<u>Annex "C"</u>

<u>Speech by the Group CFO</u>
<u>Luigi Lubelli</u>

Ladies and Gentlemen,

It is a privilege for me to present Generali's results to shareholders once again this year. May I thank Managing Director Philippe Donnet for his speech, and his detailed explanation of the Group's activities in 2017.

This has been another challenging year for the Company, and once again, as we shall see, we have reaped the benefits of the patient, systematic implementation of our strategy.

Main consolidated figures

I will shortly illustrate the figures in detail, but first, starting with what the Managing Director has already stated, I will briefly summarise the main levers that explain this year's results from an accounting and financial standpoint.

Our turnover has grown: in the technical reserves of the Life Sector, in the amounts of assets managed, and in the premium income of the Non-life Sector. By following our strategy, sales have focused on products with a higher added value and lower capital absorption, distributed efficiently by our networks. The success of our sales was accompanied by efficient cost management, a strict investment policy, and increasing diversification of our assets. In this respect, I must emphasise the benefits of the new strategy for the asset management division, which are already visible; as already stated, this has enabled us to achieve the best ever operating profit.

The results for the year also reflect other activities performed in the ambit of the Group's strategy, such as the process of divestment of non-strategic assets. The net balance of these operations was negative from the accounting standpoint, due to the divestment of the Dutch businesses, to which we will return later.

Finally, I would emphasise two factors: firstly the considerable reduction in impairments of the investment portfolio, the effect of which was favourable, and secondly the increase in catastrophe claims and extraordinary tax charges in France and the USA, which obviously reduced profits.

The levers I have just described, taken as a whole, led to an increase in profits compared with the preceding year, due to the strength of our asset portfolio, which enabled us to absorb the effects of the factors of an extraordinary nature or amount I have just mentioned.

As regards the financial statements, the Group's strategy led, in terms of technical reserves, to an increase in unit-linked and protection products, accompanied by a decrease in traditional savings products. As regards investments, there has been an increase in the proportion of government bonds and alternative investments, together with a reduction in exposure to company stocks.

There has been an increase in solvency, which also reflects the results of the strategy oriented towards prudent underwriting of products of adequate profitability in relation to the risks underwritten, together with good performance of the financial and technical variables.

Finally, I must emphasise the effort made to further improve the contents and ease of comprehension of the Annual Reports of the Group and its parent company.

A major innovation this year was the introduction of the Non-financial Statement, which forms an integral part of the "Integrated Annual Report and Consolidated Financial Statements", and includes the main non-financial information relating to the personnel, social and environmental subjects previously contained in the Sustainability Report. This gives the reader a complete overview of relations with the various stakeholders, and the processes whereby the Group creates value.

I will now illustrate the main figures in more detail.

The percentage variations in the figures are presented on a like-for-like basis.

Turnover

As I have already stated, the turnover reflects a disciplined, selective underwriting approach.

Premiums remained substantially stable due to the 1.7% growth in the Non-life Sector, which offset the slight decline in the Life Sector.

The net Life premium income reached the significant amount of nearly € 10 bln, a value which puts us in the top ranks of the European league table, driven by the Unit-linked and Protection products.

The net technical reserves grew by 2.1%, and assets under management by about 5% (to € 542 bln), in particular those of third parties, which grew by about 20% (to nearly € 68 bln).

Net Life premium income: change of direction towards products with a higher margin

We will now consider the Life sector in detail. Firstly, I will focus on net premium income, namely the balance between premiums received, expiries and surrenders, which indicates the actual growth of our turnover in this sector.

Our net premium income at the year end amounted to € 9.7 bln, € 2.1 bln less than in 2016, but nevertheless one of the highest values among our main competitors.

It is important to consider the breakdown of this premium income, which reflects the management's strictness in implementing our objectives; we are continuing to create new, innovative unit-linked products and more protection products (pure risk and sickness), which have driven the net premium income (up 39.3% and 9.1% respectively on 2016), while we are adopting a selective approach to savings products.

