185th year

Annual Integrated Report 2016

generali.com

GENERALI

Annual Integrated Report 2016

Please note that the report itself was translated into English solely for the convenience of international readers.

Corporate bodies

as at 15 March 2017

Chairman
Gabriele Galateri di Genola

Vice-Chairmen
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)
Silvia Olivotto (substitute)

Board secretary
Giuseppe Catalano

Company established in Trieste in 1831
Share capital € 1,559,883,538 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 this document

A journey into our future

Our reports are not simply reporting documents. Their aim is to provide a comprehensive overview of how the Group creates value with regard to a number of major contemporary issues. These issues, of course, outline the field of action of a global insurance player such as ours: more specifically, demographic trends, climate change, the company's social role and, above all, the changes dictated by innovation technology.

Innovation is indeed the cross-cutting issue of Generali's 2016 reports, viewed from different perspectives: customers, who are evermore well-informed and interconnected; agents, the cornerstone of a distribution strategy increasingly open to multimedia; employees, actively involved in a process of cultural and operational change; big data management, a key tool for interpreting the world surrounding us and anticipating its developments. And then the Internet of Things, mobility and the major topic of growth, the real challenge not only for businesses but for all policymakers who need to take decisions in such complicated times.

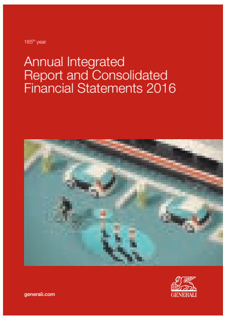
This year, readers will be accompanied by illustrations created by artists who have used, each in their own way, a symbolic and coloured language to outline concepts that have a deep impact on the life of our Group and of its stakeholders. Our wish is for readers to have a pleasant journey that at the same time will make them reflect, help them interpret the economy and society with a more informed and aware attitude, and make them feel surprised that a Generali Group report can be much more than a simple report.

What's inside

The integrated overview of our reports

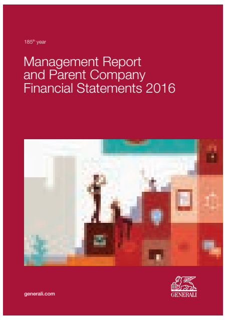
In recent years, the Generali Group reports were prepared from different perspectives: financial, sustainability, governance and remuneration.
In 2016, we embarked upon a new path inspired by the innovative concept of integrated thinking and reporting.
The functions responsible for the Group reports have established the Integrated Lab with the objective of further developing integrated reporting to describe the Group's value creation process from different perspectives, within a coherent framework in terms of content and graphics

The **Annual Integrated Report** provides a concise and integrated view of the Group's financial and non-financial performance



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

The **Corporate Governance and Share Ownership Report** illustrates the functioning of the corporate governance system of Assicurazioni Generali and its ownership structure



The **Management Report and Parent Company Financial Statements** provides a disclosure on the performance of Assicurazioni Generali in accordance with the provisions of regulations in force

The **Remuneration Report** provides specific information about the remuneration policy adopted by the Group and its implementation

The **Sustainability Report** tells the story of how the Group creates value responsibly over the long term for all of its stakeholders

Each report contains cross references to other sections in it or to other reports for details and a glossary with the definitions of the abbreviations and acronyms used.

Reference to a section of the report or other Group reports

www.generali.com/info/download-center/results for the Group's reports and policies in pdf format and in interactive format

About the Annual Integrated Report

This **Report** provides an overview of the Group's value creation process, reporting current and outlook financial and non-financial information and highlighting the connections between the environment in which we carry on our business, our strategy and our corporate governance structure.
Information in this report regards **material aspects** which, as such, are included within the Group's strategy and specified in our materiality matrix. In pursuing our **strategy**, we will continue to carefully use the range of capital available and to consider how it is interconnected. This is how we will create value for our internal and external stakeholders. Active dialogue with all of them will also enable us to manage, measure and represent the relevant topics within a **materiality matrix** for which we commit to developing concrete actions and consistent initiatives.

