Annual **Integrated Report** and **Consolidated Financial Statements** 2017

GENERALI

186th year | **generali.com**

Annual **Integrated Report** and **Consolidated Financial Statements** 2017

Please note that the Report is translated into English solely for the convenience of international readers.

Corporate bodies
as at 14 March 2018

Chairman
Gabriele Galateri di Genola

Vice Chairman
Francesco Gaetano Caltagirone
Clemente Rebecchini

Managing Director and Group CEO
Philippe Donnet

Board members
Romolo Bardin
Ornella Barra
Paolo Di Benedetto
Alberta Figari
Diva Moriani
Lorenzo Pellicioli
Roberto Perotti
Sabrina Pucci
Paola Sapienza

Board of Statutory Auditors
Carolyn Dittmeier (Chairwoman)
Antonia Di Bella
Lorenzo Pozza
Francesco Di Carlo (Substitute auditor)
Silvia Olivotto (Substitute auditor)

Board secretary
Giuseppe Catalano

Company established in Trieste in 1831
Share capital € 1,561,808,262 fully paid-up
Registered office in Trieste, piazza Duca degli Abruzzi, 2
Tax code and Company Register no. 00079760328
Company entered on the Register of Italian insurance and reinsurance companies under no.1.00003 Parent Company of the Generali Group, entered on the Register of insurance groups under no. 026
Certified email (Pec): assicurazionigenerali@pec.generaligroup.com

ISIN: IT0000062072
Reuters: GASI.MI
Bloomberg: G:IM

Contacts available at the end of the document

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integratedreport2017.generali.com/en
for the online Report

The **integrated overview** of our reports

We report the story of our Group in an increasingly innovative and integrated manner: the story of how we create value is found within the Annual Integrated Report which is our core report[1] centred on key financial and non-financial information while - by means of other reports and channels

Annual Integrated Report
This report provides a concise and integrated view of the financial and non-financial performance of the Group, even in response to legislative decree 254/2016.

Annual Integrated Report and Consolidated Financial Statements
This report expands the content of the Annual Integrated Report, providing details of the Group's financial performance in compliance with national and international regulations.

Corporate Governance and Share Ownership Report
This report illustrates the corporate governance system of Assicurazioni Generali and its ownership structure.

About the **Annual Integrated Report**

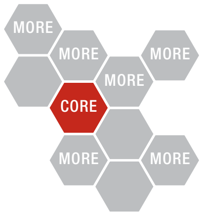
This Report provides an overview of the Group's sustainable value creation process, reporting current and outlook financial and non-financial information and highlighting the connections between the context in which we carry on our business, our strategy and our corporate governance structure.

The Report is drafted in compliance with currently effective regulations, including legislative decree 254/2016 (Leg. Decree 254/16) concerning the disclosure of non-financial information relating to:

- environmental matters;
- social matters;
- employee matters;
- respect for human rights;
- anti-corruption and bribery matters.

NFS

1 Core&More: new corporate reporting approach developed by Accountancy Europe which provides for a core report, that contains a summary of all key information required to evaluate and understand the company, and more reports including more detailed information. www.accountancyeurope.eu for more in-depth information



of communication (our more reports[1]) we present more detailed and supplementary information, some of which targets a specialized audience. The information of the Annual Integrated Report is therefore connected to the in-depth information, thus enhancing the integrated thinking.

Remuneration Report
This report provides specific information about the remuneration policy adopted by the Group and its implementation.

Management Report and Parent Company Financial Statements
This report provides information on the performance of Assicurazioni Generali, in accordance with currently effective regulations.

generali.com
for further information about the Group.

For the purposes of simplifying the fulfilments required by the decree and also promoting greater accessibility to published non-financial information, the latter is clearly identified within this Report, even through the use of the infographic, as shown in the margin.

This Report also complies with the criteria of the International <IR> Framework issued by the International Integrated Reporting Council (IIRC). The standard adopted for the disclosure of the matters identified by the Group, especially of those non-financial ones envisaged by Leg. Decree 254/16, is the Consolidated Set of GRI Sustainability Reporting Standards, issued in 2016 by the GRI - Global Reporting Initiative (GRI-Referenced claims), with reference to selected GRI Standards and indicators of the GRI G4 Financial Services Sector Disclosures, as detailed in the Note to the Management Report.

The sections of the Report containing the aforementioned topics and information on the materiality determination process as well as the adopted reporting standards and criteria are illustrated in the Consolidated Non-Financial Statement.

p. 120 NFS

Responsibility for the Annual Integrated Report

The Board of Directors of Assicurazioni Generali is responsible for the Annual Integrated Report which complies with the Guiding Principles and Content Elements required by the International <IR> Framework, and agrees with the approach for its preparation and presentation.

Letter from the **Chairman** and the **Group CEO**

Generali closed another year with excellent results and strengthened its positions as one of the most important players in the insurance industry. These results demonstrate that the Group is increasingly solid, efficient and innovative, and that it is able to effectively handle the challenges distinguishing our industry and that are becoming deeply intertwined with the global and interdependent changes in the society.

The gradual change in the demographic structure, the climate change, the technology that is more and more widespread and sophisticated, and the new events - at times unsettling - taking place in international politics are just a few elements of the environment in which an operator like Generali has the mission to manage risk. On the other hand, the needs of customers and the possibility they have to choose from diversified and increasingly personalised solutions are growing each day and opening doors to business opportunities unheard of until now.

In economic, industrial and capital terms, the Group presented an operating result once again marked by growth and the best profit of the last three years, increasingly higher quality and premium income and a strengthened capital position. All this confirms the soundness of the strategy launched two years ago and that will be completed in 2018 before starting a new three-year period that - and of this we are sure - will be just as satisfactory.

We carried ambitious projects forward in 2017. We implemented the new asset management strategy to develop and perfect an area that is becoming more and more integrated with the insurance area, with the objective of enriching our expertise and of offering tailor-made solutions to companies and the retail customers in order to reach € 500 billion by 2020.
We continued with the reorganisation of Generali Deutschland in Germany and entered a new stage focussed on strengthening its operating performance and on increasing the value creation over the long term. During the year, the Group continued its geographical optimisation plan that sets out to boost our presence in the most interesting markets and to free at least € 1 billion in resources from the less profitable ones.

2017 was also the year in which we started up The Human Safety Net, one of the most ambitious social projects of our almost 200 years of history. It is an initiative that has global reach, and its target is to connect and activate millions of people around the world to involve them in projects that make an enormous impact on the chosen local communities thanks to the contribution of our Group's employees. In this way we started initiatives dedicated to equal opportunities for those children who grow up in poverty, to the entrepreneurial potential of refugees and to the prevention and treatment of neonatal asphyxia.
We located the offices of The Human Safety Net in St Mark's Square in Venice, in Palazzo delle Procuratie Vecchie, which will be restored with a visionary project of extraordinary historic restoration.

We then further innovated our way of reporting thanks to an important stage along our accountability path: in this Report, we are publishing the Consolidated Non-Financial Statement for the first time to provide an integrated understanding of all our activities. In 2017, we also renewed our Charter of Sustainability Commitments that defines what it means to do business in a responsible manner. It singles out a precise category of priorities resulting from the ongoing dialogue we have with our stakeholders, and it commits us to the constant monitoring of progress made in this area.

The Assicurazioni Generali brand is old, full of history and prestige. In recent years, the Group has turned into a modern multinational with a vocation for customer centricity, and has been able to combine its heritage with technology in order to find increasingly innovative solutions. However, there is another vocation that distinguishes us: that for the human factor, for talent and for our people, whether they are employees, agents or collaborators. Without them, it would have been impossible to build the group that we have become and to attain the results we achieved in 2017. A special thanks goes to them this year as well.

Gabriele Galateri di Genola *Philippe Donnet*

We, **Generali**

Group **highlights**[2]

Glossary available at the end of this document

Gross written premiums

-0.2%

€ 68,537 mln

Of which € 11,272 mln premiums with social value and € 676 premiums with environmental value[3]

NFS

Operating result

+2.3%

€ 4,895 mln

Operating return on equity

+0.0 pps

13.4%

Net profit

+1.4%

€ 2,110 mln

Proposed dividend per share

+6.3%

€ 0.85

Proposed total dividends

+6.5%

€ 1,330 mln

Solvency II ratio

Regulatory
+30 pps

208%

Economic
+36 pps

230%

Total Asset Under Management (AUM)

+5.0%

€ 542 bln

Of which € 345 bln direct investments to which the RIG is applied (+7.1%) and € 37.2 bln SRI (+21.2%)[4]

NFS

Our people

71,327 (-3.3%)

11% female in the top management[5] (-2 pps)

80% engagement rate (-2 pps vs 2015)

NFS

Our clients

57 mln (+4.9%)

Our exclusive distributors

155 thousand (+3.3%)

NFS

Total emissions[6]

NFS

t 112,782 CO_2e (-9.5% vs base year 2013)

2 All changes in this Report are calculated on 2016, unless otherwise reported. Changes in premiums, life net cash inflows and Annual Premium Equivalent (APE) are on a like-for-like basis, i.e. at equivalent exchange rates and consolidated scope. Changes in Operating result, Asset Under Management and Operating ROE consider 2016 comparative data restated due to the divestments in Dutch and Irish businesses in accordance with IFRS 5. Please refer to the paragraph Changes in the presentation of the performance indicators of the Group in the Note to the Management Report for further information.

3 Premiums with social and environmental value refer to companies representing 93.5% of total Group direct premiums.

4 RIG is the Responsible Investment Guideline that codifies responsible investment activities at Group level. SRI are assets managed according to Generali Investment

Life

Increasing operating result thanks to the investment performance.
The trend in premiums continued to embed the approach in the offering that is even more disciplined. Life net cash inflows of more than € 9.7 bln, remaining at the highest levels in the market.

Gross written premiums

-1.0%

€ 47,788 mln

Life net cash inflows € 9,718 mln (-17.1%)

NBV

+53.8%

€ 1,820 mln

Operating result

+1.8%

€ 3,141 mln

P&C

Positive trend in premiums thanks to both lines of business.
Operating result including € 416 mln CAT claims. Group Cor is confirmed at best level.

Gross written premiums

+1.7%

€ 20,749 mln

Cor

+0.5 pps

92.8%

Operating result

-4.9%

€ 1,972 mln

www.generali.com/our-responsibilities/performance/Ethical-indices--

Europe's SRI (Socially Responsible Investment) proprietary methodology (two funds and three mandates) both on behalf of Group insurance companies and third-party clients.

5 Top management refers to the Generali Leadership Group (GLG).

6 Total emissions refer to 44% of the total Group employees in the following countries: Austria, France, Germany, Italy, Czech Republic, Spain and Switzerland.

Our **history**

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 400 companies and over 71 thousand employees.

www.generali.com/who-we-are/history

1831

Assicurazioni Generali Austro-Italiche were established in Trieste, that was the ideal choice at the time as a commercial and international hub located in the main port of the Austro-Hungarian Empire.

1832-1914

The positive economic and social context, the keen business acumen of the founding fathers and Trieste's strategic geographical position allowed Generali to grow and thrive: it was listed on the Trieste stock exchange in 1857 and became a Group in 1881. As a consequence, subsidiaries were founded in Italy and abroad, starting with Erste Allgemeine, established in Vienna in 1882.

1915-1918

The First World War affected the whole Europe. After the Allied victory over the Central Powers, Trieste became part of Italy: as a result, Generali became an Italian company.

1919-1945

Generali returned to the growth that had been temporarily interrupted during World War I.
In line with what was going on in Italy in those years when public construction activities and agriculture were strongly boosted through the policies adopted by the government, Generali made significant investments in agriculture and real estate starting from 1933. With the outbreak of World War II, the Group lost contact with its subsidiaries located in ‘enemy’ countries: one of the most complex periods of its bicentenary history began.

1946-2010

After World War II, Trieste’s future appeared uncertain: in 1947, Generali transferred its registered office to Rome to formalize its position as an Italian company. The Group resumed its expansion during the Italian economic boom years. An agreement was signed with the US-based Aetna in 1966, and in 1974 Genagricola was founded, which heads all agricultural activities of the Group. Generali transferred its registered office from Rome back to Trieste in 1990. Genertel, the first direct insurance company in Italy, was established in 1994. The Group took control of the AMB group in 1997 to promote growth in the German market.
Banca Generali was established in 1998 in order to concentrate all asset management activities and services under one umbrella. There were some acquisitions in the first decade of the new millennium, e.g. INA and Toro, and joint ventures were launched in Central and Eastern Europe and Asia.

2011-2016

Recent years have driven a new phase of change, with a new top management and a corporate reorganization. The Group presented the update of its strategic plan at the Investor Day in November 2016, which aims to set out a new business model and confirm the achievement of the already announced targets by 2018.

Our strategy, p. 30

2017 **key facts**

www.generali.com/media/press-releases/all

January

On 25 January, the Board of Directors of Assicurazioni Generali terminated its employment contract with Alberto Minali and appointed Luigi Lubelli as Group CFO, who also joined the Group Management Committee. It also decided that the Investments Committee would expand its responsibilities to strategically relevant operations, so its name was changed to the Investments and Strategic Operations Committee.

Marco Sesana, Country Manager of Italy, and Timothy Ryan, incoming Group Chief Investment Officer, became members of the Group Management Committee.

On 23 January, Assicurazioni Generali communicated that it had acquired voting rights on 505 million shares of Intesa Sanpaolo S.p.A., equal to 3.01% of the share capital, through a securities lending transaction.

February

Generali Finance B.V. exercised the early redemption option on the perpetual subordinated bond on 8 February for an amount totalling € 869 million. This debt had already been refinanced through the subordinated bond, concluded on 8 June 2016, for an overall amount of € 850 million, targeting institutional investors.

March

On 15 March, the Board of Directors of Assicurazioni Generali approved the appointment of Aldo Mazzocco as the new CEO and General Manager of Generali Real Estate; he became a member of the Board of Directors of Generali Real Estate in June.

The new Charter of Sustainability Commitments of the Group was approved by the Board of Directors of Assicurazioni Generali. This document outlines the position of Generali with respect to sustainability as well as its commitments to stakeholders.

www.generali.com/our-responsibilities/responsible-business/charter_sustainability_commitments-

April

On 20 April, Assicurazioni Generali completed the share capital increase in execution of the Long Term Incentive Plan approved by the Shareholders' Meeting of the Company on 30 April 2014. The share capital of Assicurazioni Generali, fully subscribed and paid up, is subdivided into 1,561,808,262 ordinary shares of € 1 each (par value).

On 26 April - and following Fitch's recent downgrade of Italy's sovereign rating to 'BBB' from 'BBB+', with Stable Outlook - the agency announced that it has affirmed Generali's and its subsidiaries' IFS ratings at A-. The Outlooks are Stable. Fitch explained that the ratings are two notches higher than Italy's sovereign rating (BBB/Stable), "in recognition of Generali's resilient capital position and strong geographical diversification (with around 60% of operating result from outside Italy), including significant operations in France and Germany with strong market positions".

On 27 April, the ordinary and extraordinary Shareholders' Meeting of Assicurazioni Generali appointed the Board of Statutory Auditors for the three-year period 2017-2019, electing Carolyn Dittmeier (Chairwoman), Lorenzo Pozza and Antonia Di Bella as auditors and Francesco Di Carlo and Silvia Olivotto as substitute auditors. The members of the Board of Statutory Auditors declared that they met the conditions of professionalism, respectability and independence.

Our governance, p. 36

May

The new strategy for the Asset Management division was announced on 11 May. The objective is to address the needs of insurance companies and individuals in a low interest rate environment and supporting Generali's shift towards a greater contribution from fee-based business. The new Asset Management strategy is based on two pillars: broadening the investment capabilities and offering bespoke investment solutions to European companies and savings products to individual clients. This division will broaden investment capabilities and enlarge product offering to reach € 500 billion of assets under management by 2020.

Our strategy, p. 30

On 30 May, Assicurazioni Generali sold 510 million ordinary shares of Intesa Sanpaolo S.p.A., amounting to 3.04% of the share capital, and which had been acquired in January. At the same time, Generali ended the collateralized derivative transaction, settled on 17 February, in order to fully hedge the economic risk related to the acquisition of these shares. The Generali Group maintains a marginal exposure to Intesa Sanpaolo shares as an ordinary financial investment.

June

Effective as of 1 June, Jean-Laurent Granier joined the Generali Group as Country Manager and Président Directeur Général (PDG) of Generali France. He also joined the Group Management Committee. Eric Lombard resigned from the Group.

July

Generali returned to the Insurance Linked Securities (ILS) market with a € 200 million catastrophe bond on floods and windstorms in Europe and earthquakes in Italy, through a reinsurance agreement with Lion II Re DAC, an Irish special purpose company, providing per occurrence cover in respect to any mentioned events which occur to the Generali Group over a four-year period. The Lion II Re transaction transfers part of these risk to the bond investors allowing for a more optimized protection for the Group against catastrophes.

On 19 July, an agreement was signed for the transfer of the shareholding in the Colombian companies[7], equivalent to 91.3% of Generali Seguros and to 93.3% of Generali Vida. The operation is subject to approval from the competent authorities. The sale of the shareholding in the Guatemala subsidiary[7] was also completed.

August

On 1 August, the Board of Directors of Assicurazioni Generali appointed Nora Gürtler as Head of Group Audit as from 1 October.

On 7 August, an agreement for the sale of its assets in Panama[7] was undersigned. The operation is subject to approval from the competent authorities.

September

On 13 September, an agreement for the transfer of the entire shareholding in Generali Nederland N.V.[7] was undersigned with an initial compensation of € 143 million, subject to adjustment on the closing date of the operation as well as approval, inter alia, from the competent authorities. The operation was completed in February 2018.

On 28 September, the subsequent phase of industrial transformation of Generali Deutschland was initiated in order to strengthen operational performance and increase value creation in the long term.

October

On 18 October, the Board of Directors of Assicurazioni Generali deliberated in favour of the entry - within the Group Management Committee - of Isabelle Conner, Group Chief Marketing & Customer Officer, and of Monica Alessandra Possa, Group Chief HR & Organization Officer; it also deliberated in favour of the mutually agreed resignation of Valter Trevisani, Group Chief Insurance Officer.

The Human Safety Net, a new Group initiative for the community, was launched.

Vision, Mission, Values, p. 21

November

In Paris, the Argus de l'Assurance digitale award within the "Best mobile strategy" category was received for the Mobile Hub product, a mobile app launched internationally and known in France as Mon Generali. The award, assigned by one of the most prestigious specialized magazines, L'Argus de l'Assurance, is in recognition of the Group's commitment to realize its strategic plan with an increasingly digital and innovative approach which will render Generali simpler, smarter, faster.

December

On 18 December, an agreement for the transfer of the entire shareholding in Generali PanEurope[7] was undersigned with an initial compensation of € 230 million, subject to adjustment on the closing date of the operation. The operation is subordinate, inter alia, to approval from the competent authorities and its completion is expected within the first half of 2018.

An agreement for the transfer of the run off P&C portfolio of the British subsidiary was signed on 19 December.

The Board of Directors approved the creation of a new position, the Group Chief Operations & Insurance Officer, effective as of 1 January 2018. The responsibility for this function - which integrates the activities of the Operations division with those of the Insurance Officer, in addition to directly reporting to the Group CEO - has been entrusted to Jaime Anchustegui Melgarejo, previously manager of the EMEA division; he will therefore become a member of the Group Management Committee.

7 The operation is part of the Group's strategy to optimize its geographic presence as well as improve operational efficiency and the allocation of capital.

Our strategy, p. 30

Significant events after 31 December **2017** and **2018** corporate event **calendar**

February

Generali completed the sale of its entire shareholdings in Generali Nederland N.V. (and its subsidiaries).

The Net Promoter Program of Generali was recognized as the world's best by Medallia during the Experience Europe 2017 event held in London.

How we create sustainable value: our business model, p. 19

Generali approved the strategy on climate change.

Our rules for running business with integrity, p. 23

March

14 March 2018:
Board of Directors approving the Annual Integrated Report and Consolidated Financial Statements*, the Parent Company Financial Statements Proposal and the Corporate Governance and Share Ownership Report as at 31 December 2017 and the Remuneration Report

* The Annual Integrated Report includes the Consolidated Non-Financial Statement.

Consolidated Non-Financial Statement, p. 120

15 March 2018:
Publication of the results as at 31 December 2017

April

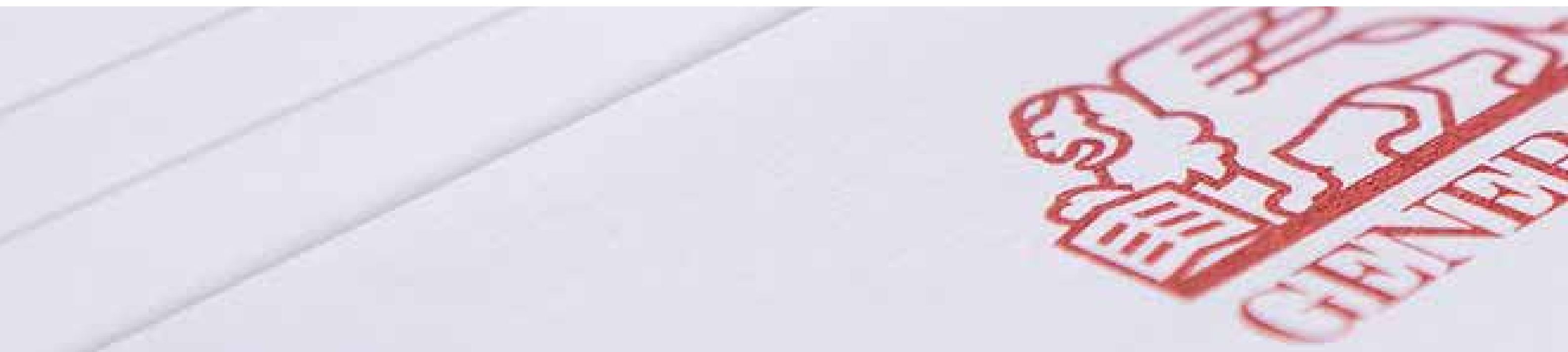
19 April 2018:
Shareholders' Meeting Approval of the Parent Company Financial Statements as at 31 December 2017 and the Remuneration policy as well as the other agenda items

May

3 May 2018:
Board of Directors approving the Interim financial information as at 31 March 2018

4 May 2018:
Publication of the results as at 31 March 2018

23 May 2018:
Dividend pay-out on the share of Assicurazioni Generali



July

31 July 2018:
Board of Directors
approving the Consolidated financial half-yearly report as at 30 June 2018

August

1 August 2018:
Publication of the results
as at 30 June 2018

November

7 November 2018:
Board of Directors
approving the Interim financial information as at 30 September 2018

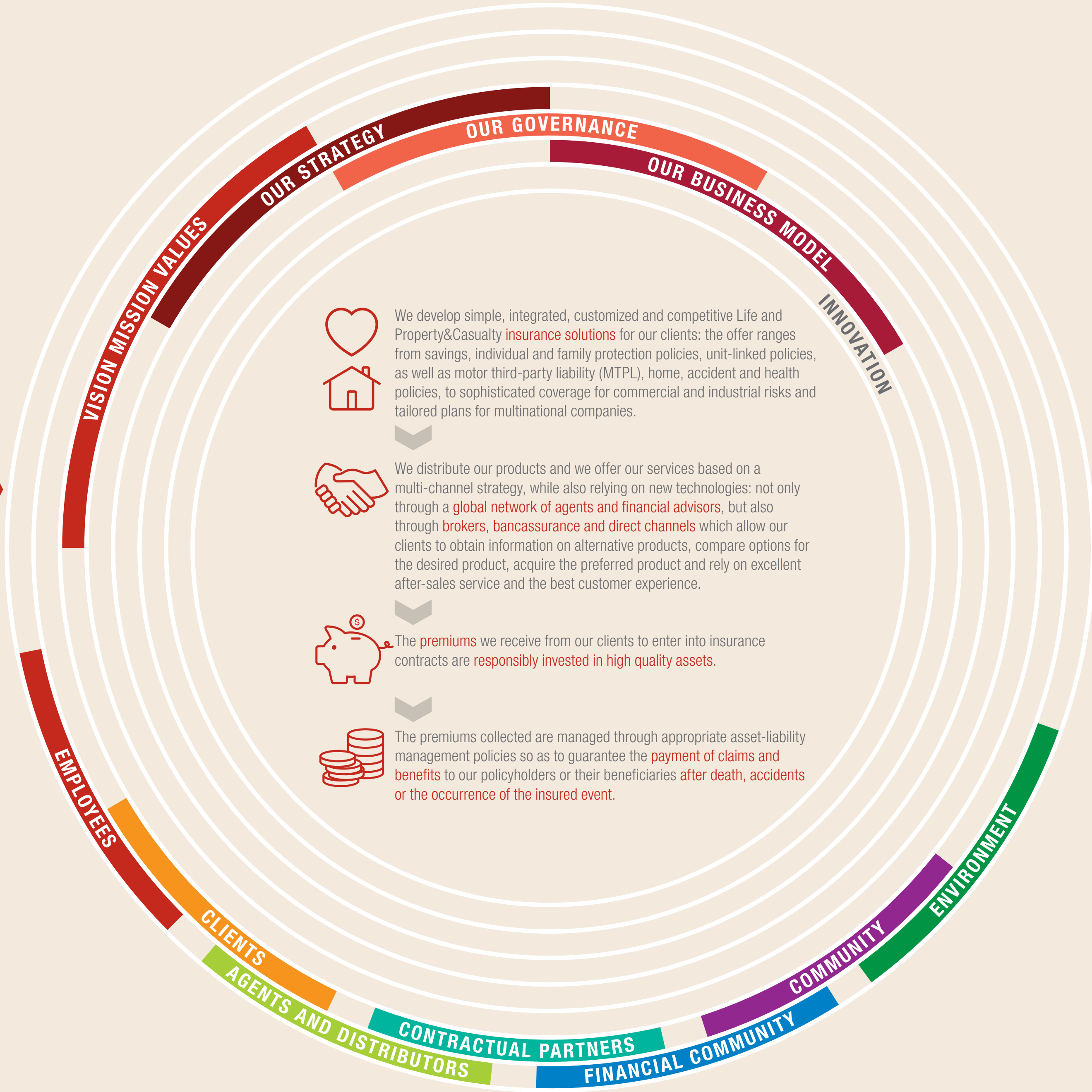
8 November 2018:
Publication of the results
as at 30 September 2018

21 November 2018:
Investor Day

How we create **sustainable value**: our **business model**

NFS

External context



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.

The premiums we receive from our clients to enter into insurance contracts are responsibly invested in high quality assets.

The premiums collected are managed through appropriate asset-liability management policies so as to guarantee the payment of claims and benefits to our policyholders or their beneficiaries after death, accidents or the occurrence of the insured event.

Capital

Glossary available at the end of this document

Financial capital

13.4% RoE (+0.0 pps)

€ 1,330 mln proposed total dividends (+6.5%)

Our performance, p. 45

Human capital

We are committed to valuing and developing our people in order to be ready to more effectively meet future challenges. We listen to them as to understand how we can improve and meet their needs.

Global Engagement Survey 2017

86% response rate (+1 pps vs 2015)

80% engagement rate (-2 pps vs 2015)

Our strategy, p. 32

Natural capital

We are committed to contributing to the transition towards a more sustainable economy and society, even by managing our direct impact.

t 112,782 CO_2e total emissions (-9.5% vs base year 2013)

Our rules for running business with integrity, p. 23

Total emissions refer to 44% of the total Group employees in the following countries: Austria, France, Germany, Italy, Czech Republic, Spain and Switzerland.

Output

Impact

Social and relationship capital

We continue to implement our **Net Promoter System Program** - recently awarded by Medallia as one of the most successful global programs - and listen to our customers and distributors while responding to their feedback and allowing ourselves to improve their satisfaction and loyalty.

Customer T-NPS, active in 54 business units and with a coverage of approximately 90% of our customer base

167 thousand unsatisfied clients were re-contacted

+350 quick wins were implemented

+250 structural improvements

Distributor R-NPS, active in 31 sales channels in 20 business units

147 improvements were implemented

Global Agent Excellence Contest launched in 23 business units to improve digital adoption and further empower our agents.

Connected Agent and Mobile Hub, initiatives which aim to respectively equip our agents with tools to interact with customers through digital channels and our customers with a platform for managing their policies through their cell phones in an easier and more independent manner. The agents have already been provided with tools in Spain, Argentina, Austria, Switzerland and Indonesia; the platform was launched in France and Switzerland and is being launched in Italy and Spain.

We support the most vulnerable people through **The Human Safety Net (THSN)**, a global initiative which tackles three important socio-demographic issues.

Vision, Mission, Values, p. 21

Manufactured capital

approximately € 26 billion in real estate assets composed of both historical properties as well as recent ones, and managed by Generali Real Estate (GRE) for the purposes of creating eco-sustainable value. Within the realm of the European project, Green Building Workshop, GRE developed the Green Building Guidelines (GBG) which aim to improve the environmental performance of the real estate assets of the Group by bringing them to elevated standards in order to mitigate the future obsolescence of properties and to ensure that - along the entire real estate value chain - all affected parties (manufacturers, administrators, tenants) understand and respect effective sustainability rules. An increasing number of buildings is therefore certified according to HQE, DGNB, LEED and/or BREEAM standards.

Intellectual capital

We have strong technical know-how which allows us to offer insurance solutions that are high in quality as well as innovative and digital so as to meet the needs of our clients and simplify our processes.

Our strategy, p. 30

Vision, Mission, Values

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 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.

The Human Safety Net

NFS

We support the most vulnerable people through The Human Safety Net (THSN), the new Group flagship initiative for the community. The Human Safety Net's programmes target three key social and demographic issues affecting communities where we live and work:

- creating equal life opportunities for children from disadvantaged backgrounds

  Generali wants to promote equal life chances for children from disadvantaged backgrounds, by helping parents to boost their children's cognitive, motor and social development through play, reading, nutrition and providing a safe and stimulating social environment.
  THSN aims to support 30,000 parents during the first six years of their child's life, which has been scientifically proven as the most formative period in children's development.

- supporting refugee to set up their start-ups

  Generali wants to empower refugees to realize their entrepreneurial potential and build livelihoods in their new 'home' countries.
  THSN will support those who have the experience and skills to create their own businesses and to become self-sufficient, thus setting up 500 new businesses and opportunities for work.

- saving newborns from the debilitating and potentially fatal consequences of asphyxia

  In Europe and Asia, THSN is investing in innovative technologies and better care to help tackle asphyxia, that can result in severe and permanent injuries to the baby's brain, with the aim to train and equip professionals to help save 1,000 lives from this potentially fatal condition.

THSN will operate through partnerships with NGOs and social enterprises that will be selected through due diligence and monitored using a new reporting system, based on the London Benchmarking Group framework i.e. the global standard to measure investments in the communities.
Based on a 3-year strategy supported by a new set of Group guidelines, this initiative has already been launched in Germany, France, Argentina, Indonesia and Spain and aims to be active in the majority of the business units by 2020.

As part of its long-term commitment, Generali is creating a home for THSN in its most prized properties: the Procuratie Vecchie in St. Mark's Square in Venice, a UNESCO World Heritage Site where Generali is committed to an important renewal project that will be extended to other spaces around the square and the adjacent Royal Gardens.

Our rules for running **business with integrity**

We run our business in compliance with the law, internal regulations and professional ethics.

We operate in a sustainable manner in all our operations and support the community in addition to our daily activities. These are the two pillars on which our vision of sustainability is based:

“ We contribute towards a healthy, resilient and sustainable society where people can develop and flourish. This is how we live our role as a corporate citizen, creating long-term value for our stakeholders”.”

This vision is outlined in the Charter of Sustainability Commitments approved by the Board of Directors of Assicurazioni Generali in 2017 which renews the commitment of the Group with respect to its stakeholders and the society in general.

We have a collection of Group policies and guidelines published within the website of the Group which support our operations in a sustainable and responsible manner.

www.generali.com/info/download-center/policies
www.generali.com/our-responsibilities

The Code of Conduct defines the basic behavioural principles which all the personnel of the Group is required to comply with: these principles are outlined in specific guidelines that refer, for example, to the promotion of diversity and inclusion as well as the management of conflicts of interest, personal data protection and corruption prevention.

The Group Policy for the Environment and Climate contains the guiding principles for the strategies and objectives of environmental management.

The Responsible Investment Guideline codifies the responsible investment activities at a Group level.

Our performance, p. 49

The Ethical Code for suppliers highlights the general principles for the correct and profitable management of relations with contractual partners.

The overall set of Group policies and guidelines contributes to ensure respect for human rights, particularly with reference to the Code of Conduct, the Responsible Investment Guideline and the Ethical Code for suppliers. In 2017, the Group has initiated a series of in-depth activities in order to identify areas and activities for improvement, and which will be completed in 2018.

We also have a structured internal Group regulatory system, regulated by the Generali Internal Regulation System Policy (GIRS). The Group policy cover the internal control system and governance as well as the risk management system - linked in particular to monitoring solvency (Solvency II) - in addition to the primary areas of financial and non-financial risk.

Corporate Governance and Share Ownership Report 2017, p. 45

Personal Data Protection
Sponsorship **Responsible Investment**
Community Initiatives Environment and Climate
Information Security **Physical Security**

The primary risks of compliance are monitored by specific programs utilized throughout the Group.
We regularly monitor - by means of specific risk assessment activities - our exposure to these risks in order to minimize potential reputational and economic damages deriving from the violation of regulatory provisions, including those which aim to prevent corruption. .

We condemn and combat all forms of corruption and financial crime.

We have made available communication channels (Group Compliance Helpline) to our employees, customers and suppliers, even in anonymous format, which ensure an objective and independent management of reports of actions which violate ethics, our principles and our regulations, in accordance with a whistleblowing policy which we have been applying for years. These channels are active 24 hours a day. We have also adopted a rigorous policy against retaliations.

149 managed reports

60,921 (85.4%) employees

have completed the training course on the Code of Conduct

Compliance. Building Trust

a global communications campaign which is also supported by a video message of the Chairman within the Group Portal as well as on the website of the Group and on YouTube in addition to a personal message to all employees from the Group CEO which emphasizes the importance of compliance for our success

2 Compliance Week

aiming to promote both knowledge of the Compliance Management System as well as the importance of compliance and the concept of integrity in company operations

We are committing to rendering our HR training system increasingly effective.
We continue to work in activities for creating awareness and training on the different themes of the Code.
The implementation of certain training programs - both online as well as in the classroom, combined with a global communication program - aims to create full awareness within employees of the importance of the Code and one's responsibility to report each violation that one becomes aware of. Everybody is encouraged to voice their concerns or request clarifications on any topic handled by the Code.

In accordance with that declared in our Group Policy for the Environment and Climate, we have established a multi-dimensional approach to the environmental theme which considers:

Direct impact

In 2014, we have defined an objective for reducing our Carbon Footprint by 20% within 2020 (base year 2013).

t 112,782 CO_2e

(-9.5% vs base year 2013)

Total emissions refer to 44% of the total Group employees in the following countries: Austria, France, Germany, Italy, Czech Republic, Spain and Switzerland.

Total emissions mainly come from energy consumption. In 2017, the purchased renewable energy was equal to 74.6% of the total acquired energy.

Indirect impact

Our commitment to contributing towards the transition to a more sustainable economy and society is also expressed through a strategy which focuses, in particular, on insurance activities and investments.
With regard to investments, Generali, as asset owner (general account investment), commits to developing the following actions:

- green investments by 2020: investments in green sectors will be increased by € 3.5 billion (mainly through green bonds and green infrastructures). Generali will monitor the action plan annually to assess if it is being properly implemented and possibly raising the objectives
- positioning in coal-related activities: Generali will not make any new investments in businesses associated with the coal sector. With reference to the current exposure to the coal sector, equivalent to approximately € 2 billion, Generali will dispose of equity investments and gradually eliminate bond investments by bringing them to maturity or considering the possibility of investing them before maturity. The Group will allow exceptions only in those countries where the production of electrical energy and that for heating are still dependent on coal, without alternatives in the medium term. These exceptions currently represent a marginal portion of investments (equivalent to 0.02% of the general account).

With regard to underwriting, as for premiums related to non-Life products, Generali commits to developing the following actions:

- growth in green insurance: the percentage of the premium portfolio related to the renewable energy sector will be increased as well as the offering of products with environmental value (e.g. sustainable mobility and energy efficiency) for the retail market and SMEs
- positioning in coal-related activities: Generali 's current exposure to coal-related activities is minimal in relation to total non-Life premiums and primarily refers to countries where the economy and employment heavily depend on the coal sector. The Group will continue its policy of minimal insurance exposure.

In countries where the economy and employment heavily depend on the coal sector, Generali will engage issuers, clients and other stakeholders through constant dialogue.

Public commitment

In line with the commitments made when adhering to certain important international initiatives (Paris Pledge for Action, The Geneva Association - Climate Risk Statement, European Financial Services Round Table), we actively participate in work groups as well as national and international events pertaining to green finance, including the Italian National Dialogue on Sustainable Development promoted by UNEP and the Italian Ministry of the Environment. We have organized significant institutional events, including the presentation of the Interim Report by the High-Level Expert Group (European Commission) on sustainable finance in Italy.

www.generali.com/our-responsibilities/our-commitment-to-the-environment-and-climate for additional environmental information

Risks and opportunities of the external context

NFS

The capacity of the Group to create value can be significantly influenced by certain factors in the short, medium and long term which then determine risks and opportunities.

Uncertain financial and macro-economic landscape

During the course of 2017, the global economy grew at a rate that was greater than expected due to the dynamic nature of domestic demand in developed economies. The Eurozone grew not only as a result of dynamic consumption but also as a result of increased investment. Within Eastern European countries, the positive economic trend continued, driven by consumption and a growing labour market, including salary increases which sustained inflation.
Within Europe, significant events include the victory of Macron within the French presidential elections, the advance elections in the UK as well as the advance elections in Catalonia. On the global level, on the other hand, the year was characterized by significant political uncertainties (Russiagate, tensions with North Korea) which influenced the confidence levels of operators within financial markets. Within the USA, GDP growth compared to the previous year was 2.2% and the labour market continued to gain strength, with an unemployment rate that fell in November to 4.1%, the lowest level in the last 17 years. Significant uncertainty developed in relation to the abolition of Obamacare and tax reform; the primary point of the latter was the decrease in fiscal load for companies. Inflation remained, in any case, low despite increases in both the USA and Europe. Growth in Asia, in particular China, continued at significant levels.
With regard to the insurance sector in Italy, Germany, France and Spain (in a persistent environment of low interest rates and stringent capital requirements), the Life business was characterized by the sale of unit-linked policies, which however failed to offset the decrease in traditional products. P&C business continued to grow throughout Europe: in Italy the slight increase in the P&C business was mainly attributable to the health insurance business; in France, Germany and Spain the result was also positively affected by the motor business

Regulatory evolution

The insurance industry is characterized by a detailed regulatory system consisting of continuously evolving domestic and European regulations. Some of the most significant are:

- European directive Solvency II, the European insurance market supervisory framework which includes three pillars: capital measurements, governance and risk management systems and reporting
- Common Framework of the International Association of Insurance Supervisors (IAIS) on the development of standard qualitative and quantitative capital requirements based on risk for insurance groups operating globally
- IFRS 9 (financial instruments) and IFRS 17 (insurance contracts) that - as of 2021 - will be the new reference accounting standards for the valuation of the most significant items of the insurance financial statements, i.e. financial instruments and liabilities to policyholders

NFS

- European directive on insurance distribution and regulations on investment product disclosure and transparency guaranteeing an increasingly high level of consumer protection
- European regulation on personal data protection
- European directive on non-financial information, transposed into the Leg. Decree 254/2016.

Risk Report
for a detailed description on the risk profile and the main risks, p. 94 of the Annual Integrated Report and Consolidated Financial Statements 2017

Identified risk	Our risk management
Financial risk **Credit risk** **Strategic risk**	The constraints imposed by the calculation of the capital requirement according to the Solvency II regulations, market expectations, the Group's profitability targets and the expectations of policyholders' returns are the main factors influencing the formulation of the investment allocation strategy. The regulatory system and the continued low interest environment - despite overall positive global growth - render it essential to manage assets in a rigorous and careful manner that is consistent with liabilities. Geographical diversification and selective focus on alternative investments and real assets (real estate assets and/or infrastructural assets, both direct and indirect) are important factors in investment activities which aim to contain portfolio risks and sustain current profitability. The creation of a multi-boutique insurance asset manager platform is part of the strategy to enhance the investment capacity in these market sectors.

Identified risk	Our risk management
Strategic risk **Operational risk**	We run our business in compliance with the law, internal regulations and codes and professional ethics, and we closely monitor the evolution of the regulatory environment, dialoguing with legislators and institutions. We regularly evaluate our exposure to the risk of non-compliance and assume prompt measures to adequately manage it. We continue to apply the requirements of Solvency II and are engaged in the various tests carried out by the International Association of Insurance Supervisors (IAIS) in order to determine the final architecture and calibrations of the supervisory requirements. We are making investments which aim towards the methodological and operational implementation of the new international standards IFRS 9 and IFRS 17 for the evaluation of financial instruments and insurance contracts, also by actively participating in specialized international and national work groups on the issues subject to implementation. In accordance with our customer focus strategy, we have implemented the transparency requirements for investment products required by EU legislation by putting the best practices of the Group into common use. We are working to be ready to apply the new regulatory requirements on insurance distribution and personal data processing. Finally, we monitor regulatory developments pertaining to non-financial information; the first reporting on this topic was implemented within this document.

Consolidated Non-Financial Statement, p. 120

NFS

Technological evolution

We are facing profound changes caused by the interaction and cumulative effect of multiple technological developments: the Internet of Things, the constant growth of mobile networks, the adoption of cloud services, the development of cognitive computing and machine learning are all elements that contribute to creating a renewed environment in which to operate.

The unprecedented availability of customer data, combined with the technological capabilities of processing data quickly and efficiently in terms of costs, allows the insurance business to create customized prices and identify potential fraud (such as the development of programs for the prevention of losses) as well as develop new products and re-design operational processes. On the other hand, it creates potential challenges deriving from the management of personal data and the automation of decisive processes in addition to new challenges within the traditional risk management insurance model.

At the same time, elevated technological growth implies an exponential evolution in cyber threats, both in terms of volume as well as typology (i.e. targeted attacks which aim to steal information or block operational processes). Adequate management of cyber risk is therefore fundamental in order to limit potential effects of economic and operational nature but also to preserve, in particular, the confidence of customers in the processing of their data which are frequently sensitive. This issue is also increasingly relevant for regulators which are requesting the introduction of specific safety measures as well as reporting processes in the case of violation of the data (Regulation on personal data protection).

Finally, technology as an enabling element of the processes may also impair business continuity, representing a potential threat (malfunction of equipment and systems, etc.) if appropriate measures are not applied.

New customer needs

In this currently uncertain economic environment, consumer attitudes to insurance products and services are changing in light of two global trends:

- digitalization, which has introduced new selling options and more diverse insurance product management
- economic uncertainty, which has changed spending on savings and other insurance products.

Customers currently place greater focus on service quality: they no longer rely only on an agent to acquire an insurance product; rather, they have a more independent approach to the decision-making process, which includes visiting the websites of insurance companies, reading customer reviews on social media and checking comparison websites.

Risk Report
for a detailed description on the risk profile and the main risks, p. 94 of the Annual Integrated Report and Consolidated Financial Statements 2017

Identified risk	**Our risk management**
Strategic risk ***Operational risk***	We have implemented a cloud analytical platform (with EU server) for the management and analysis of data derived from our business units. Each of these has a dedicated and exclusive area available to them where the data are initially uploaded and processed in an absolutely anonymous manner; at the end of the process, the results/models which are attained are made available to the requesting operational units. The platform takes advantage of the currently most innovative technologies which were also essential to define a series of applications available to all business units, thereby ensuring superior user experience so as to increasingly meet customer requests for greater digital interaction. This development is based on a hybrid architecture that offers the latest mobile technology. In order to protect ourselves from new threats we are continuing to enhance our ability to prevent, detect and respond to potential cyber attacks while implementing the most innovative security solutions and continuously improving our response processes. In particular, we acquire and analyse threat intelligence from multiple external and internal sources so as to increase our prevention capacity while adopting the best market solutions to detect and prevent potential attacks. We have also strengthened the Group's security governance model, defined a policy and implemented effective awareness campaigns for our employees in relation to the management of security risks. To protect our trustworthiness, reputation and survival from threats of natural, human and technological origin, we have also implemented a Business Management Continuity process that identifies critical processes and operational risks that may interrupt business operations, as well as risk mitigation measures and solutions to recover and resume vital business processes as soon as possible and with limited financial impact.

Identified risk	**Our risk management**
Strategic risk ***Insurance risk***	We aim to become the first choice of clients and distributors. We aim to offer insurance solutions and services that are simple, tailored and even more innovative to meet their needs, also digital ones, and to improve their customer experience. The digital transformation taking place in our business units allows us to increase the efficiency of our distribution network across the world: our aim, in fact, is for the interaction with customers to be increasingly based on a consulting approach, i.e. based on an understanding of the needs of individual customers and on the offer of a personalized solution.

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Environmental challenges

Global warming caused by the emission of greenhouse gases has resulted in an increase in the volatility of climate events, particularly extreme conditions such as hurricanes, floods, heat waves and droughts.
In addition to an increase in physical risks, there is also growing awareness at the political level, even international, in relation to these issues. This has strategic and regulatory repercussions on activities affected by climate risk, particularly in Europe. For example, there is the emergence of new financial risks (creation of stranded assets) as well as risks connected to the transition to a low-carbon economy due to unknown factors generated by the use of new technologies and business models with reduced emissions.
These factors are increasingly affecting the economic and social system, including the insurance sector, which is thus facing new risks and opportunities.
Opportunities arise from a new or increased demand for coverage which needs to be met with innovative products. For this to be sustainable, however, appropriate countermeasures must be prepared at the same time. These are necessary in order to avoid increased damages and greater volatility which would negatively affect the price dynamics of the policies, also due to the greater absorption of capital deriving from underwritten business. If they are not present, access to insurance would be excessively costly or, in extreme cases, the offer would not be feasible.

Glossary available at the end of this document

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Demographic and social change

Modern communities are affected by distinct demographic and social phenomena with a strong impact on their socio-economic balances.
In Europe, the continual process of population aging, driven by an increase in life expectancy and a decrease in birth rates, is only partially counterbalanced by international immigration. The non-European area is affected by similar phenomena, albeit of a distinct nature with respect to local socio-political characteristics.
Younger age groups are affected by a reduced and often discontinuous capacity to generate average income; this is strongly influenced by a flexible but precarious labour market that does not ensure reasonable certainty for financing the public welfare system.
The result is increasingly unbalanced communities where higher post-retirement pension and healthcare requirements are no longer properly financed and covered by the public system, in addition, the limited economic and financial resources produced by the younger categories of the population, or from private savings in general, have to be directed and valued more carefully.

Risk Report
for a detailed description on the risk profile and the main risks, p. 94 of the Annual Integrated Report and Consolidated Financial Statements 2017

Identified risk	**Our risk management**
Underwriting risk ***Emerging risks*** ***Operational risk***	We constantly monitor the main perils and territories where we are exposed, using actuarial models to estimate the damage that could result from natural phenomena and thereby optimizing our underwriting strategy. Re-insurance plays a fundamental role: we manage our protections on a centralized basis in order to take advantage of economies of scale and pricing thanks to the size of the Group, with the aim of leveraging on business diversification. In accordance with our commitments to favour the transition to a low-carbon society and the global targets established at the COP21 conference, we continue to monitor and reduce our direct impact through a responsible management of key activities; we also incentivise the adoption of environmentally sustainable behaviour within our spheres of influence through our insurance solutions as well as our investments in order to reduce indirect impact of our activities. We develop and distribute increasingly innovative products along with a high level of services in order to meet the potential request for more and improved protection against catastrophes, in addition to products that reward virtuous and environmentally sustainable decisions and behaviour. Also in partnership with other public and private stakeholders, we work to support initiatives that help to expand access to insurance products, for example through more favourable taxation for catastrophic coverage, which would decrease the impact of reconstruction on the public sector, as well as initiatives aimed at preventing and mitigating environmental risks. We invest responsibly, excluding from our investment universe those companies that cause serious harm to the environment. We support research and studies on environmental risks. We adopt sustainability criteria for the underwriting of new insurance policies that are in line with the best and universally recognized sustainability standards, even through the use of specific third-party tools while analysing in detail and potentially excluding business opportunities that are not consistent with principles of environmental, social and governance sustainability. In particular, we utilize internal and external monitoring processes of environmental emissions associated with the activities in our investment and insurance portfolios. As a result, we are capable of monitoring, on the one hand, any business and environmental risks associated with greenhouse gas emissions and, on the other hand, we can design and develop new solutions that simultaneously offer a competitive advantage to our Group as well as an incentive for policyholders for the transition to a business model with reduced emissions.

Identified risk	**Our risk management**
Underwriting risk ***Emerging risks***	We actively engage in creating more stable communities while monitoring and tackling the effects of a changing society. We develop and offer flexible and modular solutions with elevated social security and welfare content for the coverage of healthcare costs and other potential current and future needs for individuals, families and communities. We undertake to strengthen dialogue with individuals during their entire period of interaction with our companies. We provide customers with complete and easily accessible information on products and services while helping them to understand the primary risks that may affect their income capacity and aiding them in accurately assessing their capacity to save as well as identifying their current and future needs. We believe that insurance coverage is the most appropriate tool to forecast and meet potential needs of both younger and older individuals with the required advance notice; we therefore formulate and present offers even in the case of market contexts with little knowledge and low individual propensity for insurance solutions.

Our **strategy**

2015
SIMPLER AND SMARTER

Increasingly challenging external context

Accelerate

Improve operating performance[8]

Optimise international footprint

We aim to maintain a diversified global presence by focusing on markets in which we can achieve a significant position and excellent performance. We will therefore dispose of the companies that do not meet specific profitability and future growth requirements in order to invest in those activities that generate higher returns.

Rationalize the operating machine

We are committed to constantly improving the operating machine to maximize the Group's potential, by implementing optimization initiatives such as streamlining the product portfolio, simplifying processes and integrating IT platforms. At the same time, we will invest in new competences enhance those activities that have higher value for stakeholders.

Enhance technical capabilities

We already have strong technical capabilities but to become the best player we will continue with price sophistication, risk selection and claims management in the P&C business while with the continuous improvement in the quality of our products and the capital return optimization in the Life business.

At least € 1 bln
cash proceeds from disposals

€ 200 mln
net reduction in nominal OpEx cost base in mature markets

Best combined ratio
further improvement in outperformance vs peers

Guarantees maximum 0%
on new retail business

Our people

8 The achievement of the targets reported in this chapter is expected by 2018, with the exception of the Asset Management target that is expected by 2020. The target about the € 200 net reduction in nominal Opex cost base in mature markets has been achieved a year in advance, in 2017.

2016-2018
SIMPLER, SMARTER. FASTER

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

to excellence

Long-term value creation[8]

Rebalance the insurance portfolio

The share of products with low capital absorption and commission income will be increased so as to generate long-term value while protecting portfolio sustainability and increasing resilience in the face of market volatility.
We aim through the new Asset Management strategy to enhance investment capabilities and offer bespoke investment solutions to European companies and individual savings products.

~30 bp reduction in average portfolio guarantee to 1.5%

+6 pps on the total capital-light reserves

+150 mln Group net profit from Asset Management

Customer and distribution innovation

We will continue to be committed to our laser-like focus on customers and distributors with the introduction of specific, targeted innovations with clear added value.

+ 2 pps
increase in retention

Strengthen the brand

We aim to become the first choice for consumers.
We are focusing on strengthening brand preference in four areas: provide a delighting experience to our customers and distributors; shift to digital marketing channels (web, mobile and social); provide content on how to live a healthier, safer life; enhance the look & feel of our brand, to make it more straightforward, dynamic and likeable.

+ 3%
brand preference in mature markets

Innovation

Our people always at the heart of the strategy

NFS

As to ensure the attainment of the business strategy, respecting our values, we have developed the Generali People Strategy that is based on four priorities:

71,327 employees (-3.3%)

49.8% (+0.4 pps)

50.2% (-0.4 pps)

1. Promoting **Engagement** & **Empowerment**
2. Strengthen our **Leadership & Talents**
3. Build an **Agile Organization** & **New Capabilities**
4. Shift **mindset** towards **Customer Centricity**

Promoting **Engagement** 1 & **Empowerment**

- we measure and promote engagement

In June 2017, we carried out the second edition of the Global Engagement Survey, a managerial tool for continuous improvement.

86% (+1 pps vs 2015)
response rate

62.711 employees
45 countries

175 companies
33.571 open comments received

80% (-2 pps vs 2015)
engagement rate

8 out of 10 of us feel engaged

The engagement rate is calculated on the basis of the average percentage of collected favourable responses by means of the following questions:

I strongly believe in the goals and objectives of my Company.
78% favourable responses

I am proud to work for the Generali Group.
83% favourable responses

I am willing to work beyond what is required to help my Company succeed.
87% favourable responses

I fully support the Values for which the Generali Group stands.
83% favourable responses

I would recommend the Generali Group as a place to work.
79% favourable responses

My Company inspires me to do my best work.
68% favourable responses

We want to accelerate the process of generating excellence by leveraging our strengths and rapidly acting upon improvement opportunities. We therefore commit ourselves to focusing our action plans on four global priorities in addition to local ones:
– foster strategy cascading and communication
– keep investing in performance management and meritocracy
– accelerate on effectiveness and velocity
– further enhance a diverse and inclusive culture.
More than 390 local actions were identified, initiated and communicated as of January 2018.

- we create and promote a new global managerial system

We have developed the Managerial Acceleration Program (MAP) in order to strengthen the sense of responsibility and engagement in changing the corporate culture of the Group. By means of internal focus groups sessions, inputs were collected in order to identify the eight key managerial skills to empower our people: the Generali Empowerment Manifesto (GEM).

8,900 managers responsible for people trained by internal trainers by 2019

- we boost a performance culture
  By means of the Group Performance Management we promote engagement and a sense of responsibility for all our people so that they can contribute towards the attainment of our business strategy and strengthen transparency and meritocracy. The process was launched globally in 2016 with the implementation of numerous initiatives coordinated by the Group and managed locally, including classroom courses, e-learning modules and workshops for managers and collaborators.

  86% Group employees involved in performance management activities in 2017[9] (+25 pps)

  The dialogue on performance will be expanded to the whole Group by the end of 2018.

Corporate Governance and Share Ownership Report 2017, p. 72 and 105 for additional information on the diversity of administration, management and control bodies

- we improve diversity and inclusion (D&I)
  We are committed to promoting a culture of inclusion which ascribes value to individuals and diversity of all types, particularly with regard to cultural, gender, generational and disability diversity..

  In 2017, we have set a Group D&I Council that is led by a business sponsor of the Group Management Committee in the person of Frédéric de Courtois and has the task of establishing objectives and actions for promoting diversity and supporting these in local situations.
  We are focused on training modules within managerial training programs as well as different programs and events which aim to analyse the issue in depth. A few examples:
  – Be bold for women, for a group of international talents who have analysed in depth the theme of unconscious prejudices, particularly those which are gender-related, and have identified practical solutions for the elimination of barriers to gender balance and greater capacity of managers for inclusion
  – Inspiring Leaders on Diversity and Inclusion, for 100 people and with top testimonials
  – Our differences, our strengths, with a report on unconscious prejudices and their impact on decision-making processes.

Strengthen **2** our Leadership & Talents

- we provide succession plans for all key positions and career paths that facilitate professional growth with the aim of fostering internal growth in key positions
- we develop leadership skills at various levels in the organization through international training programs with the best Business Schools
- we identify and develop talents at the local and Group level with specific internal and external assessment programs
- we attract, select and retain the best people through internal mobility and training programs

Build an Agile Organization **3** & New Capabilities

- we align the Group organization with the business evolution, with a clear model that is based on shared rules, local empowerment and integration mechanism
- we identify and invest in new key capabilities, in particular those related to insurance sector through the Group Academy and qualified, internal trainers

88.7% (-2.4 pps) trained people

33.2 average hours (-10.9%) of training per capita

€ 54.7 mln (-10.8%) training costs

- we support smart working and, in general, we develop a new approach to working that empowers us by increasing our flexibility, autonomy and responsibility
- we simplify our HR processes with a cutting-edge platform

Shift mindset **4** towards Customer Centricity

- we focus on customer needs, through the implementation of a Group NPS program
- we value our ‘Client Heroes’, through recognition processes

www.generali.com/our-responsibilities/investing-in-our-people e www.generali.com/it/work-with-us for more information on our people

As part of the operational risk management, the annual assessment of the categories that can impact on our people* was conducted. The results did not show significant critical issues. The Generali People Strategy implementation at Group level supports us in both mitigating any operational risks and managing other objectives, such as those related to the management of internal engagement and the empowerment of our resources, as well as to the management of internal talents and their skills.

9 The data exclusively refers to Group companies, equal to 60,140 employees (84.3% of the total), within the scope of the Group Performance Management process.

10 Basel III - category 3: Employment practices and workplace safety: losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.

Our **governance** and **remuneration policy**

Within a challenging economic and financial environment, we are convinced that our governance - which complies with the best international practices - is adequate for effectively pursuing our strategy of creating value for all stakeholders in the medium-long term.

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

The data are updated as at 9 March 2018.

There is no stock ownership system for employees and there are no shareholder agreements on shares. It should, however, be noted that the Company facilitates participation in Shareholders' meetings for beneficiaries of long term incentive (LTI) plans - which are based on Generali shares - by providing them with a designated representative.

Share performance, p. 57
for further information on the share

The Company maintains continuing relations with all external stakeholders: institutional investors, proxy advisors and retail shareholders. This intense relationship activity is also substantiated in a specific cycle of meetings with institutional investors and proxy agencies, focusing on issues of corporate governance, remuneration and sustainability which are relevant to the financial community. A constructive dialogue also occurs during the course of the annual Shareholders' Meeting which serves as one of the primary opportunities for communication between shareholders and top management of the Company. Overall participation in the 2017 Shareholders' Meeting grew both in terms of representation of share capital and in terms of the presence of institutional investors.

Share capital represented in the Shareholders' Meeting

52.34% in 2017

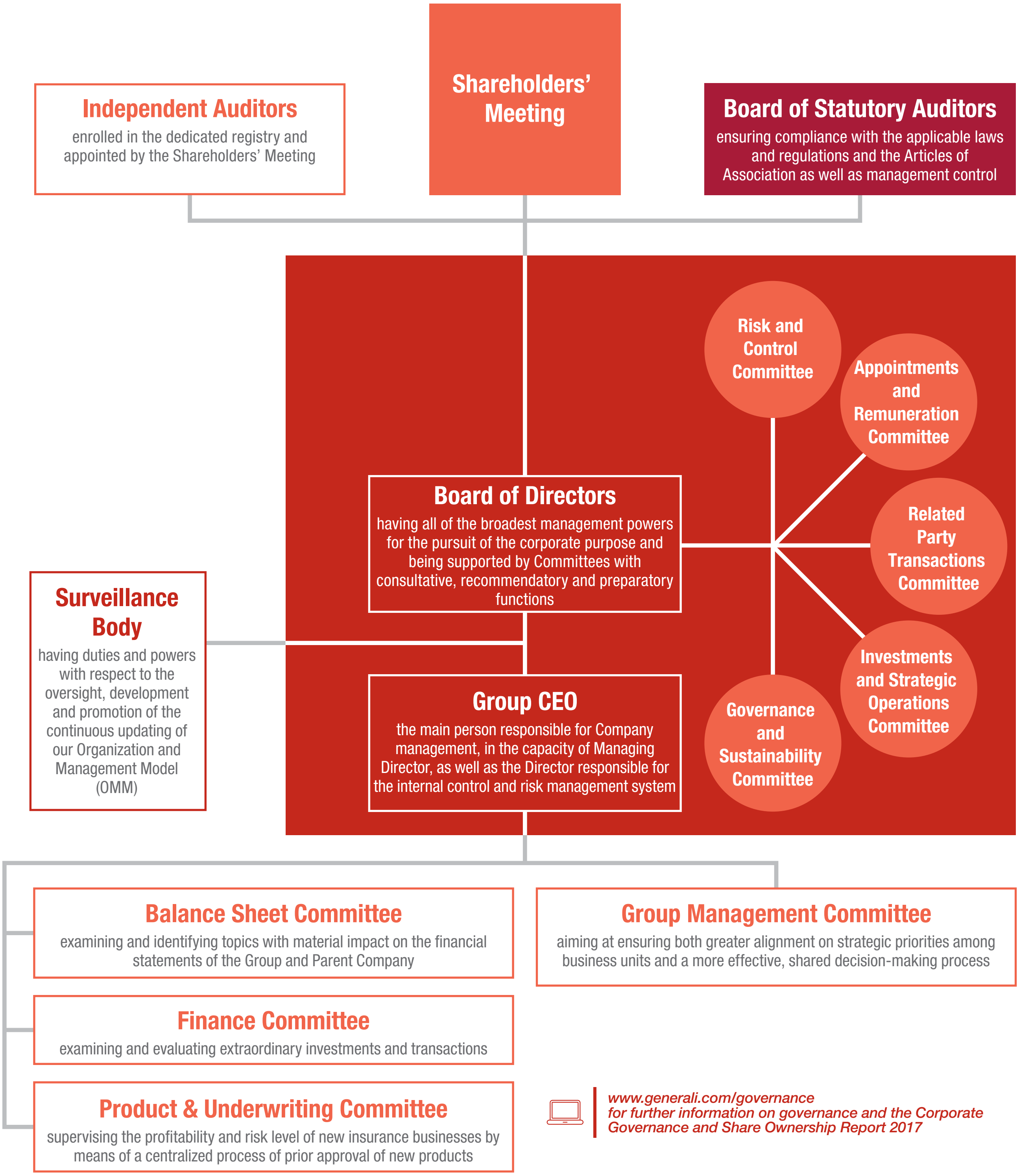
46.87% in 2016

Share capital represented by institutional investors in the Shareholders' Meeting

26.18% in 2017

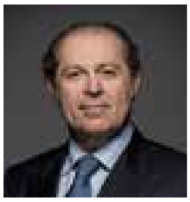
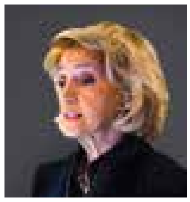
21.02% in 2016

The Board of Directors has structured its organization - even through the establishment of special board committees - in a manner that meets the need to define strategic planning in line with the Group's mission, values and culture and, at the same time, monitors the pursuit of this strategy with a view to the sustainable value creation over the medium to long term. Our integrated governance also leverages the varied and in-depth professional skills present in the Board and ensures effective oversight of management's activities.



www.generali.com/governance
for further information on governance and the Corporate Governance and Share Ownership Report 2017

Focus on the Board of Directors in office until the 2019 annual Shareholders' Meeting

	Gabriele Galateri di Genola	Francesco Gaetano Caltagirone	Clemente Rebecchini	Philippe Donnet	Romolo Bardin	Ornella Barra
	Chairman	Deputy Vice-Chairman	Vice-Chairman	Group CEO	Director	Director
Age	70	74	53	57	39	64
Nationality	Italian	Italian	Italian	French	Italian	Monegasque
Professional Background	manager	entrepreneur	manager	manager	manager	entrepreneur
In office since	8 April 2011	28 April 2007 Vice-Chairman since 30 April 2010	11 May 2012 Vice-Chairman since 6 November 2013	17 March 2016	28 April 2016	30 April 2013
Board Committee	P			P		P
Independent*					✔	✔
Executive				✔		

* As defined in the listed companies' Corporate Governance Code.

58 average age

38% female director

61% independence level

1 executive director

3 induction days on corporate administrative liability, market abuse, management of inside information and reporting of non-financial information

96% average participation in Board meetings

14 Board meetings

Focus on the Board of Statutory Auditors in office until 2020 annual Shareholders' Meeting

	Carolyn Dittmeier	Antonia Di Bella	Lorenzo Pozza	Silvia Olivotto	Francesco Di Carlo
	Chairwoman	Auditor	Auditor	Substitute auditor	Substitute auditor
Age	61	52	51	67	48
Nationality	Italian and American	Italian	Italian	Italian	Italian
In office since	30 April 2014	30 April 2014	30 April 2014	30 April 2014	30 April 2014

- ■ Appointments and Remuneration Committee
- ■ Risk and Control Committee
- ■ Related Party Transactions Committee
- ■ Governance and Sustainability Committee
- ■ Investments and Strategic Operations Committee
- ▲ Director responsible for the internal control and risk management system
- **P** Committee Chairman

						
Paolo Di Benedetto	**Alberta Figari**	**Diva Moriani**	**Lorenzo Pellicioli**	**Roberto Perotti**	**Sabrina Pucci**	**Paola Sapienza**
Director	Director	Director	Director	Director	Director	Director
70	53	49	66	56	50	52
Italian	Italian	Italian	Italian	Italian	Italian	Italian
lawyer	lawyer	manager	manager	professor	professor	professor
28 April 2016	30 April 2013	28 April 2016	28 April 2007	28 April 2016 elected from the minority slate	30 April 2013	30 April 2010 elected from the minority slate
Related Party Transactions Committee P, Governance and Sustainability Committee	Risk and Control Committee P, Governance and Sustainability Committee	Appointments and Remuneration Committee, Related Party Transactions Committee	Appointments and Remuneration Committee, Investments and Strategic Operations Committee	Risk and Control Committee, Related Party Transactions Committee	Appointments and Remuneration Committee, Risk and Control Committee	Related Party Transactions Committee, Investments and Strategic Operations Committee
✔	✔	✔		✔	✔	✔

Skills and expertise

62% international experience in foreign business, professional or academic environments

62% manager

23% entrepreneur skills

38% academic skills

62% regulation framework and regulatory requirements

77% financial and accounting skills

77% insurance experience

62% industrial experience

54% large cap companies

56 average age

60% female auditor

3 induction days on corporate administrative liability, market abuse, management of inside information and reporting of non-financial information

100% average participation in Board meetings

24 meetings of the Board of Statutory Auditors

Corporate Governance and Share Ownership Report 2017, p. 72 and 105 for additional information on the diversity of administration, management and control bodies

NFS

The remuneration policy

Our remuneration policy is designed to attract, motivate and retain the people who - due to their technical and managerial skills and their different profiles in terms of origin, gender and experience - are key to the success of the Group, as reflected in our values.
Our remuneration policy reflects and supports both our strategy and values: to be a global insurance Group aiming at creating value and sustainable results, while valuing our people and maintaining commitments to all stakeholders.

The following principles lie at the heart of our remuneration policy and consequent actions::

Equity and consistency in terms of the responsibilities assigned and capabilities demonstrated	**Alignment with corporate strategy** and defined goals	**Competitiveness** with respect to market practices and trends	**Merit- and performance-based** reward in terms of results, conduct and values	**Clear governance** and **compliance** with the regulatory environment

The remuneration policy for non-executive directors establishes that remuneration consists of a fixed component as well as an attendance fee for each Board of Directors meeting in which they participate, in addition to the reimbursement of expenses incurred for participation in such meetings.

Directors who are also members of the board committees are paid remuneration in addition to the amounts already received as members of the Board of Directors (with the exception of those who are also executives of the Generali Group), in accordance with the powers conferred to those committees and the commitment required in terms of number of meetings and preparation activities involved. This remuneration is established by the Board of Directors.
In line with the best international market practices, there is no variable remuneration

The Managing Director/Group CEO, the unique executive director, the members of the Group Management Committee (GMC) and the other executives with key responsibilities receive a remuneration package consisting of a fixed component, a variable component with no-claims bonus and claw back mechanisms, and benefits..

Total target remuneration[11]

FIXED		VARIABLE				BENEFITS
		ANNUAL		DEFERRED		
Fixed remuneration	+	**Annual** (on an annual basis)	+	**Deferred** (on a multi-year basis)	+	**Benefit**

The fixed component remunerates the role held and responsibilities assigned, also considering the experience and skills required, as well as the quality of the contribution made in terms of achieving business results.

11 Remuneration package for all those described, with the exception of the executives with key responsibilities in control functions to whom specific remuneration policy and rules are applied.

The short-term variable remuneration consists of an annual bonus system based on which a cash bonus of between 0% and 200% of the individual target baseline may be accrued depending on:

- the Group funding, connected with results achieved in terms of the Group Operating Result and Adjusted Net Profit and the surpassing of a minimum Economic Solvency Ratio[12] level
- the achievement of the objectives defined in the individual balanced scorecards, which establish from 5 to 7 objectives at Group, Region, country, business/function and individual level - as appropriate - based on the following perspectives:

2017 Perspectives

Economic and Financial Risk Adjusted Performance	50+%	**Core business Key Performance Indicators (KPIs)** (i.e. Operating Result, Net Profit, New Business Value, Combined Ratio, Cash Generation/Dividend) **Minimum 10% RORC (up to 15% for business roles)**
Efficiency & Business Transformation	30-40%	**Efficiency KPIs** + **Customer & Distributor KPIs and acceleration initiatives**
People Empowerment	10-15%	**Managerial assessment based on specific HR KPIs**

The long-term variable remuneration is based on a long-term plan based on Assicurazioni Generali shares (upon approval by the Shareholders' Meeting). The maximum potential bonus to be disbursed in shares amounts to 175% of the gross fixed remuneration of the participation (this percentage is 250% for the Managing Director/Group CEO). Here the features of the plan are:

- it is paid out over a period of 6 years and is linked with specific Group performance targets (Return on Equity and relative Total Shareholder Return) and the surpassing of a minimum Economic Solvency Ratio[12] level
- it is based on a three-year performance period and additional sale-restriction periods (i.e. minimum holding) on granted shares up to two years.

Benefits consist of a supplementary pension and healthcare assistance for employees and their families, in addition to a company car and further benefits, including some linked to domestic or international travel (e.g. accommodation expenses, travel and education for children), in line with market practices.

www.generali.com/governance/remuneration
for further information on remuneration policy and the Remuneration Report, including also information about remuneration

Additional information in the Notes of the Annual Integrated Report and Consolidated Financial Statements 2017
for further information on pension benefits of the Group employees

12 Regulatory Solvency Ratio as from 2018.

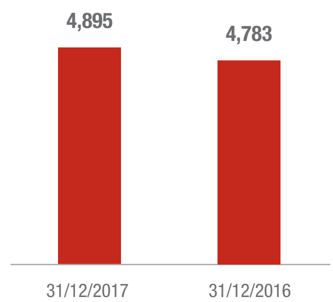
Our **performance**

Group performance and financial position

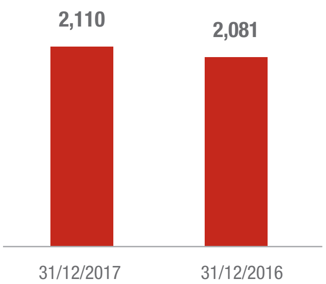
Group highlights[1]

Gross written premiums (€ mln)

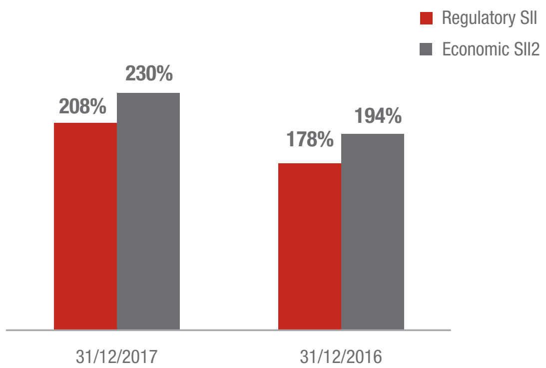
Group operating result (€ mln)



Net Result (€ mln)



Solvency II ratio

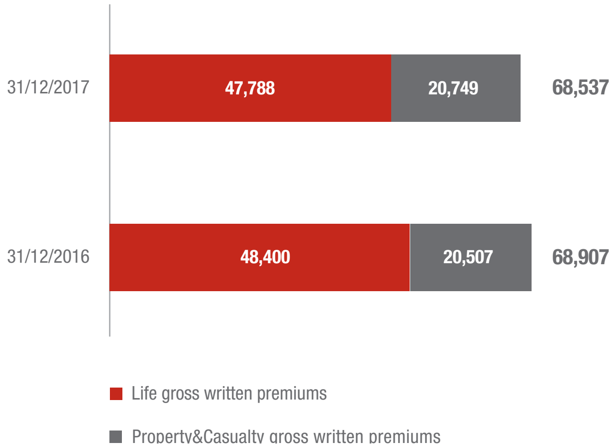


- Gross written premiums over € 68.5 bln (-0.2%), improving in P&C business (+1.7%). Life net cash inflows of more than € 9.7 bln, remaining at industry leading levels
- Operating result at € 4.9 bln (+2.3%) thanks to the performance of the Life and Holding and other businesses segments. The operating result of the P&C segment is solid, with its CoR confirmed at excellent levels (92.8%)
- Operating RoE at 13.4% confirming the achievement of the strategic target (>13%)
- Group result at € 2.1 bln (+1.4%)
- Further strengthened Group capital position, with the Regulatory Solvency Ratio at 208% and Economic Solvency Ratio at 230%

1 Changes in premiums, net cash inflows and PVNBP (the present value of new business premiums) are presented in equivalent terms, that is at constant exchange rates and scope of consolidation. With reference to the divestment of the Dutch and Irish assets in application of IFRS 5, the Dutch and Irish companies under disposal are classified as hed for sale. As a result, these shareholdings were not left out of the consolidation in the financial report at 31 December 2017, but both of the total of the assets and liabilities and the economic result – net of taxes – were separately recognized in the specific items of the financial statements. The 2016 comparative figures were likewise reclassified. For more information, please refer to the paragraph Changes in the presentation of the performance indicators of the Group in the Note to the Management Report.

Group performance

Gross written premiums development



The Group's **gross written premiums** totalled € 68,537 million (-0.2%), reflecting performance of the Life segment (-1.0%), while P&C (+1.7%) confirmed the development observed in 2017.

With reference to the lines of business, **Life gross written premiums** amounted to € 47,788 million (-1.0%). In line with the strategic goal of pursuing the more selective underwriting policy, premiums of savings products decreased by 11.6%, especially in Italy, Asia, Germany, Spain and France. The above-mentioned targeted rebalancing in favour of products offering better risk-return terms brought about an increase in both unit-linked products (+22.4%) widespread in the Group's areas of operations and especially in Italy (+57.3%) and France (+52.1%), and in the protection line (+7.0%).

Net cash inflows surpass € 9.7 billion, staying among the market levels; the decrease of 17.1% reflects the aforementioned pursuit of the strategic objectives of concentrating sales on products with high profit margins.

New business in terms of present value of new business premiums (PVNBP) amounted to € 45,429 million, down by 2.3%, both in the single premium (-2.8%) and in the annual premium policies (-2.6%). With reference to the business lines, unit-linked production rose sharply (+28.7%) and the protection line improved slightly (+3.0%). Savings and pension line premiums recorded a significant decrease (-19.0%) due to the Group's scheduled actions aimed at reducing business subject to financial guarantees.

The **new business value (NBV)** improved significantly (+53.8%), standing at € 1,820 million (€ 1,193 million at 31 December 2016).

€ 11,272 mln premium with social value*

€ 676 mln premium with environmental value*

NFS

Insurance products, by their very nature, have a high social and environmental value given that they constitute a concrete response to the protection needs of customers and the growing needs of society, thereby promoting risk prevention and mitigation. We constantly monitor risks that may have impact on the society and the environment as to identify opportunities and continue to create value.

Risks and opportunities of the external context, p. 28

As a consequence of such evaluation, we also develop products and services that - given the type of customer or provided coverage - meet specific social and environmental needs.

Glossary available at the end of this document

* Premiums with social and environmental value refer to companies representing 93.5% of total Group direct premiums.

New business margin on PVNBP[2] rose significantly by 1.46 pps to 4.01% (2.56% at 31 December 2016), of which +1.12 pps primarily due to the refocusing of sales towards unit-linked and pure risk business and the effective recalibration of financial guarantees, and +0.34 pps arising from the improved economic environment compared to last year.

P&C premiums amounted to € 20,749 million, 1.7% higher because of the positive performance of both business lines. Development of the motor segment (+3.0%) is driven by the growth recorded in Germany (+4.2%), CEE countries (+3.2%), Spain (+3.8%), the Americas region (+25.7%) and France (+2.6%), which more than offset the drop in motor premium income in Italy (-4.5%) after the average premium fell and after the measures taken to recover the returns of the portfolio. Also non-motor premium income is up (+0.9%) as it is mainly supported by development in the CEE countries (+3.6%), in the EMEA region (+2.6%) and by Europ Assistance (+14.0%), while Italy, even if recovering from the drop seen in 2017, is down by 1.8%, mostly due to the reduction in the Global Corporate & Commercial lines. France fell 2.0% because of the weak market conditions in commercial and construction.

Total gross written premiums

(€ million)	Total gross written premiums	
	31/12/2017	31/12/2016
Italy	22,836	23,612
France	11,799	10,920
Germany	16,005	16,227
Central Eastern Europe	3,600	3,490
International*	14,215	14,576
EMEA	8,688	8,960
Spain	2,427	2,502
Austria	2,592	2,568
Switzerland	1,817	1,883
Other EMEA	1,852	2,007
Americas	1,420	1,308
Asia	2,359	2,578
Europ Assistance	753	681
Other	996	1,048
Group holding and other companies	82	83
Total	68,537	68,907

* Total gross written premium for GBL & International, taking into consideration the Global Business Lines business underwritten in the various countries, amounted to € 16.324 mln. Overall, the Global Business Lines recorded € 4,102 million in premiums from:
- Global Corporate&Commercial € 1,887 mln;
- Generali Employee Benefits e Generali Global Health € 1,462 mln and
- Europe Assistance € 753 mln.

The description of the geographical areas presented in the document is available in the Note to the Management Report in the Appendices to Management Report section.

2 The margin calculated on Annual Premium Equivalent (APE) would amount to 39,2%.

Operating result

The **Group's operating result** amounted to € 4,895 million, up by 2.3% (€ 4,783 million at 31 December 2016[3]), which reflects the positive performance of the Life and Holding and other businesses segments. The operating result of the P&C segment is confirmed solid regardless of the bigger impact of catastrophe claims.
The **operating return on equity**, the Group's main economic profitability target, came to 13.4% (unchanged compared with the 31 December 2016 figure), confirming the achievement of the strategic target (>13%).

Total operating result by segment

(€ million)	31/12/2017	31/12/2016	Change
Total operating result	**4,895**	**4,783**	**2.3%**
Life segment	3,141	3,084	1.8%
Property&Casualty segment	1,972	2,073	-4.9%
Holding and other business	59	-74	n.m
Consolidation adjustments	-278	-300	-7.4%

In particular, the Life result, € 3,141 million, increased by 1.8% due to the performance of the investment result that benefited from higher realised gains and lower impairments. Technical performance net of insurance and other operating expenses instead fell.
The P&C operating result, which amounted to € 1,972 million, dropped by 4.9% as it reflected on the one hand the bigger impact of the natural catastrophes for € 124 million (including the US hurricanes in August and September and the storms that struck central Europe in July and August) and, on the other, the lower contribution of financial result in the context of a continuing low level of interest rates. The combined ratio came to 92.8%, ranking number one amongst our peers, consistent with the Group's strategic policy of technical excellence.

Improvement of the operating result of the Holding and other businesses segment, which totalled € 59 million (€ -74 million at 31 December 2016), reflects the excellent performance of Banca Generali, the reduction in holding operating costs and the positive result of the other asset management and real estate businesses.

Operating result by country

(€ million)	Total operating result	
	31/12/2017	31/12/2016
Italy	1,841	1,948
France	744	701
Germany	827	847
Central Eastern Europe	481	461
International*	1,067	1,120
EMEA	896	825
Americas	62	98
Asia	39	32
Europ Assistance	88	90
Other	-18	76
Investments, Asset & Wealth Management**	468	321
Group holding, other companies and countries adjustments	-532	-615
Total	**4,895**	**4,783**

* Adding to the above mentioned total International the part of the business related to the Global Business Lines "Global Business and Commercial" also signed in the countries, the total operating result for GBL & International amounts to € 1,191 mln.

** Adding to the above mentioned total Investments, Asset & Wealth Management also the result of AM of the Central and Eastern European countries, the total operating amounts to of € 482 mln.

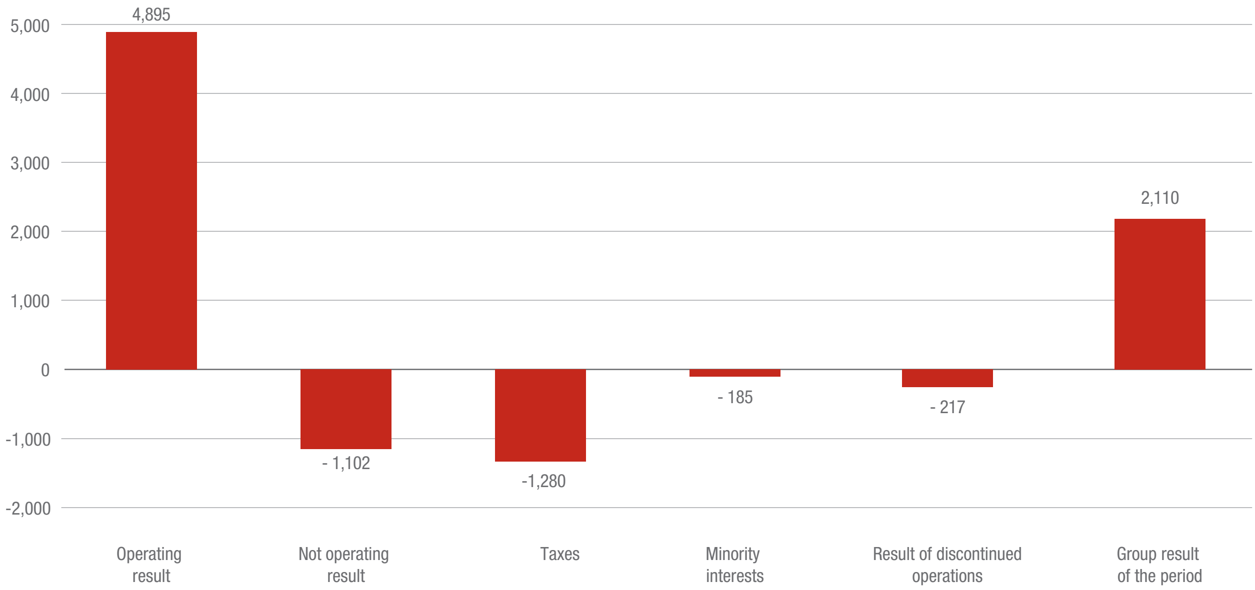
3 As aforementioned, the 2016 comparative figures were likewise reclassified. For further information refer to paragraph Changes in the presentation of the performance indicators of the Group in Note on Management Report.

Non-operating result

The non-operating result of the Group improved to € -1,102 million (€ -1,526 million at 31 December 2016). In particular:

- **net impairment losses** dropped to € -271 million (€ -543 million at 31 December 2016) due to lower impairments on equities and bonds;
- **net realized gains** stood at € 331 million (€ 425 million at 31 December 2016), down mainly due to the lower profits from real estate and equity portfolios;
- **net non-operating income from financial instruments at fair value** increased to € 26 million (€ -96 million at 31 December 2016);
- **other net non-operating expenses** decreased to € -432 million (€ -518 million at 31 December 2016). This item consists of € -106 million relating to the amortization of the value of acquired portfolios (€ -139 at 31 December 2016), € -297 million in restructuring costs (€ -176 at 31 December 2016), of which about € -170 million regarding the announced phase of industrial transformation to strengthen the operating performance in Germany, and € -29 million in other net non-operating expenses (€ -204 million at 31 December 2016), which benefits from € 196 million in income from the sale of the P&C portfolio in run-off of the UK branch that took place in December;
- non-operating holding expenses amounted to € -756 million (€ -794 million at 31 December 2016), reflecting the drop in interest expense on financial debt which went from € -723 million to € -673 million.