The main driver of premium income was Italy, with € 5.7 bln, followed by Germany, with € 1.8 bln, and France, with about € 1 bln.

The growth trend is obviously also reflected by the development of the technical reserves, which increased, especially in the unit-linked segment (+12.1%).

Non-life premiums are growing

We will now consider the Non-life segment.

Premiums have grown by 1.7% to € 20.7 bln, driven by the Vehicle segment (+3%), which has grown in all the main countries in which the Group operates apart from Italy, where the decline in the average premium continues, as do the measures taken to maintain the profitability of the portfolio.

Direct premium income in the Non-vehicle segment (+0.9%), which is strategic for the Group, is also growing.

Considerable increase in new business value in the Life Sector

I will now illustrate the level of profitability of the new policies underwritten, which is also based on a clear managerial strategy.

In the Life sector, the new business value, a concise indicator of the profits expected in future years from sales in the current year, has grown by no less than 53.8%. In relation to the present value of new business premiums (PVNBP), the profit margin of new business has reached 4.01%, an increase of 1.46 p.p., and stands at a level of absolute excellence in our competitive arena.

This improvement is mainly attributable to two factors: firstly, the rebalancing of premium income towards Unit-linked and Pure Risk and Sickness products, and secondly, constant work to improve products in all segments, including the savings segment, which has risen by 0.9% to 2.5%, mainly due to effective recalibration of cover.
There has been a significant increase in profit margins in all the countries in which the Group operates, with the sole exception of Germany, which in any event has remained stable.

The Non-life business result was once again the best among our main competitors
In the Non-life Sector, profitability also reached excellent levels again.
The Combined Ratio (“CoR”), an indicator that relates premiums to expenditure on claims and costs, stood at 92.8%, once again in first place among our main competitors.
The half percentage point increase on 2016 is mainly due to higher catastrophe claims, which rose from € -293 mln in 2016 to € -416 mln in 2017. Excluding their impact, the CoR would have remained substantially unchanged.
The expense ratio component, relating to acquisition and administration costs, slightly increased (+0.5 p.p.), mainly due to higher acquisition costs associated with specific actions designed to increase the penetration of the Non-vehicle segment. The administrative costs component declined.
The loss ratio, or cost of claims, remained stable al 65% due to a reduction in the current non-catastrophe loss ratio (-0.8 p.p.) which offset the higher costs deriving from catastrophe claims. Excluding the latter, as stated by the Managing Director, the loss ratio would have improved by 60 basis points.

Cost reduction target met ahead of schedule
Another area on which management efforts focused strongly during the year was cost management. This enabled us to reach our target of achieving a net reduction of € 200 mln in the cost base on the mature markets no less than two years early.
However, this area still remains a priority.

Best-ever operating profit
The actions described gave rise to an operating profit that grew by 2.3% to € 4,895 mln, a record level for the Group, which again enabled us to exceed our ROE target by at least 13%.

In the Life sector, operating profit grew by 1.8% to € 3,141 mln, mainly due to the improvement in the investment result, which grew by € 130 mln. This improvement is due to a lower level of impairments and higher realisation profits, associated on the one hand with a policy of reducing the portfolio risk by decreasing exposure to dollar bonds, and on the other with the need to finance a specific German reserve called “ZZR”.
The Technical Margin fell by € 28 mln, mainly due to two factors. The first relates to Italy where, due to the exceptionally favourable trend of some group life policies in 2016, which was not repeated this year, the technical result fell by € 56 mln. The second derives from France, and is associated with the non-reimbursement by the State of the cost of statutory revaluation of the pension business, following a legislative change, with an adverse impact of € 43 mln.
Finally, costs increased by € 45 mln, mainly due to growth on the Asian market, including the opening of new branches in China. The move towards Unit-linked and Pure Risk and Sickness products in France penalised the expense ratio, due to higher acquisition costs, but led to a more profitable business mix.
In the Non-life sector, the 4.9% reduction in the operating profit was mainly due to the impact of Acts of God, as already illustrated.
The investment result fell by € 28 mln due to the current context of low interest rates, while the other components improved by € 33 mln due to lower appropriations to risk funds.
Finally, moving on to the Holding Company and other assets segment, the contribution to operating profit grew by no less than € 133 mln, primarily due to the good performance of the Asset Management companies in Europe and Banca Generali, whose contribution improved year on year by € 88 mln and € 51 mln respectively, demonstrating the first important results of the new strategy.
Moreover, the operating costs of the holding company fell, mainly due to the efficiency drives conducted by Assicurazioni Generali S.p.A..

