**Annex 1**

## Speech of the Group CFO
## Mr Alberto Minali

Shareholders,

Good morning. This year, I have again the honour to present the financial statements of Assicurazioni Generali and to explain, in greater detail, what the Group CEO has already outlined.

### Key outcomes in 2014

The operating result of the Group amounts to 4.5 billion Euro and the Company has been growing in all business areas and in all business lines. I wish to point out that the operating result of the Group has not been obtained with financial manoeuvres. Instead, it has been achieved with a steady focus on the risk underwriting policy and the investment policy. There's no manoeuvre behind these figures, for instance on claim reserves. The Group reserve policy, especially in non-life business, is always based on the utmost caution and with a great focus on risk underwriting and claim settlement.
As Mr Greco pointed out, our accounts are very sound. The operating result measured on the capital that shareholders have invested has exceeding 13% against 11.7% of last year (this indicator is the ratio between the Group operating result and the Group net equity).
The net equity has increased steadily and therefore this 13% must be interpreted as an excellence indicator in the global insurance landscape. Each unit of invested equity has a performance exceeding 13%. This is virtually unique in the insurance sector.
Net profits amount to 1,670 million Euro. But, detracting non-current events and devaluation, the Group adjusted net profits exceed 2 million Euro. This is a critical figure, as some value has been lost in the transition from the operating result to the net result. The whole management is committed to reduce the difference between what we do well in terms of operating result and what we generate in terms of net profits.
The Group net equity has risen to 23.2 billion Euro, while the Solvency 1 ratio (before the transaction on Banca della Svizzera Italiana) amounts to 156%. If we included the dismissal of BSI - a transaction that we will finalize in a few months - that ratio would rise to 164%.

### Operating result by segment

As for the operating result, in comparison with the previous year, life business contributed with 390 million Euro. This has been achieved because expenses for this segment have been kept steady, the technical result of life business is still very good and profits on our products are still growing, but it also depends on the financial policy, the current revenue and decisions of the management that have anticipated the decrease in interest rates (this will have a significant impact on the whole insurance sectors in the coming years).
The contribution of non-life business amounts to about 200 million Euro and it's the result of the good quality of underwriting, a sound and cautious management of risk underwriting

and claim management.
The remaining operating result accounts for the segment "Holding and other business", that was introduced this year, including a variety of business not included in life and non-life business. Banca Generali, which is proficiently placing insurance products in Italy with its very efficient promoter network, has provided a large contribution in this framework.

**From the operating result to the net result**

Starting from an operating result of 4,505 million Euro, the net result amounts of 1,670 million Euro.
In the transition between these two elements, a number of topics need to be discussed.
First of all, 200 million Euro have been affected both by liability management transactions and a major devaluation on Ingosstrakh.
In 2014, we decided to anticipate the outlook, also with the aim of exploiting the trends of interest rates, and to buy back a number of Generali hybrid bonds in the market, expiring between June 2016 and February 2017, as the coupon of these bonds, issued in the past, was too high vs. the market average. Clearly, when bonds are bought in the market, a premium must be offered, and this is a cost on the liability management transactions; therefore, it has been disclosed in the relevant item of the financial statements. I wish to point out that the adjusted average debt cost has decreased, as the re-purchase is a value-added transaction. We have bought back very expensive bonds to refinance the business, for the same amount, with less expensive bonds.
As for the devaluation of Ingosstrakh, Generali has a shareholding of 38.5% which was affected by the crisis between Ukraine and Russia, resulting into a collapse of the Russian currency. This loss cannot be covered with derivatives in the financial markets. Therefore, at the end of 2014, we had to devaluate this shareholding in roubles at an unfavourable exchange rate. This currency effect has been partly covered at the beginning of the year, but it's an automatic result of our devaluation policy: this policy is very strict and very precise for financial statements to provide an accurate overview of assets on a continuous basis.
The other important factor is the amount of financing covering the debt cost in the financial statements: 740 million Euro that, by the end of 2015, will go down to 690 million Euro. It's important to reduce the debt cost, as what is not paid to debtors, in theory, must be paid by shareholders. The Company opted to reduce the debt stock as well as the debt cost to generate more cash flow and more dividends for the future.
Finally, 1,124 million Euro accounts for taxes that the Company paid with a tax rate of 36%.
Therefore, the Group growth, in terms of operating result, has been affected the net profit of 1.670 million Euro, i.e. over 2 billion Euro including the devaluation of Ingosstrakh, the penalty of 211 million dollars on BSI and the negative impact of Poland, as Mr Greco has just mentioned.

