

**Speech by the GROUP CFO
Mr. Luigi Lubelli**

Dear Shareholders,

good morning to you all. I am extremely honoured to speak to you for the first time since my appointment as Group CFO to present the results of FY 2016, the 185th year of activity of the Generali Group. Before beginning my presentation, I wish to thank the Group CEO and the members of the Board of Directors for the trust they showed when they assigned this task to me.

Now I am going to describe the main financial data of the Group to you. I am going to refer to the Annual Reports of the Group and of the Parent Company, in which you can find a large amount of information concerning the results and the industrial activities of Generali. Three other reports and the Sustainability Report are also at your disposal: they give you a complete picture of the relations with the market and with other stakeholders, as well of the processes by which the Group creates value.

Before moving on to present the financial statements for FY 2016, I would like to dwell on a few qualitative aspects that will facilitate your understanding. FY 2016 and the respective financial statements reflect the implementation of clear strategic and management initiatives:

- Focusing the offering on products of adequate profitability compared to the risks taken;
- Searching for technical excellence;
- Striving for more cost-effectiveness;
- Managing an investment portfolio that favours current income over realized profits – which have declined by more than €1 billion – to preserve future profitability;
- Evaluating assets conservatively.

The figures are particularly sound and reflect the excellent performance and development of the Group's business. Let us then examine the main consolidated data of the Generali Group.

**The Group premium income
and operating profit for 2016**

I will begin by saying that the percentage variation of the figures is presented on a comparable basis, i.e. with the same exchange rates of 2015 and the same consolidation scope of 2016.

In 2016, the Group wrote premiums for €70,513 million, including €3,324 million coming from investment policies. This figure, some 3.9% lower than in 2015, reflects the contraction of the Life business and the recovery of the P&C segment. 71% of premiums come from the Life segment, the rest from the P&C business.

Let us examine in more detail the **Life segment**, whose premiums totalled €49,730 million, with a 6.3% decline over the previous year, because of the increasingly disciplined approach to our offering, which focused on products with greater added value and less capital absorption.

The net inflows are still at excellent levels, exceeding €12 billion, a value higher than the average of the last 5 years and at the same levels reached by all our main European competitors. The development during the year reflects a decline in Germany, France and Italy caused by more selective underwriting policies, as I have just mentioned, and by the exceptional demand for hybrid and unit-linked products in 2015. The excellent development in Asia has continued, where net inflows grew by 40%.

2016 was an extraordinary year for the profitability of the Group's new Life business, which is expressed by two measurements. These are the APEs, namely the annual premium equivalents, corresponding to the sum of the annual new business premiums and one-tenth of single premiums and the NBV, namely the current value of profits expected from new business, net of the cost of capital. The ratio between these two factors measures profitability.

The specific initiatives for rebalancing the offering, designing products and calibrating guarantees has resulted, on one hand, in a 6.6% reduction in annual premium equivalents and, on the other, in significant improvement – close to 15% – in the value of new business. Thus they increased the margin by around 5 percentage points (pp) compared to 2015.

The operating profit reached €3,127 million: the 5.5% increase compared to 2015 is mainly the result of the Technical Excellence programme, which has led to improvements in the technical margin in the main markets in which the Group is present.

The current investment income has slightly grown, thanks to the good performance of equity and real estate investments that enabled us to absorb the lower income from bonds: the decline compared to 2015 is therefore due to the drop of net realized profits, in line with the approach mentioned above.

Finally, the smaller amount of issued premiums has led to a decline in acquisition costs.

The premiums of the **P&C segment** reached some €20.8 billion, with a 2.1% increase on a comparable basis, thanks to the 4.3% growth of the Motor segment, driven by Spain, by Germany, by other EU countries, and by Argentina, which more than offset the 5.2% decline in Italy. This decline was caused by the drop in average premiums, in line with market trends. Non-Motor premiums have also slightly increased by 0.5%.

The operating profit amounts to €2,044 million: the 2.9% rise is mainly due to the development of the technical performance, which is measured by the combined ratio (which correlates claims – measured by the loss ratio – and insurance operating expenses – measured by the expense ratio – with the premiums earned). The combined ratio reached 92.5%, with a further 0.7% drop, which was mainly caused by the positive closing of claims opened in the previous years and more than offset the increase in the current loss experience, mainly in the Non-Motor segment. Catastrophic events contributed 1.5 pp to the total loss experience (a slightly smaller impact than in the previous financial year), and they mainly consisted in storms and floods in France and Germany, as well as in earthquakes in Italy. The Group has kept its conservative reserving policy, which was confirmed by the ratio between reserves and premiums that remained stable at 155%.