From operating profit to net profit

We will now examine the difference between the operating profit and net profit, which includes some favourable developments compared with 2016, and some extraordinary components.
Firstly, I must emphasise the non-operating result of investments, which showed a profit of € 86 mln, as against last year’s loss of € 213 mln. As already stated, capital gains declined further, but impairments halved, which is obviously a very favourable situation.

The non-operational holding company costs of € 756 mln fell by 38 mln € (4.7%), due in particular to the reduction in interest payable on financial indebtedness of about € 50 mln.
The other net non-operating costs of € 432 mln improved by € 86 mln (16.7%). Two extraordinary factors were recorded in the year. The first was the restructuring costs in Germany due to the strategic repositioning on that market. The second was the sale of the Non-life portfolio in run-off of our UK and US branches. The combined impact of those two factors was a profit of about € 20 mln.
As regards taxation, the tax rate rose from 29.4% to 31.8%, mainly due to two negative one-off effects. In particular, in France, € 40 mln of tax was paid as a result of the introduction of an extraordinary additional tax on the earnings of large corporations, and in the USA, € 52 mln was paid for lieu tax on the undistributed profits of foreign subsidiaries.
The operational assets sold showed a loss of € 217 mln, mainly due to the divestment of the Dutch businesses, which generated a capital loss in the books, but involved a favourable impact on our solvency level and an injection of cash. This divestment, and the others already announced, were favourably received by analysts and investors.
Minority shareholdings increased by € 27 mln, mainly due to the good results of Banca Generali.
This led to a profit for the period of € 2.11 bln, an increase of 1.4%, despite the extraordinary factors just described.

Further reinforcement of solvency

Finally, I will illustrate some balance sheet and solvency indicators.
Firstly, I must emphasise the increase in the Solvency II ratio, a concise indicator of our solvency level, presented on a preliminary basis. That index grew by 30 p.p. from the regulatory standpoint and 36 p.p. from the “economic” standpoint, ie. with full application of the Group’s internal model.
As stated, the increase reflects the strategy oriented towards prudent underwriting of products of adequate profitability in relation to the risks underwritten. Moreover, in 2017 it benefited from the good trend of the financial and technical variables.
As regards the financial statements, there was a 2.2% increase in the Group’s equity to € 25.1 bln, mainly due to retained profits, and a 3% increase in assets to € 537.1 bln, mainly due to the growth of investments.

Investments: breakdown by asset class

The investments reached a total of € 474.5 bln. The main category continues to be that of fixed-income instruments, within which, in 2017, there was an increase in the government bond component, diversified over a number of issuers.

New increase in dividends paid by companies

The dividends paid by our subsidiaries increased by 8% over the preceding year, exceeding € 2.6 bln.

All the main countries in which the Group operates have maintained or even increased their remittances, demonstrating the effective initiatives introduced by the management. In France in particular, an extraordinary repatriation of about € 200 mln was effected, demonstrating an approach that aims to keep the subsidiaries adequately capitalised, by centralising, where possible, any resources which are not necessary on the basis of their risk profile.