Group result



The **result for the period attributable to the Group** stood at € 2,110 million, showing an increase of 1.4% over the € 2,081 million recorded at 31 December 2016 and reflects:

- the improvement of the operating result and the development of the non-operating result noted above;
- the result of discontinued operations of € -217 million which includes the impairment of Dutch operations and the profit for the period deriving from said activities, plus the profit coming from the Irish company being discontinued;
- the increase in taxes, the tax rate of which came to 31.8% (29.4% at 31 December 2016), basically caused by the extraordinary additional tax introduced in France for 2017 for about € 40 million and the one-off substitute tax imposed by the US government on undistributed profits of the foreign investees of € 52 million. Last year the tax rate benefited from the reduced nominal tax rate on corporate income in Spain, as well as extraordinary income recognized in Germany against lower taxes on previous years;
- the result attributable to minority interests, amounting to € 185 million, which corresponds to a minority rate of 8.1% (7.1% at 31 December 2016), increased when compared to € 158 million in the previous year due to the results of Banca Generali.

From operating result to net result

(€ million)	31/12/2017	31/12/2016	Change
Consolidated operating result	**4,895**	**4,783**	**2.3%**
Net earned premiums	64,604	64,944	-0.5%
Net insurance benefits and claims	-65,748	-63,616	3.4%
Acquisition and administration costs	-10,634	-10,456	1.7%
Net fee and commission income and net income from financial service activities	454	334	36.1%
Operating investment result	16,993	14,245	19.3%
Net operating income from financial instruments at fair value through profit or loss	4,365	2,164	n.m.
Net operating income from other financial instruments	12,628	12,081	4.5%
Interest income and other income	11,874	12,029	-1.3%
Net operating realized gains on other financial instruments and land and buildings (investment properties)	1,957	1,698	15.2%
Net operating impairment losses on other financial instruments and land and buildings (investment properties)	-258	-707	-63.5%
Interest expense on liabilities linked to operating activities	-340	-347	-2.0%
Other expenses from other financial instruments and land and buildings (in-vestment properties)	-604	-591	2.1%
Operating holding expenses	-454	-458	-0.9%
Net other operating expenses (*)	-321	-208	53.8%
Consolidated non-operating result	**-1,102**	**-1,526**	**-27.7%**
Non operating investment result	86	-213	n.m.
Net non-operating income from financial instruments at fair value through profit or loss	26	-96	n.m.
Net non-operating income from other financial instruments (**)	60	-118	n.m.
Net non-operating realized gains on other financial instruments and land and buildings (investment properties)	331	425	-22.1%
Net non-operating impairment losses on other financial instruments and land and buildings (investment properties)	-271	-543	-50.0%
Non-operating holding expenses	-756	-794	-4.7%
Interest expenses on financial debt	-673	-723	-6.9%
Other non-operating holding expenses	-83	-71	17.7%
Net other non-operating expenses	-432	-518	-16.7%
Earning before taxes	**3,792**	**3,258**	**16.4%**
Income taxes (*)	-1,280	-1,059	20.9%
Earnings after taxes	**2,513**	**2,199**	**14.2%**
Profit or loss from discontinued operations	-217	40	n.m.
Consolidated result of the period	2,295	2,239	2.5%
Result of the period attributable to the Group	**2,110**	**2,081**	**1.4%**
Result of the period attributable to minority interests	185	158	17.4%

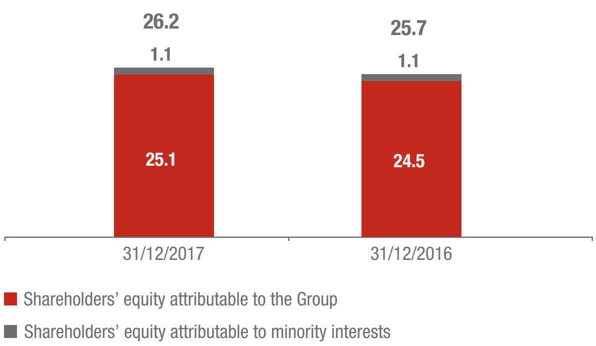
(*) At 31 December 2017 the amount is net of operating taxes for € 52 million and of non-recurring taxes shared with the policyholders in Germany for € 54 million (at 31 December 2016 for € 64 million and € 79 million, respectively).

(**) The amount is gross of interest expense on liabilities linked to financing activities.

Group financial position

Shareholder's equity and Group solvency

Shareholders' equity attributable to the Group amounted to € 25,079 million, an increase of 2.2% compared to € 24,545 million at 31 December 2016. The change is mainly due to:
- the result of the period attributable to the Group, which amounted to € 2,110 million at 31 December 2017;
- the dividend distribution of € 1,249 million, carried out in 2017;
- other gains or losses recognized through shareholders' equity in the current year amounted to € -100 million More specifically, this performance is mainly attributable to the reduction in profits or losses on exchange rates amounting to € -158 million.



Rollforward of Shareholders' equity

(€ million)	31/12/2017	31/12/2016
Shareholders' equity attributable to the Group at the end of the previous period	**24,545**	**23,565**
Result of the period	2,110	2,081
Dividend distributed	-1,249	-1,123
Other comprehensive income	-100	11
Reserve for unrealized gains and losses on available for sale financial assets	-27	372
Foreign currency translation differences	-158	-31
Net unrealized gains and losses on hedging derivatives	58	13
Net unrealized gains and losses on defined benefit plans	31	-224
Other net unrealized gains and losses	-4	-119
Other items	-226	11
Shareholders' equity attributable to the Group at the end of the period	**25,079**	**24,545**

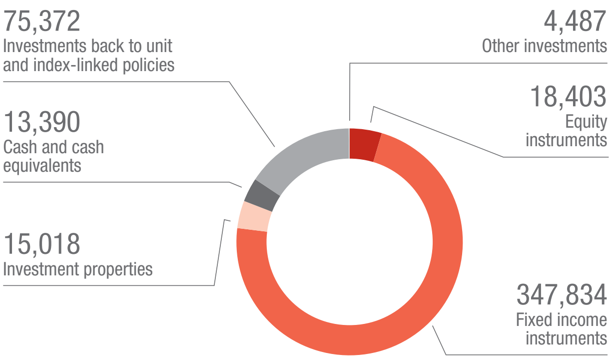
The Regulatory Solvency Ratio - which represents the regulatory view of the Group's capital and is based on the use of the internal model, solely for companies that have obtained the relevant approval from IVASS, and on the Standard Formula for other companies - stood at 208% (178% at 31 December 2016; +30 pps).

The Economic Solvency Ratio, which represents the economic view of the Group's capital and is calculated by applying the internal model to the entire Group perimeter, stood at 230% (194% at 31 December 2016; +36 pps). For further information regarding the Group's solvency position, please refer to the Risk Report.

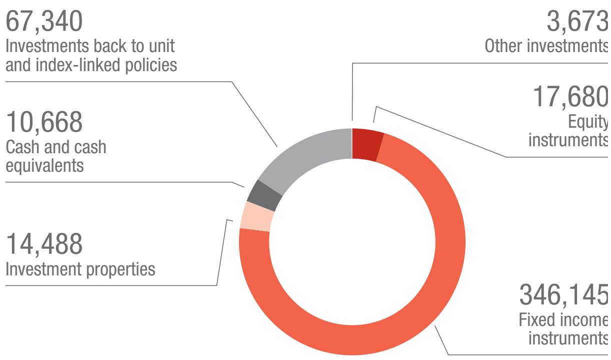
Investments

Asset allocation

Investments at 31 December 2017



Investments at 31 December 2016



At 31 December 2017, total investments amounted to € 474,502 million, up by 3.2% over the previous year. Group investments amounted to € 399,130 million (+1.6%) and unit/index linked investments amounted to € 75,372 million (+11.9%).

€ 345 bln (+7.1%) direct investments by the Group insurance companies which are subject to the Responsible Investment Guideline

In implementation of the Responsible Investment Guideline - the document which regulates the various responsible investment activities at Group level - we identify, evaluate and monitor issuing companies in the portfolio which are involved in controversial sectors (for example, non-conventional weapons) or in activities that involve serious or systematic violations of human rights, serious environmental damage or corruption.

Due to the creation of a proprietary ESG methodology - which considers environmental, social and corporate governance factors - we evaluate the degree of responsibility and involvement of the issuing companies and promote specific actions with respect to them, ranging from a ban on making new investments to the settlement of current holdings or the retention of same until their expiration with no possibility of renewal, or even direct dialogue to encourage them to act responsibly.

A cross-functional committee named **Responsible Investment Committee** retains the task of supporting the decisions of the Group Chief Investment Officer in relation to potential exclusions from the investable universe of the Group.

Climate strategy

In line with the principles of responsible investing which we have been applying for years, and in execution of the Group Policy for the Environment and Climate, we have defined our commitment, even through investment activities, to mitigate climate change and transition towards energy sources as alternatives to carbon and fossil fuels

NFS

Our rules for running business with integrity, p. 23

Sustainable and responsible investment funds

Due to a methodology developed internally by a dedicated team - which integrates non-financial and traditional financial elements - we select the best companies in relation to corporate social responsibility and sustainable development policies in order to establish dedicated SRI (Sustainable and Responsible Investment) funds and mandates.

As at 31 December 2017, the methodology was applied to funds and management mandates totalling € 37.2 billion in assets (+21.2%). Of these, 76.3% was subject to the SRI analysis and reported a compliance rate of more than 90% with the Group's SRI principles. The remaining 23.7% is not covered by the SRI analysis (funds of funds, issuers located in non-European regions, unlisted issuers).

www.generali-investments.com/it/it/institutional/strategies/#isr

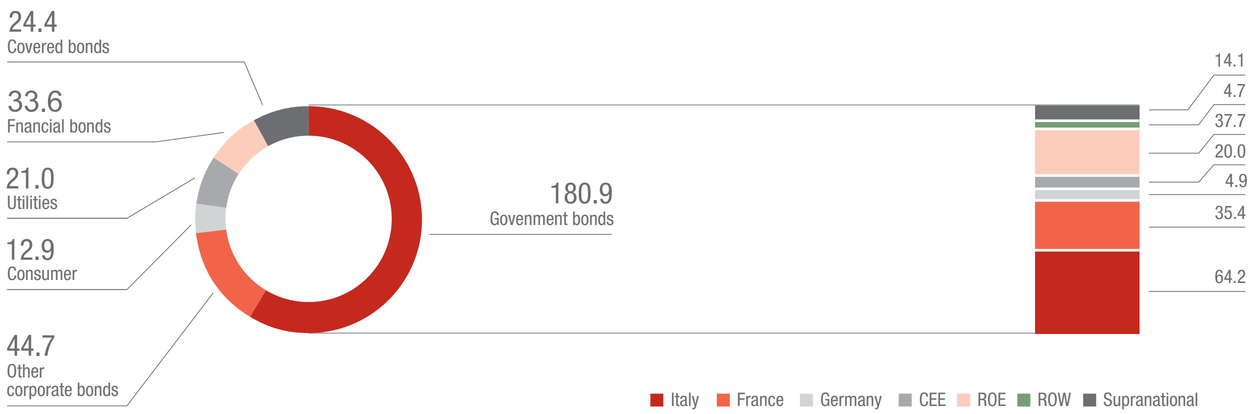
In terms of incidence of the major investment categories, the relevant exposure of the fixed income instruments dropped to 87.1% (88.2% at 31 December 2016), while that of the equity instruments increased slightly, standing at 4.6% (4.5% at 31 December 2016). Also the incidence of the real estate and other investments increased slightly, standing at 3.8% (3.7% at 31 December 2016) and at 1.1% (0.9% at 31 December 2016), respectively. Other investments mainly include receivables from banks or banking customers, equity investments and derivatives.

Lastly, the liquidity ratio rose from 2.7% to 3.4%.

Fixed income securities: bond portfolio

Bond portfolio: details by sector

Government bonds: details by country of risk



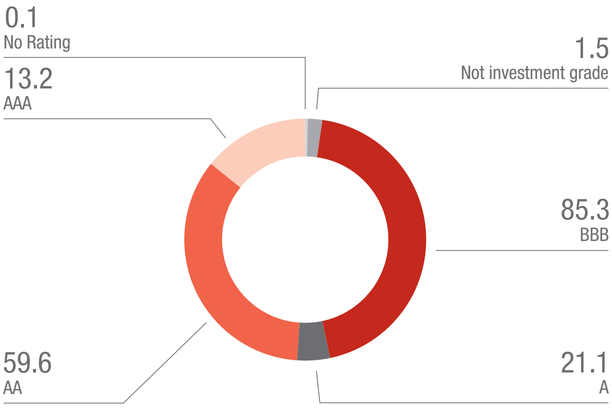
With reference to the bond portfolio, government bonds which represent 57% (54.8% at 31 December 2016) were up, standing at € 180,905 million (€ 172,647 million at 31 December 2016). The change during the period is mostly attributable to the Group's position of net buyer of this class of assets. The exposure to individual government bonds is mainly allocated to the respective countries of operation, in line with the Group's ALM policy.

The corporate component decreased in absolute terms to € 136,579 million (€ 142,528 million at 31 December 2016), equal to 43% of the bond portfolio (45.2% at 31 December 2016). This was due to the orientation of the reinvestment strategy toward the sovereign bond component.

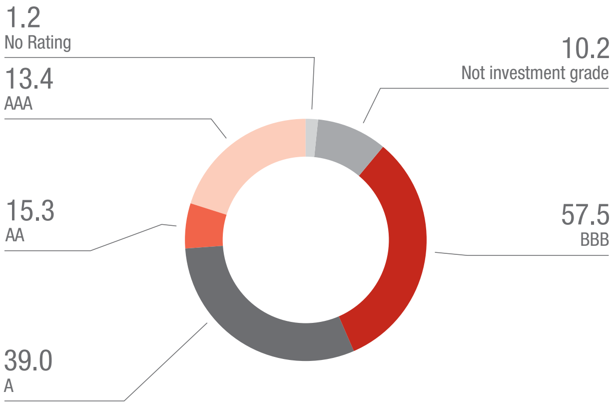
Taking into consideration, on the other hand, the new current breakdown of the portfolio, note that the non-financial component increased in order to foster a higher level of diversification.
The bonds issued by companies operating in the real estate sector were included in the scope of the Other corporate bonds.

A breakdown by credit rating of the bond portfolio at 31 December 2017 split between corporate and government bonds follows.

Government bonds



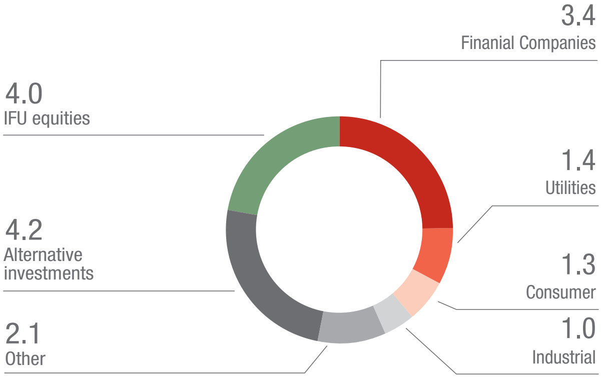
Corporate bonds



The Group's Corporate portfolio is still basically in line with what was recorded at 31 December 2016 in terms of creditworthiness, with over 91% of securities held classified as Investment Grade.

Exposure to bonds with BBB rating increased slightly, while all the other classes decreased in absolute terms against the scheduled portfolio reduction during 2017.

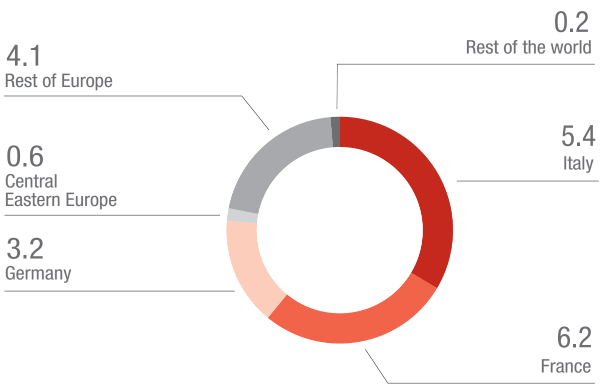
Equity securities: share portfolio



Equity securities increased in absolute terms, standing at € 18,403 million (€ 17,680 million at 31 December 2016).

The change for the period is mainly attributable to the increased value of the investments that benefited from the positive performance of the share prices, and to a lesser extent for the conversion of some bonds into shares.

Investment properties



Investment properties in terms of book value amounted to € 15,018 million (€ 14,488 million at 31 December 2016).

In particular, the direct investment properties of the Group, at market value, amounted to € 19,763 million (€ 18,520 million at 31 December 2016), and are almost all in Western Europe, mainly in Italy, France and Germany, and are situated in the respective countries of operation.

Investment result[4]

Return on investment

	31/12/2017	31/12/2016
Economic components		
Current income from fixed income instruments	10,399	10,664
Current income from equity instruments	691	704
Current income from real estate investments(*)	802	775
Net realized gains	2,652	2,166
Net impairment losses	-432	-1,133
Net unrealized gains	449	-395
Average stock	**395,098**	**392,194**
Ratio		
Current return(*)	3.1%	3.2%
Harvesting rate	0.7%	0.2%
P&L return	3.4%	3.3%

(*) Net of depreciation of the period.

Current return slightly fell to 3.1% (3.2% at 31 December 2016). The performance of this indicator is attributable on the one hand to the increase in average investments and, on the other, to a drop in absolute value of current income, which amounted to € 12,089 million (€ 12,386 million at 31 December 2016) due to the low interest rates that can be obtained when reinvesting.

The contribution to the result of the period from realized gains and losses through profit or loss (harvesting rate) increased to 0.7% (0.2% at 31 December 2016) following an increase in realized gains and a lower impact of impairments, which were particularly substantial at 31 December 2016.

4 Please refer to the Methodological notes on alternative performance measures for details on the calculation of this indicator.

Debt and liquidity

Liabilities

In accordance with the IAS/IFRS managerial model used by the Generali Group, consolidated liabilities were split into two categories:

- **liabilities linked to operating activities**, defined as all the consolidated financial liabilities related to specific balance sheet items from the consolidated financial statements. This category also includes liabilities stated by the insurance companies against investment contracts and liabilities to banks and customers of banks belonging to the Group;
- **liabilities linked to financing activities**, including the other consolidated financial liabilities, including subordinated liabilities, bonds issued and other loans obtained. This category includes liabilities incurred in connection with a purchase of controlling interests.

Total liabilities were as follows::

Group debt

(€ million)	31/12/2017	31/12/2016
Liabilities linked to operating activities	**30,501**	**28,445**
Liabilities linked to financing activities	**11,815**	**12,669**
Subordinated liabilities	8,379	9,126
Senior bonds	2,980	3,017
Other non-subordinated liabilities linked to financing activities	456	526
Total	**42,316**	**41,114**

The decrease in the Group's liabilities linked to financing activities was due mainly to the repayment of a subordinated bond issued by the subsidiary Generali Finance B.V.. The repayment totaling € 869 million at nominal value was finalized by exercising an early repayment option on 8 February 2017.
Liabilities linked to operating activities recorded an increase due to the higher financial liabilities linked to investment contracts.

The weighted average cost of the liabilities linked to financing activities at 31 December 2017 totaled 5.71%, basically unchanged compared to the 5.67% of 31 December 2016. The weighted average cost reflects the annualized average cost of the debt considering the outstanding liabilities at the reporting date and the related currency and interest rate hedging.

Interest expenses on total liabilities are detailed below:

Interest expenses

(€ million)	31/12/2017	31/12/2016	Change
Interest expense on liabilities linked to operating activities	340	347	-2.0%
Interest expense on liabilities linked to financing activities	673	723	-6.9%
Total(*)	**1,013**	**1,070**	**-8.9%**

(*) Without taking into account the interest expenses on liabilities linked of the real estate development companies, classified among the other expenses, as well as the interest on deposit under reinsurance business accepted, deducted from the related interest income.

Details on the liabilities linked to financial activities

Details of subordinated liabilities and senior bonds

(€ million)	31/12/2017				31/12/2016			
	Nominal value	Book value	Accrued interest expenses	Average weighted cost %	Nominal value	Book value	Accrued interest expenses	Average weighted cost %
Subordinated liabilities	8,417	8,379	547	6.22%	9,166	9,126	595	6.14%
Senior bonds	3,000	2,980	125	4.19%	3,000	3,017	125	4.18%
Total	**11,417**	**11,359**			**12,166**	**12,144**		

* The weighted average cost reflects annualized cost of financial debt considering the outstanding debt at the reporting date and the related activities of currency and interest rate hedging.

Details of issues and redemptions of subordinated liabilities and senior bonds

(€ million)	31/12/2017			31/12/2016		
	Issuances	Redemptions	Issuances net of re-demptions	Issuances	Redemptions	Issuances net of re-demptions
Subordinated liabilities	0	869	-869	850	1,167	-317
Senior bonds	0	13	-13	0	0	0
Total	**0**	**882**		**850**	**1,167**	

Details on principal issuances

Subordinated liabilities

Main subordinated issues

	Coupon	Outstanding (*)	Currency	Amortised cost(**)	Issue date	Call date	Maturity
Assicurazioni Generali	6.27%	350	GBP	392	16/06/2006	16/02/2026	Perp
Generali Finance B.V.	5.48%	869	EUR	0	08/02/2007	08/02/2017	Perp
Assicurazioni Generali	6.42%	495	GBP	555	08/02/2007	08/02/2022	Perp
Assicurazioni Generali	10.13%	750	EUR	748	10/07/2012	10/07/2022	10/07/2042
Assicurazioni Generali	7.75%	1,250	EUR	1,247	12/12/2012	12/12/2022	12/12/2042
Assicurazioni Generali	4.13%	1,000	EUR	990	02/05/2014	n.a.	04/05/2026
Generali Finance B.V.	4.60%	1,500	EUR	1,340	21/11/2014	21/11/2025	Perp
Assicurazioni Generali	5.50%	1,250	EUR	1,242	27/10/2015	27/10/2027	27/10/2047
Assicurazioni Generali	5.00%	850	EUR	840	08/06/2016	08/06/2028	08/06/2048

(*) In currency million.

(**) In € million.

This category also includes unlisted subordinated liabilities issued by Assicurazioni Generali and other subsidiaries. Liabilities issued by Assicurazioni Generali in the form of private placements amounted to a nominal amount of € 1,000 million corresponding to an amortized cost of € 999 million. The remaining subordinated liabilities relate to shares issued by subsidiaries in Austria with an amortized cost of about € 26 million.

In February 2017 a subordinated bond issued by the Group in February 2007 for the amount of € 869 million was repaid with the income from the issue of a subordinated bond for the total amount of € 850 million in June 2016.

Senior bonds

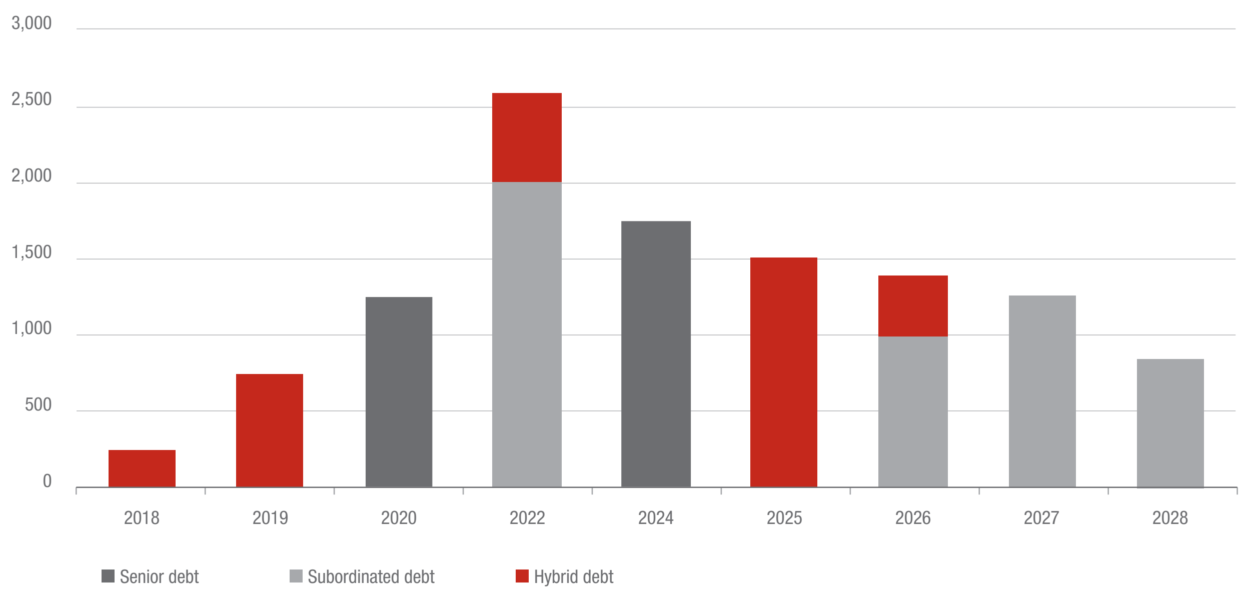
Main senior bonds issues

Issuer	Coupon	Outstanding (*)	Currency	Amortised cost(**)	Issue date	Maturity
Assicurazioni Generali	5.13%	1,750	EUR	1,733	16/09/2009	16/09/2024
Assicurazioni Generali	2.88%	1,250	EUR	1,247	14/01/2014	14/01/2020

(*) In currency million.
(**) In € million.

The bonds issued by the subsidiary Ceska Pojistovna for the nominal amount of CZK 500 million were repaid in December 2017.

Maturity of the financial debt



The average duration at 31 December 2017 was 6.22 years compared to 6.72 years at 31 December 2016.

Lines of credit

As in established market practice for the sector, Assicurazioni Generali has a number of credit lines for the total maximum amount of € 2 billion with maturities in 2018 and 2020. The company intends to renew them.

The counterparties are major financial institutions of high international standing. This will only impact the Group's financial liabilities if the facility is drawn down, and will allow Generali to improve financial flexibility to manage future cash requirements in a volatile environment.

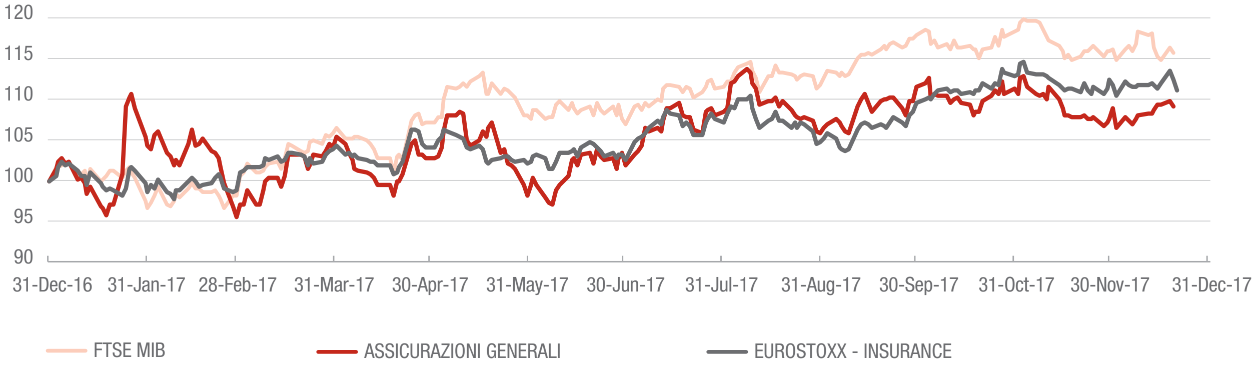
Liquidity

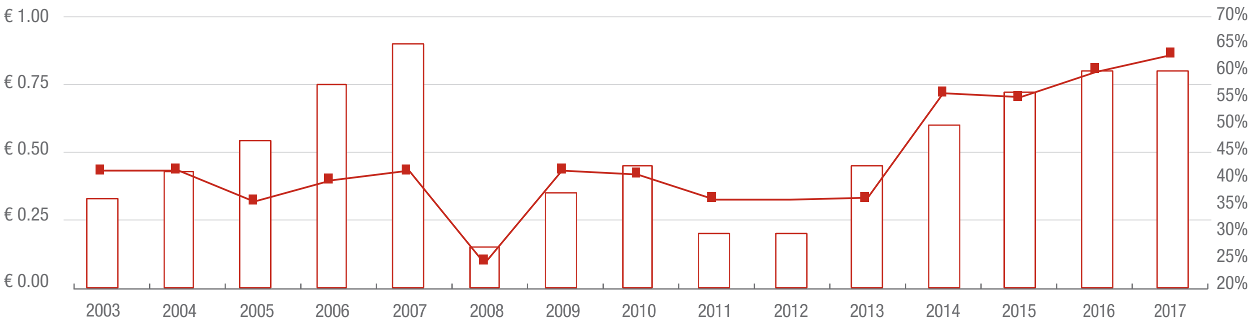
Cash and cash equivalent

(€ million)	31/12/2017	31/12/2016
Cash at bank and short-term securities	6,143	6,210
Cash and cash equivalents	113	649
Cash and balances with central banks	593	606
Money market investment funds unit	6,891	4,000
Other	-351	-796
Cash and cash equivalents	**13,390**	**10,668**

Liquidity recorded an increase and amounted to € 13,390 million, mainly following the somewhat less favourable opportunities to reinvest profits generated particularly during the last part of the year.

Share trend





KPIs per share

	31/12/2017	31/12/2016
EPS	1.35	1.34
Operating earning per share	1.67	1.64
DPS	0.85	0.80
Payout ratio	63.0%	60.0%
Total dividends (in € million)	1,330	1,249
Share price	15.20	14.12
Minimum share price	13.52	9.82
Maximum share price	16.02	16.37
Average share price	14.91	12.42
Weighted average number of ordinary shares outstanding	1,560,771,499	1,558,512,070
Market capitalization (in € milion)	23,739	22,026
Average daily number of traded shares	7,179,293	9,962,523
Total shareholders' return (%)*	13.54	-11.60

* It is equel to (total dividend + var. share price during the reference period) / share price at the beginning of the year.

Our **reference markets**: positioning[5] and performance

Italy

Gross written premiums	Total operating result	Life market share	P&C market share	Ranking	Our people
€ 22,836 mln (-3.3%)	€ 1,841 mln (-5.5%)	16.8%	15.3%	1°	12,970

Generali confirms its leadership in the Italian insurance market with a total market share of 16.4% thanks to a complete range of insurance solutions for its customers in both the Life and the P&C segments. At distribution level, over the years Generali has perfected a multi-channel strategy heavily concentrated on agents. It also has a strong position in the P&C and Life direct channel, through Genertel and Genertellife, the first online insurance launched in Italy. Lastly, its partnership with Banca Generali allows it to offer a complete variety of insurance, pension and savings products to its customers.
The Group presents itself to the Italian market with three distinct brands having clear strategic positioning - Generali (retail and SME market), Alleanza (families) and Genertel and Genertellife (alternative channels). During 2017, Generali Italia further developed its simplification programme with the goal of improving the customer experience by simplifying the relationship between customers and agents for the entire process from pre-sales to assistance - and providing more accessible and innovative services.
Furthermore, at the end of 2017 Generali Italia launched Welion, a new services company focussed on providing advanced solutions in the world of individual health and corporate welfare.

With reference to the macroeconomic context, the Italian economy has exited its long recession; GDP growth for 2017 is estimated at 1.5%, supported by exports, a weak recovery in both domestic demand and in investments in machinery and equipment. The growth in disposable income caused by more favourable employment conditions is favouring household consumption.

In line with the trend observable during 2016, the Italian Life insurance market continued to fall also during 2017. New Life business continues to be mainly oriented toward the traditional products, even if it dropped sharply compared to the previous year (-18%) and significant growth in the unit-linked products (+33%) was noticed, even if the context continues to be characterised by volatility on the financial markets.
The P&C market also recorded worse performance this year due to strong competition amongst the various motor insurers, resulting in a further decline in average premiums. Benefiting from the macroeconomic recovery, though modest, positive growth rates on the other hand continued to be seen in the non-motor segment.

The domestic financial market was distinguished by growth in yield of the 10-year Italian bond, which closed 2016 at 1.8% to then settle at 2% at year-end 2017. The Italian bond-German bund spread however fell from 1.6% at the end of 2016 to 1.5% at the end of 2017 owing to the improved macroeconomic condition of the country, also confirmed by the increased S&P rating from BBB- to BBB and to the measures taken to strengthen the Italian banking system.

The stock market was supported by strong global demand and accommodating policy of the ECB. FTSE MIB recorded positive performance (+14%) after having touched a maximum annual increase of 38% in September.

5 The indicated market shares and positions, based on written premiums, refer to the most recent official data.

Life premiums	PVNBP	NBV	Life OR
€ 17,299 mln (-3.4%)	€ 19,116 mln (-3.3%)	€ 903 mln (+56.0%)	€ 1,246 mln (-4.5%)

Protection (+14.9%) and unit-linked (+52.1%) premiums recorded outstanding performance thanks to the new forms of hybrid investment that also benefited from the introduction of products having controlled volatility able to guarantee better investment stability. Traditional savings products went down (-13.5%), particularly the single premium ones, and this is in line with the strategic goal that prefers an underwriting policy more attentive to the absorption of capital.

New business in terms of present value of new business premiums (PVNBP) amounted to € 19,116 million, down by 3.3%, mainly after the single premium policies fell (-7.9%) and annual premiums (-3.8%).
With reference to the business lines, unit-linked production improved considerably (+71.3% thanks to the contribution of the "hybrid" products) and growth of the protection line (+28.0%) was good. The savings products instead recorded a reduction (-18.8%), in line with the actions the Group took to reduce guaranteed business.

Profitability (margin on PVNBP) went up by 1.79 pps, increasing from 2.93% of 2016 to 4.72% of 2017, mainly following the recalibration of the guarantees offered, the better production mix, the sale of new, more profitable hybrid products and a recovery of the financial situation. The new business value considerably improved compared to the previous year (+56.0%) mainly due to the increase in profitability, despite the reduced volumes, and amounted to € 903 million.

P&C premiums	P&C OR	Cor
€ 5,537 mln (-2.9%)	€ 651 mln (-8.8%)	90.0% (+0.1 pps)

Income decreased mainly because of the motor segment (-4.5%), which suffered the drop in new business linked to the profitability recovery policy in a market still going through a profitability crisis. The negative trend of non-motor segment (-1.8%) has to be entirely conducted to the Corporate and SME sector which is affected by strong competition on a soft market. The healthcare line grew thanks to the development initiatives that also led to the creation of Welion, a new company active in corporate welfare.

The combined ratio; is basically stable; the increase in the expense ratio, mainly linked to development of the non-motor portfolio, is almost entirely offset by the improvement in the current year loss ratio, while the contribution to the loss ratio from previous times is basically at the same levels of last year.

Germany

Gross written premiums	Total operating result	Life market share	P&C market share	Ranking	Our people
€ 16,005 mln (-1.4%)	€ 827 mln (-2.4%)	9.6%	5.5%	2°	11,467

Generali Deutschland is the second insurance group in Germany in terms of total premium income. Its market share is 5.5% in the P&C segment and 9.6% in the Life segment (also including the healthcare business), with leadership positions particularly in the unit-linked and protection and corporate pension plans business lines, and in the direct channel.

In 2017, after having successfully concluded an early strategic and organisational revision (with the Simpler Smarter for You programme) ahead of schedule, Generali sped up implementation of the strategic plan in Germany by starting up the second phase of the strategic programme (Simpler, Smarter for You to Lead) with the objective of fully taking advantage of the growth and value creation potential in terms of:

- maximising operational efficiency with the creation of the "One company" model that calls for consolidating employees in two main companies, creating three product factories serving all distribution channels and significant management and corporate synergies and rationalisation of the brands portfolio;
- maximising distribution power: with integration of the channel of Generali dedicated agents in the DVAG network (the largest insurance distribution network in the country) that will operate under a new exclusive agreement to distribute the Generali brand products with strengthening of the direct channel (CosmosDirekt) through significant investments in simplifying processes and extending to new forms of digital brokering and with focus of the broker channel on profitability and the digitalisation process (Dialog);
- minimising the interest rate risk through the decision to put Generali Leben in run-off, with improvement of Generali's Economic Solvency Ratio and the release of resources supporting growth in the German market.

During the year, the Group also further strengthened its positioning on the product innovation and customer services market owing to the Smart Insurance programme, which witnessed extension of the Generali Vitality programme to all distribution networks and the offer of telematics products (Generali Mobility), domotics products (Generali Domocity), legal protection and also owing to the digitalisation in the healthcare and claims services.

Difficulties persist in the German Life market due to the interest rates, which have remained for a long time at extremely low levels. In the P&C market, a stable market share with high business profitability by virtue of a combined ratio clearly better than the market is expected for Generali in Germany.

With reference to the financial markets, performance of the 10-year German bund, which closed 2016 at 0.2%, increased during 2017 to then close the year at 0.4%. The DAX stock market also recorded a maximum in the summer to then close 2017 with 13% annual growth.

Life premiums	PVNBP	NBV	Life OR
€ 12,297 mln (-2.2%)	**€ 8,529** mln (-9.7%)	**€ 243** mln (-11.1%)	**€ 526** mln (+15.2%)

Life income showed a decrease of savings products (-10.0%), in particular the single premium one, consistently with the strategic actions implemented for the reduction of this product category in favour of the healthcare and unit-linked lines.
New business in terms of PVNBP decreased (-9.7%), caused by the drop in the Life segment (-10.7%); in the healthcare sector, on the other hand, growth was recorded (+10.9%). In looking at the business lines in detail, production of unit-linked products increased (+5.1%) while savings (-33.0%) products and risk products (-9.0%) decreased.
Profitability (margin on PVNBP) remained almost stable, from 2.89% of 2016 to 2.85% of 2017, owing to the good production mix and reduction of the guarantees offered. The new business value amounted to € 243 million (-11.1%).

P&C premiums	P&C OR	Cor
€ 3,708 mln (+1.6%)	**€ 327** mln (-23.6%)	**92.6%** (+2.6 pps)

The increase in income is attributable to the positive performance of the motor segment (+4.2%) that mainly benefits from the tariff policies on the existing portfolio, while the non-motor segment recorded a slight drop (-0.2%) linked to the reduction seen in the accident, healthcare and disability line.

The combined ratio shows a 2.6 pps worsening arising from the increase in claims following both the greater impact of major claims and the increase in claims tied to bad weather.

France

Gross written premiums	Total operating result	Market share	Ranking	Our people
€ 11,799 mln (+8.1%)	€ 744 mln (+6.0%)	Life 5.1% P&C 4.7% A&H 6.3%	Life 7° P&C 6° A&H 5°	7,145

Generali France is a major player on the French market, with a multi-channel distribution network approach of agents, employed sales persons, brokers, financial advisors, banks, direct channels and affinity groups. The variety of the distribution channels reflects the features of the market and of the type of products distributed. This approach gained momentum after the Customer centric reorganization occurred in 2014, based on the creation of 4 separate client areas (Individual, Affluent, Professional & SME and Commercial). Another distinguishing element of Generali in the territory is its leadership in the Internet savings segment thanks to the excellence of the services provided and its important partnerships.

In 2017, the French economy displayed signs of recovery since the previous year, with estimated 1.9% growth of GDP yearly in real terms as compared to the 1.1% of last year. Although remaining at levels historically extremely modest, the interest rates recorded a slight increase that on the one hand reflects the growth of the GDP and, on the other, a certain recovery of the inflation, in line with what took place in the major European economies.

With reference to the financial markets, the performance of the 10-year OAT government bond was posted at 0.8% at year-end 2017 (0.7% year-end 2016). The stock market recorded steady growth (CAC40 +9%) thanks to the recovery of the production activities and consumption, but also supported by the considerable volume of liquidity on the financial markets.

On the whole, following a particularly positive 2016 in terms of demand, the sales of the Life insurance market decreased slightly (-2%) in relation to highly differentiated dynamics between the different products offered. The traditional ones - En Euro policies - decreased by 11% as they were affected by the historically low level of yields offered, while the unit-linked policies recorded 35% growth, reflecting the policy of searching for customers of a more satisfactory risk/yield mix.
The dynamics of the P&C segment (+2.4% versus +1.8% of 2016) benefited from the economic recovery, although in the midst of increasingly lively competition and a soft phase in underwriting corporate business. The market was struck by various natural catastrophes with foreseeable negative consequences in the claims area.

Life premiums	PVNBP	NBV	Life OR
€ 9,279 mln (+10.4%)	€ 9,306 mln (+9.7%)	€ 211 mln (n.s. change)	€ 607 mln (+2.3%)

In line with thw Group's strategy, the growth in premiums is due to the dynamics of the unit-linked products (+52.1%) and of the protection line (+6.1%) that more than offset the decrease in traditional savings policies (-2.5%), in a market context made difficult by the low interest rate level. The considerable increase of the NBV is due to the change in business mix and a profound revision of the new products in order to improve their profitability.
Good growth of the PVNBP (+9.7%), driven by development of the annual premiums (+9.1%) and the excellent progression of the single premiums (+9.8%). With reference to the business lines, excellent production of the unit-linked products (+55.7%) and good resilience of the risk products (+3.0%) was seen, to the detriment of the savings products (-7.3%).
Profitability (margin on PVNBP) recorded a sizeable increase, from 0.33% of 2016 to 2.26% of 2017, mainly thanks to the improved production mix in favour of unit-linked products with high profitability and the considerable reduction in guarantees offered on the savings business (representing 40.2% of production). The new business value amounted to € 211 million, also following the reduction in taxes (from 34.43% to 28.92% starting from 2020).

P&C premiums	P&C OR	Cor
€ 2,520 mln (+0.2%)	€ 155 mln (+12.8%)	98.4% (-1 pps)

Slight increase in P&C income thanks to the motor segment (+2.6%) by virtue of the actions aimed at increasing both the number of policies in the portfolio and the average premium. The non-motor segment (-2.0%) instead suffered from the weak market conditions in commercial and construction.
The reduction of the combined ratio reflects both improvement of claims and that of the expense ratio because of the measures taken in recent years, aimed at improving the technical profitability of the segment.
Compared to 2016, the impact of CAT claims remained unchanged.

CEE includes Czech Republic (Cz), Poland (Pl), Hungary (Hu), Slovakia (Sk), Serbia, Montenegro, Romania, Slovenia, Bulgaria and Croatia.

Gross written premiums	Total operating result	Life market share	P&C market share	Ranking	Our people
€ 3,600 mln (+1.3%)	**€ 481** mln (+4.3%)	Cz: **24.8%** Hu: **10.2%** Sk: **7.7%** Pl: **3.9%**	Cz: **32.4%** Hu: **19.1%** Sk: **11.2%** Pl: **3.7%**	Cz: **2°** Hu: **1°** Sk: **3°** Pl: **8°**	**11,626**

Generali CEE Holding is one of the biggest insurers in the Central Eastern European market. The Group ranks first in Hungary, second in the Czech Republic and Serbia, third in Slovakia and among the top ten in the other countries.
In terms of volumes, main insurance markets are Czech Republic, Poland, Hungary and Slovakia. The contribution of the minor markets has improved during the last years, resulting in an increase of the premium income on the total volume of the area.
Generali CEE is the best in the entire region and of the Group by technical profitability, with a medium-long term Combined Ratio at below 90%.

With reference to the Czech Republic, the most significant financial market of the Region for the Generali Group, the good performance of the macroeconomic situation continued in 2017, especially in the job market. In April 2017, the National Czech Bank announced it was abandoning the cap at the exchange rate between Czech koruna and euro introduced in 2014 to prevent excessive strengthening, which would have fuelled deflationary pressures. As a result, it introduced an immediate fluctuation of the currency. Gradual recovery in the interest rates throughout the Region, together with the stock markets that are recording positive yields.

In 2017, insurance market volumes of the area declined in Life premiums, due for the most part to single premium policies, while there were positive developments in P&C premiums, driven for the most part by motor insurance.

Life premiums	PVNBP	NBV	Life OR
€ 1,454 mln (-1.6%)	**€ 881** mln (0.0%)	**€ 97** mln (+20.9%)	**€ 229** mln (-8.0%)

With reference to the Life premiums of the CEE countries, savings products dropped (-3.6%, due to the performance of single premium policies), only partly offset by the positive development of the unit-linked products (+1.9%, supported by the growth in single premium policies). The trend of the Life premiums is explained by the slowdown in income in the Czech Republic (-3.4%, due to the strong competition between the main players of the market) and in Poland (-1.0%, linked to the complex legislative context and the company's constant focus on greater profitability of the insurance business). Premium income in Slovakia is progressively growing (+7.7%), driven by protection products, in line with Group strategy.

New business in terms of present value of new business premiums (PVNBP) remained almost the same at € 881 million. At the business line level, unit-linked production decreased (-4.1%) despite the good production of the relevant single premiums (+11.4%), offset by the risk business production (+4.3%).
The rise in profitability (margin on PVNBP) from 9.05% of 2016 to 10.98% of 2017 is mainly explained by the increase in the profitability of the risk business, which represents 50.6% of production, higher than last year.
The increased profitability takes the new business value to € 97 million (+20.9%).

P&C premiums	P&C OR	Cor
€ 2,145 mln (+3.4%)	**€ 249** mln (+22.2%)	**87.8%** (-1.7 pps)

The 3.4% increase in P&C income is attributable to both segments. The motor segment (+3.2%) benefited from the tariff policies on the existing portfolio, while the non-motor segment recorded 3.6% growth, in line with the Group strategy thanks to introduction of new home and travel products in the major markets of the area.

The improvement of the combined ratio, which decreased 1.7 pps compared to 2016, is mostly due to the lower net claims (-1.8 pps), thanks to the positive performance of prior years. The expense ratio stayed stable compared to the previous year (+0.1 pps), also benefiting from the lasting cost reduction measures.

Global Business Lines & International

In 2017, this business unit realised premiums amounting to € 16.3 billion and an operating result of € 1.2 billion. It is also the largest in terms of size, comprising over 20 countries grouped into three regions (Asia, Americas and EMEA) and four global business lines (GBL) of the Generali Group. The approach best suited to satisfying specific cluster of our customers is developed through GBL, in particular:

- Global Corporate and Commercial (GC&C): offers P&C insurance and services solutions to medium-large companies and brokers in over 160 countries around the world. Thanks to its solid global experience, knowledge of the local markets and the corporate sector, the unit offers integrated and personalisable solutions in property, casualty, engineering, marine, aviation and speciality risks. Through its experts in Multinational Programs, Claims and Loss Prevention, GC&C guarantees companies the same level of assistance and protection over the world.
- Generali Employee Benefits (GEB): strategic business unit of the Group present in more than 100 markets that deals with benefits for employees (local and expatriate), offering sophisticated solutions to multinational companies that want to protect their human capital with Life, accident, disability and health coverage and pension products.
- Generali Global Health (GGH): offers health insurance coverage all over the world to companies, international organisations and individuals needing to gain access to the best medical treatment without geographical boundaries. The products offered are distinguished by direct benefits and compensation, without prior disbursement by the policyholder, a modular and flexible structure and access to its network of over 1 million healthcare facilities;
- EuropAssistance (EA): major global brand for the assistance services focussed on innovation.

Global Business Lines & International is one of the growth engines for the Generali Group. The sections regarding the single regions are presented below.

EMEA includes Austria (At), Belgium, Greece, Guernsey, Ireland, Portugal, Spain (Es), Switzerland (Ch), Tunisia, Turkey and Dubai.

Gross written premiums	Total operating result	Life market share	P&C market share	Ranking	Our people
€ 8,688 mln (-2.5%)	€ 896 mln (+8.6%)	Es: 3.3% Ch: 3.7% At: 13.8%	Es: 4.5% Ch: 5% At: 16.2%	Es: 8° Ch: 8° At: 3°	9,693

The Group's main EMEA markets are Spain, Switzerland and Austria. In these territories the implementation of strategic initiatives focused on improving client centricity and the quality of service offered is on-going, with the aim to develop smart and innovative solutions in coherence with the Group strategy. An agreement to sell the entire stake in Generali PanEurope was signed in December, and the sale of the assets that the Group held in the Netherlands was finalised in February 2018. These transactions are part of the Generali Group's strategy to readjust its geographical presence

Spain

Generali has been in Spain since 1834 and currently exercises its presence with Generali España, a fully-owned subsidiary, and through two bancassurance agreements in a joint venture with Cajamar (Life and P&C) that ensure the Group exposure to the main Life distribution channel and continuous expansion in the P&C channel as well. Generali is one of the main insurance groups in Spain, with a total market share of 3.3% in the Life segment and 4.5% in the P&C segment. The Generali España group offers a wide range of Life and P&C policies dedicated to private individuals and companies, using a multi-channel distribution strategy including not only bank offices, but a network of agents and brokers which is among the most extensive in Spain. Overall, the Group ranks 8th in the Spanish insurance market in terms of total premiums.
With reference to the insurance market, the P&C segment continued to keep up its growth trend in 2017, also thanks

to an overall macroeconomic recovery of the country. On the contrary, the Life market recorded a slow-down and decrease both in savings products and protection products.

Switzerland

Generali has been operating in Switzerland since 1987 and over the following decade its presence was consolidated by the acquisition and merger of many insurance companies. In accordance with the Group strategy, Generali Switzerland focuses on the retail business and provides high quality and innovative services, through various distribution channels: agents, brokers, financial advisors and direct channels. Generali Switzerland is the number eight insurance group in terms of premium income in the Life and P&C segments. The Life market share is 3.7%, while that of the P&C segment is 5%.
The Life insurance market recorded a slight decline, while the P&C market continued to grow, albeit weakly. More in general, the Swiss economy has always proven solid, even following the Central Bank's decision to abandon the exchange rate floor. Following a period of stability in the beginning, in 2017 the Swiss currency slowly began to depreciate due to the euro appreciation (after the French elections), with the country's desire to back export contributing. However, the inflation rate is still close to 0% and the domestic GDP hovers around 1% in spite of the forecast progression for 2018.

Austria

Generali has been present in Austria since 1832, the year after the Company was established in Trieste. Generali operates in the country through the insurance companies Generali Versicherung, BAWAG P.S.K. Versicherung and Europäische Reiseversicherung. The multi-channel distribution strategy involves agents, brokers, financial advisors and banks (BAWAG P.S.K. and 3Banken). The Group strategy is reflected in the confirmation of Austria as market leader in the retail sector thanks to the focus on customers and on their needs and to the quality of services, offering simple and innovative solutions. Generali was the third largest insurance operator in terms of written premiums, with a market share of 13.8% in Life insurance and of 16.2% in P&C.
In general, a particularly complex economic situation marks the country and it is distinguished by low interest and inflation rates, and an unemployment rate in line with 2016 levels. As for the insurance market, price competition is very high, especially for the broker market, where a tendency to concentrate in pools is noted; difficulties in hiring a new sales force are seen and the comparative web portals are growing.

Life premiums	PVNBP	NBV	Life OR
€ 4,356 mln (-6.8%)	**€ 5,283** mln (-7.1%)	**€ 218** mln (+22.8%)	**€ 447** mln (+4.9%)

The trend in Life premiums is mainly explained by the slow-down of income in Spain (-10.1%) and in Switzerland (-2.4%), and this is for the most part attributable to the fall in traditional savings products, in line with the Group's commercial strategy. Income from pure risk premiums experienced slight growth, especially in Spain and Austria.
New business in terms of PVNBP was down (-7.1%), following the reductions in Switzerland (-36.1%), Austria (-4.2%) and Spain (-8.9%), with direct effects on the savings sector (-23.1%).
All in all, productivity enjoyed a considerable increase, from 3.16% of 2016 to 4.13% of 2017, mainly following the considerable reduction of traditional business (and of the financial guarantees offered) in favour of the risk business in Austria and Spain. New business value increased to € 218 million (+22.8%).

P&C premiums	P&C OR	Cor
€ 4,332 mln (+2.3%)	€ 486 mln (+11.0%)	92.1% (-0.7 pps)

P&C premiums recorded slight growth in both segments, primarily due to Spain (+2.2%) and Austria (+2.8%). A drop in the motor business (-4.4%) was recorded in Switzerland, partly due to the reduction of the average premium, in line with the market context, and growth in the non-motor lines (+2.6%).
The improvement of the combined ratio is the result of the fewer claims recorded, in particular in Austria and Switzerland, and of the fewer costs, mainly in Spain.

Americas includes Argentina, Brazil, Colombia, Chile, Ecuador, Panama and the USA.

Gross written premiums	Total operating result	Life market share (Argentina)	P&C market share (Argentina)	Ranking (Argentina)	Our people
€ 1,420 mln (+8.3%)	€ 62 mln (-36.5%)	5.8%	5.9%	Life 3rd P&C 4th	3,432

Argentina, where Generali ranks as the fourth operator, is the major market for the Group in this region. It is marked by a historically high inflation rate and a volatile financial situation, which has become accentuated following the political elections at the end of 2015. Nonetheless, starting from the second half of 2016 the economy began to show signs of stabilisation and opening up to the international markets; positive signals for the future of this key country on the Latin American continent. Its economy, and inflation in particular, are stabilising due to the measures taken by the government. In such a tough scenario for the insurance business, the Group has implemented best practices in its Argentinian subsidiaries, enabling them to stand out in terms of service quality and innovation. The company Caja is the market leader, not counting the business lines where it does not operate (Workers Compensation and Annuities).

Brazil is the second most important country. Despite its systemic turmoil - a prolonged period of economic crisis and political instability from which the country appears to have left during 2017 - Brazil can boast an emerging middle class that represents development potential for the insurance market in the years to come. The Group also operates in Chile, Ecuador and the USA. During 2017, the sale of the shareholding in the Guatemala subsidiary was completed and agreements were reached to sell Colombia and Panama and they will be finalised in 2018.

Life premiums	PVNBP	NBV	Life OR
€ 292 mln (+14.7%)	€ 256 mln (-8.4%)	€ 4 mln (n.a.)	€ 42 mln (-16.9%)

Life volumes, mainly represented by protection products corresponding to 90% of total income, reported growth over 2016 (+14.7%) that was driven by Brazil's performance (+37% owing to the contribution of new projects) and that of Argentina (+20% arising from increased insured sums consequent to the impact of inflation on wages).
New business in terms of PVNBP is down (-8.4%), while profitability (margin on PVNBP) was 1.42% with the new business value amounting to € 4 million[6].

6 The NBV comes from the risk business in Argentina that for the first time was reported in 2017. After the Contract Boundaries rule was introduced, the Argentinian products have been classified as new business since the first quarter of 2017, while they were previously measured inside the existing portfolio.

P&C premiums	P&C OR	Cor
€ 1,128 mln (+19.2%)	€ 25 mln (56.9%)	105.5% (+2.8 pps)

P&C income, 75% of which comes from motor policies, went up 19.2% mostly thanks to Argentina (representing about 70% of the region) due to both the tariff adjustments resulting from the inflation and the higher number of policies.
The combined ratio of the region was 105.5%, 2.8 pps worse than the previous year; this performance is attributable mainly to the strengthening of the reserves carried out in Argentina.

Asia includes China, Indonesia, India, Hong Kong, Vietnam, Thailand, the Philippines, Malaysia and Japan.

Gross written premiums	Total operating result	Life market share (Cina)	P&C market share (Cina)	Ranking (Cina)	Our people
€ 2,359 mln (-3.8%)	€ 39 mln (+21.0%)	7%	2.6%	Life 4th P&C 10th	4,738

The group has been present in Asia since the 1980s. It is currently operating in China, Indonesia, the Philippines, Hong Kong, Japan, Thailand, Vietnam, India and Malaysia. The companies present in these last two countries, as well as China company operating in the P&C segment, are not consolidated line-by-line as the relative shareholdings are not controlling. Hong Kong is also home to the regional office, which coordinates the entire area's activities.
The Life income comes from China, Indonesia, Hong Kong, the Philippines, Thailand, Vietnam and India, and is concentrated primarily in the savings and protection segments and, to a lesser extent, the unit-linked segment. The P&C income, on the other hand, comes from China, India, Malaysia, Hong Kong, Thailand and Japan, with a premium volume which is in any event limited with respect to total income in the Region.
The banking and agency channels are enjoying rapid development, especially in China, and are the main distribution channels. The direct channel is still in the initial phases of development in China and Thailand. The main contributor in terms of sales and profit in the Region is the Chinese Life company, Generali China Life, a joint venture with the local partner CNPC, which today has become one of the top foreign insurance groups on the market.

Recently, the most significant transactions were the creation in July 2016 of a new Life company in Hong Kong, specialised in the High Net Worth segment, added alongside the branch and the regional office. The joint venture in the Philippines with the partner Banco De Oro was also closed in mid-2016, and at the same time a new company 100% owned by the Generali Group operating in the Group Life and Employee Benefits business was created. At the end of 2014 the Group entered the Malaysian market through an agreement with Multi-Purpose Capital Holdings Berhad (a wholly owned subsidiary of the Malaysian group headed by MPHB Capital) to acquire 49% of the P&C insurance firm Multi-Purpose Insurance Berhad (MPIB), with the option to exercise a call option on the additional 21% of MPIB in the future. Thus, the Generali Group would hold a 70% stake in the company, the maximum allowed for foreign companies in Malaysia.

Life premiums	PVNBP	NBV	Life OR
€ 2,155 mln (-4.3%)	€ 2,001 mln (+6.0%)	€ 140 mln (n.s. change)	€ 78 mln (+14.2%)

P&C premiums	P&C OR	Cor
€ 204 mln (+3.0%)	**€ -7** mln (var n.s.)	**103.8%** (+3.3 pps)

Total premiums dropped by 3.8% at the end of 2017 (Life -4.3%, P&C +3.0%), basically due to several extraordinary effects that occurred in 2016, including the formation of a new company operating in the Life segment, whose underwritten business settled at levels below the initial ones following some delays in the process of approving products with the banking partners and a change in distribution strategy (from exclusive brokers to multibrokers), to resume momentum only starting from mid-2017.
The Life segment is driven by China, and more specifically by the savings products, even if the other countries also are demonstrating positive growth.
New business in terms of PVNBP is up (+6.0%) in all the countries; in particular, China (+14.1%) and Thailand (+58.9%) are enjoying good increases. With reference to the business lines, excellent development of the risk products (+75.1%) and good progress of the unit-linked products (+24.0%) was seen, at the same time the savings products decreased (-28.7%).
Profitability (margin on PVNBP) recorded a considerable increase, from 2.31% in 2017 to 7.00% in 2018, above all thanks to China that improved the business mix, with a resulting reduction of the guarantees offered on the savings business, and to improvement of the economic situation. The new business value amounted to € 140 million.
The P&C segment instead sustained the negative impact of CAT claims due to the corporate line of Hong Kong, bringing about an increase in the combined ratio of the region.

Global Lines

Global Corporate and Commercial

Created to develop P&C products and services for medium-large companies, Generali Global Corporate & Commercial offers complete insurance solutions to customers and intermediaries in over 150 countries through nine main offices in Europe, Asia and the Americas. With its global network of more than 1000 dedicated professionals and over 100 risk control experts, Generali Global Corporate & Commercial presents an integrated offer of insurance solutions that includes property, casualty, engineering, marine, aviation, cyber, financial risks and multinational programmes, generating a total premium volume of € 1.9 billion in 2017. From a technical viewpoint, the year's performance was positive even though it was influenced by the occurrence of several CAT claims and the ongoing soft phase of the global corporate market marked by tariff pressures, tensions on the margins and heavy competition, above all in the property, casualty and engineering segments.

EuropAssistance

Major global brand for private assistance, this Group is specialised in offering insurance coverage and services in the travel, motor, home and family, and healthcare sectors. With over 300 million customers, Europ Assistance sets its goals on innovation and new markets, like that of Senior Care. The total income of the EA Group, calculated locally and including not only the gross written premiums but also revenue for assistance services and other activities, totalled € 1.6 billion in 2017. In 2017, the Group continued to pursue a growth strategy in both volumes and margins, considering that positive one-off effects linked to the sale of a non-core business unit were recorded the previous year.

Generali Employee Benefits

GEB is an integrated network that offers services for multinational company employee benefits consisting of pure risk, Life and health coverage and pension plans for both local and expatriate employees. Present in over 100 countries and with more than 400 coordinated multinational programmes (of which at least 40 captives), GEB today is the market leader for multinational companies with a premium volume of € 1.3 billion. GEB improved its performance in 2017 - and especially its technical performance - thanks to a successful Pool products (characterised by the centralisation of the customer's international risks) campaign.

Generali Global Health

Generali Global Health (GGH) was created in 2015 as the brand and business unit of the Generali Group dedicated to the International Private Medical Insurance (IPMI) segment. Its premium income for the entire insurance market amounted to more than € 10 billion in premium at the global level, and compound annual growth of 13%.
More specifically, GGH realised a premium volume of € 0.1 billion in 2017 (+60% in 2016), in line with its strategic plan of becoming leader of the IPMI market by 2023.
GGH is distinguished by the innovative nature of its products and services, and by the high degree of digitalisation of processes. These features have already been acknowledged by the market, which awarded the company the title of Most Innovative Health Insurer at the recent 2017 International Insurance Forum.

Investments, Asset & Wealth Management

Total revenues of the Business Unit	Cost/Income ratio	Net operating income of the Business Unit	Our people
€ 922 mln	**49%**	**€ 468** mln (+45.7%)	**1,860**

Coherently with the Group asset management strategy announced in May 2017, the business unit was established in order to unify in a single entity the Group's units operating in investments, asset management and wealth management. The ambition of the new business unit lies in expanding the customer base (mostly captive at the moment) to third–party clients, transforming the asset management arm of the Group from an insurance services provider in a foremost player in the asset management industry.

The move, announced in 2017, towards a leaner, more efficient and more modern organizational structure, will allow the Group to:

- exploit cross-selling and rationalization opportunities in order to reach a broader customer base increasing the weight of third-party customers, and to change the business mix by shifting to more capital-light products. One such example is the launch of the Liability-Driven Investment Solutions, which aims to offer insurance investments advisory services, internally developed, to external institutional clients;
- create a solid and lean platform that facilitates the development of the Multi-boutique model, which consists in the creation of asset&savings management firms in partnership with expertise on niche asset classes and guarantees the interests alignment between the Boutiques' management and the Group, alongside with limited risk for our shareholders.

The new business unit operates in three areas:

1. Investment Management: implementation of Asset Liability Management (ALM) and Strategic Asset Allocation (SAA) models for Group Insurance Companies;
2. Asset Management: asset management services targeted mainly at insurance clients, with the goal to widen the client base to third-party customers, both institutional (such as pension funds and foundations) and retail;
3. Wealth Management: financial advisory and wealth protection services offered to private clients, mainly through Banca Generali Group.

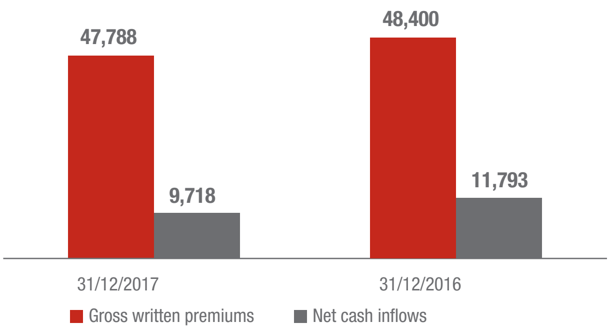
The business unit's Europe-based Assets under Management amounted to € 447 billion at year-end 2017. Its net income increased from € 84 million at year-end 2016 to € 152 million at year-end 2017[7], in line with the announced 2020 target.

7 Data including net income attributable to non-controlling interests; including Generali Investment CEE's and Generali Alapkezelo's contribution.

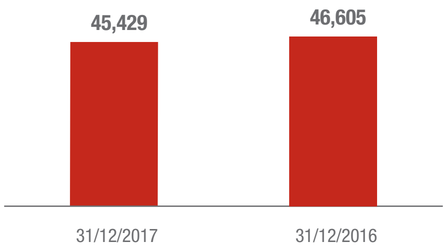
Performance and financial position by segment

Life segment

Gross written premiums and net cash inflows (€ mln)



PVNBP (€ mln)



Operating result (€ mln)

NBV (€ mln)

- Premiums at € 47.8 billion (-1.0%), consistent with the policy of more selective underwriting and rebalancing of the portfolio
- Excellent net cash inflows, at more than € 9.7 billion (-17.1%)
- New business value (NBV) showing a strong improvement at € 1,820 million (+53.8%) and NBM at 4.01% (2.56% at 31 December 2016), in line with the target of creating long-term value
- Operating result of € 3,141 million, growth of 1.8% thanks to the development of the net investment result

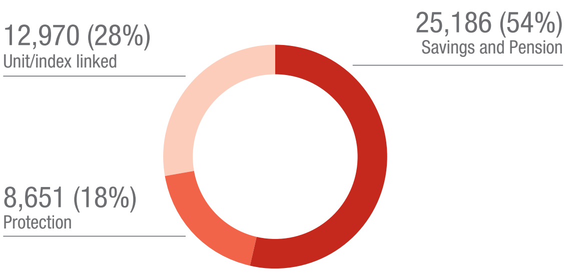
Performance of the Life segment

Gross written premiums and new business development

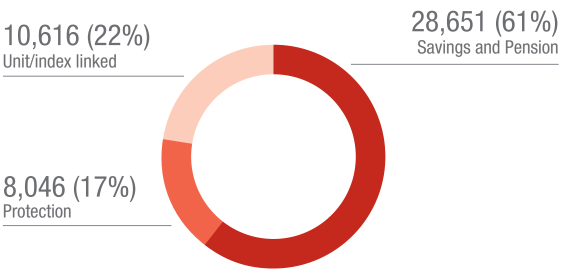
Gross written premiums in the Life segment, including premiums related to investment contracts, amounted to € 47,788 million, a 1% decrease over the previous year. In line with the strategic objective of continuing the more selective underwriting policy, the sale of savings products decreased 11.6%, above all in Italy (-13.5%), Asia (-23.4%), Germany (-10%), Spain (-18.2%) and France (-2.5%).

The scheduled rebalancing in favor of products offering better risk-return terms brought about an increase in both unit-linked products (+22.4%) widespread in the Group's areas of operations and especially in Italy (+57.3%) and France (+52.1%) and in the protection line (+7.0%), which show an overall increase in the Group countries.

Group written premiums by line of business at 31 December 2017



Group written premiums by line of business at 31 December 2016



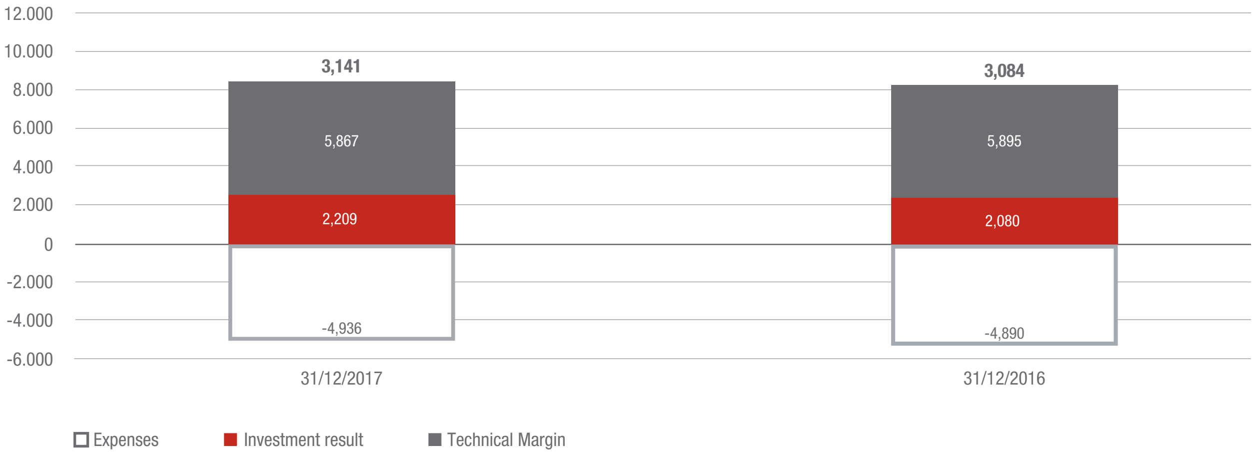
Net cash inflows remained at the top market levels, reaching € 9,718 million. The performance (-17.1%) particularly reflects the decrease recorded in Italy (-20.8%) that was mainly due to the greater payments coming from surrenders, together with the above-mentioned decrease in premium income caused by the underwriting and rebalancing policies mentioned above. International income was also down (-57.9%), demonstrating a reduction in income, particularly in Asia and EMEA, together with greater payments.

New business in terms of present value of new business premiums (PVNBP) amounted to € 45,429 million, down by 2.3%, in both the single premium (-2.8%) and the annual premium policies (-2.6%). With reference to the business lines, unit-linked production rose sharply (+28.7%) and the protection line improved slightly (+3.0%). Savings and pension line premiums recorded a significant decrease (-19.0%) due to the Group's scheduled actions aimed at reducing business subject to financial guarantees.

The new business value (NBV) improved significantly (+53.8%), standing at € 1,820 million (€ 1,193 million at 31 December 2016).

Profitability (margin on PVNBP) rose significantly by 1.46 pps to 4.01% (2.56% at 31 December 2016), of which +1.12 pps primarily due to the refocusing of sales towards the unit-linked and pure risk business and the effective recalibration of financial guarantees, and +0.34 pps arising from the economic environment better than last year.

Operating result



The Life operating result came to € 3,141 million, up 1.8% over the € 3,084 million of year-end 2016. The development of the investment result was particularly positive. It was offset in part by the decrease of the technical margin net of acquisition and administration costs.

The Life operating return on investments[8] stood at 0.75% (0.75% at 31 December 2016), despite the current context of low interest rates.

Technical margin

Life segment operating result: technical margin

(€ million)	31/12/2017	31/12/2016	Change
Technical margin	**5,867**	**5,895**	**-0.5%**
Net earned premiums	44,943	45,498	-1.2%
Fee and commission from financial service activities	136	141	-3.3%
Net insurance claims adjusted for financial interests and bonuses credited to policyholders	-39,585	-40,049	-1.2%
Other insurance items	373	305	22.5%

The technical margin[9], which totalled € 5,867 million, showed a slight decrease due to the positive results on some portfolios recorded in 2016 and not repeated this year.

This margin does not include the insurance expenses, reported under the item insurance and other operating expenses.

8 Please refer to the Glossary in the Appendix to Management Report section for more details on the way the indicator was calculated.

9 Please refer to the Methodological note on alternative performance measures for more details on the calculation of this indicator.

Net investment result

Life segment operating result: investment result

(€ million)	31/12/2017	31/12/2016	Change
Net investment result	**2,209**	**2,080**	**6.2%**
Operating income from investments	15,622	12,918	20.9%
Net income from investments	11,683	11,290	3.5%
Current income from investments	10,953	11,243	-2.6%
Net operating realized gains on investments	1,946	1,668	16.7%
Net operating impairment losses on investments	-251	-706	-64.5%
Other operating net financial expenses	-966	-916	5.5%
Net income from financial instruments at fair value through profit or loss	3,938	1,628	n.m.
Net income from financial instruments related to unit and index-linked policies	4,107	1,707	n.m.
Net other income from financial instruments at fair value through profit or loss	-169	-79	n.m.
Policyholders' interests on operating income from own investments	-13,412	-10,839	23.7%

The net investment result, amounting to € 2,209 million, was up (+6.2%) on the € 2,080 million recorded at 31 December 2016.

This performance was particularly brought about by the growth in net realized gains and reduced net impairment losses. This was partially offset by the decrease in current income from investments in equity and bonds due to continuation of the low interest rates in general.

In detail:

- **current income from investments** - which also include the current income from investments at fair value through profit or loss - fell to € 10,371 million (€ 10,672 million at 31 December 2016), while the related profitability, calculated on the basis of the book value of the investments, was slightly down to 3.1%. In more detail, the current income from fixed income instruments fell from € 9,734 million at 31 December 2016 to € 9,528 million. The current income in the equity line was down, falling from € 520 million at 31 December 2016 to € 462 million. Finally, current income from investment properties was slightly up, at € 566 million (€ 543 million in 2016);
- **net operating realized gains** on investments stood at € 1,946 million (€ 1,668 million at 31 December 2016) against higher realized gains on all asset classes, in part coming from the planned Asset & Liability Management activities;
- **net operating impairment losses** on investments decreased from € -706 million at 31 December 2016 to € -251 million; this performance mainly reflects lower impairments on equity and bond instruments following the positive performance of the markets in the last year;
- **other operating net financial expenses**, which includes interest expense related to operating debt and investment management expenses, amounted to € -966 million (€ -916 million at 31 December 2016);
- **net income from financial assets and liabilities related to unit-linked and index-linked policies** fell from € 1,707 million at 31 December 2016 to € 4,107 million. This trend was affected by the change in value of the investments against the positive performance of certain financial markets with respect to the corresponding period of the previous year;
- **net income from other financial instruments at fair value through profit or loss** amounted to € -169 million (€ -79 million at 31 December 2016). The change is mainly due to the effect of exchange rates.

The **policyholders' interests on operating income from own investments** went from € -10,839 million at 31 December 2016 to € -13,412 million, up from the corresponding period of the previous year, mainly due to the related growth of the income from financial instruments at fair value through profit or loss associated with linked contracts.

Insurance and other operating expenses

Life segment operating result: total insurance and other operating expenses

(€ million)	31/12/2017	31/12/2016	Change
Insurance and other operating expenses	**-4,936**	**-4,890**	**0.9%**
Acquisition and administration costs related to insurance business	-4,817	-4,820	-0.1%
Net other operating expenses	-119	-70	68.9%

The insurance and other operating expenses increased from € -4,890 million at 31 December 2016 to € -4,936 million.

More specifically, acquisition and administration costs related to insurance business stood at € -4,817 million, basically in line with last year. Acquisition costs, which totalled € -3,803 million, fell by 1.3%, reflecting the general decrease in the different countries where the Group operates. They are particularly rising in France consistently with the trend in premiums, and in Asia following the targeted changed business mix of the portfolio, while they are decreasing in Germany, CEE and EMEA. Administration costs rose, amounting to € -1,014 million (+4.8%).

The ratio of the acquisition and administration costs to volume stood at 10.2% (10.1% at 31 December 2016). Finally, the percentage of the total administration costs related to insurance business to the average insurance provisions stayed substantially stable at 0.27%.

The other operating items rose to € -119 million due to the higher net expense. This item also includes the brand royalties paid by the companies in this segment to the Parent company for marketing and global branding activities.

Non-operating result

The non-operating result of the Life segment went from € -460 million at 31 December 2016 to € -299 million due to the increase in the non-operating result of investments, reflecting the lower net impairment losses, which stood at € -118 million (€-246 million at 31 December 2016) as well as higher realized gains (€ 26 million compared to € 3 million at 31 December 2016).

The other non-operating income and expenses decreased, amounting to € -206 million (€ -216 million at 31 December 2016), of which € -60 million related to the amortization of the value of acquired portfolios (€ -87 million at 31 December 2016).

Other information on the Life segment

Life segment operating result

(€ million)	31/12/2017	31/12/2016	Change
Life segment operating and non operating result	**3,141**	**3,084**	**1.8%**
Net premiums	44,943	45,498	-1.2%
Net insurance benefits and claims	-52,945	-50,954	3.9%
of which change in the provisions for unit and index-linked policies	-8,557	-3,406	n.s.
Acquisition and administration costs	-4,756	-4,749	0.1%
Acquisition and administration costs related to insurance business(*)	-4,756	-4,749	0.1%
Other acquisition and administration costs	-0	-3	n.s.
Net fee and commission income and net income from financial service activities	74	67	10.8%
Net operating income from financial instruments at fair value through profit or loss	4,266	2,070	n.m.
of which net income from financial assets and liabilities related to unit and index-linked policies	4,107	1,707	n.m.
Net operating income from other financial instruments	11,355	10,848	4.7%
Interest income and other income	10,625	10,800	-1.6%
Net operating realized gains on other financial instruments and land and buildings (investment properties)	1,946	1,668	16.7%
Net operating impairment losses on other financial instruments and land and buildings (investment properties)	-251	-706	-64.5%
Interest expense on liabilities linked to operating activities	-188	-164	14.5%
Other expenses from other financial instruments and land and buildings (investment properties)	-777	-751	3.5%
Net other operating expenses(**)	202	303	-33.4%
Life segment non-operating result	**-299**	**-460**	**-34.9%**
Net non-operating income from other financial instruments	-93	-244	-61.9%
Net non-operating realized gains on other financial instruments and land and buildings (investment properties)(***)	26	3	n.m.
Net non-operating impairment losses on other financial instruments and land and buildings (investment properties)(***)	-118	-246	-51.9%
Net other non-operating expenses	-206	-216	-4.5%
Life segment earnings before taxes	**2,841**	**2,625**	**8.3%**

(*) Commissions related to investments contracts, which amounted to € -99 million (€ -74 million at 31 December 2016), are included in net fee and commission income and net income from financial service activities.

(**) At 31 December 2017 the amount is net of operating taxes for € 52 million and of non-recurring taxes shared with the policyholders in Germany for € -54 million (at 31 December 2016 for € 64 million and € 79 million, respectively).

Life segment indicators by country

(€ million)	Gross written premium		Net cash inflows		PVNBP	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Italy	17,299	17,911	5,703	7,197	19,116	19,758
France	9,279	8,405	959	438	9,306	8,482
Germany	12,297	12,576	1,784	1,560	8,529	9,447
Central Eastern Europe	1,454	1,448	434	501	881	865
International	7,440	8,037	838	2,102	7,598	8,053
EMEA	4,356	4,698	185	664	5,283	5,717
Spain	936	1,041	-232	-68	993	1,090
Austria	1,111	1,127	-107	-256	1,113	1,163
Switzerland	1,073	1,122	457	481	402	650
Other EMEA	1,236	1,408	67	508	2,774	2,814
Americas	292	272	121	114	256	269
Asia	2,155	2,380	494	1,256	2,001	1,988
Europ Assistance	0	0	0	0	-	-
Other	637	687	37	67	58	79
Group Holding and other companies	19	23	0	-5	-	-
Total	**47,788**	**48,400**	**9,718**	**11,793**	**45,429**	**46,605**

Life segment direct premiums by line of business and by country

(€ million)	Savings and Pension		Protection		Unit/index linked		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Italy	13,181	15,232	264	230	3,854	2,450	17,299	17,911
France	4,291	4,400	1,867	1,759	2,696	1,773	8,854	7,931
Germany	3,951	4,392	4,326	4,191	4,020	3,993	12,297	12,576
Central Eastern Europe	695	705	335	335	425	409	1,454	1,448
International	3,065	3,921	1,851	1,524	1,975	1,991	6,891	7,436
EMEA	1,738	2,018	885	861	1,728	1,814	4,351	4,693
Spain	656	801	223	215	58	25	936	1,041
Austria	522	541	369	352	221	234	1,111	1,127
Switzerland	203	217	139	146	730	759	1,073	1,122
Other EMEA	357	459	154	147	719	797	1,231	1,403
Americas	27	33	263	236	0	0	290	269
Asia	1,301	1,799	608	403	247	177	2,155	2,380
Europ Assistance	0	0	0	0	0	0	0	0
Other	0	71	95	24	0	0	95	95
Group holding and other companies	3	3	9	8	0	0	11	11
Total direct written premiums	**25,186**	**28,651**	**8,651**	**8,046**	**12,970**	**10,616**	**46,807**	**47,313**

(€ million)	Operating Result		NBV	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Italy	1,246	1,305	903	579
France	607	593	211	28
Germany	526	457	243	273
Central Eastern Europe	229	249	97	78
International	659	645	367	235
EMEA	447	426	218	181
Spain	131	129	98	60
Austria	62	65	50	28
Switzerland	199	165	15	50
Other EMEA	55	67	56	42
Americas	42	50	4	-
Asia	78	69	140	46
Other	92	100	5	8
Group Holding and other companies	-126	-163	-	-
Total	**3,141**	**3,084**	**1,820**	**1,193**

Financial position of Life segment

Investments

Life segment investments

(€ million)	31/12/2017	Impact (%)	31/12/2016	Impact (%)
Equity instruments	12,685	3.6%	13,089	3.8%
Fixed income instruments	312,976	89.1%	311,323	90.0%
Bonds	287,320	81.8%	284,936	82.3%
Other fixed income instruments	25,656	7.3%	26,387	7.6%
Land and buildings (investment properties)	10,154	2.9%	10,023	2.9%
Other investments	5,815	1.7%	4,743	1.4%
Investments in subsidiaries, associated companies and joint ventures	4,120	1.2%	3,917	1.1%
Derivatives	980	0.3%	197	0.1%
Other investments	715	0.2%	629	0.2%
Cash and cash equivalents	9,787	2.8%	6,910	2.0%
General accounts investments	**351,417**	**100.0%**	**346,090**	**100.0%**
Investment back to unit and index-linked policies	75,372	21.4%	67,340	19.5%
Total investments	**426,789**		**413,430**	

At 31 December 2017, total investments in the Life segment showed a 3.2% increase over 31 December 2016, amounting to € 426,789 million. Group investments amounted to € 351,417 million (+1.5%), while the investments related to the unit/index linked investments amounted to € 75,372 million (+11.9%).

The exposure in absolute terms towards fixed income instruments is up, standing at € 312,976 million (€ 311,323 million at 31 December 2016), with an incidence however increasing from 90.0% to 89.1%, while exposure to equity instruments decreased to € 12,685 million (€ 13,089 million at 31 December 2016). Investment properties of the Group in terms of book value rose to € 10,154 million (€ 10,023 million at 31 December 2016). Finally, there was an increase in cash and cash equivalents in both absolute and incidence terms standing at 2.8% (2.0% at 31 December 2016).

With reference to the breakdown of the bond investment portfolio, exposure to government bonds was slightly up, standing at € 162,150 million (€ 155,102 million at 31 December 2016), amounting to 56.4% of the bond portfolio (54.4% at 31 December 2016). The change for the period is due to the purchases made during the period, which are partially offset by the reduced value.

Corporate bonds also decreased to € 125,170 million (€ 129,834 million at 31 December 2016), equal to 43.6% (45.6% at 31 December 2016). This performance was mainly due to net sales carried out during the year.

Lastly, the average duration of the bond portfolio is 8.8 years (8.4 years at 31 December 2016), in line with the Group's ALM strategy.

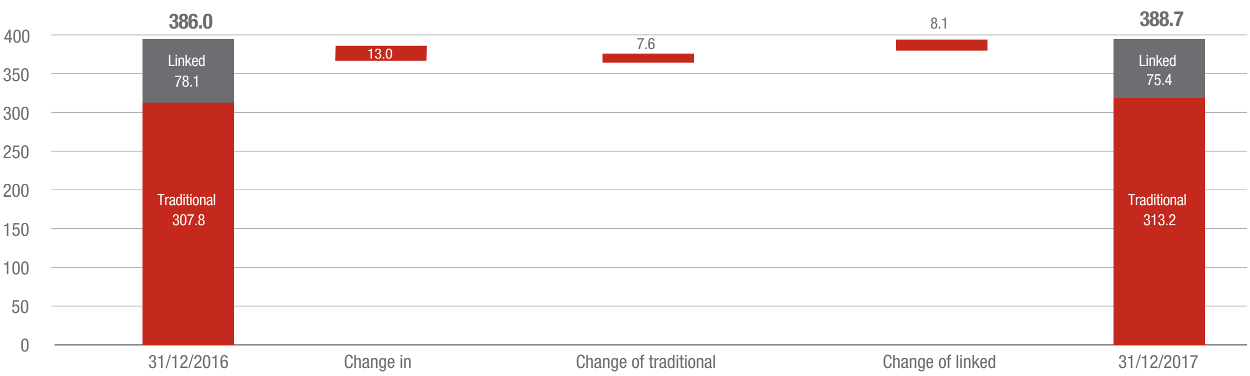
Life segment return on investments

	31/12/2017	31/12/2016
Current return (*)	3.1%	3.2%
Harvesting rate	0.7%	0.2%
P&L return	3.4%	3.3%

(*) Net of depreciations.