The expense ratio has remained substantially stable, with a downward trend for administrative expenses, thanks to the cutting efforts made by the main Group companies.

Financial revenues have declined mainly due to the decline of interest rates.

The other operating components of the P&C segment include above all non-insurance operating expenses, amortisation, other taxes and provisions for risks, with the latter growing slightly compared to 2015.

The “**Holding and other activities**” segment includes the results of the activities performed by Group companies in the banking and asset management sectors, the costs incurred in business management, coordination and financing and the activities that the Group considers non-core compared to the insurance area. The operating profit of this segment experienced a decline compared to 2015, totalling a negative balance of €91 million. That decrease was mainly connected with Banca Generali, whose revenue from commissions is significantly affected by the development of financial markets, and with the realized profits on real estate which were lower than in 2015 for the "other activities" segment.

The holding operating costs have increased to €459 million, mainly due to expenses in key areas for growth opportunities.

Let us now briefly examine the main contributions to the variation in the operating profit. The Group's strong focus on pursuing technical excellence and cost-efficiency could counterbalance the decrease in the result from investments. Generali was able, therefore, to further increase the Group consolidated operating profit up to €4,830 million, the best result in the history of the Group. For the third year in a row, the Operating ROE (i.e. the ratio between the operating profit and the shareholder's equity) reached its objective.

From the Group's operating profit to the net income for 2016

In this regard, we can observe the following main elements:

- The balance of the non-operating income from investments declined from a positive value of €159 million, in 2015, to a negative value of €217 million, in 2016. We point out again the drop of realized profits down to €336 million, slightly more than half the amount written in 2015, while write-downs remained essentially in line with the previous year;
- Non-operating holding expenses increased to €794 million because of a temporary €39 million rise in the interests on financial debt due to the bridge financing of two bonds with closing dates in June 2016 and February 2017, respectively. Without the effect of this double counting, equalling €53 million, the overall interest expenses would have decreased by €14 million;
- The other non-operating expenses have declined by almost €200 million, whereas restructuring expenses – particularly significant in Germany in 2015 – have contracted by €93 million;
- The fiscal pressure has eased in France and Spain and we are recovering taxes;
- Non-controlling interests are down by €71 million because of Banca Generali's lower contribution, as mentioned above, and of capital gains on shareholdings in China in 2015, which failed to repeat themselves in 2016.

All the above led the Group to post record profits for €2,081 million, the highest figure since 2007. As emphasised at the outset, these figures are particularly sound and reflect the excellent result and development of the Group's activities.

Now I am going to move on to a strategic subject which is one of the pillars of our offering:

efficiency.

The Group's cost trend

At the Investor Day in 2013, we had set two goals for 2016: one billion euros in gross cost saving and the preservation of a stable overall cost base (at constant exchange rates) compared to 2012.

I am pleased to confirm that both those goals have been achieved and that the Group strategy was correctly implemented. The considerable reduction obtained in mature markets allowed covering investments in growing markets and strengthening the Parent Company. Obviously, we will keep working to maintain and increase our efficiency and our ability to excel in an increasingly challenging market condition.

Let us now talk about the Group's capital position.

The Group's shareholder's equity and solvency

The capital and reserves belonging to the Group amount to €24,545 million and the 4.2% increase compared to 2015 is mainly due to:

- The Group's result for the period;
- The distribution of a €1,123 million dividend in 2016, which allowed withholding part of the net profit.

The increase of the reserve for financial assets liable to be sold is entirely offset by the losses from the write-ups of liabilities for defined-benefit pension funds.

Now, let us examine solvency according to the current regulations, i.e. Solvency II. The Regulatory Solvency Ratio – which is the regulatory view of the Group's capital and is based on the use of the internal model for subsidiaries for which the approval of the Supervisory Board and of IVASS was obtained – amounted to 177%. That 6 pp increase mainly reflects the positive impact of the authorisation also to use the Group partial internal model for the Life segment in France, which was partially absorbed by the changes to the solvency calculation method introduced in 2016, without which that index would have increased by as many as 16 pp.

The Economic Solvency Ratio – which is the economic view of the Groups' capital and is calculated by applying the internal model to the whole scope of the Group – reached 194%: this amounts to an 8 pp drop following the above changes to the calculation method. Thanks to the above approval of the internal model in the Life business in France, the gap between the regulatory and the economic view dropped to 17 pp, as compared to 31 pp in 2015. As can be gathered, the solvency position remains sound.

Evolution of the premium income and of the technical indicators of the Parent Company

I am going to conclude my speech by illustrating the figures for the Parent Company, whose

financial statements are submitted to you today for your approval: let us first analyse the premium income.