Our strategy, p. 24
Sustainability Report 2016, p. 17
for further information on the materiality matrix process and representation

The report complies with prevailing regulations and the principles of the **International <IR> Framework** issued by the International Integrated Reporting Council (IIRC).

Note to the Report
for further details on how the Framework was applied, especially regarding the Guiding Principles and the Content Elements set forth therein

We continue to follow the developments of reporting at national and international level through the <IR> Business Network and the specific network dedicated to insurance companies.

<IR> BUSINESS NETWORK

Responsibility for the Annual Integrated Report

The Board of Directors of Assicurazioni Generali is responsible for the Annual Integrated Report. The reporting process was conducted under its responsibility, applying the Guiding Principles and Content Elements set out under the International <IR> Framework.

The Generali Group's reporting aims to best satisfy stakeholder information requirements. Comments, opinions, questions and requests for hard copies of the Report may be sent to **integratedreporting@generali.com**

Follow Generali on

www.generali.com
for further information about the Group

Letter from the Chairman and the Group CEO

Gabriele
Galateri di Genola

We closed 2016 with excellent results. This is true for business trends as well as our technical insurance performance, capital strength and, in particular, our new strategic policy which has launched a business turnaround intended to rapidly change the Group. Generali closed the year with a record operating result of € 4.8 billion and profit in excess of € 2 billion, a RoE of 13.5% and an Economic Solvency Ratio of 194%. These results are even more significant as they were achieved within a complex environment marked by high market volatility and low interest rates, elements which always have significant repercussions in our sector, as well as extraordinary geopolitical events, which in some cases were quite difficult to predict. In addition, there has been an abrupt shift in the technological paradigm linked to the use of big data, and the increasingly stringent nature of regulations.

The Group is ready to face this challenging scenario through its targeted strategy. The new plan presented to the market outlines the direction of our development: Generali aims for technical and operational excellence in all areas and in all markets in which it is present. We will measure our success based not on size, but on the profits we generate. We will further improve our operating performance and we will create long-term value. We will increase our efficiency by boosting productivity and we will optimize our geographical presence by reinvesting in markets with the highest potential. We will strengthen our competitive advantage in life and property&casualty, based on technical performance as well as profitability. And as regards the needs of our clients and our distribution networks, we will leverage our capacity for innovation and the strength of our brand, the winged Lion.

Philippe
Donnet

We will do all of this having confirmed our highly ambitious 2018 financial targets: cash generation of more than € 7 billion, dividends exceeding € 5 billion and an average Operating RoE in excess of 13%. We will do this by increasing our speed of execution and making intensive use of technology and innovation, essential conditions to win the race to the top in the insurance sector, which is confirmed as one of the most important and vital for the growth and well-being of modern societies.

Our strengthening confirms not only industrial leadership: Generali aims to act as a global point of reference for corporate social responsibility as well, by best interpreting that role of corporate citizen inherent in its insurance mission: to protect, prevent, manage risk and always take a long-term view. These are the tactics that will guide our initiatives all over the world, with a view to sustainability and the creation of shared value.

Once again this year, as always, we share our pride in our results with tens of thousands of Group employees, distributors and associates, to whom we express our heartfelt thanks. They constitute our strength, and are the real reason to be optimistic about the future of Generali.

Gabriele Galateri di Genola

Philippe Donnet

We, Generali

Group highlights*

Gross written premiums

-3.9%

€ 70,513 mln

Including € 3,324 mln premiums from investment contracts

Life segment premiums 71%

P&C segment premiums 29%

Operating result

+0.9%

€ 4,830 mln

Operating return on equity

-0.5 pps

13.5%

Net profit

+2.5%

€ 2.1 bln

Dividend per share proposed

+11.1%

€ 0.80

Total dividends proposed

+ 11.2%

€ 1,249 mln

Solvency II ratio

Regulatory	Economic
+6 pps	-8 pps
177%	194%

Total Assets Under Management (AUM)

+6.1%

€ 530 bln

Our people

73,727

men 50.6%

women 49.4%

Our clients

55 mln

Our exclusive distributors

151 thousands

* Changes in premiums, net cash inflows and Annual Premium Equivalent (APE) are on a like-for-like basis, i.e. at equivalent exchange rates and consolidated scope.

