,814	-1,332	1,482	90	1,572
Total liabilities	**495,512**	**-18,803**	**476,709**	**-11,929**	**464,780**

Excess of assets over liabilities	**25,668**	**0**	**25,668**	**8,682**	**34,350**

Generali Group applies the “method 1” as consolidation method.

Method 1 entails the full line by line consolidation for insurance and reinsurance undertakings, while, for sectoral entities (investment firms, financial institutions, institutions for occupational retirement provision and non-regulated entities carrying out financial activities), the ‘deduction and aggregation‘ method is applied. According to this method, the fair value of participation in sectoral entities, originally accounted for as investment in related undertakings, is deducted and substituted by the available capital calculated in accordance with the sectoral rules (i.e.: Basel III for banking institutions) for the definition of Group solvency position. In any case, the Group Solvency is not affected by any reciprocal financing among undertakings of the Group.

FAIR VALUE MEASUREMENT

In the regulation it is clearly indicated the fair value hierarchy to be adopted in the valuation of assets and liabilities other than technical provisions. This approach leads insurance and reinsurance undertakings to value assets and liabilities at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

On this basis, the undertaking applies the following hierarchy of high level principles for valuation of assets and liabilities at the measurement date:

Level 1. use of quoted market prices in active markets for the same assets and liability;

Level 2. where the use of quoted market prices for the same assets or liability is not possible, use of quoted market prices in active markets for similar assets or liability with adjustments to reflect differences;

Level 3. if there are no quoted market prices in active markets available, use of mark-to-model techniques. Those alternative valuation techniques have to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input;

Specifically, the three levels are defined as follow:

<u>Level 1 inputs: quoted market price</u>

A quoted market price in an active market for identical assets or liabilities 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 and the asset or liability is traded in an active market, the fair value of the asset or liability is measured 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.

An active market is a market where all the following conditions exist in accordance to the principles defined by the IFRS:

- 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.

On the contrary, to determine whether the market is not active, an analysis of the significance and relevance of the following factors shall be performed on the basis of the evidence available:

- 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,
- trading has restrictions

<u>Level 2 inputs: observable market data</u>

An observable market data other than quoted market prices is a price based on directly or indirectly inputs for the asset or the liability.

In this definition are included:

- ✓ quoted prices for similar assets or liabilities in active markets;
- ✓ quoted prices for identical or similar assets or liability in markets that are not active;
- ✓ inputs other than quoted prices that are observable for the asset or liability, for example:
  - o interest rates and yield curves observable at commonly quoted intervals;

  - o implied volatilities;
  - o 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: unobservable market data

An unobservable market data is a price based on undertaking specific input. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

No active market: use of valuation techniques

Valuation techniques are used when a quoted price is not available or shall be appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Single or multiple valuation will be appropriate. If multiple valuation techniques are used to measure fair value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

Three widely used valuation techniques are:

- market approach: uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities;
- income approach: converts future amounts to a single current (i.e. discounted) amount using discounted cash flow analysis, option pricing models, and other present value techniques
- cost approach: reflects the amount that would be required currently to replace the service capacity of an asset.

D.1. ASSETS

This chapter outlines Solvency II valuation methods for the main classes of asset other than reinsurance recoverables, reporting the following information:

- description of the basis, methods and main assumptions used for valuation for solvency purposes;
- quantitative and qualitative explanation of any material differences between the basis, methods and main assumptions used by the undertaking for the valuation for solvency purposes and those used for their valuation in financial statements;
- information on aggregation based on the nature and function of assets and their materiality.

A description of the Solvency II valuation methods for the most relevant classes of assets other than reinsurance recoverables is given, complementary to the general valuation for Solvency purposes and the balance sheet template illustrated in the introduction.

The table below focuses on the differences between:

- Solvency II values;
- statutory accounts figures, based on IAS/IFRS principles driving the determination of Generali Group consolidated IFRS financial statement;

Solvency II values reflect the adoption of the transitional measure allowed for the pension business portfolio (RPS: retraite professionnelle supplémentaire) of the life entity Generali Vie and both assets and Technical Provisions of this portfolio are valued according to French accounting standards on a historical basis determining valuation differences between IFRS and Solvency II balance sheet. See chapter E for further details.

(€ million)	IFRS carrying amount (a)	Reclassification (b - a)	IFRS homogeneous perimeter (b)	Change to SII value (c-b)	Solvency II value (c)
Goodwill, DAC and intangible assets	10,950	-148	10,801	-10,801	0
Deferred tax assets	2,477	-252	2,225	-502	1,723
Property, plant & equipment held for own use	3,195	-163	3,032	513	3,545
Investments (other than assets held for index-linked and unit-linked contracts)	377,125	-4,584	372,541	7,950	380,491
Property (other than for own use)	12,584	1,123	13,707	5,951	19,658
Holdings in related undertakings	1,194	2,125	3,319	450	3,769
Equities	9,870	-154	9,716	-20	9,696
Government bonds	174,366	-7,477	166,889	322	167,211
Corporate bonds, structured notes and collateralized securities	143,502	-350	143,152	1,695	144,848
Collective investments undertakings	32,142	-275	31,867	-44	31,824
Assets derivatives	1,811	4	1,815	-394	1,421
Deposits other than cash equivalents	1,215	390	1,604	-2	1,602
Other investments	441	30	471	-8	463
Assets held for index-linked and unit-linked contracts	78,317	-19	78,298	84	78,382
Loans and mortgages	12,948	-6,206	6,742	445	7,187
Reinsurance recoverables	3,933	-3	3,930	-754	3,176
Non-life business	2,704	-77	2,627	-564	2,064
Life business	1,229	74	1,303	-190	1,113
Deposits to cedants	782	945	1,727	-0	1,727
Receivables	14,764	-313	14,451	-60	14,390
Own shares	0	0	0	3	3
Cash and cash equivalents	7,533	-804	6,729	-6	6,723
Any other assets, not elsewhere shown	9,157	-7,256	1,901	-118	1,783
Total assets	**521,179**	**-18,803**	**502,377**	**-3,247**	**499,130**

GOODWILL, DAC AND INTANGIBLE ASSETS

A different valuation from IAS/IFRS measurement is required for goodwill, DAC and intangible assets. Group entities value at zero goodwill, deferred acquisition costs and intangible assets other than goodwill, unless the intangible assets can be sold separately and the insurance and reinsurance undertaking can demonstrate that there is a quoted market price for the same or similar assets.

Currently, the amount of intangible assets for the Generali group Solvency II balance sheet is set to nil.

DEFERRED TAXES

Solvency II deferred taxes (DT) are based on the difference between the Solvency II value of assets and liabilities and the value for tax purposes on an item by item basis, using the expected tax rate to be applied when assets (liabilities) are realized (settled) and considering potential impact of any announcement of amendment to tax rate. The discounting of DT is not allowed.

According to the Solvency II framework, deferred taxes emerge from temporary differences with tax values of assets and liabilities, and, when applicable, from tax losses/credits carry-forwards

A positive value is ascribed to deferred tax assets when it is probable that future taxable profit will be available against which the deferred tax asset can be utilized, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits.

Different from a deferred tax liability (DTL), the recognition of a deferred tax asset (DTA) is subject to a recoverability test, which aims at showing that sufficient taxable income will be available in the future to absorb the tax credit, since a DTA can only be recognized to the extent that it is probable that future taxable profit will be available against which the DTA can be used, taking into account the existence of tax groups and any legal or regulatory requirements on the limits (in terms of amounts or timing) related to the carry forward of unused tax losses or the carry forward of unused tax credits. DTA can be offset against a DTL at fiscal entity (or tax group if any) level, provided that those deferred tax assets and associated deferred tax liabilities both arise from the tax law of one Member State or third country and the taxation authority of that Member State or third country permits such offsetting.

The major part of DTA and DTL arise from the Solvency II valuation of financial instruments and properties as well as technical provisions compared to their tax base and IFRS valuation.

PROPERTY (HELD FOR OWN USE AND FOR INVESTMENT), PLANT & EQUIPMENT

Properties are recognized at amortized cost for statutory accounts, while Solvency II measurement is at fair value.

In terms of valuation, properties are mainly valuated on the basis of inputs of similar assets in active markets or of discounted cash flows of future income and expenses of the rental considered as part of the higher and best use by a market participant. In particular, the valuation takes into consideration not only the discounted net future income but also the peculiarities of the properties such as intended use and location as well as the entity of the vacancy rate.

In addition:

- for residential properties, the best evidence of fair value is normally given by current prices on an active market for similar property in the same location and condition and subject to similar lease and other contracts, with adjustments to reflect differences;
- for properties used by the tenant for production or administrative purposes (commercial,office), the best evidence of fair value is normally given by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms or any existing lease and other contracts and (where possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the flows;
- for property inventories, net realizable value[18] is a consistent option that should be amended if the estimated costs of completion and necessary to make the sale are material.

INVESTMENTS – HOLDINGS IN RELATED UNDERTAKINGS

An holding (participation) in related undertakings participation is constituted by share ownership or by the full use of a dominant or significant influence over another undertaking. When classifying a participation based on share ownership, directly or by way of control, the participating undertaking identify:

i) its percentage holding of voting rights and whether this represents at least 20% of the potential related undertaking's voting rights (paid-in ordinary share capital); **and**

ii) its percentage holding of all classes of share capital issued by the related undertaking and whether this represents at least 20% of the potential related undertaking's issued share capital (paid-in ordinary share capital and paid-in preference shares).

Where the participating undertaking's holding represents at least 20% in either case its investment should be treated as a participation.

The hierarchy used by Generali group to value holdings in related undertakings for Solvency purposes is the following:

- Quoted market price
- Adjusted equity method (if no active market)
- IFRS equity method (if non-insurance)

[18] As stated by IAS 2, net realizable value refers to the net amount that an entity expects to realize from the sale of inventory in the ordinary course of business while fair value reflects the amount for which the same inventory could be exchanged between knowledgeable and willing buyers and sellers in the marketplace. As the net realizable value is an entity-specific value, may not equal fair value less costs to sell.

- Alternative techniques (if associates or joint controlled entities)

Moving from IFRS to Solvency II valuation, the change in value of holdings in related undertakings is mainly due to the different treatment of financial sector entities (financial and credit institutions, IORP and UCITS) and other residual subsidiaries performing not homogeneous business. Specifically, applying Solvency II rules, financial sector entities are not consolidated line by line but classified as participations; while, for IFRS purposes, these are consolidated line by line.

INVESTMENTS – EQUITIES

The Solvency II valuation method for equity is in line with IFRS measurement. Therefore, no difference arises between statutory accounts and Solvency II value.

INVESTMENTS – GOVERNMENT BONDS

According to Solvency II regulation, all bonds are recognized at IFRS fair value; while, for statutory accounts a part of bond portfolio, specifically the IFRS categories of loans and held to maturity, is recognized at IAS/IFRS amortized cost. This difference determines the change in values.

INVESTMENTS – BONDS (CORPORATE, STRUCTURED NOTES, COLLATERALISED SECURITIES)

According to Solvency II regulation, all bonds are recognized at IFRS fair value; while, for statutory accounts a part of bond portfolio, specifically the IFRS categories of loans and held to maturity, is recognized at IAS/IFRS amortized cost. This difference determines the change in values.

DERIVATIVES

The valuation method for derivatives is in line with IAS/IFRS fair value measurement. The difference that occurs moving from IFRS to Solvency II valuation for Generali group figures is ascribed to the different accounting treatment applied to the derivatives belonging to the French IORP business.

LOANS AND MORTGAGES

According to IFRS valuation, loans are measured at amortized cost rather than at fair value. This implies a different valuation moving from IFRS to MVBS metrics: loans and mortgages are recognized at IAS/IFRS amortized cost for IFRS statutory accounts, while at fair value for Solvency II purpose

DEPOSITS TO CEDANTS

The change to Solvency II value is due to the different accounting approach: deposits to cedants are recognized at IAS/IFRS amortized cost for statutory accounts, while Solvency II value recognized them at fair value. In dependence on the reinsurance agreement (if for instance the return of the deposit is the variable risk free return) the cost could represent an acceptable proxy of the fair value of the cash deposits; in some cases more enhanced models are used, based on cash flows related to the deposit and regulated by the reinsurance agreement itself.

RECEIVABLES (INSURANCE, REINSURANCE, TRADE NOT INSURANCE)

Due to short duration and maturity and to the absence of expected interest cash-flows, receivables do not present relevant change to Solvency II value moving from statutory to Solvency II values as the IFRS values is considered a good approximation of fair value and therefore receivables are classified within level 3 of the fair value hierarchy. If appropriate, receivables are valued at market value, considering observable inputs.

CASH AND CASH EQUIVALENTS

Due to short duration and maturity, cash and cash equivalents are not subject to relevant change for Solvency II purposes.

ANY OTHER ASSETS, NOT ELSEWHERE SHOWN

All other assets are recorded at fair value under Solvency II, but by default the IFRS value is kept. This class of assets mainly include prepaid interest, deferrals and other accrued income.

LEASE ARRANGEMENTS

A lease contract shall be classified as either an operating or a finance lease. A finance lease is an agreement that transfers substantially all the risks and rewards associated with ownership of the asset to the lessee. The Solvency II valuation method for operating leases and lessors in finance leases is in line with IAS/IFRS.

D.2. TECHNICAL PROVISIONS

D.2.1. LIFE TECHNICAL PROVISIONS

OVERVIEW OF LIFE TECHNICAL PROVISIONS

Group Solvency II life technical provisions at the end of 2016 have been calculated according to the Solvency II regulation.

The following table shows the amount of life technical provisions of Generali Group at 31 December 2016, split by main components: best estimate of liabilities (BEL), risk margin and reinsurance recoverables net of the counterparty default adjustment (CDA).