The gross written premiums total €3,668 million, which have increased by 17.3% over 2015. We can observe a growth exceeding 15% in the Life segment, mostly due to the positive results of marketing new insurance products in the individual policy sector by the Hong Kong branch.

The P&C segment posted an almost 20% increase up to a total premium income of €1,660 million, which is essentially connected with the development of reinsurance acceptances in the Global Corporate & Commercial and Accidents & Diseases sectors.

As for the operating result (i.e. the underwriting result which, in the case of the Life segment, also includes technical interests), we observe that in the **P&C segment**:

- The loss ratio is 68.4%. The 5.2 pp increase over the previous financial year is mainly affected by a higher catastrophe loss experience from reinsurance compared to some companies of the Group;
- The expense ratio shows evidence of an increase by 1.3 percentage points, largely due to greater commission charges on new reinsurance treaties for the Global Corporate & Commercial sector, which I have just mentioned.

Overall, the combined ratio grew by 6.5 percentage points up to 89.6% for the reasons just described.

The operating result of the **Life segment** also declined by 22% because of a €110 million drop in the indirect business result, whose balance equals 65.9 million. That result is largely determined by the lower results in acceptances from Group companies and is substantially offset by a € 80.7 million improvement in the direct business result, whose balance became positive, reaching €36.3 million. This result was mainly reached thanks to the better results of the London office (in which, in the previous FY, the technical provisions for the sector were reinforced for the run-off industry of individual annuities) and to the sector of employee benefits.

The economic and equity indicators of the Parent Company

Let us now devote our attention to the profit evolution (which reached € 1,096 million, with a 17.7% rise over the previous FY), which is explained by:

- A slight decrease in the operating result balance for the above reasons;
- An increase in the ordinary financial result – net of the technical interests from the Life operating result – of €515.9 million, mainly determined by higher dividends from subsidiary companies and, to a smaller extent, by the smaller net realized losses on investments;
- An increase in net ordinary charges for € 26.2 million, mainly due to the already mentioned interest increases for bond issues and to management and coordination expenses;
- A significant decrease of the extraordinary result by €301.5 million, which in 2015 benefitted of realized gains from the intragroup sale to Generali Holding Vienna of the stake in Generali Rückversicherung and from the non-proportional demerger of Telco S.p.A., for an overall 293.5 million;

- A higher tax income by €48.3 million mainly regarding the net income tax (IRES).

Let me now move on to the Parent Company's equity indicators, starting from the Shareholders' Equity, which reached some €14.7 billion, in line with the previous FY, since the paid dividend basically offset the result for the year.

The debt exceeded €13.9 billion, showing a slight rise because of the new issue of subordinated loans made in June 2016 for €850 million, which has been used to recall a €869 million issue last February. That increase was partially offset by repayments of subordinated loans for €468 million, by the decrease in the value in euros of the debt denominated in pounds and by the annual repayment rate of the loans taken up for the tax relief on the goodwill of Alleanza Assicurazioni, amounting to €64 million.

The assets reach €48.2 billion and consist mainly of Group stakes for 29.6 billion, a figure in line with the 2015 values. The net technical provisions are at €14.1 billion, i.e. slightly down. Finally, I wish to underline the Parent Company's regulatory solvency, calculated according to the Group's internal model, which reached a remarkable 238.4%.

Cash flows received by subsidiaries and net operating cash generation

The dividends paid by subsidiaries increased by 20% compared to the previous financial year, exceeding €2.4 billion. All main countries where the Group operates increased their remittances, thanks to the effective initiatives implemented by the management. Those remittances have apparently had a positive impact on the Parent Company's liquidity.

The net operating cash generation of the Parent Company is calculated by adding the dividends paid by subsidiary companies to the positive reinsurance result and by subtracting the interest payments on debt and the management and coordination expenses. This result grew by another 19% in 2016, up to €1.9 billion: this has allowed us to propose to this Meeting an 8-cent increase in the dividend per share, which would amount to 80 cents.

Final remarks

Summing it up, my presentation aimed to show that the Group ended the 2016 financial year with particularly sound figures, which were the result:

- Of an increasingly disciplined approach to the Life segment and of the recovery of the P&C segment;
- Of our focus on underwriting excellence and of the increasing effectiveness in cost management;
- Of the conservative management of the investment portfolio, with a substantially stable current income;
- Of a robust solvency position and of growing cash flows, which have allowed us to propose a further increase in the dividend.

Finally, I too wish to emphasise that the results achieved are the outcome of the continuous commitment and of the talent of all our employees, managers and collaborators, who are the true

lifeblood of Generali.

Thank you very much for your attention.