**Group cash flow in 2014**

Focussing on cash-flow generation per country in 2014, in the first 2 years of the current Strategic Plan, emphasis has been laid on capital generation, policy on asset dismissal and, finally, the re-investment of capital in high-growth business. Now it's time to focus

more on the cash flow. Last year, a treasury programme was launched.
From the operating units, the so-called remittance ratio has been passed on to the holding, i.e. 73% of their cash flow to pay the interests on debts, taxes and finally dividends to shareholders. The Company aims at generating more cash flow at local level than what has been generated so far.
Italy is a huge cash contributor. France is recovering, as an interesting restructuring programme has been launched and it will generate cash with dividends for the Group starting from next year. Germany, though a restructuring program will soon be launched, will remain a big contributor.
The Group aims at increasing the cash flow for the holding company, pointing to a re-investment at local level to generate further cash.
In 2014, the net cash flow, before the dividends, amounted to 1.2 billion Euro. In 2015, we expect 1.5 billion Euro in an effort to review the product portfolio also to increase the cash flow.

**Net equity**
The equity has risen to 23.2 billion Euro, with a variation of about 4 billion Euro vs. last year, as a result of the performance of financial markets. The decrease in interest rates has incremented the value of asset items in the financial statements, but this positive trend in the financial markets has been very fragile. If we assume an increase of 100 basis points in interest rates, the equity will decrease by 2.8 billion.

**Solvency margin.**
The evolution of the required solvency margin is based on the net equity and it also includes bonds comprised in the equity: from 141% as at 31 December 2013 to 156% at the end of 2014 (likely to further increase at the end of the BSI transaction).
Profits have also been affected by financial markets, but they have benefited from the dismissal of assets and the dynamic debt management action.

**Financial solvency.**
Figures on financial solvency measure the risk level in the business with a solvency ratio going from 184% in 2013 to 151% in 2014, due to the decrease in interest rates that has had two impacts: the available capital has shrunk slightly, while risk capital has substantially increased. This indicator shows that we need to continue with the internal capital generation also with the new metrics of Solvency 2 with a view to further strengthening the Group.
65% of the risk capital refers to life business. Therefore, the financial statements of the Generali Group is highly sensitive to oscillation in interest rates. 40% of this capital is located in Italy, about 20% in France and 20% in Germany. Therefore, the Generali Group risk exposure is substantially based in Europe and in life business. We have been focusing to direct production to non-life business and reduce the sensitivity of life business to interest rates to decrease volatility and vulnerability if interest rates should remain at this level.

**Financial leverage**

In 2012, when this Board of Directors was appointed, the Company was poorly capitalized and highly indebted. In a context of low interest rates, reducing the financial leverage was a daunting task.
We acted in three areas. First of all, the cost of debt has been reduced, going from 5.9% to 5.6% (30 basis points of decrease on a debt of about 12 billion). The average expiry of the debt has been extended, going from 5.2 years to almost 7 years, harmonising expiries. Currently Generali debt profile is much more uniform. We are no longer compelled to implement refinancing transactions and we can plan financing and debt issuing. Finally, the third area is the interest coverage ratio, i.e. the ratio between operating result and debt cost. In 2013, it amounted to 3.6, 5 in 2014 and we expect to achieve 6 by the end of 2015. This means that the operating revenue can pay 6 times the debt cost. We have really increased efficiency in the financial leverage structure, reducing the senior debt and enhancing the subordinated debt component, which accounts for the available capital for the Group.

**Life business: key financial indicators**
The overview of life business shows a substantial growth in gross premiums (+11.2% from the end of 2013 to the end of 2014). Though a limited growth was achieved in traditional business (almost 4%), but a good result was achieved in the unit linked business, which requires a limited amount of capital and cash. A major restructuring on the distribution networks, incentive schemes and commission schemes was launched to re-direct production.
Net premium income amounts to 12.7 billion Euro, which could have been higher, but it is the result of a conservative capital management, instrumental to keep performance high in life business and absorb a limited amount of cash.
Italy and France have provided a substantial contribution in terms of new production, while, in Germany, growth has been limited, as risk underwriting has been reduced in traditional life business; this has become very difficult to support in terms of capital in this market and with these interest rates.
New production has increased by 33% (1.2 billion Euro as at 31 December 2014) and the profits on APEs, i.e. profitability on each unit of invested capital, amounts to 24%. These are excellent result also vs. major international competitors.
Mathematic reserves at Group level have been increasingly steady and rising: the expiry rate amounts to 5% on an annual basis, but the new production generates new business and redemptions have been decreasing. In the mathematic reserve, special attention must be devoted to minimum guaranteed rates: the minimum rate guaranteed on the portfolio amounts to 2%, the new production has a guaranteed minimum rate of 1% and in the first quarter of 2015 this has been further reduced. Therefore, risk level of life business has been decreasing progressively. This will provide a big contribution to the Group operating result.