SII Life technical provisions at 31/12/2016

(€ million)	31/12/2016
Best estimate of liabilities - gross of reinsurance	388,977
Risk margin	4,965
Technical provisions - gross of reinsurance	**393,942**
Reinsurance recoverables after CDA	1,113
Technical provisions - net of reinsurance	**392,829**

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 2016, 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. For Euro-denominated liabilities, representing more than 92% of Generali Group's life technical provisions, the credit risk adjustment at 31 December 2016 is -10bps. 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 (for Euro currency equal to +13bps at 31 December 2016) and is used for the valuation of most of the Group's portfolios.

The method used to derive the BEL is based on the projection and discounting of all future expected cash flows for the entire contract duration, in line with the contract boundaries defined by the regulation. In particular, the projections consider all future premiums and outflows 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, the expected future cash flows are valued either in a deterministic scenario (i.e. certainty equivalent – methodology used for the valuation of contracts without any financial asymmetry) or as the mean value of a set of stochastic projections, to allow the calculation of the cost of financial guarantees and contractual options. The actuarial platforms also include specific assumptions on future management actions (e.g. management of asset allocation, of unrealised gains and losses, and of profit sharing funds) and on the dynamic policyholder behaviour (i.e. the variation of the policyholders' propensity to the exercise of contractual options at predefined terms depending on the different economic conditions).

The technical provisions associated with a residual part of the portfolio (relating to non material third country business) are valued via a simplified method. The adopted approach is considered proportionate to the nature, scale and complexity of the underlying risks.

The Generali Group's life BEL gross of reinsurance is determined on the basis of consolidated data, i.e. it is the sum of the life BEL gross of reinsurance of the individual entities after the elimination of any intra-group reinsurance transactions, and no other consolidation or top-up adjustment is applied. At 31 December 2016, the Generali Group's consolidated life BEL gross of reinsurance amounts to €388,977 million.

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 in order 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 separately for each entity of the Group and then aggregated to obtain the risk margin at group level (i.e. no diversification benefit among different entities is considered). In further details, for each entity of the Group, the capital requirement needed to cover the non-hedgeable risks is determined using the internal model for the entities where it is approved and using the standard formula for all other entities of the Group. In both cases, as required by the regulation, risk capitals are calculated without the use of the volatility adjustment and considering the diversification benefits among different risks impacting the life and health similar to life business of each entity. 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 2016 provided by EIOPA, without the volatility adjustment, for each relevant currency.

At 31 December 2016, the Generali Group's life risk margin is equal to €4,965 million.

At 31 December 2016, the Generali Group's Solvency II life technical provisions gross of reinsurance, sum of BEL and risk margin, are equal to €393,942 million.

The consolidated reinsurance recoverables, i.e. the amounts expected to be recovered from reinsurance contracts, are obtained as the sum of the reinsurance recoverables associated with the extra-group reinsurance arrangements of each Group entity. They are valued either by means of precise projections of cash flows expected from extra-group reinsurance contracts or using a simplified method. In consideration of the negligible exposure (ceded business represents less than 0.3% of life BEL gross of reinsurance) and the specific characteristics of the ceded business, 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. At 31 December 2016, the Generali Group's reinsurance recoverables net of the counterparty default adjustment amount to €1,113 million.

As a consequence, at 31 December 2016, the Generali Group's Solvency II life technical provisions net of reinsurance are equal to €392,829 million.

Since the Group's technical provisions are the result of the full consolidation of the technical provisions of the individual entities after the elimination of any intra-group reinsurance transaction and without any other consolidation or top-up adjustment, the bases, methods and assumptions used at Group level are the same as those used by the individual entities.

The following table reports the amount of the Group's Solvency II life technical provisions (and of its main components) at 31 December 2016 split by main lines of business.

SII Life technical provisions at 31/12/2016

(€ million)	BEL gross of reins.	Risk margin	SII TP gross of reins.
Life insurance other than index and unit linked	295,432	2,902	298,334
Index and unit linked	78,965	1,141	80,106
Health insurance similar to life	14,580	922	15,502
Total	**388,977**	**4,965**	**393,942**

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

- 76% of the portfolio is made by traditional insurance, of which 95% is business with profit participation, mainly deriving from business underwritten in Italy, France, and Germany, whereas the remaining 5% is made by business without profit participation;
- about 20% of the business is made by unit-linked contracts, mainly deriving from business underwritten in Italy, France, Germany, Ireland and Switzerland;
- the remaining business (less than 4%) is made by health similar to life products, mainly deriving from business underwritten in Germany.

The following table compares the IFRS life reserves (inclusive of DPL, i.e. the liability for future profit sharing on unrealised capital gains/losses at valuation date) with the Solvency II life technical provisions at 31 December 2016.

Life IFRS reserves and SII TP at 31/12/2016

(€ million)	IFRS reserves gross of reins.	SII TP gross of reins.
Life insurance other than index and unit linked	302,321	298,334
Index and unit linked	87,705	80,106
Health insurance similar to life	17,379	15,502
Total	**407,404**	**393,942**

The difference between IFRS life reserves and Solvency II life technical provisions is due to the substantial methodological differences between the two valuations. The valuation of the IFRS reserves is based on technical provisions calculated in accordance with local accounting principles and thus generally uses demographic pricing assumptions, discounts the contractual flows at the technical interest rate defined at the issue of the contract and considers, via the DPL, only the financial profit sharing on unrealised gains/losses existing at the valuation date. The Solvency II valuation, instead, is based on the projection of future cash flows performed using best estimate assumptions, considering future profit sharing (both technical and financial), including the cost of contractual options and financial guarantees, 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.

SOURCES OF UNCERTAINTY

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

The main operating assumptions which affect the business of the Group are longevity, mortality, morbidity, lapses and expenses. Among these operating factors, longevity and expense are the most significant; in particular, a 10% reduction in the mortality assumptions for business subject to longevity risk leads to an increase in BEL gross of reinsurance of about 0.2%, whereas a 10% variation in projected expenses produces a BEL gross of reinsurance variation of about 0.3%. For the other operating factors, a 10% variation with respect to the best estimate assumptions lead to BEL gross of reinsurance impacts of about 0.1%.

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

VOLATILITY ADJUSTMENT, MATCHING ADJUSTMENT AND TRANSITIONAL MEASURES

The volatility adjustment (as referred to in Article 77d of the Solvency II Directive) is used for the BEL calculation of about 96% of the Group's life portfolio. A change to zero of the volatility adjustment for each currency would correspond to an increase of €1,862 million in the life technical provisions gross of reinsurance. The impacts on the other Solvency II metrics are reported in section E.6.2.

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

D.2.2. NON-LIFE TECHNICAL PROVISIONS

OVERVIEW OF NON-LIFE TECHNICAL PROVISIONS

The Solvency II non-life technical provisions (TP) at 31 December 2016 have been calculated according to the Solvency II regulation.

The following tables show the amounts of non-life technical provisions of Generali Group at 31 December 2016, separately for *outstanding claims reserve* and *premiums reserve*, split by main components: the *best estimate of liabilities* (BEL), *risk margin* (RM) and the *reinsurance recoverables net of the counterparty default adjustment* (CDA).

SII Non-Life Technical Provisions at 31/12/2016 - outstanding claims reserve

(€ million)	31/12/2016
Best Estimate of liabilities - gross of reinsurance	22,094
Risk margin	1,179
Technical Provisions - gross of reinsurance	**23,272**
Reinsurance Recoverables after CDA	1,858
Technical Provisions - net of reinsurance	**21,414**

SII Non-Life Technical Provisions at 31/12/2016 - premiums reserve

(€ million)	31/12/2016
Best Estimate of liabilities - gross of reinsurance	3,850
Risk margin	434
Technical Provisions - gross of reinsurance	**4,283**
Reinsurance Recoverables after CDA	205
Technical Provisions - net of reinsurance	**4,078**

The Solvency II non-life technical provisions are calculated as the sum of the *Best Estimate of Liabilities* (BEL) and the *Risk Margin* (RM), separately for:

- outstanding claims, whether reported or not, occurred before the evaluation date whose costs and related expenses have not been completely paid by that date (*outstanding claims reserve*);
- future claims of contracts that are either in force at the valuation date or for which a legal obligation exists to provide coverage (*premiums reserve*).

The Best Estimate of Liabilities (BEL) is calculated applying the methods and assumptions that are briefly described in the following, separately for outstanding claims reserve and premiums reserve.

The BEL for the outstanding claims reserve is calculated applying actuarial methodologies in case the available data are considered adequate, appropriate and complete. Some assumptions have been adopted if the data related to a specific part of the portfolio is considered not appropriate for an actuarial evaluation. For this residual part of the portfolio, the BEL has been calculated applying simplifications proportional to the nature, scale and complexity of the underlying risks.

In order to evaluate the BEL of the outstanding claims reserve, historical claims data on a paid and incurred basis (gross of contractual and facultative reinsurance) have been taken into account. Development data used for these purposes fulfil appropriate quality attributes of proportionality, materiality and completeness. The homogeneous groups of risks are identified considering type of coverage and other specificities, such as the length and the variability of the claims run-off.

The BEL calculation of the outstanding claims reserve is based on actuarial methods commonly used in international practice, among which the most common are the Link Ratio methods (whose main assumption relates to the settlement process assumed to be stable over time), the Bornhuetter-Ferguson methods (which use a weighted approach of credibility) and the Average Cost per Claim methods (which separately analyse the expected cost and the expected number of claims).

The aforementioned methods for the BEL assessment take also into account the expense component directly attributable to a specific claim. Instead, for expenses that do not have an automatic attribution to a specific loss, a simplified approach is adopted to determine their contribution to the BEL.

The BEL for premiums reserve is calculated taking into account the *cash in-flows* related to future premiums and the *cash out-flows* related to future claims and expenses applying appropriate *loss ratio* and *expense ratio* according to a best estimate view to the IFRS reserves (both gross and net of reinsurance).

The discounted BEL, both related to outstanding claims reserve and premiums reserve, is derived by discounting the expected future payments adopting the risk-free interest rates term structure as at 31 December 2016, officially communicated by EIOPA with the *volatility adjustment*. The volatility adjustment is used in the valuation of the majority of Generali Group's portfolios, with the exception of Group entities operating in South America, Turkey and other minor entities of Eastern Europe.

Generali Group's non-life BEL are determined on the basis of consolidated data: the non-life BEL gross of reinsurance are the sum of the non-life BEL gross of reinsurance of individual Group entities, after the elimination of any intra-group reinsurance transaction.

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 in order 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 separately for each entity of the Group and then aggregated to obtain the risk margin at group level (i.e. no diversification benefits among different entities is considered). In further details, for each entity of the Group, the capital requirement needed to cover the non-hedgeable risks is determined using the internal model for the entities where it is approved and using the standard formula for all other entities of the Group. In both cases, as required by the regulation, the risk capitals are calculated without the use of the volatility adjustment and considering the diversification benefits among different risks impacting the non-life business of each entity. The projection of the 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 2016 provided by EIOPA, without the volatility adjustment, for each relevant currency.

The consolidated reinsurance recoverables, i.e. the amounts expected to be recovered from reinsurance contracts and special purpose vehicles, are obtained as the sum of the reinsurance recoverables associated with the extra-group reinsurance arrangements of each Group entity. They are valued using a simplified method based on balance sheet figures. 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 technical provisions associated with a residual part of the portfolio (relating to non material third country business) are valued via a simplified method. The adopted approach is considered proportionate to the nature, scale and complexity of the underlying risks.

Since the Group's technical provisions are the result of the full consolidation of the technical provisions of the individual entities after the elimination of any intra-group reinsurance transaction and without any other consolidation or top-up adjustment, the bases, methods and assumptions used at Group level are the same as those used by the individual entities.

The following tables report the amount of the Group's Solvency II non-life technical provisions (and of its main components) at 31 December 2016 split by main lines of business.

SII Non-Life Technical Provisions at 31/12/2016 - outstanding claims reserve

(€ million)	BEL gross of reins.	Risk Margin	SII TP gross of reins.
Motor	9,328	566	9,894
Fire and other damage to property	3,451	105	3,555
Third-party liability	5,092	386	5,478
Other	4,223	122	4,345
Total	**22,094**	**1,179**	**23,272**

SII Non-Life Technical Provisions at 31/12/2016 - premiums reserve

(€ million)	BEL gross of reins.	Risk Margin	SII TP gross of reins.
Motor	1,621	122	1,743
Fire and other damage to property	1,289	148	1,437
Third-party liability	246	94	340
Other	694	69	763
Total	**3,850**	**434**	**4,283**

The following table compares IFRS Group non-life reserves with the Solvency II non-life technical provisions at 31 December 2016.

Non-Life IFRS reserves and SII TP at 31/12/2016 - outstanding claims and premiums reserve

(€ million)	IFRS reserve gross of reins.	SII TP gross of reins.
Motor	13,382	11,637
Fire and other damage to property	5,531	4,992
Third-party liability	6,778	5,818
Other	6,242	5,108
Total	**31,934**	**27,556**

The comparison between IFRS non-life reserves and Solvency II non-life technical provisions is not informative because of the substantial methodological differences between the two valuation methods. In particular, such differences are due to the discounting effect of the future cash flows as well as to the inclusion of the *risk margin* in the Solvency II framework.

SOURCES OF UNCERTAINTY

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

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

VOLATILITY ADJUSTMENT, MATCHING ADJUSTMENT AND TRANSITIONAL MEASURES

The volatility adjustment (as referred to in Article 77d of the Solvency II Directive) is used for the BEL calculation of the large majority of the Group's total portfolio. A change to zero of the volatility adjustment for each currency would correspond to an increase of 166.8 Euro millions in the non-life gross technical provisions. The impacts on the other Solvency II metrics are reported in section E.6.2.