The current net current return from investments in the Life segment recorded a slight decline, falling from 3.2% at 31 December 2016 to 3.1% with the relative current income decreased to € 10,818 million (€ 11,113 million at 31 December 2016).
The contribution to the result for the period from the harvesting transactions increased at 0.7% (0.2% at 31 December 2016).

Life segment insurance provisions

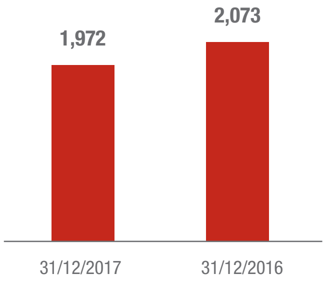


The technical provisions and financial liabilities of the life segment - not including deferred liabilities towards policyholders - amounted to € 388,660 million; the increase with equivalent consolidation area of +4.2% reflects the increase in reserves for the traditional portfolio (+2.5% equivalent consolidation area) as well as the linked portfolio (+12.1% equivalent consolidation area), and benefits from the combined effect of net inflows and financial market trends reflected in the trend of the unit-linked reserves.
Finally, deferred policyholders' liabilities stood at € 21,231 million (€ 23,882 million at 31 December 2016), reflecting the change in the value of the investments, particularly in government bonds.

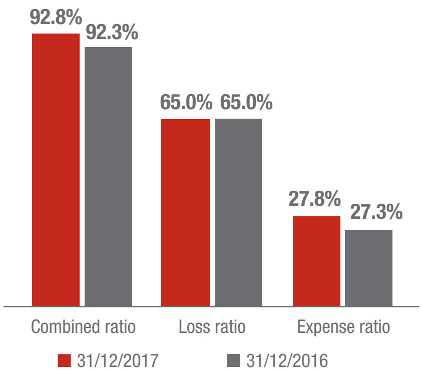
Property&Casualty segment

Gross written premiums (€ mln)

Operating result (€ mln)



Combined ratio



- Gross written premiums grew (+1.7%) thanks to the positive performance of both business lines.
- Operating result at € 2 billion (-4.9%), including € 416 million in catastrophe claims.
- Group CoR was excellent at 92.8% (+0.5 pps), which placed us in first place amongst our peers, despite the 2.1 pps arising from the catastrophe claims.

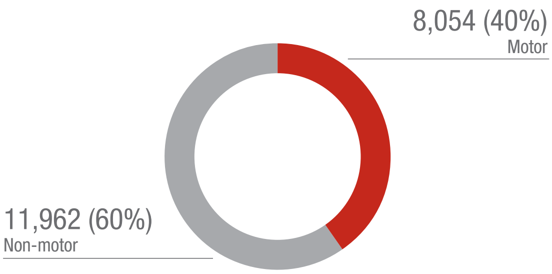
Performance of the Property&Casualty segment

Premiums development

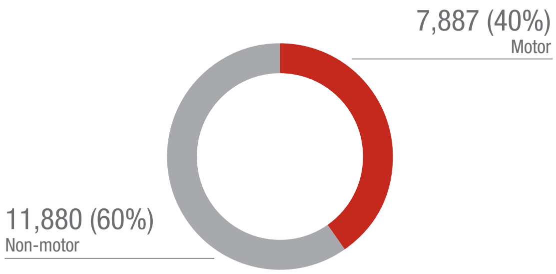
Gross written premiums in the P&C segment confirmed the development seen during the year, standing at € 20,749 million. Growth of 1.7% is attributable to development of the motor segment (+3.0%) driven by Germany (+4.2%), CEE countries (+3.2%), Americas region (+25.7%), France (+2.6%) and Spain (+3.8%), which more than offset the drop in motor premium income in Italy (-4.5%) after the average premium fell and after the measures taken to recover the returns of the portfolio.

Also non-motor premium income is up (+0.9%) as it mainly benefits from development in the CEE countries (+3.6%), in the EMEA region (+2.6%) and in Europ Assistance (+10.8%), while Italy, even if it is recovering from the drop seen in 2017, is down by 1.8%, mostly due to the reduction in income of the Global Corporate & Commercial lines, and France by 2% because of the weak market conditions in commercial and construction.

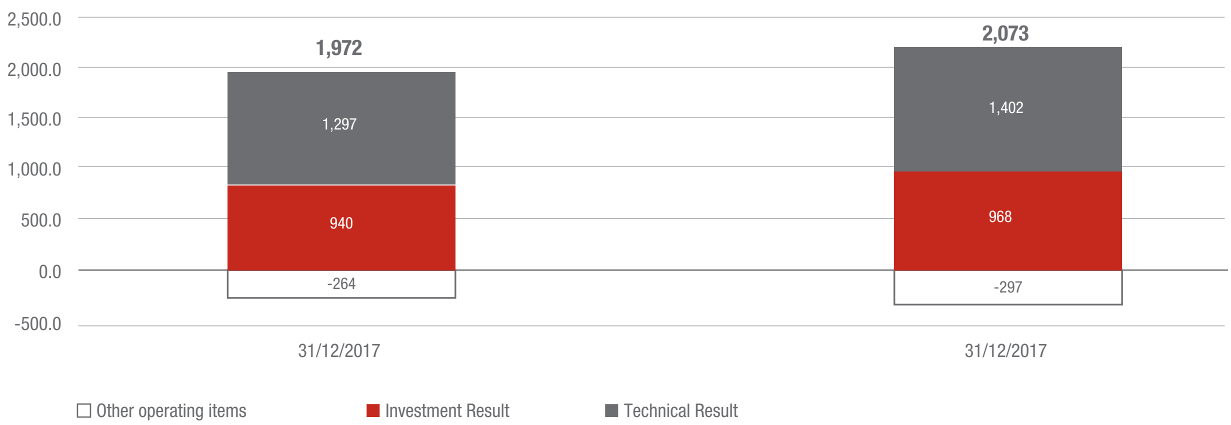
Group written premiums by line of business
at 31 December 2017



Group written premiums by line of business
at 31 December 2016



Operating result



The P&C operating result stood at € 1,972 million (€ 2,073 million at 31 December 2016). The decrease observed (-4.9%) is mainly influenced by the increased impact of catastrophe claims for € 124 million.

The P&C operating return on investments was 5.0% (5.2% at 31 December 2016).

Technical result

Property&Casualty operating result: technical result

(€ million)	31/12/2017	31/12/2016	Change
Technical result	**1,297**	**1,402**	**-7.5%**
Net earned premiums	19,661	19,446	1.1%
Net insurance benefits and claims	-12,784	-12,640	1.1%
Net acquistion and administration costs	-5,469	-5,316	2.9%
Other net technical income	-111	-87	27.4%

The **technical result** stood at € 1,297 million, down compared to 31 December 2016 (-7.5%). This result includes the impact of catastrophe claims for about € 416 million, which mainly came from the US hurricanes and from the storms that struck Central Europe. Similar events had an impact of approximately € 293 million at 31 December 2016. The technical margin was negatively affected also by the increase in the acquisition costs following development of the premium volume previously remarked on, while the administration expenses decreased.

Technical indicators

(€ million)	31/12/2017	31/12/2016	Change
Combined ratio	**92.8%**	**92.3%**	**0.5**
Loss ratio	65.0%	65.0%	0.0
current year loss ratio excluding natural catastrophes	68.6%	69.3%	-0.8
natural catastrophes impact	2.1%	1.5%	0.6
prior year loss ratio	-5.6%	-5.8%	0.2
Expense ratio	27.8%	27.3%	0.5
Acquisition cost ratio	22.3%	21.5%	0.8
Administration cost ratio	5.5%	5.8%	-0.3

The Group **combined ratio** stood at 92.8% (+0.5 pps compared to 31 December 2016); the change is entirely due to the performance of the acquisition costs rate.
With reference to overall claims, which remains steady at 65%, current non-catastrophe claims improved 0.8 pps due to the improvement recorded in both business segments. The prior year loss ratio stood at -5.6%, down 0.2 pps compared to 31 December 2016. As usual, the Group maintained its prudent reserving approach, confirmed by the reserving ratio of 150%. The percentage of catastrophic claims was 2.1% compared to 1.5% in 2016.

Net acquisition and administration costs amounted to € 5,469 million (€ 5,316 million at 31 December 2016). In detail, the acquisition costs increased to € 4,381 million (+4.6%), reflecting the increased costs resulting from the growth in premiums recorded in the Central-Eastern European countries and in France, and the increase in Germany, in the Americas and in EA following higher commissions in the travel business in Ireland and Spain. The ratio of acquisition costs to net earned premiums therefore increased to 22.3% (21.5% at 31 December 2016).

The administration costs of € 1,089 million on the other hand dropped by 3.7%, thanks to the reductions seen in EA and the Americas. The ratio of costs to net earned premiums was down at 5.5% (-0.3 pps).

Therefore, the expense ratio stood at 27.8% (27.3% at 31 December 2016).

Investment result

Property&Casualty operating result: investment result

(€ million)	31/12/2017	31/12/2016	Change
Investment result	**940**	**968**	**-2.9%**
Current income from investments	1,224	1,252	-2.2%
Other operating net financial expenses	-285	-284	0.3%

The investment result in the P&C segment amounted to € 940 million, down compared to 31 December 2016 (-2.9%). In particular the current income from investments amounted to € 1,224 million (€ 1,252 million at 31 December 2016); this decrease is mainly attributable to the continuing context of low interest rates. However, the actions by the Group meant that it could achieve a current return of 3.1% (3.2% at 31 December 2016).

The change in current income is primarily attributable to the decline in income from fixed income instruments that fell from € 813 million at 31 December 2016 to € 762 million.

Current income from investment properties - net of depreciation - was stable at € 218 million (€ 220 million at 31 December 2016).

Income from investments in equity instruments increased compared to last year, up from € 86 million at 31 December 2016 to €114 million.

Other operating net financial expenses, which includes interest expense related to operating debt and investment management expenses, are in line with last year at € -285 million (€ -284 million at 31 December 2016).

Other operating items

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, were down to € -264 million (€ -297 million at 31 December 2016) mainly due to lower operating allocation to the risk provisions.

Non-operating result

The non-operating result of the Property&Casualty segment considerably improved to € -36 million (€ -250 million at 31 December 2016).

In particular, the non-operating result for financial management was up due to the lower losses on bond and equity investments, which fell from € -262 million at 31 December 2016 to € -135 million, and to lower net realized gains, which fell from € 400 million to € 290 million at 31 December 2017.

Net income from financial instruments at fair value through profit or loss increased, amounting to € 11 million (€ -110 million at 31 December 2016), while the other non-operating income and expenses decreased to € -202 million (€ -279 million at 31 December 2016), of which € -45 million related to the amortization of the value of acquired portfolios (€ -51 million at 31 December 2016). This performance is basically attributable to the higher restructuring costs - for the most part in Germany - on the one hand, and on the other it benefits from € 196 million in income from the sale of the P&C portfolio in run-off of the English branch last December.

Other information on the Property&Casualty segment

Property&Casualty segment operating and non operating result

(€ million)	31/12/2017	31/12/2016	Change
Property&Casualty operating result	**1,972**	**2,073**	**-4.9%**
Net earned premiums	19,661	19,446	1.1%
Net insurance benefits and claims	-12,804	-12,663	1.1%
Acquisition and administration costs	-5,472	-5,319	2.9%
Acquisition and administration costs related to insurance business	-5,469	-5,316	2.9%
Other acquisition and administration costs	-3	-2	14.7%
Fee and commission income and income from financial service activities	-0	0	n.s.
Net operating income from financial instruments at fair value through profit or loss	85	87	-1.5%
Net operating income from other financial instruments	873	903	-3.3%
Interest income and other income	1,139	1,165	-2.2%
Interest expense on liabilities linked to operating activities	-64	-83	-23.3%
Other expenses from other financial instruments and land and buildings (investment properties)	-202	-179	12.8%
Net other operating expenses	-372	-381	-2.3%
Property&Casualty non-operating result	**-36**	**-250**	**n.m.**
Net non-operating income from financial instruments at fair value through profit or loss	11	-110	n.m.
Net non-operating income from other financial instruments	155	139	11.9%
Net realized gains on other financial instruments and land and buildings (investment properties)	290	400	-27.4%
Net impairment losses on other financial instruments and land and buildings (investment properties)	-135	-262	-48.3%
Net other operating expenses	-202	-279	-27.8%
Property&Casualty earnings before taxes	**1,936**	**1,823**	**6.2%**

Property&Casualty segment indicators by country

(€ million)	Gross written premiums		Operating result	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Italy	5,537	5,701	651	714
France	2,520	2,514	155	137
Germany	3,708	3,651	327	428
Central Eastern Europe	2,145	2,041	249	204
International	6,775	6,539	520	597
EMEA	4,332	4,262	486	438
Spain	1,490	1,461	162	168
Austria	1,481	1,441	211	169
Switzerland	744	761	70	70
Other EMEA	617	600	44	31
Americas	1,128	1,036	25	58
Asia	204	198	-7	1
Europ Assistance	753	681	100	108
Other	359	361	-85	-6
Group holding and other companies	63	60	72	-6
Total	**20,749**	**20,507**	**1,972**	**2,073**

Property&Casualty direct written premiums by line of business and by country

(€ million)	Motor		Non motor		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Italy	2,086	2,184	3,330	3,390	5,416	5,574
France	862	840	1,591	1,624	2,453	2,464
Germany	1,489	1,429	2,215	2,219	3,704	3,648
Central Eastern Europe	1,103	1,052	1,003	952	2,106	2,004
International	2,511	2,374	3,781	3,662	6,293	6,036
EMEA	1,629	1,608	2,651	2,597	4,280	4,206
Spain	465	448	986	972	1,451	1,420
Austria	576	561	897	871	1,473	1,432
Switzerland	291	310	451	449	742	759
Other EMEA	297	290	317	305	614	595
Americas	848	749	277	278	1,125	1,028
Asia	13	16	90	90	103	106
Europ Assistance	21	0	610	551	631	551
Other	0	0	153	145	153	145
Group holding and other companies	3	8	41	33	44	41
Total direct written premiums	**8,054**	**7,887**	**11,962**	**11,880**	**20,016**	**19,768**

Technical indicators by country

	Combined ratio*		Loss ratio		Expense ratio	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Italy	90.0%	89.9%	65.2%	66.0%	24.8%	23.9%
France	98.4%	99.4%	70.8%	71.5%	27.6%	27.9%
Germany	92.6%	90.0%	65.1%	63.0%	27.5%	27.0%
Central Eastern Europe	87.8%	89.5%	56.8%	58.6%	31.0%	30.9%
International	96.2%	94.8%	66.8%	65.3%	29.4%	29.5%
EMEA	92.1%	92.8%	64.2%	64.7%	27.9%	28.1%
Spain	92.7%	92.3%	65.3%	64.5%	27.4%	27.9%
Austria	90.8%	91.9%	63.5%	64.3%	27.4%	27.7%
Switzerland	92.4%	92.8%	66.3%	67.5%	26.1%	25.3%
Other EMEA	93.9%	97.0%	59.5%	62.4%	34.4%	34.6%
Americas	105.5%	102.7%	68.0%	64.0%	37.5%	38.8%
Asia	103.8%	100.5%	68.4%	58.9%	35.4%	41.7%
Europ Assistance	89.4%	89.6%	60.8%	62.1%	28.7%	27.5%
Other	115.2%	102.5%	89.4%	77.8%	25.8%	24.7%
Group holding and other companies	52.6%	68.7%	42.1%	59.6%	10.5%	9.1%
Total	**92.8%**	**92.3%**	**65.0%**	**65.0%**	**27.8%**	**27.3%**

(*) Catastrophe claims impacted on the Group combined ratio for 2.1 pps, of which 1.9 pps in Italy, 1.8 pps in France, 1.7 pps in Germany, 1.2 pps in Central and Eastern Europe, 2.7 pps to International and 6.4 pps to Group Holding and other companies (at 31 December 2016 catastrophe claims impacted on the Group combined ratio for 1.5 pps, of which 1.9 pps in Italy, 1.9 pps in France, 2.0 pps in Germany, 1.0 pps in Central and Eastern Europe and 5.9 pps attributable to Group Holding and other companies).

Group financial position in the Property&Casualty segment

Investments

Property and casualty segment investments

(€ million)	31/12/2017	Impact (%)	31/12/2016	Impact (%)
Equity instruments	2,254	5.8%	2,151	5.5%
Fixed income instruments	28,224	73.0%	28,889	73.7%
Bonds	25,399	65.7%	25,581	65.3%
Other fixed income instruments	2,825	7.3%	3,308	8.4%
Land and buildings (investment properties)	3,828	9.9%	3,778	9.6%
Other investments	1,782	4.6%	1,475	3.8%
Investments in subsidiaries, associated companies and joint ventures	1,778	4.6%	1,494	3.8%
Derivatives	8	0.0%	-27	-0.1%
Other investments	-4	0.0%	8	0.0%
Cash and cash equivalents	2,551	6.6%	2,891	7.4%
Total investments	**38,639**	**100.0%**	**39,183**	**100.0%**

Total investments in the Property&Casualty segment fell from € 39,183 million at 31 December 2016 to € 38,639 million (-1.4%).

With reference to the exposure to the various asset classes, the fixed income portfolio was down to € 28,224 million, accounting for 73% of the total. On the other hand, there was a slight increase in the exposure to equity instruments, from 5.5% at 31 December 2016 to 5.8%, in the aftermath of the improved share prices, and the exposure to real estate investments increased from 9.6% to 9.9%.

Finally, the percentage of cash and cash equivalents decreased from 7.4% at 31 December 2016 to 6.6%.

With reference to the breakdown of the bond investment portfolio, in line with the Group's ALM strategy, exposure to government bonds increased, standing at € 12,825 million (€ 12,166 million at 31 December 2016), amounting to 50.5% of the portfolio (47.6% at 31 December 2016), against a reduced corporate component, of € 12,574 million, with a ratio of 49.5% (52.4% at 31 December 2016).

Finally, the average duration of the bond portfolio was 5.5 years (5.4 years at 31 December 2016), in line with the Group's ALM strategy.

Property&Casualty segment return on investments

	31/12/2017	31/12/2016
Current return (*)	3.0%	3.0%
Harvesting rate	0.7%	0.5%
P&L return	3.2%	3.2%

(*) Net of depreciations.

The net current return of total investments in the Property&Casualty segment was stable at 3.0% compared to 31 December 2016, with related incomes decreasing to € 1,168 million (€ 1,217 million at 31 December 2016).
The harvesting rate increased to 0.7% (0.5% at 31 December 2016).

Property&Casualty insurance provisions

Propery&Casualty: technical reserves

(€ million)	31/12/2017	31/12/2016
Net provisions for unearned premiums	4,974	5,011
Net provisions for outstanding claims	24,411	25,158
Other net provisions	302	476
Property&Casualty insurance provisions	**29,687**	**30,645**
Motor	13,417	13,631
Non Motor	16,270	17,014

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

Operating result of holding segment and other business by sector

(€ million)	31/12/2016	31/12/2015	Change
Holding and other business Operating result	**59**	**-74**	**n.s.**
Financial and other businesses	513	384	33.6%
Holding operating expenses	-454	-458	-0.9%

More specifically, the operating result of the **Holding and other businesses segment** amounted to € 59 million, considerably up compared to the € -74 million at 31 December 2016. This performance was mainly caused by the financial segment, particularly the excellent results of Banca Generali due to higher performance fees, as well as the positive results of the other asset management and real estate companies.

The operating result of the **financial and other businesses segment** grew to € 513 million (€ 384 million at 31 December 2016). The increase (+33.6%) mainly reflects the above-mentioned result of Banca Generali, which rose from € 190 million to € 241 million at 31 December 2017, and due to the higher net commissions of Asset Management in Europe.

At 31 December 2017, the third-party assets managed by the Group banks and the asset management companies amounted to € 67,474 million (€ 56,324 million at 31 December 2016), up by 19.8%.

The **net holding operating expenses** stood at € -454 million (€ -458 million at 31 December 2016), down 0.9% owing to the € 12 million decrease in the holding expenses. Brand royalties were down.

Operating and non operating result of the Holding and other business segment

(€ million)	31/12/2017	31/12/2016	Change
Holding and other businesses operating result	**59**	**-74**	**n.m.**
Net earned premiums	0	0	-99.9%
Net insurance benefits and claims	0	0	n.m.
Acquisition and administration costs	-407	-389	4.5%
Fee and commission income and income from financial service activities	841	678	24.1%
Net operating income from financial instruments at fair value through profit or loss	14	7	95.5%
Net operating income from other financial instruments	166	190	-12.8%
Interests and other income	409	392	4.3%
Net operating realized gains on other financial instruments and land and buildings (investment properties)	10	32	-67.1%
Net operating impairment losses on other financial instruments and land and buildings (investment properties)	-8	-2	n.m.
Interest expenses on liabilities linked to to operating activities	-93	-123	-24.4%
Other expenses from other financial instruments and land and buildings (investment properties)	-152	-109	40.5%
Net other operating expenses	-101	-101	-0.6%
Operating holding expenses	-454	-458	-0.9%
Holding and other businesses non-operating result	**-767**	**-815**	**-5.9%**
Net non-operating income from financial instruments at fair value through profit or loss	15	14	9.7%
Holding and other businesses non-operating result	-782	-829	-5.7%
Net non-opeating income from other financial instruments	-2	-12	-81.7%
Net non-operating realized gains on ither financial instruments and land and buildings (investment properties)	15	22	-31.9%
Net non-operating impairment losses on other financial instruments and land and buildings (investment properties)	-17	-35	-49.7%
Net other non-operating expenses	-24	-23	2.8%
Non operating holding expenses	-756	-794	-4.7%
Interest expenses on financial debt	-673	-723	-6.9%
Holding non recurring expenses	-83	-71	17.7%
Holding and other businesses result before taxes	**-707**	**-889**	**-20.5%**

Risk Report

Risk Report

A. Executive Summary

The purpose of the Risk Report is to provide an overview of the Group's solvency position and risk profile, as well as its risk management framework.

To this end a brief introduction on economic and regulatory environment is hereby provided.

When addressing the Group's risk profile, it is important to consider that the insurance sector, consisting of long-term institutional investors, is mostly vulnerable to financial markets and the economic environment. Generali has proven to be resilient to both financial risks and, in particular, to persisting low interest rate environment. Nevertheless, prolonged low interest rate environment as well as financial instability represent the key challenges for the insurance sector.

At the same time, in addition to financial, underwriting risks and operational risks, emerging trends related to increased use of technologies and big data, digitalization trends as well as demographic changes and natural catastrophes represent a considerable challenge for the insurance market.

For more details on financial markets' developments please see Risks and Opportunities of the external context at page 24-25 of this Document.

In addition to the financial environment, regulatory developments represent a major external driver of threats and opportunities to insurance companies. These include developments in the area of prudential supervisory regimes, such as Solvency II, International Capital Standards (ICS), as well as regulations defining new principles in terms of distribution (Insurance Distribution Directive - IDD), personal data protection (General Data Protection Regulation - GDPR) and anti-money laundering (IV AML Directive).

For more details on the regulatory environment please see Risks and Opportunities of the external context at page 24-25 of this Document.

In terms of solvency position, the Group and all its European insurance subsidiaries comply with Solvency II regulation, which requires capital to be held for all quantifiable risks.

The Group uses its Partial Internal Model (PIM), approved by the Supervisory Authority, to calculate capital requirements to better reflect its risk profile. The PIM authorization was granted for all major Business Units (Italy, Germany, France and the major Czech company) while an extension plan in progress to cover the remaining European insurance entities.

The Regulatory Solvency Ratio, estimated on the basis of preliminary data[1], amounts to 208% as at 31 December 2017, confirming the strong capital position of the Group.

For the purpose of the Regulatory Solvency Ratio calculation, the Group companies for which authorization has been granted apply the Group PIM, while other insurance entities adopt the standard formula. Other than insurance financial regulated entities contribute to the Group Solvency Ratio based on local sectorial regulatory requirements (e.g. mostly banks and pension funds).

In order to better capture the Group risk profile and taking into account the PIM extension plan, the Economic Solvency Ratio (ESR) is also calculated. For the purpose of ESR calculation the Internal Model methodology is applied to all European entities, also to those using standard formula for their regulatory solvency position.

On this basis, the Economic Solvency Ratio as at 31 December 2017 stands at 230%, with an improvement of 36 pps in respect of previous year.

Both results in terms of Regulatory Solvency Ratio and Economic Solvency Ratio confirm the strengthening of the Group capital position, well above the Group Risk Appetite Framework[2] and regulatory thresholds.

For risks not included in Solvency Capital Requirement (SCR) calculation, additional assessment techniques are used. In particular, for liquidity risk, the Group has

1 On the basis of IVASS *Provvedimento* n. 53, 2016, the SCR and MCR calculations to be disclosed in the Annual Report can rely on a preliminary estimate. More details on the Regulatory Solvency Ratio will be disclosed in the Solvency and Financial Condition Report.

2 In defining the level of risk, it is willing to take, the Group defines its own risk strategy within the Group Risk Appetite Framework (RAF) while complementing the overall business strategy. The Group RAF defines the level of risk the Group is willing to take and ensures risk embedding into key business processes, to grant all risks are properly managed. Soft and hard limits' thresholds set within the RAF aim to limit excessive risk taking and to maintain the solvency position at the desired level. Monitoring and escalation processes are clearly defined to adequately manage any risk tolerance breaches.

in place procedures and limits that ensure the adequate liquidity risk management and a sound liquidity position.

Generali Group risk management system is based on a clear risk governance and structured risk management processes, defined within a set of risk policies. Within the risk management system, the Own Risk and Solvency Assessment (ORSA) represents the main risk reporting tool, with the purpose of supporting risk strategy update (Risk Appetite Framework).

Generali Group also relies on a set of tools, such as the Recovery Plan, the Liquidity Risk Management Plan and the Systemic Risk Management Plan, defined following the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS) standards[3].

The Risk Report is structured as follows:
- section B provides a brief description of the risk management system;
- section C presents the solvency position of the Group and the key elements of the Group's Capital Management;
- section D provides an overview of the Group's risk profile and main sensitivities to risk drivers.

More details on the solvency position and risk profile are then provided in the Solvency and Financial Condition Report, available on Generali Group web-site.

Finally, Group rating assessment by external rating agencies is provided on the Group web site in the section http://www.generali.com/investors/debt-ratings/ratings.

3 Generali Group is not included in the list of Global Systemically Important Insurers (GSIIs), issued by FSB.

B. Group Risk Management System

Risk Governance

Risk governance is a part of the broader Group internal control and risk management system.

The Group internal control and risk management system 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. Key elements of the system are:
- internal control environment and activities;
- awareness and monitoring;
- reporting duties;
- roles and responsibilities that the Board of Directors (BoD) and its committees, the Senior Management, including the Chief Executive Officer (CEO), also acting as the Director in charge of the internal control and risk management system, and the Chief Financial Officer (CFO), appointed as Manager in charge of the preparation of the company's financial reports, as well as risk owners and Control Functions must discharge within the internal control and risk management system.

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:
- 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, Compliance and Risk Management Functions, which represent the second line of defence;
- Internal Audit, which represents the third line of defence.

Internal Audit together with Actuarial, Compliance and Risk Management Functions represent the "Control Functions".

The roles and responsibilities of the BoD and related committees, Senior Management, Control Functions and the interactions among Control Functions are described within the Corporate Governance Report. Key roles within the risk management system are outlined below:
- the BoD defines, with the Risk and Control Committee's support, the guidelines of the internal control and risk management system and assesses its adequacy, effectiveness and functioning at least once a year. It also defines, also with the Risk and Control Committee's support, the organizational set-up, appoints the heads of the Control Functions (also after hearing the opinion of the Board of Statutory Auditors for the appointment of the Internal Audit's head) and approves their annual activity plans, adopts Group risk policies, approves the ORSA results and based on them defines the risk appetite and tolerance limits;
- the Senior Management is then responsible for executing the defined strategy, implements the internal control system and keeps it suitable and effective;
- Control Functions are established at Group level and within the operating entities:
  - the Risk Management Function supports the BoD and Senior Management in ensuring the effectiveness of the risk management system and provides advice and support to the main business decision-making processes;
  - the Compliance Function grants the internal control system's adequateness to manage compliance risks, thus contributing to maintain Group's integrity and reputation;
  - the Actuarial Function coordinates the technical provisions calculation and grants their adequacy of underlying methodologies, models and assumptions, verifies the quality of the related data and expresses an opinion on the overall Underwriting Policy;
  - the Audit Function verifies business processes and the adequacy and effectiveness of controls in place.

Heads of Control Functions report functionally to the BoD except the head of Group Audit who reports hierarchically and functionally to the BoD.

Group Control Functions collaborate according to a pre-defined coordination model, in order to share information and create synergies. A strong Parent Company coordination and direction for Control Functions is granted by the so called solid reporting lines model established between the head of the Group Control Function and heads of the respective Functions within the operating entities.

Risk Management System

The principles defining the Group risk management system are provided in the Group Risk Management Policy[4] which is the cornerstone of all risk-related policies and guidelines. The Group Risk Management Policy covers all risks, on a current and forward-looking basis and is 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 the 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 follows Solvency II risk categories.

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 for measuring the risks and the capital requirements ensures that each risk is covered by an adequate amount of capital that could absorb the loss incurred if the risk materializes.

The capital requirement is calculated by means of the Group's PIM[5] for financial, credit, life and non-life underwriting risks. Operational risks are measured by means of standard formula, complemented by quantitative and qualitative risk assessments. The PIM provides an accurate representation of the main risks 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 and governance are provided in section Solvency Position.

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. Tolerance levels are set on the basis of capital and liquidity metrics.

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. Should an indicator approach or breach the defined tolerance levels, escalation mechanisms are activated. 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.

4 The Group Risk Management Policy covers all Solvency II risk categories and, in order to adequately deal with each specific risk category and the underlying business processes, is complemented by the following risk policies: Group Investment Governance Policy; Group P&C and Reserving Policy; Group Life and Reserving Policy; Group Operational Risk Management Policy; Group Liquidity Risk Management Policy; other risk-related policies, such as Group Capital Management Policy, Group Supervisory Reporting and Public Disclosure Policy, Group Risk Concentrations Management Policy etc.

5 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, Česká pojišťovna a.s. For the other entities, the standard formula is applied. Other financially regulated entities apply local sectorial requirements.

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.

The Own Risk and Solvency Assessment (ORSA) process includes the assessment and reporting of all risks on the basis of the Strategic Plan.

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.

The purpose of the ORSA process 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.

The ORSA process includes the assessment of the risks in scope of the capital requirement, along with other risks that are not included in the capital requirement calculation. Within the ORSA, stress test and sensitivity analyses are also performed to assess the resilience of the solvency position and risk profile to changed market conditions or specific risk factors.

The Group ORSA Report, documenting main results of this process, is produced on an annual basis, unless a non-regular ORSA Report is produced in case of significant changes of the risk profile.

C. Solvency Position

Solvency Capital Requirement (SCR) Coverage

Risk and capital management are closely integrated processes aimed at managing the Group's solvency position and the Group's risk profile.

The regulatory solvency position is defined as the ratio between Group Own Funds (GOF) and SCR.

The preliminary[6] Regulatory Solvency ratio stands at 208% as at 31 December 2017, with an increase of +30 pps in respect of previous year. The strengthening reflects the increase of the GOF (+12% to € 46,309 million) and the SCR decrease (-4% to € 22,224 million), mainly driven by the generation of Solvency II Capital and positive financial market trends (in terms of interest rate increase, credit spread reduction and positive equity trend).

SCR and Minimum Consolidated Group SCR (MCR) data hereby reported are based on a preliminary estimate.

Regulatory SCR Coverage

	31/12/2017*	31/12/2016
Group Own Funds (GOF)	46,309	41,308
SCR	22,224	23,222
Solvency Ratio	208%	178%

(*) Preliminary figures.

1. Group Own Funds

Group Own Funds (GOF) are calculated as a sum of:
- the excess of assets over liabilities following Solvency II valuation;
- subordinated liabilities eligible in Own Funds;
- foreseeable dividends are then deducted.

GOF are obtained considering the impact of other regulated entities (sectoral) and additional own funds related to unrealized capital gains from French pension activities arising from the application of the IORP[7] transitory regime. These additional own funds are authorized by the Supervisory Authority from 2016 to 2022, a period during which the proportion of the eligible unrealized capital gains will decrease gradually.

Group Own Funds (GOF)

(€ million)	31/12/2017*	31/12/2016
Total Assets	513,879	499,130
Total Liabilities	-473,985	-464,780
Excess of Assets over Liabilities	**39,894**	**34,350**
Subordinated liabilities eligible in Own Funds	8,931	9,142
Foreseeable dividend	-1,330	-1,249
Impact of filters and other deductions	-1,426	-1,529
Net impact of Sectorals	-1,462	-1,191
Unrealized gains on French pension business under IORP transitional measures, authorized by Supervisory Authority	1,703	1,785
Group Own Funds	**46,309**	**41,308**

(*) Preliminary figures.

6 On the basis of IVASS *Provvedimento* n. 53, 2016, the SCR and MCR calculations to be disclosed in the Annual Report can rely on a preliminary estimate. More details on the Solvency Ratio will be disclosed in the Solvency and Financial Condition Report.

7 IORP stands for Institutions for Occupational Retirement Provisions.

Reconciliation between IFRS Equity and Group Own Funds

The following template provides the reconciliation between IFRS Net Equity and Group Own Funds:

IFRS Equity Reconciliation to Group Own Funds

(€ million)	31/12/2017*	31/12/2016
IFRS Equity (Gross of Minorities)	**26,177**	**25,668**
Intangibles	-10,767	-10,801
Mark to Market of Assets	9,884	8,810
Mark to Market of Liabilities	21,807	16,105
Impact Net Deferred Taxes	-7,207	-5,432
Subordinated Liabilites	8,931	9,142
Forseeable dividend	-1,330	-1,249
Sectoral, Fungibility Filters and Other Deductions	-2,887	-2,719
Unrealized gains on French pension business under IORP transitional measures	1,703	1,785
Group Own Funds	**46,309**	**41,308**

(*) Preliminary figures.

The main elements of reconciliation from the IFRS Equity (€ 26,177 million) to the Group Own Funds (€ 46,309 million) are the following:

- Intangibles (€ 10,767 million) are eliminated because not recognized under Solvency II;
- Mark to Market of Assets: this adjustment (€ 9,884 million) is primarily due to the fair valuation of real estate (€ 7,499 million) and to the fair value adjustment of bonds classified as held to maturity (€ 1,386 million);
- Mark to Market of Liabilities: this adjustment (€ 21,807 million) is primarily due to Net Technical Provisions (€ 22,400 million deriving from the difference between IFRS4 and Solvency II evaluation), slightly compensated by the SII valuation of Senior/Subordinated Liabilities (€ -991 million). The remaining part (€ +397 million) derives from the positive fair value change in other liability items (like reinsurance deposits);
- Impact of Net Deferred Taxes (€ -7,207 million) derives from the changes to fair value of above reported items;
- Subordinated Liabilities (€ 8,931 million) are recognized as Group Own Funds under Solvency II;
- Foreseeable dividends are deducted for an amount of € -1,330 million;
- Sectoral, Fungibility Filters and Other Deductions (€ -2,887 million) include fungibility and transferability filters required by the regulation to deduct items which are not considered available at Group level and the impact of the sectoral entities;
- Unrealized capital gains from French pension activities benefitting from IORP transitory regime (€ 1,703 million), as explained above.

Group Own Funds Tiering

Own Funds (OF) are classified into Tiers, representing different levels of quality with respect to loss-absorbing capacity[8] criteria.
The Group Own Funds classification by tiers is composed as follows:

- Tier 1 Unrestricted Own Funds including ordinary share capital and the related share premium account; the reconciliation reserve consequent to Solvency II evaluation and additional Own Funds from French IORP activities and Surplus Funds from German and Austrian business;
- Tier 1 restricted includes Undated Subordinated Liabilities;
- Tier 2 includes the remaining part of Subordinated Liabilities which are classified as Dated;
- Tier 3 includes Net Deferred Tax Assets, which are characterized by lower capital quality being not immediately available to absorb losses.

8 To grant a high quality of capital available, the amounts of Tier 2 and Tier 3 items eligible to cover the SCR are subject to the following limits. The eligible amount of Tier 1 items shall be at least one half of the SCR; in case of admissible subordinated liabilities and preference shares, exceeding 20% of total Tier 1, it is downgraded towards Tier 2. The eligible amount of Tier 3 items shall be less than 15% of the SCR. The sum of the eligible amounts of Tier 2 and Tier 3 items shall not exceed 50% of the SCR.

In the following table, the split by tiers for Group Own Funds is reported:

Total GOF to meet the SCR

(€ million)	31/12/2017*	31/12/2016
Tier 1[9]	37,279	32,025
Tier 1 (restricted)	3,603	3,736
Tier 2	5,328	5,407
Tier 3	99	141
Total	46,309	41,308

(*) Preliminary figures.

2. Solvency Capital Requirement

The SCR covers underwriting, financial, credit and operational risks as follows:

Regulatory SCR split by risk

(€ million)	31/12/2017		31/12/2016	
	Total	Impact (%)	Total	Impact (%)
SCR before Diversification	**34,528**	**100%**	**35,419**	**100%**
Financial risk (1)	13,364	39%	12,824	36%
Credit risk, (2)	9,850	28%	11,112	31%
Life underwriting risk	4,017	12%	3,888	11%
Non-life underwriting risk	5,011	14%	5,322	15%
Operational risk	2,286	7%	2,273	6%
Diversification benefit	- 7,465	-22%	- 7,336	-21%
SCR after Diversification	27,064		28,083	
Tax absorption	- 6,001	-22%	- 5,945	-21%
SCR excl. Other regimes	21,063		22,138	
Other regimes (3)	1,162		1,085	
Total Regulatory SCR	**22,224**		**23,222**	

(1) Financial risk includes Spread risk for standard formula entities.

(2) Credit risk includes default risk, spread widening and rating migration risks for PIM entities.

(3) Within this category other regulated financial entities are included (e.g. IORP, banks etc.).

9 Tier 1 includes also available capital of sectoral entities and the unrealised gains and losses on French Institutions for Occupational Retirement Provision (IORP) business as agreed with the Group Supervisory Authority.

The above SCR breakdown highlights that:

- financial and credit risks, account for the 67% of the total SCR before diversification, due to the predominance of traditional life business;
- life/health and non-life underwriting risks, accounting for respectively 12% and 14% of the total SCR before diversification; within this CAT risks remain limited thanks to a comprehensive reinsurance program;
- operational risks contribute to the Group SCR for 7%. This contribution is calculated using the standard formula.

Each risk category is further detailed in section Risk Profile.

Minimum Capital Requirement (MCR) Coverage

In addition to SCR coverage, the Group calculates the Minimum Capital Requirement (MCR) coverage. 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.

The preliminary[10] Minimum Solvency ratio stands at 241% as at 31 December 2017, with an increase of 33 pps in respect of previous year. In the following table, the regulatory MCR coverage is reported.

Regulatory MCR Coverage

(€ million)	31/12/2017*	31/12/2016
EOF to cover MCR	43,405	38,456
MCR	17,982	18,460
Solvency Ratio	**241%**	**208%**

(*) Preliminary figures..

To define MCR coverage, stricter OF eligibility rules are applied compared to the ones previously used for the SCR[11]. In the following table, the split by tiers of the Own Funds covering the MCR is reported:

GOF a copertura del MCR

(€ million)	31/12/2017*	31/12/2016
Tier 1 [12]	36,205	31,028
Tier 1 (restricted)	3,603	3,736
Tier 2	3,596	3,692
Total	**43,405**	**38,456**

(*) Preliminary figures.

10 On the basis of IVASS Provvedimento n. 53, 2016, the SCR and MCR calculations to be disclosed in the Annual Report can rely on a preliminary estimate. More details on the Regulatory Solvency Ratio will be disclosed in the Solvency and Financial Condition Report..

11 The amounts of Tier 2 and Tier 3 items eligible to cover the MCR are subject to stricter quantitative limits. The eligible amount of Tier 1 items shall be at least 80% of the MCR; the same limitation on subordinated liabilities and preference shares is set. The eligible amounts of Tier 2 items shall not exceed 20% of the MCR. No Tier 3 items are allowed to cover the Minimum Capital Requirement. No capital from sectoral is considered

12 Tier 1 includes also available capital of sectoral entities and the unrealised gains and losses on French Institutions for Occupational Retirement Provision (IORP) business as agreed with the Group Supervisory Authority.

Economic Solvency Ratio

In addition to the Regulatory Solvency Ratio data reported above, the Group calculates the Economic Solvency Ratio (ESR). For the ESR calculation the Internal Model framework is applied to all Group insurance entities[13].

The Economic Solvency ratio stands at 230% as at 31 December 2017, with an increase of 36 pps in respect of previous year.

The Economic Solvency Ratio is hereafter reported.

Economic SCR Coverage

(€ million)	31/12/2017	31/12/2016
Group Own Funds	46,806	41,658
SCR	20,352	21,480
Solvency Ratio	**230%**	**194%**

(*) Preliminary figures.

Group Partial Internal Model (Group PIM)

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 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.

1. Group PIM Methodology

In implementing the PIM, the Group has adopted the so-called Monte-Carlo approach with “proxy functions” to determine the Probability Distribution Forecast (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 drivers 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.

During 2017, with the purpose of better capturing stresses over negative rates, the Interest Rate and Interest Rate Volatility modelling have been revised and duly approved by the College of Supervisors, following the process defined in the Group Internal Model Change Policy.

13 When determining the ESR, only a residual set of entities calculate the SCR based on the standard formula.

2. Group PIM Governance

Governance and processes regarding the Group PIM are defined in the Group Internal Model Governance Policy, ensuring that:
- models and components are appropriate for their purpose;
- procedures are in place to design, implement, use and validate new models and model changes;
- the appropriateness of models on an ongoing basis is confirmed.

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

A dedicated committee, the Internal Model Committee, has been established to approve 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, which is responsible for ensuring the overall consistency and reliability of the Group PIM.

The Group Chief Risk Officer (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 and ultimately for submitting the relevant Internal Model supporting documentation to the BoD.

The BoD, assisted by the Risk and Control Committee, ensures the ongoing appropriateness of the design and operations, the ongoing compliance of the 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.

3. Group PIM Validation

The Group PIM is subject to regular independent validation on an ongoing basis, which aims to gain assurance of the completeness, robustness and reliability of the processes and results 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 also results obtained during previous validation cycles are taken into account, as well as developments within internal and external business environment, financial market trends and Group PIM changes. The Internal Model validation process excludes those aspects already covered by the assurance work of the Actuarial Function (i.e. technical provisions and related IT systems, actuarial platforms and their governance).

Furthermore, the 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.

D. Risk Profile

Life Underwriting Risk

Life and health underwriting risks derive from the Group's core insurance business in the life and health segment.

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.

Group's life underwriting business key figures are provided in the Section Details on insurance and investment contracts in the Notes.

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.

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 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 underwriting risks are measured by means of the Group PIM[14].

The SCR for life underwriting risk before diversification amounts to € 4,017 million, with an incidence of 12% to the overall SCR before diversification. The total is mainly given by expense risk, followed by longevity and mortality risks. 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.

14 For the scope of the Group PIM please refer to the Executive Summary. 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 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 biometric risks are 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, 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.

Non-Life Underwriting Risk

Non-life underwriting risks arise from the Group's insurance business in the P&C segment.

Volumes of premiums and related geographic breakdown are provided in the Property&Casualty segment indicators by country in the Management Report, technical provisions in the Section Details on insurance and investment contracts in the Notes.

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.

Non-life underwriting risks are measured by means of the Group PIM[15]. 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.

The SCR for non-life underwriting risk before diversification amounts to € 5,011 million, with an incidence of 14% to the overall SCR before diversification. The total is mainly given by reserve and pricing risks, followed by CAT risk. Non-life lapse risk contributes only for a marginal amount to the risk profile.

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 on-going improvement 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 technique 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.

Given the trend of increasing weight of European windstorm exposures in the protected portfolio in the past years, part of these exposures have been carved out from the main reinsurance protection and placed in the Insurance Linked Securities (ILS) market, 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 implemented. As an example, in addition to traditional reinsurance, a protection was placed during the year on the capital market to reduce the impact of an unexpectedly high Loss Ratio for the Group Motor liability portfolio.

15 For the scope of the Group PIM please refer to the Executive Summary. Entities not included in the PIM scope calculate the capital requirement based on standard formula.

Financial Risk and Credit Risk

The Group invests collected premiums in a wide variety of financial assets, with the purpose of honouring future obligations to policyholders and generating value for its shareholders.

As a result, the Group is exposed to the financial risks driven by either:
- invested assets not performing as expected because of falling or volatile market prices;
- reinvested proceeds of existing assets being exposed to unfavourable market conditions, such as 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 ability to withstand 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"[16], and strives to optimize the return of its assets while minimizing the negative impact of short term market fluctuations on its solvency position.

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.

To ensure a comprehensive management of the impact of financial and credit 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.

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

The asset portfolio is then invested and rebalanced according to the asset class and duration weights. One of the main risk mitigation techniques used by the Group is the use of liability-driven management of the assets and the regular use of rebalancing.

The liability driven investment helps granting the comprehensive management of assets whilst taking into account the liability structure; while, at the same time, the regular rebalancing redefines target weights for the different assets classes and durations, alongside the related tolerance ranges defined as investment limits. This technique contributes to an appropriate mitigation of financial risks.

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.

In addition to that, controls on assets and liabilities matching and compliance with the limits defined in the ALM&SAA, as well as on the overall monitoring risk limits, are also performed regularly by the Group. This process is underpinned by a close interaction between the Investment, Finance, Actuarial, Treasury and Risk Management Functions 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 minimum and maximum exposure allowed;
- embeds the deliberate ALM mismatches permitted and potential mitigation actions that can be enabled on the investment side.

16 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).

Regarding specific asset classes such as (i) private equity, (ii) alternative fixed income, (iii) hedge funds, (iv) derivatives and structured products, the Group has mainly centralized their management and monitoring. These kinds 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 Group also uses derivatives with the aim of mitigating the risk present in the asset and/or liability portfolios. The derivatives help the Group to improve the quality, liquidity and profitability of the portfolio, according to the business planning targets. Operations in derivatives are likewise subject to a regular monitoring and reporting process.

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 Group Investments Risk Guidelines (GIRG). The GIRG include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions that Group entities need to comply with.

Financial Risk

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, potentially, long period. Should the yields generated by the financial investments be lower than the guaranteed return, then the Group shall compensate the shortfall for those contractual guarantees. In addition, independently on the achieved asset returns, the Group has to secure that the value of the financial investments backing the insurance contracts remains sufficient to meet the value of its obligations.

Unit-Linked business typically does not represent a source of direct financial risk for insurers (except when there are guarantees embedded in the contracts), 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.

In more detail, the Group is exposed to the following generic financial risk types:

- 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 or to insurance products sold with embedded guarantees whose market consistent value is sensitive to the level of equity volatility;
- 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 costly 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.

For further details on the Group's key figures and details on financial assets please refer to the Section Investments in the Notes.

Financial risks are measured by means of the Group PIM[17]. 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;

17 For the scope of the Group PIM please refer to the Executive Summary. Entities not included in the PIM scope calculate the capital requirement based on standard formula.

- interest rate risk models the changes in the term structure of the interest rates for various currencies and the impact of these changes on any 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 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.

The SCR for financial risk before diversification amounts to € 13,364 million, with an incidence of 39% to the overall SCR before diversification. This is mainly driven by equity risk, followed by interest rate, property and currency risk.

Credit Risk

The Group is exposed to credit risks related to invested assets and also arising from other counterparties (e.g. cash, reinsurance).

Credit risks include the following two categories:
- spread widening risk, defined as the risk of adverse changes in the market value of debt security assets. Spread widening can be linked either to the market's assessment of the creditworthiness of the specific obligor (often implying 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.

For the overall volume of assets subject to credit risk please refer to the volumes of bonds and receivables (including reinsurance recoverable) provided within the Section Investments of the Notes.

Credit risks are measured by means of the Group PIM[18]. In particular:
- 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, which treats bonds issued by EU Central Governments and denominated in domestic currency as exempt from credit risk.

The SCR for credit risk before diversification amounts to € 9,850 million, with an incidence of 28% to the overall SCR before diversification. Credit risk is mostly driven by fixed income securities, while the contribution to SCR of the counterparty risk (including reinsurance default) remains more limited.

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 and ratings need to be renewed at least annual-

18 For the scope of the Group PIM please refer to the Executive Summary. Entities not included in the PIM scope calculate the capital requirement based on standard formula.

ly. This process applies even where an external rating is available. 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 alleviates the losses that the Group might suffer as a result of the default of one or more of its counterparties.

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 purpose of Operational Risk Management within Generali Group is to generate awareness of the operational risks in all Generali companies and foster a risk culture amongst all employees and to learn from past operational errors and events that either did or could have resulted in an operational loss. Moreover, the Operational Risk Management approach ensures the identification and assessment of the operational risk also developing a forward-looking mechanism, to reduce operational losses and other indirect consequences, including reputational damage and missed opportunities, resulting from the occurrence of operational risk events and to enable management to conclude on the effectiveness of the internal control system related to operational risk management.

Generali Group accepts that some level of operational risk needs to be tolerated in order to conduct business, according to Group RAF. Group companies define and review risk tolerance limits both from a forward-looking perspective and for a backwards perspective, setting up effective escalation mechanism in case of limits violations.

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 create 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-attacks and the regulatory evolutions.

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.

To further strengthen the internal control systems and in addition to the usual risk owners’ responsibilities for managing their risks, the Group established specialised 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 may affect the business. This initiative helps the Group to better cope with the growing threat represented by cyber risk.

The SCR for operational risk before diversification amounts to € 2,286 million, with an incidence of 7% to the overall SCR before diversification. The SCR for operational risk is calculated based on standard formula.

Other Material Risks

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 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 (e.g. 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 over defined time horizons, to monitor that available liquid resources are at all times sufficient to cover cash obligations that will become due in the same horizons.

A set of liquidity risk metrics (liquidity indicators) 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 assessment 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 calculated 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 liquidity indicators. 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 described 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 in order to maintain a sufficient available level of liquid resources to meet its medium-term needs. The Group metrics are forward-looking and are calculated under both the base and stress scenarios.

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

The principles for liquidity risk management designed at Group level are fully embedded in strategic and business processes, including investments and product development.

Since Generali explicitly identifies liquidity risk as one of the main risks connected with investments, indicators 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.

The Group has defined in its Life and P&C Underwriting Policies the principles to be applied to mitigate the impact on liquidity from surrenders in life business and claims in non-life business.

Reputational, Contagion and Emerging Risk

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 among its customers and other stakeholders.
- emerging risks arising from new trends or evolving risks which are difficult to perceive and quantify, although typically systemic. These typically refer to technological changes (big data, blockchains, autonomous machines), environmental trends (climate change), geopolitical developments, regulatory developments, etc. For the assessment of these risks and to raise the awareness on the implications of the emerging trends, Group Risk Management engages with a dedicated network, including specialists from Business Functions (e.g. Insurance, Investment, Actuarial, Sustainability and Social Responsibility, Marketing etc.). The Group also participates to the Emerging Risk Initiative (ERI), a dedicated working group of the CRO Forum. Within ERI 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).

Sensitivity Analysis

To test the Group's solvency position resilience to adverse market conditions or shocks, sensitivity analysis taking into account unexpected, potentially severe, but plausible events is undertaken. The purpose of such analysis is to create awareness and prepare to take appropriate management actions should such events materialize.

The following template provides the results of the sensitivity analysis conducted on the Group main risk drivers (e.g. interest rates, equity shock, credit spreads).

The changes in terms of percentage points in respect to baseline scenario at YE17 (Solvency ratio equal to 208%) are the following:

Sensitivity Analysis

	Interest rate up 50bps	Interest rate down 50bps	Equity up 25%	Equity down 25%	CS on corporate up 50bps	CS on BTP up 100bps	Ultimate forward rate down 15bps
Change in Solvency Ratio	+4pps	-7pps	+5pps	-6pps	-3pps	-12pps	-1pps

(*) Preliminary figures.

Outlook

In 2018, a continuation of the current growth dynamics is expected; in the Eurozone, this growth should settle at 2.1%, marginally lower than in 2017, due to exports supported by a global recovery as well as consumption increasing as a result of the continued decline in unemployment and investments favoured by positive conditions for accessing credit.

As for the United States, a continuation of the current growth phase is forecasted, with a slight acceleration (real GDP of +2.4%) due to the tax reform that - as a main element - reduces the tax rate on companies from 35% to 21%. The effect on families will be reduced and concentrated on higher income brackets. With regard to monetary policy, the Fed is expected to follow its path of "normalization", increasing its reference rate three times, thus bringing the corridor to 2.00% - 2.25%.

Given solid growth and slightly higher inflation forecasts, returns within financial markets should increase, reporting growth that is probably slightly higher in the Eurozone with investors that are increasingly looking forward towards the first increase in the interest rates of reference by the ECB in 2019. As a result, both public and private bond performances are expected to be negative. The sovereign spreads of countries in Southern Europe could be negatively affected in the first part of the year given the uncertainty over both the Italian political context and the Catalan issue.

With regard to stock markets, the growth trend should continue. Although markets are already somewhat overvalued, the current favourable economic situation, US tax reform and the still extensive levels of liquidity will foster this growth.

With regard to insurance markets, in 2018 growth in the P&C segment will continue thanks to the positive trends in the economy. The unfavourable situation within the Life segment could continue, even if there could be a few positive signs thanks to the expected positive trend in available income and - within Italy - the presence of regulations which should render the sale of traditional products less unfavourable.

With regard to the reinsurance business, the anomalous frequency of major catastrophic events in the second half of 2017 - which mainly affected the Caribbean areas and the United States - should be noted. Hurricanes Harvey, Irma and Maria in late August/early September caused insured losses of around $ 93 billion. In addition, the earthquakes that affected Mexico as well as the vast forest fires in California and the Iberian Peninsula negatively affected the reinsurance industry while, however, demonstrating its financial strength in sustaining an extraordinary sequence of claims. Consequently, the main renewal season, concentrated on 1 January, highlighted the end of the soft cycle and a trend reversal which also spread to business classes not affected by the aforementioned events.

The Generali Group - although partly affected by the hurricanes - exploited the benefits of a centralized reinsurance structure which allowed for greater control over risk retention levels, thereby mitigating the impact of losses to levels that were essentially in line with the averages of previous years. In accordance with the market cycle, reinsurance costs have marginally suffered from the contingent circumstances, recording increases, although very limited, in reinsurance expenses for the 2018 coverages keeping retentions unchanged or, in some cases, even more conservative.

Within the Life segment, the Group will continue to face, in 2018, the various and dynamic constraints that are derived from the regulatory sector as well as markets characterized by significant competition in a financial scenario featuring continuing low interest rates.

The strategy is based on Life portfolio rebalancing with the objective of optimizing profitability and allowing for efficient capital allocation. Significant focus was placed on strengthening the Generali brand by simplifying and innovating the range of product solutions which will be marketed through the most suitable, efficient and modern distribution channels that are increasingly based on digital processes. As a result, actions dedicated to Life portfolio enhancement will continue with renewed emphasis:

- the creation of new business based on the selective development of sustainable lines of business such as the Protection & Health and unit-linked lines; the latter serves as an alternative to investments in traditional funds which are only still sustainable if capital-light. The development of these lines of business will aim at offering a wide range of insurance solutions adapted to risk and investment profiles for the benefit of both the policyholders and the Group. In particular, and with regard to Protection & Health products, the focus is on traditional risk coverage enriched with customer services that render the management and solution of critical issues subject to coverage even more concrete; unit-linked target products are characterized by protection mechanisms that are capable of coping with potential market crashes (e.g. selection of volatility-controlled funds);
- with regard to in-force business, actions dedicated to improving the degree of persistency of value portfolios, in particular through actions which aim to strengthen relations with existing customers on the basis of an analysis of current insurance needs.

The Group's upcoming objectives include following up on the positive results of the rebalancing of the business mix while emphasizing the focus on market positioning in terms of premiums.
Premium trends will continue to reflect a careful underwriting policy, in line with the common Group goals and driven by a focus on the central importance of customers' interest, as well as the value of the products and the risk appetite framework.

Within the P&C segment, premiums are forecasted to continue their growth trend in the primary geographical areas of operation of the Generali Group. This growth is consistent with the relative growth of GDP within a macroeconomic context featuring general recovery despite persistently strong competition, particularly in the corporate sector. The growth will be driven by motor - triggered by the economic recovery and the increase in the average premium - in order to cope with claims inflation, while non-motor, although increasing, will be more affected by competitive pressure.
Competition is also expected to accelerate in terms of distribution; in fact, digital transformation will create more space for non-traditional or non-exclusive distribution networks (such as aggregators), with a potential impact, from the business perspective, on volumes and profits. To deal with this situation, the Group is intensifying its implementation of a series of initiatives launched previously in order to offset the effects on profitability (especially in the motor, particularly fleets, but not only) with anti-cyclical measures, a disciplined approach to setting prices and risk selection, improving customer profiling, promoting long-term relationships and developing products with a modular system to take up non-motor cross-selling opportunities.
Management of the P&C segment - due to the level of capital absorption of these products which allow for efficient allocation - will therefore continue to be a foundational principle for implementing the Group's strategy whose objective is to become the European leader in the retail segment.

With reference to the Group investments policy, an asset allocation strategy aimed at consolidating current returns and safeguarding consistency with liabilities to policyholders will continue.
With regard to fixed-income investments, the investment strategy aims to diversify the portfolio, both within the sector of government bonds as well as in terms of corporate bonds in order to guarantee adequate profitability to policyholders as well as a satisfactory return on capital while maintaining a controlled risk profile.
Alternative investments are considered interesting for their contribution to portfolio diversification, and the creation of a multi-boutique insurance asset manager platform is part of the strategy aimed at enhancing investment capacity in these market sectors and within a context where total investment volumes are influenced by the limited supply and the high-quality requirements of investment policies.
With reference to stock exposure, 'controlled volatility' strategies will be adopted.
New investments in the real estate sector will be primarily oriented towards the European market and - to a limited extent - other geographical areas in order to improve the overall diversification of the portfolio. The focus on efficiency in management of the existing portfolio also continues in order to optimize internal geographical diversification within Europe.

The aforementioned initiatives will enable the Group to counteract the prolonged scenario of low interest rates and encourage growth, thereby confirming the pre-established objectives of the strategic plan.

Consolidated Non-Financial Statement

Consolidated Non-Financial Statement pursuant to Leg. Decree 254/2016

The Annual Integrated Report also provides non-financial information, in accordance with the provisions of legislative decree of 30 December 2016, no. 254 (Leg. Decree 254/2016), in implementation of European Directive 2014/95.

To the extent necessary for an understanding of the Group development, performance, position and impact of its activity, information relating to:
- environmental matters;
- social matters;
- employee matters;
- respect for human rights;
- anti-corruption and bribery matters;

which are relevant to the activities and characteristics of the Group is disclosed while also at least describing:

- the organization and management model, including direct and indirect impact (p. 18). The main operating companies based in Italy have adopted models pursuant to article 6, paragraph 1, letter a), of legislative decree of 8 June 2001, no. 231. These models aim at mitigating risks connected to offences that are relevant also to legislative decree of 30 December 2016, no. 254. As for the Parent Company's model, refer to the Corporate Governance and Share Ownership Report 2017, p. 125-127;
- the policies applied (p. 22 and 38);
- the non-financial key performance indicators (p. 10, 19, 32-33 as well as where indicated through the infographic);
- the principal risks related to the matters aforementioned (p. 22-29, 33).

Based on the Group's consolidated methodological decisions pertaining to integrated reporting, the Report is drafted in accordance with the Guiding Principles and Content Elements envisaged by the International <IR> Framework, approved by the International Integrated Reporting Council (IIRC). The standard adopted for the disclosure of the material matters identified by the Group, especially of those non-financial ones envisaged by Leg. Decree 254/16, is the Consolidated Set of GRI Sustainability Reporting Standards, issued in 2016 by the GRI - Global Reporting Initiative (GRI-Referenced claims), with reference to selected GRI Standards and indicators of the GRI G4 Financial Services Sector Disclosures, as detailed in the Note to the Management Report.

The disclosure of the aforementioned matters is therefore integrated into the Annual Integrated Report of the Group: this decision complies not only with current legislation, but also with the International <IR> Framework, in particular with the Materiality, Connectivity of information and Conciseness Guiding Principles. For the purposes of simplifying the fulfilments required by the decree and also promoting greater accessibility to published non-financial information, the latter is clearly identified within this Report, even through the use of infographic in the margin.

Information which is relevant to this decree has been identified through an innovative materiality process developed in accordance with the <IR> Framework. In particular, the starting points were the matters contained in the materiality matrix created in 2016 where primary importance is ascribed to the perspective of internal and external stakeholders. These matters were found within the primary reporting documents produced by the Company and approved by corporate bodies or, at least, at the top levels of Generali. Research activities were implemented through content analysis of a documentary sample of about 1,500 pages, including the presentation of the Group's strategy to the market, the Charter of Sustainability Commitments, the minutes of the annual Shareholders' Meetings and the transcripts of conference calls with investors. With respect to the 20 starting matters of the aforementioned materiality matrix, the analysis identified the following 11 matters as most material in terms of frequency within the documentary sample:

1. Responsible business management
2. Climate change and natural disasters
3. Responsible remuneration and incentives
4. Quality of the customer experience
5. Product and service development
6. Responsible investments and underwriting
7. Attracting talent and development of human capital
8. Employee engagement and promotion of a common culture
9. Data and cyber security
10. Demographic and social change
11. Prevention of corruption

Given its connection with the strategy, complementary information is also provided as for:

12. Diversity, inclusion and equal opportunities
13. Relations with distributors

Glossary available at the end of this document

Such matters are disclosed in this Report in a manner which is consistent with the strategic orientation and business management of the Group. The specific performance indicators are those related to the strategic plan or those which are monitored operationally during planning and control processes while taking into account the relative scope that is currently applied. Finally, where feasible, a comparison is offered with the previous period.

For the purposes of promoting greater accessibility to non-financial information, the following table highlights the connection between the matters of Leg. Decree 254/2016 and those most material to the Group, as well as an indication of the related section of the Report in which they are reported in addition to our support for the Sustainable Development Goals launched by the United Nations.

Leg. Decree 254/16 matters	Material matters for the Generali Group	Sections of the Report
environmental matters	1. Responsible business management 2. Climate change and natural disasters 5. Product and service development 6. Responsible investments and underwriting	– Group highlights (p. 10) – How we create sustainable value: our business model (p. 18) – Our rules for running business with integrity (p. 22) – Risks and opportunities of the external context (p. 24) – Our performance (p. 43 and p. 49)
social matters	1. Responsible business management 4. Quality of the customer experience 5. Product and service development 9. Data and cyber security 10. Demographic and social change 13. Relations with distributors	– Group highlights (p. 10) – How we create sustainable value: our business model (p. 18) – Vision, Mission, Values (p. 21) – Risks and opportunities of the external context (p. 24) – Our strategy (p. 30) – Our performance (p. 43)
employee matters	1. Responsible business management 3. Responsible remuneration and incentives 7. Attracting talent and development of human capital 8. Employee engagement and promotion of a common culture 12. Diversity, inclusion and equal opportunities	– Group highlights (p. 10) – How we create sustainable value: our business model (p. 18) – Our strategy (p. 32) – Our governance and remuneration policy (p. 38)
respect for human rights	1. Responsible business management 6. Responsible investments and underwriting	– Our rules for running business with integrity (p. 22) – Our performance (p. 49)
anti-corruption and bribery matters	1. Responsible business management 6. Responsible investments and underwriting 8. Employee engagement and promotion of a common culture 11. Prevention of corruption	– Our rules for running business with integrity (p. 22) – Our performance (p. 49)

Pursuant to article 5 of the Consob Regulation 18 January 2018, no. 20267 the Generali Group has assigned the auditing firm EY S.p.A. - the current external auditor for the financial statements - with the task of performing the limited assurance activity on this Statement. The Report drafted by EY S.p.A. is attached to this document.

Milan, 14 March 2018
The Board of Directors

Independent Auditor's **Report**

Building a better working world

EY S.p.A.
Largo Don Bonifacio, 1
34125 Trieste

Tel: +39 040 7783011
Fax: +39 040 7783068
ey.com

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION IN ACCORDANCE WITH ARTICLE 3, PAR. 10, OF LEGISLATIVE DECREE 254/2016 AND WITH ARTICLE 5 OF CONSOB REGULATION ADOPTED WITH RESOLUTION 20267

(Translation from the original Italian text)

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

We have performed a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267, on the consolidated disclosure of non-financial information of Generali Group (hereinafter the "Group" or " Generali Group") for the year ended 31 December 2017 in accordance with article 4 of the Decree, *presented in the specific section of the Management Report* approved by the Board of Directors on 1st March 2018 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI – Global Reporting Initiative ("GRI Standards"),identified by them as a *reporting standard methodology*, with reference to selected GRI Standards, as illustrated in the Management Report section "Note to the Management Report".

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
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Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI – Global Reporting Initiative ("GRI Standards"), with reference to selected GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. understanding of the following aspects:
   - group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
   - policies adopted by the Group related to the matters indicated in art. 3 Decree, results achieved and related key performance indicators;
   - main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

   With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.
4. Understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.

In particular, we have conducted interviews and discussions with the management of the Assicurazioni Generali S.p.A. and with the personnel of Generali Italia S.p.A., Generali Versicherung AG (AT), Česká pojišt'ovna a.s., Generali France S.A., Generali Deutschland AG, Generali Personenversicherungen AG, Generali España S.A. de Seguros y Reaseguros and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, at group level, for significant information, considering the Group activities and characteristics:

- at Group level,
    - i. with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
    - ii. with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the following companies, Generali Italia S.p.A., Generali Versicherung AG (AT), Česká pojišt'ovna a.s., Generali France S.A., Generali Deutschland AG, Generali Personenversicherungen AG, Generali España S.A. de Seguros y Reaseguros, which we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that DNF of the Generali Group for the year ended 31 December 2017 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards, with reference to selected GRI Standards.

Other Information

The comparative information presented in the DNF for the year ended 31 December 2016, have not been examined.

Trieste, 27 March 2018

EY S.p.A.
Signed by: Paolo Ratti, Partner

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

Appendices to the Management Report

Note to the Management Report

The Consolidated Financial Statements of the Generali Group as at 31 December 2017 were drawn up in accordance with the IAS/IFRS international accounting standards - issued by the IASB and endorsed by the European Union - as well as with Regulation (EC) no. 1606/2002, Leg. Decree 58/1998 as amended, and Leg. Decree 209/2005, as amended by Leg. Decree 32/2007.

This annual Report includes both the consolidated financial statements and notes in accordance with ISVAP Regulation of 13 July 2007, no. 7 as amended, and the information required under CONSOB Communication of 28 July 2006, no. 6064293. As allowed by the aforementioned ISVAP Regulation, the Generali Group believed it appropriate to supplement its consolidated financial statements with detailed items and provide further details in the notes, also to meet the international accounting standards (IAS/IFRS) requirements.

The Group used the option provided for under art. 70, paragraph 8, and art. 71, paragraph 1-bis of the Issuers' Regulation to waive the obligation to publish the information documents provided for in relation to significant mergers, de-mergers or capital increases by contribution of assets, acquisitions and disposals.

At 31 December 2017, the consolidated scope decreased from 428 to 423 companies, of which 388 were consolidated on a line by line basis, and 35 measured with the equity method.

This Report was drawn up in euros (the functional currency used by the entity that prepared the Consolidated Financial Statements) and the amounts were shown in millions, rounded to the first decimal unless otherwise stated, and therefore the rounded amounts may not always coincide with the rounded total.

A description of the alternative performance indicators presented in this Report is available in the related Methodological note.

The Annual Integrated Report also provides non-financial information, in accordance with the provisions of Leg. Decree 254/2016, in implementation of European Directive 2014/95, and Consob Regulation of 18 January 2018, no. 20267.

Consolidated Non-Financial Statement, p. 120

All the disclosures by geographic area within this Report is based on the new Group managerial structure, made up of the business units in the main three markets - Italy, France and Germany - and four regional structures:

- Central and Eastern Europe countries: Czech Republic, Poland, Hungary, Slovakia, Serbia/Montenegro, Romania, Slovenia, Bulgaria and Croatia;
- International: consisting of EMEA, Americas, Asia, Europ Assistance and Other companies;
- Investments, Asset & Wealth Management, which includes the main Group entities operating in investment advisory, asset management and financial planning;
- Group holdings and other companies, which includes the Parent Company's management and coordination activities, including Group reinsurance, other financial holding companies and suppliers of international services not included in the previous geographic areas.

Our reference market: positioning and performance, p. 58

As noted above, the Management Report is drafted in compliance with currently effective regulations as well as the Content Elements and Guiding Principles envisaged by the International <IR> Framework of the International Integrated Reporting Council (IIRC).
The Annual Integrated Report enriches and makes the Management Report more accessible, expanding contents while maintaining a more rigorous and logical order.

Respect for the International <IR> Framework as for the Content Elements is shown in the margin: each chapter of the Report, that presents a new structure, meets one or more Content Elements. The Guiding Principles are illustrated later.

Annual Integrated Report

Content Elements

We, Generali	
Group highlights	Performance
Our history 2017 and 2018 key facts	Organisational overview and external environment
How we create sustainable value: our business model	Business model
Vision, Mission, Values	Organisational overview and external environment
Our rules for running business with integrity	Organisational overview and external environment Performance Risks and opportunities
Our strategy	Strategy Performance
Our governance and remuneration policy	Governance
Risks and opportunities of the external context	Risks and opportunities
Our performance	Performance
Outlook	Outlook

As regards the **Guiding Principles**, the *Strategic focus and future orientation* principle is applied in the whole document. Indeed, the strategy guides the process of creating value and summarizes in and of itself the material aspects for the Group. The *Materiality* approach is presented in detail in the Consolidated Non-Financial Statement.

Consolidated Non-Financial Statement, p. 120

In accordance with the *Connectivity of information* principle, the report should represent the combination and interrelatedness of the factors that influence the ability to create value over time. The key forms of connectivity used by Generali include the connectivity between qualitative and quantitative information, financial and non-financial information, in accordance with the information included in other communication tools. Other elements that improve the connectivity of information and the overall usefulness of the report are the cross-referencing (also thanks to the graphic component) and a clear language. The Glossary can be used where the language is excessively technical. Generali also publishes an interactive version of the integrated financial statements on its website. This is another tool to further highlight the connectivity of information.

Generali maintains *Stakeholder relationships* in order to understand and meet their needs, especially their information and dialogue requirements.
We regularly engage with **investors, analysts and rating agencies** to fulfil their information needs. The interaction takes place during quarterly results presentation, as well as during the annual Shareholders' Meeting and Investor Days. We also organise roadshows and sector conferences, providing them with the appropriate information. During 2017 we came into contact with more than 680 people (about 250 individual meetings and 430 small group meetings) in the most important financial centres of Europe and North America.
We regularly interact with **regulators** and the **European Institutions** to maintain good relationships and share authoritative and updated information in order to properly interpret and apply new regulations. We also offer our skills and contribute to public consultations for the definition of new laws and regulations in the sector, by providing, in view of our direct experience, concrete indications in order to safeguard the specificities of the Group and the insurance industry. To this purpose, we collaborate with several trade organizations and associations. Our active presence in these organizations allows us also to expand our knowledge of the different regulations and potential impacts.
Some years ago we started interacting with students from the main Italian universities, providing specific sessions on our new reporting approach and on the implications at a national and international level. With a survey we are also taking their feedback and suggestions on the Integrated Report implementation. As from 2016, we have extended this experience to Group employees as well. Overall, we met with around 260 people.
We also engage **customers**, **distributors** and Group **employees** with a view to continuous improvement.

Our report has been improved in many aspects also considering our stakeholders' feedback; for instance, *Conciseness* was improved, as was connectivity among the Group's different reports and among the different parts of the report, therefore making it easier to read with a more logical structure. The diagram below shows the passage from the Annual Integrated Report, drawn up in accordance with the *Materiality* principle, to the Annual Integrated Report and Consolidated Financial Statements, drawn up in accordance with the law.

Annual Integrated Report

Additional management information

Financial statements and notes

Management Report

Annual Integrated Report and Consolidated Financial Statements

As for *Reliability and completeness*, the Annual Integrated Report is supported by a structured information system, processing financial and non-financial information. This allows Generali to increase homogeneity and reliability of both types of information. As for the scope of the reporting, the performance indicators refer to the entire Group unless otherwise indicated.

In accordance with the *Consistency and Comparability* principle, the report includes information that is consistent with the previous year, unless otherwise indicated, and the strategic objectives announced to the market.

NFS

In this Report, the standard adopted for the disclosure of the material matters identified by the Group, especially of those non-financial ones envisaged by Leg. Decree 254/16, is the Consolidated Set of GRI Sustainability Reporting Standards, issued in 2016 by the GRI - Global Reporting Initiative (GRI-Referenced claims), with reference to selected GRI Standards and indicators of the GRI G4 Financial Services Sector Disclosures.

Consolidated Non-Financial Statement, p. 120

NFS

In accordance with the provisions of GRI 101: Foundation, paragraph 3, it references not only to GRI 103: Management Approach but also to the following GRI Sustainability Reporting Standards, paragraph 1:

- GRI 102: General Disclosures 2016 - Disclosure 102-16 Values, principles, standards, and norms of behavior as for the material matter Responsible business management;
- GRI 102: General Disclosures 2016 - Disclosure 102-43 Approach to stakeholder engagement as for the material matter Quality of the customer experience;
- GRI 205: Anti-corruption 2016 as for the material matter Prevention of corruption;
- GRI 305: Emissions 2016 - Disclosure 305-5 Reduction of GHG emissions[1] as for the material matter Climate change and natural disasters;
- GRI 404: Training and Education 2016 as for the material matters Attracting talent and development of human capital and e Employee engagement and promotion of a common culture;
- GRI 413: Local Communities 2016 as for the material matter Demographic and social change;
- GRI 418: Customer Privacy 2016 as for the material matter Data and cyber security.

Certain information more suitable for us is reported, considering the following GRI Sustainability Reporting Standards - General Disclosures and Topic Specific Disclosures:

- GRI 102: General Disclosures 2016 - Disclosure 102-35 (a) Remuneration policies as for the material matter Responsible remuneration and incentives;
- GRI 205: Anti-corruption 2016 - Topic Specific Disclosure 205-2 (e - aggregated data) Communication and training about anti-corruption policies and procedures;
- GRI 305: Emissions 2016 - Topic Specific Disclosure 305-1 (b, d, g) Direct (Scope 1) GHG emissions, 305-2 (c, d, g) Energy indirect (Scope 2) GHG emissions, and 305-3 (b, e, g) Other indirect (Scope 3) GHG emissions;
- GRI 404: Training and Education 2016 - Topic Specific Disclosure 404-1 (a - aggregated data) Average hours of training per year per employees, and 404-3 (a - aggregated data) Percentage of employees receiving regular performance and career development reviews.

Finally, the following indicators of the GRI G4 Financial Services Sector Disclosures are considered:

- FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose as for the material matter Product and services development;
- FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose as for the material matter Product and services development;
- FS11 Percentage of assets subject to positive and negative environmental or social screening as for the material matter Responsible investments and underwriting.

The reporting process and methodologies to calculate indicators are included in a specific document.

Changes in the presentation of the performance indicators of the Group

All the comparative economic and performance indicators included in this Management Report have been restated in line with the current consolidation scope and the review of the disclosure by geographic area as indicated above.
It is therefore noted that the changes in the Management Report are on a like-for-like basis, excluding the aforementioned discontinued or disposed operations with reference to 31 December 2017 from the comparative period.
As abovementioned, the comparative KPIs in this Report have been recalculated as follows:

(€ million)	31/12/2016 as previously published	Change	31/12/2016 restated
Gross written premiums	70,513	-1,606	68,907
Life gross written premiums	49,730	-1,330	48,400
P&C gross written premiums	20,783	-276	20,507
Life Net cash inflows	12,049	-256	11,793
Operating result	4,830	-46	4,783
Life	3,127	-43	3,084
P&C	2,044	29	2,073
Holding and other businesses	-91	17	-74
Consolidation adjustments	-251	-49	-300
Non-operating result	-1,529	4	-1,526
Assets Under Management	530,401	-14,082	516,319
Group debt	51,416	-10,302	41,114

* It refers to liabilities related to investment contracts.

1 The reduction of total emissions amounted to t 11,875 CO_2e compared to base year 2013. The latter was chosen since it is the baseline for the goal to reduce total emissions by 20% by 2020. The reduction was attributable to indirect emissions (Scope 2 and Scope 3). The gases included were: CO_2, CH_4 and N_2O. The methodology adopted is the WRI GHG Corporate Standard Protocol.

Methodological note on **alternative performance measures**

In order to help the assessment of the quality and sustainability of the net result of the Generali Group in the various business segments and territorial areas, the Management Report includes the following alternative performance measures.

Operating result

Under CESR Recommendations on alternative performance measures (CESR/05 – 178b), the operating result cannot replace earnings before taxes calculated in accordance with IAS/IFRS. In addition, it should be read with the financial information and related notes on the accounts which are included in the audited financial statements.

The operating result was drawn up by reclassifying items of earnings before taxes for each segment on the basis of the management characteristics of each segment and taking into consideration the recurring holding expenses. Specifically, the operating result represents earnings before taxes, gross of interest expense on liabilities linked to financing activities, specific net income from investments and non-recurring income and expenses.

Starting from this integrated report, the Group has reviewed the portrayal of its operating segments in order to provide disclosures which are more closely aligned with the new organizational structure of the Group and to ensure an improved economic representation of the performance of the individual business and geographical segments.

In the **Life segment**, all profit and loss accounts are considered as operating items, except for the following which are represented in the non-operating result:
- net realized gains and net impairment losses on investments that do not affect the formation of the local technical reserves, but only the calculation of the deferred liabilities towards policyholders for the amount not attributable to the policyholders, and on those of the free assets;
- net other non-operating expenses that mainly include the results of the run-off activities, company restructuring charges, depreciation of the value of the portfolios acquired directly or through acquisition of control of insurance companies (value of business acquired or VOBA) and other net non-recurring expenses.

In particular, with respect to the calculation method of the policyholders' profit sharing based on the net result of the period, the life non-operating result in Germany and Austria was entirely calculated net of the estimated amount attributable to the policyholders.

Furthermore, where a new fiscal law materially affects the operating result of the countries where the policyholders' profit sharing is based on the net result of the period, the estimated non-recurring effect on the income taxes attributable to the policyholders has been accounted for in the operating result.

In the **Property&Casualty segment**, all profit and loss accounts are considered as operating items, except for the following which are represented in the non-operating result:
- realized gains and losses, unrealized gains and losses, net impairment losses on investments, including gains and losses on foreign currencies;
- net other non-operating expenses, principally including the results of real estate development activities, run-off activities, the impairment losses on property held for own use, company restructuring charges and amortization of the value of the portfolios acquired directly or through the acquisition of control of insurance companies (value of business acquired or VOBA) and other net non-recurring expenses.

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

All profit and loss accounts are considered as operating items, except for the following which are represented in the non-operating result:
- non-recurring realized gains and losses and net impairment losses;
- net other non-operating expenses that mainly include the results of the run-off activities, company restructuring charges, depreciation of the value of the portfolios acquired directly or through acquisition of control of companies operating in the banking and asset management sectors (value of business acquired or VOBA) and other net non-recurring expenses.

With reference to holding costs, the general expenses incurred for management and coordination are considered as operating, by the Parent Company and territorial sub-holdings.
In addition, non-operating holding expenses include:
- interest expenses on financial debt[2];
- restructuring charges and other non-recurring expenses incurred in the management and coordination activities;
- costs arising from the assignment of stock options and stock grants by the Group.

The operating result and non-operating result of the Group are equivalent to the sum of the operating result and the non-operating result of the above mentioned segments and related consolidation adjustments.

In accordance with the approach described above, the Generali Group also provided the operating result in the main countries where it operates for the Life and Property&Casualty segments and the consolidated figures.

In order to provide a management view of the operating result by geographical area, the review of the key performance indicators by business segment and geographical area allows measurement of the result of each geographical area from a country viewpoint instead of as a contribution to the Group's results.

Within the context of the life and Property&Casualty operating result of each country, reinsurance operations between Group companies in different countries were considered by the same standards as transactions concluded with external reinsurers. This representation of the life and Property&Casualty operating result by territory makes this performance indicator more consistent with both the risk management policies implemented by each company and the other indicators measuring the technical profitability of the Group's companies.

The following table reconciles the operating and non-operating result with the corresponding income statement items:

Operating and non-operating result	Profit and loss account
Net earned premiums	1.1
Net insurance benefits and claims	2.1
Acquisition and administration costs	2.5.1 - 2.5.3
Net fee and commission income and net income from financial service activities	1.2 - 2.2
Net operating income from financial instruments at fair value through profit or loss	1.3 - 1.4 - 1.5 - 2.3 - 2.4 - 2.5.2
Net operating income from other financial instruments	1.3 - 1.4 - 1.5 - 2.3 - 2.4 - 2.5.2
Net non-operating income from financial instruments at fair value through profit or loss	1.3 - 1.4 - 1.5 - 2.3 - 2.4 - 2.5.2
Net non-operating income from investments	1.3 - 1.4 - 1.5 - 2.3 - 2.4 - 2.5.2
Net other and holding operating expenses	1.6 - 2.6
Net other and holding non-operating expenses	1.6 - 2.6

2 For further details on the definition of financial debt, please refer to the paragraph Debt under Financial position.

The following reclassifications were made in the calculation of the operating result with respect to the corresponding items of the income statement:

- the investment management and investment property management expenses in the operating result were reclassified from acquisition and administration costs to net operating income from other financial instruments, more specifically into other expenses from financial instruments and land and buildings (investment properties);
- income and expenses related to real estate development activities in the operating result were classified as other non-operating income and expenses, in accordance with the management model adopted that provides for sale at completion;
- gains and losses on foreign currencies in the operating result were reclassified in the Life and Holding and other business from net operating income to net operating income from financial instruments at fair value through profit or loss. In the Property&Casualty segment, gains and losses on foreign currencies in the operating result were reclassified from net operating income to net non-operating income from financial instruments at fair value through profit or loss. The classification for each segment is consistent with the related classification of the derivative transaction drawn up in order to hedge the Group's equity exposure to the changes in the main currencies of operations. The net operating and non-operating income from other financial instruments are therefore not subject to financial market volatility;
- in net operating income from financial instruments, interest expenses on deposits and current accounts under reinsurance business are not included among interest expenses related to liabilities linked to operating activities but are deducted from the related interest income. Moreover, the interest expenses related to the abovementioned real estate development activities are not included in interest expenses related to liabilities linked to operating activities, but are classified under other non-operating income and expenses in accordance with the management mod- el adopted that provides for sale at completion;
- the net other operating expenses in the operating result were adjusted for operating taxes and for non-recurring taxes that significantly affect the operating income of the countries where policyholders' stakes are determined by taking the taxes for the period into account. These adjustments were included in the calculation of operating income and are excluded from the income taxes item.

Operating result by margins

The operating result of the various segments was also shown in accordance with a **margin-based layout** which shows the operating trends of the changes that occurred in each segment performance more clearly.