These remittances obviously had a favourable effect on liquidity, and support the proposed increase in the shareholders' dividend.

Parent company's profit

I will conclude my speech by illustrating the figures for the parent company, whose Annual Financial Statements are submitted for your approval today.

Parent company's figures: development of premiums and technical indicators

We will start with the figures relating to premium income.

Gross premiums amounted to a total of about € 3.369 bln.

There was a decrease of about 15% in the Life sector, mainly due to the termination of marketing by the Hong Kong office of a specific insurance product in the individual policy segment; that business, which was commenced successfully in 2016, was transferred in 2017 to a specifically created new subsidiary, Generali Life Hong Kong, for subsequent development and promotion.

The Non-life segment showed a trend in line with the preceding year, with total premium income of € 1.661 bln.

The Industrial Result, namely the result of underwriting which, in the case of the Life sector, includes technical interest, showed excellent performance in that segment, with an increase of 50%, to € 153.7 mln. This result benefited from a marked improvement in the profitability of intercompany reinsurance, due to higher financial yields and a marked reduction in appropriations to the technical reserves to cover the interest rate risk. In the Non-life segment, the loss ratio stands at 70.3%. The increase of 1.9 percentage points over the preceding year is mainly due to a higher catastrophe loss ratio that affected the Global Corporate & Commercial business of the London office. The Expense Ratio showed a slight increase of 0.4 percentage points, in particular due to higher costs of commission on new Global Corporate & Commercial and Generali Global Health business. As a whole, the Combined Ratio rose by 2.3 percentage points to 91.9% for the reasons just stated. However, the value remains very good.

Parent company's figures: net profit

We will next examine the development of profits, which reached € 1.404 bln, a 28.1% increase over the preceding year.

This increase is explained by:

- an increase in the industrial management balance for the reasons just stated;
- an increase in the ordinary financial management result, net of the technical interest attributed to industrial Life management, amounting to € 280 mln, mainly due to the higher dividends received from the subsidiaries and, to a lesser extent, the favourable trend of net capital gains;
- an increase in net ordinary costs of € 121 mln, mainly due to the adverse effect of forex differences, and
- a considerable increase in the profit of extraordinary business, amounting to € 176 mln, which benefited from the capital gains deriving from the sale of the Non-life portfolio of the London and New York offices, which was already in run-off.

Finally, lower income due to taxes of € 69 mln, mainly relating to net IRES (company tax).

Parent company's figures: key balance-sheet indicators

We will now move onto the parent company's financial indicators.

The assets stand at € 48.3 bln, and mainly consist of the Group's shareholdings, amounting to € 29.7 bln, a similar figure to the 2017 value.

Indebtedness is just over € 14 bln, also substantially stable compared with the preceding year.

The net technical reserves stand at € 12.7 bln, lower than the preceding year, due to the said assignment of a portfolio in run-off and to the natural expiries of the Life portfolio accepted for reinsurance by subsidiary Alleanza Assicurazioni.

The Net Equity stands at about € 14.8 bln, a slight increase due to the favourable profit trend for the year, which more than offset the dividend paid in 2017.

Finally, I must highlight the parent company's regulatory solvency level, calculated according to the Internal Model, which reached, on a preliminary basis, a respectable 257.3%, an increase of about 20 p.p.

Concluding remarks

My presentation demonstrates that the Generali Group concluded the 2017 financial year by strictly implementing the strategies we have presented, which are reflected by particularly sound figures in a demanding context, and further reinforcing its solvency.

As the Managing Director has already said, all these factors combined enable us to propose a further increase in the dividend, to 85 cents a share, in line with our Strategic Plan, which specifies the distribution of cumulative dividends amounting to at least € 5 bln by the end of 2019.

Finally, I support the Managing Director's thanks to all our employees, executives and contractors, who are the real strength of Generali, and whose talent and constant commitment made it possible to achieve the results I have illustrated today.

Thank you, Ladies and Gentlemen.