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

D.3. OTHER LIABILITIES

This chapter outlines Solvency II valuation methods for the main classes of liabilities other than technical provisions, reporting the following information:

- description of the valuation basis, methods and main assumptions used for solvency purposes;
- quantitative and qualitative explanation of any material differences in the valuation basis, methods and main assumptions used by the undertaking for solvency purposes and those used in financial statement valuations.

A description of the Solvency II valuation methods for the most relevant classes of liabilities other than technical provisions is given, complementary to the general valuation for Solvency purposes and the balance sheet template illustrated in the introduction.

The table below focuses on the differences between:

- Solvency II values; and
- statutory accounts figures, based on IAS/IFRS principles driving the determination of Generali Group consolidated IFRS financial statements.

(€ million)	IFRS carrying amount (a)	Reclassification (b - a)	IFRS homogeneous perimeter (b)	Change to SII value (c-b)	Solvency II value (c)
Technical provisions	421,477	17,861	439,338	-17,841	421,497
Non-life business	33,363	-1,429	31,934	-4,378	27,556
Life business	388,114	19,290	407,404	-13,463	393,942
Contingent liabilities	0	0	0	24	24
Provisions other than technical provisions	1,804	-359	1,445	-30	1,416
Pension benefit obligations	4,298	-60	4,238	-0	4,238
Deposits from reinsurers	577	0	577	-96	481
Deferred tax liabilities	2,616	-212	2,404	4,930	7,334
Derivatives	1,960	-45	1,915	-7	1,908
Financial liabilities	39,755	-34,356	5,399	492	5,892
Payables	11,089	-340	10,749	-223	10,526
Subordinated liabilities not in Basic Own Funds	711	39	750	-1	749
Subordinated liabilities in Basic Own Funds	8,411	0	8,411	731	9,142
Any other liabilities, not elsewhere shown	2,814	-1,332	1,482	90	1,572
Total liabilities	**495,512**	**-18,803**	**476,709**	**-11,929**	**464,780**

CONTINGENT LIABILITIES

Both for IFRS and Solvency II purposes, contingent liabilities valuation criteria are defined by IAS 37, with different reporting rules: while for IFRS they are only disclosed but not reported, in Solvency II they are recognized in the balance sheet if material[19] and if the possibility of outflow is not remote.

IAS 37 defines that the value of contingent liabilities is 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. Moreover, when valuing liabilities, no adjustment to take account of the own credit standings of the insurance or reinsurance undertaking shall be made.

The expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability shall capture the following elements at the measurement date:

- an estimate of future cash flows, reflecting the expectations about possible variations in the amount and/or timing of the cash flows representing the uncertainty inherent in the cash flows;
- the time value of money, represented by the rate on risk-free monetary assets that have maturity dates or durations that coincide with the period covered by cash flows and pose neither uncertainty in timing nor risk of default to the holder (risk-free interest rate); and
- the price for bearing the uncertainty inherent in the cash flows (risk premium).

The amount and range of possible cash flows considered in the calculation of the probability weighted cash flows shall reflect all expectations about possible cash flows and not the single most likely or the expected maximum or minimum cash flow. However, the more likely it is that any particular outcome will occur, the greater the effect that the outcome has on the expected value.

Finally, an entity shall consider the risk that the actual outflows of resources might ultimately differ from those expected. A risk adjustment measures the amount, if any, that the entity would rationally pay in excess of the expected present value of the outflows for bearing this risk.

[19] Contingent liabilities are material if information about the current or potential size or nature of that liability that may influence the decision-making or judgment of the intended user of that information.

PROVISIONS OTHER THAN TECHNICAL PROVISIONS

The amount recognized as provision represents the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time (best estimate approach)[20]. In reaching the best estimate of a non-technical provision, the following elements are considered:

- circumstances to be taken into account for the calculation of the amount to be recognized as a provision;
- risks surrounding many events related to the obligation are included in the valuation model;
- uncertainties as well as period of incurrence of the obligation and different expected cash-flows are estimated based on model assumptions;
- discount rate used to determine the best estimate of provisions other than technical provisions (before tax impact) reflects market conditions of the time value of money and the risks specific to the liability at valuation date and does not include risks for which future cash flow estimates have been already adjusted.

No significant difference arises between IFRS statutory accounts and Solvency II value being the valuation models adopted the same in both the frameworks.

PENSION BENEFIT OBLIGATIONS

The valuation method for pension benefit obligation is in line with IAS 19. Therefore, no difference arises between statutory accounts and Solvency II value.

Pension benefits of Generali Group's employees are mainly in the form of defined benefit plans and defined contribution plans. As for defined benefit plans, participants are granted defined pension benefits either by the employers or via external entities.

The main defined benefit plans are concentrated in Germany, Austria and Switzerland, while in Italy, the provision for Trattamento di fine rapporto (employee severance pay) matured to 1 January 2007 is included in this type of plan.

DEPOSITS FROM REINSURERS

The change to Solvency II value is due to the different accounting approach: deposits to reinsurers are recognized at IAS/IFRS amortized cost for statutory accounts, while Solvency II value recognized them at IFRS fair value. In dependence on the reinsurance agreement (if for instance the return of the deposit is the variable risk free return) the cost represents an acceptable proxy of the fair value of the cash deposits; in some cases more enhanced model are used, based on cash flows related to the deposit and regulated by the reinsurance agreement itself.

DEFERRED TAX LIABILITIES

Please refer to chapter D1 of this report.

FINANCIAL LIABILITIES (INCLUDING SUBORDINATED LIABILTIES)

In order to ensure compliance with Solvency II principles, the financial liabilities are valued at fair value without any adjustment for change in own credit standing of the insurance/reinsurance undertaking.

The difference in comparison with IFRS fair value is given by the different own credit standing applied on top of the risk-free rate curve used for pricing liabilities. Indeed, while IFRS fair value is determined considering credit standing of the borrower at the reporting date, to avoid any artificial benefit in determining excess of assets over liabilities[21], the Solvency II value is determined considering the credit standing of the borrower at issue.

The following table outlines the main Senior bond issues:

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[20] Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the liability. However, even in such a case, the entity considers other possible outcomes. Where other possible outcomes are either mostly higher or mostly lower than the most likely outcome, the best estimate will be a higher or lower amount, while where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

[21] Deterioration of the rating of the borrower leads to a decrease of the fair value of liabilities that, without application of correction, would bring to a higher excess of assets over liabilities calculated as difference between SII value of assets and liabilities. To avoid this kind of contradiction given by lower rating and better SII position, any change in the own credit standing of the borrower occurred from the issue till the valuation date is nullified.

Company	SII valuation	Currency	Issue date	Maturity	Coupon
Assicurazioni Generali	2,179	EUR	16/09/2009	16/09/2024	5.13%
Assicurazioni Generali	1,305	EUR	14/01/2014	14/01/2020	2.88%

In addition to the Senior bond issues reported above, the following bonds are present in Generali group:

- Other senior bonds, of which those issued by Ceska Pojistovna for a Solvency II value equal to €12,7 million;
- A senior bond issued in May 2010 (Solvency II value equal to €256,5 million at 31 December 2016), to fund the tax recognition of goodwill related to the unusual transaction Alleanza Toro.

The Solvency II value of bonds issued amounted to €3752,3 million.

For additional information on Subordinated Liabilities, please refer to section “Subordinated Liabilities” in chapter E.1.2.”Eligible Own Funds”.

PAYABLES (INSURANCE, REINSURANCE, TRADE NOT INSURANCE)

Due to short duration and maturity and to the absence of expected interest cash-flows, reinsurance payables do not present relevant change to Solvency II value from statutory to Solvency II accounts. As general assumption, the IFRS amortized cost is used for the Solvency II valuation.

ANY OTHER LIABILITIES, NOT ELSEWHERE SHOWN

All other liabilities are recorded at fair value under Solvency II, but by default the IFRS value is kept. This class of liabilities includes mainly accruals and deferrals.

D.4. ALTERNATIVE METHODS FOR VALUATION

For information on alternative methods used for valuation of assets and liabilities other than technical provisions, please refer to the subchapter “Fair value measurement” for assets and liabilities not quoted in an active market where a valuation technique is used.

D.5. ANY OTHER INFORMATION

No additional information to be reported in this section.

E. Capital Management

E.1. OWN FUNDS

KEY FIGURES

The Solvency Ratio for Generali Group stands at 177.9% at 31 December 2016. Compared to the result at 31 December 2015, the Solvency Ratio increased by 6.9%.

Solvency Ratio

	31/12/2016	31/12/2015	Change
Own Funds	41,308	40,702	607
Solvency Capital Requirement	23,222	23,802	-580
Excess of Own Funds	18,087	16,900	1,187
Solvency Ratio	**177.9%**	**171.0%**	**6.9%**

The increase in Solvency Ratio is a consequence of the SCR reduction mainly driven by the extension of the Partial Internal Model to Generali Vie, and the Own Funds increase driven by the operating earnings generated by the Group which compensates the negative impact of the financial market conditions.

E.1.1. CAPITAL MANAGEMENT POLICIES

The Group and Local Capital Management Policy define principles for Capital Management activities the Assicurazioni Generali S.p.A. and the Group Legal Entities in scope must adhere.

Capital management activities refer to Own Funds management and control and in particular to procedures to:

- classify and periodically review Own Funds in order to guarantee that Own Funds items meet the requirements of the applicable capital regime both at issuance and subsequently;
- regulate issuances of Own Funds according to the medium-term Capital Management Plan and Strategic Plan also to guarantee
  - that Own Funds are not encumbered,
  - that all actions required or permitted related to the governance of Own Funds are timely completed,
  - that ancillary Own Funds are timely called,
  - that terms and conditions are clear and unambiguous, including instances in which distributions on an Own Funds item are expected to be deferred or cancelled;
- ensure that any policy or statement in respect of ordinary share dividends is taken into account when analysing the capital position;
- establish driving principles and common standards to carry out these activities efficiently, in compliance with the relevant regulatory requirements and legislative frameworks at Group and Local level, and in line with the stated risk appetite and strategy of the Generali Group.

The Group Capital Management Policy, that was approved by the Board of Directors of Assicurazioni Generali S.p.A., has to be approved by the relevant body at entity level.

The Capital Management Plan represents a part of overall three-year Strategic Plan and this ensures the consistency of the CMP with three-year Strategic Plan assumptions, which include inter alia:

- financial scenarios;
- strategic asset allocation;
- business mix.

The Capital Management Plan includes a detailed description of the development of Own Funds and Regulatory Solvency Ratio from the latest available actual figures to the last plan's year figures.

Local CFOs are responsible to produce Local CMP and Local CEOs are responsible to submit them to the relevant AMSB. Furthermore Local Entities include the Capital Management Plan in the information package to be delivered to the Group CFO function in the planning process. The main elements of the Capital Management Plan are discussed and challenged in specific meetings (Deep Dives on Capital) and within the regular business review process.

If extraordinary operations (i.e. M&A, Own Funds issuance) are foreseen in the plan period, their impact is explicitly included in Own Funds and Regulatory Solvency Ratio development and further details are included in the relevant documentation. Own Funds issuances are explicitly included in the CMP with a detailed description of the rationale.

The description of the development of Own Funds explicitly includes the issuance, redemption or repayment (earlier or at maturity) of Own Funds items and their impacts on the limits on tiers. Any variation in the valuation of Own Funds items is also indicated, with additional qualitative details in terms of limits on tiers when needed.

The CMP is defined taking into account limits and tolerances set in the Risk Appetite Framework.

In the CMP any transitional measure has to be reported in terms of impact on the solvency position current and at the end of the transitional period (both at Group and Local level), duration and general features including their absorption capacity in times of stress.

E.1.2. ELIGIBLE OWN FUNDS

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

- the excess of assets over liabilities as defined in chapter D;
- less deduction for foreseeable dividends and distributions;
- plus Subordinated Liabilities eligible in Basic Own Funds;
- plus additional own funds relating to unrealized capital gains from French pension activities benefiting from IORP transitory regime[22] . These additional own funds are authorized by the Supervisor for the years between 2016 to 2022, a period during which the proportion of the eligible unrealized capital gains will decrease gradually;
- less deductions for shares of the parent company, restricted own fund items, regulatory filters because of non-available items at Group level and other sectoral entities treatment.

The Eligible Own Funds to meet SCR are then obtained from Basic own funds after deduction summing up Ancillary Own Funds recognised and approved by the regulator, eligibility constraints and available capital of sectoral entities.

Eligible Own Funds to meet SCR

(€ million)	31/12/2016
Excess of assets over liabilities	**34,350**
Foreseeable dividend	-1,249
Subordinated liabilities in BOF	9,142
Unrealized capital gains from French pension activities benefiting from IORP transitory regime, authorised by the Supervisor (see note below)	1,785
Impact of other deduction	-3,716
BASIC OWN FUNDS AFTER DEDUCTION	**40,312**
Impact of Sectorial and Equivalent entities	997
TOTAL ELIGIBLE OWN FUNDS TO MEET SCR	**41,308**

Note: Unrealised capital gains on activities according to art. 308b § 15 of the amended Solvency II directive 2009/138/CE; the eligibility of these unrealised capital gains is authorized by the Supervisor with a progressively decreasing proportion over the duration of the transitional period up to 2022.

[22] As per art. 308b § 15 of the amended Solvency II directive 2009/138/CE

BASIC OWN FUNDS

Basic Own Funds are defined as the sum of the excess of assets over liabilities and subordinated debt.

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.

In Generali Group, Basic Own Funds is mainly composed by high-quality capital. Indeed, Tier 1 counts for about 87% of the total, Tier 2 represents 13% and Tier 3 less than 1% of the total.