The operating result of the **Life segment** comprises a technical margin including insurance costs, a net investment result and a component that includes acquisition and administration costs related to the insurance business and other net operating expenses. The technical margin includes the loadings and the risk and profit from the surrender results for the period.

The net investment result comprises operating income from investments, net of the portion attributable to the policyholders. Finally, the insurance management and other operating components are indicated separately.

The operating result for the **Property&Casualty segment** comprises the technical result, the financial result and other operating items. The technical result is equivalent to the insurance activity result, i.e. the difference between premiums and claims, acquisition and administration costs and other net technical income. The investment result comprises current income from investments and other operating net financial expenses, like expenses on investment management and interest expenses on operating debt. Finally, other operating items mainly include acquisition and administration costs related to the insurance business, depreciation of tangible assets and amortization of long-term costs, provisions for recurring risks and other taxes.

Operating return on equity

The operating return on equity indicates the return on capital in terms of the Group operating result. It is calculated through the relationship between

- consolidated operating result as described above adjusted to include:
  - interest on financial debt;
  - income taxes based on a mid-term expected tax rate as assumed in the 2017 Target (please refer to the chapter Our strategy);
  - minority interests;
- average Group shareholders' equity at the beginning and end of each period of valuation, adjusted to exclu-

de other gains and losses booked directly to equity included in Other Comprehensive Income OCI such as gains and losses on AFS investments, foreign currency translation differences, net unrealized gains and losses on hedging derivatives.

Return on Investments

The indicators for the **return on investments** are presented, obtained as the relationship:
- for the **net 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 book value);
- for the **harvesting rate** between 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) and the average investments (calculated on book value).

The **profit and loss return** is equal to the current return plus the harvesting rate net of investment management expenses.

The **average investments** (calculated on 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 in 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.

Consolidated investments

With regard to the presentation of consolidated investments, the following variations, with respect to the corresponding balance sheet items have been implemented, in order to provide the figures consistently with those used to calculate the relative profitability:
- Investment Fund Units were split by nature between equity, bond and investment property portfolios;
- derivatives are presented on a net basis, and therefore also including derivative liabilities. Moreover, hedging derivatives are classified in the respective asset class hedged;
- reverse REPOs were reclassified, in accordance with their nature of short-term liquidity commitments, from Other fixed income instruments to Cash and cash equivalents; and
- REPOs classified as liabilities are presented in Cash and cash equivalents.

The segment investments were presented in accordance with the methods described in the chapter General drafting and measurement criteria of the Notes, paragraph 6 in the section Other Information.

Net Operating Cash

Net Operating Cash measures the Parent Company's cash generation. It is the result of the sum of dividends paid by the subsidiaries, the net result of the Group reinsurance centralization activity, administrative costs, interest expenses paid and the net balance relating to taxes.

Consolidated Financial Statements

Consolidated **Financial Statements**

Company **ASSICURAZIONI GENERALI S.p.A.**

CONSOLIDATED STATEMENTS

Consolidated financial statements as at 31 December 2017

(Amount in € million)

BALANCE SHEET

Assets

References:	(€ million)	31/12/2017	31/12/2016
	1 INTANGIBLE ASSETS	**8,784**	**8,866**
4	1.1 Goodwill	6,679	6,664
19	1.2 Other intangible assets	2,105	2,202
	2 TANGIBLE ASSETS	**4,075**	**4,476**
20	2.1 Land and buildings (self used)	2,606	2,810
20	2.2 Other tangible assets	1,469	1,666
14	**3 AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**4,294**	**3,933**
39, 40, 41, 42	**4 INVESTMENTS**	**471,233**	**469,172**
11	4.1 Land and buildings (investment properties)	12,993	12,584
3	4.2 Investments in subsidiaries, associated companies and joint ventures	1,171	1,194
7	4.3 Held to maturity investments	2,267	2,168
8	4.4 Loans and receivables	40,262	44,178
9	4.5 Available for sale financial assets	320,641	313,933
10	4.6 Financial assets at fair value through profit or loss	93,897	95,114
	of which financial assets where the investment risk is borne by the policyholders and related to pension funds	75,372	78,317
21	**5 RECEIVABLES**	**11,676**	**11,790**
	5.1 Receivables arising out of direct insurance operations	7,238	7,155
	5.2 Receivables arising out of reinsurance operations	1,441	1,163
	5.3 Other receivables	2,997	3,471
22	**6 OTHER ASSETS**	**30,170**	**15,414**
	6.1 Non-current assets or disposal groups classified as held for sale	16,146	772
15	6.2 Deferred acquisition costs	2,119	2,083
	6.3 Deferred tax assets	2,091	2,477
	6.4 Tax receivables	2,961	2,974
	6.5 Other assets	6,853	7,108
12	**7 CASH AND CASH EQUIVALENTS**	**6,849**	**7,533**
	TOTAL ASSETS	**537,080**	**521,184**

Equity and liabilities

References:	(€ million)	31/12/2017	31/12/2016
16	**1 SHAREHOLDERS' EQUITY**	**26,177**	**25,668**
	1.1 Shareholders' equity attributable to the Group	**25,079**	**24,545**
	1.1.1 Share capital	1,562	1,560
	1.1.2 Other equity instruments	0	0
	1.1.3 Capital reserves	7,098	7,098
	1.1.4 Revenue reserves and other reserves	9,209	8,604
	1.1.5 (Own shares)	-8	-7
	1.1.6 Reserve for currency translation differences	-115	42
	1.1.7 Reserve for unrealized gains and losses on available for sale financial assets	6,279	6,319
	1.1.8 Reserve for other unrealized gains and losses through equity	-1,055	-1,153
	1.1.9 Result of the period	2,110	2,081
	1.2 Shareholders' equity attributable to minority interests	**1,098**	**1,123**
	1.2.1 Share capital and reserves	915	879
	1.2.2 Reserve for unrealized gains and losses through equity	-3	86
	1.2.3 Result of the period	185	158
23	**2 OTHER PROVISIONS**	**1,950**	**1,804**
13	**3 INSURANCE PROVISIONS**	**430,489**	**421,477**
	of which insurance provisions for policies where the investment risk is borne by the policyholders and related to pension funds	67,997	60,799
	4 FINANCIAL LIABILITIES	**42,316**	**51,416**
17	4.1 Financial liabilities at fair value through profit or loss	8,935	19,484
	of which financial liabilities where the investment risk is borne by the policyholders and related to pension funds	7,360	17,404
18	4.2 Other financial liabilities	33,381	31,932
	of which subordinated liabilities	8,379	9,126
24	**5 PAYABLES**	**10,494**	**9,550**
	5.1 Payables arising out of direct insurance operations	3,602	3,465
	5.2 Payables arising out of reinsurance operations	848	579
	5.3 Other payables	6,043	5,506
25	**6 OTHER LIABILITIES**	**25,653**	**11,269**
	6.1 Liabilities directly associated with non-current assets and disposal groups classified as held for sale	15,745	702
	6.2 Deferred tax liabilities	2,642	2,616
	6.3 Tax payables	1,487	1,644
	6.4 Other liabilities	5,779	6,307
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**537,080**	**521,184**

INCOME STATEMENT

Income statement

References:	(€ million)	31/12/2017	31/12/2016
26	1.1 Net earned premiums	64,604	64,944
	1.1.1 Gross earned premiums	66,363	66,733
	1.1.2 Earned premiums ceded	-1,759	-1,789
27	1.2 Fee and commission income and income from financial service activities	1,080	959
28	1.3 Net income from financial instruments at fair value through profit or loss	5,326	1,784
	of which net income from financial instruments where the investment risk is borne by the policyholders and related to pension funds	4,107	1,706
29	1.4 Income from subsidiaries, associated companies and joint ventures	135	131
30	1.5 Income from other financial instruments and land and buildings (investment properties)	14,880	14,782
	1.5.1 Interest income	9,542	9,878
	1.5.2 Other income	2,221	2,043
	1.5.3 Realized gains	2,881	2,604
	1.5.4 Unrealized gains and reversal of impairment losses	237	258
31	1.6 Other income	3,180	2,916
	1 TOTAL INCOME	**89,204**	**85,518**
32	2.1 Net insurance benefits and claims	-65,748	-63,616
	2.1.1 Claims paid and change in insurance provisions	-67,374	-64,558
	2.1.2 Reinsurers' share	1,626	942
33	2.2 Fee and commission expenses and expenses from financial service activities	-608	-611
34	2.3 Expenses from subsidiaries, associated companies and joint ventures	-18	-43
35	2.4 Expenses from other financial instruments and land and buildings (investment properties)	-2,784	-3,403
	2.4.1 Interest expense	-1,029	-1,088
	2.4.2 Other expenses	-388	-350
	2.4.3 Realized losses	-612	-471
	2.4.4 Unrealized losses and impairment losses	-755	-1,494
36	2.5 Acquisition and administration costs	-10,868	-10,698
	2.5.1 Commissions and other acquisition costs	-8,122	-7,964
	2.5.2 Investment management expenses	-171	-188
	2.5.3 Other administration costs	-2,575	-2,546
37	2.6 Other expenses	-5,493	-4,032
	2 TOTAL EXPENSES	**-85,518**	**-82,403**
	EARNINGS BEFORE TAXES	**3,686**	**3,115**
38	**3 Income taxes**	**-1,173**	**-915**
	EARNINGS AFTER TAXES	**2,513**	**2,199**
	4 RESULT OF DISCONTINUED OPERATIONS	**-217**	**40**
	CONSOLIDATED RESULT OF THE PERIOD	**2,295**	**2,239**
	Result of the period attributable to the Group	2,110	2,081
	Result of the period attributable to minority interests	185	158
16	EARNINGS PER SHARE		
	Basic earnings per share (€)	1.35	1.34
	From continuing operations	1.49	1.34
	Diluted earnings per share (€)	1.33	1.32
	From continuing operations	1.47	1.32

STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income

(€ million)	31/12/2017	31/12/2016
1 CONSOLIDATED RESULT OF THE PERIOD	2,295	2,239
Items that may be reclassified to profit and loss in future periods		
2.1 Foreign currency translation differences	-190	-60
2.2 Net unrealized gains and losses on investments available for sale	-81	317
2.3 Net unrealized gains and losses on cash flows hedging derivatives	41	26
2.4 Net unrealized gains and losses on hedge of a net investment in foreign operations	17	-9
2.5 Share of other comprehensive income of associates	-7	6
2.8 Result of discontinued operations	-7	-105
2.10 Other		0
Subtotal	-227	175
Items that may not be reclassified to profit and loss in future periods		0
2.5 Share of other comprehensive income of associates	0	0
2.8 Result of discontinued operations	8	-19
2.6 Reserve for revaluation model on intangible assets		
2.7 Reserve for revaluation model on tangible assets		
2.9 Actuarial gains or losses arising from defined benefit plans	31	-224
Subtotal	39	-244
2 OTHER COMPREHENSIVE INCOME	-189	-69
3 TOTAL COMPREHENSIVE INCOME	2,107	2,170
attributable to the Group	2,010	2,092
attributable to minority interests	97	78
Earnings per share (in €)	1.29	1.34
Diluted earnings per share (in €)	1.27	1.33

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity

		Amounts at 31/12/2015	Changes in amounts	Allocation	Transfer to profit and loss account	Other transfer	Change in owhership interest	Amounts at 31/12/2016
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP	Share Capital	1,557	0	3	0	0	0	1,560
	Other equity instruments	0	0	0	0	0	0	0
	Capital reserves	7,098	0	0	0	0	0	7,098
	Revenue reserves and other reserves	7,688	0	2,039	0	-1,123	0	8,604
	(Own shares)	-6	0	-1	0	0	0	-7
	Result of the period	2,030	0	50	0	0	0	2,081
	Other comprehensive income	5,197	0	-108	119	0	0	5,208
	Total shareholders' equity attributable to the group	**23,565**	**0**	**1,985**	**119**	**-1,123**	**0**	**24,545**
SHAREHOLDERS' EQUITY TO MINORITY INTERESTS	Share capital and reserves	748	0	225	0	-93	-2	879
	Result of the period	229	0	-71	0	0	0	158
	Other comprehensive income	166	0	-40	-40	0	0	86
	Total shareholders' equity attributable to minority interests	**1,143**	**0**	**114**	**-40**	**-93**	**-2**	**1,123**
Total		**24,708**	**0**	**2,098**	**79**	**-1,216**	**-2**	**25,668**

Amounts at 31/12/2016	Changes in amounts	Allocation	Transfer to profit and loss account	Other transfer	Change in owhership interest	Amounts at 31/12/2017
1,560	0	2	0	0	0	1,562
0	0	0	0	0	0	0
7,098	0	0	0	0	0	7,098
8,604	0	1,839	0	-1,249	15	9,209
-7	0	-1	0	0	0	-8
2,081	0	29	0	0	0	2,110
5,208	0	284	-384	0	0	5,108
24,545	**0**	**2,153**	**-384**	**-1,249**	**15**	**25,079**
879	0	148	0	-114	2	915
158	0	27	0	0	0	185
86	0	-107	18	0	0	-3
1,123	**0**	**69**	**18**	**-114**	**2**	**1,098**
25,668	**0**	**2,222**	**-366**	**-1,363**	**17**	**26,177**

STATEMENT OF CASH FLOW (INDIRECT METHOD)

Cash flow statement

(€ million)	31/12/2017	31/12/2016
Earnings before taxes	**3,686**	**3,115**
Changes in non-cash items	**11,977**	**14,569**
Change in the provisions for unearned premiums and for unexpired risks for non-life segment	86	63
Change in the provisions for outstanding claims and other insurance provisions for non-life segment	211	99
Change in the mathematical provisions and other insurance provisions for life segment	16,727	16,108
Change in deferred acquisition costs	-30	-74
Change in other provisions	193	154
Other non-cash expenses and revenues arising out of financial instruments, investment properties and investments in subsidiaries, associated companies and joint ventures	-3,259	351
Other changes	-1,951	-2,132
Change in receivables and payables from operating activities	**947**	**342**
Change in receivables and payables arising out of direct insurance and reinsurance operations	-13	-660
Change in other receivables and payables	960	1,001
Income taxes paid	**-1,109**	**-720**
Net cash flows from cash items related to investing or financing activities	**930**	**2,683**
Financial liabilities related to investment contracts	13	458
Payables to banks and customers	788	2,262
Loans and receivables from banks and customers	129	-38
Other financial instruments at fair value through profit or loss	0	0
NET CASH FLOWS FROM OPERATING ACTIVITIES	**16,431**	**19,988**
Net cash flows from investment properties	-322	-67
Net cash flows from investments in subsidiaries, associated companies and joint ventures(***)	26	36
Net cash flows from loans and receivables	3,425	4,663
Net cash flows from held to maturity investments	-206	-295
Net cash flows from available for sale financial assets	-12,331	-21,730
Net cash flows from tangible and intangible assets	414	-557
Net cash flows from other investing activities	-6,207	1,324
CASH FLOW FROM INVESTING ACTIVITIES	**-15,201**	**-16,627**
Net cash flows from shareholders' equity attributable to the Group	0	0
Net cash flows from own shares	0	0
Dividends payment	-1,249	-1,123
Net cash flows from shareholders' equity attributable to minority interests(****)	-114	-93
Net cash flows from subordinated liabilities and other similar liabilities	-709	-362
Net cash flows from other financial liabilities	295	-2,836
CASH FLOW FROM FINANCING ACTIVITIES	**-1,778**	**-4,413**
Effect of exchange rate changes on cash and cash equivalents	-91	-185
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD(*)	7,374	8,612
CHANGES IN CASH AND CASH EQUIVALENTS	-638	-1,238
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(**)	6,736	7,374

(*) Cash and cash equivalents at the beginning of the period include cash and cash equivalents (€ 7,464 million), liabilities to banks payables on demand (€ -38 million) and bank overdrafts (€ -52 million).
(**) Cash and cash equivalents at the end of the period include cash and cash equivalents (€ 6,849 million), liabilities to banks payables on demand (€ -64 million), bank overdrafts (€ -49 million).
(***) Includes mainly proceeds arising from the disposal of the company in Guatemala (€ 21 million) and from some operations on minor holdings (€ 5 million).

(****)It refers entirely to dividends attributable to minority interests.

Notes to the Consolidated Financial Statements

BASIS OF PRESENTATION AND ACCOUNTING PRINCIPLES

Basis of presentation and accounting principles

Basis of presentation

This document is the consolidated financial statements of Generali Group, registered under number 026 of the Insurance Groups Register, whose Parent Company is Assicurazioni Generali SpA, a company established in Trieste in 1831 with a share capital of € 1,561,808,262 fully paid up.

The registered office of the Group and the Parent Company is established in Trieste, Piazza Duca degli Abruzzi, 2 and is registered under the number 1,00003 of the register of insurance and reinsurance companies.

The Generali Group's consolidated financial statements at 31 December 2017 were drawn up in accordance with the IAS/IFRS issued by the IASB and endorsed by the European Union, in accordance with the Regulation (EC) No. 1606 of 19 July 2002 and the Legislative Decree No. 58/1998, as subsequently amended.

The Legislative Decree No. 209/2005 empowered ISVAP to give further instructions for financial statements in compliance with the international accounting standards.

In this yearly report the Generali Group prepared its consolidated financial statements and Notes in conformity with the ISVAP (now IVASS) Regulation No. 7 of 13 July 2007, as subsequently amended, and information of the Consob Communication No. 6064293 of 28 July 2006.

As allowed by the aforementioned Regulation, the Generali Group believed it appropriate to supplement its consolidated financial statements with detailed items and to provide further details in the Notes in order to also meet the IAS/IFRS requirements.

For more information on discontinued operations and their accounting treatment, please refer to the paragraph *Non-current assets or disposal group classified as held for sale* in the section *Information on consolidation area and Group companies*.

The consolidated financial statements at 31 December 2017 were approved by the Board of Directors on 14 March 2018.

The consolidated financial statements at 31 December 2017 were audited by E&Y S.p.A., the appointed audit firm from 2012 to 2020.

Consolidated financial statements

The set of the consolidated financial statements is made up of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow, as required by the ISVAP Regulation No. 7 of 13 July 2007, as subsequently amended. The financial statements also include special items that are considered significant for the Group.

The Notes, which are mandatory as minimum content established by ISVAP (now IVASS), are presented in the appendices to the notes to this report.

This yearly report is drawn up in Euro (the functional currency used by the entity that prepared the financial statements) and the amounts are shown in millions, unless otherwise stated, the rounded amounts may not add to the rounded total in all cases.

Consolidation methods

Investments in subsidiaries are consolidated line by line, whereas investments in associated companies and interests in joint ventures are accounted for using the equity method.

The balance sheet items of the financial statements denominated in foreign currencies are translated into Euro based on the exchange rates at the end of the year.

The profit and loss account items are translated based on the average exchange rates of the year. They reasonably approximate the exchange rates at the dates of the transactions.

The exchange rate differences arising from the translation of the statements expressed in foreign currencies are accounted for in equity in an appropriate reserve and recognized in the profit and loss account only at the time of the disposal of the investments.

Exchange rates of the balance sheet

Currency	Exchange rate at the end of the period (€)	
	31/12/2017	31/12/2016
US dollar	1.201	1.055
Swiss franc	1.170	1.072
British pound	0.888	0.854
Argentine peso	22.605	16.691
Czech Koruna	25.529	27.021

Exchange rates of the income statement

Currency	Average exchange rate (€)	
	31/12/2017	31/12/2016
US dollar	1.137	1.107
Swiss franc	1.111	1.090
British pound	0.876	0.819
Argentine peso	18.738	16.332
Czech Koruna	26.328	27.034

Basis of consolidation

The consolidated financial statements of the Group include the financial statements of Assicurazioni Generali SpA and its subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:
- power over the investee (i.e., existing not merely protective rights that give it the current ability to direct the relevant activities of the investee, that impact meaningfully the returns of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns..

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group reviews periodically and systematically if there was a variation of one or more elements of control, based on the analysis of the facts and the essential circumstances.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

In preparing the consolidated financial statements:
- the financial statements of the Parent Company and its subsidiaries are consolidated line by line through specific "reporting package", which contribute to the consistent application of the Group's accounting policies. For consolidation purposes, if the financial year-end date of a company differs from that of the Parent Company, the former prepares interim financial statements at December 31st of each financial year;
- All intra-group assets and liabilities, equity, income,

expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation process (intra-group losses are eliminated, except to the extent that the underlying asset is impaired);
- the carrying amount of the Parent Company's investment in each subsidiary and the Parent Company's portion of equity of each subsidiary are eliminated at the date of acquisition;
- Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The non-controlling interests, together with their share of profit are shown as separate items.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Consequently, no additional goodwill or badwill is recognized.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Investment funds managed by the Group in which the Group holds an interest and that are not managed in the primary interest of the policyholders are consolidated based on the substance of the economic relationship and if whether the conditions of control stated by IFRS 10 are satisfied. On consolidation of an investment fund, a liability is recognized to the extent that the Group is legally obliged to buy back participations held by third parties. Where this is not the case, other participations held by third parties are presented as non-controlling interests in equity.

Business combination and goodwill

Business combinations are acquisitions of assets and liabilities that constitutes a business and are accounted for applying the so-called acquisition method The acquisition cost is measured as the sum of the consideration transferred measured at its acquisition date fair value, including contingent consideration, liabilities assumed towards the previous owners, and the amount of any non-controlling interests. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

If in a business combination achieved in stages, the acquirer's previously held equity interests in the acquire is re-measured at its acquisition date fair value and any resulting gain or loss recognized in profit or loss.

Any contingent consideration to be transferred or received by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

The assets acquired and liabilities assumed in a business combination are initially recognized at fair value at the acquisition date. Goodwill is initially measured at cost being the excess of the aggregate acquisition cost over the net value of the identifiable assets acquired and liabilities assumed is accounted for as goodwill. If the impairment test lead to the result that theacquisition cost is less than the fair value of the assets acquired and liabilities assumed, the difference is recognised in the profit and loss account.

Investments in associates and joint ventures

The investments in associates and joint ventures are consolidated trough the equity method.

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. If an investor holds, directly or indirectly through subsidiaries, 20% or more of the voting power of the investee, it is presumed that the investor has significant influence.

In general, joint arrangements are contractual agreements whereby the Group undertakes with other parties an economic activity that is subject to joint control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control exists when it is contractually agreed to share control of an economic activity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Generali Group has assessed the nature of its current joint arrangements and determined them to be joint ventures and none are joint operations.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. Investments in associates and joint ventures are accounted for using the equity method and they are initially recognized at cost, which includes goodwill arising on acquisition. Goodwill is not separately tested for impairment. Negative goodwill is recognized in the income statement on the acquisition date. The carrying amount of the investment is subsequently adjusted to recognize changes in the Group's share of the net assets of the associate or joint venture since the acquisition date. The income statements reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. Dividends receivable from associates are recognized as a reduction in the carrying amount of the investment.

At each reporting date, after application of the equity method the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Share of losses of an associate' in the income statement. Where the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Upon loss of significant influence over the associate or joint control over the joint venture the Group measures and recognizes and retained investment at its fair value. Any difference between the net proceeds and the fair value of the retained interest and the carrying amount is recognized in the income statement and gains and losses previously recorded directly through OCI are reversed and recorded through the income statement.

Significant judgements in determining control, joint control and significant influence over an entity

The control is normally ensured by the full ownership of the voting rights, having thus the ability to direct the relevant activities and consequently being exposed to the variability of results arising from those activities.

The Group controls all the companies for which holds more than half of the voting rights. The Group does not control any subsidiary having less than the majority of voting rights and does not control any entity even though it holds more than half of the voting rights, except in two cases in which the Group controls the company owning half of the voting rights, being exposed to the variability of returns that depend on the operating policies that the Group, in substance, has the power to direct .

To a minor extent, the Group holds interests in associates and joint ventures. The agreements under which the Group has joint control of a separate vehicle are qualified as joint ventures where they give rights to the net assets.

In one case, the Group has no significant influence on a subject for which it holds more than 20% of the voting rights as the government structure is such that the Group, in substance, does not have the power to participate in financial and operating policies of the investee.

Regardless of the legal form of the investment, the evaluation of the control is made considering the real power on the investee and the practical ability to influence relevant activities, regardless of the voting rights held by the parent company or its subsidiaries.

In the Annexes to the consolidated financial statements the complete list of subsidiaries, associates and joint ventures included in the consolidated financial statements at 31 December 2017 is presented. Unless otherwise stated, the annex shows the share capital of each consolidated entity and the proportion of ownership interest held by the Group equals the voting rights of the Group.

The qualitative and quantitative disclosures required by IFRS 12 are provided in the paragraph "Information on consolidation perimeter and Group companies" in the Notes.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Accounting principles

The accounting standards adopted in preparing the consolidated financial statements, and the contents of the items in the financial statements are presented in this section.

New accounting principles, changes in the accounting rules and in the financial statements

Following the endorsement of the European Union, as from the 1st January 2016 new principles and amendments shall be applied. The most relevant changes for the Group with respect to the consolidated financial statements at 31 December 2016 are described below. In addition, the main documents issued by the International Accounting Standard Board, that could be relevant for the Group, but not yet effective, are described.

New accounting principles, changes in the accounting rules that shall be applied from 1 January 2017

There are no new accounting standards or changes to existing standards effective from 1 January 2017 relevant for the Group. The changes which become applicable are not significant for the Group and are indicated in the corresponding specific section, after the new accounting standards and changes that are not yet effective, below.

Amendments to IAS 7: *Disclosure initiative*

The IASB published in January 2016 the amendment to IAS 7 "Disclosure initiative" - approved on 10 November 2017 by Regulation (EU) 2017/1990. The regulatory change requires that the entities provide a reconciliation of liabilities deriving from financing activities, highlighting the monetary and non-monetary movements that occurred during the year. The section of the explanatory notes relating to financial liabilities has been integrated to meet the new requirement.

New accounting principles and amendments not yet applicable

IFRS 9: Financial instruments

IFRS 9 replaces IAS 39 "Financial Instruments: Classification and Measurement" and includes a principle-based model for the classification and measurement of financial instruments, an impairment model based on expected losses and an hedge accounting approach more in line with risk management strategies.

Classification and measurement

IFRS 9 introduces an approach to the classification of debt instruments that is based on contractual cash flows characteristics and models through which financial instruments are managed (business model).

In particular, the classification of financial instruments is driven by the business model through which the company manages its investments and the contractual terms of their cash flows.

A financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held to collect cash flows (business model assessment)
- the contractual cash flows represent only payments of principal and interest (solely payments of principal and interest – SPPI)

Considering to the contractual characteristics, a financial instrument is eligible for measurement at amortized cost if it consists in a basic lending agreement. The entity shall make its own assessment on the single financial instrument to assess if the nature of the contractual cash flows characteristics exclusively consists in payments of principal and interest (SPPI,). If a modification of the time value of the interest results in cash flows that are significantly different than those of a basic lending agreement then the instrument must be classified and measured at fair value through profit or loss.

If the business model (assessed on portfolio basis) has the objective to collect the cash flows from the investments and to sell financial assets and the contractual cash flows characteristics represent only payments of principal and interest, the financial instrument under assessment shall be measured at fair value through other comprehensive income with recycling to profit or loss when the instrument is realized.

As in the current IAS 39 Financial Instruments: classification and measurement the entity has the ability at initial recognition, to designate a financial instrument at fair value through profit or loss if that would eliminate or significantly reduce the accounting mismatch in the measurement of assets or liabilities or recognition of gains and losses related to them.

The equity instruments shall be classified and measured at fair value through profit or loss. The entity has the irrevocable option at initial recognition to present changes in the fair value of the equity instruments that are not held for the purpose of trading at fair value recorded in other comprehensive income, with no recycling in the income statement except dividends .

In other cases, the financial instruments are classified and measured at fair value through profit or loss, which is the residual model.

The Group is assessing the impacts of the new classification model. For further information see the following paragraph 'Implementation of the standard. Overall, the Group expects to have limited impacts on the classification and measurement of instruments, in particular as regards the application of the SPPI test requirements.

Impairment

IFRS 9 introduced a new impairment approach for debt instruments measured at amortized cost or fair value recorded in other comprehensive income, which is based on expected losses. In particular, the new standard outlines an approach for the impairment in three stages based on the assessment of credit quality from the date of initial recognition at each balance sheet date:

- Stage 1 includes the financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date (investment grade). For these assets expected losses (ECL) over the next 12 months (12-month expected credit losses - losses expected in view of the possible occurrence of events of default in the next 12 months) are recognized in the profit or loss account. Interest is calculated on the carrying amount (ie without deduction of the loss allowance);
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised in a capital reserve (loss allowance), and in the profit or loss account , but interest revenue is still calculated on the gross carrying amount of the asset. (i.e. without deduction of the loss allowance);
- Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised in a capital reserve (loss allowance), and in the profit or loss account. Interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The model also introduces a simplified approach to trade receivables and leases for which it is not necessary to calculate the 12-month expected credit losses but are always recognized the lifetime expected credit losses.

The Group is assessing the impact of the new impairment model introduced by the standard and expects significant operational impacts related to the implementation of the calculation process of the abovementioned expected credit losses. In light of the high creditworthiness of the debt securities, the new model Expected Credit Losses should not result in significant impacts for the Group.

Hedge accounting

IFRS 9 introduces a model substantially reformed for hedge accounting that allows better than in IAS 39 to reflect in financial statements the hedging activities undertaken by risk management.
In particular there is a significant simplification of the effectiveness test. There are no more predetermined thresholds of coverage to achieve effective hedge (ie 80-125% in the current IAS 39),but it is sufficient that:

- there is an economic relationship between the hedging instrument and the hedged item; and
- credit risk should not be the key component of the hedged risk (i.e. the change in fair value of the hedging relationship must not be dominated by the component of credit risk).

The standard will be effective, in the case of endorsement, from annual periods beginning on or after 1 January 2018. A transitional provision allows continuing to apply IAS 39 for all hedging transactions until completion of the macrohedging project. The principle has been endorsed by the European Union by the EU Regulation 2016/1905

IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment to IFRS 4)

On 12 September 2016 the IASB published the amendment "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", endorsed by EU Regulation 2017/1988 on 3 November 2017, that introduces modifications that aim to address the concerns of the insurance industry arising from the misalignment of the IFRS 9 effective date and the expected effective date of the upcoming insurance contracts standard.

Both standards, IFRS 9 (with effective date 1 January 2018) and IFRS 17 (with subsequent effective date) are relevant for insurance entities. The amendment. aims to address the concerns of some interested parties, in particular insurers, about the different effective dates of IFRS 9 Financial Instruments and the forthcoming new insurance contracts Standard.

The application of IFRS 9 beginning from 1 January 2018 would have the following critical issues:

- additional volatility to profit or loss arising from the application of SPPI test;
- higher costs caused by a first implementation of IFRS 9 without appropriate international accounting standard fort insurance liabilities and a following revision of the implementation of the standard when IFRS 17 will be applied;
- two significant amendments for the users of financial statements in a short period of time.

The amendment provides for the introduction of two options within IFRS 4:

1. the Overlay approach, that allows the companies that issue insurance contracts to remove from profit or loss the incremental volatility caused by changes in the measurement of financial assets upon application of IFRS 9. An entity that applies this approach shall reclassify in the other comprehensive income the difference between:
   a) the amount reported in profit or loss in accordance with IFRS 9, of the assets linked to insurance liabilities within the scope of IFRS 4
   b) the amount that would have been reported in profit or loss by applying IAS 39 "Financial Instruments: Recognition and Measurement";
2. the Deferral approach, a temporary exemption from applying IFRS 9 that would be available to companies whose predominant activity is the issuance of insurance contracts. Such a deferral would be available until the date on which the new insurance contracts standard comes into force (but not later than 1 January 2021).

The Group considers the Deferral approach as most appropriate to solve the problems resulting from the application of IFRS 9 before the new accounting standard on insurance liabilities. The overlay approach implementation would create incremental costs compared to those of the first implementation of IFRS 9. In particular, the Group has identified as critical the concurrent application of IAS 39 and IFRS 9.

Implementation of the standard

The implementation of IFRS 9 is in progress and aims to meet the disclosure requirements for entities that will adopt the postponed application of the standard at 1 January 2021, and to ensure the correct and consistent application of the new accounting principle in conjunction with the entry into force of IFRS 17, the future principle on insurance contracts. The Group expects impacts that may be material with reference to the classification and measurement of financial instruments and consisting of a main part of the portfolio of financial investments measured at fair value through profit or loss. With regard to impairment, the Group has assessed that the new Expected Credit Losses model should have less relevant impacts on the financial statements.
As previously mentioned, the Group has decided to apply the deferral application of IFRS 9, having the requirements for eligibility for the deferral, provided by IFRS 4. In fact, the Generali Group's activities are predominantly connected with insurance; The Group's liabilities connected with insurance include, for example:
- insurance liabilities within the scope of application of IFRS 4;
- liabilities measured at fair value through profit or loss based on IAS 39, relating to contracts issued by insurance companies for which the investment risk is borne by policyholders;
- subordinated financial liabilities qualifying as eligible own funds;
- liabilities for defined benefit plans relating to Group companies belonging to the life segment and the non-life segment;
- tax liabilities related to insurance business

In particular, the percentage of the carrying value of the liabilities connected with insurance on the carrying value of the entity's total liabilities is greater than 90% (predominance ratio).

IFRS 17 – Insurance Contracts

On 18 May 2017 the IASB published IFRS 17 "Insurance Contracts", which substitutes the current IFRS 4 – Insurance Contracts. The new standard. proposes a new measurement model for insurance contracts , structured on a Building Block Approach based on the expected value of future cash flows, weighted by the probability of occurrence, on a risk adjustment and on a margin for the services provided within the contract ("contractual service margin"). A simplified approach ("Premium Allocation Approach") is permitted if the coverage period of the contract is less than one year, or if the model used for assessment provides a reasonable approximation compared to the building block approach. The variable fee approach (VFA) was also introduced, an alternative model to the Building Block Approach which applies in particular to profit-sharing contracts, for which the scope of application is very significant for the Group in consideration of the current portfolio mix. The standard will be effective since 1 January 2021.

In the second half of 2017 the IASB set up the Transition Resource Group (TRG) for IFRS 17 "Insurance Contracts", a public forum, similar in form to those for IFRS 15 Revenue from contracts with customers, and for IFRS 9 Financial Instruments relating to impairment, which has the purpose of discussing the implementation issues that emerged and supporting the board in defining what actions may be taken to address such critical issues. Possible actions include support material, case studies and / or communications to the Board or to the Interpretation Committee.

In 2017 the Group implemented a project aimed at analyzing the requirements of the new standard on insurance contracts and the planning of the implementation phase of the standard, taking into account the interactions with the implementation of IFRS 9.

The Group expects a radical change in disclosure in the financial statements both in terms of the valuation of the technical reserves, the representation of the economic performance and the notes to the financial statements. In light of the extraordinary scope of the innovations introduced by the standard, significant impacts are expected also in terms of resources, processes and information systems supporting the evaluation framework.

IFRS 15 – Revenue from contracts with customers

On 28 May 2014 the IASB published IFRS 15 "Revenue form contracts with customers" which treats revenue recognition. The standard replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue", and includes new requirements concerning the measurement and timing of revenue recognition. In particular IFRS 15 defines the following steps:

Step 1: Identifying contracts
Step 2: Identifying performance obligations
Step 3: Determining the transaction price
Step 4: Allocating the transaction price to performance obligations
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized "point-in-time", as the control of the asset is passed, or "over time", during the period. The revenues are recognized "over time" if one of the following criteria is met

1) the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;

2) the entity's performance creates or enhances an asset that the customer controls as the asset is created;

3) the entity's performance does not creates an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Insurance contracts are excluded from the scope of the standard; as a result the potential impacts for insurance companies are connected to contracts that include non-insurance services and management fees. The expected impacts are not significant for the Group.

The Group will apply the simplified retrospective approach in the first year of application of the standard. The transition simplified approach requires the recognition of the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings.

The Group assessed the economic and accounting impact of the standard and significant impacts on the financial position and performance are not expected.

The principle will be effective starting from the financial years starting from 1 January 2018.

IFRS 16 – Leases

On 13 January 2016 IFRS 16 “Leases” was published. The new standard introduces new requirements for recognition, presentation in the financial statements and disclosure of leases.

In particular, the distinction between operating and financial leases is eliminated for what concerns the lessee accounting: all leases require the recognition of a lease asset, which represents the right-of-use of the leased asset for the lease term, and a lease liability, which represents the obligation to pay rent payments.

The accounting treatment of leases is unchanged for the lessor.

The Group does not estimate material impacts on shareholders’ equity deriving from the application of the requirements of the new standard, compared to the current rules of IAS 17. However, an increase is expected in assets and liabilities deriving from the new accounting of operating leases, as illustrated above.

The Group will adopt the simplified retrospective approach in the first year of application of the standard, which requires to account the cumulative effect of the initial application of the principle as adjustment of the opening balance of retained earnings, and will apply the simplified accounting treatment for short-term leases and low-value leases which allows the lessee not to recognize any amount of assets and liabilities in the financial statements, but only to recognize the rent payments.

The principle will be effective starting from the financial years starting from 1 January 2019.

Other not significant changes for the Group

Amendment	Effective date	Date of publication
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	January 2016
Clarification to IFRS 15 Revenue from Contracts with Customers	1 January 2018	April 2016

Balance Sheet – Assets

Intangible assets

In accordance with IAS 38, an intangible asset is recognised if, and only if, it is identifiable and controllable and it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably.

This category includes goodwill and other intangible assets, such as goodwill recognised in the separate financial statements of the consolidated companies, software and purchased insurance portfolio.

Goodwill

Goodwill is the sum of future benefits not separately identifiable in a business combination. At the date of acquisition, the goodwill is equal to the excess between the sum of the consideration transferred, including contingent consideration, liabilities assumed towards the previous owners the fair value of non-controlling interests as well as, in a business combination achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree and the fair value (present value) of net amount of the separately identifiable assets and liabilities acquired.

After initial recognition, goodwill is measured at cost less any impairment losses and it is no longer amortised. According to IAS 36, goodwill is not subject to amortization. Realized gains and losses on investments in subsidiaries include the related goodwill. Goodwill is tested at least annually in order to identify any impairment losses.

The purpose of the impairment test on goodwill is to identify the existence of any impairment losses on the carrying amount recognised as intangible asset. In this context, cash-generating units to which the goodwill is allocated are identified and tested for impairment. Cash-generating units (CGU) units usually represent the consolidated units within the same primary segment in each country. Any impairment is equal to the difference, if negative, between the carrying amount and the recoverable amount, which is the higher between the fair value of the cash-generating unit and its value in use, i.e. the present value of the future cash flows expected to be derived from the cash-generating units. The fair value of the CGU is determined on the basis of current market quotation or usually adopted valuation techniques (mainly DDM or alternatively Market Value Balance Sheet or appraisal value). The Dividend Discount Model is a variant of the Cash flow method. In particular the Dividend Discount Model, in the excess capital methodology, states that the economic value of an entity is equal to the discounted dividends flow calculated considering the minimum capital requirements. Such models are based on projections on budgets/forecasts approved by management or conservative or prudential assumptions covering a maximum period of five years. Cash flow projections for a period longer than five years are extrapolated using estimated among others growth rates. The discount rates reflect the free risk rate, adjusted to take into account specific risks. Should any previous impairment losses no longer exist, they cannot be reversed.

For further details see paragraph "Information on consolidation perimeter and Group companies" in the Notes.

Other intangible assets

Intangible assets with finite useful life are measured at acquisition or production cost less any accumulated amortisation and impairment losses. The amortisation is based on the useful life and begins when the asset is available for use. Specifically, the purchased software expenses are capitalised on the basis of the cost for purchase and usage.

The costs related to their development and maintenance are charged to the profit and loss account of the period in which they are incurred.

Other intangible assets with indefinite useful life are not subject to amortization. They are periodically tested for impairment.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is de-recognised.

Contractual relations with customers - insurance contracts acquired in a business combination or portfolio transfer

In case of acquisition of life and non-life insurance contract portfolios in a business combination or portfolio transfer, the Group recognises an intangible asset, i.e. the value of the acquired contractual relationships (Value Of Business Acquired). The VOBA is the present value of the pre-tax future profit arising from the contracts in force at the purchase date, taking into account the probability of renewals of the one year contracts in the non-life segment. The related deferred taxes are accounted for as liabilities in the consolidated balance sheet.
The VOBA is amortised over the effective life of the contracts acquired, by using an amortization pattern reflecting the expected future profit recognition. Assumptions used in the development of the VOBA amortization pattern are consistent with the ones applied in its initial measurement. The amortization pattern is reviewed on a yearly basis to assess its reliability and, if applicable, to verify the consistency with the assumptions used in the valuation of the corresponding insurance provisions.
The difference between the fair value of the insurance contracts acquired in a business combination or a portfolio transfer, and the insurance liabilities measured in accordance with the acquirer's accounting policies for the insurance contracts that it issues, is recognised as intangible asset and amortised over the period in which the acquirer recognises the corresponding profits.
The Generali Group applies this accounting treatment to the insurance liabilities assumed in the acquisition of life and non-life insurance portfolios.
The future VOBA recoverable amount is nonetheless tested on yearly basis.
As for as the life and non-life portfolios, the recoverable amount of the value of the in force business acquired is carried out through the liability adequacy test (LAT) of the insurance provisions — mentioned in the paragraph related to life and non-life insurance provisions— taking into account, if any, the deferred acquisition costs recognised in the balance sheet. If any, the impairment losses are recognised in the profit or loss account and cannot be reversed in a subsequent period.
Similar criteria are applied for the initial recognition, the amortization and the impairment test of other contractual relationships arising from customer lists of asset management sector, acquired in a business combination where the acquiree belongs to the financial segment.

Tangible assets

This item comprises land and buildings used for own activities and other tangible assets.

Land and buildings (self-used)

In accordance with IAS 16, this item includes land and buildings used for own activities.

Land and buildings (self-used) are measured applying the cost model set out by IAS 16. The cost of the self-used property comprises purchase price and any directly attributable expenditure.

The depreciation is systematically calculated applying specific economic/technical rates which are determined locally in accordance with the residual value over the useful economic life of each individual component of the property.

Land and buildings (self-used) are measured at cost less any accumulated depreciation and impairment losses. Land and agricultural properties are not depreciated but periodically tested for impairment losses. Costs, which determine an increase in value, in the functionality or in the expected useful life of the asset, are directly charged to the assets to which they refer and depreciated in accordance with the residual value over the assets' useful economic life. Cost of the day-to-day servicing are charged to the profit and loss account.

Finance leases of land and buildings are accounted for in conformity with IAS 17 and require that the overall cost of the leasehold property is recognised as a tangible asset and, as a counter-entry, the present value of the minimum lease payments and the redemption cost of the asset are recognised as a financial liability.

Other tangible assets

Property, plant, equipment, furniture and property inventories are classified in this item as property inventory. They are initially measured at cost and subsequently recognised net of any accumulated depreciation and impairment losses. They are systematically depreciated on the basis of economic/technical rates determined in accordance with their residual value over their useful economic life. In particular the inventories are measured at the lower of cost (including cost of purchase, cost of conversion and cost incurred the inventories to their present location and condition) and net realizable value, i.e. the estimated selling price in the ordinary course of business less the estimated cost of completion and costs to sell.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is de-recognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Reinsurance provisions

The item comprises amounts ceded to reinsurers from insurance provisions that fall under IFRS 4 scope. They are accounted for in accordance with the accounting principles applied to direct insurance contracts.

Investments

Land and Buildings (Investment Properties)

In accordance with IAS 40, this item includes land and buildings held to earn rentals or for capital appreciation or both. Land and buildings for own activities and property inventories are instead classified as tangible assets. Furthermore, assets for which the sale is expected to be completed within one year are classified as non-current assets or disposal groups classified as held for sale.

To measure the value of land and buildings (investment properties), the Generali Group applies the cost model set out by IAS 40, and adopts the depreciation criteria defined by IAS 16. Please refer to the paragraph on land and buildings (self-used) for information about criteria used by the Group and finance leases of land and buildings.

Investments in subsidiaries, associated companies and joint ventures

This item includes investments in subsidiaries and associated companies valued at equity or at cost. Immaterial investments in subsidiaries and associated companies, as well as investments in associated companies and interests in joint ventures valued using the equity method belong to this category.

A list of such investments is shown in attachment to this Consolidated financial statement.

Financial investments – classification and measurement

Financial Instruments included in scope of IAS 39 are classified as follows:
- Held to maturity
- Loans and receivables
- Available for sale financial assets
- Financial assets at fair value through profit or loss

The classification depends on the nature and purpose of holding financial instruments and is determined at initial recognition except for allowed reclassifications in rare circumstances and when the purpose of holding the financial assets changes.

The financial investments are initially recognized at fair value plus, in the case of instruments not measured at fair value through profit or loss, the directly attributable transactions costs.

Non-derivative financial assets with fixed and determinable payments, those that the entity has the intention and the ability to hold to maturity, unquoted and not available for sale are subsequently measured at amortised cost.

Held to maturity financial assets

The category comprises the non-derivative financial assets with fixed or determinable payments and fixed maturity that a company has the positive intention and ability to hold to maturity, other than loans and receivables and those initially designated as at fair value through profit or loss or as available for sale. The intent and ability to hold investments to maturity must be demonstrated when initially acquired and at each reporting date.

In the case of an early disposal (significant and not due to particular events) of said investments, any remaining investments must be reclassified as available for sale.

Held to maturity investments are accounted for at settlement date and measured initially at fair value and subsequently at amortised cost using the effective interest rate method and considering any discounts or premiums obtained at the time of the acquisition which are accounted for over the remaining term to maturity.

Loans and receivables

This category comprises non-derivative financial assets with fixed or determinable payments, not quoted in an active market. It does not include financial assets held for trading and those designated as at fair value through profit or loss or as available for sale upon initial recognition.

In detail, the Generali Group includes in this category some unquoted bonds, mortgage loans, policy loans, term deposits with credit institutions, deposits under reinsurance business accepted, repurchase agreements, receivables from banks or customers accounted for by companies of the financial segment, and the mandatory deposit reserve with the central bank. The Group's trade receivables are instead classified as other receivables in the balance sheet.

Loans and receivables are accounted for at settlement date and measured initially at fair value and subsequently at amortised cost using the effective interest rate method and considering any discounts or premiums obtained at the time of the acquisition which are accounted for over the remaining term to maturity. Short-term receivables are not discounted because the effect of discounting cash flows is immaterial. Gains or losses are recognised in the profit and loss account when the financial assets are de-recognised or impaired as well as through the normal amortization process envisaged by the amortised cost principle.

Available for sale financial assets

Available for sale financial assets are accounted for at the settlement date at the fair value at the related transaction dates, plus the transaction costs directly attributable to the acquisition.

The unrealized gains and losses on available for sale financial assets arising out of subsequent changes in value are recognised in other comprehensive income in a specific reserve until they are sold or impaired. At this time the cumulative gains or losses previously recognised in other comprehensive income are accounted for in the profit and loss account.

This category includes quoted and unquoted equities, investment fund units (IFU) not held for trading, nor designated as financial assets at fair value through profit or loss, and bonds, mainly quoted, designated as available for sale.

Interests on debt financial instruments classified as available for sale are measured using the effective interest rate with impact on profit or loss. Dividends related to equities classified in this category are reported in profit or loss when the shareholder's right to receive payment is established, which usually coincides with the shareholders' resolution.

The Group evaluates whether the ability and intention to sell its Available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading, i.e. acquired mainly to be sold in a short term, and financial assets that upon initial recognition are designated as at fair value through profit or loss.

In particular both bonds and equities, mainly quoted, and all derivative assets, held for both trading and hedging purposes, are included in this category. Financial assets at fair value through profit or loss also take into account investments back to policies where the investment risk is borne by the policyholders and back to pension funds in order to significantly reduce the valuation mismatch between assets and related liabilities.

Structured instruments, whose embedded derivatives cannot be separated from the host contracts, are classified as financial assets at fair value through profit or loss.

The financial assets at fair value through profit or loss are accounted for at settlement date and are measured at fair value. Their unrealized and realized gains and losses at the end of the period are immediately accounted for in the profit and loss account.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables, Available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:
- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Receivables

This item includes receivables arising out of direct insurance and reinsurance operations, and other receivables.

Receivables arising out of direct insurance and reinsurance operations

Receivables on premiums written in course of collection and receivables from intermediates and brokers, co-insurers and reinsurers are included in this item. They are accounted for at their fair value at acquisition date and subsequently at their presumed recoverable amounts.

Other receivables

This item includes all other receivables, which do not have an insurance or tax nature. They are accounted for at fair value at recognition and subsequently at their presumed recoverable amounts

Other assets

Non-current assets or disposal groups classified as held for sale, deferred acquisition costs, tax receivables, deferred tax assets, and other assets are classified in this item.

Non-current assets or disposal groups classified as held for sale

This item comprises non-current assets or disposal groups classified as held for sale under IFRS 5. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification

They are measured at the lower of their carrying amount and fair value less costs to sell.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in profit or loss after tax from discontinued operations in the income statement.

Deferred acquisition costs

Concerning deferred acquisition costs, according to requirements of IFRS 4, the Group continued to apply accounting policies prior to the transition to international accounting principles. In this item acquisition costs paid before the subscription of multi-year contracts to amortize within the duration of the contracts are included.

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences between the carrying amounts of assets and liabilities and the corresponding amounts recognized for tax purposes.
In the presence of tax losses carried forward or unused tax credits, deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the aforementioned tax losses or unused tax credits.
Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
Deferred tax assets are measured at the tax rates that are expected to be applied in the year when the asset is realized, based on information available at the reporting date
Deferred tax assets are not recognized in the following cases provided in paragraph 24 of IAS 12:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.
- for all deductible temporary differences between the carrying amount of assets or liabilities and their tax base to the extent that it is probable that taxable income will be available, against which the deductible temporary differences can be utilised.

Tax receivables

Receivables related to current income taxes as defined and regulated by IAS 12 are classified in this item. They are accounted for based on the tax laws in force in the countries where the consolidated subsidiaries have their offices.

Current income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Other assets

The item mainly includes accrued income and prepayments, specifically accrued interest from bonds.

It also comprises deferred commissions for investment management services related to investment contracts. Deferred fee and commission expenses include acquisition commissions related to investment contracts without DPF fair valued as provided for by IAS 39 as financial liabilities at fair value through profit or loss. Acquisition commissions related to these products are accounted for in accordance with the IAS 18 treatment of the investment management service component. They are recognised along the product life by reference to the stage of completion of the service rendered. Therefore, acquisition commissions are incremental costs recognised as assets, which are amortised throughout the whole policy term on a straight line approach, reasonably assuming that the management service is constantly rendered.

Deferred commissions for investment management services are amortised, after assessing their recoverability in accordance with IAS 36.

Cash and cash equivalents

Cash in hand and equivalent assets, cash and balances with banks payable on demand and with central banks are accounted for in this item at their carrying amounts.

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value are included in this item. Investments are qualified as cash equivalents only when they have a short maturity of 3 months or less from the date of the acquisition.

Balance sheet – Liabilities and equity

Shareholder's equity

Shareholder's equity attributable to the Group

Share capital

Ordinary shares are recognized as share capital and their value equals the nominal value.

Other equity instruments

The item includes preference shares and equity components of compound financial instruments.

Capital reserve

The item includes the share premium account of the Parent Company.

Revenue reserve and other reserves

The item comprises retained earnings or losses adjusted for the effect of changes arising from the first-time application of IAS/IFRS, reserves for share-based payments, equalisation and catastrophe provisions not recognised as insurance provisions according to IFRS 4, legal reserves envisaged by the Italian Civil Code and special laws before the adoption of IAS, as well as reserves from the consolidation process.

Own shares

As provided for by IAS 32, the item includes equity instruments of the Parent company held by the same company or by its consolidated subsidiaries

Reserve for currency translation differences

The item comprises the exchange differences to be recognised in equity in accordance with IAS 21, which derive from accounting for transactions in foreign currencies and from the translation of subsidiaries' financial statements denominated in foreign currencies.

Reserve for unrealised gains and losses on available for sale financial assets

The item includes gains or losses arising from changes in the fair value of available for sale financial assets, as previously described in the corresponding item of financial investments.
The amounts are accounted for net of the related deferred taxes and deferred policyholder liabilities.

Reserve for other unrealised gains and losses through equity

The item includes the cash flow hedging derivatives reserve, the reserve for hedges of net investments in foreign operations. This item includes gains or losses on cash flow hedging instruments and gains or losses on hedging instruments of a net investment in a foreign operation. In addition, this item also includes the profits and losses relating to defined benefit plans and the part of the balance sheet reserves whose the variation is part of the comprehensive income of participations and those relating to non-current assets or disposal groups classified as held for sale.

Result of the period

The item refers to the Group consolidated result of the period. Dividend payments are accounted for after the approval of the shareholders' general meeting.

Shareholder's equity attributable to minority interests

The item comprises equity instruments attributable to minority interests.

It also includes the reserve for unrealized gains and losses on available for sale investments and any other gains or losses recognized directly in equity attributable to minority interests

Provisions

Provisions for risks and charges are provided only when it is deemed necessary to respond to an obligation (legal or implicit) arising from a past event and it is probable that an outflow of resources whose amount can be reliably estimated, as required by IAS 37.

Insurance provisions

This item comprises amounts, gross of ceded reinsurance, of liabilities related to insurance contracts and investment contracts with discretionary participation features

Life insurance policies

Life insurance policies
In accordance with IFRS 4, policies of the life segment are classified as insurance contracts or investment contracts based on the significance of the underlying insurance risk.

Classification requires the following steps:
- identification of the characteristics of products (option, discretionary participation feature, etc.) and services rendered;
- determination of the level of insurance risk in the contract; and
- application of the international principle.

Insurance contracts and investment contracts with DPF

Premiums, payments and change in the insurance provision related to products whose insurance risk is considered significant (e.g. term insurance, whole life and endowment with annual premiums, life contingent annuities and contracts containing an option to elect at maturity a life contingent annuity at rates granted at inception, long-term health insurance and unit-linked with sum assured in case of death significantly higher than the value of the fund) or investment contracts with discretionary participation feature –DPF – (e.g. policies linked to segregated funds, contracts with additional benefits that are contractually based on the economic result of the company) are accounted for in accordance with previous local GAAP. Gross premiums are recognised as a revenue, net of cancellations of the period, and ceded premiums are recognised as expenses of the period.

Shadow accounting

In order to mitigate the valuation mismatch between financial investments carried at fair value according to IAS 39 and insurance provisions which are accounted for in accordance with previous local GAAP, shadow accounting is applied to insurance contracts and investments contracts with DPF. This accounting practice attributes to the policyholders part of the difference between IAS/IFRS valuation of the basis on which the profit sharing is determined and valuation which is used to determine the profit sharing actually paid. This accounting treatment is included in the deferred policyholder liabilities in the life insurance provisions

The policyholders' share is calculated on the average contractual percentage for the policyholder participation, as the local regulation already foresees the protection of guaranteed obligations through the recognition of additional provisions for interest rate risk if future financial returns based on a proper time horizon are not sufficient to cover the financial guaranties included in the contract.

The accounting item arising from the shadow accounting application is included in the carrying amount of insurance liabilities whose adequacy is tested by the liability adequacy test (LAT) according to IFRS 4 (refer to paragraph Details on insurance and investment contracts), to rectify the IAS/IFRS carrying amount of insurance provisions.

The main accounting effect of the shadow accounting is double fold: on the one hand, the recognition of the policyholders' share of unrealized gains and losses on available for sale financial assets in the deferred policyholders' liabilities; on the other, the insurer's share is recognised in equity. If financial instruments are fair valued through profit or loss or financial investments are impaired, the policyholders' share on the difference between the market value and valuation used to determine the return which the profit sharing is based on (e.g. the carrying amount in segregated fund) is recognised in the profit and loss account. The shadow accounting also allows the recognition of an insurance liability related to unrealized gains on available for sale financial assets linked to contracts with discretionary participation feature, up to the amount of the increase in value of these assets due to the change of market rates.

Investment contracts

Investment contracts without DPF and that do not have a significant investment risk, mainly include unit/index-linked policies and pure capitalization contracts. These products are accounted for in accordance with IAS 39 as follows:

- the products are recognised as financial liabilities at fair value or at amortised cost. In detail, linked products classified as investment contracts are fair valued through profit or loss, while pure capitalization policies are generally valued at amortised cost;
- fee and commission income and expenses are recognised in the profit and loss account. Specifically, IAS 39 and IAS 18 require that they are separately identified and classified in the different components of: (i) origination, to be charged in the profit and loss account at the date of the issue of the product; and (ii) investment management service, to be recognised throughout the whole policy term by reference to the stage of completion of the service rendered;
- fee and commission income and incremental costs of pure capitalization contracts without DPF (other than administration costs and other non-incremental costs) are included in the amortised cost measurement;
- the risk component of linked products is unbundled, if possible, and accounted for as insurance contracts

Life insurance provisions

Life insurance provisions are related to insurance contracts and investment contracts with discretionary participation features. These provisions are accounted for based on local GAAP, in compliance with IFRS 4.

Liabilities related to insurance contracts and investment contracts with discretionary participation features are determined analytically for each kind of contract on the basis of appropriate actuarial assumptions. They meet all the existing commitments based on best estimates.

These actuarial assumptions take into consideration the most recent demographic tables of each country where the risk is underwritten, aspects of mortality, morbidity, determination of risk-free rates, expenses and inflation. The tax charge is based on laws in force.

Among life insurance provisions, provisions in addition to mathematical provisions, already envisaged by the local regulations in case of adverse changes in the interest rates or mortality, are classified as provisions for the liability adequacy test.

As previously mentioned, insurance provisions include deferred policyholder liabilities related to contracts with DPF. The recognition of the deferred policyholder liabilities is made in accordance to shadow accounting, as already mentioned in paragraph “Shadow accounting” of section Insurance Provision.

Liability adequacy test (LAT)

In accordance with IFRS 4, in order to verify the adequacy of the reserves a Liability Adequacy Test (LAT) is performed. The aim of the test is to verify if the technical provisions - inclusive of deferred policyholders liabilities - are adequate to cover the current value of future cash flows related to insurance contracts.

The liability adequacy test is performed through the comparison of the IFRS reserves (which include the impact of “shadow accounting”), net of any deferred acquisition costs or intangible assets related to these contracts, with the current value of future cash flows related to insurance contracts.

The abovementioned amount also includes the costs of embedded financial options and guarantees, which are measured with a market-consistent methodology. Technical reserves which are subject to the Liability Adequacy Test also include the interest rate risk provisions as required by local regulations.

The insurance contracts modelling and best estimates assumptions used are consistent with the evaluation process of the insurance provisions in accordance with Solvency II and subject to audit process in compliance with the current regulation.

Each inadequacy is charged to the profit and loss account, initially reducing deferred acquisition costs and value of business acquired, and subsequently accounting for a provision.

Non-life insurance provisions

The local GAAP for each country is applied to non-life insurance provisions, since all the existing policies fall under IFRS 4 scope. In conformity with the international standard, no provisions for future claims are recognised, in line with the derecognition of the equalisation and catastrophe provisions and some additional components of the unearned premiums provisions, carried out on the date of the first-time application.

The provisions for unearned premiums includes the pro-rata temporis provision, which is the amount of gross premiums written allocated to the following financial periods, and the provision for unexpired risks, which provides for claims and expenses in excess of the related unearned premiums.

The provisions for outstanding claims are determined by a prudent assessment of damages, based on objective and prospective considerations of all predictable charges.

Provisions are deemed adequate to cover payments of damages and the cost of settlement of claims related to accident occurred during the year but not yet reported.

The non-life insurance provisions meets the requirements of the liability adequacy test according to IFRS 4.

Amounts ceded to reinsurers from insurance provisions are determined in accordance with the criteria applied for the direct insurance and accepted reinsurance.

Financial liabilities

Financial liabilities at fair value through profit or loss and financial liabilities at amortised cost are included in this item.

Financial liabilities at fair value through profit or loss

The item refers to financial liabilities at fair value through profit or loss, as defined and regulated by IAS 39. In detail, it includes the financial liabilities related to investment contracts where the investment risk is borne by the policyholders as well as derivative liabilities.

Other financial liabilities

The item includes financial liabilities within the scope of IAS 39 that are not classified as at fair value through profit or loss and are instead measured at amortised cost.

This item comprises both subordinated liabilities, which, in the case of bankruptcy, are to be repaid only after the claims of all other creditors have been met, and hybrid instruments.

Bond instruments issued are measured at issue price, net of costs directly attributed to the transaction. The difference between the aforesaid price and the reimbursement price is recognised along the duration of the issuance in the profit and loss account using the effective interest rate method.

Furthermore, it includes liabilities to banks or customers, deposits received from reinsurers, bonds issued, other loans and financial liabilities at amortised cost related to investment contracts that do not fall under IFRS 4 scope.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Payables

Payables arising out insurance operations

The item includes payables arising out of insurance and reinsurance operations.

Other payables

This item mainly includes provisions for the Italian ”trattamento di fine rapporto” (employee severance pay). These provisions are accounted for in accordance with IAS 19 (see paragraph Other liabilities).

Other liabilities

The item comprises liabilities not elsewhere accounted for. In detail, it includes liabilities directly associated with non-current assets and disposal groups classified as held for sale, tax payables and deferred tax liabilities and deferred fee and commission income.

Liabilities directly associated with non-current assets and disposal groups classified as held for sale

The item includes liabilities directly associated with non-current assets and disposal groups classified as held for sale, as defined by IFRS 5.

Deferred tax liabilities

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying amount of assets and liabilities and their tax base, Deferred tax liabilities are measured at the tax rates that are expected to be applied in the year when temporary differences will be taxable, are based on the tax rates and tax laws enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax liabilities are not recognized in the following cases provided for in paragraph 15 of IAS 12:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Tax payables

The item includes payables due to tax authorities for current taxes. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Other liabilities

This item includes provisions for defined benefit plans, such as termination benefit liabilities and other long-term employee benefits (the Italian provision for “trattamento di fine rapporto” is excluded and classified as other payables). In compliance with IAS 19, these provisions are measured according to the project unit credit method. This method implies that the defined benefit liability is influenced by many variables, such as mortality, employee turnover, salary trends, expected inflation, expected rate of return on investments, etc. The liability recognised in the balance sheet represents the net present value of the defined benefit obligation less the fair value of plan assets (if any), adjusted for any actuarial gains and losses and any past service costs not amortised. The rate used to discount future cash flows is determined by reference to market yields on high-quality corporate bonds. The actuarial assumptions are periodically tested to confirm their consistency. The actuarial gains and losses arising from subsequent changes in variables used to make estimates are recognised shall be accounted for in other comprehensive income without any possibility of recycling to profit and loss.

Deferred fee and commission income includes acquisition loadings related to investment contracts without DPF, which are classified as financial liabilities at fair value through profit or loss, according to IAS 39.

Acquisition loadings related to these products are accounted for in accordance with IAS 18 treatment of the investment management service component during the product life. They are recognised by reference to the stage of completion of the service rendered.

Therefore, the acquisition commissions have been reclassified in the balance sheet, as liabilities to be released to the profit and loss account during the life of the product.

Profit and loss account

Income

Earned premiums

The item includes gross earned premiums on insurance contracts and investment contracts with discretionary participation features, net of earned premiums ceded.

Fee and commission income

The item includes fee and commission income for financial services rendered by companies belonging to the financial segment and fee and commission income related to investment contracts.

Net income from financial instruments at fair value through profit or loss

The item comprises realized gains and losses, interests, dividends and unrealized gains and losses on financial assets and liabilities at fair value through profit or loss.

Income from subsidiaries, associated companies and joint ventures

The item comprises income from investments in subsidiaries, associated companies and joint ventures, which are accounted for in the corresponding asset items of the balance sheet.

Income from financial instruments and other investments

The item includes income from financial instruments not at fair value through profit or loss and from land and buildings (investment properties). In detail, it includes mainly interests from financial instruments measured using the effective interest method, other income from investments, including dividends recognised when the right arises, income from properties used by third parties, realized gains from financial assets, financial liabilities and investment properties and reversals of impairment.

Other income

The item includes: revenue arising from sale of goods and rendering of services other than financial services; other insurance income; gains on foreign currency accounted for under IAS 21; realized gains and reversals of impairment on tangible assets and other assets; and any gains recognised on the re-measurement of non-current assets or disposal groups classified as held for sale.

Expenses

Net insurance benefit and claims

The item includes the amounts paid in respect of claims occurring during the period, maturities and surrenders, as well as the amounts of changes in insurance provisions that fall under IFRS 4 scope, net of recoveries and reinsurance. It also comprises changes in the provision for deferred policyholders liabilities with impact on the profit and loss account.

Fee and commission expenses and expenses from financial service activities

The item includes fee and commission expenses for financial services received by companies belonging to the financial segment and fee and commission expenses related to investment contracts.

Expenses from subsidiaries, associated companies and joint ventures

The item includes expenses from investments in subsidiaries, associated companies and joint ventures, which are accounted for in the corresponding asset items of the balance sheet.

Expenses from financial instruments and other instruments

The item comprises expenses from land and buildings (investment properties) and from financial instruments not at fair value through profit or loss. It includes: interest expense; expenses on land and buildings (investment properties), such as general property expenses and maintenance and repair expenses not recognised in the carrying amount of investment properties; realized losses from financial assets, financial liabilities and land and buildings (investment properties); depreciations and impairment of such investments.

Acquisition and administration costs

The item comprises acquisition commissions, other acquisition costs and administration costs related to contracts that fall under IFRS 4 scope. Other acquisition costs and administration costs related to investment contracts without discretionary participation features are also included, as well as overheads and personnel expenses for investment management, and administration expenses of non-insurance companies.

Other expenses

The item includes: other insurance expenses; allocation to provisions; losses on foreign currency accounted for under IAS 21; realized losses, impairment and depreciation of tangible assets not elsewhere allocated; and amortization of intangible assets. It also comprises any loss on the re-measurement of non-current assets or disposal groups classified as held for sale, other than discontinued operations.

Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income taxes

The item includes income taxes for the period and for previous years, deferred taxes and tax losses carried back.

Comprehensive income

The statement of comprehensive income was introduced by the revised IAS 1 issued in September 2007 by the IASB, approved by the EC Regulation No 1274/2008. The statement comprises items of income and expenses different from those included in profit or loss, recognised directly in equity other than those changes resulting from transactions with shareholders.

In accordance with the ISVAP (now IVASS) Regulation n.7/2007 as subsequently amended, items of income and expenses are net of taxes as well as net of gains and losses on available for sale assets attributable to the policyholders according to the deferred policyholders liabilities calculation.

The transactions with owners and the result of comprehensive income are presented in the statement of changes in equity

Statement of changes in equity

The statement was prepared in accordance with the requirements of the ISVAP (now IVASS). 7 of 13 July 2007 as subsequently amended, and explains all the variations of equity.

Change of the closing balance

This section comprises changes of the closing balance of the previous financial year determined by the correction of errors or changes in accounting policies (IAS 8) and the recognition of gains or losses arising from the first time application of accounting standards (IFRS 1).

Allocation

This section comprises the allocation of the profit or loss of the year, the allocation of the previous year profit or loss into the capital reserves, increases in capital and other reserves (for the issuance of new shares, equity instruments, stock options or derivatives on own shares, for the sale of shares pursuant to IAS 32.33, for the reclassification to equity instruments previously recognized in liabilities and, in the consolidated financial statements, for changes in scope of consolidation), changes within equity reserves (es. allocation of surplus capital, stock option exercise, transfer of revaluation reserves related to tangible and intangible assets to retained earnings in accordance with IAS 38.87 and IAS 16.41 etc.), the changes in gains and losses recognized directly in equity.

Reclassification adjustments to profit or loss

This section comprises gains or losses previously recognized in equity, that are reclassified to the profit or loss according to IFRSs (e.g. following the transfer of a financial asset available for sale).

Transfer

This section comprises the distribution of ordinary or extraordinary dividends, decreases in capital and other reserves (for redemption of shares, equity instruments and distributable reserves, the purchase of own shares, for the reclassification of liabilities previously recognized in equity instruments and, in the consolidated financial statements, for changes in scope of consolidation) and the attribution of profit or loss recognized directly in equity and in other balance sheet items (i.e. gains or losses on cash flow hedging instruments allocated to the carrying amount of hedged instruments).

Changes in ownership interests

This section comprises the effects capita transaction of the subsidiaries, that do not result in the loss of control.

Existence

This section comprises the equity components and gains or losses directly recognized in equity at the end of the reporting period.

The statement illustrates all changes net of taxes and gains and losses arising from the valuation of financial assets available for sale, attributable to policyholders and accounted for in the insurance liabilities.

Cash Flows statement

The report, prepared using the indirect method, is drawn up in accordance with the ISVAP (now IVASS) requirements n. 7 of 13 July 2007, as amended by Measure ISVAP (now IVASS) No. 2784 of 8 March 2010, and distinguishing its component items among operating, investing and financing activities.

Other information

Fair value

With effect from 1st January 2013, the Generali Group has implemented IFRS 13 - Fair Value Measurement. This standard provides guidance on fair value measurement and requires disclosures about fair value measurements, including the classification of financial assets and liabilities in fair value hierarchy levels.
With reference to the investments, Generali Group measures financial assets and liabilities at fair value in the financial statements, or discloses the contrary in the notes.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In particular, an orderly transaction takes place in the principal or most advantageous market at the measurement date under current market conditions.
A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:
(a) in the principal market for the asset or liability; or
(b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value is equal to market price if market information are available (i.e. relative trading levels of identical or similar instruments) into an active market, which is defined as a market where the items traded within the market are homogeneous, willing buyers and sellers can normally be found at any time and prices are available to the public.

If there isn't an active market, a valuation technique should be used which shall maximise the observable inputs. If the fair value cannot be measured reliably, amortised cost is used as the best estimate in determining the fair value.

As for measurement and disclosure, the fair value depends on the unit of account, depending on whether the asset or liability is a stand-alone asset or liability, a group of assets, a group of liabilities or a group of assets and liabilities in accordance with the related IFRS.

However when determining fair value, the valuation should reflect its use if in combination with other assets.

With reference to non-financial assets, fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible. However, an entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

For the liabilities, the fair value is represented by the price that would be paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price).

When a quoted price for the transfer of an identical or a similar liability or entity's own equity instrument is not available and the identical item is held by another party as an asset, an entity shall measure the fair value of the liability or equity instrument from the perspective of a market participant that holds the identical item as an asset at the measurement date.

Fair value hierarchy

Assets and liabilities measured at fair value in the consolidated financial statements are measured and classified in accordance with the fair value hierarchy in IFRS13, which consists of three levels based on the observability of inputs within the corresponding valuation techniques used.
The fair value hierarchy levels are based on the type of inputs used to determine the fair value with the use of adequate valuation techniques, which shall maximize the market observable inputs and limit the use of unobservable inputs:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; market-corroborated inputs).
- Level 3: inputs are unobservable inputs for the asset or liability, which reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk (of the model used and of inputs used).

The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability.

A fair value measurement developed using a present value technique might be categorised within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorised.

If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorised within the level attributable to the input with the lowest level utilized.

Adequate controls have been set up to monitor all measurements including those provided by third parties. If these checks show that the measurement is not considered as market corroborated the instrument must be classified in level 3. In this case, generally the main inputs used in the valuation techniques are volatility, interest rate, yield curves, credit spreads, dividend estimates and foreign exchange rates.

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Single or multiple valuation techniques valuation technique 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;*
- *cost approach: reflects the amount that would be required currently to replace the service capacity of an asset; and*
- *income approach: converts future amounts to a single current (i.e. discounted) amount.*

Application to assets and liabilities

- Debt securities

Generally, if available and if the market is defined as active, fair value is equal to the market price.

In the opposite case, the fair value is determined using the market and income approach. Primary inputs to the market approach are quoted prices for identical or comparable assets in active markets where the comparability between security and benchmark defines the fair value level. The income approach in most cases means a discounted cash flow method where either the cash flow or the discount curve is adjusted to reflect credit risk and liquidity risk, using interest rates and yield curves commonly observable at frequent intervals. Depending on the observability of these parameters, the security is classified in level 2 or level 3.

- Equity securities

Generally, if available and if the market is defined as active, fair value is equal to the market price.

In the opposite case, the fair value is determined using the market and income approach. Primary inputs to the market approach are quoted prices for identical or comparable assets in active markets where the comparability between security and benchmark defines the fair value level. The income approach in most cases means a discounted cash flow method estimating the present value of future dividends. Depending on the observability of these parameters, the security is classified in level 2 or level 3.

- Investments fund units

Generally, if available and if the market is defined as active, fair value is equal to the market price.

In the opposite case, the fair value of IFU is mainly determined using net asset values (NAV) provided by the fund's managers provided by the subjects responsible for the NAV calculation. This value is based on the valuation of the underlying assets carried out through the use of the most appropriate approach and inputs, eventually adjusted for illiquidity and consequently hierarchized in accordance with the quality of used inputs. Moreover, depending on how the share value is collected, directly from public providers or through counterparts, the appropriate hierarchy level is assigned. If this NAV equals the price at which the quote can be effectively traded on the market in any moment, the Group considers this value comparable to the market price.

- Private equity funds ed Hedge funds

Generally, if available and if the market is defined as active, fair value is equal to the market price.

In the opposite case, the fair value of private equity funds and hedge funds is generally expressed as the net asset value at the balance sheet date, determined using periodical net asset value and audited financial statements provided by fund administrators. If at the balance sheet date, such information is not available, the latest official net asset value is used. The fair value of these investments is also closely monitored by a team of professionals within the Group.

- Derivatives

Generally, if available and if the market is defined as active, fair value is equal to the market price.

In the opposite case, the fair value of derivatives is determined using internal valuation models or provided by third parties. In particular, the fair value is determined primarily on the basis of income approach using deterministic or stochastic models of discounted cash flows commonly shared and used by the market.

The main input used in the valuation include volatility, interest rates, yield curves, credit spreads, dividend estimates and exchange rates observed at frequent intervals.

With reference to the fair value adjustment for credit and debt risk of derivatives (credit and debt valuation adjustment CVA / DVA), the Group considered this adjustment as not material for the valuation of its positive and negative derivatives, as almost entirely of them is collateralized. Their evaluation does not take into account for these adjustments.

- Financial assets where the investment risk is borne by the policyholders and related to pension funds

Generally, if available and if the market is defined as active, fair value is equal to the market price. On the contrary, valuation methodologies listed above for the different asset classes shall be used.

- Financial liabilities

Generally, if available and if the market is defined as active, fair value is equal to the market price.

The fair value is determined primarily on the basis of the income approach using discounting techniques.

In particular, the fair value of debt instruments issued by the Group are valued using discounted cash flow models based on the current marginal rates of funding of the Group for similar types of loans, with maturities consistent with the maturity of the debt instruments subject to valuation.

The fair value of other liabilities relating to investment contracts is determined using discounted cash flow models that incorporate several factors, including the credit risk embedded derivatives, volatility, servicing costs and redemptions. In general, however, are subject to the same valuation techniques used for financial assets linked policies.

Accounting for derivatives

Derivatives are financial instruments or other contracts with the following characteristics:
- their value changes in response to the change in interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or other pre-defined underlying variables;
- they require no initial net investment or, if necessary, an initial net investment that is smaller than one which would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- they are settled at a future date. Derivatives are classified as at fair value through profit or loss.

According to this accounting model the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in an appropriate item of comprehensive income while the ineffective portion of the gains or loss on the hedging instrument is recognized in profit or loss.

The amount accumulated in the other components of comprehensive income is reversed to profit and loss account in line with the economic changes of the hedged item.

When the hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instruments, that remains recognized directly in the other components of other comprehensive income from the period when the hedge was effective, remains separately recognized in comprehensive income until the forecast transaction occurs. However, if the forecasted transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains recognized directly in the other components of comprehensive income from the period when the hedge was effective is immediately recognized in profit or loss.

With reference to emissions of some subordinated liabilities, the Group has entered into hedging transactions of the interest rates volatility and exchange rate fluctuations GBP/EURO, which for accounting purposes is designated as hedging the volatility of cash flows (cash flow hedge) and accounted adopting the hedge accounting technique.

Further the Group set cash flow hedges on forecast refinancing operations of subordinated liabilities that are accounted for as hedge of a forecast operations, that are highly probable and could affect profit or loss. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in an appropriate item of comprehensive income. The ineffective portion of the gains or loss on the hedging instrument is recognized in profit or loss. If a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment.

Hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges: the effective portion of gain or loss on the hedging instrument is recognized among the components of profit or loss, while the part is not effective be recognized in the separate income statement.

Impairment losses on financial assets

As for financial assets, except investments at fair value through profit or loss, IAS 39 is applied whether there is any objective evidence that they are impaired.

Evidence of impairment includes, for example, significant financial difficulties of the issuer, its default or delinquency in interest or principal payments, the probability that the borrower will enter bankruptcy or other financial reorganisation and the disappearance of an active market for that financial asset.

The recognition of impairment follows a complex analysis in order to conclude whether there are conditions to effectively recognize the loss. The level of detail and the detail with which testing is being undertaken varies depending on the relevance of the latent losses of each investment.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its average cost is considered as an objective evidence of impairment.

The threshold of significance is defined at 30%, while the prolonged decline in fair value is defined as a continuous decline in market value below average cost for 12 months.

The prolonged decline in value of bonds and loans are evaluated as a result of specific analysis that involve the single issuances.

If an investment has been impaired in previous periods, further fair value declines are automatically considered prolonged.

If there is objective evidence of impairment the loss is measured as follows:
- on financial assets at amortised cost, as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate;
- on available for sale financial assets, as the difference between the cost and the fair value at the measurement date.

Reversals of impairment are recognized respectively: in the profit or loss in the case of debt instruments, in the equity reserve in the case of equity securities including shares of mutual funds (IFU).

Use of estimates

The preparation of financial statements compliant to IFRS requires the Group to make estimates and assumptions that affect items reported in the consolidations financial balance sheet and income statement and the disclosure of contingent assets and liabilities. The use of estimates mainly refers to as follows:
- insurance provisions for the life and non-life segment;
- financial instruments measured at fair value classified in level 3 of the fair value hierarchy;
- the analysis in order to identify durable impairments on intangible assets (e.g. goodwill) booked in in the balance sheet (impairment test);
- deferred acquisition costs and value of business acquired;
- other provisions
- deferred and anticipated taxes;
- defined benefit plan obligation;
- share-base payments.

Estimates are periodically reviewed and are based on key management's best knowledge of current facts and circumstances. However, due to the complexity and uncertainty affecting the above mentioned items, future events and actions, actual results ultimately may differ from those estimates, possibly significantly.

Further information on the process used to determine assumptions affecting the above mentioned items and the main risk factors are included in the paragraphs on accounting principles and in the risk report.

Share based payments

The stock option plans granted by the Board in past periods configure as share based payments to compensate officers and employees. The fair value of the share options granted is estimated at the grant date and is based on the option pricing model that takes into account, at the grant date, factors such as the exercise price and the life of the options, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate as well as the specific characteristics of the plan itself. The pricing model is based on a binomial simulation that takes into account the possibility of early exercise of the options. If present, the pricing model estimates separately the option value and the probability that the market conditions are satisfied. Therefore, the abovementioned values determine the fair value of equity instruments granted.

Long term incentive plans, aimed at strengthening the bond between the remuneration of management and expected performance in accordance with the Group strategic plan, as well as the link between remuneration and generation of value in comparison with peers, are also treated as an equity-settled share-based payment.

The fair value of the right to obtain free shares in relation to market condition is assessed at grant date and is based on a model that takes into account factors such as historical volatility of the Generali share price and of the peer group, the correlation between these shares, the dividends expected on the shares, the risk-free interest rate as well as the specific characteristics of the plan itself. The pricing model is based on simulation models generally used for this type of estimation. Other conditions different than market condition are considered external to this valuation. The probability that these conditions are satisfied, combined with the estimated fair value of the right to obtain free shares, defines the overall plan cost.

The cost is charged to the profit and loss account and, as a double-entry, to equity during the vesting period, taking into account, where possible, the probability of satisfaction of the vesting condition related to the rights granted.

The charge or credit to the profit or loss for a period represents the change in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or a non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense to be recognised is the expense had the terms had not been modified, only if the original terms of the award are met.

An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Information of financial and insurance risk

In accordance with IFRS 7 and IFRS 4, the information which enables the users of financial statements to evaluate the Group exposure to financial and insurance risks and how these risks are managed is disclosed in the section “Risk report” in the management report. It provides a description of the principal risks to which the Group is exposed and risk governance.

Further information regarding risk exposures are included in the Notes.

Segment reporting

Generali activities could be split in different lines of business according to the products and services offered. In particular, in accordance to IFRS 8, three main sectors of activity have been defined::
- Non life segment, which includes insurance activities performed in the non life business;
- Life segment, which includes insurance activities performed in the life business;
- Holding and other business segment.

Life segment

Activities of Life segment include saving and protection business, both individual and for family, as well as unit linked products with investment purposes and complex plans for multinationals.

Non life segment

Activities of Non life segment include both motor and non-motor businesses, among which motor third party liabilities, casualty, accident and health. It includes also more sophisticated covers for commercial and industrial risks and complex plans for multinationals.

Investment vehicles and entities supporting the activities of life companies are also reported in this segment.

Holding and other business segment

This grouping is an heterogeneous pool of non insurance assets and in particular it includes banking and asset management activities, expenses regarding coordination activities and interest expenses on the Group financial debt, as well as other activities that the Group considers ancillary to the core insurance business. The holding expenses mainly include the holding and territorial sub-holding direction expenses regarding coordination activities, the expenses relating to the parent company of stock option and stock grant plans as well interest expenses on the Group financial debt.

Methods of disclosure presentation

According to IFRS 8, the disclosure regarding operating segments of the Group is consistent with the evidence reviewed periodically at the highest managerial level for the purpose of making operational decisions about resources to be allocated to the segments and assessment of results.

Assets, liabilities, income and expenses of each segment are presented in the tables below, prepared as defined by the ISVAP Regulation No. 7 of 13 July 2007 and subsequent amendments.

Segment data derives from a separate consolidation of the amounts of subsidiaries and associated companies in each business segment, eliminating of the effects of transactions between companies belonging to the same segment and eliminating the carrying amount of the investments in subsidiaries of the same segment. The reporting and control process implemented by Generali Group implies that assets, liabilities, income and expenses of companies operating in different business segments are allocated to each segment through specific segment reporting. Intra-group balances between companies belonging to different business segments are accounted for in the consolidation adjustments column in order to reconcile segment information with consolidated information.

In this context, Generali Group adopts a business approach on segment reporting, characterized by the fact that some transactions between companies belonging to different segments are eliminated within each segment.

The main impacts are explained below:
- the elimination in the non-life segment and holding and other businesses segment of participations and loans to companies of other segments, belonging to the same country, as well as related income (dividends and interests)
- the elimination in the non-life segment and holding and other businesses segment of realized gains and losses arising from intra-segment operations
- the elimination in the life segment of participations and loans to companies of other segments, belonging to the same country, as well the related income (dividends and interests) if not backing technical reserves
- the elimination in the life segment of realized gains and losses arising from intra-segment operations if not backing technical reserves

Furthermore, loans and related interest expenses on loans between Group companies belonging to different segments are eliminated directly in each segment.

This approach allows to reduce consolidation adjustments, which in this view principally consist of investments and dividends received by life and non-life companies from companies belonging to other segments, intragroup financing and related interest income and fee and commissions income and expenses on financial services rendered or received by Group companies, still allowing for an adequate performance presentation for each segment.

As mentioned in previous sections of this document, the new geographical structure of Generali Group, fully reflecting Group country managers' responsibilities, consists of business units operating in three principal markets – Italy, France and Germany, and four regional structures. The latter are further described below:

- CEE - Central and Eastern European countries members of the EU
- International - consisting of EMEA, Americas, Asia, Europ Assistance and Other companies;
- Investments, Asset & Wealth Management - which includes the main Group entities operating in investment advisory, asset management and financial planning.
- Holding and other businesses – which includes the Parent Company's management and coordination activities, including Group reinsurance, other financial holding companies and suppliers of international services not included in the previous geographic areas.