**Non-life business: key financial indicators**
Non-life business is very fragmented an uneven. There's a fierce war on rates in some markets, especially in Italy and in France, both in motor and non-motor there's a loss on premiums, which has been off-set by the excellent trend in settled and reserved claims.

Therefore, business profitability is appropriate. In other markets, benefits result from hardening: in Germany and in Eastern European countries, premium rates have been increasing. Therefore, territory diversification off-set the negative trends in Italy and France in terms of premiums.

The combined ratio has gone down to 93.8%, i.e. the lowest level among major European competitors. This decrease of 1.9% has not been supported by any reserve manoeuvre. On the contrary, reserves have been further increased in France, in Brazil and, to a certain extent, in Italy. It must be pointed out, as these figures are not based on accounting policies, but on actual business quality.

In 2014, the number of natural catastrophes was lower than in 2013, as expected in the budget process. Conversely, in the first part of 2015, the number of natural catastrophes has been higher than expected.

The operating result is excellent. It has increased by 13%, i.e. 1.8 billion Euro. There's no evidence of increase in claim frequency, which is the major indicator of potential risk in this business. On the contrary, frequency has been steadily decreasing in some markets.

### ***Focus* on the holding segment and other business**

The segment on financial services (+8.9%) includes banking business, especially Banca Generali, as well as the holding expenses.

Banca Generali has been growing substantially in terms of mass and performance fees and it sells unit linked products in its promoter network, generating a significant impact on the Group life business in Italy.

### **Data on the Parent Company: key indicators**

Assicurazioni Generali - i.e. the legal entity paying out dividends - is not longer the "operating" parent company as it used to be. Being a holding company, it has three fundamental functions:

- Group reinsurer: in 2014, contractual reinsurance has continued to be channelled into the offices in Trieste; this will also apply to the optimisation of facultative reinsurance.
- Capital management: it does allocate capital to the different areas of the Group.
- Finally, it also has the role of issuer of debt.

In the financial year 2013, i.e. on 1 July 2013, the corporate branch, "Direzione per l'Italia", of Assicurazioni Generali S.p.A. was transferred into INA Assitalia, later re-named Generali Italia.

Therefore, supplementary data have been processed on a pro-forma basis. Historic data have been adjusted to reflect the impact of the transfer.

Premiums of the Parent Company are difficult to interpret, as they account for reinsurance premiums as well as branch premiums. At any rate, this holding company, particularly rich in capital and reserves, has an excellent result in terms of combined ration (87.7%) and operating profits (738 million Euro). This is a totally different overview of the holding company, as, up to 2013, it included all operations in Italy, and these have been rightly separated with the setting up of Generali Italia.

Finally, the holding company is in charge of direction, control, governance, capital management, debt management and efficient use of reinsurance.

***Generali Group performance in* 2014**

Now I will give you an outline of Generali share and all the actions that have been implemented in terms of communication.

In 2014, the share performed in line with FTSE Mib, but below the insurance index (DJ Insurance Index). However, this does not reflect all the work that has been done in terms of efficiency, efficacy and risk management. It's an overview that does not include the efforts that Mr Greco and his team have been making.

In terms of communication, we succeeded to reduce the number of negative analyst ratings, thanks to an intensive interaction with analysts, and to reduce the number of neutral ratios, increasing the positive ratings on Generali share; this has resulted into an average target price of about 19 Euro.

We focussed on two markets: the share market, as we met many investors, especially from the UK and US, to explain Generali business model, the unique features of the Group and its share. We also focussed on debt. Before every issue and immediately after, we had a series of road shows, conferences, meetings with analysts to explain that the debt capital is very important to us.

I'm particularly satisfied with these results, as they have been achieved thanks to the work of our 77,000 employees. It's no coincidence that the pictures of our people have been included in the financial statements of this year. People are the real capital of the Group besides the capital that shareholders have provided. Thank you.