The classification by tiers of Basic Own Funds is composed as follows:

- Tier 1 Unrestricted Basic Own Funds includes the following items:
  - Ordinary share capital and the related share premium account
  - Surplus funds (from German business)
  - Reconciliation reserve
  - Additional Own Funds from French pension activities
- Tier 1 restricted is composed by an amount of €3,736 million of Undated Subordinated Liabilities eligible in Basic Own Funds.
- Tier 2 Basic Own Funds includes the remaining part of Subordinated Liabilities eligible in basic Own Funds, which is classified as dated.
- Tier 3 Basic Own Funds is composed by Net deferred tax assets, which are characterized by lower capital quality being not immediately available to absorb losses.

The following table reports Basic Own Funds items split by tiering:

Own Funds by tiers

(€ million)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	1,560	1,560			
Share premium account related to ordinary share capital	3,568	3,568			
Surplus funds	2,760	2,760			
Reconciliation reserve (see below table)	25,062	25,062			
Subordinated liabilities	9,142		3,736	5,407	
An amount equal to the value of net deferred tax assets	141				141
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	-183	-183			
Unrealized capital gains from French pension activities benefiting from IORP transitory regime, authorised by the Supervisor (see note below)	1,785	1,785			
Impact of Minorities and other filters	-1,337	-1,337			
Deductions for participations in financial and credit institutions	-2,188	-2,188			
Total basic own funds after deductions	**40,312**	**31,028**	**3,736**	**5,407**	**141**

Note: Unrealised capital gains on activities according to art. 308tb § 15 of the amended Solvency II directive 2009/138/CE; the eligibility of these unrealised capital gains is authorized by the Supervisor with a progressively decreasing proportion over the duration of the transitional period up to 2022.

RECONCILIATION RESERVE

The excess of assets over liabilities is divided into capital items and a reconciliation reserve. In Generali group, the Reconciliation Reserve at Fiscal Year 2016 amounts at €25,062 million.

The following table provides the calculation of the reconciliation reserve:

Reconciliation Reserve

(€ million)	31/12/2016
Excess of assets over liabilities	**34,350**
Own shares	-3
Foreseeable dividends and distributions	-1,249
Other basic own fund items	-8,029
Restricted own fund items due to ring fencing	-7
Reconciliation Reserve	**25,062**

According to the definition of Reconciliation reserve, other basic own fund items are the sum of ordinary share capital and related share premium account, surplus funds not considered insurance and reinsurance liabilities and deferred taxes as reported in the table of Own Funds by Tiers.

SUBORDINATED LIABILITIES

The Solvency II Subordinated Liabilities eligible in Basic Own Funds amount to €9,142 million and are entirely available to cover Group SCR.

During Fiscal Year 2016, Assicurazioni Generali S.p.A. issued a Subordinated Liability equal to €850 million, classified as Tier 2, that was placed to institutional investors. The bond has been issued to refinance the subordinated debt of the Group with first call date in 2017, early repayment which, by law, is subject to prior authorization by IVASS, which amounts to €869 million.

In the following table, the main positions of Subordinated Liabilities eligible in Basic Own Funds are reported:

Subordinated Liabilities

Company	SII valuation	Currency	Issue date	Call date	Maturity	Coupon	Tiering	Transitional
Assicurazioni Generali	538	GBP	6/16/2006	6/16/2026	PERP	6,27%	TIER1	Y
Assicurazioni Generali	701	GBP	2/8/2007	2/8/2022	PERP	6,42%	TIER1	Y
Assicurazioni Generali	809	EUR	7/10/2012	7/10/2022	7/10/2042	10,13%	TIER2	Y
Assicurazioni Generali	1,340	EUR	12/12/2012	12/12/2022	12/12/2042	7,75%	TIER2	Y
Assicurazioni Generali	1,109	EUR	5/2/2014	na	5/4/2026	4,13%	TIER2	Y
Generali Finance B.V.	1,401	EUR	11/21/2014	11/21/2025	PERP	4,60%	TIER1	Y
Assicurazioni Generali	1,302	EUR	10/27/2015	10/27/2027	10/27/2047	5,50%	TIER2	N
Assicurazioni Generali	846	EUR	6/8/2016	6/8/2028	6/8/2048	5,00%	TIER2	N
Assicurazioni Generali	375	EUR	3/4/2009	3/4/2019	PERP	7,24%	TIER1	Y
Assicurazioni Generali	374	EUR	3/6/2009	3/6/2019	PERP	8,50%	TIER1	Y

Transitional Subordinated Liabilities

According to what is defined in art. 308 b) paragraph 9 and 10 of Omnibus II Directive, Subordinated Liabilities in BOF are subject to the following tiering classification:

- The total amount of €3,736 million of Tier 1 restricted Basic Own Funds Subordinated Liabilities benefit from grandfathering considering that, these items were issued before the entry into force of the DA and as at 31 December 2015 covered the Solvency margin up to 50% according to Solvency 1 Directive;
- An amount of €3,259 million, out of the total of €5,407 million of Subordinated Liabilities in BOF classified as Tier 2 Basic Own Funds, benefits from grandfathering. This recognition is due in consideration that these items were issued before the entry into force of the DA and as at 31 December 2015 covered the Solvency margin up to 25% according to Solvency 1 Directive;

Loss Absorption capacity

With regards to the loss absorbing capacity of the subordinated liabilities, the following has to be considered:

- Subordinated liabilities recognised within the Restricted Tier1 basic own funds have loss absorption capacity in line with grandfathering provisions.
- Subordinated liabilities classified in Tier 2 Basic own funds: in terms of loss absorption features it should be noted that as described above part of these amounts are recognise by way of grandfathering and therefore the loss absorption features are in line with grandfathering provisions. For the Subordinated liabilities included in the Tier 2 Basic own funds issued in 2015 and 2016 these are fully Solvency 2, compliant with the art. 73 of DA.

RESTRICTIONS TO OWN FUNDS AND DEDUCTIONS

For the correct definition of Eligible Own Funds, specific restrictions and deduction have been applied affecting the availability and transferability of own funds at group level. Specifically:

- Restrictions due to Ring Fenced Funds deriving from Deposit Administration funds in Guernsey;
- Additional restrictions are ascribed to Surplus Funds not available at group level deriving from German life business;
- Minority filters represent the final deduction.

Own funds are then additionally reduced for the necessary neutralization of fiscal impact on Solvency II valuation of Subordinated Liabilities eligible as basic Own Fund items.

ANCILLARY OWN FUNDS

For what concerns Group figures, no Ancillary Own Funds items are present.

E.1.3. ELIGIBLE OWN FUNDS TO MEET THE SOLVENCY CAPITAL REQUIREMENT

The final step for the calculation of Eligible Own Funds is related to eligibility constraints. Eligibility filters are applied to Available Own Funds, defined as the sum of Basic Own Funds and Ancillary Own Funds.

Moving from Available Own Funds to Eligible Own Funds to meet the SCR, the sum of Tier 2 and Tier 3 should not exceed 50% of the SCR. In Generali Group, no eligibility filters are triggered due to the high quality tiering.

In the following table the split by tiers for Eligible Own Funds to meet the SCR is reported:

Eligible Own Funds by tiering

(€ million)	Total eligible own funds to meet the SCR	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
YE 2016	**41,308**	**32,025**	**3,736**	**5,407**	**141**

E.1.4. ELIGIBLE OWN FUNDS TO MEET THE MINIMUM CAPITAL REQUIREMENT

Regarding Eligible Own Funds coverage of the MCR, this amount should be composed by Tier 1 for at least 80% of the MCR and Tier 2 shall no exceed the 20%. No Tier 3 items nor Ancillary Own Funds are eligible to cover the MCR.

In Generali group, due to the eligibility constraints on Tier 2 items, a filter on Eligible Own Funds to cover the MCR is triggered. Specifically, an amount equal to €3,500 million is filtered.

In the following table the split by tiering for Eligible Own Funds to meet the MCR is reported:

Eligible Own funds by tiering

(€ million)	Total eligible own funds to meet the MCR	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2
YE 2016	**38,456**	**31,028**	**3,736**	**3,692**

E.1.5. RECONCILIATION BETWEEN IFRS SHAREHOLDER EQUITY AND OWN FUNDS FOR SOLVENCY PURPOSES

In this section, the reconciliation between Shareholders' Equity and Solvency II Own Funds is reported. The variation between the Shareholders' Equity and the Excess of Assets over Liabilities derives from the different valuation metrics defined in chapter D – Valuation for Solvency purposes.

The reconciliation between Shareholders' Equity and Solvency II Own Funds is reported in the following table :

Eligible Own Funds to meet the SCR

(€ million)	31/12/2016
Shareholders' EQUITY	**25,668**
Adjustment of Goodwill, DAC and Intangibles	-10,801
Adjustment on Investment	7,950
Adjustment on SII Technical Provision	17,087
Other adjustment	-122
Impact of Taxes	-5,432
Excess of assets over liabilities	**34,350**
Foreseeable dividend	-1,249
Subordinated liabilities in BOF	9,142
Unrealized capital gains from French pension activities benefiting from IORP transitory regime, authorised by the Supervisor (see note below)	1,785
Impact of Minorities and other transferability filters	-1,529
Deduction for participations in sectoral entities	-2,188
BASIC OWN FUNDS AFTER DEDUCTIONS	**40,312**
Impact of Sectorial and Equivalent entities	997
TOTAL ELIGIBLE OWN FUNDS TO MEET SCR	**41,308**

Note: Unrealised capital gains on activities according to art. 308b § 15 of the amended Solvency II directive 2009/138/CE; the eligibility of these unrealised capital gains is authorized by the Supervisor with a progressively decreasing proportion over the duration of the transitional period up to 2022.

E.1.6. FULL INTERNAL MODEL VIEW

Generali Group received formal approval from IVASS to use its Partial Internal Model for the calculation of its regulatory SCR for a limited scope in terms of countries and excluding operational risk.

In order to reach a full coverage, the Group plans to extend the use of its PIM:

- To a broader scope of insurance entities, starting with Spain, Austria and Switzerland;
- To operational risks.

For this reason, Generali deems appropriate, considering this process of Internal Model extension, to measure its risk profile by using its Internal Model for the other material entities of the Group, as it better captures the granularity, calibration of the risk factors and their interdependencies. In terms of Own Funds, this impacts the Technical Provisions (specifically, Risk Margin) and Taxes.

The table below provides the Economic Solvency Ratio calculated following this Full Internal Model view. The Economic Solvency Ratio stands to 193.9%[23].

Full Internal Model view

	Full Internal Model view	Regulatory view	Change
Own Funds	41,658	41,308	349
Solvency Capital Requirement	21,480	23,222	-1,741
Solvency Ratio	**193.9%**	**177.9%**	**16.0%**

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

This section presents the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR) of the Generali Group.

The SCR is calculated as the Value at Risk (VaR) of the OF subject to a confidence level of 99.5% over a one-year period.

The SCR is calculated with the Partial Internal Model (PIM)[24] of the Generali Group which covers financial, credit, life and non-life underwriting risks. Operational risks are measured following the standard formula. The PIM provides an accurate representation of the main risks, measuring both the impact of each risk individually and their combined impact on the Group's own funds.

The Group does not use simplified calculations for the definition of SCR. According to Italian regulation the option foreseen in the Article 51(2) of Solvency II Directive applies. More details on the Volatility Adjustment are provided in section D.

Undertaking Specific Parameters (USP) are used for the calculation of the SCR of Europ Assistance entities and Italian entity DAS (*Difesa Automobilistica Sinistri*). The use of these USP has been approved by the Authority[25].

Matching Adjustments are not applied.

SCR by segment

(€ million)	Life		Non-Life		Other		Total	
	Total	Impact (%)	Total	Impact (%)	Total	Impact (%)	Total	Impact (%)
YE2016	13,564	58.4%	7,998	34.4%	1,660	7.2%	23,222	100.0%

For the purpose of Group consolidated minimum SCR[26], the calculation is based on the MCR of Group companies, following the indications provided by EIOPA. Results are reported in the following table.

[23] Data communicated during Analyst Meeting presentation.
[24] Solvency II allows the use of internal models, subject to Supervisory Authority approval, to calculate capital requirements to better reflect the risk profile.
[25] For two EA entities (namely in Belgium and Spain) the authorization process is under discussion with local supervisors.
[26] Under Solvency II, the MCR calculation is required to determine the minimum level of capital, under which the Group would be exposed to an unacceptable level of risk when allowed to continue its operations. For the purpose of the MCR calculation, premiums and reserves (net of reinsurance) are used for non-life while only reserves are used for life entities.

MCR Value

(€ million)	Total
YE2016	18,460

E.2.2. SCR BREAKDOWN

The SCR breakdown is provided as follows, highlighting also the contribution of the risks to the total SCR and the impact of the diversification among risks:

Total SCR split by risks before and after diversification among risks(*)

(€ million)	Before Diversification		After Diversification	
	Total	Impact (%)	Total	Impact (%)
SCR as a sum (before diversification)	**32,546**	**100.0%**		
Financial risks	12,608	38.7%	10,624	42.2%
Credit risks	10,931	33.6%	9,726	38.6%
Life underwriting risks	3,291	10.1%	1,011	4.0%
Health underwriting risks	564	1.7%	191	0.8%
Non-life underwriting risks	5,150	15.8%	3,269	13.0%
Intangible	3	0.0%	3	0.0%
Diversification benefit	-7,722			
Non linearity adjustments	379		379	1.5%
SCR after diversification	**25,203**		**25,203**	**100.0%**
Operational risk	2,270			
Notional SCR arising from RFF	9			
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (IORP)	517			
Sectorial rules & Equivalent Regime	568			
SCR before Taxes	**28,567**			
Tax absorption	-5,938			
SCR before Model Adjustment	**22,629**			
Model Adjustment	593			
Total SCR	**23,222**			

(*)For what concerns risk modules, differently from the official QRT template S.25.02, the table 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.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

This section is not applicable, given the duration-based equity risk sub-module set out in Article 304 of Solvency II Directive is not applicable to Generali Group.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

This section provides an overview of the PIM in terms of

- Purpose;
- Scope;
- Methods used for the main risk categories with focus on the key differences between standard formula and Partial Internal Model.