The reporting by geographical area presented in this report has been adapted to the above geographical structure of the Group.

In order to provide a management view of the key performance indicators, the geographical reporting is disclosed as country's or regional structure's consolidated view, instead of contribution to the Group's results. The elimination of transactions between Generali Group companies in different geographic regions is included within the cluster "Holding and other businesses".

For more information on performance indicators used refer to Management report.

Balance sheet and Income statement by segment are reported in the following tables.

Annex 1

Segment reporting - Balance sheet

(€ million)	NON-LIFE SEGMENT		LIFE SEGMENT	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
1 INTANGIBLE ASSETS	3,530	3,538	4,788	4,847
2 TANGIBLE ASSETS	1,791	2,091	841	1,029
3 AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS	3,215	2,704	1,079	1,229
4 INVESTMENTS	36,959	37,418	425,810	425,202
4.1 Land and buildings (investment properties)	3,749	3,683	8,245	8,250
4.2 Investments in subsidiaries, associated companies and joint ventures	1,778	1,494	4,120	3,944
4.3 Held to maturity investments	31	34	1,256	1,403
4.4 Loans and receivables	3,258	3,377	35,792	39,843
4.5 Available for sale financial assets	27,073	27,444	284,078	278,202
4.6 Financial assets at fair value through profit or loss	1,070	1,385	92,319	93,562
5 RECEIVABLES	5,856	5,671	5,429	5,818
6 OTHER ASSETS	4,004	4,200	25,531	10,691
6.1 Deferred acquisition costs	276	277	1,843	1,806
6.2 Other assets	3,728	3,923	23,688	8,886
7 CASH AND CASH EQUIVALENTS	2,352	2,159	3,656	4,197
TOTAL ASSETS	57,707	57,782	467,134	453,012
1 SHAREHOLDERS' EQUITY				
2 OTHER PROVISIONS	994	904	640	639
3 INSURANCE PROVISIONS	32,902	33,349	397,588	388,128
4 FINANCIAL LIABILITIES	9,524	8,880	20,898	30,233
4.1 Financial liabilities at fair value through profit or loss	316	365	8,626	19,120
4.2 Other financial liabilities	9,208	8,515	12,272	11,114
5 PAYABLES	4,056	3,401	5,482	5,272
6 OTHER LIABILITIES	5,033	4,072	19,967	6,761
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

HOLDING AND OTHER BUSINESSES		CONSOLIDATION ADJUSTMENTS		TOTAL	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
467	482	-1	-1	8,784	8,866
1,443	1,355	0	0	4,075	4,476
0	0	0	0	4,294	3,933
20,908	18,256	-12,444	-11,705	471,233	469,172
999	652	0	0	12,993	12,584
324	320	-5,050	-4,563	1,171	1,194
980	731	0	0	2,267	2,168
8,607	8,099	-7,394	-7,142	40,262	44,178
9,491	8,287	0	0	320,641	313,933
508	167	0	0	93,897	95,114
399	310	-8	-9	11,676	11,790
724	592	-90	-70	30,170	15,414
0	0	0	0	2,119	2,083
724	592	-90	-70	28,051	13,331
1,345	1,841	-504	-664	6,849	7,533
25,286	22,837	-13,047	-12,448	537,080	521,184
				26,177	25,668
428	375	-113	-113	1,950	1,804
0	0	0	0	430,489	421,477
15,493	16,067	-3,600	-3,765	42,316	51,416
0	7	-8	-8	8,935	19,484
15,493	16,060	-3,592	-3,758	33,381	31,932
956	877	0	0	10,494	9,550
683	441	-30	-5	25,653	11,269
				537,080	**521,184**

Annex 2

Segment reporting - Income statement

(€ million)	NON-LIFE SEGMENT		LIFE SEGMENT	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
1.1 Net earned premiums	19,661	19,446	44,943	45,498
1.1.1 Gross earned premiums	20,701	20,489	45,662	46,244
1.1.2 Earned premiums ceded	-1,040	-1,043	-719	-746
1.2 Fee and commission income and income from financial service activities	1	0	165	167
1.3 Net income from financial instruments at fair value through profit or loss	114	-29	5,197	1,792
1.4 Income from subsidiaries, associated companies and joint ventures	89	110	206	215
1.5 Income from other financial instruments and land and buildings (investment properties)	1,487	1,693	13,064	12,721
1.6 Other income	1,505	1,122	1,594	1,749
1 TOTAL INCOME	**22,857**	**22,341**	**65,169**	**62,143**
2.1 Net insurance benefits and claims	-12,804	-12,663	-52,945	-50,954
2.1.1 Claims paid and change in insurance provisions	-13,874	-13,020	-53,500	-51,538
2.1.2 Reinsurers' share	1,071	357	556	584
2.2 Fee and commission expenses and expenses from financial service activities	0	0	-74	-85
2.3 Expenses from subsidiaries, associated companies and joint ventures	-9	-9	-1	-13
2.4 Expenses from other financial instruments and land and buildings (investment properties)	-451	-672	-1,508	-1,816
2.5Acquisition and administration costs	-5,562	-5,390	-5,067	-5,079
2.6Other expenses	-2,208	-1,776	-2,829	-1,705
2 TOTAL EXPENSES	**-21,034**	**-20,511**	**-62,425**	**-59,653**
EARNINGS BEFORE TAXES	**1,823**	**1,831**	**2,744**	**2,490**

HOLDING AND OTHER BUSINESSES		CONSOLIDATION ADJUSTMENTS		TOTAL	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
0	0	0	0	64,604	64,944
0	0	0	0	66,363	66,733
0	0	0	0	-1,759	-1,789
1,420	1,228	-507	-436	1,080	959
14	20	0	0	5,326	1,784
24	22	-184	-215	135	131
444	489	-115	-120	14,880	14,782
388	330	-308	-284	3,180	2,916
2,291	**2,089**	**-1,113**	**-1,055**	**89,204**	**85,518**
0	0	0	0	-65,748	-63,616
0	0	0	0	-67,374	-64,558
0	0	0	0	1,626	942
-579	-551	45	25	-608	-611
-7	-25	0	4	-18	-43
-859	-960	34	46	-2,784	-3,403
-535	-479	296	250	-10,868	-10,698
-917	-983	461	432	-5,493	-4,032
-2,897	**-2,998**	**837**	**758**	**-85,518**	**-82,403**
-606	**-909**	**-276**	**-298**	**3,686**	**3,115**

Information on consolidation area and group companies

1. Consolidation area

Based on the IFRS 10, the Consolidated financial statements include the figures for both the Parent company and the subsidiaries directly or indirectly controlled.

At 31 December 2017, the consolidation area decreased from 428 to 423 companies, of which 388 are subsidiaries consolidated line by line and 35 associated companies valued at equity.

Changes in the consolidation area compared to the previous year and the table listing companies included in the consolidation area are attached to these Notes, in the Appendix related to the change in the consolidation area, compared to 2016.

2. Disclosures on interests in other entities

2.1 Interests in Subsidiaries

Non-controlling-interests

A summary of the financial information relating to each subsidiary that have non-controlling interests material for the Group is provided here below. The amounts disclosed are before inter-company eliminations (except for the item "Cumulated non controlling interests of the subsidiary" and "profit or loss attributable to non-controlling interests" that are disclosed from a consolidated perspective).

Non-controlling interests

Principal place of business	Banca Generali Group Italy		Generali China Life Insurance Co. Ltd China	
(€ million)	31/12/2017	31/12/2016	31/12/2017	31/12/2016
BALANCE SHEET				
Investments	7,655	7,162	6,686	7,567
Other assets	678	561	333	279
Cash and cash equivalents	804	789	94	43
TOTAL ASSETS	9,137	8,512	7,113	7,889
Technical provisions	-	-	5,300	5,749
Financial liabilities	7,851	7,455	868	1,097
Other liabilities	541	400	376	324
Net Assets	745	656	570	720
TOTAL NET ASSETS AND LIABILITIES	9,137	8,512	7,113	7,889
NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**357**	**312**	**285**	**361**
INCOME STATEMENT				
Net earned premiums	-	-	1,110	1,219
Fee and commission income	869	714	3	4
NET RESULT	406	286	51	64
OTHER COMPREHENSIVE INCOME	13	-13	-170	-138
TOTAL COMPREHENSIVE INCOME	419	273	-119	-74
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**102**	**78**	**23**	**25**
DIVIDENDS PAID TO NON-CONTROLLING INTERESTS	**62**	**69**	**15**	**20**
CASH FLOW				
cash flow from operating activities	371	936	133	637
cash flow from investing activities	-259	-319	95	-668
cash flow from financing activities	-132	-137	-176	-112

Transactions with non controlling interests

No relevant transactions with minority shareholders occurred during 2017.

Significant restrictions

In relation to the Group's interests in subsidiaries, no significant restrictions exist on the Group's ability to access or use its assets and settle its liabilities. For further details regarding restrictions on Group assets, please refer to paragraph *Contingent liabilities, commitments, guarantees, pledged assets and collaterals* in *Additional information section*.

2.2 Interest in Associates

The Group has material interests into two associates that are accounted for according to the equity method.

Material Group associates

Company	Deutsche Vermogensberatung Aktiengesellshaft DVAG	Guotai Asset Manegement Company
Nature of the relationship with the Group	DVAG is the leading sales network for financial services in Germany and has an exclusive distribution partnership with a company held by Generali Deutschland Group	Guotai is one of the first professional fund management companies in China. The company manages mutual funds and several Social Security Fund (SSF) portfolios adding up to approximately 60 billion of renmimbi (approximately € 8 billion) value of assets under management
Principal Place of business	Germany	China
Profit rights/voting rights held (if different)	30% / 40%	30%

The summarised financial information relating to the most material associates in which the Group has an interest including the reconciliation with the related carrying amounts (including goodwill, where present) are provided here below.

Summarised financial information - material associates

(€ million)	Deutsche Vermogensberatung Aktiengesellshaft DVAG		Guotai Asset Manegement Company	
	31/12/2017(*)	31/12/2016(*)	31/12/2017	31/12/2016
INCOME STATEMENT				
Revenues	1,350	1,314	169	150
Profit from continuing operations	19	186	58	55
Profit from discontinued operations after taxes	-	-	-	-
OTHER COMPREHENSIVE INCOME	-	-	3	-8
TOTAL COMPREHENSIVE INCOME	**189**	**186**	**62**	**46**
BALANCE SHEET				
Current assets	385	993	260	231
Non-current assets	776	243	19	14
Current liabilities	333	355	47	43
Non-current liabilities	203	184	38	41
NET ASSETS	**626**	**697**	**19**	**161**

(*) The financial information are referred to the last approved financial statements by the Shareholders meeting of the associated company Deutchsche Vermogensberatung Aktiengesellshaft DVAG

Carrying amount reconciliation - material associates

(€ million)	Deutsche Vermogensberatung Aktiengesellshaft DVAG		Guotai Asset Manegement Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Carrying amount of interest in immaterial associates	**234**	**264**	**145**	**151**
Total comprehensive income attributable to the Group	51	58	16	12
Dividends received during the year	-52	-88	-6	-18
Carrying amount in investee at the end of the year	**234**	**234**	**155**	**145**

As part of the commercial relationships in the German area with the distribution partner DVAG, we inform that the current controlling shareholder hold a put option exercisable in respect of Generali Group.

At the reporting date no liability has been accounted for because the put option refers to an associate and therefore it does not fall into the category of the options on non-controlling interests referred to in par. 23 of IAS 32.

The potential outflow of resources will be defined by the parties when and if the option is exercised on the basis of the fair value measurement criteria of the option itself.

Furthermore, the Group holds interests in associates which are not individually material that, as mentioned above, are accounted for according to the equity method. The associates in which the Group has interest mainly operate in the insurance and financial services industries.

For these associates aggregated summarised financial information are provided here below:

Summarized financial information - immaterial associates

(€ million)	31/12/2017	31/12/2016
Carrying amount of interests in immaterial associates	**420**	**421**
Aggregated Group's share of:		
Profit from continuing operations	5	13
Profit from discontinued operations after taxes	-	-
Other comprehensive income	8	-1
Total comprehensive income	**12**	**12**

In relation to the Group's interests in associates, no significant contractual, legal or regulatory restrictions exist on the Group's ability to access or use its assets and settle its liabilities. With respect to contingent liabilities, please refer to paragraph *Contingent liabilities, commitments, guarantees, pledged assets and collaterals* in *Additional information* section.

2.3 Joint ventures

Here below please find the information on Group joint ventures:

Aggregated information on immaterial joint ventures

(€ million)	31/12/2016	31/12/2015
Carrying amount of interests in immaterial joint ventures	**224**	**233**
Aggregated Group's share of:		
Aggregated Group's share of:	19	14
Profit from continuing operations	-	-
Profit from discontinued operations after taxes	-12	8
Total comprehensive income	**7**	**23**

Significant restrictions

In relation to the Group's interests in joint ventures, no significant contractual, legal or regulatory restrictions exist on the Group's ability to access or use its assets and settle its liabilities, nor significant commitments exist. For further details regarding restrictions on Group assets, please refer to paragraph *Contingent liabilities, commitments, guarantees, pledged assets and collaterals* in *Additional information section*.

2.4 Unconsolidated Structured Entites

As of 31 December 2017, Generali Group holds no interests in unconsolidated structured entities that expose the Group to the variability of returns arising from their performance.
However, please find below the following cases:

- Assicurazioni Generali stipulated a reinsurance contract in 2014 with a vehicle which provided a coverage of € 190 million on potential losses affecting Generali Group from catastrophes arising from Europe windstorms over a three year period, ended in April 2017.
- Generali Group has entered into an agreement with Horse Capital I, an Irish designated activity company, to protect the aggregate motor third party liability (MTPL) loss ratio of 12 of its subsidiaries that write business in the 7 European countries in which Generali has a relevant market share in motor business (Italy, Germany, France, Austria, Czeck Republic, Spain and Switzerland). The Group transfers,by this protection, part of the risk linked to unexpected fluctuations of the MTPL loss ratio.
  Generali pays a different premium every year depending on the subscribed tranche - being 4% on Class A, 6,25% on Class B and 12% on Class C – on the amount of cover provided corresponding to each tranche amounting to € 85 million. The related cost is presented within "The Earned premiums cede" line in the statement of Profit or loss.
- Assicurazioni Generali has also stipulated a reinsurance contract in the current year with Lion II Re DAC, an Irish special purpose company, which for a period of four years will cover the possible catastrophic losses suffered by the Generali Group following storms and floods in Europe and earthquakes in Italy. The Lion II Re transaction transfers part of the risk to bond investors, thus optimizing the Group's protection against disasters. The positive outcome of the placement of ILS debt securities on the capital market has made it possible to guarantee the protection provided by Lion II Re DAC to Generali with an annual premium of 3% for a total of € 200 million of reinsurance coverage. This amount will be returned by Lion II Re DAC to investors if during the 4 years of operation of the transaction no events occurred on the Generali Group, deriving respectively from storms or floods in Europe or earthquake in Italy, in excess of pre-established damage thresholds each type of risk.

The aforementioned vehicles are not consolidated as the Generali Group has no control over the entities and is not exposed to the resulting variable returns.

3 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures

(€ million)	31/12/2017	31/12/2016
Investments in non-consolidated subsidiaries	127	146
Investments in associated companies valued at equity	810	800
Investments in joint ventures	224	233
Investments in other associated companies	9	15
Total	**1,171**	**1,194**

4 Goodwill

Goodwill

(€ million)	31/12/2017	31/12/2016
Gross book value as at 31 December previous year	**6,664**	**6,661**
Accumulated depreciation and impairment as at 31 December previous year	**0**	**0**
Carrying amount as at 31 December previous year	**6,664**	**6,661**
Changes in consolidation scope	0	0
Other variations	15	3
Gross book value as at the end of the period	**6,679**	**6,664**
Accumulated depreciation and impairment as at the end of the period	**0**	**0**
Carrying amount as at the end of the period	**6,679**	**6,664**

At 31 December 2017 Group's goodwill amounted to € 6,679 million.

The table below details the goodwill by relevant companies:

Goodwill: details

(€ million)	31/12/2017	31/12/2016
Generali Deutschland Holding	2,179	2,179
Alleanza Assicurazioni	1,461	1,461
Generali Italia	1,332	1,332
Generali CEE Holding Group	625	594
Generali France Group	415	415
Generali Schweiz Holding AG	296	327
Generali Holding Vienna AG	153	153
Other	218	202
Total goodwill	**6,679**	**6,664**

The goodwill booked was subject to impairment tests as stated by IAS 36.

Cash generating units were established in accordance with the Group's participation structure and considering the IFRS 8 requirements relating to operating segments, which Assicurazioni Generali identified as Life and Non-Life.

The table below shows the details of the Group's goodwill by cash generating unit:

Goodwill by cash generating unit

(€ million)	Life	Non Life	Total
Generali Deutschland Holding	562	1,617	2,179
Alleanza Assicurazioni	1,461	0	1,461
Generali Italia	640	692	1,332
Generali CEE Holding Group	402	223	625
Generali France Group	319	96	415
Generali Schweiz Holding AG	84	212	296
Generali Holding Vienna AG	76	77	153
Europ Assistance Group	0	97	97
Other			120
Goodwill	**3,543**	**3,015**	**6,679**

The cash generating units have been defined consistently with IAS 36; with regard to the measurement of the recovery value, of the cash generating unit (CGU) of Generali Italia, Alleanza Assicurazioni, Generali Deutschland Holding, Generali CEE Holding Group, Generali Schweiz Holding AG, Europ Assistance, Generali Holding Vienna and Generali France the Dividend Discount Model (DDM) has been used, as described in the basis of presentation and accounting principles, for the determination of the recovery value.

This method represents a variant of the method of cash flows. In particular, the Excess Capital variant, defines the entity's economic value as the discounted dividend maintaining an appropriate capital structure taking into consideration the capital constraints imposed by the Supervisor as the solvency margin. This method results in the sum of discounted value of future dividends and the cash generating unit terminal value.

The application of this criterion entailed in general the following phases:

- explicit forecast of the future cash flows to be distributed to the shareholders in the planned time frame, taking into account the limit due to the necessity of maintaining an adequate capital level;
- calculation of the cash generating unit's terminal value, that was the foreseen value of the cash generating unit at the end of the latest year planned.

The expected cash flows used in the analysis for each CGU, were those detailed in the Strategic Plan 2018-2020, presented to the Board of Directors in December 2017 and any significant subsequent events. In order to extend the analysis horizon to a 5 years period, the main economic and financial data were estimated for a further two years (2021 and 2022). The net result (2021 and 2022) was calculated using a sustainable growth rate for each CGU.

The table below shows the evaluation parameters used for the main CGU:

A) Nominal growth rate (g):

Goodwill: Nominal growth rate (g)

	g
Generali Deutschland Holding	2.00%
Alleanza Assicurazioni	2.00%
Generali Italia	2.00%
Generali CEE Holding Group	2.50%
Generali France Group	2.00%
Generali Schweiz Holding AG	1.00%
Generali Holding Vienna AG	2.00%
Europ Assistance Group	2.00%

B) Cost of equity (Ke) of the company net of taxes:

Goodwill: cost of equity (Ke) net of taxes

	ke
Generali Deutschland Holding	
Life Companies	7.90%
Non Life Companies	6.90%
Alleanza Assicurazioni	
Life Companies	9.00%
Generali Italia	
Life Companies	9.00%
Non Life Companies	7.90%
Generali CEE Holding Group	
Life Companies	9.10%
Non Life Companies	8.20%
Generali France Group	
Life Companies	7.80%
Non Life Companies	6.80%
Generali Schweiz Holding AG	
Life Companies	7.10%
Non Life Companies	6.00%
Generali Holding Vienna AG	
Life Companies	7.60%
Non Life Companies	6.60%
Europ Assistance Group AG	
Non Life Companies	8.20%

The cost of equity (Ke) for each entity is extrapolated based on the Capital Asset Pricing Model (CAPM) formula.

In detail:
- the risk free rate was defined as the average value - observed during the last three months of 2017 - of the 10-years government bond of the reference country of operation of the CGU, on which the goodwill has been allocated;
- the Beta coefficient was determined based on a homogeneous basket of securities of the non-life and life insurance sectors, which was compared to market indexes. The observation period was 5 years with weekly frequency;
- the market risk premium amounts to 5.5% for all Group's CGUs.

All CGUs passed the impairment test, being their recoverable amounts higher than their carrying amounts. Furthermore a sensitivity analysis was performed on the results changing the cost of own capital of the company (Ke) (+/-1%) and the perpetual growth rate of distributable future cash flows (g) (+/-1%) and for Non-life segment also for the main non-financial assumptions. This sensitivity, for Life segment, highlighted that for CGU Generali Holding Vienna the correspondence between the recoverable amount and the carrying amount is observed with an increase of ke of 0.2%. In Non-life segment the sensitivities of both financial and non-financial assumptions did not highlight any negative difference between the carrying amount and the recoverable amount.

5 Non-current assets or disposal group classified as held for sale

With reference to policy of divestment of non-core and not strategic assets set by Generali Group, please note the following:

- Liechtenstein

During 2016 Generali Group has entered the agreements for the sale of assets in Liechtenstein. The Group considers this company as "non-current assets classifies as held for sale", presenting it separately from other items in the balance sheet.

Please note that the assets held in Liechtenstein amount to € 672 million, of which approximately € 630 million of investments, mainly unit-linked, while liabilities amount to € 620 million, composed almost entirely from insurance provisions.

- Guatemala

During 2017, the Group finalized the sale of insurance activities held in Guatemala undertaken in 2016, following the release of the necessary regulatory authorizations. Therefore, the related investment and the related assets and liabilities, profits and losses are no longer recorded in the Group financial statements.

The consideration for the sale is € 21 million with a consequent realized profit of € 10 million.

- Colombia

In July 2017, the Group reached an agreement for the sale of assets in Colombia. It is expected that the disposal will be finalized in the course of 2018, when the necessary regulatory authorisation will be obtained. The Group considers this company as "non-current assets classifies as held for sale", presenting it separately from other items in the balance sheet.

Please note that the assets held in Colombia amount to € 83 million, of which approximately € 37 million of investments, while liabilities amount to € 58 million, of which € 43 million of insurance provisions.

- The Netherlands

On 13 September 2017, the Generali Group concluded an agreement for the sale of its entire investment (98.56%) in Generali Nederland N.V.

In particular, on 6 February 2018 the Group announced the completion of the sale of its entire investment in the Netherlands for a consideration of € 143 million.

In relation to the financial statements as of 31 December 2017, according with IFRS 5, Generali Nederland N.V. was classified as disposal group held for sale. As a result, this investment was not excluded from consolidation, but both the total assets and liabilities and the related profit or loss, net of tax effects, have been recorded separately in the specific lines of the financial statements.

The comparative data of the comprehensive income statement and the cash flow statement have been restated. In line with this adjustment, also the tables related to the statement of comprehensive income and the cash flow statement have been restated.

The following tables show a condensed indication of the balance sheet and income statement of discontinued operations.

Non current assets held for sale in The Netherlands: Assets

(€ million)	31/12/2017	31/12/2016
1 INTANGIBLE ASSETS	0	0
2 TANGIBLE ASSETS	22	16
3 INSURANCE PROVISIONS CEEDED	177	176
4 INVESTMENTS	3,612	3,630
5 RECEIVABLES	188	187
6 OTHER ASSETS	107	138
7 CASH AND CASH EQUIVALENTS	44	46
TOTAL ASSETS	**4,150**	**4,192**

Non current assets held for sale in The Netherlands: Liabilities

(€ million)	31/12/2017	31/12/2016
2 OTHER PROVISIONS	55	55
3 INSURANCE PROVISIONS	3,268	3,295
4 FINANCIAL LIABILITIES	4	4
5 PAYABLES	78	86
6 OTHER LIABILITIES	376	394
TOTAL LIABILITIES	**3,782**	**3,835**

Non current assets held for sale in The Netherlands: Condensed profit or loss

(€ million)	31/12/2017	31/12/2016
Revenues	497	467
Expenses	-496	-461
Profit before tax of discontinued operations	1	6
Income taxes	-29	0
Result of the year from discontinued operations	-28	6

The comprehensive impact of this operation on Group net income, allocated to the item result from discontinued operations, amounted to € -258 million. The difference compared to the result of the year form discontinued operation is due to the impairment recorded on the investment.

With reference to the statement of cash flows, the above information will not be considered for the purposes of the cash flow for the year. In particular, with reference to 31 December 2017 these activities reduced cash for € 1 million (€ 19 million from operating activities, € -20 million from investing activities).

Finally, the following table shows the fair value hierarchy of assets and liabilities at fair value held by discontinued operations at 31 December 2017.

(€ million)	Level 1	Level 2	Level 3
Available for sale financial assets	2,338	198	4
Equities	0	0	2
Bonds	2,338	17	0
Investment fund units	0	181	0
Other assets available for sale	0	0	2
Financial assets at fair value through profit or loss	522	204	1
Equities	0	0	0
Bonds	0	0	0
Investment fund units	0	0	0
Derivatives	0	10	0
Hedging derivatives	0	0	0
Investments back to policies where the investment risk is borne by the policyholders	522	194	1
Other assets at fair value through profit or loss	0	0	0
Total assets at fair value	2,860	402	5

– Ireland

In December, Generali ha salso signed an agreement for the sale of its investment in Generali Pan Europe.

Pending the release of the necessary regulatory authorisation, in accordance with IFRS 5, Generali Pan Europe. was classified as disposal group held for sale. As a result, this investment was not excluded from consolidation, but both the total assets and liabilities and the related profit or loss, net of tax effects, have been recorded separately in the specific lines of the financial statements.

The comparative data of the comprehensive income statement and the cash flow statement have been restated. In line with this adjustment, also the tables related to the statement of comprehensive income and the cash flow statement have been restated.

The following tables show a condensed indication of the balance sheet and income statement of discontinued operations.

Non current assets held for sale in Ireland: Assets

(€ million)	31/12/2017	31/12/2016
1 INTANGIBLE ASSETS	12	10
2 TANGIBLE ASSETS	0	0
3 INSURANCE PROVISIONS CEEDED	11	11
4 INVESTMENTS	11,016	10,385
5 RECEIVABLES	6	5
6 OTHER ASSETS	160	152
7 CASH AND CASH EQUIVALENTS	36	23
TOTAL ASSETS	11,241	10,586

Non current liabilities held for sale in Ireland: Liabilities

(€ million)	31/12/2017	31/12/2016
2 OTHER PROVISIONS	0	0
3 INSURANCE PROVISIONS	60	57
4 FINANCIAL LIABILITIES	10,925	10,297
5 PAYABLES	18	13
6 OTHER LIABILITIES	48	55
TOTAL LIABILITIES	**11,050**	**10,422**

(€ million)	31/12/2017	31/12/2016
Revenues	125	119
Expenses	-81	-83
Profit before tax of discontinued operations	44	36
Income taxes	-3	-2
Result of the year from discontinued operations	**41**	**34**

With reference to the statement of cash flows, the above information will not be considered for the purposes of the cash flow for the year. In particular, with reference to 31 December 2017 these activities produced cash for € 13 million (€ 532 million from operating activities, € -518 million from investing activities and € -1 million from financing activities).

Finally, the following table shows the fair value hierarchy of assets and liabilities at fair value held by discontinued operations at 31 December 2017.

(€ million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	2,992	7,951	60	11,003
Equities	0	0	0	0
Bonds	57	0	0	57
Investment fund units	23	0	0	23
Derivatives	11	0	0	11
Hedging derivatives	0	0	0	0
Investments back to policies where the investment risk is borne by the policyholders	2,902	7,951	60	10,913
Other assets at fair value through profit or loss	0	0	0	0
Total assets at fair value	**2,992**	**7,951**	**60**	**11,003**
Financial liabilities at fair value through profit or loss	10,925	0	0	10,925
Financial liabilities related to investment contracts issued by insurance companies	10,915	0	0	10,915
Derivatives	10	0	0	10
Hedging derivatives	0	0	0	0
Other financial liabilities	0	0	0	0
Total liabilities at fair value	**10,925**	**0**	**0**	**10,925**

6 Related parties disclosure

With regard to transactions with related parties, the main intra-group activities, conducted at market prices or at cost, were undertaken through relations of insurance, reinsurance and co-insurance, administration and management of securities and real estate assets, leasing, loans and guarantees, IT and administrative services, personnel secondment and claims settlement.

These services substantially aim at guaranteeing the streamlining of operational functions, greater economies in overall management, appropriate levels of service and an exploitation of Group-wide synergies.

For further information regarding related parties transactions - and in particular regarding the procedures adopted by the Group to ensure that these transactions are performed in accordance with the principles of transparency and substantive and procedural correctness - please refer to the paragraph ‘Related Party Transaction Procedures’ included in section ‘Internal control and risk management system’ of the ‘Corporate governance and share ownership report’.

The most significant economic and financial transactions with Group companies that are not included in the consolidation area and other related parties are listed below.

As shown in the table below, the impact of such transactions, if compared on a Group basis, is not material.

Related parties

(€ million)	Subsidiaries with significant control not consolidated	Associated companies	Other related parties	Total	% on balance - sheet item
Loans	7	332	489	827	0.2%
Loans issued	-7	-2	-102	-111	0.3%
Interest income	0	2	19	21	0.2%
Interest expense	0	0	-2	-2	0.2%

The subtotal other related parties includes the transactions with Mediobanca Group regarding investment bonds for € 489 million, and financial liabilities amounting to € 102 million.

The subtotal associated companies includes loans to Group companies valued with equity method for € 332 million, mostly related to real estate French companies .

With reference to the paragraph 18 of Related Party Transactions Procedures adopted by the Board of Directors in November 2010 there were no (i) Operations of major importance concluded during the reporting period (ii) Related Party Transactions, concluded during the reference period, which influenced the Group’s financial statements or profit to a significant extent.

Investments

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

Given their short term investments nature, the reverse repurchase agreements are reclassified within 'cash and similar instruments'. For the same reason repurchase agreements are reclassified in the same item, as well. Derivatives instruments are presented net of derivatives held as financial liabilities, hedging derivatives are excluded, as they are presented within hedged item asset classes.

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

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

Investments

(€ million)	31/12/2017		31/12/2016	
	Total Book value	Impact (%)	Total Book value	Impact (%)
Equity instruments	**18,403**	**4.6%**	**17,701**	**4.5%**
Available for sale financial assets	16,735	4.2%	15,942	4.0%
Financial assets at fair value through profit or loss	1,668	0.4%	1,758	0.4%
Fixed income instruments	**347,834**	**87.1%**	**348,729**	**88.1%**
Bonds	317,484	79.5%	317,427	80.2%
Other fixed income instruments	30,350	7.6%	31,302	7.9%
Held to maturity investments	2,267	0.6%	2,168	0.5%
Loans	36,543	9.2%	42,090	10.6%
Available for sale financial assets	301,264	75.5%	294,951	74.5%
Financial assets at fair value through profit or loss	7,759	1.9%	9,520	2.4%
Real estate investments	**15,018**	**3.8%**	**14,489**	**3.7%**
Other investments	**4,487**	**1.1%**	**3,735**	**0.9%**
Investments in subsidiaries, associated companies and joint ventures	1,171	0.3%	1,194	0.3%
Derivatives	1,043	0.3%	197	0.0%
Receivables from banks or customers	1,561	0.4%	1,703	0.4%
Other investments	711	0.2%	640	0.2%
Cash and similar instruments	**13,390**	**3.4%**	**11,099**	**2.8%**
Total	**399,130**	**100.0%**	**395,752**	**100.0%**
Investments back to unit and index-linked policies	75,372		78,317	
Total investments	**474,502**		**474,069**	

7 Held to maturity investments

Held to maturity investments

(€ million)	31/12/2017	31/12/2016
Quoted bonds	2,267	2,168
Other held to maturity investments	0	0
Total	**2,267**	**2,168**

The Group limits the use of this category only to high quality quoted bonds that Group companies are able to hold till maturity.

Debt securities in this category are almost entirely investment grade.

The fair value of the held to maturity investments amounted to € 2,319 million.

8 Loans and receivables

Loans and receivables

(€ million)	31/12/2017	31/12/2016
Loans	**38,701**	**42,475**
Unquoted bonds	24,189	28,850
Deposits under reinsurance business accepted	766	782
Other loans and receivables	13,746	12,843
Mortgage loans	6,600	6,548
Policy loans	2,186	2,458
Term deposits with credit institutions	785	1,215
Other loans	4,175	2,622
Receivables from banks or customers	**1,561**	**1,703**
Receivables from banks	174	223
Receivables from customers	1,387	1,480
Total	**40,262**	**44,178**

This category mainly consisted of unquoted bonds and mortgage loans, which represent 62.5% and 17.1% of total loans, respectively. Debt securities, mainly of long-term average, account for more than 92% represented by fixed-rate securities.

The decline was mainly due to net sales made during the year, in particular a decrease in debt securities was only partially offset by reverse repurchase agreements whose increase is the result of the hedging operations on foreing exchange risk exposure carried out by some Group entities.

The debt securities of this category are almost entirely investment grade and more than 60% of the class boasts a rating greater or equal to A.

Receivables from banks or customers are mainly short-term.

The fair value of total loans amounted to € 44,340 million, of which € 27,842 million related to bonds.

9 Available for sale financial assets

Available for sale financial assets

(€ million)	31/12/2017	31/12/2016
Unquoted equities at cost	13	43
Equities at fair value	10,051	9,149
quoted	7,794	6,676
unquoted	2,256	2,473
Bonds	286,293	280,903
quoted	283,121	277,617
unquoted	3,172	3,287
Investment fund units	20,205	20,409
Other available for sale financial assets	4,080	3,429
Total	**320,641**	**313,933**

This category accounted for 67.6% of the total investments. The increase compared 31 December 2016 was mainly attributable to net acquisition in the period, particularly of government bonds, only partially offset by the decline in value of the bond securities and by the change in perimeter.

The item Available for sale assets includes, in particular, 90.2% of total bonds with a rating higher or equal to BBB, class assigned to the Italian government bonds.

As already mentioned, available for sale financial assets are measured at fair value and unrealized gains and losses on these assets are accounted for in shareholders' equity in an appropriate reserve. The amortized cost of the available for sale financial assets amounted to € 290,581 million.

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

Available for sale financial assets - unrealised gains and losses 31/12/2017

(€ million)	Fair value	Unrealized gains / losses	Amortized cost
Unquoted equities at cost	13	0	13
Equities at fair value	10,051	1,469	8,581
Bonds	286,293	26,810	259,483
Investment fund units	20,205	1,068	19,137
Other available for sale financial assets	4,080	713	3,367
Total	**320,641**	**30,061**	**290,581**

Available for sale financial assets - unrealised gains and losses 31/12/2016

(€ million)	Fair value	Unrealized gains / losses	Amortized cost
Unquoted equities at cost	43	0	43
Equities at fair value	9,149	1,335	7,814
Bonds	280,903	29,865	251,038
Investment fund units	20,409	1,053	19,356
Other available for sale financial assets	3,429	637	2,792
Total	**313,933**	**32,891**	**281,043**

Available for sale financial assets: gains and losses at profit or loss 31/12/2017

(€ million)	Realized gains	Realized losses	Net impairment losses
Equities	448	-131	-71
Bonds	1,569	-247	-214
Investment fund units	349	-113	-93
Other available for sale financial assets	18	-55	-25
Total	**2,385**	**-546**	**-402**

Available for sale financial assets: gains and losses at profit or loss 31/12/2016

(€ million)	Realized gains	Realized losses	Net impairment losses
Equities	541	-194	-457
Bonds	1,285	-156	-379
Investment fund units	232	-68	-192
Other available for sale financial assets	29	-6	-71
Total	**2,088**	**-424**	**-1,099**

10 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

(€ million)	Financial assets held for trading		Financial assets designated as at fair value through profit or loss		Total financial assets at fair value through profit or loss	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Equities	1	6	87	51	88	57
Quoted	1	6	41	14	42	19
Unquoted	0	0	46	37	46	37
Bonds	50	38	4,685	5,467	4,735	5,505
Quoted	48	34	3,555	4,271	3,603	4,306
Unquoted	2	3	1,130	1,196	1,132	1,199
Investment fund units	0	2	11,294	9,109	11,294	9,111
Derivatives	1,910	1,444	0	0	1,910	1,444
Hedging derivatives	0	0	355	367	355	367
Investments back to policies where the investment risk is borne by the policyholders and back to pension funds	0	0	75,372	78,317	75,372	78,317
Other financial investments	0	0	144	314	144	314
Total	**1,961**	**1,489**	**91,937**	**93,625**	**93,897**	**95,114**

This category accounted for 19.8% of total investments. In detail, these investments were mainly allocated in the life segment (€ 92,319 million, which accounted for 98.3% of this category) whereas the residual part referred to the non-life segment (€ 1,070 million which accounted for 1.1% of this category) and in the financial segment (€ 508 million, which accounted for 0.5% of this category).

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

The decrease compared to 31 December 2016 was mainly due to change in perimeter, only partially offset from the positive inflow of policies where the investment risk is borne by the policyholders as well as from the positive trend of the financial market.

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

(€ million)	Policies where the investment risk is borne by the policyholders		Pension funds		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets	73,643	76,614	1,729	1,703	75,372	78,317
Total assets	**73,643**	**76,614**	**1,729**	**1,703**	**75,372**	**78,317**
Financial liabilities	6,094	16,220	1,266	1,184	7,360	17,404
Insurance provisions (*)	67,994	60,616	0	40	67,994	60,657
Total liabilities	**74,088**	**76,837**	**1,266**	**1,224**	**75,354**	**78,061**

(*) Insurance provisions are net of amounts ceded to reinsurers from insurance provisions.

The item ‘Financial liabilities’ decreased compared to 31 December 2016 due to the change in perimeter.

11 Land and buildings (investment properties)

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

Investment properties

(€ million)	31/12/2017	31/12/2016
Gross book value as at 31 December previous year	**15,074**	**14,366**
Accumulated depreciation and impairment as at 31 December previous year	**-2,490**	**-2,254**
Carrying amount as at 31 December previous year	**12,584**	**12,112**
Foreign currency translation effects	-94	-16
Acquisition of the period	613	426
Capitalized expenses	81	57
Changes in consolidation scope	33	261
Reclassifications	233	163
Sales of the period	-300	-292
Depreciation of the period	-184	-173
Impairment loss of the period	-27	-46
Reversal of impairment of the period	54	93
Carrying amount as at the end of the period	**12,993**	**12,584**
Accumulated depreciation and impairment as at the end of the period	**2,516**	**2,490**
Gross book value as at the end of the period	**15,509**	**15,074**
Fair value	**19,763**	**18,522**

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

12 Cash and cash equivalents

Cash and cash equivalents

(€ million)	31/12/2017	31/12/2016
Cash and cash equivalents	113	649
Cash and balances with central banks	593	606
Cash at bank and short-term securities	6,143	6,279
Total	**6,849**	**7,533**

Details on investments

Bonds

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

Bonds: breakdown by rating

(€ million)	Avalaible for sale fin. assets	Financial assets at fair value through profit	Held to maturity investments	Loans	Total
AAA	20,051	323	45	6,174	26,594
AA	68,597	462	292	5,549	74,899
A	55,048	841	707	3,561	60,156
BBB	131,386	2,456	1,120	7,827	142,789
Non investment grade	10,490	559	99	566	11,715
Not Rated	720	94	5	512	1,330
Total	**286,293**	**4,735**	**2,267**	**24,189**	**317,484**

Bonds: breakdown by maturity

(€ million)	Available for sale financial assets	Financial assets at fair value through profit or loss	Held to maturity investments	Loans	Total
Until 1 year	7,769	411	203	2,249	10,632
From 1 to 5 years	61,497	1,233	823	6,198	69,751
From 5 to 10 years	86,780	646	876	6,154	94,456
More than 10 years	128,539	2,400	365	9,540	140,844
Perpetual	1,709	45	0	48	1,801
Total	**286,293**	**4,735**	**2,267**	**24,189**	**317,484**

The incidence of maturities of debt securities by asset classes remains substantially in line with that of the previous year.

Bond investments totalled € 317,484 million at the end of the period. The portfolio was composed for € 180,905 million by government bonds, while corporate bonds amounted to € 136,579 million.

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

Government bonds: breakdown by country

(€ million)	31/12/2017	
	Total book value	Impact (%)
Government bonds	**180,905**	
Italy	64,250	35.5%
France	35,364	19.5%
Germany	4,880	2.7%
Central and Eastern Europe	19,950	11.0%
Rest of Europe	37,677	20.8%
Spain	15,172	8.4%
Austria	4,646	2.6%
Belgium	9,371	5.2%
Others	8,487	4.7%
Rest of world	4,667	2.6%
Supranational	14,117	7.8%

The government bonds portfolio amounted to € 180,905 million at the end of the period, with the 57.7% of the portfolio represented by Italian, French and German debt instruments. The exposure to individual sovereign bonds is mainly allocated to their respective countries of operation.

Governemnt bonds: breakdown by rating

(€ million)	31/12/2017		31/12/2016	
	Total book value	Impact (%)	Total book value	Impact (%)
Government bonds	**180,905**		**174,364**	
AAA	13,238	7.3%	17,471	10.0%
AA	59,632	33.0%	54,372	31.2%
A	21,130	11.7%	15,651	9.0%
BBB	85,267	47.1%	84,794	48.6%
Not investment grade	1,521	0.8%	2,016	1.2%
Not rated	117	0.1%	60	0.0%

In terms of exposure to different rating classes, the Class AAA credit rating includes German and some supranational issuances. Class AA includes French, Belgian and Austrian government bonds while the class BBB mainly includes Italian and Spanish bonds.

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

Corporate bonds: breakdown by sector

(€ million)	31/12/2017	
	Total book value	Impact (%)
Corporate bonds	**136,579**	
Financial	33,561	24.6%
Covered Bonds	24,354	17.8%
Utilities	21,022	15.4%
Industrial	11,437	8.4%
Consumer	12,927	9.5%
Telecommunication services	8,507	6.2%
Energy	6,059	4.4%
Other	18,712	13.7%

Corporate bonds: breakdown by rating

(€ million)	31/12/2017		31/12/2016	
	Total book value	Impact (%)	Total book value	Impact (%)
Corporate bonds	**136,579**		**143,063**	
AAA	13,357	9.8%	14,832	10.4%
AA	15,266	11.2%	15,831	11.1%
A	39,026	28.6%	41,459	29.0%
BBB	57,523	42.1%	56,835	39.7%
Non investment grade	10,194	7.5%	12,295	8.6%
Not Rated	1,213	0.9%	1,810	1.3%

The investments in corporate bonds totalled € 136,579 million at the end of the period. The portfolio was composed for 57.6% by non-financial corporate bonds and for 42.4% by financial corporate bonds.

Equities

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

Equity investments: breakdown by sector

(€ million)	31/12/2017	
	Total fair value	Impact (%)
Equity instruments	**18,403**	
Financial	3,391	18.4%
Consumer	1,316	7.2%
Utilities	1,442	7.8%
Industrial	1,013	5.5%
Other	2,989	16.2%
Alternative investments	4,243	23.1%
Asset allocation funds	4,009	21.8%

Direct equity investments: breakdown by country of risk

(€ million)	31/12/2017	
	Total fair value	Impact (%)
Direct equity investments	**10,151**	
Italy	1,818	17.9%
France	2,985	29.4%
Germany	1,594	15.7%
Central and Eastern Europe	324	3.2%
Rest of Europe	2,493	24.6%
Spain	342	3.4%
Austria	184	1.8%
Switzerland	138	1.4%
The Netherlands	651	6.4%
United Kingdom	247	2.4%
Others	931	9.2%
Rest of world	937	9.2%

Real estate investments

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

Direct real estate investments: breakdown by country of location

(€ million)	31/12/2017		31/12/2017	
	Investment properties		Self-used real estates	
	Total fair value	Impact (%)	Total fair value	Impact (%)
Direct Real-estate investments	**19,763**		**3,304**	
Italy	5,378	27.2%	1,674	50.7%
France	6,225	31.5%	358	10.8%
Germany	3,199	16.2%	834	25.2%
Central and Eastern Europe	602	3.0%	78	2.4%
Rest of Europe	4,117	20.8%	244	7.4%
Spain	742	3.8%	85	2.6%
Austria	1,530	7.7%	130	3.9%
Switzerland	1,117	5.7%	4	0.1%
Others	728	3.7%	25	0.8%
Rest of world	242	1.2%	116	3.5%

Further information on reclassified financial instruments

As of 1st January 2009 the Group transferred to the loans and receivables category € 14,658 million of corporate bonds, according to the IAS 39 reclassification option. At 31 December 2017, after sales and pay backs made up till the balance sheet date, the stock of these reclassified financial instruments amounted to € 1,238 million.

Given the limited amount of the reclassified financial assets - equal to 0.3% of the Group's total investments - and the consequent lack of materiality of the information in terms of impact on the Group's income statement and equity, the Group does not provide the detailed table and the related Annex published up to the financial statements as at 31 December 2016.

Assets transferred that do not qualify for derecognition

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

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

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

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

At 31 December 2017, the Group has retained substantially all risks and rewards arising from the ownership of the transferred assets and there are no transfers of financial assets which have been completely or partially derecognised on which the Group continues to control.

In particular, the Group continues to recognise approximately € 10,700 million of financial assets linked to various contracts such as, securities lending transactions, mainly in France for € 5,447 million, repurchase agreements for € 1,981 and assets pledged as collateral for € 3,221 million (please refer to the paragraph *Contingent liabilities, commitments, guarantees, pledged assets and collaterals* in *section Additional Information*).

Derivative financial instruments

The Group's exposure to derivative instruments is mainly associated with economic hedging transactions of financial assets or liabilities, in line with strategies aiming at mitigating financial and currency risks. The total exposure amounts to € 823 million for a corresponding notional amount of € 36,628 million. The notional exposure is presented in absolute amounts, including positions with both positive and negative balances, and it arises for an amount of € 7,421 million from instruments for which a hedge accounting relationship has been formally designated, in accordance with the international accounting standard IAS 39. The remaining notional amount is attributable to derivative instruments for which, notwithstanding their purpose as economic hedging instruments, a formal hedge accounting relationship has not been activated.

Derivative instruments designated for hedge accounting

The exposure in terms of amounts recognised in the financial statements amounts to € -221 million.

– *Fair value hedge*

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

– *Cash flow hedge*

The cash flow hedging relationships mainly relate to cross currency swaps hedging subordinated liabilities issued by the Group in British pound and to micro-hedge and reinvestment risk reduction operations in the life portfolios.

– *Hedge of net investment in foreign operations*

The Group continued the hedging strategy aimed at neutralising risks arising from foreign exchange fluctuations of its subsidiaries whose functional currency is the Swiss franc and Czech crowns.

Other derivative instruments

The recognised amounts in the financial statements for these exposures at 31 December 2017 amounted to € 1,043 million for a corresponding notional amount of € 29,207 million, which mainly relates to over-the-counter positions. The exposure is mainly associated with operations relating to interest rates hedges and foreign exchange rates hedges, with particular reference to the US dollar. Furthermore during the year the Group has renewed the macro hedge strategy aimed at protecting the capital from the risk of a significant reduction in share prices.

In general, in order to mitigate the credit risk arising from over-the-counter transactions, the Group collateralises most of them. Furthermore, a list of selected authorised counterparties is identified for the opening of new derivative transactions.

Below the detail on exposures in derivatives instruments designated as hedge accounting and other derivative instruments.

Details on exposure in derivative instruments

(€ million)	Maturity distribution by nominal amount			Total notional	Positive fair value	Negative fair value	Net fair value
	Within 1 year	Between 1 and 5 years	More than 5 years				
Total equity/index contracts	1,443	821	0	2,264	99	-1	99
Total interest rate contracts	1,072	4,799	8,852	14,723	1,313	-645	668
Total foreign exchange contracts	17,295	1,073	1,273	19,641	853	-797	56
Total	**19,809**	**6,693**	**10,125**	**36,628**	**2,265**	**-1,443**	**823**

Sensitivity analysis to market and credit risks

The Generali Group makes its own analysis of sensitivity to market and credit risks following the logic of Solvency II. For further information and the relevant numerical evidence please refer to the Risk Report in the Management Report.

Insurance and investment contracts

13 Insurance provisions

Insurance provisions

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-life insurance provisions	**31,279**	**31,676**	**1,623**	**1,673**	**32,902**	**33,349**
Provisions for unearned premiums	5,082	5,132	210	228	5,292	5,360
Provisions for outstanding claims	25,900	26,074	1,406	1,437	27,305	27,511
Other insurance provisions	297	471	7	8	304	478
of which provisions for liability adequacy test	0	0	0	0	0	0
Life insurance provisions	**395,783**	**386,202**	**1,805**	**1,926**	**397,588**	**388,128**
Provisions for outstanding claims	5,897	5,740	1,085	1,139	6,982	6,879
Mathematical provisions	278,521	274,077	577	636	279,097	274,713
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	67,989	60,790	8	9	67,997	60,799
Other insurance provisions	43,376	45,595	135	142	43,511	45,737
of which provisions for liability adequacy test	842	1,289	0	0	842	1,289
of which deferred policyholder liabilities	21,231	23,882	0	0	21,231	23,882
Total	**427,062**	**417,878**	**3,428**	**3,599**	**430,489**	**421,477**

In the Non-life segment insurance provisions slightly decreased (-1.3% compared to 31 December 2016).

In the Life segment insurance provisions increase by 2.4%, mainly attributable to the financial revaluation of the period and to inflows deriving from linked products.

The overall total of other life insurance provisions included both the provision for profit sharing and premium refunds, which amounts to € 6,762 million (€ 6,799 million in 2016) and the ageing provisions for life segment, which amount to € 13,784 million (€ 12,960 million in 2016).

As part of the technical provisions of the life segment, subject to liability adequacy test, are also included the reservations made in accordance with applicable locally regulations related to the risk of interest rates change.

14 Amounts ceded to reinsurers from insurance provisions

Insurance provisions ceded to reinsurers

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-life amounts ceded to reinsurers from insurance provisions	**2,113**	**1,897**	**1,102**	**808**	**3,215**	**2,704**
Life amounts ceded to reinsurers from insurance provisions	**469**	**484**	**610**	**745**	**1,079**	**1,229**
Provisions for policies where the investment risk is borne	3	4	0	138	3	142
by the policyholders and provisions for pension funds	3	4	0	138	3	142
Mathematical provisions and other insurance provisions	**466**	**480**	**610**	**607**	**1,076**	**1,087**
Total	**2,582**	**2,381**	**1,713**	**1,552**	**4,294**	**3,933**

15 Deferred acquisition costs

Deferred acquisition costs

(€ million)	Segment Life		Segment Non Life		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Carrying amount as at 31 December previous year	**1,806**	**1,722**	**277**	**278**	**2,083**	**2,000**
Acquisition costs deferred	342	388	47	53	389	441
Changes in consolidation scope	0	0	0	0	0	0
Amortization of the period	-305	-304	-50	-54	-355	-358
Other movements	0	0	2	0	2	0
Carrying amount as at 31 December current year	**1,843**	**1,806**	**276**	**277**	**2,119**	**2,083**

The deferred acquisition costs amounted to € 2,119 million, slightly increased compared to the previous year.

Details on insurance and investment contracts

Insurance provisions and financial liabilities related to policies of the life segment

Insurance provisions and financial liabilities related to the life segment

(€ million)	Net amount
	31/12/2017
Insurance contracts	209,570
Investment contracts with discretionary participation feature	150,930
Total insurance provisions	**360,499**
Investments contracts fair valued	7,454
Investments contracts at amortised cost	5,928
Total financial liabilities	**13,382**
Total	**373,881**

Total insurance provisions, net of reinsurance, include the mathematical provisions and provisions for policies where the investment risk is borne by policyholders and for pension funds (which amounted to € 278,740 million and € 67,994 million respectively), and net ageing provisions for life segment, which amounted to € 13,766 million (accounted for in other insurance provisions of the life segment). In the Life portfolio the policies with significant insurance risk amounted to 56.0% (57.6% at 31 December 2016), whereas investment contracts with discretionary participation feature amounted to 40.4% (36.2% at 31 December 2016).

The investment contracts contribute 3.6% to Life portfolio and the 56% consist of unit/index linked policies without significant insurance risk.

Mathematical provisions and ageing for life segment

(€ million)	Gross direct amount	
	31/12/2017	31/12/2016
Carrying amount as at 31 December previous year	**287,034**	**275,338**
Foreign curreny translation effects	-761	-258
Premiums and payments	-1,517	2,916
Interests and bonuses credited to policyholders	9,843	9,843
Transfer to Non-current assets or disposal group classified as held for sale	-1,804	-102
Acquisitions, disinvestments and other movements	-492	-702
Carrying amount as at the end of the period	**292,303**	**287,034**

The increase in mathematical provisions and ageing for life segment shows the financial revaluation of the period, which more than offsets the diminutive effect deriving from the change in premiums and payments that follows the development of net inflow.

Provisions for policies where the investment risk is borne by policyholders and for pension funds

(€ million)	Gross direct amount	
	31/12/2017	31/12/2016
Carrying amount as at 31 December previous year	**60,790**	**57,783**
Foreign curreny translation effects	-608	109
Premiums and claims	4,513	1,741
Interests and bonuses credited to policyholders	4,045	1,688
Acquisitions, disinvestments and other	403	-86
Transfer to Non-current assets or disposal group classified as held for sale	-1,154	-443
Carrying amount as at the end of the period	**67,989**	**60,790**

The development of provisions for policies where the investment risk is borne by policyholders and for pension funds highlights the trend of net inflow, and the development in the value of assets backing unit/index linked policies, due to financial market movements.

The item 'Transfer to Non-current assets or disposal group classified as held for sale' includes the technical reserves of the Netherlands and Lichtenstein, companies held for sale.

Group's financial guarantee of life insurance provisions and financial liabilities of gross direct insurance is reported in the following table.

Life insurance provisions and financial liabilities: financial guarantees

(€ million)	Gross direct insurance	
	31/12/2017	31/12/2016
Liabilities with guaranteed interest (*)	**283,464**	**278,448**
lesser than 1%	102,090	89,712
between 1% and 3%	113,774	115,835
between 3% and 4%	43,544	46,208
more than 4%	24,057	26,693
Provisions without guaranteed interest	**81,786**	**84,251**
Provisions matched by specific assets	**8,423**	**8,059**
Total	**373,674**	**370,758**

(*) The upper bound of each range is excluded

The total insurance provisions include the gross direct amount of mathematical provisions, which amount to € 278,521 million (€274,077 million at 31 December 2016), the provisions for policies where the investment risk is borne by the policyholders and for pension fund, which amount to € 67,989 million (€ 60,790 million at 31 December 2016), the ageing provision for life segment, which amount to € 13,782 million (€ 12,957 million at 31 December 2016), and financial liabilities related to investment contacts, which amount to € 13,382 million (€ 22,934 million at 31 December 2016). It should be noted that the significant decline in financial liabilities from investment contracts is mainly attributable to the classification, in application of IFRS5, of the Irish companies being classified as held for sale.

The table above shows a shift of the exposures towards 'less than 1%' guarantee classes, due to the inflow of new business with a guarantee of less than or equal to zero. With reference to liabilities without guaranteed interest, it should be noted that the 2016 amount includes € 10,600 million for the contribution deriving from the Irish and Dutch companies, classified in 2017 as held for sale. Normalizing this effect, liabilities without guaranteed interest, which amounted to € 81,786 million in 2017, show an increase compared to the previous year (€ 73,651 million at December 31, 2016 on a like-for-like basis), driven by the increase in new unit-linked production.

The table below shows the amount of the life gross direct insurance provisions broken down by expected contractual residual duration.

Life insurance provisions and financial liabilities related to investment contracts: contractual term to maturity

(€ million)	Gross direct insurance
	31/12/2017
Up to 1 year	31,535
Between 1 and 5 years	79,879
Between 5 and 10 years	59,960
Between 11 and 20 years	85,933
More than 20 years	116,366
Total	**373,674**

Deferred policyholders liabilities

(€ million)	31/12/2017	31/12/2016
Carrying amount as at the beginning of the period	**23,882**	**22,642**
Foreign currency translation effects	-31	6
Change of the period	-2,620	1,234
Acquisitions and disinvestments	0	0
Carrying amount as at the end of the period	**21,231**	**23,882**

Deferred policyholders liabilities recorded a decrease which mainly reflects the trend of the policyholders' share recognized on the fair value of the investment available for sale, with particular reference to the bonds component.

Provisions for outstanding claims

Provisions for outstanding claims

(€ million)	Gross direct insurance	
	31/12/2017	31/12/2016
Motor	11,798	11,893
Non motor	14,101	14,180
Personal and commercial lines	11,416	11,461
Accident/Health (*)	2,685	2,720
Total	**25,900**	**26,074**

(*) Life segment includes health insurance with life features

With reference to the gross direct claims provisions 45.6% was referred to the motor business in line with the prior year (45.6%). In the non-motor business, the personal and commercial lines weighted 81%.

With reference to non-life segment, the table below shows the amount of gross direct claims and unearned premiums reserves split by remaining maturity. The total liability is broken down by remaining duration in proportion to the cash flows expected to arise during each duration band.

Non-life insurance provisions: maturity

(€ million)	Gross direct insurance	
	31/12/2017	31/12/2016
Up to 1 year	9,213	9,289
Between 1 and 5 years	14,108	13,748
Between 5 and 10 years	3,842	3,959
Between 11 and 20 years	2,615	2,982
More than 20 years	1,203	1,228
Total	**30,981**	**31,205**

The following table shows the cumulative claim payments and the ultimate cost of claims by accident year and their development from 2008 to 2017. The ultimate cost includes paid losses, outstanding reserves on reported losses, estimated reserves for IBNR claims and ULAE.

The amount refers to direct business gross of reinsurance and recoveries.

The difference between the ultimate cost of claims and the cumulative paid losses for calendar year 2017 constitutes the claim reserve for accident years 2008 to 2017. The reserve reported in the balance sheet also includes a residual claim reserve that is composed almost exclusively by the accident years not reported in the development triangle.

The observed trend in the ultimate cost for generations 2008-2017 indicates the adequate level of prudence adopted by the Generali Group in its reserving policy.

Claims development

(€ million)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Cumulative claim payments											
at the end of accident year	5,425	5,680	5,670	5,190	5,319	5,305	5,047	5,235	5,375	5,614	
one year later	9,290	9,469	9,365	8,663	8,814	8,628	8,177	8,342	8,622		
two years later	10,332	10,573	10,416	9,652	9,782	9,529	9,035	9,202			
three years later	10,838	11,128	10,884	10,105	10,230	9,938	9,453				
four years later	11,153	11,444	11,186	10,386	10,490	10,182					
five years later	11,375	11,682	11,398	10,602	10,684						
six years later	11,557	11,857	11,565	10,762							
seven years later	11,682	11,994	11,684								
eight years later	11,777	12,104									
nine years later	11,867										
Estimate of ultimate cumulative claims costs:											
at the end of accident year	12,678	13,184	13,065	12,365	12,744	12,371	11,818	12,049	12,175	12,232	124,680
one year later	12,849	13,159	12,877	12,093	12,325	12,145	11,797	11,829	12,115		
two years later	12,590	12,918	12,678	11,918	12,089	11,784	11,435	11,477			
three years later	12,506	12,824	12,647	11,848	11,932	11,638	11,217				
four years later	12,434	12,819	12,589	11,801	11,863	11,505					
five years later	12,446	12,795	12,576	11,768	11,775						
six years later	12,419	12,765	12,522	11,698							
seven years later	12,392	12,717	12,449								
eight years later	12,372	12,720									
nine years later	12,360										
Estimate of ultimate cumulative claims costs at reporting date	**12,360**	**12,720**	**12,449**	**11,698**	**11,775**	**11,505**	**11,217**	**11,477**	**12,115**	**12,232**	**119,548**
Cumulative payments to date	**-11,867**	**-12,104**	**-11,684**	**-10,762**	**-10,684**	**-10,182**	**-9,453**	**-9,202**	**-8,622**	**-5,614**	**-100,174**
Provision recognised in the balance sheet	**494**	**616**	**765**	**937**	**1,090**	**1,322**	**1,764**	**2,275**	**3,494**	**6,618**	**19,374**
Provision not included in the claims development table											7,046
Total provision included in the balance sheet											**26,420**

Reinsurance policy of the Group

With reference to the reinsurance policy, the table proves that the careful criteria for the selection of reinsurers adopted by the Group over the past allowed Generali to have a significant presence of counterparties in rating classes of high quality.

The table shows consistency and continuity in the exposure to reliable third-party reinsurers and the significant increase in reinsurers in class AA is basically due to the upgrading of some of the main reinsurers used. This further highlights the careful selection of counterparties that are more important in the Group's reinsurance.

Insurance provisions ceded to reinsurers: breakdown by rating

(€ million)	31/12/2017	31/12/2016
AAA	0	3
AA	2,111	1,739
A	712	894
BBB	11	8
Non investment grade	1	3
No Rating	1,459	1,286
Total	**4,294**	**3,933**

In some circumstances, local regulations, market practice or specific types of business allow the Group to benefit from mitigation of the related reinsurance credit risk through deposits from reinsurers and/or letters of credit as a guarantee on ceded reserves

"No Rating" counterparties still remain; as in the past, they also include a considerable amount of captive insurance companies of large industrial Groups that do not qualify for any rating while showing a good financial strength, companies that are no longer active in the reinsurance market and not valued by the rating agencies, but not necessarily less financially sound, companies that are part of major insurance groups which benefit from high rating but who have abandoned their reinsurance activities, or, finally, of mutual and reinsurance pools.

"No Rating" is partially mitigated by the presence of forms of guarantee such as cut through clause, parental guarantee or other collateral.

Sensitivity analysis of life underwriting risk

The Generali Group makes its own analysis of sensitivity to insurance, not market, risks following the logic of Solvency II. For further information and the relevant numerical evidence please refer to the Risk Report in the Management Report.

Shareholders’ equity and share

16 Shareholders’ equity

Shareholders’ equity

(€ million)	31/12/2017	31/12/2016
Shareholders' equity attributable to the Group	**25,079**	**24,545**
Share capital	1,562	1,560
Capital reserves	7,098	7,098
Revenue reserves and other reserves	9,209	8,604
(Own shares)	-8	-7
Reserve for currency translation differences	-115	42
Reserve for unrealized gains and losses on available for sale financial assets	6,279	6,319
Reserve for other unrealized gains and losses through equity	-1,055	-1,153
Result of the period	2,110	2,081
Shareholders' equity attributable to minority interests	1,098	1,123
Total	**26,177**	**25,668**

The share capital is made up of 1,561,808,262 ordinary shares with a par value of € 1 each.

The Group’s own shares are € -8 million, amounting to 310,273 shares.

During the year the Parent company distributed dividends amounting to € 1,249 million.

The reserve for currency translation differences arising from the translation of the subsidiaries’ financial statements denominated in foreign currencies amounted to € -115 million (€ 42 million as at 31 December 2016). The negative variation was attributable to the appreciation of the euro against most major currencies.

The reserve for unrealized gains and losses on available for sale financial assets, i.e. the balance between unrealized gains and losses on financial assets, net of life deferred policyholder liabilities and deferred taxes, amounted to € 6,279 million (€ 6,319 million at 31 December 2016).

The reserve for other unrealised gains and losses though equity comprised, among other component, gains or losses on re-measurement of the net defined benefit liability in accordance with IAS 19, and gains or losses on hedging instruments accounted for as hedging derivatives (cash flow hedge), put in place in order to hedge interest rate change and British pound/Euro rate change on various subordinated bonds issued and the reserves belonging to disposal groups held for sale reclassified also for the comparative period. The item remained essentially stable compared to 31 December 2016 and amounted to € 980 million.

Other Comprehensive Income

Other comprehensive income

(€ million)	31/12/2017	31/12/2016
Consolidated result of the period	**2,295**	**2,239**
Items that may be reclassified to profit and loss in future periods	**0**	**0**
Foreign currency translation differences	-190	-60
Allocation	-190	-65
Transfer to profit and loss account	0	5
Net unrealized gains and losses on investments available for sale	-81	317
Allocation	265	337
Transfer to profit and loss account	-347	-20
Net unrealized gains and losses on cash flows hedging derivatives	41	26
Allocation	60	-80
Transfer to profit and loss account	-19	106
Net unrealized gains and losses on hedge of a net investment in foreign operations	17	-9
Allocation	18	3
Transfer to profit and loss account	-1	-12
Share of other comprehensive income of associates	-7	6
Allocation	-7	7
Transfer to profit and loss account	0	-1
Result of discontinued operations	-7	-105
Allocation	-8	-105
Transfer to profit and loss account	1	0
Others	0	0
Allocation	0	0
Transfer to profit and loss account	0	0
Subtotal	-227	175
Allocation	139	96
Transfer to profit and loss account	-366	79
Items that may not be reclassified to profit and loss in future periods	**0**	**0**
Share of other comprehensive income of associates	0	0
Allocation	0	0
Result of discontinued operations	8	-19
Allocation	8	-19
Reserve for revaluation model on intangible assets	0	0
Allocation	0	0
Reserve for revaluation model on tangible assets	0	0
Allocation	0	0
Actuarial gains or losses arising from defined benefit plans	31	-224
Allocation	31	-224
Subtotal	39	-244
Allocation	39	-244
Total other comprehensive income	**-189**	**-69**
Total comprehensive income	**2,107**	**2,170**
attributable to the Group	2,010	2,092
attributable to minority interests	97	78

The following table shows the change of deferred tax assets and liabilities related to gains or losses recognized in shareholders' equity or transferred from shareholders' equity.

Income taxes related to other comprehensive income

(€ million)	31/12/2017	31/12/2016
Income taxes related to other comprehensive income	**93**	**35**
Foreign currency translation differences	0	-1
Unrealized gains and losses on available for sale financial assets	120	-58
Net unrealized gains and losses on cash flows hedging derivatives	-8	-5
Net unrealized gains and losses on hedge of a net investment in foreign operations	0	0
Reserve on associates	0	0
Reserve for revaluation model on intangible assets	0	0
Reserve for revaluation model on tangible assets	0	0
Result of discontinued operations	0	0
Actuarial gains or losses arising from defined benefit plans	-20	99

Earnings per share

Basic earnings per share are calculated by dividing the result of the period attributable to the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for the Parent Company's average number of shares owned by itself or by other Group companies during the period.

Diluted earnings per share reflect the eventual dilution effect of potential ordinary shares.

Earning per share

	31/12/2017	31/12/2016
Result of the period (€ million)	2,110	2,081
- from continuing operations	2,327	2,081
- from discontinued operations	-217	0
Weighted average number of ordinary shares outstanding	1,560,771,499	1,558,512,070
Adjustments for potential diluitive effect	20,036,569	20,036,569
Weighted average number of ordinary shares outstanding	1,580,808,068	1,578,548,639
Earnings per share (in €)	1.35	1.34
- from continuing operation	1.49	1.34
- from discontinued operations	-0.14	0.00
Diluted earnings per share (in €)	1.33	1.32
- from continuing operation	1.47	1.32
- from discontinued operations	-0.14	0.00

For more details on dividend per share please refer to the Management Report.

Reconciliation statement of the result of the period and shareholders' equity of the Group and the Parent Company

In accordance with the CONSOB Communication No. 6064293 of 28 July 2006, the table below summarizes the reconciliation of the result of the period and shareholders' equity of the Group and the Parent Company.

Reconciliation report

(€ million)	31/12/2017		31/12/2016	
	Shareholders' equity before the result of the period	Result of the period	Shareholders' equity before the result of the period	Result of the period
Parent Company amounts in conformity with the Italian accounting principles	**13,421**	**1,404**	**13,574**	**1,096**
Adjustments to Parent Company for IAS/IFRS application	957	-31	938	42
Parent Company amounts in conformity with IAS/IFRS principles	**14,378**	**1,374**	**14,513**	**1,138**
Result of the period of entities included in the consolidation area		8,949		7,180
Dividends	6,883	-6,883	5,983	-5,983
Elimination of participations, equity valuation impacts and other consolidation adjustments	-3,534	-1,330	-3,352	-255
Reserve for currency translation differences	-115		43	
Reserve for unrealized gains and losses on available for sale financial assets	6,211		6,218	
Reserve for other unrealized gains and losses through equity	-854		-941	
Shareholders equity attributable to the group	**22,969**	**2,110**	**22,464**	**2,081**

Financial Liabilities

17 Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss

(€ million)	Financial liabilities held for trading		Financial liabilities designated as at fair value through profit or loss		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Financial liabilities related to investment contracts issued by insurance companies	0	0	7,454	17,491	7,454	17,491
where the investment risk is borne by the policyholders	0	0	6,094	16,220	6,094	16,220
pension funds	0	0	1,266	1,184	1,266	1,184
other financial liabilities related to investment contracts	0	0	94	87	94	87
Derivaties	867	1,246	0	0	867	1,246
Hedging derivatives	0	0	576	713	576	713
Other financial liabilities at FV	0	0	38	33	38	33
Total	**867**	**1,246**	**8,068**	**18,238**	**8,935**	**19,484**

18 Other financial liabilities

Other financial liabilities

(€ million)	31/12/2017	31/12/2016
Subordinated liabilities	**8,379**	**9,126**
Loans and bonds	**12,975**	**11,533**
Deposits received from reinsurers	607	577
Bonds	3,171	3,273
Other loans	3,269	2,240
Financial liabilities related to investment contracts issued by insurance companies	5,928	5,443
Liabilities to banks or customers	**12,027**	**11,272**
Liabilities to banks	423	506
Liabilities to customers	11,603	10,766
Total	**33,381**	**31,932**

The decrease of the item 'Subordinated liabilities' was attributable to early repayment on the subordinated perpetual obligation made on 8 February 2017 by Generali Finance B.V .

The increase in the total of the item 'Other loans' was attributable to the growth in repurchase agreements in relation to the hedging of exposure to exchange risk underwritten by some Group companies.

The main Group's financial liabilities at amortized cost are represented by senior bonds and subordinated liabilities. The following tables sort Senior and Subordinated liabilities into categories based on maturity, or first call date, when applicable. For each category of maturity, the undiscounted cash flows (including the related hedging derivatives), the book value and the fair value of financial liabilities are reported.

Subordinated liabilities - undiscounted cash flows

(€ million)	31/12/2017			31/12/2016		
	Undiscounted cash flow	Book value	Fair value	Undiscounted cash flow	Book value	Fair value
Up to 1 year	796	251	269	1,463	711	711
between 1 and 5 years	5,459	3,324	4,110	3,038	1,027	1,134
between 5 and 10 years	5,307	3,964	4,570	7,163	5,306	5,822
more than 10 years	893	840	982	2,254	2,081	2,164
Total subordinated liabilities	**12,454**	**8,379**	**9,930**	**13,918**	**9,126**	**9,831**

The following main subordinated issuances are included as part of the subordinated liabilities category:

Main subordinated issues

	Coupon	Outstanding (*)	Currency	Amortised cost(**)	Issue date	Call date	Maturity
Assicurazioni Generali	6.27%	350	GBP	392	16/06/2006	16/02/2026	Perp
Generali Finance B.V.	5.48%	869	EUR	0	08/02/2007	02/08/2017	Perp
Assicurazioni Generali	6.42%	495	GBP	555	08/02/2007	08/02/2022	Perp
Assicurazioni Generali	10.13%	750	EUR	748	10/07/2012	10/07/2022	10/07/2042
Assicurazioni Generali	7.75%	1,250	EUR	1,247	12/12/2012	12/12/2022	12/12/2042
Assicurazioni Generali	4.13%	1,000	EUR	990	02/05/2014	n.a.	04/05/2026
Generali Finance B.V.	4.60%	1,500	EUR	1,340	21/11/2014	21/11/2025	Perp
Assicurazioni Generali	5.50%	1,250	EUR	1,242	27/10/2015	27/10/2027	27/10/2047
Assicurazioni Generali	5.00%	850	EUR	840	08/06/2016	08/06/2028	08/06/2048

(*) in currency million.

(**) in € million.

Unquoted subordinated liabilities issued by Assicurazioni Generali S.p.A. and other subsidiaries are also classified in this category. Liabilities issued by Assicurazioni Generali S.p.A. in the form of private placement amount to a nominal value of € 1,000 million corresponding to an amortized cost of € 999 million. The remaining subordinated liabilities relate to securities issued by Austrian subsidiaries corresponding to an amortized cost of approximately € 26 million.

In February 2017, a subordinated bond issued by the Group in February 2007 was repaid for a nominal value of € 869 million, through the proceeds deriving from the issue of a subordinated bond for the total amount of € 850 million made in June 2016.

The fair value of subordinated liabilities amounts to € 9.930 million.

Senior bonds - undiscounted cash flows

(in milioni di euro)	31/12/2017			31/12/2016		
	Undiscounted cash flow	Book value	Fair value	Undiscounted cash flow	Book value	Fair value
Up to 1 year	201	0	0	224	48	48
between 1 and 5 years	1,820	1,438	1,520	1,931	1,500	1,606
between 5 and 10 years	1,929	1,733	2,238	2,019	1,724	2,238
more than 10 years	0	0	0	0	0	0
Total bond issued	**3,950**	**3,171**	**3,757**	**4,174**	**3,273**	**3,892**

The category of bonds includes several senior issues shown below:

Main senior bonds issues

Issuer	Coupon	Outstanding (*)	Currency	Amortised cost(**)	Issue date	Maturity
Assicurazioni Generali	5.13%	1,750	EUR	1,733	16/09/2009	16/09/2024
Assicurazioni Generali	2.88%	1,250	EUR	1,247	14/01/2014	14/01/2020

(*) in currency million.

(**) in € million.

The category of 'bonds issued' includes both the issues described in the table 'Main senior bonds issues' and a senior bond issued in May 2010, for a nominal amount of € 560 million (at 31 December 2017 the remaining amount was about € 192 million), to fund the tax recognition of goodwill related to the unusual transaction Alleanza Toro. This issue was classified as operating debt because the debt structure provides a perfect correlation between cash flows arising from their recognition of taxes and loan repayments both in terms of interest and of capital.

The fair value of bonds issued amounted to € 3,757 million.

Details on financial liabilities

The major monetary and non-monetary changes occurred during the period for the main items of financial liabilities (non-insurance) as well as for derivatives at fair value are shown below:

Other financial liabilities

(€ million)			Non monetary changes				
	Carrying amount as at 31.12 previous year	Cash-flows movements	Fair value changes	Changes in consolidation scope	Foreign currency translation effects	Other non cash movements	Carrying amount as at the end of the period Carrying amount as at the end of the period
Subordinated liabilities	9,126	-709	0	0	-38	0	8,379
Net position of hedging derivatives on subordinated liabilities	442	-99	36	0	-17	0	362
Bonds and other loans at long term	4,280	-334	0	-4	-6	-53	3,882
Derivatives and hedging derivatives classified as financial liabilities	1,517	-647	249	0	-39	0	1,081
REPO and other short term financial liabilities	1,181	1,359	0	0	-31	0	2,508
Other financial liabilites at fair value	33	1	4	0	0	0	38
Total	12,594	1,061	-289	-4	-19	-54	13,289

Other balance sheet items

19 Intangible assets

Intangible assets

(€ million)	31/12/2017	31/12/2016
Goodwill	**6,679**	**6,664**
Other intangible assets	**2,105**	**2,202**
Software	373	345
Value of in-force business arising from insurance business combination	773	835
Other intangible assets	959	1,023
Total	**8,784**	**8,866**

Other intangible assets

(€ million)	31/12/2017	31/12/2016
Gross book value as at 31 December previous year	**5,996**	**5,443**
Accumulated depreciation and impairment as at 31 December previous year	**-3,794**	**-3,459**
Carrying amount as at 31 December previous year	**2,202**	**1,985**
Foreign currency translation effects	28	8
Acquisitions of the period	165	322
Changes in consolidation scope	-58	29
Sales of the period	-4	-19
Amortization of the period	-259	-312
Impairment losses of the period	-2	-1
Other variations	33	190
Carrying amount as at the end of the period	**2,105**	**2,202**
Accumulated depreciation and impairment as at the end of the period	**4,087**	**3,794**
Gross book value as at the end of the period	**6,192**	**5,996**

Other intangible assets, which According to the IFRS 3 included the value of the insurance portfolio (or “The value in force”) acquired in business combinations, amounted to € 773 million. This amount was attributable to:
- the acquisitions which took place in 2006 of portfolios of Toro Group (€ 80 million net of accumulated amortisation) and in Central-Eastern Europe (€ 12 million net of accumulated amortization);
- the acquisition of the Ceška group, which brought a further activation of € 681 million, net of accumulated amortisation.

Deferred tax liabilities were accounted for with reference to the above mentioned intangible assets. Further information on calculation method are detailed in the paragraph ‘Other intangible assets’ of the section Basis for presentation and accounting principles.

20 Tangible assets

The main changes that occurred in the period and the fair value of the properties used for own activity by the Parent Company and its subsidiaries to run the activity are shown in the table below:

Land and buildings (Self used)

(€ million)	31/12/2017	31/12/2016
Gross book value as at 31 December previous year	**3,951**	**3,864**
Accumulated depreciation and impairment as at 31 December previous year	**-1,140**	**-1,020**
Carrying amount as at 31 December previous year	**2,810**	**2,844**
Foreign currency translation effects	-17	1
Acquisition of the period	36	52
Capitalized expenses	59	29
Changes in consolidation scope	45	7
Reclassifications	-56	-36
Sales of the period	-215	-33
Depreciation of the period	-53	-55
Impairment loss of the period	-3	-1
Reversal of impairment of the period	3	1
Carrying amount as at the end of the period	**2,606**	**2,810**
Accumulated depreciation and impairment as at the end of the period	**1,076**	**1,140**
Gross book value as at the end of the period	**3,682**	**3,951**
Fair value	**3,304**	**3,330**

The fair value of land and buildings (self-used) at the end of the reporting period was mainly based on external appraisals.

Other tangible assets

(€ million)	31/12/2017	31/12/2016
Gross book value as at 31 December previous year	**2,935**	**2,904**
Accumulated depreciation and impairment as at 31 December previous year	**-1,269**	**-1,279**
Carrying amount as at 31 December previous year	**1,666**	**1,625**
Foreign currency translation effects	-4	0
Acquisition of the period	100	202
Changes in consolidation scope	-21	0
Sales of the period	-61	-75
Amortization of the period	-88	-91
Net mpairment losses of the period	1	-3
Other variations	-125	8
Carrying amount as at the end of the period	**1,469**	**1,666**
Accumulated depreciation and impairment as at the end of the period	**1,237**	**1,269**
Gross book value as at the end of the period	**2,706**	**2,935**

Other tangible assets, which amounted to € 1,469 million (€ 1,666 million at 31 December 2016), mainly includes property inventories for an amount of € 856 million (mainly related to Citylife) and furniture, fittings and office equipment, net of accumulated amortisation and impairment losses (€ 334 million). The item 'Other changes' highlights the reclassification of some properties for which the completion stage was completed.

21 Receivables

Receivables

(€ million)	31/12/2017	31/12/2016
Recivables arising out of direct insurance operations	7,238	7,155
Recivables arising out of reinsurance operations	1,441	1,163
Other receivables	2,997	3,471
Receivables	**11,676**	**11,790**

The category included receivables arising out of the different activities of the Group, such as direct insurance and reinsurance operations.

The decrease in 'Other receivables' is entirely attributable to receivables related to derivative transactions.

22 Other assets

Other assets

(€ million)	31/12/2017	31/12/2016
Non-current assets or disposal groups classified as held for sale	16,146	772
Deferred acquisition costs	2,119	2,083
Tax receivables	2,961	2,974
Deferred tax assets	2,091	2,477
Other assets	6,853	7,108
Total	**30,170**	**15,414**

The item 'Non-current assets or disposal groups classified as held for sale' includes assets in the Netherlands and Ireland being sold. For more details on the item 'Non-current assets or disposal groups classified as held for sale', reference should be made to paragraph *Non-current assets or disposal group classified as held for sale.*

For details on deferred taxes please refer to paragraph *38 Income taxes* of the section Notes to the income statement.

23 Other provisions

Other provisions

(€ million)	31/12/2017	31/12/2016
Provisions for taxation	89	104
Provisions for commitments	612	611
Other provisions	1,249	1,089
Total	**1,950**	**1,804**

Provisions for commitments and other provisions include provisions for corporate restructuring, litigation or similar events as well as other commitments for which, at balance sheet date, an outflow of resources to settling the related obligation is considered probable and reliably estimated. In particular, the increase in 'Other provisions' is mainly attributable to provisions for restructuring in Germany.

The amounts recognized in the financial statements represents the best estimate of their value. In particular, in the assessment all the peculiarities of the specific provisions are taken into account, including the effective period of incurrence of the contingent liabilities and consequently the expected cash flows on the different estimates and assumptions.

The table below summarized the main changes occurred during the period:

Other provisions - main changes occurred during the period

(€ million)	31/12/2017	31/12/2016
Carrying amount as at 31 December previous year	**1,804**	**1,807**
Foreign currency translation effects	-1	-1
Changes in consolidation scope	-47	-1
Changes	194	-1
Carrying amount as at the end of the period	**1,950**	**1,804**

In the normal course of business, the Group may enter into arrangements that do not lead to the recognition of those commitments as assets and liabilities in the consolidated financial statements under IFRS (contingent assets and liabilities). For further information regarding contingent liabilities please refer to the paragraph *Contingent liabilities, commitments, guarantees, pledged assets and collaterals* in *Additional information*.

With reference to the requests for damages that Generali received in the arbitration proceedings promoted by Banco BTG Pactual S.A, the following developments are indicated.

In particular, Banco BTG Pactual SA, within the deadline set by the Arbitral Tribunal, on November 30, 2017, filed its first brief, containing the allegations supporting its claims for damages. These claims, strongly challenged by Generali, would be based, according to the counterparty, on the alleged violation of the representations, warranties and covenants assumed by the seller in the context of the sale of BSI S.A.

Generali is currently engaged in the analysis both in fact and in law of the complex litigation, as well as in the preparation of its first reply brief without prejudice to the preliminary objections already raised, which will be filed within the deadline set by the Arbitral Tribunal.

Taking into account the status of the arbitration proceedings and the legal opinions acquired in this regard, it is considered that the conditions of the probability and of the ability to make a reliable estimate that are required by IAS 37 to make any provisions for risks related to the abovementioned request for damages are not met.

It is therefore confirmed that, at present, it is not possible to reliably estimate both the outcome of the aforementioned arbitration proceedings and its timing.

24 Payables

Payables

(€ million)	31/12/2017	31/12/2016
Payables arising out of direct insurance operations	**3,602**	**3,465**
Payables arising out of reinsurance operations	**848**	**579**
Other payables	**6,043**	**5,506**
Payables to employees	1,113	1,118
Provision for defined benefit plans	103	106
Payables to suppliers	1,297	1,185
Social security	268	242
Other payables	3,263	2,855
Total	**10,494**	**9,550**

The category mainly included payables related to collateral as guarantee of derivative operations. In particular, the increase in 'Other payables' is entirely attributable to payables related to derivative operations.

25 Other liabilities

Other liabilities

(€ million)	31/12/2017	31/12/2016
Liabilities directly associated to non-current assets and disposal groups classified as held for sale	15,745	702
Deferred tax liabilities	2,642	2,616
Tax payables	1,487	1,644
Other liabilities	5,779	6,307
Total	**25,653**	**11,269**

The item 'liabilities directly associated to non-current assets and disposal groups classified as held for sale' includes assets in the Netherlands and Ireland being sold. For further details on the item 'liabilities directly associated to non-current assets and disposal groups classified as held for sale', reference should be made to paragraph *Non-current assets or disposal group classified as held for sale*.