E.4.1. INTERNAL MODEL PURPOSE

In compliance with Solvency II regulation, the Group has developed the PIM with the objective of better capturing the risk profile of the entire Group and of the companies in scope. The PIM is integrated in the main business processes related to risk and capital management, which are strictly linked with the investment management process and the product approval process.

The PIM is structured to be the most appropriate way of assessing the Group SCR in terms of granularity, calibration and correlation of the various risk factors.

While the standard formula is based on average European portfolios, the PIM is developed on the basis of the Group specific portfolio and experience. On the basis of the observed interdependencies, the correlation matrices between risks are also defined.

E.4.2. INTERNAL MODEL SCOPE

The companies included in the PIM scope which have received the authorization for PIM use for SCR calculations are Italian, German and French entities as well as the Czech company Ceska Pojistovna[27]. These entities have been authorized to use the PIM for the calculation of the SCR at legal entity level.

All the remaining insurance entities contribute to the Group SCR by means of the standard formula. Other financially regulated entities (i.e. banks, pension funds, etc.) contribute to the Group SCR by means of their local sectorial capital requirements.

The PIM is structured around a specific Risk Map, which contains all quantifiable risks that Generali has identified as relevant to its business, allowing for the calculation of the SCR at single risk level and at higher aggregation levels. The PIM scope includes credit and financial risks, life underwriting risks and non-life underwriting risks.

The contribution of operational risks to the SCR is measured by means of the standard formula.

E.4.3. METHODS USED IN THE INTERNAL MODEL

In implementing the Partial Internal Model, the Group has adopted the so called Monte-Carlo approach with “proxy functions” to determine the full probability distribution (PDF) of the changes in the basic own funds over a 1-year 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. The risk measure applied is the VaR (Value at Risk). Monte-Carlo methods are used in the industry to obtain sound numerical results using the embedded characteristics of repeated random sampling to simulate the more complex real world events. Proxy functions are mathematical functions that mimic the interaction between risk factors and insurance portfolios to obtain the most reliable results.

The calibration procedure involves quantitative and qualitative aspects. The aggregation process uses advanced mathematical techniques following market best practices. Dependencies among risks are defined through the use of a so called ‘Copula approach’ that simulates the interaction between several risk drivers (elements that mimic the underlying sources of risk) throughout the simulations generated by the Monte-Carlo stochastic method.

[27] The Group applied for the use of its own Partial Internal Model (PIM) to calculate the SCR under Solvency II. In March 2016, the Supervisory Authority authorization was granted for the use of the PIM to determine the SCR at Group level and for the main business units, covering Italian, German and French entities (the authorization for the French life entity has been granted subsequently to the indicated date) as well as the Czech company Ceska Pojistovna as. For the purpose of better capturing the Group’s risk profile, the PIM scope is planned to be extended to other European insurance entities. The current PIM scope includes the following entities: Assicurazioni Generali S.p.A., Generali Italia S.p.A., Alleanza S.p.A., Genertel S.p.A., Genertellife S.p.A., Dialog Lebensversicherungs AG, Generali Deutschland Holding AG, AachenMünchener Lebensversicherung AG, AachenMünchener Versicherung AG, Generali Lebensversicherung AG, Generali Versicherung AG, AdvoCard Rechtsschutzversicherung AG, Cosmos Versicherung AG, Cosmos Lebensversicherungs AG; Central Krankenversicherung AG, Generali Vie S.A., Generali IARD S.A., Equité S.A. Cie d'Assurances et Réass.contre les risques de toute nature, GFA Caraïbes, Prudence Creole; Ceska Pojistovna, a.s.

For what concerns the underlying implicit diversification generated by the assumptions of the correlation matrix and the relevant marginal distributions, this can be originated by:

- Different market indexes (e.g. equity market holds a degree of diversification between sectorial and geographical indexes);
- Different segments (diversification generates from the joint presence of life business, with medium to long term cash flows and relevant interactions between market realizations and policyholders behaviour, and non-life business, with short term exposures and generally speaking opposite effects deriving from interest rates movements);
- Different geographies (non-life and life businesses sold in different regions with limited propagation/interaction effects);
- Different business models (for example the level of profit sharing with policyholders and the relevant management actions of the portfolios).

All of these elements contribute to the Group SCR in a consistent manner generating relevant diversification benefits.

Finally the Group Partial Internal Model makes use of the "*two world*" approach for assessing the interaction between Internal Model scope and standard formula scope. Such approach, as defined by the regulation does not allow for any diversification benefit between the "two worlds" granting a layer of prudency (for example where the interest rate SCR of Internal Model scope and standard formula scope are generated by opposite economic scenarios).

Main differences between standard formula and the PIM for each risk category are the following:

Life underwriting risks

The main differences between standard formula and PIM regarding life underwriting risks include:

- The PIM life underwriting stress calibration is based on historical portfolio data, rather than on stress levels defined by the regulation as required by the standard formula approach. In particular, the calculation is based on the impact, on technical provisions, of the potential deviations in the underlying calculation assumptions, arising from adverse events, defined through:
    - A combination of market data and exposures for the calibration of catastrophe risks (mortality and health);
    - Single company historical portfolio data for all other life risks.

Non-life underwriting risks

The main differences between standard formula and PIM regarding non-life underwriting risks include:

- 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 catastrophe (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, include:

- For market risk, the standard formula approach is based either on the application of standardized stress levels applied directly on assets or, in the case of interest rate risk, on the application of a standardized and simplified stress on the curves used to discount the future cash flows;
- The PIM adopts more sophisticated modelling techniques, based on a more granular risk map (for example, the interest and equity volatility risks are considered in the PIM, while they are not considered in standard formula, and the calculation of the default risk is extended also to the bond portfolio);
- Moreover, the PIM aims at a more accurate representation of the risk profile, also within the same risk module. The PIM approach calibrates specific stress distributions related to the peculiarities of each financial instrument, instead of applying the same stress coefficients on large asset classes. Calibrations are reviewed on yearly basis;
- Finally, it is worth noting that credit spread widening risk is classified within credit risk module under the PIM, differently from standard formula.

Data used in the PIM

For the purpose of SCR calculation the PIM relies on market data (mostly for what concerns asset features), accounting data as well as statistical portfolios data, such to jointly consider both market evidence and business drivers. This information provides a comprehensive data set for the PIM stochastic modelling of the Group own funds.

The quality of data used in the PIM is granted on the basis of the process defined in the Group Data Quality Policy. Within this policy, the Group defines the data in scope based on proportionality and materiality principles, assesses the quality of data through controls aimed at verifying accuracy, completeness and appropriateness.

The Partial Internal Model (PIM) SCR calculation is subject to the independent validation process, on the basis of the principles defined in the Group Internal Model Validation Policy (see also section B).

Different approaches applied for the calculation of the SCR at legal entity level

The Group PIM use has been authorized both for the calculation of the SCR at Group level, both for the calculation of the SCR of the entities in PIM scope. To this end, the Local Suitability Assessment grants that the modelling and calibrations remain adequate also for the entities in scope. In terms of local specific calibrations, it is to be noted that for Italian entities, differently than for the calculation at Group level and other PIM entities, neither a stress is applied on the Italian government bonds nor the Stochastic Volatility Adjustments.

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

E.6.1. SENSITIVITY ANALYSES

In addition to the calculation of the Solvency capital requirements, the Group regularly performs sensitivity analyses of the variability of its Solvency Ratio to changes in specific risk factors (e.g. Interest Rates, equity shock, credit spreads and Interest rate volatility).

The aim of this analysis is to assess the resilience of Generali Group capital position to the main risk drivers and evaluate the impact of a wide range of shocks. As at YE 2016 the following sensitivity analyses are reported:

- Increase and decrease of interest rates by 50bps;
- widening of spread related to Italian government bonds (“Buoni del Tesoro Poliennali”, BTP) by 100bps;
- widening of spread related to corporate bonds by 100bps;
- Increase and decrease of equity values by 20%;
- Decrease of the Ultimate Forward Rate (UFR) by 50bps.

Sensitivities Analyses on main financial risk drivers

	Base at YE2016	Interest Rates Up +50bps	Interest Rates Down - 50bps	BTP Spread Up +100bps *	Corporate Spread Up +100bps *	Equity Up +20%	Equity Down - 20%	UFR - 50bps
Solvency Ratio (SR)	**177.9%**	**183.9%**	**168.7%**	**166.8%**	**175.4%**	**182.8%**	**171.8%**	**174.0%**
Delta on SR		**+6.0 p.p.**	**-9.2 p.p.**	**-11.1 p.p.**	**-2.5 p.p.**	**+4.9 p.p.**	**-6.1 p.p.**	**-3.9 p.p.**

* Negative impact of spreads widening is mitigated by the indirect increase in Volatility Adjustment.

The analyses reported here, shows how Generali Group results are affected by changes in the above mentioned financial underlying assumptions.

Even in case of unfavorable market conditions (decrease in interest rates or equity values, increase in spreads), Generali Group would still show a solid position, mainly due to a business profile characterized by a limited duration gap, a good loss absorption capacity of technical provisions and an average minimum guarantee steadily lower than the average portfolio return.

E.6.2. IMPACT OF THE VOLATILITY ADJUSTEMENT

Among possible long-term measures allowed within the Solvency II framework, Generali Group adopts the Volatility Adjustment to the interest rate curve reflecting the non liquid nature of Insurance liabilities.

The use of the Volatility Adjustment for solvency valuation is explicitly foreseen in the applicable regulations and is an integral part of the calculation of an insurer's solvency position. It reflects the economic nature of insurance business, where undertakings are able to benefit from the liquidity premium embedded in the price of assets, due to the liquidity characteristics that also apply to their liabilities. As a consequence, the following information relating to the Solvency Ratio without Volatility Adjustment is provided as required by regulations in order to assess the magnitude of such adjustment, but in the view of the Group, it should not be seen as an economically relevant indicator.

The table below summarizes the results of the solvency calculation without taking into account the Volatility Adjustment:

SCR and MCR Coverage without application of Volatility Adjustment

	SCR Coverage	Impact of VA	MCR Coverage	Impact of VA
Own Funds	41,308	-1,265	38,456	-1,183
Solvency Capital Requirement	23,222	6,841	18,460	313
Solvency Ratio	**177.9%**		**208.3%**	

A change to zero of the volatility adjustment for each currency would correspond to an increase of €1.862 million in the life gross BEL and of €166.8 million in the non life BEL. Consequently the Eligible Own funds would lower overall by €1.265 million net of taxes and of the indirect effect of the increase of SCR reducing transferability and minorities filters.

The SCR would increase significantly as the Own Funds become more volatile to credit spread movements.

Even without the application of the Volatility Adjustment the Solvency Ratio stays well above a critical limit being respectively 133.2% for SCR coverage ratio and 198.5% MCR coverage ratio.

Annex

GLOSSARY

Basic own funds: According to art. 88 of Solvency II Directive 2009/138/CE, Basic Own Funds are defined as the sum of the excess of assets over liabilities measured on market consistent principles in accordance with art. 75 of Solvency II Directive 2009/138/CE and reduced by the amount of own shares held by the insurance or reinsurance undertaking, and subordinated liabilities.

Best estimate liability: The best estimate liability represents the expected present value of future cash-flows related to insurance and reinsurance obligations in force at valuation date. The best estimate liability is calculated on a gross of reinsurance basis, i.e. without any deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles.

Best estimate operating assumptions: The assumptions on all those non-financial factors which can have an impact on future cash-flows, including not only the most common operating factors (i.e. mortality/longevity, disability/morbidity, lapses, expenses), but also those contractual policyholders' options that can be exercised by policyholders at pre-determined conditions (e.g. annuity take-up rates, voluntary premium increases, maturity extensions…).

Cash and cash equivalents: the item includes cash and highly-liquid short-term financial investments (readily convertible in specific amounts of cash which are subject to an irrelevant risk of change in value). Furthermore this asset class includes also short term deposits and money-market investment funds, which are included in the Group liquidity management.

Combined Ratio (COR): It is a technical performance indicator of the P&C segment, calculated as the weight of the loss ratio and the acquisition and general expenses (expense ratio) on the earned premiums.

Contract boundaries: This is the limit beyond which relevant cash flows are excluded from the calculation of technical provisions. It is defined in line with Article 18 of the Delegated Acts, and refers to future dates where the insurance undertaking has a unilateral right either to terminate the contract, or to reject payable premiums or to amend the payable premiums or the benefits in such a way that the premiums fully reflect the risks.

Counterparty default risk adjustment: The counterparty default adjustment is the amount of reinsurance recoverables that the Company expects not to be able to recover as a consequence of the possible default of the reinsurance counterparty at any point in time in the future.

Equivalent consolidation area: Refers to equivalent consolidation scope.

Equity investments: direct investments in quoted and unquoted equity instruments. Moreover, this asset class includes also investments funds mainly exposed to investments or risks similar to direct investments presented within this asset class, including also private equity and hedge funds.

Equivalent terms: Refers to equivalent exchange rates and equivalent consolidation scope.

Expected Profit Included in Future Premiums (EPIFP): it is the expected present value of future cash flows, if positive, which results 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.

Fixed income instruments: direct investments in government and corporate bonds, loans, term deposits other than those presented as cash and cash equivalents, and reinsurance deposits. Moreover, this asset class includes also investments funds mainly exposed to investments or risks similar to direct investments presented within this asset class.

Gross written premiums: Equal to gross written premiums of direct business and accepted by third parties.

Gross direct premiums: Equal to gross written premiums of direct business.

(Partial) Internal Model: The Internal Model refers to Generali Group's Partial Internal Model approved by the Supervisory Authority for the calculation of the Solvency Capital Requirement under Solvency II. This model has been developed to better capture the risk profile of the Group and of the companies in scope. It covers all risk categories except operational risks.

Insurance contracts: a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary [Appendix A, IFRS4].

Investments back to unit and index-linked policies: includes various types of investments backing insurance liabilities related to unit and index-linked policies.

Investment contracts: investment contracts that have the legal form of insurance contracts but as they substantially expose the insurer to significant insurance risk (such as the mortality risk or similar insurance risks cannot be classified as insurance contracts. In accordance with the definitions of FRS 4 and IAS 39 these contracts are recognized as financial liabilities. Investment contracts that have the legal form of an insurance contract but as they substantially expose the insurer to significant insurance risk (such as the mortality risk or similar insurance risks) cannot be classified as such. In line with the definitions of FRS 4 and IAS 39 these contracts are recognized as financial liabilities.

Investments properties: direct investments in real-estates. Moreover, this asset class includes also investments funds mainly exposed to real-estate investments.

Long term guarantee adjustments and transitional measures: This expression refers to the matching adjustment (as set out in article 77b of Solvency II Directive 2009/138/CE), the volatility adjustment (as set out in article 77d of Solvency II Directive 2009/138/CE), the transitional measure on the risk-free interest rates (as set out in article 308c of Solvency II Directive 2009/138/CE) and the transitional measure on technical provisions (as set out in article 308d of Solvency II Directive 2009/138/CE).

Minimum Capital Requirement (MCR): The Minimum Capital Requirement corresponds to an amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk were insurance and reinsurance undertakings allowed to continue their operations. It corresponds to the Value-at-Risk of the basic own funds subject to a confidence level of 85% over a one-year period (Solvency II Directive 2009/138/CE, Art. 129).

Net cash inflows: it is an indicator of cash flows generation of the life segment. It is equal to the amount of premiums collected net of benefits paid.

Other investments: includes participations in non-consolidated Group companies, derivative investments and receivables form banks and customers, the latter mainly related to Group banking operations.

Outstanding Claims Reserves: The Outstanding Claims Reserves (or Claims Provisions) are reserves for the outstanding claims, whether reported or not, occurred before the evaluation date whose costs and related expenses have not been completely paid by that date.

Own funds: According to art. 87 of Solvency II Directive 2009/138/CE, Own Funds are defined as the sum of basic own funds and ancillary own funds.

Premiums Reserves: The Premiums Reserves (or Premium Provisions) are reserves for contracts that are either in force at the valuation date or for which a legal obligation exists to provide coverage.

Reinsurance recoverables: Reinsurance recoverables represent the amount of best estimate liability expected to be recovered via reinsurance treaties or special purpose reinsurance vehicles and correspond to the expected present value of the future cash flows referring to the in force reinsurance agreements.

Return on investments: The indicators for the return on investments are presented, obtained as the ratio:

a) Current return: between interest and other income, including income from financial instruments at fair value through profit and loss (excluding income from financial instruments related to linked contracts) net of depreciation on real estate investments and the average investments calculated on IAS book value);

b) The profit and loss return is equal to the current return plus the harvesting rate (net realized gains, net impairment losses and realized and unrealized gains and losses from financial instruments at fair value through profit and loss (excluding those from financial instruments related to linked contracts) net of investment management expenses and foreign exchange impact recorded within the consolidated profit or loss and the average investments calculated on IAS book value);

c) The comprehensive return is equal to the profit and loss return plus fair value and other movement recorder within OCI on available for sale financial assets and the average investments calculated on IAS book value).

The average investments (calculated on IAS book value) included land and buildings (investment properties), investments in subsidiaries, associated companies and joint ventures, loans and receivables, available for sale financial assets, financial assets at fair value through profit or loss less financial assets and liabilities related to linked contracts, derivatives classified as financial liabilities at fair value through profit or loss and cash and cash equivalents. Total investments are adjusted for derivative instruments classified as financial liabilities at fair value through profit of loss and REPOs classified as other financial liabilities. The average is calculated on the average asset base of each quarter of the reporting period.

Risk Adjusted Capital (RAC): The Risk Adjusted Capital is defined as the one-year change in basic own funds calculated at various percentiles (e.g. 1-in-10, 1-in-200). It is derived by reading the points from the full Probability Distribution Forecast (PDF) of the one-year changes in own funds, generated by the Partial Internal Model.

Risk Appetite Framework (RAF): The Risk Appetite Framework sets the overall risk strategy in terms of aggregate level of risk that Generali Group is willing to accept or avoid in order to achieve its business objectives.

Risk Margin: The risk margin is the part of technical provisions that should ensure that the overall value of the technical provisions is equivalent to the amount a third party would theoretically require in order 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 such as underwriting and operational risks.

Solvency II ratio: defined as the ratio between the Eligible Own Funds and the Group Solvency Capital requirement, both calculated according to the definitions of the Solvency II regime. Own funds are determined net of proposed dividend. The ratio has to be intended as preliminary since the definitive Regulatory Solvency Ratio will be submitted to the supervisory authority in accordance with the timing provided by the Solvency II regulations for the official reporting.

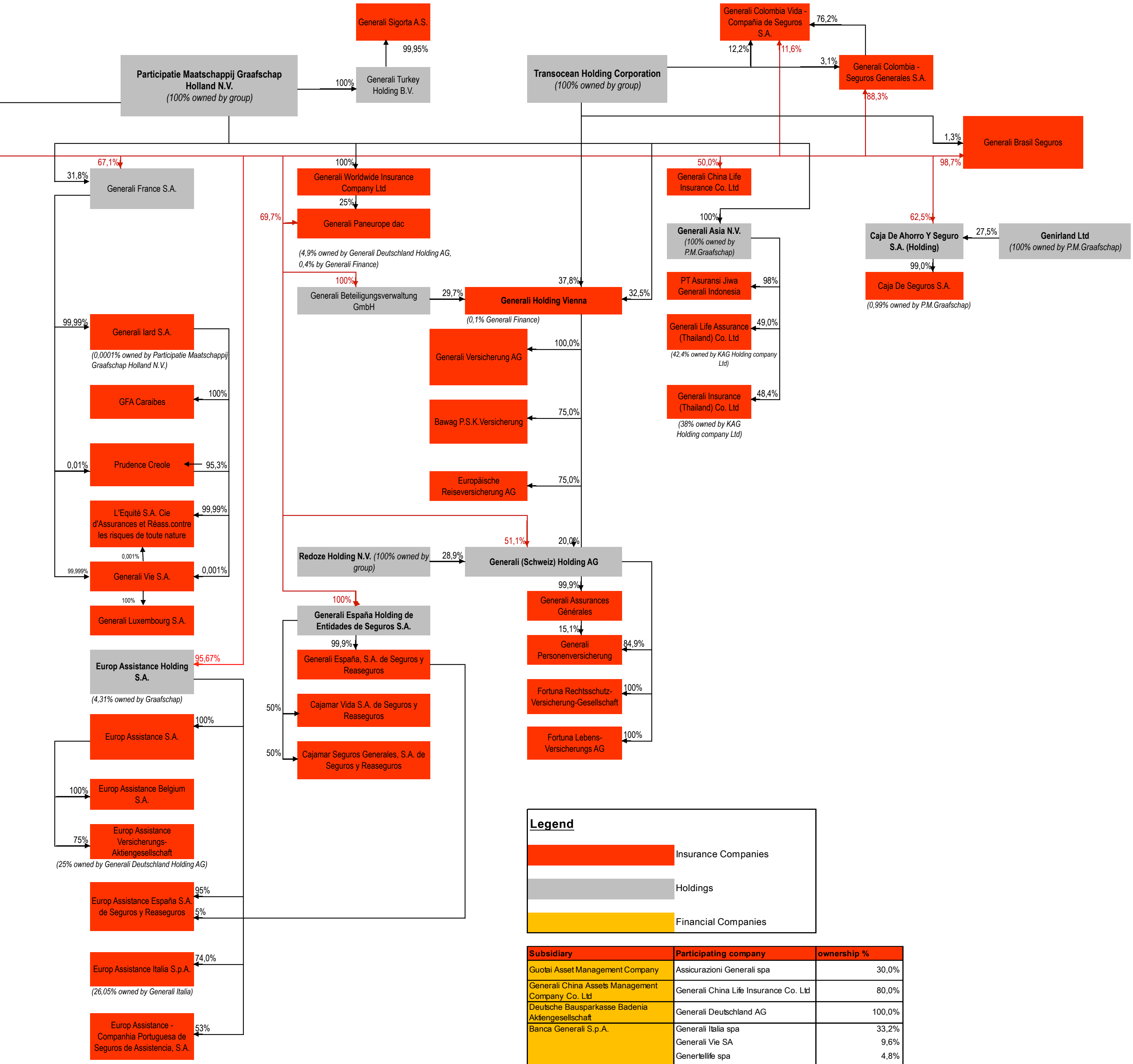
Solvency Capital Requirement (SCR): The Solvency Capital Requirement is determined as the economic capital to be held by insurance and reinsurance undertakings in order to ensure that ruin occurs no more often than once in every 200 cases or, alternatively, that those undertakings will still be in a position, with a probability of at least 99.5%, to meet their obligations to policyholders and beneficiaries over the following 12 months (Solvency II Directive 2009/138/CE, Introduction, c. 64).

Standard formula: The standard formula is a standard method defined by Solvency II Directive for the calculation of the Solvency Capital Requirement. The standard formula covers the following risks: non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, counterparty default risk and operational risk.

Technical provisions: The technical provisions correspond to the sum of the best estimate liability and risk margin. In case technical provisions are considered on a net of reinsurance basis, the amount of reinsurance recoverables net of the counterparty default adjustment is deducted from the technical provisions.

Volatility Adjustment (VA): Volatility Adjustment (VA) allows insurance and reinsurance undertakings to adjust the relevant risk-free interest rate term structure used for the calculation of the best estimate of technical provisions to mitigate the effect of bond spreads widening. The VA is calculated by EIOPA and amounts to 65% of the risk-corrected spread between the interest rate that could be earned from bonds included in a reference portfolio and the basic risk-free interest rates. The VA is derived for each relevant currency (based on currency specific reference portfolios) and, where relevant, for national insurance markets (based on country specific reference portfolios).

Simplified Group Structure



Subsidiary	Participating company	ownership %
Guotai Asset Management Company	Assicurazioni Generali spa	30,0%
Generali China Assets Management Company Co. Ltd	Generali China Life Insurance Co. Ltd	80,0%
Deutsche Bausparkasse Badenia Aktiengesellschaft	Generali Deutschland AG	100,0%
Banca Generali S.p.A.	Generali Italia spa	33,2%
	Generali Vie SA	9,6%
	Genertellife spa	4,8%
	Alleanza Assicurazioni spa	2,4%
	Genertel spa	0,4%
Generali Investments Holding S.p.A.	Assicurazioni Generali spa	37,7%
	Generali France SA	34,0%
	Generali Deutschland AG	28,3%
Generali Investments Europe S.p.A. Società di Gestione Risparmio	GI Holding spa	82,9%
	Alleanza Assicurazioni spa	17,1%

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	99.99
Europ Assistance Trade S.p.A.	Italy	99.99
Europ Assistance VAI S.p.A.	Italy	99.99
Generali Properties S.p.A.	Italy	100.00
Assitimm S.r.l.	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	50.30
Banca Generali S.p.A.	Italy	50.30
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	99.73
Generali Business Solutions S.c.p.A.	Italy	99.48
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
BG Fiduciaria - Società di Intermediazione Mobiliare S.p.A.	Italy	50.30
Generali Real Estate S.p.A. SGR	Italy	100.00
Generali Investments Holding S.p.A.	Italy	99.61
Fondo Donizetti	Italy	100.00
Genertellife S.p.A.	Italy	100.00
Generali Italia S.p.A.	Italy	100.00
Generali Investments Europe S.p.A. Società di Gestione Risparmio	Italy	99.68
Generali CyberSecurTech S.r.l.	Italy	100.00
Risparmio Assicurazioni S.p.A. in liquidazione	Italy	100.00
Generali Corporate Services S.c.a.r.l. in liquidazione	Italy	99.49
Initium S.r.l. in liquidazione (*)	Italy	49.00
Sementi Ross S.r.l.	Italy	100.00
Sementi Dom Dotto S.p.A.	Italy	100.00
Finagen S.p.A. in liquidazione	Italy	100.00
Investimenti Marittimi S.p.A.	Italy	30.00
Servizi Tecnologici Avanzati S.p.A.	Italy	25.00
Tiberina S.r.l. Unipersonale	Italy	100.00

Company	Country	Group Equity Ratio
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	44.82
Solaris S.r.l. in liquidazione	Italy	40.00
Fondo Sammartini (*)	Italy	100.00
Generali Innovation Center for Automobile Repairs S.c.a.r.l.	Italy	100.00
Donatello Intermediazione S.r.l.	Italy	100.00
Dialog Lebensversicherungs-Aktiengesellschaft	Germany	100.00
Generali Deutschland AG	Germany	100.00
AachenMünchener Lebensversicherung AG	Germany	100.00
AachenMünchener Versicherung AG	Germany	100.00
Generali Lebensversicherung Aktiengesellschaft	Germany	100.00
Generali Versicherung Aktiengesellschaft	Germany	100.00
Central Krankenversicherung Aktiengesellschaft	Germany	100.00
Europ Assistance Versicherungs-Aktiengesellschaft	Germany	99.99
Europ Assistance Services GmbH	Germany	99.99
Cosmos Lebensversicherungs Aktiengesellschaft	Germany	100.00
Cosmos Versicherung Aktiengesellschaft	Germany	100.00
ENVIVAS Krankenversicherung AG	Germany	100.00
ADVOCARD Rechtsschutzversicherung AG	Germany	100.00
Generali Deutschland Pensionskasse AG	Germany	100.00
Generali Beteiligungs-GmbH	Germany	100.00
ALLWO GmbH	Germany	100.00
Generali 3. Immobilien AG & Co. KG	Germany	100.00
Generali Private Equity Investments GmbH	Germany	99.61
VVS Vertriebsservice für Vermögensberatung GmbH	Germany	74.00
GLL GmbH & Co. Retail KG	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