Other liabilities include liabilities related to defined employee benefit plans amounting to € 3,928 million (€ 4,194 million at 31 December 2016).

For details on deferred taxes please refer to paragraph *38 Income taxes* of the section *Notes to the income statement*.

Notes to the income statement

Income

26 Net earned premiums

Net earned premiums

(€ million)	Gross amount		Reinsurers' share		Net amount	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-life earned premiums	**20,701**	**20,489**	**-1,040**	**-1,043**	**19,661**	**19,446**
Premiums written	20,746	20,503	-999	-995	19,747	19,508
Change in the provision for unearned premiums	-45	-14	-41	-49	-86	-63
Life premiums	**45,662**	**46,244**	**-719**	**-746**	**44,943**	**45,498**
Other premiums written	**0**	**0**	**0**	**0**	**0**	**0**
Total	**66,363**	**66,733**	**-1,759**	**-1,789**	**64,604**	**64,944**

27 Fee and commissions income and income from financial service activities

Fee and commissions income from financial services activities

(€ million)	31/12/2017	31/12/2016
Fee and commission income from banking activity	167	137
Fee and commission income from asset management activity	742	655
Fee and commission income related to investment contracts	135	134
Fee and commission income related to pension funds management	18	19
Other fees and commission income	17	15
Total	**1,080**	**959**

28 Net income from financial asset at fair value through profit and loss

Net income from financial asset at fair value through profit or loss

(€ million)	Financial investments held for trading		Financial investments back to policies where the investment risk is borne by the policyholders and related to pension funds		Financial investments designated at fair value through profit or loss		Total financial investments at fair value through profit or loss	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Interest income	10	41	530	401	404	489	944	931
Realized gains	539	401	498	367	54	23	1,091	791
Realized losses	-213	-287	-267	-453	-69	-91	-549	-832
Unrealized gains	1,241	949	5,525	5,291	541	629	7,308	6,868
Unrealized losses	-913	-1,389	-2,180	-3,898	-375	-686	-3,468	-5,973
Total	**664**	**-286**	**4,107**	**1,706**	**555**	**364**	**5,326**	**1,784**

The net income from financial assets at fair value through profit or loss mainly referred to the life segment (€ 5,197 million). This item is not material for non-life segment (€ 114 million) and for the holding and other businesses segment (€ 14 million).

29 Income and expenses from subsidiaries, associated companies and joint venture

Income and expenses from subsidiaries, associated companies and joint ventures

(€ million)	31/12/2017	31/12/2016
Dividends and other income	110	111
Realized gains	22	7
Reversal of impairment	3	14
Total	**135**	**131**

Income from other financial instruments and land and buildings (investment properties)

Income from other financial instruments and land and buildings (investment properties)

(€ million)	31/12/2017	31/12/2016
Interest income	**9,542**	**9,878**
Interest income from held to maturity investments	88	93
Interest income from loans and receivables	1,459	1,671
Interest income from available for sale financial assets	7,953	8,067
Interest income from other receivables	10	6
Interest income from cash and cash equivalents	32	42
Other income	**2,221**	**2,043**
Income from land and buildings (investment properties)	868	852
Other income from available for sale financial assets	1,353	1,190
Realized gains	**2,881**	**2,604**
Realized gains on land and buildings (investment properties)	163	169
Realized gains on held to maturity investments	0	0
Realized gains on loans and receivables	332	345
Realized gains on available for sale financial assets	2,385	2,088
Realized gains on other receivable	0	0
Realized gains on financial liabilities at amortised cost	2	2
Reversal of impairment	**237**	**258**
Reversal of impairment of land and buildings (investment properties)	54	88
Reversal of impairment of held to maturity investments	1	1
Reversal of impairment of loans and receivables	22	39
Reversal of impairment of available for sale financial assets	77	37
Reversal of impairment of other receivables	82	92
Total	**14,880**	**14,782**

31 Other income

Other income

(€ million)	31/12/2017	31/12/2016
Gains on foreign currencies	1,064	1,085
Income from tangible assets	372	190
Reversal of other provisions	297	164
Leasing fees	0	0
Income from service and assistance activities and recovery of charges	590	559
Income from non-current assets or disposal group classified as held for sale	0	0
Other technical income	705	827
Other income	151	91
Total	**3,180**	**2,916**

EXPENSES

32 Net insurance benefits and claims

Net insurance benefits and claims

(€ million)	Gross amount		Reinsurers' share		Net amount	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-life net insurance benefits and claims	**13,874**	**13,020**	**-1,071**	**-357**	**12,804**	**12,663**
Claims paid	13,331	13,116	-738	-552	12,593	12,564
Change in the provisions for outstanding claims	502	-67	-332	194	170	127
Change in claims paid to be recovered	11	-55	0	1	11	-54
Change in other insurance provisions	30	26	0	0	30	26
Life net insurance benefits and claims	**53,500**	**51,538**	**-556**	**-584**	**52,945**	**50,954**
Claims payments	36,722	35,375	-510	-531	36,212	34,844
Change in the provisions for outstanding claims	281	363	-32	-37	249	326
Change in the mathematical provisions	7,099	11,754	-15	3	7,084	11,757
Change in the provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	8,557	3,406	0	1	8,558	3,407
Change in other insurance provisions	841	640	1	-20	842	620
Total	**67,374**	**64,558**	**-1,626**	**-942**	**65,748**	**63,616**

33 Fee and commissions expenses and expenses from financial service activities

Fee and commissions expenses and expenses from financial service activities

(€ million)	31/12/2017	31/12/2016
Fee and commission expenses from banking activity	379	334
Fee and commission expenses from asset management activity	155	192
Fee and commission expenses related to investment contracts	62	74
Fee and commission expenses related to pension funds management	12	11
Total	**608**	**611**

34 Expenses from subsidiaries, associated companies and joint ventures

Expenses from subsidiaries, associated companies and joint ventures

(€ million)	31/12/2017	31/12/2016
Realized losses	4	17
Impairment losses	14	27
Total	**18**	**43**

35 Expenses from other financial instruments and land and buildings (investment properties)

Expenses from other finncial instruments and land and buildings (investment properties)

(€ million)	31/12/2017	31/12/2016
Interest expense	**1,029**	**1,088**
Interest expense on subordinated liabilities	558	605
Interest expense on loans, bonds and other payables	361	345
Interest expense on deposits received from reinsurers	15	17
Other interest expense	94	120
Other expenses	**388**	**350**
Other expenses on financial instruments	0	0
Depreciation of land and buildings (investment properties)	184	173
Expenses from land and buildings (investment properties)	205	177
Realized losses	**612**	**471**
Realized losses on land and buildings (investment properties)	12	27
Realized losses on held to maturity investments	0	0
Realized losses on loans and receivables	51	15
Realized losses on available for sale financial assets	546	424
Realized losses on other receivables	3	4
Realized losses on financial liabilities at amortized cost	0	0
Impairment losses	**755**	**1,494**
Impairment of land and buildings (investment properties)	27	41
Impairment on held to maturity investments	3	1
Impairment of loans and receivables	207	264
Impairment of available for sale financial assets	479	1,136
Impairment of other receivables	40	52
Total	**2,784**	**3,403**

36 Acquisition and administration costs

Acquisition and administration costs

(€ million)	Non-life segment		Life segment		Holding and other businesses	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Net acquisition costs and other commissions	4,381	4,186	3,741	3,778	0	0
Investment management expenses(*)	78	66	307	326	82	46
Other administration costs	1,103	1,139	1,019	974	453	433
Total	**5,562**	**5,390**	**5,067**	**5,079**	**535**	**479**

(*) Before the elimination of intra-group transactions between segments.

The item "other administration costs" includes expenses related to real estate activity which, overall, increased amounting to € 63 million (€ 53 million at 31 December 2016), focusing mainly in the holding and other businesses segment for an amount of € 46 million.

In the Property&Casualty segment, non-insurance administration expenses, equal to € 14 million, increased compared to the previous year (€ 8 million at 31 December 2016) following the trend of the expenses related to real estate activity, amounting to € 12 million (€ 6 million at 31 December 2016), partially due to the increase of brokerage and promotional expenses related to the Citylife commercial pole.

Within "other administrative costs" of the Life segment, the investment management expenses amounted to € 62 million (€ 61 million at 31 December 2016), the non-insurance management expenses amounted to € 6 million (€ 7 million at 31 December 2016) and are mainly refer to real estate activities.

37 Other expenses

Other expenses

(€ million)	31/12/2017	31/12/2016
Amortization and impairment of intangible assets	325	344
Amortization of tangible assets	85	91
Expenses from tangible assets	172	159
Losses on foreign currencies	1,999	801
Restructuring charges, termination employee benefit expenses and allocation to other provisions	714	433
Other taxes	221	209
Expenses from service and assistance activities and charges incurred on behalf of third parties	342	372
Expenses from non-current assets or disposal group classified as held for sale	0	0
Other technical expenses	499	653
Holding costs	537	529
Other expenses	597	441
Total	**5,493**	**4,032**

38 Income taxes

This item shows the income taxes due by the Italian and the foreign consolidated companies by applying the income tax rates and rules in force in each country.

The components of the income tax expense for 2017 and 2016 are as follow:

Income taxes

(€ million)	31/12/2017	31/12/2016
Income taxes	829	1,021
Deferred taxes	344	-106
Total taxes of period	**1,173**	**915**
Income taxes on discontinued operations	1,306	1,061
Total income taxes	**2,479**	**1,977**

In Italy, with respect to the 2017 fiscal year, income taxes are calculated by using the ordinary corporate income tax rate of 24%. Furthermore, income taxes of Italian companies include the regional tax on productive activities (IRAP), which was computed – in respect of insurance companies – at the ordinary tax rate generally equal to 6.82%.

Income realised in Germany is subject to the corporate income tax - which is calculated on a rate of 15% plus a solidarity surcharge of 5.5% - and the trade tax (Gewerbesteuer). The trade tax rate varies depending on the municipality in which the company is situated. In 2017 the weighted average tax rate remained substantially unchanged at approximately 16.2%.

In France, income taxes are calculated by using an overall corporate income tax rate of 34.43%. In particular, this overall rate includes the basic rate expected in the tax on corporate income, equal to 33.33%, increased by an additional (contribution sociale) of 3.3% and a further additional temporary always calculated with reference the standard rate. In 2017, large corporations are subject to an extraordinary surcharge of 10%. As a result, with respect to such large corporations, income taxes are calculated by using an overall corporate income tax rate of 44.43%.

All other foreign subsidiaries apply their national tax rates, including: Austria (25%), Belgium (34%), Bulgaria (10%), China (25%), Czech Republic (19%), Netherlands (25%), Romania (16%), Spain (25%), Switzerland (22%) and United States (35%).

The following table shows a reconciliation from the theoretical income tax expense, by using the Italian corporate income tax rate of 24%, to the effective tax rate.

Reconciliation from theoretical income tax expenses to the effective tax rate

(€ million)	31/12/2017	31/12/2016
Expected income tax rate	**24.0%**	**27.5%**
Earning before taxes	**3,686**	**3,115**
Expected income tax expense	**885**	**856**
Effect of permanent differencies and foreign tax rate differential	186	-170
Effect of fiscal losses	-4	-6
IRAP, trade tax and other local income taxes	154	164
Substitute taxes	69	74
Foreign withholding taxes not recoverable	49	20
Income taxes for prior years	-179	-58
Other	14	0
Tax expenses	**1,173**	**915**
Effective tax rata	**31.8%**	**29.4%**

With respect to the 2017 fiscal year, the effective tax rate increased to 2.4 basis points compared to the previous fiscal year and amounted to 31.8%. This increase is mainly due to the above mentioned extraordinary surcharge on large corporations in France and the extraordinary repatriation tax introduced in USA on undistributed foreign earnings.

Fiscal losses carried forward are recognised to the extent that future taxable income will be sufficient to offset the amount of the losses before their expiration.

Fiscal losses carried forward as of 31 December 2017 and 2016 are scheduled according to their expiry periods as follows.

Fiscal losses

(€ million)	31/12/2017	31/12/2016
2017	0	0
2018	0	0
2019	1	0
2020	2	0
2021	2	24
2022	28	0
2023	0	0
2024	12	0
2025 and over	28	0
Unlimited	890	944
Fiscal losses carried forward	**963**	**968**

With regards to fiscal losses, it is worth noting that Italian Law by Decree 98/2011 introduced that fiscal losses can be carried forward with no time limits (as opposed to the previous five year limitation). Losses from a given year may, however, only be used to offset up to 80% of the taxable income of any following fiscal year.

Deferred income taxes are calculated on the temporary differences between the carrying amounts of assets and liabilities reported in the financial statements and their tax base, by using the tax rates applicable at the expected time of realisation according to each country's current legislation. In particular, with regard to Italian companies, in 2017 fiscal year, the deferred taxes have been determined taking into account the reduction in the corporate income tax rate (IRES) at 24%, as provided by Law no. 208/2015.

The ultimate realisation of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible.

Furthermore, in making this assessment, management considers the scheduled reversal of deferred tax liabilities and tax planning strategies.

Assessments show that deferred tax assets will be recovered in the future through either (i) expected taxable income of each consolidated company or (ii) expected taxable income of other companies included in the same tax group (e.g. "Consolidato fiscale" in Italy, "Steuerliche Organschaft" in Germany and "Régime d'intégration fiscale" in France).

Deferred taxes as of 31 December 2017 and 2016 are related to the following assets and liabilities.

Net deferred tax assets

(€ million)	31/12/2017	31/12/2016
Intangible assets	113	119
Tangible assets	102	74
Land and buildings (investment properties)	563	614
Available for sale financial assets	4,980	5,552
Other investments	203	336
Deferred acquisition costs	11	16
Other assets	336	324
Fiscal losses carried forward	61	77
Allocation to other provisions and payables	487	623
Insurance provisions	488	538
Financial liabilities and other liabilities	729	976
Other	178	275
Total deferred tax assets	**8,252**	**9,524**
Netting	-6,161	-7,047
Total net deferred tax assets	**2,091**	**2,477**

Net deferred tax liabilities

(€ million)	31/12/2017	31/12/2016
Intangible assets	149	205
Tangible assets	98	102
Land and buildings (investment properties)	339	394
Available for sale financial assets	6,513	7,280
Other investments	313	247
Deferred acquisition costs	433	403
Other assets	44	52
Other provisions and payables	80	94
Insurance provisions	855	597
Financial liabilities and other liabilities	-147	173
Other	126	117
Total deferred tax liabilities	**8,803**	**9,663**
Netting	-6,161	-7,047
Total net deferred tax liabilities	**2,642**	**2,616**

Fair value measurement

IFRS 13 - Fair Value Measurement provides guidance on fair value measurement and requires disclosures about fair value measurements, including the classification of financial assets and liabilities in the levels of fair value hierarchy.

With reference to the investment, Generali Group measures financial assets and liability at fair value of in the financial statements, or discloses it in the notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In particular, an orderly transaction takes place in the principal or most advantageous market at the measurement date under current market conditions.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

(a) in the principal market for the asset or liability; or

(b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value is equal to market price if market information are available (i.e. relative trading levels of identical or similar instruments) into an active market, which is defined as a market where the items traded within the market are homogeneous, willing buyers and sellers can normally be found at any time and prices are available to the public.

If there isn't an active market, it should be used a valuation technique which however shall maximise the observable inputs.

If the fair value cannot be measured reliably, amortized cost is used as the best estimate in determining the fair value.

As for measurement and disclosure, the fair value depends on its unit of account, depending on whether the asset or liability is a stand-alone asset or liability, a group of assets, a group of liabilities or a group of assets and liabilities in accordance with the related IFRS.

The table below illustrates both the carrying amount and the fair value of financial assets and liabilities recognised in the balance sheet at 31 December 2017[1].

1 With reference to investments in subsidiaries, associates and joint ventures, the book value, based on the fraction of equity for associates and interests in joint ventures or on cost adjusted for any impairment losses for non-consolidated subsidiaries, was used as a reasonable proxy of their fair value.

Carrying amount and Fair value

(€ million)	31/12/2017	
	Total carrying amount	Total fair value
Available for sale financial assets	320,641	320,641
Financial assets at fair value through profit or loss	18,526	18,526
Held to maturity investments	2,267	2,319
Loans	38,712	42,906
Land and buildings (investment properties)	12,993	19,763
Own used land and buildings	2,606	3,304
Investments in subsidiaries, associated companies and joint ventures	1,171	1,171
Cash and cash equivalents	6,849	6,849
Investments back to unit and index-linked policies	75,372	75,372
Total investments	**479,137**	**490,852**
Financial liabilities at fair value through profit or loss	8,935	8,935
Other liabilities	14,820	16,959
Liabilities to banks or customers	12,027	12,027
Total financial liabilities	**35,781**	**37,920**

From the table above, in line with IFRS 13 definitions, the following items, part of below mentioned balance sheet categories, are excluded:

- Loans and receivables: reinsurance deposits provided and term deposits;
- Other financial liabilities: reinsurance deposits received and liabilities arising from investment contracts measured at cost sold by insurance entities.

39 Fair value hierarchy

Assets and liabilities measured at fair value in the consolidated financial statements are measured and classified in accordance with the fair value hierarchy in IFRS13, which consists of three levels based on the observability of inputs within the corresponding valuation techniques used. The fair value hierarchy levels are based on the type of inputs used to determine the fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; market-corroborated inputs).
- Level 3 inputs are unobservable inputs for the asset or liability, which reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk (of the model used and of inputs used).

The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability.

A fair value measurement developed using a present value technique might be categorised within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorised.

If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorised within the level attributable to the input with the lowest level utilized.

Adequate controls have been set up to monitor all measurements including those provided by third parties. If these checks show that the measurement is not considered as market corroborated the instrument must be classified in level 3.

The table shows the classification of financial assets and liabilities measured at fair value among the levels of fair value hierarchy as defined by IFRS13.

Fair Value Hierarchy

31/12/2017	Level 1	Level 2	Level 3	Total
Available for sale financial assets	280,744	34,205	5,693	320,641
Equities	7,913	837	1,313	10,063
Bonds	255,330	30,070	893	286,293
Investment funds units	16,925	2,922	358	20,205
Other assets available for sale financial	576	376	3,128	4,080
Financial assets at fair value through profit or loss	85,528	6,844	1,526	93,897
Equities	41	3	43	88
Bonds	3,178	1,473	84	4,735
Investment fund units	10,250	839	205	11,294
Derivatives	18	1,881	11	1,910
Hedging derivatives	0	355	0	355
Investments back to policies where the risk is borne by the policyholders	72,040	2,219	1,113	75,372
Other assets at fair value through profit or loss	0	74	69	144
Total assets at fair value	**366,272**	**41,049**	**7,218**	**414,539**
Financial liabilities at fair value through profit or loss	6,505	2,371	58	8,935
Financial liabilities related to investments contracts issued by insurance companies	6,501	896	57	7,454
Derivatives	0	866	0	867
Hedging derivatives	0	576	0	576
Other finanical liabilities	3	34	2	38
Total liabilities at fair value	**6,505**	**2,371**	**58**	**8,935**

Fair Value Hierarchy: comparative period

31/12/2016	Level 1	Level 2	Level 3	Total
Available for sale financial assets	272,311	34,745	6,877	313,933
Equities	6,790	691	1,711	9,192
Bonds	247,655	31,243	2,006	280,903
Investment funds units	17,247	2,453	709	20,409
Other assets available for sale financial	620	359	2,450	3,429
Financial assets at fair value through profit or loss	79,707	13,599	1,807	95,114
Equities	19	4	34	57
Bonds	3,741	1,640	124	5,505
Investment fund units	8,427	395	289	9,111
Derivatives	12	1,429	3	1,444
Hedging derivatives	0	367	0	367
Investments back to policies where the risk is borne by the policyholders	67,508	9,528	1,280	78,317
Other assets at fair value through profit or loss	0	236	77	314
Total assets at fair value	**352,019**	**48,345**	**8,684**	**409,047**
Financial liabilities at fair value through profit or loss	16,546	2,882	56	19,484
Financial liabilities related to investments contracts issued by insurance companies	16,538	906	46	17,491
Derivatives	5	1,240	1	1,246
Hedging derivatives	0	706	7	713
Other financial liabilities	2	30	2	33
Total liabilities at fair value	**16,546**	**2,882**	**56**	**19,484**

40 Transfers of financial instruments measured at fair value between Level 1 and Level 2

Generally transfers between levels are attributable to changes in market activities and observability of the inputs used in valuation techniques to determine the fair value of certain instruments.

Financial assets and financial liabilities are mainly transferred from level 1 to level 2 when the liquidity and the frequency of transactions are no longer indicative of an active market. Conversely, for transfers from level 2 to level 1.

The transfers were as follows:

- from level 2 to level 1 € 1,914 million and from level 1 to level 2 € 834 million of government and corporate bonds, mainly due to the different availability of information on their value and price;
- from level 2 to level 1 € 81 million and from level 1 to level 2 € 1,034 million of IFU classified as available for sale and designated at fair value through profit or loss, mainly due to the different availability of information on the market activity and price source;
- from level 2 to level 1 € 422 million of investments back to policies where the risk is borne by the policyholders for the same reasons of the latter point.

41 Additional information on level 3

The amount of financial instruments classified in Level 3 represents 1.7% of total financial assets and liabilities at fair value, slightly decreasing compared to 31 December 2016.

Generally, the main inputs used in valuation techniques are volatility, interest rates, yield curves, credit spreads, dividend estimates and exchange rates.

The more significant assets classified within Level 3 are the following:

– Unquoted equities

It includes unquoted equity securities, mainly classified into available for sale. Their fair value is determined using the valuation methods described above or based on the net asset value of the company. These contracts are valued individually using appropriate input depending on the security and therefore neither a sensitivity analysis nor an aggregate of unobservable inputs used would be indicative of the valuation.

In addition, for certain securities the amortized cost is considered to be a reasonable proxy for fair value, and does not therefore apply a sensitivity analysis.

– IFU funds, private equity and hedge funds

It includes unquoted IFU funds, private equity and hedge funds, which are classified into available for sale and fair value through profit or loss. Their fair value is substantially provided by the fund administrators on the basis of the net asset value of the fund. The fair value of these investments is closely monitored by a team of professionals inside the Group.

Being the asses described, by their nature, on a straight-line basis sensitive to changes in the value of the underlying assets, the Group considers that, for a given change in the fair value of the underlying of such assets, their value undergoes a similar variation.

For more details on the nature of Group funds please refer to the section Investments in the Notes

– Bonds

Are corporate bonds, classified into available for sale and fair value through profit or loss. Their fair value is mainly determined based on the market or income approach. In terms of sensitivity analysis any changes in the inputs used in the valuation do not cause a significant impact on the fair value at the Group level considering the lack of materiality of these securities classified in level 3.

Moreover, given the analyses described above, the Group has decided to classify all the *asset-backed securities* items in Level 3 considering that their evaluation is generally not corroborated by market inputs. For what regards prices provided by providers or counterparties, bonds for which it is not possible to replicate the price using market inputs have been classified in Level 3. Therefore, given the lack of information concerning the inputs used for the determination of the price, the Group is not able to perform a sensitivity analysis on this bonds.

– Financial assets where the investment risk is borne by the policyholders and related to pension funds

Their fair value is determined using the valuation methods and observations on sensitivity analysis and input described above.

The following table shows a reconciliation of financial instruments measured at fair value and classified as level 3. In particular, as mentioned above, the transfers highlighted with reference to Level 3 are attributable to a more precise allocation among levels due to a better analysis of the inputs used in the valuation primarily of unquoted equities.

Rollforward of financial instruments classified as level 3

(€ million)	Carrying amount at the beginning of the period	Purchases and issues	Net transfers in (out of) Level 3	Disposals through sales and settlements
Available for sale assets	**6,877**	**1,378**	**-1,051**	**-1,471**
- Equities	1,711	307	-228	-469
- Bonds	2,006	81	-422	-444
- Investment fund units	709	91	-401	-297
- Other available for sale financial assets	2,450	899	0	-261
Financial assets at fair value through profit or loss	**1,807**	**57**	**-203**	**-222**
- Equities	34	0	0	0
- Bonds	124	4	-6	-37
- Investment fund units	289	15	0	-97
- Derivatives	3	11	0	0
- Hedging derivatives	0	0	0	0
Investments back to policies where the investment risk is borne by the policyholders	1,280	28	-197	-87
Other assets at fair value through profit or loss	77	0	0	-1
Total assets at fair value	**8,684**	**1,436**	**-1,254**	**-1,693**
Financial liabilities at fair value through profit or loss	**56**	**15**	**0**	**0**
- Financial liabilities related to investment contracts issued by insurance companies	46	15	0	0
- Derivatives	1	0	0	0
- Hedging derivatives	7	0	0	0
Other financial liabilities	2	0	0	0
Total liabilities at fair value	**56**	**15**	**0**	**0**

Net unrealised gains and losses recognized in P&L	Net unrealised gains and losses recognized in OCI	Other changes	Carrying amount at the end of the period	Net impairment loss of the period recognised in P&L	Net realised gains of the period recognised in P&L
0	**-103**	**63**	**5,693**	**384**	**-138**
0	56	-65	1,313	26	-92
0	-283	-45	893	286	3
0	32	223	358	66	-49
0	91	-50	3,128	6	0
162	**0**	**-76**	**1,526**	**-**	**-1**
0	0	10	43	-	0
0	0	0	84	-	0
7	0	-9	205	-	0
-3	0	0	11	-	0
0	0	0	0	-	0
158	0	-69	1,113	-	-1
0	0	-7	69	-	0
162	**-103**	**-13**	**7,218**	**-**	**-139**
-7	**0**	**-6**	**58**	**-**	**-1**
0	0	-5	57	-	0
0	0	-1	0	-	-1
-7	0	0	0	-	0
0	0	0	2	-	0
-7	**0**	**-6**	**58**	**-**	**-1**

42 Information on fair value hierarchy of assets and liabilities not measured at fair value

The table here below provides information on the fair value hierarchy for the main investment classes and financial liabilities.

Fair Value Hierarchy of assets and liabilities not measured at fair value

31/12/2017	Level 1	Level 2	Level 3	Total
Held to maturity investments	1,511	808	0	2,319
Loans	3,582	31,347	6,417	41,345
Debt securities	3,567	24,224	51	27,842
Other loans	15	7,122	6,366	13,503
Receivables from banks and customers	0	1,020	541	1,561
Investments in subsidiaries, associated companies and joint ventures	0	0	1,171	1,171
Land and buildings (investment properties)	0	0	19,763	19,763
Own used land and buildings	0	0	3,304	3,304
Total assets	**5,093**	**33,175**	**31,197**	**69,464**
Other liabilities	12,377	2,756	1,828	16,960
Subordinated liabilities	8,817	24	1,092	9,933
Senior debt	3,553	198	7	3,757
Other debt	7	2,534	729	3,270
Liabilities to banks and customers	15	6,924	5,087	12,027
Total liabilities	**12,392**	**9,680**	**6,915**	**28,987**

Fair Value Hierarchy of assets and liabilities not measured at fair value

31/12/2016	Level 1	Level 2	Level 3	Total
Held to maturity investments	1,324	948	0	2,272
Loans	4,452	33,794	7,263	45,509
Debt securities	4,443	28,636	120	33,198
Other loans	9	5,158	7,143	12,311
Receivables from banks and customers	0	993	710	1,703
Investments in subsidiaries, associated companies and joint ventures	0	0	1,194	1,194
Land and buildings (investment properties)	0	0	18,522	18,522
Own used land and buildings	0	0	3,321	3,321
Total assets	**5,776**	**35,735**	**31,010**	**72,521**
Other liabilities	12,286	1,510	2,164	15,960
Subordinated liabilities	8,697	25	1,111	9,834
Senior debt	3,581	262	48	3,892
Other debt	8	1,222	1,004	2,235
Liabilities to banks and customers	10	6,267	5,000	11,277
Total liabilities	**12,297**	**7,777**	**7,164**	**27,237**

– Held to maturity investments

The category includes primarily bonds, which valuation is above described. If the fair value cannot be reliably determined, the amortized cost is used as the best estimate for the determination of fair value.

– Loans

The category includes bonds, which valuation is described above, mortgages and other loans .

In particular, mortgages and other loans are valued on the basis of future payments of principal and interest discounted at the interest rates for similar investments by incorporating the expected future losses or alternatively discounting (with risk-free rate) to the probable future cash flows considering market or entity- specific data (ie probability of default). These assets are classified as level 2 or 3 depending on whether or not the inputs are corroborated by market data.

If the fair value cannot be reliably determined, the amortized cost is used as the best estimate for the determination of fair value.

– Receivables from banks or customers

Considering their nature, the amortized cost is generally considered a good approximation of fair value and therefore classified within level 3. If appropriate, they are valued at market value, considering observable inputs, and therefore classified within level 2.

– Land and buildings (investment and self-used properties)

These assets 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. Based on the analysis of inputs used for valuation, considering the limited cases where the inputs would be observable in active markets, the Group proceeded to classify the whole category at level 3.

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.

The fair value of land and buildings (investment properties) is mainly based on external appraisals based on methods described above.

– Investments in subsidiaries, associated companies and joint ventures

The carrying amount, based on the share of equity for associates and interests in joint ventures or on cost adjusted for eventual impairment losses for non-consolidated subsidiaries, is used as a reasonable estimate of the related fair value and, therefore, these investments are classified in level 3.

– Subordinated debts, loans and bonds and liabilities to banks and customers

Generally, if available and if the market is defined as active, fair value is equal to the market price.
The fair value is determined primarily on the basis of the income approach using discounting techniques. In particular, the fair value of debt instruments issued by the Group are valued using discounted cash flow models based on the current marginal rates of the Group financing for similar types of instruments, with maturities consistent with the residual maturity of the debt instruments subject to valuation.
If measured at amortized cost as an approximation of fair value, they are classified in Level 3.

Additional information

43 Information on employees

Employees

	31/12/2017	31/12/2016
Managers	1,816	1,781
Employees	52,339	53,498
Sales attendant	16,958	18,238
Others	214	210
Total	**71,327**	**73,727**

The number of employees decreased mainly due to specific reorganization projects in the main countries in which the Group operates and due to disposal of some Group companies during the year.

44 Provisions for defined benefit plans

The 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 a defined pension benefits either by the employers or via external entities.

The main defined benefits plans are concentrated in Germany, Austria and Switzerland, while in Italy the provision for Trattamento di fine rapporto (employee severance pay) matured until 1st January 2007 is included in the provisions for defined benefit plan for € 103 million.

The table below shows the movements in the defined benefit plans liability which occurred during the financial year, net of assets legally separate and held solely to pay or fund employee benefits:

Net defined benefit plans liabilities: movements

(€ million)	31/12/2017	31/12/2016
Net liability as at 31 December previous year	**4,298**	**3,932**
Foreign currency translation effects	-12	2
Net expense recognised in the income statement	130	188
Re-measurements recognised in Other Comprehensive Income	-71	380
Contributions and benefits paid	-171	-191
Changes in consolidation scope and other changes	-172	-12
Net liability as at 31 December current year	**4,001**	**4,298**

The item "Change in consolidation scope and other changes" mainly reflects the classification of the Dutch operations "disposal groups classified as held for sale", in application of IFRS 5. This is combined with the reclassification as defined benefit liabilities of a pension plan, which meet the requirements required by IAS 19, previously treated as a defined contribution liability.

Part of the Group's defined benefit plans have assets that are designated, but not legally segregated, to meet the pension defined benefit obligations. These are investments backing insurance provisions or policies issued by Generali Group companies, or other investments owned by the Group entities. Consequently, in accordance with IAS 19, these investments are not recognised as plan assets and so cannot be deducted from the defined benefit obligations. However, to assess the net liability for defined benefit plans, these assets should have been netted against the present value of the related pension obligations.

In Germany and Austria, where is allocated approximately 88% of the present net value of defined benefit obligations, the pension guarantee associations, for yearly contributions to be paid by the companies, are liable for the fulfilment of the pension commitments granted in case of company insolvency.

The net defined benefit plans expense of the year recognised in the profit or loss account is represented as follows:

Net defined benefit plans expenses recognised in profit or loss (*)

(€ million)	31/12/2017	31/12/2016
Current service cost	87	124
Net interest	68	83
Past service cost	-25	-28
Losses (gains) on settlements	0	1
Net expense recognised in the income statement	**129**	**181**

(*) Comparative figures are presented on homogeneous scope, excluding contribution from activities classified as held for sale

The re-measurement of liabilities related to defined benefit plans and plan assets, recognised in Other comprehensive income are detailed as follows:

Re-measurements recognised in Other Comprehensive Income (*)

(€ million)	31/12/2017	31/12/2016
Actuarial gains (losses) from change in financial assumptions	0	-387
Actuarial gains (losses) from change in demographical assumptions	-6	-8
Actuarial gains (losses) from experience	41	29
Return on plan assets (other than interest)	36	16
Re-measurements recognised in Other Comprehensive Income	**71**	**-350**

(*) Comparative figures are presented on homogeneous scope, excluding contribution from activities classified as held for sale

The substantial stability compared to the previous year of the benchmark interest rates, as required in application of IAS 19 for the determination of the discount rate applicable to the valuation of these liabilities, determines the absence of actuarial losses during the period, on the contrary to what observed during the previous year.

The amounts reported are gross of deferred taxes and deferred policyholders liabilities, where applicable.

The table below shows the movements in the defined benefit obligation during the financial year and the current value of the plan assets:

Present value of defined benefit obligation: movements

(€ million)	31/12/2017	31/12/2016
Defined benefit obligation as at 31 December previous year	**5,313**	**4,928**
Foreign currency translation effects	-65	7
Current Service cost	87	127
Past service cost	-25	-28
Interest expense	81	102
Actuarial losses (gains)	-35	396
Losses (gains) on settlements	0	1
Contribution by plan participants	9	10
Benefits paid	-201	-217
Changes in consolidation scope and other variation	-48	-15
Defined benefit obligation as at 31 December current year	**5,116**	**5,313**

The item "Change in consolidation scope and other changes" mainly reflects the classification of the Dutch operations "disposal groups classified as held for sale", in application of IFRS 5. This is combined with the reclassification as defined benefit liabilities of a pension plan, which meet the requirements required by IAS 19, previously treated as a defined contribution liability.

Current value of plan assets: movements

(€ million)	31/12/2017	31/12/2016
Defined benefit obligation as at 31 December previous year	**1,015**	**997**
Foreign currency translation effects	-53	5
Interest income	14	15
Return on plan assets (other than interest)	36	16
Gains (losses) on settlements	0	0
Employer contribution	25	22
Contribution by plan participants	9	10
Benefits paid	-55	-48
Changes in consolidation scope and other changes	123	-2
Fair value of plan assets as at 31 December	**1,116**	**1,015**

The item "Change in consolidation scope and other changes" mainly reflects the reclassification of assets backing the defined benefit liabilities of a pension plan reclassified from defined contribution liability, as described above.

The defined benefit plans' weighted-average asset allocation by asset category is as follows:

Defined benefit plans: asset allocation

(%)	31/12/2017	31/12/2016
Bonds	46.4	53.4
Equities	15.8	12.3
Real estate	12.5	12.9
Investment fund units	11.5	9.7
Insurance policies issued by non Group insurers	2.8	1.3
Other investments	10.9	10.5
Total	**100.0**	**100.0**

The assumptions used in the actuarial calculation of the defined benefit obligations and the related periodic pension cost are based on the best estimates of each companies granting defined benefit plans. The main weighted-average hypotheses considered for the value definition of defined benefits plans obligations are summarized in the following table, for the main operating areas:

Assumptions for actuarial calculation of defined benefit plans

%	Eurozone		Switzerland		United Kingdom	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Discount rate for evaluation at reporting date	1.7	1.7	0.6	0.6	2.4	2.6
Rate of salary increase	2.8	2.8	1.3	1.3	n.a.	n.a.
Rate of pension increase	2.0	1.9	0.0	0.0	3.1	3.1

The average duration of the obligation for defined benefit plans is 15 years as at 31 December 2017 (14 years at 31 December 2016).

A sensitivity analysis was carried out showing how the defined benefit obligation would have been affected by changes in the discount rate and the most relevant actuarial assumptions on these liabilities:

Defined benefit plans: sensitivity

(€ million) Assumptions	Discount rate for evaluation at reporting date		Rate of salary increase		Rate of pension increase
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase
Impact on defined benefit obligation	-322	363	43	-41	261

To provide an indication of the effect of the defined benefit plans on the future cash flows of the Group, the future expected payments, divided by bands of maturity, are presented below:

Defined benefit plans: expected payments

(€ million)	31/12/2017	31/12/2016
Within the next 12 months	238	211
Between 2 and 5 years	954	862
Between 5 and 10 years	1,225	1,063
Beyond 10 years	5,083	5,029
Total	**7,500**	**7,164**

45 Share-based compensation plans

At 31 December 2017 different incentive plans based on equity instruments granted by the Parent Company and other Group companies are outstanding.

45.1 Share-based compensation plans granted by the Parent Company

Long-Term Incentives (LTI) represent the long-term variable remuneration of Generali which takes the form of multi-year plans, approved from time to time by the competent bodies and may be addressed to directors, managers with strategic responsibilities and other Generali employees;

they may be based on cash disbursements or financial instruments.
From 2011 to 2012, the Company adopted multi-year plans, based on two cycles of three years. Once the first cycle reaches its conclusion, if the relevant targets have been achieved, a monetary bonus is disbursed of which a part shall be re-invested in Generali shares. This is then followed by a second cycle, after which, again assuming certain targets have been achieved, participants may be granted a certain number of free shares for each share purchased. Please note that the cost component linked to monetary bonuses of the first cycle is fully accrued in the previous years while the cost component linked to the equity component has full matured at the end of reporting year.
From 2013, Generali adopted new plans based on a single three-year cycle, after which, assuming certain targets have been achieved, free shares, subject to specific lock-up periods, may be granted to the participants.
The plan LTI 2014 has fully accrued its relevant cost component in the first half of the year, coming to a close with the equity instruments assignment upon verification of the Group's performance levels in terms of ROE and relative TSR, as well as threshold levels required in terms of Return on Risk Capital e Solvency Ratio.
The LTI plans 2015 and 2016, currently in progress, may result in shares' granting respectively in 2018 and 2019, subject to the Group performance level (determined by the comparison of ranges of ROE and relative TSR) and the overcoming of the minimum level, where requested, in terms of Return on Risk Capital and Solvency ratio.
As far as the lock-up constraint, 50% of the shares are immediately available, 25% is subject to a one-year lock-up period and the remaining 25% to a two year lock-up period, reduced to one year with the extent to the 25% of the equity instruments assigned in relation to LTI 2014 plan.
Further details are given in the information reports approved at the time by the Shareholders' Meeting and published on the Generali Group website, as well as in the Remuneration Report annually published.
With a structure similar to the last year, a new long-term incentive plan based on Assicurazioni Generali shares – Group Long Term Incentive (LTI) 2017 - has been submitted for the approval of the Shareholders' Meeting.
In line with market practices and investor expectations, shares are assigned and available to beneficiaries over a total time frame of 6 years, subject to the achievement of Group's performance conditions (Return on Equity – ROE - and relative Total Shareholders Return - rTSR) and the achievement of a minimum level of Economic Solvency Ratio, as detailed below.
The Plan is based on the following essential aspects:

- the incentive connected with the achievement of the targets is paid through the grant of Assicurazioni Generali S.p.A. ordinary shares;
- the right to receive the shares is subject to an entry threshold, defined annually by the Board of Directors and which represents a condition precedent;
- the targets to which payment of the incentive is subject are Group financial ones and are defined at the beginning of the three-year performance period.

The maximum number of shares that can be assigned is determined at the start of the plan. The maximum potential bonus to be disbursed in shares equals to 175% of the gross fixed remuneration of the plan participants (or a different percentage considered the role of the related beneficiaries); therefore, the maximum number of shares that can be assigned is the result of the ratio of the maximum bonus and the share value, with the latter calculated as the average price of the share in the three months prior to the meeting of the Board of Directors called to resolve on the draft statutory financial statements of the Holding Company and the consolidated financial statements for the year previous to the year of the plan approval.

The maximum number of shares that can potentially be assigned to participants at the end of the three years is divided up into three tranches; the first tranche is for 30% of the maximum number of shares to be possibly assigned, the second is for a further 30% and the remaining 40% represents the third tranche, each tranche being subject to certain specific targets as described below.

Once the level of the Economic Solvency ratio has been reached, the achievement of the Group's financial targets, represented by the ROE and the relative TSR, compared with the peers part of the STOXX Euro Insurance index, is verified on a yearly and overall three-year cycle basis.

The performance level, expressed as a percentage, is determined by a calculation methodology, based on two independent baskets respectively for the achievement of the ROE and the relative TSR. The final results in each basket, with a 50% weight on the bonus assignable, shall be calculated using a linear interpolation approach. The maximum performance level is 175% (or a different percentage considered the role of the related beneficiaries).

During each year of the plan and at the end of the three years, the Board of Directors evaluates the degree to which the Economic Solvency Ratio has been achieved as compared with the limit set as 130%, or alternative percentage as may be chosen from time to time by the Board of Directors. On the basis of this evaluation, the number of shares to be accrued annually or definitively granted may be reduced or even zeroed by the Board of Directors if the Economic Solvency Ratio should fall below the threshold established.

In any case, no incentive will be paid in the event of a significant worsening of the capital and financial situation of the Company. Any amount disbursed will be subject to claw-back if the performance considered should later be found to be non-lasting or ineffective as a result of wilful misconduct or gross negligence.

Individual tranches of shares are only granted at the end of the performance period and, therefore, at the end of the three years, after verifying the degree to which the targets have been achieved in the third year (i.e. assessment by the Board of Directors on the actual achievement of the targets set, considered both on an annual and overall 3-year basis) and as long as there continues to be an employment/ director relationship in place with the Company or with other companies of the Group as at the grant date. Consequently, save for extraordinary situations as specifically envisaged by the plan rules, and unless otherwise decided by the delegated bodies, any case of termination of the employment/director relationship automatically entails forfeiture of the right to be granted shares.

As regards the holding period, in line with investors requests. at the grant date, 50% of the shares are immediately available (to allow the participants to pay the tax charges connected with the grant), the remaining 50% is subject to a two year lock-up period; subject to the requirement for the directors that participate the plan to maintain a suitable number of shares assigned until term of the office in course at the expiry of the lock-up.

In line with the LTI plans 2015 and 2016, a dividend equivalent mechanism has been introduced on the basis of the dividends distributed during the three-year performance period. In particular, should the shareholders' meeting resolve upon the distribution of dividends in favour of the shareholders during the three-year reference period, at the expiry of such three-year reference period, an additional number of shares determined in relation to the overall dividends distributed during the three-year reference period will be assigned in favour of the beneficiaries. The additional number of shares thus determined shall be assigned simultaneously and in relation with the other shares assigned in favour of each beneficiary, subject to the same restrictions (holding period) mentioned above and determined considering the shares' value at the assignment of the plan, to be calculated as the average price of the share in the three months prior to the meeting of the Board of Directors called to resolve on the draft statutory financial statements of the Parent Company and the consolidated financial statements for the year previous to the year of the plan approval.

The maximum number of shares that can be granted is 12,500,000, accounting for 0.80% of the current share capital.

For additional information related to incentive plans refer to the 2017 Remuneration Report.

In line with the previous plans, the 2017 LTI plan can be treated as an equity-settled share-based payment falling under IFRS 2 scope, which provides a grant date measurement model seeking to capture the value of the contingent right to shares promised at grant date, to the extent that that promises becomes an entitlement of the counterparty, rather than the value of any shares finally delivered.

The condition related to rTSR configures as a market condition, other conditions mentioned above are considered whether as performance or as service condition.

The fair value of the right to receive free shares related to the market condition is estimated at grant date using statistic model which estimates the statistically probable positioning of Group TSR respect to peer group identified in the STOXX Euro Insurance Index.

As regards 2014 plans, the performance level to be assessed was determined by the cross-comparison of ranges of ROE and relative TSR; for each tranche was calculated a fair value for each of the possible RoE intervals according to the reference matrix for the cross-comparison of ranges of ROE and relative TSR.

In order to assess the cumulative cost of the individual plans, for each tranche, the fair value related to the most probable RoE outcome was multiplied by the number of shares that can be assigned based on satisfaction of the vesting conditions. This cost has been allocated over a period of maturity of 3 years (vesting period), with a corresponding increase in equity.

In line with the calculation method applied from 2015, described above and based on an independent assessment of the levels of achievement on the Group's financial indicators, the cost of the plans 2015, 2016 and 2017 was determined by separating the component connected to the relative TSR to the one linked to the ROE.

The evaluation of the bonus right linked to market condition is made by multiplying the fair value of assignable shares (equal to the market price at grant date) with the determined pay-out by applying the linear interpolation of the probable position of rTSR estimated using a statistical model. The linear interpolation method is applied to a range between the maximum pay-out, recognized in the case of the TSR positioning at the first place, and a pay-out zero in the case where the TSR is in the last position with respect to selected peer or has a negative value.

For each tranche of the LTI plan 2017, the table below shows the fair value at the grant date of the bonus right related to the performance level in terms of rTSR:

(%)	Tranche 2017	Tranche 2018	Tranche 2019
Fair value bonus related to market condition	4.77	4.77	4.81

The related cost on overall plan is resulted from the multiplication, weighted for each tranche, of the above mentioned fair value with the number of rights related to the market condition, to be assigned based on the satisfaction of the vesting condition.
A similar calculation was applied to the bonus portion linked to the ROE, identifying the pay-out through the linear interpolation applied to the level of RoE considered most probable. The range applied to the linear interpolation is included between the maximum pay-out, granted in case of a level of RoE equal to or greater than 13%, and a pay-out equal to 0 in case of a level of RoE equal to or lower than 11%.
Finally, the cost related to the recognition of dividends paid during the three-year period (so called dividend equivalent) was estimated by applying an estimated dividend to the expected number of shares to be assigned under the plan, based on the degree of achievement assessed as above described.
The overall cost of the LTI plans 2015, 2016 and 2017, sum of the three components above mentioned, is allocated over a period of maturity of 3 years (vesting period) starting from the first financial year on which the performance levels are assessed, with a corresponding increase in equity.
In addition, last year, during Shareholders' Meeting has been approved a special Stock Plan for the Managing Director / Group CEO.
The Plan involves the free award of a maximum of n. 200.000 ordinary Assicurazioni Generali shares, subject to the following conditions being met:

- the Managing Director/Group CEO continuing to hold his existing n. 200.000 Assicurazioni Generali shares, acquired with his own means, until the end of his current term in office;
- achieving a specific three-year Total Shareholders Return (TSR) target of +72.8%, calculated over the period from July 2016 to July 2019;
- maintaining Solvency thresholds at 130% (or different percentage defined later by the Board of directors.
- maintaining the position as Managing Director/Group CEO until the end of the current term (therefore losing all rights in the event of termination of the working relationship for any reason before the end of this term).

Furthermore, the Plan calls for the award of additional shares, determined on the basis of the amount of the overall dividends distributed during the reference period, according to a dividend equivalent mechanism.

The Plan also obligates the Managing Director/Group CEO to retain 50% of the shares awarded to him for free for at least two years, as well as other standard sustainability clauses (e.g. malus, clawback, hedging restrictions) to protect financial solidity and the Group's non-excessive exposure to risk.

The condition related to TSR configures as a market condition, other conditions mentioned above are considered as service condition.

The estimated fair value of the bonus right subject to the performance in terms of TRS was calculated by multiplying the share price at the Plan's grant date with the pay-out given linearly interpolating the probable TSR, estimated by applying a statistical model for the possible evolution of the share price in the three years considered.

The relative cost of the overall plan is obtained by multiplying the market value above mentioned (amounting to

EUR 2.4) with the number of rights relating to the market condition, assignable on the basis of the achievement of vesting condition; the cost related to the recognition of dividends paid during the three-year period (so called dividend equivalent) was estimated by applying a deemed dividend to the expected number of shares to be assigned under the Plan.

The total cost of the plan, sum of the two components described above, was allocated over a period of accrual of three years in line with the service period required.

The cost associated with all above mentioned outstanding plans recognised during the period amounted to € 66 million. The maximum number of shares that can be granted in relation to mentioned plans is approximately 20 million.

At the reporting date there are no other share-based compensation plans.

45.2 Share-based compensation plans granted by the other Group companies

The main share-based payments granted by the other Group companies are detailed here below.

Share-based compensation plans granted by Banca Generali

At 31 December 2017, the share-based compensation plans granted by Banca Generali are composed of:

- the plans provided in relation to the Remuneration and Incentive Policy of the Banca Generali Group, which since 2015 defines a portion of the variable remuneration of the most important personnel shall be paid through payments based on their own financial instruments;
- the new 2017-2026 loyalty plan, approved by the Shareholders' Meeting of 20 April 2017, which provides for 50% share of the indemnity accrued at the end of the financial year to be provided through own financial instruments.

Two stock option plans reserved respectively to financial promoters and network managers and Relationship Managers (employees) of Banca Generali, approved by Shareholder's meeting on 21 April 2010. These option plans are already vested and the option exercisable period has expired at 30 June 2017.

Banca Generali remuneration and incentive policy foresees that a portion of variable remuneration to key employees is assigned through payments based on own financial instruments.

Stock option plans designated to Financial promoters, Network managers and Relationship Managers of Banca Generali

The stock option plans approved in 2010 are structured into six tranches with annual accruals, the last of which became exercisable starting from 1 July 2016. On 30 September 2017, the maximum term for the exercise of all options has expired, therefore the plans are considered definitively exhausted.

During the first half of 2017, 418,690 options were exercised, of which 34,429 relating to Relationship Managers. Additional 15,496 options were cancelled due to the termination of the mandate by financial advisors or for failure to exercise by the expiry date. Overall, the options exercised throughout the duration of the plans amounted to 2,364,377 while the cancelled options were 135,623.

Share based payments granted by Banca Generali

	Number of options	Average price of the year
Options outstanding as at 31/12/2016	**434,186**	**10.7**
Granted (*)	0	0.0
Forfeited	15,496	10.7
Exercised	418,690	10.7
Expired	0	0.0
Options outstanding as at 31/12/2017	**0**	**0.0**
Of which exercisable	0	0.0

(*) Excluding shares allocated on the basis of the share based compensation plans linked to the variable component of remuneration related to performance targets, as these plans are not comparable to stock option plans adopted in 2010.

Share based plans linked to the variable remuneration component linked to performance targets

As part of the Remuneration and Incentive Policy applied to the most important Personnel of the Banca Generali Group, applied from 2015, in compliance with the Supervisory Provisions (VII update of 18 November 2014 of Bank of Italy Circular no. 285/2013), it was envisaged that the payment of a portion of the variable component of remuneration, both current and deferred, will be made through the allocation of Banca Generali financial instruments.

The total number of shares to be allocated is determined by dividing the 25% portion of variable compensation payable in shares, by the average price of the Banca Generali share in the three months prior to the Board of Directors meeting approving the parent company and consolidated financial statements for the year prior to the one in which the reference cycle begins. The actual number of shares assigned to the beneficiaries may in any case vary according to the verification achievement of the objectives set at the individual level for each specific year.

The fair value of the Banca Generali share of the shares coincides with the market price of the share recorded at the date of the Shareholders' Meeting which approved the new Remuneration Policy for the current year, the latter considered as a plan's grant date.

As at 31 December 2017, three cycles were active for plans approved in 2015, 2016 and 2017.

As part of the first cycle linked to the 2015 variable remuneration, approved by the Shareholders' Meeting of 23 April 2015, the shares to be assigned to the most relevant personnel were 68,250, of which 51,960 relating to network managers, 14,578 relating to employees and 1,712 relating to the subsidiary BGFML.

For the purposes of determining the number of shares to be assigned, the reference price of the Banca Generali share, determined as the average of the official stock exchange quotations for the period December 12, 2014 - March 9, 2015, was set at € 23.94. The fair value of the Banca Generali share at the grant date of the shares was determined on the basis of the market price of the share recorded at 23 April 2015, equal to approximately of € 29.4.

The overall fair value of the plan was estimated at around € 2 million, of which € 1.6 million already accounted for in 2015 and € 0.3 million posted during the 2017 financial year.

The second cycle of payments in shares, relating to the 2016 variable remuneration, was approved by the Shareholders' Meeting of 21 April 2016 and presents characteristics substantially similar to those of the previous year, with the only difference being the extension of the payment in shares also to variable remuneration below the threshold of € 75 thousand.

For the purpose of determining the number of shares to be assigned, the reference price of the Banca Generali share, determined as the average of the official stock exchange quotations for the period December 12, 2015 - March 9, 2016, has been set at € 25.26. The fair value of the Banca Generali share at the grant date of the shares was determined on the basis of the market price of the share recorded as at 21 April 2016, equal to approximately € 26.

The fair value of the Banca Generali share at the grant date of the shares was determined on the basis of the market price of the share recorded on 21 April 2016, equal to approximately € 26, adjusted to take account of the loss of expected dividends in the deferment period.

Within this cycle, the shares to be assigned to the most relevant personnel were 94,559, of which 61,947 relating to network managers, 12,564 relating to employees and 1,675 relating to the subsidiary BGFML.

The overall fair value of the plan has been estimated at around € 1.6 million, of which € 1.4 million already accounted for during 2016 and € 0.2 million recognized in the 2017 financial year.

The third cycle of payments in shares, relating to the 2017 financial year, was approved by the Shareholders' Meeting of 20 April 2017, which at the same time resolved to proceed with the repurchase, over a period of 18 months, the amount of own shares to be allocated to assignment to the most relevant personnel.

For the purposes of determining the number of shares to be assigned, the reference price of the Banca Generali share, determined as the average of the official stock exchange quotations for the period December 12, 2016 - March 9, 2017, was set at € 23.73.

The fair value of the Banca Generali share on the grant date of the shares was determined on the basis of the market price of the share recorded on 20 April 2017, equal to approximately € 25.4, adjusted to take account of the loss of dividends. expected in the deferral period.

In relation to the assessment of the achievement by the most relevant personnel of the targets set for 2017, it is estimated that the share of variable remuneration subject to payment on shares amounts to approximately 105 thousand shares, for an overall fair value of the plan of € 2.0 million.

On 14 March 2017, a specific transaction was also signed with a former Area Manager who, on the basis of the current Remuneration Policy, envisage the recognition of a portion of the indemnity, for an amount of 17,649 shares in Banca Generali shares for a fair value a further € 0.4 million.

During the year, with reference to the achievement of the performance targets set out in the Remuneration Policy for 2015 and 2016, they were assigned to managerial staff and network managers 58.124 treasury shares.

In particular, the allocations for the 2015 financial year concerned the first deferred tranche with a deferral of one year (20%), while the allocations for the year 2016, the upfront portion (60%).

In the last quarter of the year, a further 6,784 shares were assigned in relation to a non-competition agreement entered into in the settlement with a former area manager.

Overall, it is estimated that the charge for the year 2017 for payments based on shares linked to the Remuneration Policy amounts to approximately € 2.9 million.

Sales network Loyalty Program 2017-2026

The new 2017-2026 sales network loyalty program was approved by the Board of Directors on 21 March 2017 and subsequently confirmed by the Shareholders' Meeting of 20 April 2017.

The Loyalty Program includes 8 individual annual plans, with a fixed maturity as at 31 December 2026 and a decreasing duration, for plans activated year by year, subject to authorization by the Corporate Bodies of the Banca Generali Group, in compliance with the remuneration policies.

Participation in each of the plans is reserved for Financial Advisors and Relationship Managers who have completed at least 5 years of seniority by December 31st of the financial year preceding the reference year of the individual plans.

In order to adhere to the benefits of the activated plans, it is necessary to:

- reach at the end of the reference year a specific volume of AuM, qualified AuM increasing over time and a positive net inflow;
- be regularly in service within 60 days from approval of the financial statements as at 31 December 2026, except in cases where termination depends on causes of death or permanent disability, retirement or termination by Banca Generali not supported by a just cause (service condition).

In the event of death, the indemnities accrued are definitively acquired but are subject to liquidation by the heirs in the same manner as for the other beneficiaries.

Finally, the indemnity accrued is commensurate with each individual plan to a rate of verified AuM differentiated on the basis of the type of beneficiary involved and length of service until the achievement of a cap.

The recognition of the indemnities at the disbursement date is also subordinated to the exceeding of the access gates of the banking group as defined in the Remuneration Policies in force at the time and to the rules of fairness.

For each plan, the indemnity accrued in part of Banca Generali shares may be disbursed, up to a maximum of 50% of the indemnity accrued, after assessing the potential effects in terms of capital ratios and floating capital, by of the corporate bodies (Board of Directors and Shareholders' Meeting) and of the Regulator.

The number of Banca Generali shares due will be determined in the same manner as for payment plans based on shares linked to the Remuneration Policies, or on the basis of the average price of the Banca Generali share in the three months preceding the Board of Directors meeting in which the parent company's and consolidated financial statements for the financial year preceding the one in which the reference cycle begins are approved.

For the first annual plan 2017-2026, a 50% component of the indemnity accrued has been disbursed in shares.

The shares at the service of the plan were purchased, authorized also by the Bank of Italy, during the third quarter of 2017.

The value of the indemnity accrued was determined on the basis of the AUMs of the potential beneficiaries of the plan as at 31 December 2017 while the share payable in shares was determined on the basis of the same reference value of the Banca Generali share applied for Remuneration 2017.

The value of the plan as at 31 December 2017, determined in accordance with IFRS2, was estimated at € 2.1 million, of which approximately € 0.2 million relating to 2017.

Share-based compensation plans granted by Generali France

At the balance sheet date there are the following share-based compensation plans granted by Generali France to the employees of Generali France group: ten stock grant plans approved by the board on 21 December 2006, 20 December 2007, 4 December 2008, 10 December 2009, 9 December 2010, 14 March 2012, 25 June 2013, 7 March 2014 and 6 March 2015 and 9 March 2016, and a stock granting plan, reserved to the employees of the Generali France group.

At 31 December 2017, the number of shares granted amounted to 6,617,097 preferred shares, of which 298,733 related to the plan granted for 175th anniversary of foundation of Parent Company.

With reference to the stock granting plans assigned by Generali France within the scope of IFRS 2, the charge recognised in the profit or loss amounted to € 18.7 million. The plans are considered as cash-settled, for which a liability is recorded on balance sheet equalling € 116 million.

46 Contingent liabilities, commitments, guarantees, pledged assets and collaterals

46.1 Contingent liabilities

In the course of the ordinary business, the Group may encounter agreements or transactions which do not lead to the recognition of these commitments as assets and liabilities in the consolidated financial statements according to the IFRS definitions and requirements (contingent assets and liabilities). At 31 December 2017 the estimate of the contingent liabilities results as of € 8 million, mainly related to some disputes for which the probability of occurrence is not considered as remote, however not sufficiently material to recognise them as liabilities on the balance sheet.

A contingent liability is:
- a possible obligation that arise from past events and whose existence will be confirmed only by occurrence or non occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognized because:
  (i) it is not probable than an outflow of resources embodying economic benefits will be required to settle the obligation; or
  (ii) the amount of the obligation can not be measured with sufficient reliability.

46.2 Commitments

Generali Group at 31 December 2017 held outstanding commitments for a total amount of € 6,827 million, related to potential commitments on investments, loans and other commitments.

Because part of these commitments may expire without being called, the amounts disclosed are not indicative of the actual liquidity needs arising from these commitments.

In particular, € 3,853 million represent commitments associated with alternative investments (private equity), mainly allocated in private equity funds which are consolidated line-by-line by the Group. Moreover, € 1,087 million refer to several investment opportunities and, in particular, to real estate investment funds. The potential commitments to grant loans amount to € 431 million, mainly associated to liquidity or funding needs of the customers of the Group's banking operations.

As far as other commitments are concerned, € 778 million refer to potential commitments of the German life companies towards a specific German entity in order to protect the policyholders in the local market if the funds already available within the policyholders protection scheme are not sufficient to face the insolvency of one or more insurers.

46.3 Guarantees

The Group's nominal exposure towards third parties amounts to € 536 million, of which € 410 million refer to guarantees provided in the context of the Group's real estate development and € 107 million to sureties normally given by Banca Generali as part of it ordinary business.

Furthermore, the Group in the context of its business operations in some countries receives guarantees provided by third parties, mainly in the form of letters of credit.

46.4 Pledged assets and collaterals

At 31 December 2017, as already mentioned in the paragraph *Assets transferred that do not qualify for derecognition* of the section *Investments*, the Group has pledged € 3,221 million of its assets. In particular, € 1,850 million have been pledged to cover bonds and loans issued, mainly related to the Group's banking and real estate activities, and € 985 million to cover its reinsurance activities. Residual part is related to collateral pledged in relation to transactions in derivatives.

Furthermore, the Group has received financial assets as collateral for € 6,415 million, in particular for transactions in bonds and loans for € 5,109 million and € 804 million to cover Group reinsurers' obligations.

47 Agreements resulting from leasing operations

In the course of the ordinary business, the Group companies normally enter into leasing agreements as lessees. Mentioned agreements are mainly related to use of real estates used for business, company cars and office furniture and equipment. In some cases Group companies acts also as lessor, mainly related to real estates rental through operating lease.

48 Significant non-recurring events and transaction

The Group is completing the sale arrangements of some participations in countries considered as non-core and non-strategic. For more information on this matter refer to the paragraph *Information on consolidation perimeter and group companies*.

In addition, in August 2017, the Group reached an agreement to sell its assets to Panama, a country in which the Group was present through a subsidiary of Assicurazioni Generali S.p.A. mainly operating in the Non-life segment. The transaction, still to be finalised, is subject to approval by the competent authorities.

Moreover, in December 2017, Generali signed an agreement for the sale of the Non-Life portfolio in run-off of a British subsidiary of Assicurazioni Generali S.p.A, transferring liabilities of approximately € 300 million, registering a gain of € 196 million.

49 Other Information

With regard to the claim against Mr. Perissinotto, during the course of 2017, the Court of Appeal of Trieste confirmed the sentence of first instance (rejection of the applications for appeal against the settlement agreement) and the Court of Trieste rejected the compensation requests. The Board of Directors, in the context of an overall cost-benefit assessment (which considered, among other things, the outcome of the disputes, the non-emergence of new circumstances and the costs related to the further prosecution of disputes), resolved to do not challenge these conclusions, which have therefore become final. A similar assessment was carried out by the Board with reference to the judgment against Mr. Agrusti (which ended in 2016 with a rejection), which also passed in judgment.

50 Audit and other service fees for the fiscal year

In the table below, drawn up pursuant to the article 149-duodecies of Consob Regulation, are reported the 2017 fees for auditing and other services to Parent company's audit and companies within audit company's network.

Audit and other service fees

(€ thousands)	E&Y Italy	E&Y Network
	31/12/2017	31/12/2017
Parent Company	**12,654**	**587**
Audit fee	998	553
Attestation service fees	2,629	35
Other services	9,027	
Subsidiaries	**5,877**	**22,985**
Audit fee	2,599	16,462
Attestation service fees	2,805	5,166
Other service fees	472	1,356
Total	**18,530**	**23,572**

Appendices
to the Notes

Tangible and intangible assets

Appendix 3

	At cost	At revalued amount or at fair value	Total
Land and buildings (investment properties)	12,993		12,993
Land and buildings (self used)	2,606		2,606
Other tangible assets	1,469		1,469
Other intangible assets	2,105		2,105

Amounts ceded to reinsurers from insurance provisions

Appendix 4

	Direct insurance		Accepted reinsurance		Total book value	
(€ million)	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-life amounts ceded to reinsurers from insurance provisions(*)	2,113	1,897	1,102	808	3,215	2,704
Provisions for unearned premiums	215	279	103	70	318	349
Provisions for outstanding claims	1,896	1,616	999	737	2,895	2,353
Other insurance provisions	2	2	0	0	2	2
Life amounts ceded to reinsurers from insurance provisions(*)	469	484	610	745	1,079	1,229
Provisions for outstanding claims	282	297	371	371	653	668
Mathematical provisions	141	142	217	213	358	355
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	3	4	0	138	3	142
Other insurance provisions	43	41	23	23	65	64
Total	2,582	2,381	1,713	1,552	**4,294**	**3,933**

(*) After the elimination of intra-group transactions between segments.

Financial assets

Appendix 5

	Held to maturity investments		Loans and receivables		Available for sale financial assets		Financial assets at fair value through profit or loss				Total book value	
							Financial assets held for trading		Financial assets designated as at fair value through profit or loss			
(€ million)	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Equities at cost					13	43					13	43
Equities at fair value					10,051	9,149	1	6	2,087	3,172	12,138	12,327
- of which quoted equities					7,794	6,676	1	6	1,799	3,020	9,594	9,702
Bonds	2,267	2,168	24,189	28,850	286,293	280,903	50	38	9,482	13,090	322,281	325,049
- of which quoted bonds	2,267	2,168			283,121	277,617	48	34	7,756	11,460	293,191	291,279
Investment fund units					20,205	20,409	0	2	78,849	74,415	99,054	94,826
Loans and receivables from customers			1,387	1,480							1,387	1,480
Loans and receivables from banks			174	223							174	223
Deposits under reinsurance business accepted			766	782							766	782
Deposit components of reinsurance contracts											0	0
Other loans and receivables			13,746	12,843							13,746	12,843
Derivatives							1,910	1,444	39	-11	1,949	1,433
Hedging derivatives(*)									355	367	355	367
Other financial investments	0	0			4,080	3,429	0	-0	1,125	2,592	5,206	6,022
Total	2,267	2,168	40,262	44,178	320,641	313,933	1,961	1,489	91,937	93,625	457,068	455,393

(*) In accordance with Regolamento n° 7 of 13 July 2007 hedging derivatives are only derivatives for which hedge accounting is applied.

Assets and liabilities related to policies where the investment risk is borne by policyholders and to pensions funds

Appendix 6

	Policies where the investment risk is borne by the policy holders		Pension funds		Total	
(€ million)	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets	73,643	76,614	1,729	1,703	75,372	78,317
Intra-group assets(*)						
Total	**73,643**	**76,614**	**1,729**	**1,703**	**75,372**	**78,317**
Financial liabilities	6,094	16,220	1,266	1,184	7,360	17,404
Insurance provisions(**)	67,994	60,616	0	40	67,994	60,657
Intra-group liabilities(*)						
Total	**74,088**	**76,837**	**1,266**	**1,224**	**75,354**	**78,061**

(*) Intra-group assets and liabilities refer to assets and liabilities which are eliminated in the consolidation process.

(**) Insurance provisions are net of amounts ceded to reinsurers from insurance provisions.

Appendix 7

Insurance provisions

(€ million)	Direct insurance		Accepted reinsurance		Total book value	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-life insurance provisions(*)	**31,279**	**31,676**	**1,623**	**1,673**	**32,902**	**33,349**
Provisions for unearned premiums	5,082	5,132	210	228	5,292	5,360
Provisions for outstanding claims	25,900	26,074	1,406	1,437	27,305	27,511
Other insurance provisions	297	471	7	8	304	478
of which provisions for liability adequacy test	0	0	0	0	0	0
Life insurance provisions(*)	**395,783**	**386,202**	**1,805**	**1,926**	**397,588**	**388,128**
Provisions for outstanding claims	5,897	5,740	1,085	1,139	6,982	6,879
Mathematical provisions	278,521	274,077	577	636	279,097	274,713
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	67,989	60,790	8	9	67,997	60,799
Other insurance provisions	43,376	45,595	135	142	43,511	45,737
of which provisions for liability adequacy test	842	1,289	-0	-0	842	1,289
of which deferred policyholder liabilities	21,231	23,882			21,231	23,882
Total provisions	**427,062**	**417,878**	**3,428**	**3,599**	**430,489**	**421,477**

(*) After the elimination of intra-group transactions between segments.

Financial liabilities

Appendix 8

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total book value	
	Financial liabilities held for trading		Financial liabilities designated as at fair value through profit or loss					
(€ million)	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Preference shares							0	0
Subordinated liabilities					8,379	9,126	8,379	9,126
Financial liabilities related to investment contracts issued by insurance companies			7,454	17,491	5,928	5,443	13,382	22,934
where the investment risk is borne by the policyholders			6,094	16,220			6,094	16,220
pension funds			1,266	1,184			1,266	1,184
other liabilities related to investment contracts			94	87	5,928	5,443	6,022	5,530
Deposits received from reinsurers					607	577	607	577
Deposit components of insurance contract							0	0
Bonds					3,171	3,273	3,171	3,273
Liabilities to customers					11,603	10,766	11,603	10,766
Liabilities to banks					423	506	423	506
Other loans					3,269	2,240	3,269	2,240
Derivatives	867	1,246					867	1,246
Hedging derivatives (*)			576	713			576	713
Other financial liabilities			38	33			38	33
Total	**867**	**1,246**	**8,068**	**18,238**	**33,381**	**31,932**	**42,316**	**51,416**

(*) In accordance with Regolamento n° 7 of 13 July 2007 hedging derivatives are only derivatives for which hedge accounting is applied.

Technical insurance items

Appendix 9

(€ million)	31/12/2017			31/12/2016		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
NON-LIFE SEGMENT						
NET EARNED PREMIUMS	20,701	-1,040	19,661	20,489	-1,043	19,446
a Premiums written	20,746	-999	19,747	20,503	-995	19,508
b Change in the provisions for unearned premiums	-45	-41	-86	-14	-49	-63
NET INSURANCE BENEFITS AND CLAIMS	-13,874	1,071	-12,804	-13,020	357	-12,663
a Claims paid	-13,331	738	-12,593	-13,116	552	-12,564
b Change in the provisions for outstanding claims	-502	332	-170	67	-194	-127
c Change in claims to be recovered	-11	-0	-11	55	-1	54
d Change in other insurance provisions	-30	0	-30	-26	0	-26
LIFE SEGMENT						
NET PREMIUMS	45,662	-719	44,943	46,244	-746	45,498
NET INSURANCE BENEFITS AND CLAIMS	-53,500	556	-52,945	-51,538	584	-50,954
a Claims paid	-36,722	510	-36,212	-35,375	531	-34,844
b Change in the provisions for outstanding claims	-281	32	-249	-363	37	-326
c Change in the mathematical provisions	-7,099	15	-7,084	-11,754	-3	-11,757
d Change in the provisions for policies where the investment risk is borne by the policyholders and the provisions for pension funds	-8,557	-0	-8,558	-3,406	-1	-3,407
e Change in other insurance provisions	-841	-1	-842	-640	20	-620

Income and expenses from investments, receivables and payables

Appendix 10

(€ million)	Interests	Other income	Other expenses	Realized gains	Realized losses	Total realized gains and losses	Unrealized gains and reversal of impairment losses		Unrealized losses and impairment losses		Total unrealized gains and losses	Total income and expenses31/12/2017	Total income and expenses31/12/2016
							Unrealized gains	Reversal of impairment losses	Unrealized losses	Impairment losses			
Income and expenses from investments	**10,045**	**2,885**	**-388**	**3,573**	**-1,009**	**15,106**	**7,137**	**157**	**-2,999**	**-730**	**3,565**	**18,670**	**14,862**
a from land and buildings (investment properties)		868	-388	163	-12	631		54		-27	27	657	692
b from investments in subsidiaries, associated companies and joint ventures		110		22	-4	128		3		-14	-11	117	88
c from held to maturity investments	88		0	0	-0	88		1		-3	-1	86	93
d from loans and receivables	1,459		-0	332	-51	1,740		22		-207	-184	1,555	1,776
e from available for sale financial assets	7,953	1,353	-0	2,385	-546	11,145		77		-479	-402	10,743	9,822
f from financial assets held for trading	115	0	0	119	-61	174	1,070		-449		621	795	274
g from financial assets designated as at fair value through profit or loss	430	554	-0	552	-336	1,201	6,066		-2,550		3,516	4,717	2,118
Income and expenses from receivables	**10**			**0**	**-3**	**7**		**82**		**-40**	**43**	**50**	**41**
Income and expenses from cash and cash equivalents	**32**					**32**					**0**	**32**	**42**
Income and expenses from financial liabilities	**-1,184**	**0**	**-0**	**421**	**-152**	**-916**	**171**	**0**	**-468**	**0**	**-297**	**-1,213**	**-1,694**
a from financial liabilities held for trading	-105			419	-152	162	171		-464		-293	-131	-561
bfrom financial liabilities designated as at fair value through profit or loss	-50			0	0	-50	0		-4		-4	-55	-47
c from other financial liabilities	-1,029		-0	2	-0	-1,027					0	-1,027	-1,086
Income and expenses from payables						**0**					**0**	**0**	
Total	**8,903**	**2,885**	**-388**	**3,994**	**-1,165**	**14,229**	**7,308**	**240**	**-3,467**	**-769**	**3,311**	**17,539**	**13,252**

Acquisition and administration costs of insurance business

Appendix 11

	Non-life segment		Life segment	
(€ million)	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Commissions and other acquisition costs	4,517	4,317	3,862	3,910
a Acquisition and administration commissions	3,498	3,294	2,786	2,858
b Other acquisition costs	899	912	1,052	1,065
c Change in deferred acquisition costs	7	1	-37	-75
d Collecting commissions	113	110	60	61
Commissions and profit commissions from reinsurers	-137	-131	-121	-132
Commissions and other acquisition costs net of commissions and profit commissions from reinsurers(*)	78	66	307	326
Other administration costs	1,103	1,139	1,019	974
Total	5,562	5,390	5,067	5,079

(*) Before the elimination of intra-group transactions between segments.

Details on financial assets reclassified and its effects in profit or loss account and comprehensive income (€ million)

Appendix 12

	Allocation		Transfer to profit and loss account		Other transfer		Total variation		Taxes		Amounts	
(€ million)	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Items that may be reclassified to profit and loss in future periods												
Reserve for currency translation differences	-190	-65	-0	5			-190	-60	-0	-1	-113	77
Net unrealized gains and losses on investments available for sale	265	337	-347	-20			-81	317	120	-58	6,275	6,357
Net unrealized gains and losses on cash flows hedging derivatives	60	-80	-19	106			41	26	-8	-5	-66	-107
Net unrealized gains and losses on hedge of a net investment in foreign operations	18	3	-1	-12			17	-9	-0	0	-89	-106
Share of other comprehensive income of associates	-7	7	0	-1			-7	6	0	0	79	86
Result of discontinued operations	-8	-105	1	0			-7	-105	0	0	24	31
Others												
Items that may not be reclassified to profit and loss in future periods												
Revenue reserve from valuation of equity	-0	-0					-0	-0	0	0	-0	-0
Result of discontinued operations	8	-19					8	-19	0	0	-22	-30
Reserve for revaluation model on intangible assets												
Reserve for revaluation model on tangible assets												
Actuarial gains or losses arising from defined benefit plans	31	-224					31	-224	-20	99	-983	-1,014
TOTAL OTHER COMPREHENSIVE INCOME	178	-148	-366	79	0	0	-189	-69	93	35	5,105	5,294

Appendix 14

Assets and liabilities measured at fair value on recurring and non-recurring basis: fair value hierarchy

	Level 1		Level 2		Level 3		Total	
(€ million)	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Financial assets and liabilities at fair value through profit or loss on recurring basis								
Available for sale financial assets	280,744	272,311	34,205	34,745	5,693	6,877	320,641	313,933
Financial assets at fair value through profit or loss	85,528	79,707	6,844	13,599	1,526	1,807	93,897	95,114
Financial assets held for trading	23	23	1,917	1,451	20	15	1,961	1,489
Financial assets designated at fair value through profit or loss	85,504	79,684	4,927	12,148	1,505	1,793	91,937	93,625
Investment properties								
Tangible assets								
Intangible assets								
Total financial assets at fair value	366,272	352,019	41,049	48,345	7,218	8,684	414,539	409,047
Financial liabilities at fair value through profit or loss	6,505	16,546	2,371	2,882	58	56	8,935	19,484
Financial liabilities held for trading	0	5	866	1,240	-0	1	867	1,246
Financial liabilities designated at fair value through profit or loss	6,505	16,540	1,505	1,642	58	55	8,068	18,238
Total financial liabilities on recurring basis	6,505	16,546	2,371	2,882	58	56	8,935	19,484
Total financial assets and liabilities at fair value on non recurring basis								
Non-current assets or of discontinued operations	5,852	0	8,353	0	65	0	14,270	0
Non-current liabilities or of discontinued operations	10,925	0	0	0	0	0	10,925	0

Details of the variations of assets and liabilities measured at fair value on a recurring basis classified in Level 3

Appendix 15

(€ million)		Financial assets at fair value through profit or loss					Financial liabilities at fair value through profit or loss	
	Available for sale financial assets	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Investment properties	Tangible assets	Intangible assets	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss
Opening balance	**6,877**	**15**	**1,793**	**0**	**0**	**0**	**1**	**55**
Purchases and issues	1,378	11	46	0	0	0	0	15
Disposals through sales and settlements	-1,353	-0	-191	0	0	0	0	0
Pay-backs	-119	-3	-28	0	0	0	0	0
Net gains and losses recognized in P&L	0	-2	165	0	0	0	0	-7
of which net unrealised gains and losses	0	-2	165	0	0	0	0	-7
Net unrealised gains and losses recognized in OCI	-103	0	0	0	0	0	0	0
Net transfers in Level 3	97	0	3	0	0	0	0	0
Net transfers out of Level 3	-1,148	-0	-207	0	0	0	0	0
Other changes	63	-0	-76	0	0	0	-1	-5
Closing balance	**5,693**	**20**	**1,505**	**0**	**0**	**0**	**0**	**58**

Assets and liabilities not measured at fair value: fair value hierarchy

Appendix 16

(€ million)	Book value		Fair Value							
			Level 1		Level 2		Level 3		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets										
Held to maturity investments	2,267	2,168	1,511	1,324	808	948	0	0	2,319	2,272
Loans and receivables	38,712	42,181	3,582	4,452	32,367	34,787	6,958	7,973	42,906	47,212
Investments in subsidiaries, associated companies and joint ventures	1,171	1,194	0	0	0	0	1,171	1,194	1,171	1,194
Land and buildings (investment properties)	12,993	12,584	0	0	0	0	19,763	18,522	19,763	18,522
Other assets	2,606	2,810	0	0	0	0	3,304	3,321	3,304	3,321
Totale assets	**57,749**	**60,938**	**5,093**	**5,776**	**33,175**	**35,735**	**31,197**	**31,010**	**69,464**	**72,521**
Liabilities										
Other liabilities	26,846	25,912	12,392	12,297	9,680	7,777	6,915	7,164	28,987	27,237

Appendix 17

Consolidation area: interests in entities with significant minority interests

					Summarised financial information							
Entity Name	% Minority interests	% Availability to Minority Interests of voting rights in the General Shareholders' meeting	Consolidated Profit (loss) attributable to minority interests	Shareholders' equity attributable to minority interests	Total Assets	Investments	Technical provisions	Financial Liabilities	Total liabilities and shareholders' equity	Net profit (loss) of the period	Dividends distributed to minority interests	Gross Premiums
Banca Generali Group	49.62%	49.62%	102	357	9,137	7,655	-	7,851	745	406	62	-
Generali China Life Insurance Co. Ltd	50.00%	50.00%	23	285	7,113	6,686	5,300	868	570	51	15	1,233

Change in the consolidation area(*)

Newly consolidated:	
1.	3 Banken-Generali-GHStock, Vienna
2.	Carelinx Inc., San Bruno CA
3.	Cleha Invest Sp. z o.o., Warsaw
4.	Europ Assistance Brokerage Solutions, Gennevilliers
5.	Europ Assistance Océanie S.A.S., Papeete
6.	Europ Assistance Pacifique, Noumea
7.	Fondo Canaletto, Milan
8.	Generali Beteiligungs- und Vermögensverwaltung GmbH, Vienna
9.	GID-Fonds ALAET II, Cologne
10.	GRE PAN-EU Frankfurt 1 S.à r.l., Luxembourg
11.	GRE PAN-EU Hamburg 1 S.à r.l., Luxembourg
12.	GRE PAN-EU Hamburg 2 S.à r.l., Luxembourg
13.	GRE PAN-EU Prague 1 s.r.o., Prague
14.	Office Center Purkyňova, a.s., Brno
15.	SCI du 68 Pierre Charron, Paris
16.	SCI GRE PAN-EU 146 Haussmann, Paris
17.	SCI GRE PAN-EU 74 Rivoli, Paris

*
Consolidation area consists of companies consolidated "line by line".