Company	Country	Group Equity Ratio
Generali Deutschland Services GmbH	Germany	100.00
Generali Deutschland Schadenmanagement GmbH	Germany	100.00
Generali Deutschland Finanzdienstleistung 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	99.61
FLI GmbH	Germany	99.61
FFDTV GmbH	Germany	99.61
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
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	96.24
GLL AMB Generali Properties Fund I GmbH & Co. KG	Germany	100.00
GLL AMB Generali Properties Fund II GmbH & Co. KG	Germany	100.00
GLL Properties Fund I LP	United States of America	100.00
GLL Properties Fund II LP	United States of America	100.00
GLL Properties 444 Noth Michig. LP	United States of America	100.00
GLL AMB Generali 200 State Street	Germany	100.00
GID Fonds AVAOT II	Germany	100.00
GID Fonds AVAOT III	Germany	100.00
GID Fonds ALRET	Germany	100.00
GID Fonds CERET	Germany	100.00
GID-Fonds CLRET	Germany	100.00
GID Fonds GLRET	Germany	100.00
GID Fonds DLRET	Germany	100.00
GID Fonds GDPRET	Germany	100.00

Company	Country	Group Equity Ratio
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 AARGT	Germany	100.00
Gentum Nr. 2	Germany	100.00
GID-Fonds GLRET 5	Germany	100.00
GID Fonds DLAET	Germany	100.00
GID-Fonds AAINF	Germany	100.00
GID-Fonds AAHYSL	Germany	98.20
GID-Fonds CLRET 2	Germany	100.00
GID-Fonds AACAGS	Germany	100.00
GID-Fonds AACBGS	Germany	96.96
GID-Fonds ALAET	Germany	100.00
GID-FONDS CLTGP	Germany	100.00
Generali Deutschland Alternative Investments GmbH & Co. KG	Germany	100.00
Generali Deutschland Alternative Investments Verwaltungs GmbH	Germany	100.00
vSPS Management GmbH	Germany	100.00
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
Thuringia Versicherungsvermittlungs-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
Generali European Retail Investments GmbH & Co. KG	Germany	100.00
AM RE Verwaltungs GmbH	Germany	100.00
AM Versicherungsvermittlung GmbH	Germany	100.00
ver.di Service GmbH	Germany	50.00
Dein Plus GmbH - Vorteile für Gewerkschaftsmitglieder	Germany	60.00
VOV GmbH	Germany	43.00
Louisen-Center Bad Homburg Verwaltungsgesellschaft mbH	Germany	94.90
Verwaltungsgesellschaft Marienplatz-Galerie Schwerin mbH	Germany	100.00
Generali IARD S.A.	France	98.86
Generali Vie S.A.	France	98.86
L'Equité S.A. Cie d'Assurances et Réass.contre les risques de toute nature	France	98.86

Company	Country	Group Equity Ratio
GFA Caraïbes	Martinique	98.86
Prudence Creole	Réunion	94.27
SAS Lonthènes	France	98.86
Europ Assistance France S.A.	France	99.99
Ocealis S.A.S.	France	74.99
Generali France S.A.	France	98.86
Europ Assistance Holding S.A.	France	99.99
Cofifo S.A.S.	France	98.86
Suresnes Immobilier S.A.S.	France	98.86
Haussmann Investissement SAS	France	98.86
Expert & Finance S.A.	France	97.33
SCI Terra Nova Montreuil	France	98.86
GEII Rivoli Holding SAS	France	99.61
Immobiliere Commerciale des Indes Orientales IMMOCIO	France	98.86
SAS IMMOCIO CBI	France	98.86
Europ Assistance S.A.	France	99.99
Europ Téléassistance S.A.S.	France	99.99
SCI Generali Reaumur	France	98.86
GEIH France OPCI	France	99.61
SCI du 54 Avenue Hoche	France	98.86
SCI 42 Notre Dame Des Victoires	France	98.86
SCI Generali Wagram	France	98.86
SCI du Coq	France	98.86
SCI Espace Seine-Generali	France	98.86
SCI GF Pierre	France	98.86
SCI Landy-Novatis	France	98.86
SCI Cogipar	France	98.86
SC Commerce Paris	France	98.86
SCI Landy-Wilo	France	98.86
SCI Generali Carnot	France	98.86
SCI Generali Commerce 1	France	98.86
SCI Generali Commerce 2	France	98.86
SCI Generali le Moncey	France	98.86
SC Generali Logistique	France	98.86
SCI Beaune Logistique 1	France	98.86
SCI Parcolog Lille Hénin Beaumont 2	France	98.86
SCI Iris La Défense	France	98.86
OPCI Parcolog Invest	France	98.86
SCI Parc Logistique Maisonneuve 1	France	98.86
SCI Parc Logistique Maisonneuve 2	France	98.86
SCI Parc Logistique Maisonneuve 3	France	98.86
SCI Parc Logistique Maisonneuve 4	France	98.86
SCI Parcolog Isle D'Abeau 1	France	98.86
SCI Parcolog Isle D'Abeau 2	France	98.86
SCI Parcolog Isle D'Abeau 3	France	98.86

Company	Country	Group Equity Ratio
SCI Parcolog Gondreville Fontenoy 2	France	98.86
SCI Parcolog Combs La Ville 1	France	98.86
SCI Parcolog Mitry Mory	France	98.86
SCI Parcolog Bordeaux Cestas	France	98.86
SCI Parcolog Marly	France	98.86
SC Parcolog Messageries	France	98.86
SCI Commerces Regions	France	98.86
SCI Thiers Lyon	France	98.86
SCI Iliade Massy	France	98.86
SAS Parcolog Lille Henin Beaumont 1	France	98.86
OPCI Generali Bureaux	France	98.86
OPCI Generali Residentiel	France	98.86
OPCI GB1	France	98.86
OPCI GR1	France	98.86
SCI 18-20 Paix	France	98.86
SCI Berges de Seine	France	98.86
SCI 6 MESSINE	France	98.86
SCI 204 Pereire	France	98.86
SCI du 33 avenue Montaigne	France	98.86
SCI 5/7 MONCEY	France	98.86
SCI 28 Cours Albert 1er	France	98.86
SC Novatis	France	98.86
SCI Bureaux Paris	France	98.86
Europ Assistance Océanie S.A.S.	French Polynesia	99.86
Cabinet Berat et Fils S.A.S.	France	98.86
ASSERCAR SAS	France	29.39
COSEV@D Société par actions simplifiée	France	98.86
Landy PVG S.A.S.	France	98.86
Generali Reassurance Courtage S.A.	France	98.86
Trieste Courtage S.A.	France	98.84
Generali 7 S.A.	France	98.78
PMC Treize Montluçon S.A.S.	France	98.86
Generali 9 S.A.S.	France	98.86
Generali 10 S.A.S.	France	98.86
Generali Gerance S.A.	France	98.60
EAP France SAS (*)	France	50.99
Bien Être Assistance S.A.S. (*)	France	50.99
Europ Assistance - IHS Services S.A.S.	France	99.99
Risque et Sérénité S.A.	France	60.46
MAPREG	France	24.98
GF Sante S.A.S.	France	98.86
ABT SAS	France	24.72
Metropole Assurances S.à r.l.	France	98.86
E3 S.a.r.l.	France	99.99
gconcierges S.A.S.	France	99.99

Company	Country	Group Equity Ratio
Reunnion Aerienne & spatiale	France	32.95
SAS 100 CE (*)	France	49.81
SCI Generali Pyramides	France	98.86
SCI Les 3 Collines Le Ferandou	France	47.75
SCI Font Romeu Neige et Soleil	France	98.86
SCI Parcolog Isle d'Abeau Gestion	France	98.86
SCE Château La Pointe	France	98.86
Bois Colombes Europe Avenue SCI (*)	France	49.43
SCI Pasquier (*)	France	49.43
SCI 9 Messine (*)	France	49.43
SCI Daumesnil (*)	France	49.43
SCI Malesherbes (*)	France	49.43
SCI 15 Scribe (*)	France	49.43
SCI CIC	Martinique	98.86
SCI GFA CARAIBES	Martinique	98.86
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	99.99
Generali Sales Promotion 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
SW13	Austria	99.61
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 Spezialfonds 6	Austria	75.00
3 Banken-Generali - GNLStock	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
Generali Vermögensberatung GmbH	Austria	100.00
M.O.F. Immobilien AG	Austria	20.00
Generali FinanzService GmbH	Austria	100.00
3 Banken-Generali Investment-Gesellschaft m.b.H. (*)	Austria	48.57

Company	Country	Group Equity Ratio
Risk-Aktiv Versicherungsservice GmbH	Austria	100.00
BONUS Vorsorgekasse AG (*)	Austria	50.00
Generali Telefon- und Auftragsservice GmbH	Austria	100.00
Generali Betriebsrestaurants GmbH	Austria	100.00
Car Care Consult Versicherungsvermittlung GmbH	Austria	100.00
TTC - Training Center Unternehmensberatung GmbH	Austria	74.99
Global Private Equity Holding AG	Austria	23.02
Generali European Retail Investments Holdings S.A.	Luxembourg	99.51
Generali Luxembourg S.A.	Luxembourg	98.86
Generali Investments Luxembourg S.A.	Luxembourg	99.61
Generali Real Estate Luxembourg S.à r.l.	Luxembourg	100.00
Generali North American Holding 1 S.A.	Luxembourg	98.96
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	99.61
GRE PAN-EU Munich 1 S.à r.l.	Luxembourg	99.61
Generali European Real Estate Investments S.A.	Luxembourg	99.51
Frescobaldi S.à.r.l.	Luxembourg	99.51
GLL AMB Generali Cross-Border Property Fund FCP	Luxembourg	100.00
BG Fund Management Luxembourg S.A.	Luxembourg	50.30
GLL AMB Generali City22 S.à.r.l.	Luxembourg	100.00
Corelli S.à.r.l.	Luxembourg	99.51
Torelli S.à.r.l.	Luxembourg	99.51
Sammartini S.A.	Luxembourg	99.51
GLL AMB Generali Bankcenter S.à.r.l.	Luxembourg	100.00
Generali Diversification USD Investment Grade Corporate Bond Fund	Luxembourg	98.51
Generali Diversification USD Corporate Bond Fund AAA - A-	Luxembourg	100.00
Generali Financial Holding FCP-FIS - Sub-Fund 2	Luxembourg	99.89
Point Partners GP Holdco S.à r.l. (*)	Luxembourg	24.88
Point Partners Special Limited Partnership (*)	Luxembourg	24.88
Holding Klege S.à.r.l. (*)	Luxembourg	49.76
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	99.98
Europ Assistance Servicios Integrales de Gestion, S.A.	Spain	99.98
Coris Gestión de Riesgos, S.L.	Spain	99.98
Generali España Holding de Entidades de Seguros S.A.	Spain	100.00
Hermes Sociedad Limitada de Servicios Inmobiliarios y Generales	Spain	99.90
Vitalicio Torre Cerdà S.l.	Spain	99.90
Grupo Generali España Agrupación de Interés Económico	Spain	99.90
GLL City22 S.L.	Spain	100.00
Cafel Inversiones 2008, S.L.	Spain	99.51
Europ Assistance Travel S.A.	Spain	99.98

Company	Country	Group Equity Ratio
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 de Assistencia, S.A.	Portugal	52.99
Europ Assistance - Serviços de Assistencia Personalizados S.A.	Portugal	52.95
Keviana – Empreendimentos Imobiliários, S.A.	Portugal	98.86
Ponte Alta - Consultoria e Assistência, Lda	Portugal	52.99
Generali Belgium S.A.	Belgium	99.99
Generali Real Estate Investments B.V.	Netherlands	99.99
Europ Assistance Belgium S.A.	Belgium	99.99
Europ Assistance Services S.A.	Belgium	99.99
GRE PAN-EU Brussels 1 s.p.r.l.	Belgium	99.61
Dedale S.A.	Belgium	99.97
Co & Co Assurance Sprl	Belgium	99.91
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
Generali Levensverzekering Maatschappij N.V.	Netherlands	98.54
Generali Schadeverzekering Maatschappij N.V.	Netherlands	98.54
Generali Real Estate Investments Netherlands B.V.	Netherlands	98.54
Participatie Maatschappij Graafschap Holland N.V.	Netherlands	100.00
Generali Nederland N.V.	Netherlands	98.54
B.V. Algemene Holding en Financierings Maatschappij	Netherlands	100.00
Generali Finance B.V.	Netherlands	100.00
Redoze Holding N.V.	Netherlands	100.00
Generali Asia N.V.	Netherlands	100.00
Generali Turkey Holding B.V.	Netherlands	100.00
Saxon Land B.V.	Netherlands	99.66
Lion River I N.V.	Netherlands	99.65
Generali Horizon B.V.	Netherlands	100.00
Lion River II N.V.	Netherlands	99.98
Generali CEE Holding B.V.	Czech Republic	100.00
CZI Holdings N.V.	Netherlands	100.00
CP Strategic Investments N.V.	Netherlands	100.00
Admirant Beheer B.V. (*)	Netherlands	49.27
C.V. Admirant (*)	Netherlands	49.27
Amulio Governance B.V.	Netherlands	49.99
Sigma Real Estate B.V. (*)	Netherlands	22.23
Nederlands Algemeen Verzekeringskantoor B.V.	Netherlands	98.54
Anac All-Finance Nederland Advies Combinatie B.V.	Netherlands	98.54
Anac B.V.	Netherlands	98.54
Stoutenburgh Adviesgroep B.V.	Netherlands	98.54
MyDrive Solutions Limited	United Kingdom	100.00
Generali Saxon Land Development Company Ltd	United Kingdom	99.66
Generali Worldwide Insurance Company Limited	Guernsey	100.00

Company	Country	Group Equity Ratio
Generali Portfolio Management (CI) Ltd	Guernsey	100.00
Société Robert Malatier Ltd	United Kingdom	32.95
Ioca Entertainment Limited (*)	United Kingdom	17.60
Generali PanEurope dac	Ireland	100.00
Genirland Limited	Ireland	100.00
Generali Link Limited	Ireland	100.00
Europ Assistance A/S	Denmark	99.99
Generali Hellas Insurance Company S.A.	Greece	100.00
Citadel Insurance plc	Malta	20.16
Generali Biztosító Zrt.	Hungary	100.00
Europai Utazasi Biztosito Rt.	Hungary	70.75
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
Europ Assistance Magyarorszag Kft	Hungary	99.99
Famillio Befektetési és Tanácsadó Korlátolt Felelösségü Társaság	Hungary	100.00
GP Consulting Pénzügyi Tanácsadó Kft.	Hungary	100.00
AUTOTÁL Biztosítási Szolgáltató Kft	Hungary	100.00
Shaza & Toptorony zrt (*)	Hungary	50.00
Generali Pojistovna a.s.	Czech Republic	100.00
Generali Velky Spalicek S.r.o.	Czech Republic	100.00
ČP Distribuce s.r.o.	Czech Republic	100.00
PCS Praha Center Spol.s.r.o.	Czech Republic	100.00
Direct Care s.r.o.	Czech Republic	100.00
Pařížská 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
Náměstí Republiky 3a, s.r.o.	Czech Republic	100.00
Mustek Properties s.r.o.	Czech Republic	100.00
Ceská Pojištovna a.s.	Czech Republic	100.00
Penzijní spolecnost Ceské Pojištovny, a.s.	Czech Republic	100.00
Ceská pojištovna ZDRAVI a.s.	Czech Republic	100.00
Generali Investments CEE, Investicní Spolecnost, a.s.	Czech Republic	100.00
FINHAUS a.s.	Czech Republic	100.00
Acredité s.r.o.	Czech Republic	100.00
Generali Real Estate Fund CEE a.s.	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
Europ Assistance s.r.o.	Czech Republic	99.99
Nadace GCP	Czech Republic	100.00
Generali Poisťovňa, a.s.	Slovakia	100.00
Green Point Offices a.s.	Slovakia	100.00

Company	Country	Group Equity Ratio
VUB Generali dôchodková správcovská spolocnosť, a.s. (*)	Slovakia	50.00
Generali IT S.r.o.	Slovakia	100.00
GSL Services s.r.o.	Slovakia	100.00
Generali Towarzystwo Ubezpieczen S.A.	Poland	100.00
Generali Zycie Towarzystwo Ubezpieczen S.A.	Poland	100.00
Generali Finance spólka z ograniczona odpowiedzialnoscia	Poland	100.00
Generali Powszechne Towarzystwo Emerytalne S.A.	Poland	100.00
PL Investment Jerozolimskie I SP. Z o.o.	Poland	100.00
PL Investment Jerozolimskie II SP. Z o.o.	Poland	100.00
Europ Assistance Polska Sp.zo.o.	Poland	99.99
Generali Zavarovalnica d.d.	Slovenia	100.00
Generali Societate de Administrare a Fondurilor de Pensii Private S.A.	Romania	100.00
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
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
CPM Internacional d.o.o.	Croatia	100.00
Generali Assurances Générales SA	Switzerland	99.93
Generali Personenversicherungen AG	Switzerland	99.99
Fortuna Rechtsschutz-Versicherung-Gesellschaft AG	Switzerland	100.00
Europ Assistance (Suisse) S.A.	Switzerland	69.99
Europ Assistance (Suisse) Assurances S.A.	Switzerland	69.99
Europ Assistance (Suisse) Holding S.A.	Switzerland	69.99
Generali (Schweiz) Holding AG	Switzerland	100.00
Fortuna Investment AG	Switzerland	100.00
Generali Group Partner AG	Switzerland	100.00
Fortuna Lebens-Versicherungs AG	Liechtenstein	100.00
GW Beta	Jersey Channel Island	100.00
Generali Sigorta A.S.	Turkey	99.95
Europ Assistance Yardim ve Destek Hizmetleri Ticaret Anonim Sirketi	Turkey	99.98
Akcionarsko društvo za osiguranje Generali Osiguranje Montenegro	Montenegro	100.00
Akcionarsko društvo za osiguranje Generali Osiguranje Srbija	Serbia	100.00
Akcionarsko društvo za reosiguranje Generali Reosiguranje Srbija	Serbia	100.00
Akcionarsko društvo za upravljanje dobrovoljnim penzijskim fondom Generali	Serbia	100.00
Blutek Auto d.o.o.	Serbia	100.00
Europ Assistance d.o.o. za posredovanje u osiguranju	Serbia	99.99
Europ Assistance CEI OOO	Russia	99.99
Generali Realties Ltd	Israel	100.00
Generali Global Assistance Inc.	United States of America	99.99
Europ Assistance North America, Inc.	United States of America	99.99
Customized Services Administrators Inc.	United States of America	99.99

Company	Country	Group Equity Ratio
GMMI Inc.	United States of America	99.99
Transocean Holding Corporation	United States of America	100.00
General Securities Corporation of North America	United States of America	99.61
GNAREH 1 Farragut LLC	United States of America	99.61
GNAREI 1 Farragut LLC	United States of America	99.61
Genamerica Management Corporation	United States of America	100.00
Generali Consulting Solutions LLC	United States of America	100.00
Generali Claims Solutions LLC	United States of America	100.00
Montcalm Wine Importers Ltd	United States of America	80.00
GLL 200 State Street L.P. (*)	United States of America	49.90
Europ Assistance Canada Inc.	Canada	99.99
CMN Global Inc.	Canada	99.99
Caja de Seguros S.A.	Argentina	90.10
Caja de Ahorro y Seguro S.A.	Argentina	90.00
Ritenere S.A.	Argentina	90.00
Pluria Productores de Seguros S.A.	Argentina	86.40
Europ Assistance Argentina S.A.	Argentina	55.76
Generali Brasil Seguros S.A.	Brazil	100.00
Generali Latam Prestação de Serviços e Partecipações Ltda.	Brazil	100.00
Europ Assistance Brasil Serviços de Assistência S.A.	Brazil	26.50
EABS Serviços de Assistencia e Partecipaçoes S.A.	Brazil	26.50
CEABS Serviços S.A.	Brazil	26.50
Asesoria e Inversiones Los Olmos SA	Chile	44.57
AFP Planvital S.A.	Chile	38.38
Magister Internacional S.A.	Chile	38.37
Europ Servicios S.p.A.	Chile	38.98
Europ Assistance SA	Chile	38.98
Generali Colombia Vida - Compañia de Seguros S.A.	Colombia	93.26
Generali Colombia Seguros Generales S.A.	Colombia	91.34
Generali Ecuador Compañía de Seguros S.A.	Ecuador	52.45
La Nacional Compañia Inmobiliaria (Lancia) C.A.	Ecuador	52.45
Europ Assistance (Bahamas) Ltd	Bahamas	99.98
Care Management Network Inc.	Bahamas	99.98
Generali Pacifique NC	New Caledonia	98.86
Cabinet Richard KOCH	New Caledonia	98.86
Europ Assistance Pacifique	New Caledonia	99.99
Aseguradora General S.A.	Guatemala	51.00
Atacama Investments Ltd	British Virgin Islands	44.06
PT Asuransi Jiwa Generali Indonesia	Republic of Indonesia	98.00
PT Generali Services Indonesia	Republic of Indonesia	98.86
Future Generali India Life Insurance Company Ltd (*)	India	25.50
Future Generali India Insurance Company Ltd (*)	India	25.51
Europ Assistance India Private Ltd	India	99.99

Company	Country	Group Equity Ratio
Europ Assistance (Taiwan) Ltd	Taiwan	99.99
MPI Generali Insurans Berhad (*)	Malaysia	49.00
Generali Life Assurance Philippines, Inc.	Philippines	100.00
Generali Life Assurance (Thailand) Co. Ltd	Thailand	89.30
Generali Insurance (Thailand) Co. Ltd	Thailand	84.52
IWF Holding Company Ltd	Thailand	94.67
KAG Holding Company Ltd	Thailand	94.98
FTW Company Limited	Thailand	90.57
MGD Company Limited	Thailand	90.57
DWP Partnership	Thailand	90.57
Generali Vietnam Life Insurance Limited Liability Company	Vietnam	100.00
Generali China Life Insurance Co. Ltd	China	50.00
Generali China Assets Management Company Co. Ltd	China	40.00
GIAF Financial Limited	China	89.00
Generali China Insurance Co. Ltd (*)	China	49.00
Europ Assistance Travel Assistance Services (Beijing) Co Ltd	China	99.99
Guotai Asset Management Company (*)	China	30.00
Shanghai Sinodrink Trading Company, Ltd	China	45.00
Generali Services Pte Ltd	Singapore	100.00
Europ Assistance Worldwide Services Pte Ltd	Singapore	99.99
Generali Financial Asia Limited	Hong Kong	89.00
Generali Life (Hong Kong) Limited	Hong Kong	100.00
Generali Investments Asia Limited	Hong Kong	99.61
NKFE Insurance Agency Company Limited	Hong Kong	89.00
Europ Assistance (Macau) - Serviços De Assistência Personalizados, Lda.	Macau	37.10
Europ Assistance Worldwide Services (South Africa) (Pty) Ltd	South Africa	87.49
HealthiChoices (Pty) Limited	South Africa	44.18
Europ Assistance Financial Services (Pty) Ltd	South Africa	50.74
EASA Training Academy (Pty) Ltd	South Africa	87.49
24 Fix (Pty) Ltd	South Africa	78.74
Access Health Africa (Proprietary) Limited	South Africa	87.49
Randgo Rewards (Pty) Ltd	South Africa	43.83
Buxola (Pty) Ltd	South Africa	43.83
MRI Criticare (Pty) Limited	South Africa	87.49
Europ Assistance IHS (Proprietary) Limited	South Africa	98.11
Europ Assistance IHS Services Angola Limitada	Angola	89.99
EA-IHS Services Nigeria Limited	Nigeria	99.99
Assurances Maghrebia S.A.	Tunisia	44.17
Assurances Maghrebia Vie S.A.	Tunisia	22.08
Europ Assistance – IHS Services Cameroun, Société à Responsabilité Limitée Unipersonnelle	Cameroon	99.99
EA-IHS Services Congo Sarl	Congo	99.99
Europ Assistance Niger SARLU	Niger	99.99

QUANTITATIVE REPORTING TEMPLATES

The following public QRTs are provided in excel format and are available on the Generali Group website:

S.02.01 Balance Sheet

S.05.01 Premiums, claims and expenses by line of business

S.05.02 Premiums, claims and expenses by country

S.22.01 Impact of long term guarantees measures and transitionals

S.23.01 Own funds

S.25.02 Solvency Capital Requirement – for undertakings using the standard formula and partial internal model

S.32.01 Undertakings in the scope of the group

Independent Auditor's Report

Building a better working world

Assicurazioni Generali S.p.A.

Group Solvency and Financial Condition Report
as at December 31, 2016

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

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

(Translation from the original Italian text)

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

We have audited the following reporting templates ("the Reporting Templates") attached to the Solvency and Financial Condition Report of Generali Group as at December 31, 2016 ("the SFCR"), prepared pursuant to article 47-septies of Legislative Decree 209/2005:
- "S.02.01.02 Balance Sheet";
- "S.23.01.22 Own funds";

and related disclosures included in sections "D. Valuation for solvency purposes" and "E.1. Own funds" of the SFCR.

As required by paragraphs n. 9 and n. 10 of IVASS Letter to the market dated 7 December 2016:
- our procedures on the reporting template "S.02.01.02 Balance Sheet" do not extend to the components of technical provisions related to risk margin (items R0550, R0590, R0640, R0680 and R0720);
- our procedures on the reporting template "S.23.01.22 Own funds" do not extend to the Group Solvency Capital Requirement (item R0680) and to the Minimum Consolidated Group Capital Requirement (item R0610);

consequently, they are excluded from our opinion.

Directors' responsibilities

The Directors are responsible for the preparation of the Reporting Templates and related disclosures in compliance with the applicable European Union regulations and the national sectoral regulation and for such internal control as management determines is necessary to enable the preparation of the Reporting Templates and related disclosures free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on the Reporting Templates and related disclosures based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Reporting Templates and related disclosures are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Reporting Templates and related disclosures. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the Reporting Templates and related disclosures, whether due to fraud or error. In making our risk assessment, the auditor considers internal control relevant to the entity's preparation of the Reporting Templates and related disclosures in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the 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.

Opinion

In our opinion, the Reporting Templates "S.02.01.02 Balance Sheet" and "S.23.01.22 Own funds" and related disclosures included in sections "D. Valuation for solvency purposes" and "E.1. Own funds" of the Solvency and Financial Condition Report of Generali Group as at December 31, 2016 have been prepared, in all material respects, in accordance with the applicable European Union regulations and the national sectoral regulation.

Basis for preparation, purpose and limitation of use

The Reporting Templates and related disclosures have been prepared based on the criteria described in section "D. Valuation for solvency purposes" and for solvency supervision purposes. As a result, they may not be suitable for other purposes.

Other aspects

Our independent auditor's report pursuant to articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010 and with article 102 of Legislative Decree n. 209, dated 7 September 2005 on the consolidated financial statements of Generali Group as at December 31, 2016 was issued on March 30, 2017.

Trieste, 29 June 2017

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

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

Editing
Group Integrated Reporting

Coordination
Group Communications
& Public Affairs

The document is
available on
www.generali.com

Illustrations
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