Company disposed of/wound up/merged in:	
1.	24 Fix (Pty) Ltd, Costantia Kloof
2.	Access Health Africa (Proprietary) Limited, Johannesburg
3.	Aseguradora General S.A., Guatemala City
4.	Buxola (Pty) Ltd, Constantia Kloof
5.	Cafel Inversiones 2008, S.L., Madrid
6.	Europ Assistance Canada Inc. (merged in CMN Global Inc.), Toronto
7.	Europ Assistance Financial Services (Pty) Ltd, Costantia Kloof
8.	Expert & Finance S.A., Lione
9.	Generali Diversification Corporate Opportunities Higher Quality, Luxembourg
10.	Generali Private Equity Investments GmbH, Cologne
11.	Gentum Nr. 2 (merged in Gentum Nr. 1), Hamburg
12.	GID Fonds AARGT, Frankfurt
13.	GID-Fonds AACAGS, Colonia
14.	Haussmann Investissement SAS (merged in Generali Vie S.A.), Paris
15.	HealthiChoices (Pty) Limited, Costantia Kloof
16.	Magister Internacional S.A., Santiago
17.	MRI Criticare (Pty) Limited, Johannesburg
18.	Randgo Rewards (Pty) Ltd, Constantia Kloof
19.	Sammartini S.A., Luxembourg
20.	SCI Beaune Logistique 1, Paris
21.	SCI Parcolog Gondreville Fontenoy 2 (merged in SC Generali Logistique), Paris
22.	SCI Parcolog Mitry Mory, Paris

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
Assicurazioni Generali S.p.A.	086	EUR	1,561,808,262	G	1	0.01			0.03	100.00
							0.01	Banca Generali S.p.A.		
							0.01	Generali Italia S.p.A.		
Genertel S.p.A.	086	EUR	23,000,000	G	1		100.00	Genertellife S.p.A.	100.00	100.00
UMS Immobiliare Genova S.p.A.	086	EUR	15,993,180	G	10		99.90	Generali Italia S.p.A.	99.90	99.90
Europ Assistance Italia S.p.A.	086	EUR	12,000,000	G	1		73.95	Europ Assistance Holding S.A.	100.00	99.99
							26.05	Generali Italia S.p.A.		
Europ Assistance Trade S.p.A.	086	EUR	540,000	G	11		91.56	Europ Assistance Italia S.p.A.	100.00	99.99
							8.44	Europ Assistance VAI S.p.A.		
Europ Assistance VAI S.p.A.	086	EUR	4,325,000	G	11		100.00	Europ Assistance Italia S.p.A.	100.00	99.99
Generali Properties S.p.A.	086	EUR	117,159,490	G	10		100.00	Generali Italia S.p.A.	100.00	100.00
Assitimm S.r.l.	086	EUR	100,000	G	10		100.00	Generali Italia S.p.A.	100.00	100.00
Alleanza Assicurazioni S.p.A.	086	EUR	210,000,000	G	1		100.00	Generali Italia S.p.A.	100.00	100.00
Genagricola - Generali Agricoltura S.p.A.	086	EUR	199,400,000	G	11		100.00	Generali Italia S.p.A.	100.00	100.00
Agricola San Giorgio S.p.A.	086	EUR	22,160,000	G	11		100.00	Genagricola - Generali Agricoltura S.p.A.	100.00	100.00
GenerFid S.p.A.	086	EUR	240,000	G	11		100.00	Banca Generali S.p.A.	100.00	50.26
Banca Generali S.p.A.	086	EUR	116,851,637	G	7		9.55	Generali Vie S.A.	50.38	50.26
							0.44	Genertel S.p.A.		
							2.41	Alleanza Assicurazioni S.p.A.		
							4.84	Genertellife S.p.A.		
							33.14	Generali Italia S.p.A.		
Fondo Scarlatti - Fondo Immobiliare chiuso	086	EUR	510,756,634	G	10		2.89	Generali Vie S.A.	67.31	67.28
							1.94	Genertel S.p.A.		
							3.35	Alleanza Assicurazioni S.p.A.		
							5.87	Genertellife S.p.A.		
							53.26	Generali Italia S.p.A.		
Generali Real Estate S.p.A.	086	EUR	780,000	G	11	100.00			100.00	100.00
Fondo Immobiliare Mascagni	086	EUR	2,148,012,512	G	10		1.26	Genertel S.p.A.	100.00	100.00
							29.62	Alleanza Assicurazioni S.p.A.		
							11.73	Genertellife S.p.A.		
							57.39	Generali Italia S.p.A.		
Fondo Immobiliare Toscanini	086	EUR	826,711,317	G	10		1.78	Generali Vie S.A.	100.00	99.98
							0.34	Genertel S.p.A.		
							0.18	Assitimm S.r.l.		
							32.49	Alleanza Assicurazioni S.p.A.		
							5.75	Genertellife S.p.A.		
							59.46	Generali Italia S.p.A.		
GSS - Generali Shared Services S.c.a.r.l.	086	EUR	1,002,000	G	11	47.90			100.00	99.84

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method(1)	Activity(2)	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio(3)
							0.10	Generali Belgium S.A.		
							0.10	Generali Investments Europe S.p.A. Società di Gestione Risparmio		
							0.10	Generali Vida Companhia de Seguros S.A.		
							0.10	Generali Pojišťovna a.s.		
							0.10	Ceská pojišťovna a.s.		
							0.50	Generali Vie S.A.		
							50.90	Generali Business Solutions S.c.p.A.		
							0.20	Generali Companhia de Seguros, S.A.		
Generali Business Solutions S.c.p.A.	086	EUR	7,853,626	G	11	1.22			99.99	99.70
							0.25	Genertel S.p.A.		
							0.01	Europ Assistance Italia S.p.A.		
							0.01	Generali Properties S.p.A.		
							0.01	Alfuturo Servizi Assicurativi s.r.l.		
							0.01	BG Fiduciaria - Società di Intermediazione Mobiliare S.p.A.		
							0.01	Generali Real Estate S.p.A. SGR		
							1.29	Alleanza Assicurazioni S.p.A.		
							0.56	Banca Generali S.p.A.		
							0.05	GSS - Generali Shared Services S.c.a.r.l.		
							0.27	Genertellife S.p.A.		
							0.27	Generali Investments Europe S.p.A. Società di Gestione Risparmio		
							96.04	Generali Italia S.p.A.		
CityLife S.p.A.	086	EUR	351,941	G	10		100.00	Generali Italia S.p.A.	100.00	100.00
Residenze CYL S.p.A.	086	EUR	39,921,667	G	10		0.30	CityLife S.p.A.	66.67	66.67
							66.37	Generali Italia S.p.A.		
D.A.S. Difesa Automobilistica Sinistri - S.p.A. di Assicurazione	086	EUR	2,750,000	G	1		50.01	Generali Italia S.p.A.	50.01	50.01
D.A.S. Legal Services S.r.l.	086	EUR	100,000	G	11		100.00	D.A.S. Difesa Automobilistica Sinistri - S.p.A. di Assicurazione	100.00	50.01
Alfuturo Servizi Assicurativi s.r.l.	086	EUR	70,000	G	11		100.00	Alleanza Assicurazioni S.p.A.	100.00	100.00
Fondo Canaletto	086	EUR	118,817,500	G	11		100.00	Generali Europe Income Holding S.A.	100.00	98.95
BG Fiduciaria - Società di Intermediazione Mobiliare S.p.A.	086	EUR	5,200,000	G	8		100.00	Banca Generali S.p.A.	100.00	50.26
Generali Real Estate S.p.A. SGR	086	EUR	6,732,889	G	8		100.00	Generali Real Estate S.p.A.	100.00	100.00
Generali Investments Holding S.p.A.	086	EUR	41,360,000	G	9	37.72			100.00	99.58
							28.29	Generali Deutschland AG		
							33.99	Generali France S.A.		
Fondo Donizetti	086	EUR	171,273,000	G	11		31.63	Alleanza Assicurazioni S.p.A.	100.00	100.00
							16.73	Genertellife S.p.A.		

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Shareholding % Indirect	Shareholding % Through	Shareholding % Total	Group Equity Ratio[3]
							51.64	Generali Italia S.p.A.		
Genertellife S.p.A.	086	EUR	168,200,000	G	1		100.00	Generali Italia S.p.A.	100.00	100.00
Generali Italia S.p.A.	086	EUR	1,618,628,450	G	1	100.00			100.00	100.00
Generali Investments Europe S.p.A. Società di Gestione Risparmio	086	EUR	60,085,000	G	8		17.13	Alleanza Assicurazioni S.p.A.	100.00	99.65
							82.87	Generali Investments Holding S.p.A.		
Dialog Lebensversicherungs-Aktiengesellschaft	094	EUR	2,045,200	G	2		100.00	Generali Deutschland AG	100.00	100.00
Generali Deutschland AG	094	EUR	137,560,202	G	5	4.04			100.00	100.00
							94.10	Generali Beteiligungs-GmbH		
							1.86	Alleanza Assicurazioni S.p.A.		
AachenMünchener Lebensversicherung AG	094	EUR	71,269,998	G	2		100.00	Generali Deutschland AG	100.00	100.00
AachenMünchener Versicherung AG	094	EUR	136,463,896	G	2		100.00	Generali Deutschland AG	100.00	100.00
Generali Lebensversicherung Aktiengesellschaft	094	EUR	520,053,300	G	2		100.00	Generali Deutschland AG	100.00	100.00
Generali Versicherung Aktiengesellschaft	094	EUR	27,358,000	G	2		100.00	Generali Deutschland AG	100.00	100.00
Central Krankenversicherung Aktiengesellschaft	094	EUR	34,017,984	G	2		100.00	Generali Deutschland AG	100.00	100.00
Europ Assistance Versicherungs-Aktiengesellschaft	094	EUR	2,800,000	G	2		25.00	Generali Deutschland AG	100.00	99.99
							75.00	Europ Assistance S.A.		
Europ Assistance Services GmbH	094	EUR	250,000	G	11		100.00	Europ Assistance Versicherungs-Aktiengesellschaft	100.00	99.99
Cosmos Lebensversicherungs Aktiengesellschaft	094	EUR	11,762,200	G	2		100.00	Generali Deutschland AG	100.00	100.00
Cosmos Versicherung Aktiengesellschaft	094	EUR	9,205,200	G	2		100.00	Generali Deutschland AG	100.00	100.00
ENVIVAS Krankenversicherung AG	094	EUR	1,022,800	G	2		100.00	Generali Deutschland AG	100.00	100.00
ADVOCARD Rechtsschutzversicherung AG	094	EUR	12,920,265	G	2		100.00	Generali Deutschland AG	100.00	100.00
Generali Deutschland Pensionskasse AG	094	EUR	7,500,000	G	2		100.00	Generali Deutschland AG	100.00	100.00
Generali Beteiligungs-GmbH	094	EUR	1,005,000	G	4	100.00			100.00	100.00
Generali Deutschland Finanzierungs-GmbH	094	EUR	17,895,500	G	10		46.86	AachenMünchener Versicherung AG	100.00	100.00
							53.14	Generali Versicherung Aktiengesellschaft		
Generali 3. Immobilien AG & Co. KG	094	EUR	62,667,551	G	10		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
VVS Vertriebsservice für Vermögensberatung GmbH	094	EUR	250,000	G	11		100.00	ATLAS Dienstleistungen für Vermögensberatung GmbH	100.00	74.00
GLL GmbH & Co. Retail KG i.L.	094	EUR	381,010,000	G	10	31.50			52.49	52.49
							5.25	AachenMünchener Lebensversicherung AG		
							7.87	Generali Lebensversicherung Aktiengesellschaft		
							7.87	Central Krankenversicherung Aktiengesellschaft		
Generali Pensionsfonds AG	094	EUR	5,100,000	G	2		100.00	Generali Deutschland AG	100.00	100.00

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
Generali European Real Estate Income Investments GmbH & Co. Geschlossene Investment KG	094	EUR	252,520,250	G	10		1.00	Dialog Lebensversicherungs-Aktiengesellschaft	99.99	99.99
							1.00	Cosmos Versicherung Aktiengesellschaft		
							1.00	ADVOCARD Rechtsschutzversicherung AG		
							15.00	AachenMünchener Lebensversicherung AG		
							5.00	AachenMünchener Versicherung AG		
							33.00	Generali Lebensversicherung Aktiengesellschaft		
							6.00	Generali Versicherung Aktiengesellschaft		
							20.00	Central Krankenversicherung Aktiengesellschaft		
							18.00	Cosmos Lebensversicherungs Aktiengesellschaft		
Generali Northern America Real Estate Investments GmbH & Co. KG	094	EUR	17,560,021	G	10		27.77	AachenMünchener Lebensversicherung AG	99.94	99.94
							38.82	Generali Lebensversicherung Aktiengesellschaft		
							16.65	Central Krankenversicherung Aktiengesellschaft		
							16.65	Cosmos Lebensversicherungs Aktiengesellschaft		
							0.05	Generali Real Estate S.p.A.		
AM Erste Immobilien AG & Co. KG	094	EUR	53,875,499	G	10		100.00	AachenMünchener Lebensversicherung AG	100.00	100.00
CENTRAL Erste Immobilien AG & Co. KG	094	EUR	4,823,507	G	10		100.00	Central Krankenversicherung Aktiengesellschaft	100.00	100.00
CENTRAL Zweite Immobilien AG & Co. KG	094	EUR	12,371,997	G	10		100.00	Central Krankenversicherung Aktiengesellschaft	100.00	100.00
Deutsche Bausparkasse Badenia Aktiengesellschaft	094	EUR	40,560,000	G	7		100.00	Generali Deutschland AG	100.00	100.00
Volksfürsorge 1.Immobilien AG & Co. KG	094	EUR	3,583	G	10		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
Thuringia Generali 1.Immobilien AG & Co. KG	094	EUR	21,388,630	G	10		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
Thuringia Generali 2.Immoblien AG & Co. KG	094	EUR	84,343,265	G	10		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
AM Vers Erste Immobilien AG & Co. KG	094	EUR	16,775,749	G	10		100.00	AachenMünchener Versicherung AG	100.00	100.00
Generali Finanz Service GmbH	094	EUR	26,000	G	11		100.00	Generali Deutschland AG	100.00	100.00
AM Sechste Immobilien AG & Co. KG	094	EUR	85,025,000	G	10		100.00	AachenMünchener Lebensversicherung AG	100.00	100.00
DBB Vermögensverwaltung GmbH & Co. KG	094	EUR	21,214,579	G	10		100.00	Deutsche Bausparkasse Badenia Aktiengesellschaft	100.00	100.00
Generali Deutschland Services GmbH	094	EUR	100,000	G	11		100.00	Generali Deutschland AG	100.00	100.00
Generali Deutschland Schadenmanagement GmbH	094	EUR	100,000	G	11		100.00	Generali Deutschland AG	100.00	100.00
Generali Deutschland Finanzdienstleistung GmbH	094	EUR	52,000	G	11		100.00	Generali Deutschland AG	100.00	100.00

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method(1)	Activity(2)	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio(3)
Generali Deutschland Informatik Services GmbH	094	EUR	15,000,000	G	11		100.00	Generali Deutschland AG	100.00	100.00
ATLAS Dienstleistungen für Vermögensberatung GmbH	094	EUR	4,100,000	G	11		74.00	AachenMünchener Lebensversicherung AG	74.00	74.00
AM Gesellschaft für betriebliche Altersversorgung mbH	094	EUR	60,000	G	11		100.00	AachenMünchener Lebensversicherung AG	100.00	100.00
Cosmos Finanzservice GmbH	094	EUR	25,565	G	11		100.00	Cosmos Versicherung Aktiengesellschaft	100.00	100.00
Generali Vitality GmbH	094	EUR	250,000	G	9	100.00			100.00	100.00
FPS GmbH	094	EUR	25,000	G	11		100.00	Generali Europe Income Holding S.A.	100.00	98.95
FLI GmbH	094	EUR	25,000	G	11		100.00	Generali Europe Income Holding S.A.	100.00	98.95
FFDTV GmbH	094	EUR	25,000	G	11		100.00	Generali Europe Income Holding S.A.	100.00	98.95
Generali Pensions- und SicherungsManagement GmbH	094	EUR	25,000	G	11		100.00	Generali Deutschland AG	100.00	100.00
Volksfürsorge 5.Immobilien AG & Co. KG	094	EUR	637,238,457	G	10		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
Grundstücksgesellschaft Einkaufszentrum Marienplatz-Galerie Schwerin mbH & Co. KG	094	EUR	14,805,190	G	10		100.00	AachenMünchener Versicherung AG	100.00	100.00
Grundstücksgesellschaft Einkaufszentrum Louisen-Center Bad Homburg mbH & Co. KG	094	EUR	57,975,829	G	10		100.00	Generali Deutschland AG	100.00	100.00
GID Fonds AAREC	094	EUR	3,409,482,598	G	11		0.91	Dialog Lebensversicherungs-Aktiengesellschaft	100.00	100.00
							24.34	AachenMünchener Lebensversicherung AG		
							22.52	Central Krankenversicherung Aktiengesellschaft		
							6.00	Cosmos Lebensversicherungs Aktiengesellschaft		
							0.49	ADVOCARD Rechtsschutzversicherung AG		
							0.72	Generali Deutschland Pensionskasse AG		
							45.02	GID Fonds GLRET		
GID Fonds ALAOT	094	EUR	803,034,597	G	11		100.00	AachenMünchener Lebensversicherung AG	100.00	100.00
GID Fonds CLAOT	094	EUR	332,085,198	G	11		100.00	Cosmos Lebensversicherungs Aktiengesellschaft	100.00	100.00
GID Fonds AVAOT	094	EUR	89,462,713	G	11		100.00	Generali Versicherung Aktiengesellschaft	100.00	100.00
GID Fonds CEAOT	094	EUR	700,823,406	G	11		100.00	Central Krankenversicherung Aktiengesellschaft	100.00	100.00
GID Fonds VLAOT	094	EUR	1,629,328,619	G	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
GID Fonds GLLAE	094	EUR	651,433,814	G	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
GID Fonds GDRET	094	EUR	175,807,521	G	11		21.38	Generali Deutschland AG	100.00	100.00
							47.16	Generali Versicherung Aktiengesellschaft		
							2.95	Cosmos Versicherung Aktiengesellschaft		
							28.51	ADVOCARD Rechtsschutzversicherung AG		
GID Fonds AMLRET	094	EUR	574,466,602	G	11		100.00	AachenMünchener Lebensversicherung AG	100.00	100.00
GID Fonds GVMET	094	EUR	332,152,720	G	11		100.00	Generali Versicherung Aktiengesellschaft	100.00	100.00

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method(1)	Activity(2)	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio(3)
GID Fonds GLMET	094	EUR	801,922,792	G	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
GID Fonds GLRET 3	094	EUR	847,684,513	G	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
GID Fonds GLRET 2	094	EUR	781,522,027	G	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
GID Fonds GLRET 4	094	EUR	473,253,221	G	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
Vofü Fonds I Hamburgische Grundbesitz und Anlage GmbH & Co.KG	094	EUR	14,800,000	G	10		54.19	Generali Deutschland AG	54.19	54.19
GID-Fonds GPRET	094	EUR	39,872,300	G	11		91.31	Generali Pensionsfonds AG	91.31	91.31
GLL AMB Generali Properties Fund I GmbH & Co. KG	094	EUR	47,448,479	G	11		99.90	GLL AMB Generali Cross-Border Property Fund FCP	99.90	99.90
GLL AMB Generali Properties Fund II GmbH & Co. KG	094	EUR	64,304,996	G	11		100.00	GLL AMB Generali Cross-Border Property Fund FCP	100.00	100.00
GLL Properties Fund I LP	069	USD	33,010,030	G	10		100.00	GLL AMB Generali Properties Fund I GmbH & Co. KG	100.00	99.90
GLL Properties Fund II LP	069	USD	82,366,056	G	11		100.00	GLL AMB Generali Properties Fund II GmbH & Co. KG	100.00	100.00
GLL Properties 444 Noth Michig. LP	069	USD	82,366,056	G	10		100.00	GLL Properties Fund II LP	100.00	100.00
GLL AMB Generali 200 State Street	094	EUR	36,312,097	G	11		100.00	GLL AMB Generali Cross-Border Property Fund FCP	100.00	100.00
GID Fonds AVAOT II	094	EUR	45,670,983	G	11		100.00	AachenMünchener Versicherung AG	100.00	100.00
GID Fonds AVAOT III	094	EUR	9,273,590	G	11		100.00	ADVOCARD Rechtsschutzversicherung AG	100.00	100.00
GID Fonds ALRET	094	EUR	3,163,097,581	G	11		100.00	AachenMünchener Lebensversicherung AG	100.00	100.00
GID Fonds CERET	094	EUR	2,591,361,858	G	11		100.00	Central Krankenversicherung Aktiengesellschaft	100.00	100.00
GID-Fonds CLRET	094	EUR	796,311,833	G	11		100.00	GID-Fonds CLRET 2	100.00	100.00
GID Fonds GLRET	094	EUR	4,183,715,215	G	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
GID Fonds DLRET	094	EUR	87,573,919	G	11		100.00	Dialog Lebensversicherungs-Aktiengesellschaft	100.00	100.00
GID Fonds GDPRET	094	EUR	149,205,288	G	11		100.00	Generali Deutschland Pensionskasse AG	100.00	100.00
GID Fonds GVRET	094	EUR	322,535,027	G	11		100.00	Generali Versicherung Aktiengesellschaft	100.00	100.00
Gentum Nr. 1	094	EUR	462,179,688	G	11		0.73	Dialog Lebensversicherungs-Aktiengesellschaft	100.00	100.00
							31.59	AachenMünchener Lebensversicherung AG		
							2.43	AachenMünchener Versicherung AG		
							33.05	Generali Lebensversicherung Aktiengesellschaft		
							2.85	Generali Versicherung Aktiengesellschaft		
							20.73	Central Krankenversicherung Aktiengesellschaft		
							7.28	Cosmos Lebensversicherungs Aktiengesellschaft		
							0.25	Cosmos Versicherung Aktiengesellschaft		
							1.09	ADVOCARD Rechtsschutzversicherung AG		

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
GID Fonds AVRET	094	EUR	140,318,928	G	11		100.00	AachenMünchener Versicherung AG	100.00	100.00
GID Fonds GLAKOR	094	EUR	163,107,097	G	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
GID-Fonds GLRET 5	094	EUR	8,071,563,507	G	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00
GID Fonds DLAET	094	EUR	48,236,013	G	11		100.00	Dialog Lebensversicherungs-Aktiengesellschaft	100.00	100.00
GID-Fonds AAINF	094	EUR	176,290,313	G	11		27.50	AachenMünchener Lebensversicherung AG	100.00	100.00
							40.00	Generali Lebensversicherung Aktiengesellschaft		
							17.50	Central Krankenversicherung Aktiengesellschaft		
							15.00	Cosmos Lebensversicherungs Aktiengesellschaft		
GID-Fonds AAHYSL	094	EUR	346,692,798	G	11		13.01	Generali Deutschland Pensionskasse AG	98.20	98.20
							40.85	GID Fonds ALRET		
							17.75	GID Fonds CERET		
							26.59	GID-Fonds GLRET 5		
GID-Fonds CLRET 2	094	EUR	1,928,501,361	G	11		100.00	Cosmos Lebensversicherungs Aktiengesellschaft	100.00	100.00
GID-Fonds AACBGS	094	EUR	376,348,606	G	11		41.81	GID Fonds ALRET	96.95	96.95
							13.77	GID Fonds CERET		
							13.25	GID-Fonds GLRET 5		
							28.12	GID-Fonds CLRET 2		
GID-Fonds ALAET	094	EUR	351,923,990	G	11		100.00	AachenMünchener Lebensversicherung AG	100.00	100.00
GID-Fonds CLTGP	094	EUR	171,999,886	G	11		100.00	Cosmos Lebensversicherungs Aktiengesellschaft	100.00	100.00
GID-Fonds ALAET II	094	EUR	50,999,983	G	11		100.00	AachenMünchener Lebensversicherung AG	100.00	100.00
Generali IARD S.A.	029	EUR	94,630,300	G	2		100.00	Generali France S.A.	100.00	98.75
Generali Vie S.A.	029	EUR	336,872,976	G	2		100.00	Generali France S.A.	100.00	98.75
L'Equité S.A. Cie d'Assurances et Réass. contre les risques de toute nature	029	EUR	26,469,320	G	2		99.98	Generali IARD S.A.	99.99	98.75
							0.01	Generali Vie S.A.		
GFA Caraïbes	213	EUR	6,839,360	G	2		100.00	Generali IARD S.A.	100.00	98.75
Prudence Creole	247	EUR	7,026,960	G	2		95.44	Generali IARD S.A.	95.45	94.26
							0.01	Generali France S.A.		
SAS Lonthènes	029	EUR	529,070	G	10		100.00	Generali Vie S.A.	100.00	98.75
Europ Assistance France S.A.	029	EUR	2,541,712	G	11		100.00	Europ Assistance Holding S.A.	100.00	99.99
Europ Assistance Océanie S.A.S.	225	XPF	24,000,000	G	11		100.00	Europ Assistance Holding S.A.	100.00	99.99
Ocealis S.A.S.	029	EUR	300,000	G	11		75.00	Europ Assistance Holding S.A.	75.00	74.99
Generali France S.A.	029	EUR	114,547,490	G	4	66.97			98.75	98.75
							31.78	Participatie Maatschappij Graafschap Holland N.V.		

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
Europ Assistance Holding S.A.	029	EUR	17,316,016	G	2	95.67			99.99	99.99
							4.32	Participatie Maatschappij Graafschap Holland N.V.		
Cofifo S.A.S.	029	EUR	4,570,390	G	9		100.00	Generali France S.A.	100.00	98.75
Suresnes Immobilier S.A.S.	029	EUR	43,040,000	G	10		100.00	Generali Vie S.A.	100.00	98.75
SCI Terra Nova Montreuil	029	EUR	19,800,000	G	10		30.00	Generali Vie S.A.	100.00	98.75
							70.00	Generali IARD S.A.		
GEII Rivoli Holding SAS	029	EUR	12,000,000	G	10		100.00	Generali Europe Income Holding S.A.	100.00	98.95
Immobiliere Commerciale des Indes Orientales IMMOCIO	029	EUR	134,543,500	G	10		100.00	Generali Vie S.A.	100.00	98.75
SAS IMMOCIO CBI	029	EUR	61,058,016	G	10		100.00	Immobiliere Commerciale des Indes Orientales IMMOCIO	100.00	98.75
Europ Assistance S.A.	029	EUR	35,402,786	G	2		100.00	Europ Assistance Holding S.A.	100.00	99.99
Europ Assistance Brokerage Solutions S.a.r.l.	029	EUR	15,000	G	11		100.00	Europ Assistance Holding S.A.	100.00	99.99
Europ Téléassistance S.A.S.	029	EUR	100,000	G	11		100.00	Europ Assistance France S.A.	100.00	99.99
SCI Generali Reaumur	029	EUR	10,643,469	G	10		100.00	Generali Vie S.A.	100.00	98.75
GEIH France OPCI	029	EUR	62,000,000	G	11		100.00	Generali Europe Income Holding S.A.	100.00	98.95
SCI GRE PAN-EU 74 Rivoli	029	EUR	1,000	G	11		0.10	Generali Europe Income Holding S.A.	100.00	98.95
							99.90	GEIH France OPCI		
SCI GRE PAN-EU 146 Haussmann	029	EUR	1,000	G	11		0.10	Generali Europe Income Holding S.A.	100.00	98.95
							99.90	GEIH France OPCI		
SCI du 68 Pierre Charron	029	EUR	1,000	G	10		0.10	Generali Europe Income Holding S.A.	100.00	98.95
							99.90	GEIH France OPCI		
SCI du 54 Avenue Hoche	029	EUR	152,400	G	10		100.00	Generali Vie S.A.	100.00	98.75
SCI 42 Notre Dame Des Victoires	029	EUR	13,869,690	G	10		100.00	Generali Vie S.A.	100.00	98.75
SCI Generali Wagram	029	EUR	284,147	G	10		100.00	Generali IARD S.A.	100.00	98.75
SCI du Coq	029	EUR	12,877,678	G	10		0.81	Generali IARD S.A.	100.00	98.75
							99.19	Generali Vie S.A.		
SCI Espace Seine-Generali	029	EUR	1,000	G	10		100.00	Generali Vie S.A.	100.00	98.75
SCI GF Pierre	029	EUR	47,394,248	G	10		1.18	Generali IARD S.A.	100.00	98.75
							90.95	Generali Vie S.A.		
							7.87	SCI Generali Wagram		
SCI Landy-Novatis	029	EUR	672,000	G	10		0.10	Generali Vie S.A.	100.00	98.75
							99.90	SC Novatis		
SCI Cogipar	029	EUR	10,000	G	10		100.00	Generali Vie S.A.	100.00	98.75
SC Commerce Paris	029	EUR	1,746,570	G	10		100.00	Generali Vie S.A.	100.00	98.75
SCI Landy-Wilo	029	EUR	1,000	G	10		0.10	Generali IARD S.A.	100.00	98.75
							99.90	Generali Vie S.A.		
SCI Generali Carnot	029	EUR	10,525,000	G	10		100.00	Generali Vie S.A.	100.00	98.75

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
SCI Generali Commerce 1	029	EUR	100,000	G	10		0.10	Generali Vie S.A.	100.00	98.75
							53.80	SCI GF Pierre		
							46.10	SC Commerce Paris		
SCI Generali Commerce 2	029	EUR	100,000	G	10		100.00	Generali IARD S.A.	100.00	98.75
SCI Generali le Moncey	029	EUR	1,923,007	G	10		100.00	Generali Vie S.A.	100.00	98.75
SC Generali Logistique	029	EUR	160,001,000	G	10		100.00	Generali Vie S.A.	100.00	98.75
SCI Parcolog Lille Hénin Beaumont 2	029	EUR	1,130,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Iris La Défense	029	EUR	1,350	G	10		44.44	Generali IARD S.A.	100.00	98.75
							55.56	Generali Vie S.A.		
OPCI Parcolog Invest	029	EUR	225,848,750	G	10		100.00	Generali Vie S.A.	100.00	98.75
SCI Parc Logistique Maisonneuve 1	029	EUR	7,051,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Parc Logistique Maisonneuve 2	029	EUR	5,104,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Parc Logistique Maisonneuve 3	029	EUR	8,004,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Parc Logistique Maisonneuve 4	029	EUR	8,004,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Parcolog Isle D'Abeau 1	029	EUR	11,472,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Parcolog Isle D'Abeau 2	029	EUR	12,476,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Parcolog Isle D'Abeau 3	029	EUR	12,476,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Parcolog Combs La Ville 1	029	EUR	7,001,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Parcolog Bordeaux Cestas	029	EUR	9,508,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Parcolog Marly	029	EUR	7,001,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SC Parcolog Messageries	029	EUR	1,000	G	10		100.00	SC Generali Logistique	100.00	98.75
SCI Commerces Regions	029	EUR	1,000	G	10		1.00	Generali IARD S.A.	100.00	98.75
							99.00	Generali Vie S.A.		
SCI Thiers Lyon	029	EUR	1,000	G	10		40.00	Generali Vie S.A.	100.00	98.75
							60.00	SCI GF Pierre		
SCI Iliade Massy	029	EUR	1,000	G	10		100.00	Generali Vie S.A.	100.00	98.75
SAS Parcolog Lille Henin Beaumont 1	029	EUR	302,845	G	10		100.00	OPCI Parcolog Invest	100.00	98.75
OPCI Generali Bureaux	029	EUR	103,996,539	G	10		100.00	Generali Vie S.A.	100.00	98.75
OPCI Generali Residentiel	029	EUR	149,607,800	G	10		100.00	Generali Vie S.A.	100.00	98.75
OPCI GB1	029	EUR	153,698,740	G	10		100.00	Generali Vie S.A.	100.00	98.75
OPCI GR1	029	EUR	200,481,793	G	10		19.13	Generali IARD S.A.	100.00	98.75
							73.69	Generali Vie S.A.		
							7.18	L'Equité S.A. Cie d'Assurances et Réass. contre les risques de toute nature		
SCI 18-20 Paix	029	EUR	20,207,750	G	10		100.00	Generali Vie S.A.	100.00	98.75
SCI Berges de Seine	029	EUR	6,975,233	G	10		100.00	Generali Vie S.A.	100.00	98.75
SCI 6 MESSINE	029	EUR	9,631,000	G	10		100.00	OPCI GR1	100.00	98.75
SCI 204 Pereire	029	EUR	4,480,800	G	10		100.00	OPCI GR1	100.00	98.75

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
SCI du 33 avenue Montaigne	029	EUR	174,496	G	10		100.00	OPCI GR1	100.00	98.75
SCI 5/7 MONCEY	029	EUR	13,263,396	G	10		100.00	OPCI GR1	100.00	98.75
SCI 28 Cours Albert 1er	029	EUR	14,629,770	G	10		100.00	OPCI GR1	100.00	98.75
SC Novatis	029	EUR	17,081,141	G	10		100.00	Generali Vie S.A.	100.00	98.75
SCI Bureaux Paris	029	EUR	250	G	10		100.00	Generali Vie S.A.	100.00	98.75
Generali Holding Vienna AG	008	EUR	63,732,464	G	5		29.67	Generali Beteiligungsverwaltung GmbH	100.00	100.00
							32.47	Participatie Maatschappij Graafschap Holland N.V.		
							0.05	Generali Finance B.V.		
							37.81	Transocean Holding Corporation		
Europäische Reiseversicherung Aktiengesellschaft	008	EUR	730,000	G	2		74.99	Generali Versicherung AG	74.99	74.99
HSR Verpachtung GmbH	008	EUR	100,000	G	10		40.00	Generali Versicherung AG	100.00	85.00
							60.00	BAWAG P.S.K. Versicherung AG		
Generali Versicherung AG	008	EUR	27,338,520	G	2		75.00	Generali Holding Vienna AG	100.00	100.00
							25.00	Generali Beteiligungs- und Vermögensverwaltung GmbH		
BAWAG P.S.K. Versicherung AG	008	EUR	12,000,000	G	2		75.00	Generali Versicherung AG	75.00	75.00
Europ Assistance Gesellschaft mbH	008	EUR	70,000	G	11		25.00	Generali Versicherung AG	100.00	99.99
							75.00	Europ Assistance Holding S.A.		
Car Care Consult Versicherungsvermittlung GmbH	008	EUR	60,000	G	11		100.00	Generali Versicherung AG	100.00	100.00
Generali Beteiligungs- und Vermögensverwaltung GmbH	008	EUR	35,000	G	11		100.00	Generali Holding Vienna AG	100.00	100.00
Allgemeine Immobilien-Verwaltungs GmbH & Co. KG	008	EUR	17,441,553	G	10		100.00	Generali Versicherung AG	100.00	100.00
Generali Immobilien GmbH	008	EUR	4,900,000	G	10		100.00	Generali Versicherung AG	100.00	100.00
Generali Beteiligungsverwaltung GmbH	008	EUR	1,000,000	G	4	100.00			100.00	100.00
SW 13	008	EUR	35,000	G	11		33.34	FPS GmbH	100.00	98.95
							33.33	FFDTV GmbH		
							33.33	FLI GmbH		
Generali Bank AG	008	EUR	26,000,000	G	7		100.00	Generali Versicherung AG	100.00	100.00
Generali Leasing GmbH	008	EUR	730,000	G	11		100.00	Generali Versicherung AG	100.00	100.00
Care Consult Versicherungsmakler GmbH	008	EUR	138,078	G	11		100.00	Europäische Reiseversicherung Aktiengesellschaft	100.00	74.99
3 Banken-Generali-GLStock	008	EUR	4,680	G	11		100.00	Generali Versicherung AG	100.00	100.00
3 Banken Generali GLBond Spezialfonds	008	EUR	90	G	11		100.00	Generali Versicherung AG	100.00	100.00
3 Banken-Generali-GSBond	008	EUR	3,650	G	11		100.00	Generali Versicherung AG	100.00	100.00
3 Banken-Generali - GEN4A Spezialfonds	008	EUR	21,935	G	11		100.00	Generali Versicherung AG	100.00	100.00
BAWAG Spezialfonds 6	008	EUR	13,730	G	11		100.00	BAWAG P.S.K. Versicherung AG	100.00	75.00
3 Banken-Generali - GNLStock	008	EUR	1,248,500	G	11		100.00	Generali Versicherung AG	100.00	100.00

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
3 Banken-Generali-GHStock	008	EUR	313,061	G	11		100.00	Generali Versicherung AG	100.00	100.00
Generali European Retail Investments Holdings S.A.	092	EUR	256,050	G	9		100.00	Generali European Real Estate Investments S.A.	100.00	99.47
Generali Luxembourg S.A.	092	EUR	45,000,000	G	2		100.00	Generali Vie S.A.	100.00	98.75
Generali Investments Luxembourg S.A.	092	EUR	1,921,900	G	11		100.00	Generali Investments Holding S.p.A.	100.00	99.58
Generali Real Estate Luxembourg S.à r.l.	092	EUR	250,000	G	8		100.00	Generali Real Estate S.p.A.	100.00	100.00
Generali North American Holding 1 S.A.	092	USD	13,246,799	G	11		8.20	Generali Real Estate Investments B.V.	100.00	98.85
							91.80	Generali Vie S.A.		
Generali North American Holding 2 S.A.	092	USD	7,312,384	G	11		100.00	Generali Northern America Real Estate Investments GmbH & Co. KG	100.00	99.94
Generali North American Holding S.A.	092	USD	15,600,800	G	8		22.22	Alleanza Assicurazioni S.p.A.	100.00	100.00
							10.56	Genertellife S.p.A.		
							67.22	Generali Italia S.p.A.		
Generali Europe Income Holding S.A.	092	EUR	572,235,607	G	8		4.54	Generali Versicherung AG	100.00	98.95
							2.61	BAWAG P.S.K. Versicherung AG		
							0.45	Generali Immobilien GmbH		
							5.29	Generali Real Estate Investments B.V.		
							3.85	GP Reinsurance EAD		
							21.28	Generali European Real Estate Income Investments GmbH & Co. Geschlossene Investment KG		
							5.39	Generali España, S.A. de Seguros y Reaseguros		
							30.25	Generali Vie S.A.		
							0.91	Alleanza Assicurazioni S.p.A.		
							21.17	Fondo Donizetti		
							0.43	Genertellife S.p.A.		
							2.74	Generali Italia S.p.A.		
							1.09	Generali Luxembourg S.A.		
GRE PAN-EU Munich 1 S.à r.l.	092	EUR	12,500	G	9		100.00	Generali Europe Income Holding S.A.	100.00	98.95
GRE PAN-EU Hamburg 1 S.à r.l.	092	EUR	12,500	G	9		100.00	Generali Europe Income Holding S.A.	100.00	98.95
GRE PAN-EU Hamburg 2 S.à r.l.	092	EUR	12,500	G	9		100.00	Generali Europe Income Holding S.A.	100.00	98.95
GRE PAN-EU Frankfurt 1 S.à r.l.	092	EUR	12,000	G	11		100.00	Generali Europe Income Holding S.A.	100.00	98.95
Generali European Real Estate Investments S.A.	092	EUR	159,685,116	G	8		7.45	Generali Versicherung AG	100.00	99.47
							7.45	Generali Real Estate Investments B.V.		
							5.96	AachenMünchener Lebensversicherung AG		
							12.67	Generali Lebensversicherung Aktiengesellschaft		
							3.73	Generali España, S.A. de Seguros y Reaseguros		
							42.32	Generali Vie S.A.		

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method(1)	Activity(2)	Shareholding % Direct	Shareholding % Indirect	Shareholding % Through	Shareholding % Total	Group Equity Ratio(3)
							18.64	Generali Italia S.p.A.		
							0.89	Generali Vida Companhia de Seguros S.A.		
							0.89	Generali Companhia de Seguros, S.A.		
Frescobaldi S.à.r.l.	092	EUR	1,000,000	G	9		100.00	Generali European Real Estate Investments S.A.	100.00	99.47
GLL AMB Generali Cross-Border Property Fund FCP	092	EUR	225,000,000	G	9		28.00	AachenMünchener Lebensversicherung AG	100.00	100.00
							48.00	Generali Lebensversicherung Aktiengesellschaft		
							16.00	Central Krankenversicherung Aktiengesellschaft		
							8.00	Cosmos Lebensversicherungs Aktiengesellschaft		
BG Fund Management Luxembourg S.A.	092	EUR	2,000,000	G	11		100.00	Banca Generali S.p.A.	100.00	50.26
GLL AMB Generali City22 S.à.r.l.	092	EUR	200,000	G	11		100.00	GLL AMB Generali Cross-Border Property Fund FCP	100.00	100.00
Corelli S.à.r.l.	092	EUR	12,500	G	9		100.00	Generali European Real Estate Investments S.A.	100.00	99.47
Torelli S.à.r.l.	092	EUR	12,500	G	9		100.00	Generali European Real Estate Investments S.A.	100.00	99.47
GLL AMB Generali Bankcenter S.à.r.l.	092	EUR	175,000	G	11		100.00	GLL AMB Generali Cross-Border Property Fund FCP	100.00	100.00
Generali Diversification Corporate Opportunities	092	EUR	1,327,206,133	G	11		7.61	Generali Deutschland Pensionskasse AG	98.50	98.50
							66.06	GID Fonds ALRET		
							21.38	GID Fonds CERET		
							0.66	GID Fonds DLRET		
							2.79	GID-Fonds CLRET 2		
Generali Financial Holding FCP-FIS - Sub-Fund 2	092	EUR	797,256,198	G	11		4.69	Generali Deutschland AG	100.00	99.88
							9.99	Generali Vie S.A.		
							4.72	Alleanza Assicurazioni S.p.A.		
							7.19	Genertellife S.p.A.		
							44.53	Generali Italia S.p.A.		
							28.88	Participatie Maatschappij Graafschap Holland N.V.		
Generali España, S.A. de Seguros y Reaseguros	067	EUR	60,925,401	G	2		95.24	Generali España Holding de Entidades de Seguros S.A.	99.91	99.90
							4.67	Hermes Sociedad Limitada de Servicios Inmobiliarios y Generales		
Cajamar Vida S.A. de Seguros y Reaseguros	067	EUR	9,015,200	G	2		50.00	Generali España Holding de Entidades de Seguros S.A.	50.00	50.00
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	067	EUR	9,015,200	G	2		50.00	Generali España Holding de Entidades de Seguros S.A.	50.00	50.00
Europ Assistance España S.A. de Seguros y Reaseguros	067	EUR	4,163,790	G	2		4.34	Generali España, S.A. de Seguros y Reaseguros	100.00	99.98
							95.66	Europ Assistance Holding S.A.		

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
Europ Assistance Servicios Integrales de Gestion, S.A.	067	EUR	400,000	G	11		100.00	Europ Assistance España S.A. de Seguros y Reaseguros	100.00	99.98
Coris Gestión de Riesgos, S.L.	067	EUR	3,008	G	11		100.00	Europ Assistance Servicios Integrales de Gestion, S.A.	100.00	99.98
Generali España Holding de Entidades de Seguros S.A.	067	EUR	563,490,658	G	4	100.00			100.00	100.00
Hermes Sociedad Limitada de Servicios Inmobiliarios y Generales	067	EUR	24,933,093	G	10		100.00	Generali España, S.A. de Seguros y Reaseguros	100.00	99.90
Vitalicio Torre Cerdà S.l.	067	EUR	1,112,880	G	10		90.66	Generali España, S.A. de Seguros y Reaseguros	100.00	99.90
							9.34	Grupo Generali España Agrupación de Interés Económico		
Grupo Generali España Agrupación de Interés Económico	067	EUR	35,599,000	G	11		99.97	Generali España, S.A. de Seguros y Reaseguros	100.00	99.90
							0.03	Generali España Holding de Entidades de Seguros S.A.		
GLL City22 S.L.	067	EUR	20,003,006	G	11		100.00	GLL AMB Generali City22 S.à.r.l.	100.00	100.00
Generali Vida Companhia de Seguros S.A.	055	EUR	14,000,000	G	2	86.60			99.99	99.99
							13.39	Generali Companhia de Seguros, S.A.		
Generali Companhia de Seguros, S.A.	055	EUR	73,000,000	G	2	100.00			100.00	100.00
Europ Assistance - Companhia Portuguesa de Seguros de Assistencia, S.A.	055	EUR	7,500,000	G	2		53.00	Europ Assistance Holding S.A.	53.00	52.99
Europ Assistance - Serviços de Assistencia Personalizados S.A.	055	EUR	250,000	G	11		99.96	Europ Assistance - Companhia Portuguesa de Seguros de Assistencia, S.A.	99.96	52.97
Generali Belgium S.A.	009	EUR	40,000,000	G	2		32.29	Generali Italia S.p.A.	99.99	99.99
							67.42	Participatie Maatschappij Graafschap Holland N.V.		
							0.28	Generali Finance B.V.		
Generali Real Estate Investments B.V.	050	EUR	250,000,000	G	10		100.00	Generali Belgium S.A.	100.00	99.99
Europ Assistance Belgium S.A.	009	EUR	6,012,000	G	2		100.00	Europ Assistance S.A.	100.00	99.99
Europ Assistance Services S.A.	009	EUR	186,000	G	11		99.99	Europ Assistance Belgium S.A.	100.00	99.99
							0.01	Europ Assistance Holding S.A.		
GRE PAN-EU Brussels 1 s.p.r.l.	009	EUR	492,391	G	11		100.00	Generali Europe Income Holding S.A.	100.00	98.95
Generali Levensverzekering Maatschappij N.V.	050	EUR	11,344,505	G	2		100.00	Generali Nederland N.V.	100.00	98.54
Generali Schadeverzekering Maatschappij N.V.	050	EUR	1,361,341	G	2		100.00	Generali Nederland N.V.	100.00	98.54
Generali Real Estate Investments Netherlands B.V.	050	EUR	10,000	G	10		100.00	Generali Levensverzekering Maatschappij N.V.	100.00	98.54
Participatie Maatschappij Graafschap Holland N.V.	050	EUR	3,000,000,000	G	4	52.42			100.00	100.00
							3.37	Alleanza Assicurazioni S.p.A.		
							5.60	Genertellife S.p.A.		
							38.60	Generali Italia S.p.A.		
Generali Nederland N.V.	050	EUR	5,545,103	G	4		52.25	Participatie Maatschappij Graafschap Holland N.V.	98.54	98.54

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method(1)	Activity(2)	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio(3)
							17.06	B.V. Algemene Holding en Financierings Maatschappij		
							29.23	Transocean Holding Corporation		
B.V. Algemene Holding en Financierings Maatschappij	050	EUR	4,696,625	G	9		100.00	Generali Holding Vienna AG	100.00	100.00
Generali Finance B.V.	050	EUR	500,000,000	G	4	100.00			100.00	100.00
Redoze Holding N.V.	050	EUR	22,689,011	G	9	6.02			100.00	100.00
							50.01	Participatie Maatschappij Graafschap Holland N.V.		
							43.97	Transocean Holding Corporation		
Generali Asia N.V.	050	EUR	250,000	G	4		100.00	Participatie Maatschappij Graafschap Holland N.V.	100.00	100.00
Generali Turkey Holding B.V.	050	EUR	100,000	G	4		100.00	Participatie Maatschappij Graafschap Holland N.V.	100.00	100.00
Saxon Land B.V.	050	GBP	15,576	G	10		30.00	Generali Deutschland AG	100.00	99.63
							30.00	Generali Vie S.A.		
							10.00	Alleanza Assicurazioni S.p.A.		
							10.00	Genertellife S.p.A.		
							20.00	Generali Italia S.p.A.		
Lion River I N.V.	050	EUR	638,016	G	9	27.13			100.00	99.63
							0.27	Generali Versicherung AG		
							0.03	BAWAG P.S.K. Versicherung AG		
							0.03	Generali Belgium S.A.		
							0.03	GP Reinsurance EAD		
							0.32	Generali Assurances Générales SA		
							0.01	Generali Pojišt'ovna a.s.		
							0.01	Generali Poistovna, a. s.		
							0.05	Ceská pojišt'ovna a.s.		
							28.08	Generali Deutschland AG		
							0.41	AachenMünchener Lebensversicherung AG		
							0.04	AachenMünchener Versicherung AG		
							0.06	Generali Versicherung Aktiengesellschaft		
							0.21	Central Krankenversicherung Aktiengesellschaft		
							0.14	Cosmos Lebensversicherungs Aktiengesellschaft		
							0.24	Generali España, S.A. de Seguros y Reaseguros		
							0.09	Generali IARD S.A.		
							28.76	Generali Vie S.A.		
							0.01	Generali Biztosító Zrt.		
							0.69	Alleanza Assicurazioni S.p.A.		

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method(1)	Activity(2)	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio(3)
							0.09	Genertellife S.p.A.		
							1.43	Generali Italia S.p.A.		
							11.76	Lion River II N.V.		
							0.11	Generali CEE Holding B.V.		
Generali Horizon B.V.	050	EUR	90,760	G	9		100.00	Participatie Maatschappij Graafschap Holland N.V.	100.00	100.00
Lion River II N.V.	050	EUR	48,500	G	9		2.06	Generali Beteiligungs-GmbH	100.00	99.97
							2.06	Generali Vie S.A.		
							2.06	Generali Italia S.p.A.		
							93.82	Participatie Maatschappij Graafschap Holland N.V.		
Generali CEE Holding B.V.	275	CZK	2,621,820	G	4	100.00			100.00	100.00
CZI Holdings N.V.	275	CZK	2,662,000,000	G	4		100.00	Generali CEE Holding B.V.	100.00	100.00
CP Strategic Investments N.V.	050	EUR	225,000	G	9		100.00	Ceská pojišt'ovna a.s.	100.00	100.00
MyDrive Solutions Limited	031	GBP	776	G	11		100.00	Participatie Maatschappij Graafschap Holland N.V.	100.00	100.00
Generali Saxon Land Development Company Ltd	031	GBP	250,000	G	8		30.00	Generali Deutschland AG	100.00	99.63
							30.00	Generali Vie S.A.		
							10.00	Alleanza Assicurazioni S.p.A.		
							10.00	Genertellife S.p.A.		
							20.00	Generali Italia S.p.A.		
Generali Worldwide Insurance Company Limited	201	EUR	346,903,472	G	3		100.00	Participatie Maatschappij Graafschap Holland N.V.	100.00	100.00
Generali Portfolio Management (CI) Ltd	201	USD	194,544	G	9		100.00	Generali Worldwide Insurance Company Limited	100.00	100.00
Generali PanEurope dac	040	EUR	61,134,869	G	2	69.67			100.00	100.00
							4.92	Generali Deutschland AG		
							24.99	Generali Worldwide Insurance Company Limited		
							0.42	Generali Finance B.V.		
Genirland Limited	040	EUR	113,660,000	G	9		100.00	Participatie Maatschappij Graafschap Holland N.V.	100.00	100.00
Generali Hellas Insurance Company S.A.	032	EUR	22,776,198	G	2	100.00			100.00	100.00
Generali Biztosító Zrt.	077	HUF	4,500,000,000	G	2		100.00	Generali CEE Holding B.V.	100.00	100.00
Európai Utazási Biztosító Zrt.	077	HUF	400,000,000	G	2		13.00	Europäische Reiseversicherung Aktiengesellschaft	74.00	70.75
							61.00	Generali Biztosító Zrt.		
Vàci utca Center Uzletközpont Kft	077	EUR	4,497,122	G	10		100.00	Generali Immobilien GmbH	100.00	100.00
Generali-Ingatlan Vagyonkezelo és Szolgáltató Kft.	077	HUF	5,296,788,000	G	10		100.00	Generali Biztosító Zrt.	100.00	100.00
Generali Alapkezelo Zártköruen Muködo Részvénytársaság	077	HUF	500,000,000	G	8		74.00	Generali Biztosító Zrt.	100.00	100.00

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
							26.00	Generali CEE Holding B.V.		
Genertel Biztosító Zrt.	077	HUF	1,180,000,000	G	2		100.00	Generali Biztosító Zrt.	100.00	100.00
Generali Pojišt'ovna a.s.	275	CZK	500,000,000	G	2		100.00	Generali CEE Holding B.V.	100.00	100.00
Generali Velky Spalicek S.r.o.	275	CZK	1,800,000	G	10		100.00	Generali Immobilien GmbH	100.00	100.00
CP Distribuce s.r.o.	275	CZK	2,000,000	G	10		100.00	Ceská pojišt'ovna a.s.	100.00	100.00
GRE PAN-EU Prague 1 s.r.o.	275	EUR	1,000	G	11		100.00	Generali Europe Income Holding S.A.	100.00	98.95
PCS Praha Center Spol.s.r.o.	275	CZK	396,206,000	G	10		100.00	Generali Versicherung AG	100.00	100.00
Direct Care s.r.o.	275	CZK	1,000,000	G	11		72.00	Generali Pojišt'ovna a.s.	100.00	100.00
							28.00	Ceská pojišt'ovna a.s.		
Parížská 26, s.r.o.	275	CZK	200,000	G	10		100.00	Ceská pojišt'ovna a.s.	100.00	100.00
Palac Krizik a.s.	275	CZK	2,020,000	G	10		50.00	Ceská pojišt'ovna a.s.	100.00	100.00
							50.00	Generali Real Estate Fund CEE a.s., investicní fond		
IDEE s.r.o.	275	CZK	200,000	G	10		100.00	Generali Real Estate Fund CEE a.s., investicní fond	100.00	100.00
Small GREF a.s.	275	CZK	109,000,000	G	10		38.53	Generali Pojišt'ovna a.s.	100.00	100.00
							33.03	Generali Biztosító Zrt.		
							28.44	Generali Poistovna, a. s.		
Námestí Republiky 3a, s.r.o.	275	CZK	1,000,000	G	10		100.00	Generali Real Estate Fund CEE a.s., investicní fond	100.00	100.00
Mustek Properties s.r.o.	275	CZK	200,000	G	11		100.00	Generali Real Estate Fund CEE a.s., investicní fond	100.00	100.00
Office Center Purkynova, a.s.	275	CZK	2,000,000	G	11		100.00	Generali Real Estate Fund CEE a.s., investicní fond	100.00	100.00
Ceská pojišt'ovna a.s.	275	CZK	4,000,000,000	G	2		100.00	CZI Holdings N.V.	100.00	100.00
Penzijní spolecnost České Pojišťovny, a.s.	275	CZK	50,000,000	G	11		100.00	CP Strategic Investments N.V.	100.00	100.00
Ceská pojišt'ovna ZDRAVÍ a.s.	275	CZK	105,000,000	G	2		100.00	Ceská pojišt'ovna a.s.	100.00	100.00
Generali Investments CEE, Investicní Spolecnost, a.s.	275	CZK	91,000,000	G	8		100.00	CZI Holdings N.V.	100.00	100.00
FINHAUS a.s.	275	CZK	3,000,000	G	11		100.00	Ceská pojišt'ovna a.s.	100.00	100.00
Acredité s.r.o.	275	CZK	100,000	G	11		19.60	Generali Pojišt'ovna a.s.	100.00	100.00
							80.40	Ceská pojišt'ovna a.s.		
Generali Real Estate Fund CEE a.s., investicní fond	275	CZK	401,000,000	G	9		22.94	GP Reinsurance EAD	100.00	100.00
							15.21	Small GREF a.s.		
							61.85	Ceská pojišt'ovna a.s.		
City Empiria a.s.	275	CZK	2,004,000	G	10		100.00	Generali Real Estate Fund CEE a.s., investicní fond	100.00	100.00
Solitaire Real Estate, a.s.	275	CZK	128,296,000	G	10		100.00	Generali Real Estate Fund CEE a.s., investicní fond	100.00	100.00
Transformovaný fond Penzijní spolecnosti Ceské Pojištovny, a.s.	275	CZK	300,000,000	G	11		100.00	Penzijní spolecnost Ceské Pojištovny, a.s.	100.00	100.00

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
Generali Poistovna, a. s.	276	EUR	25,000,264	G	2		100.00	Generali CEE Holding B.V.	100.00	100.00
Green Point Offices a.s.	276	EUR	25,000	G	10		100.00	Ceská pojišt'ovna a.s.	100.00	100.00
Generali Towarzystwo Ubezpieczen Spólka Akcyjna	054	PLN	191,000,000	G	2		100.00	Generali CEE Holding B.V.	100.00	100.00
Generali Zycie Towarzystwo Ubezpieczen Spólka Akcyjna	054	PLN	63,500,000	G	2		100.00	Generali CEE Holding B.V.	100.00	100.00
Generali Finance spólka z ograniczona odpowiedzialnoscia	054	PLN	15,230,000	G	8		100.00	Generali Towarzystwo Ubezpieczen Spólka Akcyjna	100.00	100.00
Generali Powszechne Towarzystwo Emerytalne S.A.	054	PLN	78,000,000	G	11		100.00	Generali Towarzystwo Ubezpieczen Spólka Akcyjna	100.00	100.00
PL Investment Jerozolimskie I SP. Z o.o.	054	PLN	9,050	G	11		100.00	Generali Real Estate Fund CEE a.s., investicní fond	100.00	100.00
PL Investment Jerozolimskie II SP. Z o.o.	054	PLN	5,000	G	11		100.00	Generali Real Estate Fund CEE a.s., investicní fond	100.00	100.00
Cleha Invest Sp. z o.o.	054	PLN	1,314,300	G	10		100.00	Generali Real Estate Fund CEE a.s., investicní fond	100.00	100.00
Generali zavarovalnica d.d. Ljubljana	260	EUR	39,520,356	G	2		100.00	Generali CEE Holding B.V.	100.00	100.00
Generali Societate de Administrare a Fondurilor de Pensii Private S.A.	061	RON	52,000,000	G	11		0.01	Generali Romania Asigurare Reasigurare S.A.	100.00	100.00
							99.99	Ceská pojišt'ovna a.s.		
Generali Romania Asigurare Reasigurare S.A.	061	RON	178,999,222	G	2		99.97	Generali CEE Holding B.V.	99.97	99.97
Generali Insurance AD	012	BGN	47,307,180	G	2		99.78	Generali CEE Holding B.V.	99.78	99.78
Generali Zakrila Medical and Dental Centre EOOD	012	BGN	4,114,100	G	11		100.00	Generali Insurance AD	100.00	99.78
GP Reinsurance EAD	012	BGN	53,400,000	G	5		100.00	Generali CEE Holding B.V.	100.00	100.00
Generali Osiguranje d.d.	261	HRK	81,000,000	G	3		100.00	Generali CEE Holding B.V.	100.00	100.00
Generali Assurances Générales SA	071	CHF	27,342,400	G	3		99.98	Generali (Schweiz) Holding AG	99.98	99.98
Generali Personenversicherungen AG	071	CHF	106,886,890	G	3		15.06	Generali Assurances Générales SA	100.00	100.00
							84.94	Generali (Schweiz) Holding AG		
Fortuna Rechtsschutz-Versicherung-Gesellschaft AG	071	CHF	3,000,000	G	3		100.00	Generali (Schweiz) Holding AG	100.00	100.00
Europ Assistance (Suisse) S.A.	071	CHF	200,000	G	11		100.00	Europ Assistance (Suisse) Holding S.A.	100.00	69.99
Europ Assistance (Suisse) Assurances S.A.	071	CHF	3,000,000	G	3		100.00	Europ Assistance (Suisse) Holding S.A.	100.00	69.99
Europ Assistance (Suisse) Holding S.A.	071	CHF	1,400,000	G	4		70.00	Europ Assistance Holding S.A.	70.00	69.99
Generali (Schweiz) Holding AG	071	CHF	4,332,000	G	4	51.05			100.00	100.00
							20.01	Generali Versicherung AG		
							28.94	Redoze Holding N.V.		
Fortuna Investment AG	071	CHF	1,000,000	G	8		100.00	Generali (Schweiz) Holding AG	100.00	100.00
Fortuna Lebens-Versicherungs AG	090	CHF	10,000,000	G	3		100.00	Generali (Schweiz) Holding AG	100.00	100.00
GW Beta	202	GBP	643,854	G	9		100.00	Generali CEE Holding B.V.	100.00	100.00
Generali Sigorta A.S.	076	TRY	272,485,822	G	3		99.95	Generali Turkey Holding B.V.	99.95	99.95

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
Akcionarsko društvo za osiguranje Generali Osiguranje Montenegro	290	EUR	4,399,000	G	3		57.49	Akcionarsko društvo za osiguranje Generali Osiguranje Srbija	100.00	100.00
							42.51	Generali CEE Holding B.V.		
Akcionarsko društvo za osiguranje Generali Osiguranje Srbija	289	RSD	2,131,997,310	G	3		0.05	GP Reinsurance EAD	100.00	100.00
							99.95	Generali CEE Holding B.V.		
Akcionarsko društvo za reosiguranje Generali Reosiguranje Srbija	289	RSD	616,704,819	G	6		0.01	GP Reinsurance EAD	100.00	100.00
							99.99	Akcionarsko društvo za osiguranje Generali Osiguranje Srbija		
Akcionarsko društvo za upravljanje dobrovoljnim penzijskim fondom Generali	289	RSD	135,000,000	G	11		100.00	Akcionarsko društvo za osiguranje Generali Osiguranje Srbija	100.00	100.00
Generali Global Assistance Inc.	069	USD	5,000,000	G	11		100.00	Europ Assistance North America, Inc.	100.00	99.99
Europ Assistance North America, Inc.	069	USD	34,061,342	G	11		100.00	Europ Assistance Holding S.A.	100.00	99.99
Customized Services Administrators Inc.	069	USD	2,974,773	G	11		100.00	Europ Assistance North America, Inc.	100.00	99.99
GMMI Inc.	069	USD	400,610	G	11		100.00	Europ Assistance North America, Inc.	100.00	99.99
CareLinx Inc.	069	USD	20,137,199	G	11		72.78	Europ Assistance North America, Inc.	72.78	72.77
Transocean Holding Corporation	069	USD	194,980,600	G	9	100.00			100.00	100.00
General Securities Corporation of North America	069	USD	364,597	G	9		1.00	Generali North American Holding 1 S.A.	100.00	99.57
							1.00	Generali North American Holding 2 S.A.		
							1.00	Generali North American Holding S.A.		
							97.00	GNAREH 1 Farragut LLC		
GNAREH 1 Farragut LLC	069	USD	34,421,491	G	10		1.00	General Securities Corporation of North America	100.00	99.57
							35.73	Generali North American Holding 1 S.A.		
							21.09	Generali North American Holding 2 S.A.		
							42.18	Generali North American Holding S.A.		
GNAREI 1 Farragut LLC	069	USD	34,037,500	G	10		100.00	GNAREH 1 Farragut LLC	100.00	99.57
Genamerica Management Corporation	069	USD	100,000	G	11	100.00			100.00	100.00
Generali Consulting Solutions LLC	069	USD	0	G	11	100.00			100.00	100.00
Generali Claims Solutions LLC	069	USD	269,558	G	11		100.00	Generali Consulting Solutions LLC	100.00	100.00
CMN Global Inc.	013	CAD	4,708,011	G	11	100.00			100.00	100.00
Caja de Seguros S.A.	006	ARS	228,327,701	G	3		99.01	Caja de Ahorro y Seguro S.A.	100.00	90.09
							0.99	Participatie Maatschappij Graafschap Holland N.V.		
Caja de Ahorro y Seguro S.A.	006	ARS	269,000,000	G	4	62.50			90.00	90.00
							27.50	Genirland Limited		
Ritenere S.A.	006	ARS	530,000	G	11		2.85	Caja de Seguros S.A.	100.00	90.00
							97.15	Caja de Ahorro y Seguro S.A.		
Generali Brasil Seguros S.A.	011	BRL	1,306,177,730	G	3	98.89			100.00	100.00

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method(1)	Activity(2)	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio(3)
							1.11	Transocean Holding Corporation		
Generali Latam Prestação de Serviços e Participações Ltda.	011	BRL	150,000	G	11	99.99			100.00	100.00
							0.01	Generali Brasil Seguros S.A.		
Asesoria e Inversiones Los Olmos SA	015	CLP	4,769,708,625	G	11		0.92	Participatie Maatschappij Graafschap Holland N.V.	100.00	44.57
							99.08	Atacama Investments Ltd		
AFP Planvital S.A.	015	CLP	36,243,962,493	G	11		86.11	Asesoria e Inversiones Los Olmos SA	86.11	38.38
Generali Colombia Vida - Compañia de Seguros S.A.	017	COP	6,285,344,100	G	3	10.33			99.87	93.05
							78.70	Generali Colombia Seguros Generales S.A.		
							10.84	Transocean Holding Corporation		
Generali Colombia Seguros Generales S.A.	017	COP	34,244,441,700	G	3	88.25			91.34	91.34
							3.09	Transocean Holding Corporation		
Generali Ecuador Compañía de Seguros S.A.	024	USD	8,000,000	G	3	52.45			52.45	52.45
Atacama Investments Ltd	249	USD	76,713	G	11		44.06	Participatie Maatschappij Graafschap Holland N.V.	44.06	44.06
Europ Assistance Pacifique	253	XPF	10,000,000	G	11		75.00	Europ Assistance Holding S.A.	75.00	74.99
PT Asuransi Jiwa Generali Indonesia	129	IDR	1,103,000,000,000	G	3		98.00	Generali Asia N.V.	98.00	98.00
PT Generali Services Indonesia	129	USD	11,376,454	G	10		1.00	Generali IARD S.A.	100.00	98.75
							99.00	Generali Vie S.A.		
Generali Life Assurance Philippines, Inc.	027	PHP	1,791,260,600	G	3		100.00	Generali Asia N.V.	100.00	100.00
Generali Life Assurance (Thailand) Co. Ltd	072	THB	3,300,000,000	G	3		49.00	Generali Asia N.V.	91.42	89.30
							42.42	KAG Holding Company Ltd		
Generali Insurance (Thailand) Co. Ltd	072	THB	1,105,000,000	G	3		48.42	Generali Asia N.V.	86.43	84.52
							38.01	KAG Holding Company Ltd		
IWF Holding Company Ltd	072	THB	2,300,000	G	4		43.48	Participatie Maatschappij Graafschap Holland N.V.	100.00	94.67
							56.52	DWP Partnership		
KAG Holding Company Ltd	072	THB	1,911,244,200	G	4		5.99	Generali Asia N.V.	100.00	94.98
							94.01	IWF Holding Company Ltd		
FTW Company Limited	072	THB	500,000	G	4		90.57	Generali Asia N.V.	90.57	90.57
MGD Company Limited	072	THB	500,000	G	4		90.57	Generali Asia N.V.	90.57	90.57
DWP Partnership	072	THB	200,000	G	4		50.00	FTW Company Limited	100.00	90.57
							50.00	MGD Company Limited		
Generali Vietnam Life Insurance Limited Liability Company	062	VND	3,522,600,000,000	G	3	100.00			100.00	100.00
Generali China Life Insurance Co. Ltd	016	CNY	3,700,000,000	G	3	50.00			50.00	50.00
Generali China Assets Management Company Co. Ltd	016	CNY	200,000,000	G	9		80.00	Generali China Life Insurance Co. Ltd	80.00	40.00

Subsidiaries Consolidated line by line

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]
GIAF Financial Limited	016	CNY	51,703,507	G	11		100.00	NKFE Insurance Agency Company Limited	100.00	100.00
Generali Services Pte Ltd	147	SGD	300,000	G	11		100.00	Generali Asia N.V.	100.00	100.00
Generali Financial Asia Limited	103	HKD	105,870,000	G	9	100.00			100.00	100.00
Generali Life (Hong Kong) Limited	103	HKD	475,000,000	G	3		100.00	Generali Asia N.V.	100.00	100.00
Generali Investments Asia Limited	103	HKD	50,000,000	G	9		100.00	Generali Investments Holding S.p.A.	100.00	99.58
NKFE Insurance Agency Company Limited	103	HKD	62,603,100	G	11		100.00	Generali Financial Asia Limited	100.00	100.00
Europ Assistance Worldwide Services (South Africa) (Pty) Ltd	078	ZAR	881,385	G	11		87.50	Europ Assistance Holding S.A.	87.50	87.49
EASA Training Academy (Pty) Ltd	078	ZAR	100	G	11		100.00	Europ Assistance Worldwide Services (South Africa) (Pty) Ltd	100.00	87.49

The percentage of consolidation in each subsidiaries consolidated line by line is 100%.

(1) Consolidation Method: Line-by-line consolidation method =G, Proportionate consolidation method = P, Line-by-line consolidation method arising from joint management = U

(2) 1=Italian Insurance companies; 2=EU Insurance companies; 3=non EU Insurance companies; 4=Insurance holding companies; 5=EU Reinsurance companies; 6=non EU Reinsurance companies; 7=Banks; 8=Asset Management companies; 9=other Holding companies; 10=Real Estate companies; 11=other"

(3) Net Group partecipation percentage.

The total percentage of votes exercitable at shereholders'general meeting, which differs from that of direct on indirect shareholding, is a follows:

Generali France S.A. 100.00%

Atacama Investments Ltd 100.00%

Non-Consolidated Subsidiaries and Associated Companies

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]	Book Value (€ thousand)
Generali CyberSecurTech S.r.l.	086	EUR	10,000	a	11	100.00			100.00	100.00	1,410
Risparmio Assicurazioni S.p.A. in liquidazione	086	EUR	150,000	a	11		100.00	Generali Italia S.p.A.	100.00	100.00	161
Generali Welion S.c.a.r.l.	086	EUR	10,000	a	11	1.00			100.00	100.00	28
							1.00	Generali Business Solutions S.c.p.A.			
							1.00	Genertel S.p.A.			
							93.00	Generali Italia S.p.A.			
							2.00	Genertellife S.p.A.			
							2.00	Alleanza Assicurazioni S.p.A.			
Initium S.r.l. in liquidazione (*)	086	EUR	250,000	b	10		49.00	Generali Properties S.p.A.	49.00	49.00	3,066
Sementi Dom Dotto S.p.A.	086	EUR	3,500,000	a	11		100.00	Genagricola - Generali Agricoltura S.p.A.	100.00	100.00	3,820
Finagen S.p.A. in liquidazione	086	EUR	6,700,000	a	8		99.90	Alleanza Assicurazioni S.p.A.	100.00	100.00	4,274
							0.10	Generali Italia S.p.A.			
Investimenti Marittimi S.p.A.	086	EUR	39,655,000	b	9		30.00	Generali Italia S.p.A.	30.00	30.00	
Servizi Tecnologici Avanzati S.p.A.	086	EUR	102,000	b	11	25.00			25.00	25.00	
Tiberina S.r.l. Unipersonale	086	EUR	20,000	a	11		100.00	Generali Italia S.p.A.	100.00	100.00	1,333
Telco S.p.A. (*)	086	EUR	244,749	b	8	9.07			19.32	19.30	
							3.76	Generali Italia S.p.A.			
							3.57	Alleanza Assicurazioni S.p.A.			
							1.43	Generali Vie S.A.			
							0.08	Cosmos Lebensversicherungs Aktiengesellschaft			
							0.11	Central Krankenversicherung Aktiengesellschaft			
							0.07	Generali Versicherung Aktiengesellschaft			
							0.90	Generali Lebensversicherung Aktiengesellschaft			
							0.05	AachenMünchener Versicherung AG			
							0.28	AachenMünchener Lebensversicherung AG			
CityLife Sviluppo 2 S.r.l.	086	EUR	10,000	a	10		100.00	Generali Properties S.p.A.	100.00	100.00	
CityLife Sviluppo 3 S.r.l.	086	EUR	10,000	a	10		100.00	CityLife S.p.A.	100.00	100.00	9
CityLife Sviluppo 4 S.r.l.	086	EUR	10,000	a	10		100.00	CityLife S.p.A.	100.00	100.00	9
CityLife Sviluppo 5 S.r.l.	086	EUR	10,000	a	10		100.00	CityLife S.p.A.	100.00	100.00	9
CityLife Sviluppo 6 S.r.l.	086	EUR	10,000	a	10		100.00	CityLife S.p.A.	100.00	100.00	9
Fondo Yielding (*)	086	EUR	248,079,480	b	11		45.00	Generali Europe Income Holding S.A.	45.00	44.53	112,440

Non-Consolidated Subsidiaries and Associated Companies

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding %				Group Equity Ratio[3]	Book Value (€ thousand)
						Direct	Indirect	Through	Total		
Solaris S.r.l. in liquidazione	086	EUR	20,000	b	10		50.00	Generali Properties S.p.A.	50.00	50.00	
Fondo Sammartini (*)	086	EUR	1,327,195	c	11	32.00			48.00	48.00	972
							16.00	Generali Italia S.p.A.			
Generali Innovation Center for Automobile Repairs S.c.a.r.l.	086	EUR	3,100,000	a	11		1.00	Generali Business Solutions S.c.p.A.	100.00	100.00	3,212
							98.75	Generali Italia S.p.A.			
							0.25	Genertel S.p.A.			
Donatello Intermediazione S.r.l.	086	EUR	59,060	a	11		100.00	Generali Italia S.p.A.	100.00	100.00	1,848
Generali Deutschland Alternative Investments GmbH & Co. KG	094	EUR	75,000	a	9		100.00	Generali Deutschland AG	100.00	100.00	75
Generali Deutschland Alternative Investments Verwaltungs GmbH	094	EUR	25,000	a	9		100.00	Generali Deutschland AG	100.00	100.00	25
vSPS Management GmbH	094	EUR	25,000	a	11		100.00	Generali Versicherung Aktiengesellschaft	100.00	100.00	25
BBG Beteiligungsgesellschaft m.b.H.	094	EUR	25,600	a	9		100.00	Deutsche Bausparkasse Badenia Aktiengesellschaft	100.00	100.00	33
Alstercampus Verwaltungsgesellschaft mbH	094	EUR	25,000	a	9		50.00	Generali Real Estate S.p.A.	50.00	50.00	13
Generali Partner GmbH	094	EUR	250,000	a	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00	808
Generali Deutschland Immobilien Verwaltungs GmbH	094	EUR	35,000	a	10		100.00	Generali Real Estate S.p.A.	100.00	100.00	35
BA1 Alstercampus Grundstücksgesellschaft mbH & Co. KG	094	EUR	1,000	c	10		50.00	Generali Lebensversicherung Aktiengesellschaft	50.00	50.00	
Zweite AM RE Verwaltungs GmbH	094	EUR	25,000	a	9		100.00	AachenMünchener Versicherung AG	100.00	100.00	25
Generali Akademie GmbH	094	EUR	25,600	a	11		100.00	Generali Versicherung Aktiengesellschaft	100.00	100.00	
Versicherungs-Planer-Vermittlungs GmbH	094	EUR	45,600	a	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00	40
Thuringia Versicherungsvermittlungs-GmbH	094	EUR	25,600	a	11		100.00	Generali Deutschland AG	100.00	100.00	76
MLV Beteiligungverwaltungsgesellschaft mbH	094	EUR	51,129	a	9		100.00	Generali Versicherung AG	100.00	100.00	53
Deutsche Vermögensberatung Aktiengesellschaft DVAG (*)	094	EUR	150,000,000	b	11		40.00	Generali Deutschland AG	40.00	40.00	233,829
MPC Real Value Fund GmbH & Co. KG	094	EUR	5,000,200	a	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00	3,079
Generali SicherungsTreuhand GmbH	094	EUR	52,000	a	11		100.00	Generali Deutschland AG	100.00	100.00	112
Volksfürsorge Fixed Assets GmbH	094	EUR	104,000	a	11		100.00	Generali Lebensversicherung Aktiengesellschaft	100.00	100.00	104
Central Fixed Assets GmbH	094	EUR	25,000	a	9		100.00	Central Krankenversicherung Aktiengesellschaft	100.00	100.00	25
AVW Versicherungsmakler GmbH	094	EUR	1,550,000	b	11		26.00	Generali Versicherung Aktiengesellschaft	26.00	26.00	2,232
AM RE Verwaltungs GmbH	094	EUR	25,000	a	9		100.00	AachenMünchener Lebensversicherung AG	100.00	100.00	25

Non-Consolidated Subsidiaries and Associated Companies

Company	Country	Currency	Share capital in original currency	Method(1)	Activity(2)	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio(3)	Book Value (€ thousand)
AM Versicherungsvermittlung GmbH	094	EUR	25,000	a	11		100.00	AachenMünchener Versicherung AG	100.00	100.00	25
ver.di Service GmbH	094	EUR	75,000	b	11		50.00	Generali Versicherung Aktiengesellschaft	50.00	50.00	14
Dein Plus GmbH - Vorteile für Gewerkschaftsmitglieder	094	EUR	50,000	b	11		60.00	Generali Versicherung Aktiengesellschaft	60.00	60.00	
VOV GmbH	094	EUR	154,000	b	11		21.50	Generali Versicherung Aktiengesellschaft	43.00	43.00	1,735
							21.50	AachenMünchener Versicherung AG			
Louisen-Center Bad Homburg Verwaltungsgesellschaft mbH	094	EUR	25,000	a	10		94.90	Generali Deutschland AG	94.90	94.90	24
Verwaltungsgesellschaft Marienplatz-Galerie Schwerin mbH	094	EUR	25,000	a	10		100.00	AachenMünchener Versicherung AG	100.00	100.00	25
Blitz 17-628 AG	094	EUR	50,000	a	11		100.00	Generali Deutschland AG	100.00	100.00	54
Allfinanz Aktiengesellschaft DVAG	094	EUR	50,000	a	11		100.00	Generali Versicherung Aktiengesellschaft	100.00	100.00	54
Association pour La Location du Moncey	029	EUR	0	a	11		100.00	Generali Vie S.A.	100.00	98.75	
Cabinet Berat et Fils S.A.S.	029	EUR	8,000	a	11		100.00	Cofifo S.A.S.	100.00	98.75	1,790
ASSERCAR SAS	029	EUR	37,000	b	11		14.86	L'Equité S.A. Cie d'Assurances et Réass.contre les risques de toute nature	29.73	29.36	380
							14.87	Generali IARD S.A.			
COSEV@D Société par actions simplifiée	029	EUR	4,759,035	a	11		40.88	Generali France S.A.	100.00	98.75	3,396
							59.12	Cofifo S.A.S.			
Trieste Courtage S.A.	029	EUR	39,000	a	11		99.96	Generali France S.A.	99.98	98.73	39
							0.02	Generali Vie S.A.			
Generali 7 S.A.	029	EUR	270,000	a	11		0.06	Generali Vie S.A.	99.89	98.64	
							99.83	Generali France S.A.			
PMC Treize Montluçon S.A.S.	029	EUR	3,371,730	a	9		79.21	Generali France S.A.	100.00	98.75	2,242
							20.79	Cofifo S.A.S.			
Generali 9 S.A.S.	029	EUR	7,223	a	9		100.00	Generali France S.A.	100.00	98.75	
Generali 10 S.A.S.	029	EUR	37,000	a	9		100.00	Generali France S.A.	100.00	98.75	37
EAP France SAS (*)	029	EUR	100,000	c	11		51.00	Europ Assistance France S.A.	51.00	50.99	603
Bien Être Assistance S.A.S. (*)	029	EUR	1,000,000	c	11		51.00	Europ Assistance France S.A.	51.00	50.99	616
Risque et Sérénité S.A.	029	EUR	6,135,300	a	9		49.12	Generali Vie S.A.	61.16	60.39	3,979
							12.04	Generali France S.A.			
MAPREG	029	EUR	133,182	b	11		25.26	Generali France S.A.	25.26	24.95	41
GF Sante S.A.S.	029	EUR	921,150	a	11		100.00	Cofifo S.A.S.	100.00	98.75	953
ABT SAS	029	EUR	125,000	c	11		25.00	Generali France S.A.	25.00	24.69	21
Metropole Assurances S.à r.l.	029	EUR	1,166,460	a	11		100.00	Generali IARD S.A.	100.00	98.75	
Gconcierges S.A.S.	029	EUR	50,000	a	11		100.00	Europ Assistance Holding S.A.	100.00	99.99	

Non-Consolidated Subsidiaries and Associated Companies

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]	Book Value (€ thousand)
Reunion Aerienne & Spatiale SAS	029	EUR	999,999	c	11		33.33	Generali IARD S.A.	33.33	32.92	
SAS 100 CE (*)	029	EUR	49,967,080	c	10		50.00	Generali Europe Income Holding S.A.	50.00	49.47	25,257
SCI Generali Pyramides	029	EUR	603,600	a	10		67.88	Generali IARD S.A.	100.00	98.75	255
							32.12	SCI Generali Wagram			
SCI Les 3 Collines Le Ferandou	029	EUR	304,000	b	10		15.00	Generali Vie S.A.	48.30	47.70	142
							33.30	Generali IARD S.A.			
SCI Font Romeu Neige et Soleil	029	EUR	15,200	a	10		100.00	Generali IARD S.A.	100.00	98.75	16
SCI Parcolog Isle d'Abeau Gestion	029	EUR	8,000	a	10		100.00	SC Generali Logistique	100.00	98.75	10
SCE Château La Pointe	029	EUR	2,068,903	a	10		100.00	Generali France S.A.	100.00	98.75	35,646
Bois Colombes Europe Avenue SCI (*)	029	EUR	1,000	c	10		50.00	Generali Vie S.A.	50.00	49.38	9,088
SCI 11/15 Pasquier (*)	029	EUR	6,437,750	c	10		50.00	Generali IARD S.A.	50.00	49.38	11,619
SCI 9 Messine (*)	029	EUR	2,420,250	c	10		50.00	Generali Vie S.A.	50.00	49.38	4,768
SCI Daumesnil (*)	029	EUR	16,753,270	c	10		50.00	Generali IARD S.A.	50.00	49.38	20,383
SCI Malesherbes (*)	029	EUR	32,930,674	c	10		50.00	Generali Vie S.A.	50.00	49.38	23,045
SCI 15 Scribe (*)	029	EUR	14,738,000	c	10		50.00	Generali IARD S.A.	50.00	49.38	26,314
SCI CIC	213	EUR	1,000,000	a	10		100.00	GFA Caraïbes	100.00	98.75	1,000
SCI GFA Caraibes	213	EUR	1,500,000	a	10		100.00	GFA Caraïbes	100.00	98.75	1,495
Lead Equities II. Auslandsbeteiligungs AG	008	EUR	730,000	b	9		21.59	Generali Versicherung AG	21.59	21.59	
Lead Equities II. Private Equity Mittelstandsfinanzierungs AG	008	EUR	7,300,000	b	9		21.59	Generali Versicherung AG	21.59	21.59	
SK Versicherung AG (*)	008	EUR	3,633,500	b	2		39.66	Generali Versicherung AG	39.66	39.66	5,863
Drei Banken Versicherungsagentur GmbH	008	EUR	7,500,000	b	7		20.00	Generali Versicherung AG	20.00	20.00	1,646
Bonus Pensionskassen AG (*)	008	EUR	5,087,098	b	11		50.00	Generali Versicherung AG	50.00	50.00	19,570
Generali 3 Banken Holding AG (*)	008	EUR	70,000	b	9		49.30	Generali Versicherung AG	49.30	49.30	101,357
M.O.F. Immobilien AG	008	EUR	1,000,000	b	10		20.00	Generali Immobilien GmbH	20.00	20.00	
3 Banken-Generali Investment-Gesellschaft m.b.H. (*)	008	EUR	2,600,000	b	8		48.57	Generali Versicherung AG	48.57	48.57	2,036
Risk-Aktiv Versicherungsservice GmbH	008	EUR	35,000	a	11		100.00	Generali Versicherung AG	100.00	100.00	35
BONUS Vorsorgekasse AG (*)	008	EUR	5,087,098	b	11		50.00	Bonus Pensionskassen AG	50.00	25.00	
Generali Telefon- und Auftragsservice GmbH	008	EUR	35,000	a	11		100.00	Generali Bank AG	100.00	100.00	35
Generali Betriebsrestaurants GmbH	008	EUR	36,336	a	11		100.00	Generali Versicherung AG	100.00	100.00	484
TTC - Training Center Unternehmensberatung GmbH	008	EUR	35,000	a	11		100.00	Europäische Reiseversicherung Aktiengesellschaft	100.00	74.99	166
Point Partners GP Holdco S.à r.l. (*)	092	EUR	25,000	b	11		25.00	Generali European Retail Investments Holdings S.A.	25.00	24.87	
Point Partners Special Limited Partnership (*)	092	GBP	55,102,630	b	11		25.00	Generali European Retail Investments Holdings S.A.	25.00	24.87	
Holding Klege S.à.r.l. (*)	092	EUR	12,500	c	9		50.00	Torelli S.à.r.l.	50.00	49.73	

Non-Consolidated Subsidiaries and Associated Companies

Company	Country	Currency	Share capital in original currency	Method(1)	Activity(2)	Shareholding %				Group Equity Ratio(3)	Book Value (€ thousand)
						Direct	Indirect	Through	Total		
GARBE Logistic European Strategic Fund II (*)	092	EUR	57,682,765	b	11		7.95	Central Krankenversicherung Aktiengesellschaft	39.73	39.73	11,078
							7.95	AachenMünchener Lebensversicherung AG			
							23.83	Generali Lebensversicherung Aktiengesellschaft			
Europ Assistance Travel S.A.	067	EUR	60,101	a	11		100.00	Europ Assistance Servicios Integrales de Gestion, S.A.	100.00	99.98	219
Keviana – Empreendimentos Imobiliários, S.A.	055	EUR	50,000	a	10		100.00	Generali Vie S.A.	100.00	98.75	
Ponte Alta - Consultoria e Assistência, Lda	055	EUR	400,000	a	11		100.00	Europ Assistance - Companhia Portuguesa de Seguros de Assistencia, S.A.	100.00	52.99	3,400
Dedale S.A.	009	EUR	108,600	a	11		99.98	Generali Belgium S.A.	99.98	99.98	2,008
B&C Assurance S.A.	009	EUR	627,000	a	11		99.58	Generali Belgium S.A.	100.00	99.99	982
							0.42	Groupe Vervietois d'Assureurs S.A.			
Webbroker S.A.	009	EUR	5,160,000	a	11		100.00	Generali Belgium S.A.	100.00	99.99	1,123
Robert PREVOT SPRL	009	EUR	18,592	a	11		100.00	Dedale S.A.	100.00	99.98	
Verzekeringskantoor Soenen N.V.	009	EUR	18,600	a	11		99.80	Generali Belgium S.A.	99.80	99.79	2,016
Groupe Vervietois d'Assureurs S.A.	009	EUR	94,240	a	11		99.95	Generali Belgium S.A.	99.95	99.94	571
Admirant Beheer B.V. (*)	050	EUR	18,000	b	10		50.00	Generali Real Estate Investments Netherlands B.V.	50.00	49.27	
C.V. Admirant (*)	050	EUR	18,000	b	10		50.00	Generali Real Estate Investments Netherlands B.V.	50.00	49.27	
Amulio Governance B.V.	050	EUR	18,000	c	9		50.00	Lion River II N.V.	50.00	49.99	9
Sigma Real Estate B.V. (*)	050	EUR	18,000	c	9		22.34	Corelli S.à.r.l.	22.34	22.22	
Nederlands Algemeen Verzekeringskantoor B.V.	050	EUR	18,151	a	11		100.00	Generali Nederland N.V.	100.00	98.54	
Anac All-Finance Nederland Advies Combinatie B.V.	050	EUR	12,500	a	11		100.00	Nederlands Algemeen Verzekeringskantoor B.V.	100.00	98.54	
Anac B.V.	050	EUR	11,350	a	11		100.00	Anac All-Finance Nederland Advies Combinatie B.V.	100.00	98.54	
Stoutenburgh Adviesgroep B.V.	050	EUR	18,000	a	11		100.00	Nederlands Algemeen Verzekeringskantoor B.V.	100.00	98.54	
La Reunion Aerienne London Limited	031	GBP	51,258	b	11		33.33	Generali IARD S.A.	33.33	32.92	224
Ioca Entertainment Limited (*)	031	GBP	10,000	b	11		35.00	Banca Generali S.p.A.	35.00	17.59	1,823
Generali Link Limited	040	EUR	2,000,001	a	11	100.00			100.00	100.00	2,000
Europ Assistance A/S	021	DKK	500,000	a	11		100.00	Europ Assistance Holding S.A.	100.00	99.99	
Citadel Insurance plc	105	EUR	5,000,400	b	11		20.16	Generali Italia S.p.A.	20.16	20.16	978
Europ Assistance Magyarorszag Kft	077	HUF	24,000,000	a	11		26.00	Generali Biztosító Zrt.	100.00	99.99	100
							74.00	Europ Assistance Holding S.A.			
Roar Biztosítási és Pénzügyi Közvetíto Kft.	077	HUF	12,000,000	a	11		100.00	Generali Biztosító Zrt.	100.00	100.00	719
GP Consulting Pénzügyi Tanácsadó Kft.	077	HUF	22,000,000	a	11		100.00	Generali Biztosító Zrt.	100.00	100.00	968

Non-Consolidated Subsidiaries and Associated Companies

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]	Book Value (€ thousand)
AUTOTÁL Biztosítási Szolgáltató Kft	077	HUF	104,000,000	a	11		100.00	Generali Biztosító Zrt.	100.00	100.00	1,032
Top Torony Zrt. (*)	077	HUF	84,603,426	c	11		50.00	GLL AMB Generali Bankcenter S.à.r.l.	50.00	50.00	31,690
Europ Assistance s.r.o.	275	CZK	3,867,000	a	11		74.99	Europ Assistance Holding S.A.	100.00	99.99	1,764
							25.01	Ceská pojišt'ovna a.s.			
Nadace GCP	275	CZK	1,000,000	a	11		100.00	Ceská pojišt'ovna a.s.	100.00	100.00	137
VUB Generali dôchodková správcovská spolocnost', a.s. (*)	276	EUR	10,090,976	b	11		50.00	Generali Poistovna, a. s.	50.00	50.00	8,805
Generali IT S.r.o.	276	EUR	165,970	a	11		100.00	Generali Versicherung AG	100.00	100.00	132
GSL Services s.r.o.	276	EUR	6,639	a	11		100.00	Generali Poistovna, a. s.	100.00	100.00	7
Europ Assistance Polska Sp.zo.o.	054	PLN	3,000,000	a	11		100.00	Europ Assistance Holding S.A.	100.00	99.99	73
LEV Registracija, registracija vozil, d.o.o.	260	EUR	18,000	a	11		100.00	Generali zavarovalnica d.d. Ljubljana	100.00	100.00	22
FATA Asigurari S.A.	061	RON	47,032,850	a	2	100.00			100.00	100.00	4,319
S.C. Genagricola Romania S.r.l.	061	RON	70,125,720	a	11		100.00	Genagricola - Generali Agricoltura S.p.A.	100.00	100.00	18,013
S.C. Vignadoro S.r.l.	061	RON	40,835,190	a	11		32.26	Genagricola - Generali Agricoltura S.p.A.	100.00	100.00	8,746
							67.74	Agricola San Giorgio S.p.A.			
Generali Group Partner AG	071	CHF	100,000	a	11		100.00	Generali (Schweiz) Holding AG	100.00	100.00	85
Europ Assistance Yardim ve Destek Hizmetleri Ticaret Anonim Sirketi	076	TRY	1,304,000	a	11		100.00	Europ Assistance Holding S.A.	100.00	99.99	842
Europ Assistance CEI OOO	262	RUB	10,000	a	11		100.00	Europ Assistance Holding S.A.	100.00	99.99	800
Generali Development d.o.o.	289	RSD	23,864,000	a	11		100.00	Generali CEE Holding B.V.	100.00	100.00	202
Generali Realties Ltd	182	ILS	2	a	10	100.00			100.00	100.00	0
Montcalm Wine Importers Ltd	069	USD	7,277,483	a	11		100.00	Genagricola - Generali Agricoltura S.p.A.	100.00	100.00	1,931
GLL 200 State Street L.P. (*)	069	USD	89,200,000	c	11		49.99	GLL AMB Generali 200 State Street	49.99	49.99	36,945
Pluria Productores de Seguros S.A. en liquidación	006	ARS	534,200	a	11		96.01	Caja de Ahorro y Seguro S.A.	96.01	86.41	214
Europ Assistance Argentina S.A.	006	ARS	3,285,000	a	11		43.90	Caja de Seguros S.A.	100.00	69.28	83
							56.10	Ponte Alta - Consultoria e Assistência, Lda			
Europ Assistance Brasil Serviços de Assistência S.A.	011	BRL	43,514,321	c	11		100.00	EABS Serviços de Assistencia e Participaçoes S.A.	100.00	26.50	
EABS Serviços de Assistencia e Participaçoes S.A.	011	BRL	46,238,940	c	9		50.00	Ponte Alta - Consultoria e Assistência, Lda	50.00	26.50	
CEABS Serviços S.A.	011	BRL	20,894,999	c	11		100.00	Europ Assistance Brasil Serviços de Assistência S.A.	100.00	26.50	
Europ Servicios S.p.A.	015	CLP	1,000,000	a	11		100.00	Europ Assistance SA	100.00	38.98	
Europ Assistance SA	015	CLP	612,287,500	a	11		25.48	Ponte Alta - Consultoria e Assistência, Lda	50.96	38.98	217
							25.48	Europ Assistance Holding S.A.			
Europ Assistance (Bahamas) Ltd	160	BSD	10,000	a	11		99.99	Europ Assistance Holding S.A.	99.99	99.98	

Non-Consolidated Subsidiaries and Associated Companies

Company	Country	Currency	Share capital in original currency	Method[1]	Activity[2]	Shareholding % Direct	Indirect	Through	Total	Group Equity Ratio[3]	Book Value (€ thousand)
Care Management Network Inc.	160	USD	9,000,000	a	11		100.00	Europ Assistance (Bahamas) Ltd	100.00	99.98	
Generali Pacifique NC	253	XPF	1,000,000	a	11		100.00	Generali France S.A.	100.00	98.75	2,095
MPI Generali Insurans Berhad (*)	106	MYR	100,000,000	b	3		49.00	Generali Asia N.V.	49.00	49.00	102,596
Future Generali India Life Insurance Company Ltd (*)	114	INR	16,828,206,090	c	3		25.50	Participatie Maatschappij Graafschap Holland N.V.	25.50	25.50	10,327
Future Generali India Insurance Company Ltd (*)	114	INR	8,098,037,050	c	3		25.51	Participatie Maatschappij Graafschap Holland N.V.	25.51	25.51	22,862
Europ Assistance India Private Ltd	114	INR	230,590,940	a	11		100.00	Europ Assistance Holding S.A.	100.00	99.99	
Europ Assistance (Taiwan) Ltd	022	TWD	5,000,000	a	11		100.00	Europ Assistance Holding S.A.	100.00	99.99	
Generali China Insurance Co. Ltd (*)	016	CNY	1,300,000,000	b	3	49.00			49.00	49.00	53,399
Europ Assistance Travel Assistance Services (Beijing) Co Ltd	016	CNY	3,850,000	a	11		100.00	Europ Assistance Holding S.A.	100.00	99.99	
Guotai Asset Management Company (*)	016	CNY	110,000,000	b	8	30.00			30.00	30.00	154,581
Shanghai Sinodrink Trading Company, Ltd	016	CNY	5,000,000	b	11		45.00	Genagricola - Generali Agricoltura S.p.A.	45.00	45.00	242
Europ Assistance Worldwide Services Pte Ltd	147	SGD	3,689,148	a	11		100.00	Europ Assistance Holding S.A.	100.00	99.99	
Europ Assistance (Macau) - Serviços De Assistência Personalizados, Lda.	059	MOP	400,000	a	11		70.00	Ponte Alta - Consultoria e Assistência, Lda	70.00	37.10	
Assurances Maghrebia S.A.	075	TND	30,000,000	b	3	44.17			44.17	44.17	246
Assurances Maghrebia Vie S.A.	075	TND	10,000,000	b	3	22.08			22.08	22.08	1,144

(1) a=non consolidated subsidiaries (IAS 27); b=associated companies (IAS 28); c=joint ventures (IAS 31)

(2) 1=Italian Insurance companies; 2=EU Insurance companies; 3=non EU Insurance companies; 4=Insurance holding companies; 5=EU Reinsurance companies; 6=non EU Reinsurance companies; 7=Banks; 8=Asset Management companies; 9=other Holding companies; 10=Real Estate companies; 11=other

(3) Net Group partecipation percentage.

(*) Partecipations valued at equity.

List of Countries

Country	Country Code
ARGENTINA	006
AUSTRIA	008
BAHAMAS	160
BELGIUM	009
BRAZIL	011
BULGARIA	012
CANADA	013
CHILE	015
CHINA	016
COLOMBIA	017
CROATIA	261
CZECH REPUBLIC	275
DENMARK	021
ECUADOR	024
FRANCE	029
FRENCH POLYNESIA	225
GERMANY	094
GREECE	032
GUERNSEY	201
HONG KONG	103
HUNGARY	077
INDIA	114
INDONESIA	129
IRELAND	040
ISRAEL	182
ITALY	086
JERSEY	202
LIECHTENSTEIN	090
LUXEMBOURG	092
MACAO	059
MALAYSIA	106
MALTA	105
MARTINIQUE	213
MONTENEGRO, REPUBLIC	290
NETHERLANDS	050
NEW CALEDONIA	253
PHILIPPINES	027
POLAND	054

List of Countries

Country	Country Code
PORTUGAL	055
REUNION ISLAND	247
ROMANIA	061
RUSSIAN FEDERATION	262
SERBIA	289
SINGAPORE	147
SLOVAKIA	276
SLOVENIA	260
SOUTH AFRICA, REPUBLIC	078
SPAIN	067
SWITZERLAND	071
TAIWAN	022
THAILAND	072
TUNISIA	075
TURKEY	076
UNITED KINGDOM	031
UNITED STATES	069
VIETNAM	062
VIRGIN ISLANDS (BRITISH)	249

List of Currencies

Currency	Currency Code
Argentine Peso	ARS
Bulgarian Lev	BGN
Brasilian Real (new)	BRL
Bahamas Dollar	BSD
Canadian Dollar	CAD
Swiss Franc	CHF
Chilean Peso	CLP
Chinese Renminbi	CNY
Colombian Peso	COP
Czech Korona	CZK
Danish Krone	DKK
Euro	EUR
British Pound	GBP
Hong Kong Dollar	HKD
Croatian Kuna	HRK
Hungarian Forint	HUF
Indonesian Rupiah	IDR
Israeli Shekel	ILS
Indian Rupee	INR
Macaon pataca	MOP
Malaysian Ringi	MYR
Philippine Peso	PHP
Polish Zloty	PLN
Romanian Leu	RON
Serbian Dinar	RSD
Russian Ruble	RUB
Singapore Dollar	SGD
Thai Bhat	THB
Tunisian Dinar	TND
Turkish Lira (new)	TRY
Taiwan Dollar	TWD
US Dollar	USD
Dong (Vietnam)	VND
French Polinesian Franc	XPF
South African Rand	ZAR

Attestation and Reports

Attestation to the Consolidated Financial Statements

pursuant to art. 154-bis of legislative decree of 24 February 1998, no. 58
and art. 81-ter of Consob regulation of 14 May 1999, no. 11971 as amended

Attestation of the consolidated financial statements pursuant to the provisions of art. 154-*bis*, paragraph 5, of legislative decree 58 of february 24, 1998 and art. 81–*ter* of consob regulation no. 11971 of 14 may 1999 as amended

1. The undersigned, Philippe Donnet, in his capacity as Managing Director and Group CEO, and Luigi Lubelli, in his capacity as Manager in charge of preparing the financial reports of Assicurazioni Generali S.p.A. and Group CFO, having also taken into account the provisions of Art 154-*bis*, paragraphs 3 and 4, of the Italian Legislative Decree No. 58 dated 24 February 1998, hereby certify:
   - the adequacy in relation to the characteristics of the Company and
   - the effective implementation

   of the administrative and accounting procedures for the preparation of the consolidated financial statements over the course of the period from 1 January to 31 December 2017.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements as at 31 December 2017 has been assessed through a process established by Assicurazioni Generali S.p.A. on the basis of the guidelines set out in the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, an internationally-accepted reference framework.

3. The undersigned further confirm that:

   3.1 the consolidated financial statements as at 31 December 2017:
   - a) are prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, with the provisions of Legislative Decree No. 38 of 28 February 2005, of the Italian Civil Code, of Legislative Decree No. 209 of 7 September 2005 and with applicable provisions, regulations and circular letters issued by ISVAP (now IVASS);
   - b) correspond to the related books and accounting records;
   - c) provide a true and fair representation of the financial position of the issuer and the group of companies included in the scope of consolidation;

   3.2 the management report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and group companies included in the scope of consolidation and a description of the main risks and uncertain situations to which they are exposed.

Milan, 14 March 2018

DPhilippe Donnet
Managing Director and Group CEO

ASSICURAZIONI GENERALI S.p.A.

Luigi Lubelli
Manager in charge of preparing
the Company's financial reports and Group CFO

ASSICURAZIONI GENERALI S.p.A.

Board of Statutory Auditors' Report

Statutory Auditors' Report to the General Meeting of Assicurazioni Generali S.p.A. called to approve the Financial Statements as at 31 December 2017 pursuant to s. 153 of Legislative Decree 58/1998

Ladies and Gentlemen,

in compliance with s. 153 of Legislative Decree no. 58 of 24 February 1998 (CFBA) and the indications contained in Consob notice no. 1025564 of 6 April 2001, as amended, and having regard to the code of conduct recommended by the National Accountants' and Bookkeepers' Council, the Board of Statutory Auditors of Assicurazioni Generali S.p.A. reports on the supervisory activities conducted during the 2017 financial year.

1. Activities of the Board of Statutory Auditors during the financial year ending on 31 December 2017 *(point 10 of Consob Notice no. 1025564/01)*

The Board of Statutory Auditors (BSA) performed the activities falling within its remit during the 2017 financial year by holding 24 meetings, with an average duration of approximately two hours.
The BSA also:

- attended the 14 meetings of the Board of Directors (BoD);
- attended the 13 meetings of the Risk and Control Committee (RCC);
- attended the 3 meetings of the Related-Party Transactions Committee (RPTC);
- attended, in the person of its Chairman and/or another statutory auditor, the 8 meetings of the Appointments and Remuneration Committee (ARC), with specific reference to remuneration matters;
- attended, in the person of its Chairman and/or another statutory auditor, the 14 meetings of the Investments and Strategic Operations Committee (ISOC);
- attended, in the person of its Chairman and/or another statutory auditor, the 8 meetings of the Corporate Governance and Social and Environmental Sustainability Committee (GSC).
- In addition to the above activities, in the course of its activity plan, the Board of Statutory Auditors, among other things:
- held meetings with, and obtained information from, the Group CEO, also in his role as Internal Control and Risk Management Director, the Group Audit Manager, the Group Compliance Manager, the Risk Management Manager, the Group Actuarial Manager, the Group Financial Crime Manager, the Manager in Charge of Preparation of the Company's Financial Reports, Group General Counsel and the Corporate Affairs Manager, and the managers of the Company's functions affected by the supervisory activities of the BSA at various times;
- met members of the Surveillance Body instituted pursuant to Legislative Decree no. 231/2001 for a useful exchange of information;
- pursuant to ss. 151.1 and 151.2 of the CFBA, held meetings and exchanged information with the Board of statutory auditors or supervisory bodies of the main subsidiaries (Generali Italia S.p.A., Generali Investment Europe S.p.A., Banca Generali S.p.A., Generali France Assurances, Generali Deutschland Holding AG, Alleanza Assicurazioni S.p.A., Genertel S.p.A., GenertelLife S.p.A. and Europe Assistance Italia S.p.A.);
- in the course of the statutory dealings between the BSA and the auditors, held periodic meetings with the external auditors EY S.p.A., at which data and information relevant to the performance of their respective duties were exchanged.

2. Transactions having a significant impact on the economic, financial and assets position. Other noteworthy events *(point 1 of Consob Notice no. 1025564/01)*

2.1 Activities performed by the BSA

The BSA monitored compliance by the Company with the legislation and the Articles of Association and observance of the principles of correct administration, with special reference to transactions having a significant impact on the economic, financial and assets position, by regularly attending meetings of the Board of Directors and examining the documentation provided.
In this context, the BSA received information from the Managing Director and the Board of Directors about the activities performed and transactions with a significant impact on the economic, financial and assets position conducted by the Company, including through directly or indirectly controlled companies.
On the basis of the information provided, the BSA reasonably concludes that the said transactions can be deemed to comply with the legislation, the Articles of Association and principles of sound management, and that they do not appear to be manifestly imprudent, rash or in conflict with the resolutions passed by the General Meeting, or such as to prejudice the integrity of the Company's assets.
In particular, the BSA was informed about transactions

in which Directors declared an interest, on their own account or on behalf of third parties, and has no comments to make about the compliance of the corresponding resolutions with the legislation and regulations.

2.2 Most significant events

The most significant events involving the Company and the Group in 2017 are also reported on in the 2017 Integrated Annual Report and Consolidated Financial Statements. They include the following events.

- On 23 January 2017 the Company purchased the voting rights to 505 million Intesa Sanpaolo S.p.A. shares, namely 3.01% of the share capital, by means of a stock loan; on 17 February 2017 the Company purchased 510 million Intesa Sanpaolo S.p.A. ordinary shares, namely 3.04% of its share capital, and at the same time began the procedure for terminating the stock loan. A transaction in collateralised derivative instruments was conducted to hedge the whole of the economic risk associated with the purchase of the said shares. Subsequently, on 30 May 2017, the Company sold all the 510 million Intesa Sanpaolo S.p.A. shares previously purchased, and at the same time terminated the hedging transaction in collateralised derivative instruments.
- On 25 January 2017 the Board of Directors resolved to terminate the contract of employment of General Manager and Group CFO Alberto Minali, and having heard the favourable opinion of the Board of Statutory Auditors (pursuant to s. 154-*bis*.1 of the CFBA and art. 40.2 of the Company's Articles of Association), appointed Luigi Lubelli as Group Chief Financial Officer, Manager in Charge of Preparation of the Company's Financial Reports, and member of the Group Management Committee. All the first-level company functions that had reported to the General Manager were required to report directly to Group CEO Philippe Donnet.
- Also on 25 January 2017, the Board of Directors resolved to extend the responsibilities of the Investment Committee to include operations with a strategic value, and therefore changed its name to the Investments and Strategic Operations Committee.
- On 8 February 2017 Generali Finance B.V. exercised the option of early repayment of a perpetual subordinated bond amounting to € 869 million.
- On 20 April 2017 Assicurazioni Generali S.p.A. increased the share capital by way of implementation of the Long-Term Incentive Plan approved by the General Meeting on 30 April 2014. Following the said increase, which involved the issue of 1,924,724 shares, the fully subscribed and paid-up share capital of Assicurazioni Generali S.p.A. amounts to € 1,561,808,262.
- In June 2017, Assicurazioni Generali S.p.A. entered into a reinsurance agreement with Lion II Re DAC, an Irish special-purpose company, which will cover the possible catastrophe losses incurred by the Generali Group as a result of storms and floods in Europe and earthquakes in Italy for four years. Lion II Re DAC has issued a € 200 million tranche of bonds to finance the commitments undertaken pursuant to the reinsurance agreement, thereby transferring part of the risk to the bondholders.
- On 19 July 2017 the Company signed an Agreement with the Talanx Group for the sale of shareholdings in two Colombian insurance companies, Generali Seguros and Generali Vida, amounting to 91.3% and 93.3% respectively. The transaction is conditional on the approval of the competent authorities. The sale of the holding in the Company's Guatemalan subsidiary, Aseguradora General S.A., to the Neutze family, our long-standing local partner, was also completed. On 7 August 2017 an agreement was also signed for the sale of the assets held by the Company in Panama to ASSA Compania de Seguros S.A. for a consideration of USD 172 million, subject to adjustment on closing of the transaction; that transaction is also conditional on the approval of the competent authorities
- On 13 September 2017 the Company signed an agreement for the sale of its entire holding in Generali Nederland N.V. for an initial consideration of € 143 million, subject to adjustment on closing of the transaction. Authorisations having been obtained from the competent authorities, that transaction was completed in February 2018.
- On 18 December 2017 an agreement was signed for the sale to Life Company Consolidation Group of the entire holding in Generali PanEurope for an initial consideration of € 230 million, subject to adjustment on closing of the transaction. The transaction is conditional on (*inter alia*) the approval of the competent authorities, and is expected to be completed in the first half of 2018.
- On 19 December 2017 the Company signed an agreement for the sale of the Non-life portfolio in run-off of its English subsidiary to Compre Group, a company specialising in the management of claims portfolios in run-off.

2.3 Litigation

As regards the ongoing litigation relating to former Company executives Giovanni Perissinotto and Raffaele Agrusti, the Board of Statutory Auditors received periodic updates on the progress of the proceedings at meetings of the Board of Directors. The BSA took note of the Board of Directors' decision of 13 June 2017, which concluded that the conditions for usefully continuing, in the Company's interests, the proceedings previously commenced against the Company's former executives, did not exist, and consequently resolved to discontinue the corresponding lawsuits.

As already stated in the 2016 Integrated Annual Report and Consolidated Financial Statements, the Brazilian company Banco BTG Pactual S.A. ("BTG") commenced arbitration proceedings in 2016 relating to certain claims for compensation made by BTG pursuant to an agreement whereby the sale to the latter of Banca della Svizzera Italiana S.A. ("BSI") by a Generali subsidiary was concluded in September 2015.
In this context, the Board of Statutory Auditors received periodic updates about the development of the litigation at meetings of the Board of Directors and the Risk and Control Committee, examining the opinions prepared by the external lawyers and focusing in particular, insofar as falls within its remit, on the analyses requested from those lawyers, with a view to obtaining evidence of alleged irregularities by executives and/or employees of the Generali Group before the sale of BSI. These analyses are undergoing progressive, regular updating, partly in view of the extensive documentation produced during the arbitration proceedings.
The Board of Statutory Auditors also met the Manager in charge of Preparation of the Company's Financial Reports and the Company's other relevant internal functions, together with External Auditors EY S.p.A., with a view to monitoring the process conducted by them, insofar as falls within their respective remits, for the purpose of conducting the necessary evaluations relating to possible provisions pursuant to IAS 37, and the corresponding disclosure.
As stated in the 2017 Integrated Annual Report and Consolidated Financial Statements, the Company, on the basis of its evaluations including discussions with the External Auditors, taking into account the status of the arbitration proceedings and the legal opinions obtained, decided that the conditions of probability and ability to make the reliable estimate required by IAS 37 for risk provisions associated with BTG's said claim for damages were not fulfilled.

3. Related-party and intercompany transactions. Atypical and/or unusual transactions *(points 2 and 3 of Consob Notice no. 1025564/01)*

The Company has introduced "Related-Party Transaction Procedures" ("RPT Procedures"), adopted in compliance with Consob Regulation 17221/2010, as amended, and s. 2391-*bis* of the Civil Code, which are also applicable to transactions performed by subsidiaries.
As stated in the Report of the Board of Statutory Auditors pursuant to s. 153 of Legislative Decree 58/1998 issued on 31 March 2017, the Related-Party Transactions Committee, on request (*inter alia*) by the Board of Statutory Auditors, commissioned an external adviser to analyse some questions regarding relations between the Related-Party Transactions Committee and the other Board Committees; this activity indicated the advisability of a refinement to the RPT Procedures and the Regulation of the Board of Directors and the Board Committees to ensure better interaction between the various Board committees and a complete flow of information to the Related-Party Transactions Committee. The new text of the RPT Procedures, incorporating the refinements suggested by the external adviser, was approved by the Board of Directors on 15 February 2017, after obtaining a favourable opinion from the Related-Party Transactions Committee. On the same date, the Board of Directors also approved the corresponding amendments to the Regulation of the Board of Directors and the Board Committees.
Also in the context of the said RPT Procedure updating activity, following the request by the Board of Statutory Auditors to the Group Audit Function, an audit activity regarding specific aspects of the concrete operation of the RPT Procedures in the parent company and subsidiaries was added to the first half of the 2017 Audit Plan. That activity related to *(i)* the operation of the Related-Party Transactions Committee and *(ii)* the compliance of the activities performed by the internal functions in support of the said Committee with the Company's procedures and the applicable legislation. The said auditing activity was monitored by the BSA in the ambit of periodic updates with the Group Audit Function, and the resulting suggestions were incorporated in the above-mentioned review of the RPT Procedures approved on 15 February 2017, and in the associated amendments to the Regulation of the Board of Directors and the Board Committees.

In view of the factors set out above, the Board of Statutory Auditors concludes that the Company's RPT Proce-

dures comply with Consob Regulation 17221/2010, as amended; the BSA monitored the Company's compliance with the said Procedures during the year.
Assicurazioni Generali's 2017 Annual Financial Statements and the 2017 Integrated Annual Report and Consolidated Financial Statements illustrate the economic and asset-related effects of the related-party transactions, and describe the most significant relationships.
No transactions classifiable as major transactions pursuant to the above-mentioned Procedures were submitted for the attention of the Related-Party Transactions Committee during the 2017 financial year, nor were any urgent related-party transactions performed.

With regard to intercompany transactions during the year, on 26 October 2016 IVASS issued the new Regulation no. 30/2016 on intercompany operations and risk concentrations, which replaces the previous Regulation no. 25/2008. The new Regulation no. 30/2016, which significantly amended the provisions governing intercompany operations, came into force on 1 December 2016. The Group Compliance Function supported the preparation of the new Group policy pursuant to the said IVASS Regulation 30/2016, designed to provide the Generali Group's internal control and risk management system with processes and procedures for the identification, measurement, monitoring, management and reporting of intercompany transactions, in compliance with the said regulatory provisions. Finally, the Company's Board of Directors, at the meeting held on 15 March 2017, approved the new Policy on Intra-Group Transactions.
On the basis of the supervisory activities of the BSA, intercompany transactions were conducted during the year in compliance with the said policies approved by the Board of Directors. The main intercompany activities, with payment at market prices or at cost, were conducted by means of reinsurance and coinsurance agreements, administration and management of securities and real estate, claims management and settlement, IT and administrative services, loans and guarantees, and personnel loans. The said services allowed the rationalisation of the operational functions and a better level of services.
The BSA also concluded that the information provided by the Board of Directors in the 2017 Annual Financial Statements of Assicurazioni Generali relating to intercompany and related-party transactions was adequate.
As far as we are aware, no atypical and/or unusual transactions were conducted.

4. Organisational structure of the Company and the Group *(point 12 of Consob Notice no. 1025564/01)*

The organisational structure of the Company and the Group and its developments are described in detail in the Corporate Governance and Share Ownership Report.
The Group's organisational structure is confirmed in its Functions, and promotes the integration of best practices regarding insurance, financial and investment techniques, activation of Group synergies and focus on operational efficiency at global level, including through Centres of Expertise supporting the entire organisation.
The Group's organisational structure is based on two dimensions: Group Head Office (GHO) and the Business Units. GHO acts as the strategic policy, guidance and coordination structure for the Business Units. The Business Units promote local entrepreneurship and autonomies, and provide international control.
The organisational governance is ensured by integration and coordination mechanisms between the Business Units and the Group Head Office functions, represented by:
- the Group Management Committee (GMC), namely the group of top management executives which discusses the main strategic decisions;
- the Quarterly Business Review processes, which ensure alignment between GHO and the Business Units in terms of strategic objectives and the results trend;
- three main cross-functional committees that support the Group CEO in guiding the Group's strategic decisions: the Balance Sheet Committee, Finance Committee and Product & Underwriting Committee;
- the Functional Guidelines and Functional Councils, through which functional coordination is implemented at global level;
- a matrix system of reporting lines, classified as "solid" or "dotted" according to the intensity of guidance and coordination between the GHO Functions and the corresponding functions in the Business Units. The "solid" Functions, namely those in which the guidance and coordination activity is most intensive, are the Group CRO, Group General Counsel, including Group Compliance, and Group Audit; the other Group Functions are "dotted".

Some organisational changes in the organisational structure of Group Head Office and the Group Management Committee took place in 2017, as described in the Corporate Governance and Share Ownership Report. The main such changes included the following:

- with effect from 1 December 2017 the Board of Directors appointed Marco Sesana as Country Manager for Italy (who maintains his position as Managing Director and General Manager of Generali Italia). Marco Sesana also became a member of the Group Management Committee;
- with effect from 9 January 2017, the Board of Directors appointed Timothy Ryan as new Group Chief Investment Officer, and he also became a member of the Group Management Committee;
- on 25 January 2017 the Board of Directors resolved to terminate the contract of employment of General Manager and Group CFO Alberto Minali, and appointed as new Group CFO Luigi Lubelli, who became a member of the Group Management Committee. All the first-level company functions that reported to the General Manager were required to report directly to Group CEO Philippe Donnet.
- with effect from 1 June 2017, the Board resolved to appoint Jean-Laurent Granier as new Country Manager for France, and he became a member of the Group Management Committee;
- with effect from 1 July 2017, Bruno Scaroni was appointed Group Strategy & Business Accelerator Director;
- with effect from 1 October 2017 the Board of Directors, having heard the favourable opinion of the Board of Statutory Auditors, appointed Nora Gürtler as Group Audit Manager;
- on 18 October 2017 the Board of Directors updated the composition of the Group Management Committee, resolving to appoint Group Chief HR & Organisation Officer Monica Alessandra Possa and Group Chief Marketing & Customer Officer Isabelle Marguerite Conner as GMC members;
- on 13 December 2017 the Board of Directors instituted, with effect from 1 January 2018, the new role of Group Chief Operating & Insurance Officer, appointing to that position Jaime Anchustegui, who became a member of the Group Management Committee from that date.

The Board of Statutory Auditors, by means of the activity described in paragraph 1 above, monitored the adequacy of the overall organisational structure of the Company and the Group and the adequacy of the instructions issued by the Company to its subsidiaries pursuant to s. 114.2 of the CFBA, to ensure rapid acquisition of the information required to meet the statutory communication obligations.

The BSA also established, pursuant to s. 15 of the Market Regulation of 28 December 2017, that the Company's organisation and the procedures adopted enable the Company to establish that the companies controlled and incorporated by it which are governed by the legislation of countries not belonging to the European Union and are required to comply with the Consob regulations have an administrative/accounting system suitable to supply the Company's management and external auditors regularly with the economic, capital and financial data required to draw up the consolidated financial statements. As at 31 December 2017, the non-EU companies to which the Market Regulation applies were: Generali Personenversicherungen AG, Generali (Schweiz) Holding AG e Generali China Life Insurance Co. Ltd.

No noteworthy information emerged from examination of the reports of the supervisory bodies of the subsidiaries, and/or the information sent by them to the BSA following specific requests.

5. Internal Control and Risk Management System, administrative/accounting system and financial reporting process *(points 13 and 14 of Consob Notice no. 1025564/01)*

5.1. Internal Control and Risk Management System

The main characteristics of the Internal Control and Risk Management System are described in the Corporate Governance and Share Ownership Report.

The Company has an internal regulatory system applicable to the whole Group, called the Generali Internal Regulation System (GIRS). That system is structured on three levels:

- Group Policies, approved by the Board of Directors;
- Group Guidelines, approved by the Group CEO or the managers of the Control Functions;
- Group Operating Procedures, approved by the relevant functions of Group Head Office.

The company functions operate in accordance with an organisational model based on three levels of control:

- the managers of the operational areas (risk owners);
- the functions of the second level of control, in particular Group Risk Management, Group Compliance and the Group Actuarial Function;
- Group Audit.

The Group CEO also holds the position of Internal Control and Risk Management Director.

In the development of the Internal Control and Risk Management System (ICRMS), the Company performs its activities in accordance with the terms of Solvency II, including delegated acts and guidelines issued on the subject by EIOPA, and with the legislative and regulatory provisions transposed at national level.
Following the issue by the Regulator of authorisation to use a "Partial Internal Model" (PIM) to calculate the Solvency Capital Requirement (SCR) as required by Solvency II, the Group is allowed to use the PIM to determine the SCR of the Group and the main Business Units for the Italian, German, French and Czech companies. For further details, see the Group Risk Report.
In the ambit of credit risk measurement a system of rules and procedures was implemented at Group level, designed to guarantee monitoring in terms of internal ratings of creditworthiness, thus reducing the sole use of external ratings.
Moreover, to maintain compliance with Solvency II, the Company has updated and/or introduced internal Group policies having the following objectives:
- formalising the ICRMS by establishing the roles and responsibilities of the Control Functions;
- establishing the processes associated with the management of specific risks (investment, underwriting and operational risks) and the main business processes (including capital management, the asset liability management (ALM) process and the product approval process).

The Company monitored legislative developments during the year, activated compliance-checking plans and continued its ongoing reinforcement of the procedural structure, as described in the parent company's Risk Report and Financial Statements. The Internal Control and Risk Management System policies are also adopted by the main subsidiaries, having regard to the specific legislation in each country in which the Group operates, and any special features of the business. These policies are continuously updated.
In the context of constant development and reinforcement of controls, in accordance with the applicable industry regulations, the Board of Statutory Auditors has constantly monitored the adequacy of the ICRMS of the Company and its Group. In particular, the BSA:

i) took note of the favourable opinion of the adequacy of the ICRMS issued half-yearly by the Board of Directors after consulting the Risk and Control Committee;
ii) examined the summary document regarding the assessment of the adequacy and efficacy of the Internal Control and Risk Management System drawn up by the Group Audit, Group Compliance, Group Risk Management and Group Actuarial Functions;
iii) attended all meetings of the Risk and Control Committee, obtaining information about the initiatives that the Committee has decided to promote or request on specific subjects;
iv) obtained information about the development of the corresponding organisational structures and the activities performed by the Group Audit, Group Compliance, Group Risk Management and Group Actuarial Functions, partly by means of discussions with the managers concerned;
v) examined the reports on the activities of the Group Compliance, Group Risk Management and Group Actuarial Functions submitted to the Risk and Control Committee and the Board of Directors;
vi) examined the Group Audit Manager's half-yearly Complaint Reports;
vii) examined the Audit Plan drawn up by the Group Audit Function and approved by the Board of Directors, observed that it had been complied with, and received information about the audit results;
viii) obtained information about the activities of the Supervision and Control Committee instituted by the Company in compliance with Legislative Decree no. 231/2001, by means of specific reports and update meetings regarding the activities performed by it;
ix) obtained information from the managers of the respective company functions;
x) exchanged information with the supervisory bodies of the subsidiaries, as required by ss. 151.1 and 151.2 of the CFBA;
xi) met and exchanged information with the Executive Director responsible for supervising the ICRMS;
xii) obtained information about the development of the Group's regulatory system, in particular the Company's structure of policies, regulations, guidelines and procedures designed to ensure compliance with the specific regulations of the insurance industry and listed companies applicable to or approved by the Company.

In the course of its supervisory activities over the ICRMS, the BSA, in 2017 as in the preceding financial years, paid particular attention to compliance with the money-laundering legislation.
As stated in the Report pursuant to s. 153 of the CFBA relating to the 2016 financial year, issued on 31 March 2017, in the first few months of the last financial year the major project adopted by the Company regarding

money-laundering and anti-terrorism measures was substantially finalised, including the introduction of the new "Group Anti-Money Laundering & Counter-Terrorism Financing (AML/CTF) Policy".
During the 2017 financial year the BSA continued to monitor the implementation of the AML/CTF Policy in the individual Group companies, in liaison with the boards of statutory auditors or supervisory bodies of the subsidiaries concerned, taking into account also the different and variegated legislative situations.
In November 2017, the Company approved an update to the said Group AML/CTF Policy, which takes account of the changes in the legislative picture since the 4th European AML Directive came into force during the year. The innovations introduced by the new version of the policy include, in particular, the provision that where national legislation does not allow the requirements laid down by the policy to be introduced, the Group companies concerned are specifically required to identify and adopt additional measures to deal with the local limitations, in order to ensure effective AML/CTF risk management.

Also during the financial year that has just ended, following the Letter to the Market dated 5 June 2017 in which IVASS requested life insurance companies to conduct a self-assessment of the risk of money-laundering and financing of terrorism with reference to the 2016 financial year, 44 Group companies operating in the life sectors conducted the said self-assessment activity. This self-assessment process was conducted on the basis of the specific methodologies indicated by IVASS, requiring the risk to be measured by analysing and evaluating the following aspects: *(i)* the intrinsic risk associated with the nature of the business actually carried on; *(ii)* the ability of the internal control system to mitigate the intrinsic risk; *(iii)* the residual risk to the company after evaluating the effective ability of the internal control system to mitigate the intrinsic risk.
On the basis of the results, actions designed to further mitigate the money-laundering and financing of terrorism risks were identified, to be implemented in the 2018 financial year by the Company and the Group. The risk mitigation actions planned for the 2018 financial year, delineated by the Company following the said self-assessment activity, were approved by the Board of Directors on 13 December 2017, after consulting the Risk and Control Committee and the Board of Statutory Auditors. The BSA will regularly monitor its implementation during the coming financial year.

The Board of Statutory Auditors, in liaison with the Risk and Control Committee, also monitored the trend of actual implementation of the actions and projects deriving from audit activities. In the preceding year, this aspect represented an area requiring attention, as indicated by the Risk and Control Committee and the Board of Directors, which agreed on the importance of drawing the attention of the management to ensuring that the action plans resulting from audit activities are completed in the scheduled times, informing the said bodies of the reasons for any delay, and rescheduling the corresponding time limits. After that request, the process significantly improved; however, this aspect is still considered to be an area requiring attention by both the BSA and the BoD, which has reminded management of its importance to ensure timely completion of the planned actions. The BSA will also continue its regular monitoring of this area.
In 2017, the Board of Directors and the Risk and Control Committee promoted actions involving further reinforcement of the internal control system to take account of the new requirements introduced by the European legislation governing privacy and date protection, insurance distribution and Packaged Retail Investment-based Insurance Products (PRIIPS). For that purpose, it was agreed that the internal control system must be further updated and strengthened to take account of the higher risk profile, in particular as regards penalties, deriving from the new legislative and regulatory requirements. In view of the extent of the legislative innovations, the BSA suggested specific induction and training activities for Board members.
Finally, the Risk and Control Committee and the Board of Directors monitored the implementation of the overall IT programme commenced in 2016, with a view to progressive reinforcement of the associated controls, and mitigation of the risks involved. This activity was conducted on the basis of the activities of the Control Functions and information supplied by the IT management, promoting accelerated implementation of the programme as far as possible. In particular, the Company intends to complete the cyber risk mitigation and prevention programme a year earlier than originally forecast. In this context, the refinement of systems and procedures suitable to prevent and reduce the said risk remains an area of attention subject to regular monitoring by the Board of Statutory Auditors.

In the light of all the above information and having regard to the above-mentioned areas of attention, no factors emerged from the analyses conducted or the information obtained that could lead this BSA to consider the Company's Internal Control and Risk Management System as not adequate as a whole.

In view of the evolutionary nature of any internal control system, specific updates were planned for 2018, as part of the process of ongoing improvement of the efficacy of the system pursued by the Company.

5.2. Administrative accounting system and financial reporting process.

As regards the administrative accounting system and the financial reporting process, the Board of Statutory Auditors monitored (*inter alia*) the Company's activities designed to assess their adequacy continuously.
This objective was pursued by the Company by adopting a "financial reporting model" consisting of a set of principles, rules and procedures designed to guarantee an adequate administrative and accounting system.
The Corporate Governance and Share Ownership Report describes the main characteristics of the model, as defined by the Manager in Charge of Preparation of the Company's Financial Reports, who is supported by the Financial Reporting Risk structure.
Data and information relevant to the performance of their respective tasks pursuant to s. 150 of the CFBA were exchanged with the managers of the External Auditors, and no noteworthy aspects emerged.
In particular, no significant deficiencies in the internal control system relating to the financial reporting process emerged from the additional report issued by EY S.p.A. pursuant to art. 11 of EU Regulation 537/2014. That report was discussed and analysed during information exchanges between the Board of Statutory Auditors and the External Auditors.
From September 2016, consistently with the development of the applicable legislative situation, the Company decided to develop its quarterly financial reporting, as from the third quarter of 2016, by producing a more concise representation of its business, focusing on relevant information.

5.3. Consolidated Non-Financial Statement.

With reference to the 2017 financial year, the Company is required, for the first time, to prepare and publish a Consolidated Non-Financial Statement ("CNFS") in accordance with the terms of Legislative Decree no. 254/2016 and its Implementing Regulation issued by CONSOB in Resolution no. 20267 of 18 January 2018. As required by s. 4 of Legislative Decree no. 254/2016, the said Statement provides non-financial information relating to the Company and its subsidiaries "*to the extent required to ensure comprehension of the group's business, trend and results, and the impact produced by it*".
As specified in s. 3.7 of Legislative Decree no. 254/2016, the Board of Statutory Auditors, in the performance of its statutory functions, monitored compliance with the legislation governing the preparation and publication of the CNFS.
In particular, the BSA monitored the adequacy of the organisational structures adopted by the Group in accordance with the strategic objectives pursued by it in the socioenvironmental field.
The BSA also monitored the adequacy of the processes and structures which, in the Group, control production, reporting, measurement and representation of the non-financial information and results.
For this purpose, the BSA examined the documentation made available by the Company and met, in various sessions, the Function responsible for drafting the CNFS identified in the ambit of the Group CFO Function, and the representatives of the External Auditors responsible for certification (EY), who were also instructed to issue a specific report containing the certification of conformity required by s. 3.10 of Legislative Decree no. 254/2016.
In continuity with the Group's well-established methodological decisions regarding integrated reporting, the Board of Directors prepared the CNFS, approved by the Board of Directors on 14 March 2018, in accordance with the Guiding Principles and Content Elements of the International <IR> Framework, approved by the International Integrated Reporting Council (IIRC). The standard adopted for reporting on the material subjects identified by the Group is represented by the GRI Sustainability Reporting Standard, published in 2016 by GRI Global Reporting Initiative (GRI – Referenced claim) with reference to selected GRI Standards and indicators of GRI G4 Financial Services Sector Disclosures.
The BSA further noted that the External Auditors issued the said report on 27 March 2018. In the said report, EY certified that on the basis of the work performed, no information had come to its attention suggesting that the CNFS was not drawn up, in all significant respects, in compliance with the terms of ss. 3 and 4 of Legislative Decree no. 254/2016 and the reporting standard used by the Group to prepare the CNFS.
The Board of Statutory Auditors observes that in the course of the controls conducted and specified above, no evidence of non-conformity by the CNFS with the legislative provisions governing its preparation and publication came to its attention.
When drawing up the Consolidated Non-Financial Statement, the Company did not exercise the option to omit

information concerning imminent developments and transactions under negotiation allowed by s. 3.8 of Legislative Decree 254/2016.

Finally, the BSA emphasises that in view of the recent introduction of the legislation governing non-financial information reporting, it will continue to monitor with particular attention the development of its practical application and the actions performed by the Company with the aim of further improving the degree of formalisation of the socioenvironmental policies implemented and the related processes.

6. Other activities performed by the Board of Statutory Auditors

In addition to the matters described above, the Board of Statutory Auditors performed further specific periodic checks in accordance with the statutory and regulatory provisions applicable to the insurance industry.
In particular the BSA, partly by attending meetings of the Risk and Control Committee:

- monitored compliance with the investment policy guidelines resolved on, following the issue of ISVAP Regulation no. 36 of 31 January 2011, by the Board of Directors on 13 May 2011, and updated in 2012, 2013, 2014, 2015 and finally in September 2016, after IVASS Regulation no. 24 of 6 June 2016 came into force;
- checked that transactions in derivative financial instruments complied with the guidelines and limitations issued by the Board of Directors, and checked that the Company had duly submitted periodic communications to IVASS;
- analysed the administrative procedures adopted for handling, safekeeping and accounting of financial instruments, checking the instructions issued to depositaries regarding periodic despatch of statements of account with suitable indications of any encumbrances;
- checked that the assets destined for covering the technical reserves were free of encumbrances and fully available;
- checked on correspondence with the register of assets destined to cover the technical reserves.

In the Notes to the Financial Statements, the Company supplied a report on share-based payment agreements, in particular the incentive plans based on equity instruments allocated by the parent company and other companies belonging to the Group.

7. Organisational and Management Model pursuant to Legislative Decree no. 231/2001

The Board of Statutory Auditors has perused and obtained information about the organisational and procedural activities conducted pursuant to Legislative Decree 231/2001, as amended, regarding the administrative liability of organisations. The main aspects connected with the organisational and procedural activities conducted by the Company pursuant to Legislative Decree 231/2001 are illustrated in the Corporate Governance and Share Ownership Report.
No noteworthy facts and/or circumstances emerged from the report submitted by the Surveillance Body instituted pursuant to Legislative Decree no. 231/2001 regarding the activities performed.

8. Ratification of the Corporate Governance Code, Composition of the Board of Directors, and remuneration *(point 17 of Consob Notice no. 1025564/01)*

The Company has ratified the Corporate Governance Code issued by the Corporate Governance Committee promoted by Borsa Italiana S.p.A. This BSA has evaluated the procedures for concrete implementation of the Code in question, with reference to the principles and application criteria, and has no comments to make on them.
The Board of Statutory Auditors notes that the Board of Directors has evaluated the operation, size and composition of the Board of Directors and the Board Committees. The Board Review process for the 2017 financial year, which involved all Directors and the Chair of the BSA, was conducted by means of a questionnaire based on the model developed for the preceding financial year by a leading firm of consultants. The answers were addressed to the Chair of the Board of Statutory Auditors to ensure their confidentiality and monitor the consolidation process (as regards those concerning the BSA, the answers were handled by the Secretary to the Board of Directors). The final self-assessment report formed the subject of a detailed discussion, first by the GSC and then by the Board of Directors.
The Board of Statutory Auditors reports that having regard (*inter alia*) to the terms of Legislative Decree no. 254/2016, the BoD, at the meeting held on 13 December 2017, approved a specific diversity policy for members

of the Company's corporate bodies, which combines in a single text the provisions already contained in other legislative and regulatory sources internal and external to the Company, with the aim of formalising the objectives pursued and the commitment to promoting generally recognised principles of non-discrimination. The Company also acknowledges and welcomes the value of the legislation and the generally accepted principles of diversity and inclusion in line with the European Commission's Guidelines on communication of non-financial information.

The Board of Statutory Auditors also checked on the correct application of the criteria and process initiated by the Board of Directors to assess the independence of directors classed as "independent"; it also established that its own independence requirements were met.
With reference to subjects connected with establishing that directors meet the independence requirements, the activities commenced in 2015, following requests by the BSA for analysis and action, as illustrated in the Board of Statutory Auditors report issued pursuant to s. 153 of the Legislative Decree 58/1998 relating to the two preceding financial years, continued in the 2017 financial year.
In particular, in order to provide the Board of Directors and the GSC with the most comprehensive possible information about the independence assessments, the additional provisions introduced into the Regulation of the Board of Directors and the Board Committees for the conduct and formalisation of the assessment process were finalised and implemented, as from the assessment conducted in May 2016; specific internal operational guidelines requested by the BSA were then concretely implemented, as from the assessment conducted in June 2017, with a view to ensuring, by means of formal processes for the collection of the relevant information from the various company functions involved, that the said information is made available to the bodies responsible for the independence assessments.
In that context, and also in the light of the new policies and operating guidelines, the Board of Directors conducted its assessments of whether the independence requirement is met on the basis of all the information available to the Company in any way, and on the basis of specific supplementary declarations, designed to obtain from Directors stating themselves as independent precise, accurate information about the existence of any commercial, financial or professional relations, relations involving self-employment or employment or other pecuniary or professional relations, which are relevant as defined in the Corporate Governance Code and the CFBA.

The BSA notes that the Board of Directors has adopted a specific top management succession policy and plan.

The BSA has no comments to make about the consistency of the remuneration policy with the recommendations of the Corporate Governance Code and its compliance with ISVAP Regulation no. 39 of 9 June 2011.

9. External audit *(points 4, 7, 8 and 16 of Consob Notice no. 1025564/01)*

The firm EY S.p.A. was appointed as External Auditors to audit the financial statements of Assicurazioni Generali S.p.A. and the consolidated financial statements of the Group; during the 2017 financial year the said External Auditors checked that the Company's accounts were properly kept and transactions properly recorded in the books of account.
On 27 March 2018, the External Auditors issued the reports required by ss. 14 and 16 of Legislative Decree 39/2010 relating to the financial statements and the consolidated financial statements of the Group as at 31 December 2017. The said reports indicate that the financial statements are drawn up clearly and truthfully and correctly represent the assets and financial situation, profit and cash flows for the year ending on that date, in compliance with the applicable standards and regulations.
The Manager in Charge of Preparation of the Company's Financial Reports and the Managing Director and Group CEO issued the declarations and certifications required by s. 154-*bis* of the CFBA with reference to the financial statements and the consolidated financial statements of Assicurazioni Generali S.p.A. as at 31 December 2017.
The BSA monitored, within the terms of its remit, the general layout of the financial statements and the consolidated financial statements in accordance with the legislation and specific regulations governing drafting of insurance companies' financial statements. The BSA declares that the consolidated financial statements of the Assicurazioni Generali Group were drawn up in compliance with the IAS/IFRS International Accounting Standards issued by the IASB and approved by the European Union, in compliance with EU Regulation no. 1606 of 19 July 2002 and the CFBA, and Legislative Decree 209/2005, as amended. The consolidated financial statements were also drawn up as required by ISVAP Regulation no. 7 of 13 July 2007, as amended, and contain the information required by Consob Notice no. 6064293 of 28 July 2006.

The Notes to the Financial Statements illustrate the evaluation criteria used, and provide the information required by the applicable legislation.
The Directors' Report annexed to the draft financial statements of the parent company illustrates the business trend, indicating current and prospective developments, and the Group's development and reorganisation process.
The Board of Statutory Auditors also declares that it was consulted, together with the External Auditors, by the Risk and Control Committee in the course of the evaluations falling within that Committee's remit, together with the Manager in Charge of Preparation of the Company's Financial Reports, regarding the correct use of the accounting standards and the uniformity of their use for the purpose of preparing the consolidated financial statements.
On 27 March 2018, EY S.p.A. issued its additional report pursuant to art. 11 of EU Regulation 537/2014 to the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee. In compliance with the terms of s. 19.1.a of Legislative Decree 39/2010, the BSA sent that report promptly to the Board of Directors, without formulating any observations.

The BSA also held meetings with the managers of External Auditors EY S.p.A. pursuant (*inter alia*) to s. 150.3 of the CFBA, during which useful exchanges of data and information relevant to the performance of their respective tasks took place, and no noteworthy facts or situations emerged. In that context, in the ambit of the supervision referred to in s. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors also obtained information from EY S.p.A. regarding the planning and conduct of its auditing activities.
Pursuant to s. 19.1.e of Legislative Decree 39/2010, the Board of Statutory Auditors, again in its capacity as Internal Control and Audit Committee, checked and monitored the independence of the External Auditors. In the performance of those checks, no situations were found that prejudiced the independence of the External Auditors or constituted grounds for incompatibility pursuant to the applicable legislation. This is confirmed by the statement issued by EY S.p.a pursuant to art. 6.2.a of EU Regulation 537/2014.
With reference to non-audit services, at the request and with the support of the BSA, on 1 January 2017 the Company adopted a specific procedure for the approval of the commissioning from the External Auditors and a company belonging to their network of permitted services other than audits ("*Guideline for the assignment of non-audit services to auditors*").
During the year, the BSA asked for further control processes to be implemented and established further refinements to the said procedure to take account of interpretative developments in the current legislation and practical application.
In compliance with the terms of s. 19.1.e of Legislative Decree 39/2010 and art. 5.4 of EU Regulation 537/2014, and by way of application of the Company's Guideline, the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, examined in advance the proposal to commission non-audit services from the External Auditors or a company belonging to their network, evaluating in particular the compatibility of the said services with the prohibitions laid down in art. 5 of EU Regulation 537/2014 and the absence of potential risks to the auditors' independence deriving from the performance of the said services. As the statutory pre-requisites were fulfilled, the BSA approved the commissioning of the service from EY S.p.A. or other companies belonging to its network.
The fees for non-audit services provided by the External Auditors or other companies belonging to their network for parent company Assicurazioni Generali and its subsidiaries in the 2017 financial year are disclosed in detail in the Notes to the Financial Statements. During the year, the Board of Statutory Auditors, in the legal capacity of Audit Committee, supervised the trend of the said fees.

10. Opinions issued by the Board of Statutory Auditors during the financial year *(point 9 of Consob Notice no. 1025564/01)*

During the year, the Board of Statutory Auditors also issued the opinions, comments and attestations required by the applicable legislation.
In particular, at the meeting of the Board of Directors held on 25 January 2017, the Board of Statutory Auditors expressed, pursuant to s. 154-*bis*.1 of the CFBA and art. 40.2 of the Company's Articles of Association, a favourable opinion of the proposed appointment of Luigi Lubelli as new Manager in Charge of Preparation of the Company's Financial Reports.
At the meeting of the Board of Directors held on 15 February 2017, the Board of Statutory Auditors expressed a favourable opinion of the remuneration of the Group Audit Manager (meeting of 2016 targets and setting of 2017 targets) and the Audit Plan for 2017.
The BSA expressed a favourable opinion of the appointment and remuneration of the new Group Audit Manager,

Nora Gürtler, appointed by the Board of Directors on 6 July 2017 (with effect from 1 October 2017) to replace Anne Jaeger, who resigned on 31 July 2017. On 1 August 2017, the BSA also expressed a favourable opinion of the proposal that the Functions which reported directly to Anne Jaeger should be coordinated on an interim basis by the Chairman of the Board of Directors, assisted by the Chair of the Risk and Control Committee, until the date on which the new Group Audit Manager, Nora Gürtler, takes office. In the interim, the BSA constantly monitored the correct operation and continued independence of the Group Audit Function by means of periodic contacts with its main representatives.
In March 2017, the BSA expressed a favourable opinion pursuant to s. 2389 of the Civil Code of the proposed allocation of newly issued shares to the Managing Director (Group CEO) in the ambit of the resolution to increase the share capital for the purposes of the LTI Plan 2014, and a favourable opinion of the adjustment process relating to the 2016 incentive plans for the Group CEO. Again with reference to the Group CEO's remuneration, in July 2017 the Board of Statutory Auditors, expressed a favourable opinion of the Group CEO's remuneration taking the form of participation in the LTI Plan 2017.
During the 2017 financial year the BSA also regularly commented on the Half-Year Reports on complaints prepared by the Group Audit Function in compliance with ISVAP Regulation no. 24 of 19 May 2008, as amended. The reports did not highlight any particular problems or organisational deficiencies. The BSA also checked that the Company sent the reports and associated comments by the BSA promptly to IVASS.

11. Complaints pursuant to s. 2408 of the Civil Code. Omissions, reprehensible actions or irregularities found *(points 5, 6 and 18 of Consob Notice no. 1025564/01*

The Board of Statutory Auditors received two communications pursuant to s. 2408 of the Civil Code during the 2017 financial year.

On 7 May 2017, shareholder Marco Bava sent the Company's Board of Statutory Auditors, with a copy for information to CONSOB, a letter relating to news reported in the press about the alleged involvement of BSI, a subsidiary of the Generali Group until 15 September 2015, in the affair involving the Malaysian fund 1MDB, a former customer of the bank, in 2015. The shareholder referred to audits conducted in October 2016 by the Bank of Italy at the Italian subsidiary of BSI, during which breaches of the anti-money-laundering legislation are said to have emerged, and asked the Company's Board of Statutory Auditors to establish whether the alleged irregularities found by the Bank of Italy took place while BSI was controlled by Assicurazioni Generali.
As stated in para. 2.3 above, the holding in BSI was sold by the Generali Group to the Brazilian company BTG in September 2015, as a result of a divestment process commenced by the Company in early 2014, and BTG subsequently transferred the holding to the Luxembourg company EFG International in 2016.
As clarified by the Bank of Italy in the press release dated 5 May 2017 cited by the shareholder, its audits were conducted in October 2016, when BSI had not belonged to the Generali Group for over a year. The Company is therefore not entitled to obtain detailed information about the purpose of the audit or the nature and timing of the alleged breaches of the money-laundering legislation. Moreover, according to the information obtained at the Company's internal offices in the course of the ongoing litigation with BTG regarding claims for damages made by the latter (see para. 2.3 above), the alleged breaches to which the Bank of Italy's audit relates involve conduct and facts which took place after 15 September 2015, the closing date of the sale of BSI to BTG.
Moreover, the Bank of Italy, in a subsequent press release dated 13 November 2017, announced its Order of 26 October 2017 whereby it revoked the prohibition on performing new operations and cancelled the procedure for closing the Italian subsidiary of BSI, previously initiated by Order dated 26 April 2017.
With reference to BSI's position in the Generali Group before its divestment, the BSA has made the appropriate checks at the relevant offices of the Company, and found that the information flows between the subsidiary BSI and the parent company Generali were subject to significant limitations. Firstly, the said limitations were connected with the regulatory and legislative provisions applicable to Swiss banks, in particular those governing banking secrecy, and secondly, when the acquisition of BSI by Generali was authorised, the Swiss authorities expressly required the bank to maintain an independent position within the Generali Group, adopting specific measures to protect its independence.
More generally, since this Board of Statutory Auditors took office in April 2014, it has always paid specific attention to monitoring activities relating to preventing and reducing the risk of money-laundering, which was defined as one of the Group's top priorities. In the 2017 financial

year, as in earlier years, the BSA regularly monitored the implementation and application of suitable controls and actions against that risk at Group level, and received regular reports on the subject from the appropriate company structures. For a more detailed illustration of the initiatives undertaken in this respect, see para. 5.1 above, and the corresponding paragraphs of the similar reports for the 2015 and 2016 financial years.

On 28 May 2017, shareholder Tommaso Marino sent a complaint pursuant to s. 2408 of the Civil Code, forwarded to the Company by certified e-mail and addressed to the Board of Statutory Auditors, the Board of Directors of Assicurazioni Generali S.p.A. and the Competition and Market Regulator (AGCM). He complained that he had not received a full answer at the General Meeting to a pre-meeting question he had asked.
Mr Marino had asked whether "*a cartel had been set up with other insurance companies*", naming the Unipol Group in particular, in connection with other questions on the subject of the investigation by the Antitrust Authority of a possible agreement in restraint of competition in the third-party vehicle insurance field.
The BSA notes that the Group CEO had given a negative answer to his question, specifying that: "*no agreement has been signed by Group companies to prevent competition from other parties in the third-party vehicle insurance field*"; however, Mr Marino objected that his question had a broader scope.
The BSA therefore agreed, following a discussion at a Board meeting, on a clarification of the answer given to Mr Marino, specifying that the companies belonging to the Group have never entered into any agreements to restrict competition with any party in any field. The clarification in reply to the shareholder was published on the Company's website, as a supplementary reply to the pre-meeting questions.

No complaints pursuant to s. 2408 of the Civil Code were received in the first few months of the 2018 financial year.
No reprehensible actions, omissions or irregularities requiring reports to the Regulators emerged from the supervisory activities performed.

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On the basis of all the factors set out in this Report, the Board of Statutory Auditors finds no reason to object to the approval of the Annual Financial Statements of Assicurazioni Generali S.p.A. for the financial year ending on 31 December 2017, as submitted to you by the Board of Directors, and expresses a favourable opinion of the proposed dividend distribution, funded entirely by the profit for the year.

Trieste, 27 March 2018

Board of Statutory Auditors

Carolyn Dittmeier, Chair
Lorenzo Pozza
Antonia Di Bella

Independent Auditor's
Report

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EY S.p.A.
Largo Don Bonifacio, 1
34125 Trieste

Tel: +39 040 7783011
Fax: +39 040 7783068
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, to article 10 of EU Regulation n. 537/2014 and to article 102 of Legislative Decree n. 209, dated 7 September 2005
(Translation from the original Italian text)

To the shareholders of
Assicurazioni Generali S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Generali Group (the Group), which comprise the balance sheet as at December 31, 2017, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended and the explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the Regulation issued to implement article 90 of Legislative Decree dated 7 September 2005, n. 209.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Assicurazioni Generali S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We identified the following key audit matters:

Key Audit Matters	Audit Responses
Valuation of goodwill	
At 31 December 2017, goodwill amounted to Eur 6,679 million. Based on IAS 36 – Impairment of Assets, goodwill is measured at cost less any impairment losses. At least annually, the Group carries out an impairment test, comparing the recoverable amount of each Cash Generating Unit (CGU) to which goodwill was attributed to with the corresponding carrying amount. The recoverable amount is represented by the higher between the fair value and the value in use determined by the Group through the Dividend Discount Model (DDM). The financial statement information relating to goodwill is disclosed in the explanatory notes in the section "Accounting principles" and in note n. 4. The DDM requires the use of assumptions with a high level of subjectivity, such as flows of dividends extrapolated from business plans, nominal growth rates and cost of capital. Furthermore, the persistence of low interest rate level, in past years, in many of the countries where the Group operates has led to a decrease in the profitability of CGUs of the life segment, representing around 50% of the total amount, and, therefore, a reduction in the surplus between the carrying amount and the recoverable amount. For these reasons, we considered this aspect a key matter for our audit.	The audit response included several procedures, the most relevant of which are outlined below: • An understanding of the process related to the determination of the recoverable amounts designed by the Group and of the related key controls, as well as the testing of these controls, taking into consideration the impairment test procedures approved by the Board of Directors on February 21, 2018; • The evaluation of the appropriateness of the methodologies applied by the Management to determine the recoverable amounts; • The evaluation of the reasonableness of the assumptions used by the Management to determine the recoverable amounts, in particular with reference to flows of dividend extrapolated from business plans, nominal growth rates and cost of capital; • The analysis of related results. We also involved valuation specialists to assist us in performing our audit procedures. Finally, we assessed the adequacy of the disclosures provided in the explanatory notes.
Evaluation of complex or non-listed financial investments	
At 31 December 2017, the consolidated financial statements included Eur 41,049 million and Eur 7,218 million categorised respectively as level 2 and level 3 of the fair value hierarchy stated by IFRS 13 – Fair Value Measurement. The financial statement information relating to investments is disclosed in the explanatory	The audit response included several procedures, the most relevant of which are outlined below: • An understanding of the process related to the determination of the fair value and of the related key controls, as well as the testing of these controls; • The performance of independent repricing, for a sample of investments,

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notes in the section "Accounting principles" and in notes n. 39, 40 and 41.
No active market exists for these investments, so their fair value is determined through methodologies and calculation models with a high level of subjectivity when choosing the assumptions, such as interest rates, yield curves, credit spreads and dividend estimates; therefore, we considered this aspect a key matter for our audit.

in order to verify the reasonableness of the fair value at year end.
We also involved valuation specialists to assist us in performing our audit procedures.
Further, we assessed the adequacy of the disclosures provided in the explanatory notes.

Non-Life technical provisions estimation

The technical provisions of the non-life segment, recorded at 31 December 2017 for an amount equal to Eur 32,902 million, are accounted for based on local GAAP applied by the individual insurance companies of the Group in their separate financial statements, since these contracts fall within the scope of the IFRS 4 – Insurance Contracts. In accordance with this standard, no provisions for any future claims were recognised, with the consequent elimination of the equalisation provisions and the additional components of the unearned premiums reserve.
The financial statement information relating to non-life insurance provisions is disclosed in the explanatory notes in the section "Accounting principles" and in note n. 13.
The valuation of the non-life technical provisions is therefore a well-structured estimation process that requires the use of complex methodologies and statistical and actuarial calculation models, characterized by a high level of subjectivity when choosing the assumptions, such as the frequency and average cost of the claims, used as input to develop the estimate. This is further highlighted in long-tail businesses such as motor, which represent around 45% of total provisions.
For these reasons, we considered this aspect a key matter for our audit.

The audit response included several procedures, the most relevant of which are outlined below:

- An understanding of estimation process of non-life technical provisions designed by the Group and of the related key controls, as well as the testing of these controls; these procedures were carried out with reference to the controls over completeness, accuracy and appropriateness of data related to the insurance portfolio used to calculate the non-life technical provisions, taking into consideration also the control activities performed by the actuarial function of the Group and the related results;
- The evaluation of the appropriateness of the methodologies and the reasonableness of the assumptions used to estimates the non-life technical provisions, including the additional technical provisions;
- Comparative analyses through the calculation of appropriate indicators observed historically and their correlation with other significant financial statements indicators, as well as the consistency with other financial statements information, the expected values and the results determined in previous financial years;
- The verification, for each line of business deemed significant, that the estimated amount of the technical provisions is included in a range of acceptable values, also through independently reperforming of the actuarial calculation, when applicable.

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We also involved actuarial specialists to assist us in performing our audit procedures.
Further, we assessed the adequacy of the disclosures provided in the explanatory notes.

Life technical provisions estimation

The technical provisions of the life segment, recorded at 31 December 2017 for an amount equal to Eur 397,588 million, refer to insurance contacts and investment contracts with discretionary participation features. According to IFRS 4, the provisions are accounted for based on local GAAP applied by the individual insurance companies of the Group in their separate financial statements. Liabilities related to these contacts are determined analytically for each type of contract on the basis of appropriate actuarial assumptions, and are adjusted to cope with all existing commitments in the best estimates scenario; these also include the policyholders' share of the difference between the carrying value of the basis on which the profit sharing is determined and the corresponding value used to determine the current profit retroceded to the policyholders ("shadow accounting"). In accordance with IFRS 4, in order to verify the adequacy of the life technical provisions, a Liability Adequacy Test (LAT) is carried out. This test is performed through the comparison of the IFRS reserve, which include the impact of "shadow accounting", net of any deferred acquisition costs (DACs) or intangible assets related to the contracts under analysis (VoBa), with the current value of future net cash flows relating to insurance contracts.
The financial statement information relating to life insurance provisions is disclosed in the explanatory notes in the section "Accounting principles" and in note n. 13.
The valuation of the life technical provisions is therefore a well-structured estimation process that requires the use of complex statistical and actuarial calculation methods and models, characterized by a high level of subjectivity when choosing the assumptions, such as mortality, morbidity, risk-free rates, expenses and inflation.
Furthermore, the persistence of low interest rate level, in past years, in many of the countries

The audit response included several procedures, the most relevant of which are outlined below:

- An understanding of estimation process of life technical provisions designed by the Group and of the related key controls, as well as the testing of these controls; these procedures were carried out with reference to the controls over completeness, accuracy and appropriateness of data related to the insurance portfolio used to calculate the life technical provisions, taking into consideration also the control activities performed by the actuarial function of the Group and the related results;
- The evaluation of the appropriateness of the methodologies and the reasonableness of the assumptions used by the Group to perform the Liability Adequacy Test (LAT) with regard to the purposes of the test itself as defined by IFRS 4 and the performance of test of detail on the underlying data, including those referring to "shadow accounting", DAC and VoBa elements;
- The assessment of the compliance of the methodologies used for the attribution to the policyholders of the difference between the carrying value of the basis on which the profit sharing is determined and the corresponding value used to determine the current profit retroceded to the policyholders, in accordance with IFRS 4;
- Comparative analyses through the calculation of appropriate indicators observed historically and their correlation with other significant financial statements indicators, as well as the consistency with other financial statements information, the expected values and the results determined in previous financial years;
- The development of an independent

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where the Group operates has led to an increase of additional provisions resulting from the adequacy test.
For these reasons, we considered this aspect a key matter for our audit.

range of acceptable values, also through sensitivity analyses, representative of the level of uncertainty in setting the assumptions underlying the estimation of life technical provisions, and verifying that these were included in that range.
We also involved actuarial specialists to assist us in performing our audit procedures.
Further, we assessed the adequacy of the disclosures provided in the explanatory notes.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the Regulation issued to implement article 90 of the Legislative Decree dated 7 September 2005, n. 209, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Parent Company Assicurazioni Generali S.p.A. or to cease operations, or has no realistic alternative but to do so.
The statutory audit committee ("collegio sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of

accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholder of Assicurazioni Generali S.p.A., in the general meeting held on April 30, 2011, engaged us to perform the audits of the separated and consolidated financial statements of each years ending December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of Assicurazioni Generali S.p.A. in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee ("collegio sindacale") in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Assicurazioni Generali S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Generali Group as at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

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We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Generali Group as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.
In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Generali Group as at December 31, 2017 and comply with the applicable laws and regulations.
With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Assicurazioni Generali S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.
Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Trieste, 27 March 2018

EY S.p.A.
Signed by: Paolo Ratti, partner

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

Glossary[10]

General definitions

Integrated report: concise communication that illustrates how the strategy, governance and future prospects of an organization, in the external environment in which it operates, are used to create value in the short, medium and long term.

Capitals: stocks of value as inputs to the business model. They are increased, decreased or transformed through the organization's business activities and outputs. The capitals are categorized in the International <IR> Framework as:
- financial capital: the pool of funds that is available to an organization for use in the production of goods or the provision of services, obtained through financing, such as debt, equity or grants, or generated through operations or investments
- manufactured capital: manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services
- intellectual capital: organizational, knowledge-based intangibles
- human capital: people's competencies, capabilities and experience, and their motivations to innovate
- social and relationship capital: the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being
- natural capital: all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization.

Output: an organization's products and services, and any by-products and waste.

Outcomes: the internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs.

Equivalent terms: refer to equivalent exchange rates and equivalent consolidation scope.

Equivalent consolidation area: refers to equivalent consolidation scope.

Technical components

Gross written premiums: equal to gross written premiums of direct business and accepted by third parties.

Gross direct premiums: equal to gross premiums written of direct business.

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 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.

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.

PVNBP, present value of premiums of new production: present value of the expected future new business premiums, allowing for lapses and other exits, discounted to point of sale using reference rates.

APE, new business annual premium equivalent: it is an indicator of volumes of Life segment, annual and normalized, and it is equivalent to the sum of new annual premium policies, plus a tenth of premiums in single premium policies (calculated net of minority interests).

NBV, value of new business: it is an indicator of new value created by the new business of Life segment. It is obtained by discounting at the date of new contracts the corresponding expected profits net of the cost of capital (net of the portion attributable to minority interests). The shift from APE, which conventionally attributed to the single premiums a weight of 10%, to PVNBP allows a better representation of the margins on all new production volumes. The margin on PVNBP is now to be seen as a prospective ratio between profits and premiums.

10 The alternative performance measures illustrated in the financial statements are compliant to the ESMA Alternative Performance Measures (APM) Guidelines, effective from 3 July 2016. The Group APMs are in fact compliant and reconcilable with the applicable reporting framework. In particular, the new business indicators of the Life segment are connected with the embedded value, indicator of the estimated future cash flows, included in IFRS 4 Insurance contracts.

New Business Margin: it is a performance indicator of the new business of Life segment, equal to the ratio NBV/APE.

Operating return on investments: it is an indicator of both Life segment and Property&Casualty segment, calculated as the ratio between the operating result and the average investments calculated based on the financial statement values, as described in the Methodological notes on alternative performance measures.

Cor, combined ratio: it is a technical performance indicator of Property&Casualty segment, calculated as the weight of the loss ratio and the acquisition and general expenses (expense ratio) on the earned premiums net of insurance.

Current accident year loss: it is a further detail of combined ratio calculated as the ratio between:
– current year incurred claims + related claims management costs net of recoveries and reinsurance; and
– earned premiums net of reinsurance.

Previous accident year loss: it is a further detail of combined ratio calculated as the ratio between:
– previous year incurred claims + related claims management costs net of recoveries and reinsurance; and
– earned premiums net of reinsurance.

Provisions for unearned premiums: it comprises the unearned premium component, defined as the part of gross premiums written which is to be allocated to the following financial periods, and the provisions for unexpired risk on insurance contracts in force in excess of the related unearned premiums.

Provisions for outstanding claims: it shall comprise the estimated overall amounts which, from a prudent valuation based on objective elements, are required to meet the payment of the claims incurred during the current year or the previous ones, and not yet settled, as well as the related settlement expenses. The outstanding claims provisions shall be estimated as the total ultimate cost taking into account all future foreseeable charges, based on reliable historical and forecast data, as well as the specific features of the company.

Provisions for sums to be paid: technical reserves constituted at the end of each financial year by companies operating in Life segment in order to cover the overall amounts required to meet the payment of the capitals and annuities accrued, surrenders and claims outstanding.

Mathematical provisions: is the amount that shall be set aside by the insurance company to meet its future obligations to policyholders.

Provisions arising from policies where the investment risk is borne by the policyholders and from pension funds: comprises the amounts to be allocated to the policyholders or to the beneficiaries relating to Life segment products where the risk arising from the underlying financial investments backing the technical liabilities is borne by the policyholders.

Financial assets and liabilities

Financial asset
A financial asset is any asset that is:
(a) cash;
(b) an equity instrument of another entity;
(c) a contractual right:
  (i) to receive cash or another financial asset from another entity; or
  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
(d) a contract that will or may be settled in the entity's own equity instruments and is:
  (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments.

Financial liability
A financial liability is any liability that is:
(a) a contractual obligation:
  (i) to deliver cash or another financial asset to another entity; or
  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
(b) a contract that will or may be settled in the entity's own equity instruments and is:
  (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or

another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments.

Weighted average cost of debt
The annualized cost of financial debt considering the nominal amounts at the reporting date and the related transactions of currency and interest rate hedging.

Average duration
It is defined as the average residual economic maturity (considering the first call option date) of the financial debt outstanding as at the reporting date, weighted for the nominal amount.

Investments – asset allocation

The Generali Group uses for the management and presentation of investments a different aggregation respect to financial statements. In particular, within total investments are included also cash and cash equivalents and specific items of financial liabilities having nature similar to investments, such as derivatives liabilities and repurchase agreements. Below are described asset classes that compose the total investments:

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.

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.

Investments properties: direct investments in real-estates. Moreover, this asset class includes also investments funds mainly exposed to real-estate investments.

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.

Investments back to unit and index-linked policies: includes various types of investments backing insurance liabilities related to unit and index-linked policies.

Other investments: includes participations in non-consolidated Group companies, associated companies and joint ventures, derivative investments and receivables form banks and customers, the latter mainly related to Group banking operations.

Asset owner: who owns investments and bears the related risks.

General account: investments reported in the financial statements (excluding financial assets categorized as unit- and index-linked or deriving from pension funds management) and cash and cash equivalents. They also include some liabilities, with features similar to investments, among which derivative liabilities and REPOs.

Stranded asset: invested assets that may lose their economic value in advance of the expected duration, due to regulatory changes, market forces, technological innovation, environmental and social problems associated with the transition to a low-carbon economy. They are typically associated with the coal and fossil fuel sector, with an indirect impact on the utilities and transport sectors.

Alternative performance measures

Operating result: it was obtained by reclassifying the components making up earnings before tax in each line of business on the basis of the specific characteristics of each segment, and taking account of recurring expense of the holding.
All profit and loss items were considered, with the exception of net non-operating costs, i.e., results of discontinued operations, corporate restructuring costs, amortisation of portfolios acquired directly or through acquisition of control of insurance companies or companies in the holding and other activities segment (value of business acquired or VOBA) and other net non-recurring costs. In the Life segment, the following are also considered as non-operating items: realised gains and losses on investments not considered in determining profits attributed to policyholders and net measurement losses that do not contribute to the formation of local technical reserves but exclusively in determining the deferred liability to policyholders for amounts not relating to policyholders and

those on free assets. In the Property&Casualty segment, the following are considered as non-operating items: all realized and measurement gains and losses, including exchange-rate gains and losses. In the holding and other activities segment, the following are considered as non-operating items: realized gains and losses and non-recurring net measurement losses. The total operating result does not include non-operating holding costs such as interest expense on borrowings and costs arising from parent stock option plans and stock grants.

P&L Return on Investments

The ratio between average investments calculated at book value and the following income items:

- 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, for the net return;
- 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), foreign exchange impact and investment expenses.

Share performance indicators

Earning per share: it is equal to the ratio of Group net result and the weighted average number of ordinary shares outstanding.

Operating earning per share is the ratio between:

- total operating result net of interest on financial liabilities, taxes and third party interests (as defined in the Methodological note on alternative performance measures), and
- the weighted average number of ordinary shares outstanding.

Operating return on equity: an indicator of return on capital in terms of the Group operating result (adjusted as described in the Methodological note on alternative performance measures) compared to the average Group shareholders' equity. The annualized operating ROE is calculated as the sum of the last four quarterly operating ROE.

Other indicators

Net Operating Cash

Net Operating Cash is a view of cash generation at the Group's parent company level. The figure is the sum of: The dividends paid by Group subsidiaries, earnings from parent company reinsurance activities, expenses and interest paid, and the net balance of tax payments and recoveries.

Share based compensation

Lockup clause: it imposes the unavailability of the shares assigned with respect to some incentive plans (or a specific share) for a specific time horizon as defined by any individual plan. The clause provides for the commitment of the issuing Company and potentially of some shareholders not to pursue selected actions on the equity of the company itself in the period subsequent to a public offering.

Stock granting: free shares assignment.

Stock option: it represents the right of the holder to buy shares of the Company at a predefined price (so called strike). These options are assigned free of charge.

Solvency II

Regulatory Solvency ratio: defined as the ratio between the Eligible Own Funds and the Group Solvency Capital requirement, both calculated according to the definitions of the SII regime. Own funds are determined net of proposed dividend. The ratio at 30 June 2016 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.

Economic Solvency ratio: it is defined as the ratio between Eligible Own Funds and the Group Solvency Capital requirement, both calculated applying the internal model also to all the companies for which at present the authorization was not obtained yet.

Non-financial definitions

Products with significant social value:

- products that respond to the needs of specific categories of customers or particularly unfortunate events in life, including products dedicated to the young, to the elderly, to the disabled, to immigrants, to the unemployed and to coverage for professional disabilities, or which in some way support and foster social inclusion; products that promote a more prosperous and stable society, with particular attention on small and medium-sized enterprises and people involved in voluntary work; products with high pension or microinsurance content;
- products that promote responsible and healthy lifestyles, leveraging on the opportunities provided by new technologies, on the importance of preventive healthcare or other virtuous behaviours of policyholders;
- products that supplement the public health service, designed to help manage the costs of treatment and assistance, as well as the reduction in earnings of customers in the event of serious illnesses or the loss of self-sufficiency.

Product with significant environmental value:

- products designed to promote sustainable transport with reduced environmental impact, including policies that reward responsible driving;
- products that support the energy efficiency of buildings;
- products for covering the risks connected with the production of renewable energies;
- products specifically designed to cover catastrophe risks or specific environmental damage;
- anti-pollution products.

Customer: either a physical person or a legal entity that holds at least one active policy and pays a premium to Generali (the policy is either with Generali, other non-Generali local brand, or white labelled).

Customer T-NPS (Transactional Net Promoter System): NPS approach to get a systematic feedback from customers after specific transactions (purchase, claims handling, etc.) selected locally. A survey is sent via email to customers to assess their propensity to recommend - or not - Generali to their closest persons (family members, friends and colleagues) using a scale from 0 to 10. Thanks to this feedback, the company is able to identify detractors (rating from 0 to 6), passives (rating of 7 or 8) and promoters (rating of 9 or 10). Each detractor is systematically called back by a member of Generali to understand the problem faced and solve it (quick wins). Those problems that have a more structural nature - and need, for example a revision of core processes and practices or investments - are addressed and solved in a cross-functional working group (structural improvements), with the goal deliver an outstanding customer experience.

Exclusive distributor: is both the agent with exclusive mandate to promote and distribute Generali products, and the employed sales force permanently involved in the activities of promoting and distributing Generali products.

Distributor R-NPS (Relationship Net Promoter System): NPS approach to collect a direct feedback from our distributors. This approach is similar to T-NPS, but covers the overall relationship with each distributor and is not focused on a specific transaction. A questionnaire is sent via email. As for T-NPS, detractor distributors are systematically called back in order to understand the root cause of dissatisfaction and solve the issue faced, with the goal to deliver an outstanding experience our distributors.

Responsible business management

It refers to policies, guidelines and procedures defining the internal system of rules which enables accountability and transparency.

Climate change and natural disasters

Climate change is already taking place and natural disasters are on the rise, constituting a threat to global economic development. In this context, the mitigation of climate risks and adaptation strategies are key factors at global level for strengthening the resilience of communities.

Responsible remuneration and incentives

A remuneration system based on internal equity, competitiveness, consistency and merit through a direct relationship between commitment and the recognition of merit makes it possible to create long-term value at all levels of the organisation.

Quality of the customer experience
In the relations with clients it is essential to be able to guarantee a unique and distinctive experience, maintaining and strengthening the loyalty on which the phases of the customer experience are based.

Product and service development
The requirements of customers constantly change and evolve in response to the changing scenarios, mega trends and technological innovations. Companies must be able to identify needs and to update their offers with a practical approach that is in keeping with expectations and with the constantly changing regulatory framework.

Responsible investments and underwriting
In the context of sustainable development, the environmental, social and governance (ESG) aspects of investments and underwriting are becoming increasingly important for the market.

Attracting talent and development of human capital
In an increasingly competitive and selective market, it is important to be able to count on well-prepared and motivated resources that are able to rise to the challenges of the sector.

Employee engagement and promotion of a common culture
Strengthening the motivation and commitment of employees to meeting our goals is important for maintaining a single, shared company vision. Dialogue and listening activities and the sharing of information are key aspects for the involvement of employees.

Data and cyber security
The quantity and quality of personal data now available is such that they must be managed carefully and professionally to ensure their confidentiality. The risks arising from the computerised management of acquired data and the vulnerability of systems to external or internal attacks require appropriate prevention and protection systems that ensure the protection of all stakeholders and business continuity.

Demographic and social change
Migration, new family structures, new coming generations and the aging of the population due to the fall in the birth rate and the increase in average life expectancy have relevant impact on public finances (in the management of both pensions and health care) and the attitude of citizens towards saving.

Prevention of corruption
In a sector based on trust, such as that of insurance, the promotion of business ethics and the prevention of corruption have a key role in protecting the company's reputation and credibility, the efficiency of the business and fair competition.

Diversity, inclusion and equal opportunities
Enhancing diversity, promoting inclusion and contrasting any kind of discrimination allow us to create the best possible conditions in our relationships with stakeholders and to promote targeted behaviour to prevent inequalities.

Relations with distributors
Distributors play a key role in the promotion and distribution of products and are able to provide important feedback for the development of products and improvement of services. Developing our relationship with the sales networks through dialogue, training and involvement in business strategies increases their satisfaction and loyalty.

Contacts

Group Integrated Reporting
integratedreporting@generali.com
Manager: Massimo Romano

Corporate Affairs
giuseppe.catalano@generali.com
Manager: Giuseppe Catalano

Group Reward & Institutional HR Governance
group_reward@generali.com
Manager: Giovanni Lanati

Group Sustainability and Social Responsibility
csr@generali.com
Manager: Lucia Silva

Investor & Rating Agency Relations
ir@generali.com
Manager: Spencer Horgan

Media Relations
press@generali.com
Manager: Roberto Alatri

Shareholders & Governance
governance@generali.com
Manager: Michele Amendolagine

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and Consolidated Financial Statements 2017
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Group Integrated Reporting

Coordination
Group Communications
& Public Affairs

The document is
available on
www.generali.com

Photos on page 6, 7, 14, 36, 37
Giuliano Koren

Image on page 12
Marco Moro (1854)
Collezione Stelio e Tity Davia, Trieste

Photo on page 12
Collezione Archivio Fotografico Generali

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Alessandra Chemollo

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Achille Beltrame (1916),
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