Glossary available at the end of this document

LIFE

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

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

PROPERTY &CASUALTY

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

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

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

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 420 companies and almost 74 thousand employees

1831

The Group was established as Assicurazioni Generali Austro-Italiche in Trieste. Trieste 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 raged across Europe. After the Allied victory over the Central Powers, Trieste became part of Italy: as a result, Generali became an Italian company.

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

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.

2011-2015

Recent years have driven a new phase of change, with a new top management and a corporate reorganization which saw the birth of Generali Italia in the wake of a significant restructuring process, the completion of the acquisitions of the minority interests of Generali Deutschland Holding and Generali PPF Holding, and the disposal of non-core activities. Generali presented its strategic plan at the Investor Day in May 2015, which aims to set out a new business model and achieve new, challenging targets.

2016 key facts

2016

January

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

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

March

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

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

April

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

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

Our governance and remuneration policy, p. 33

May

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

June

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

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

Our reference markets: positioning and performance, p. 60

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

July

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

September

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

Our reference markets: positioning and performance, p. 58

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

Sustainability Report 2016, p. 34

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

Our strategy, p. 26

October

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

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

November

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

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

Sustainability Report 2016, p. 34

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

December

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

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

Our governance and remuneration policy, p. 35

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

Significant events after 31 December 2016 and 2017 corporate event calendar

2017

January

Marco Sesana, appointed Italy Country Manager in December 2016, and Timothy Ryan, incoming Group Chief Investment Officer, became members of the Group Management Committee.

Our governance and remuneration policy, p. 35

Assicurazioni Generali acquired the voting rights on 505 million shares of Intesa Sanpaolo, amounting to 3.01% of the share capital, through a securities lending transaction.

The Board of Directors of Assicurazioni Generali on 25 January decided to appoint Luigi Lubelli as Group CFO, who also joined the Group Management Committee, as a consequence to the termination of employment relationship with Alberto Minali. 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.

Our governance and remuneration policy, p. 32

February

Generali Finance B.V. exercised the early redemption option on the perpetual subordinated notes on 8 February 2017. This debt has already been refinanced through the subordinated bond, concluded on 8 June 2016, for an overall amount of € 850 million, targeting institutional investors.

Assicurazioni Generali acquired 510 million ordinary shares of Intesa Sanpaolo, amounting to 3.04% of the share capital, and started the process to terminate the previously disclosed securities lending transaction. It also enter into a collateralized derivative transaction in order to fully hedge the economic risk related to the acquisition of these shares.

March

15 March 2017

Board of Directors
Approval of the Annual Integrated Report and Consolidated Financial Statements, the Parent Company Financial Statements Proposal, the Corporate Governance and Share Ownership Report and the Sustainability Report as at 31 December 2016 and the Remuneration Report

16 March 2017

Publication of the results as at 31 December 2016

27 April 2017

Shareholders’ Meeting
Approval, inter alia, of the Parent Company Financial Statements as at 31 December 2016 and the Remuneration policy as well as appointment of a new Board of Statutory Auditors

www.generali.com/governance/annual-general-meeting

10 May 2017

Board of Directors
Approval of the Interim financial information as at 31 March 2017

11 May 2017

Publication of the results as at 31 March 2017

24 May 2017

Dividend pay-out on the shares of Assicurazioni Generali

1 August 2017

Board of Directors
Approval of the Consolidated financial half-yearly report as at 30 June 2017

2 August 2017

Publication of the results as at 30 June 2017

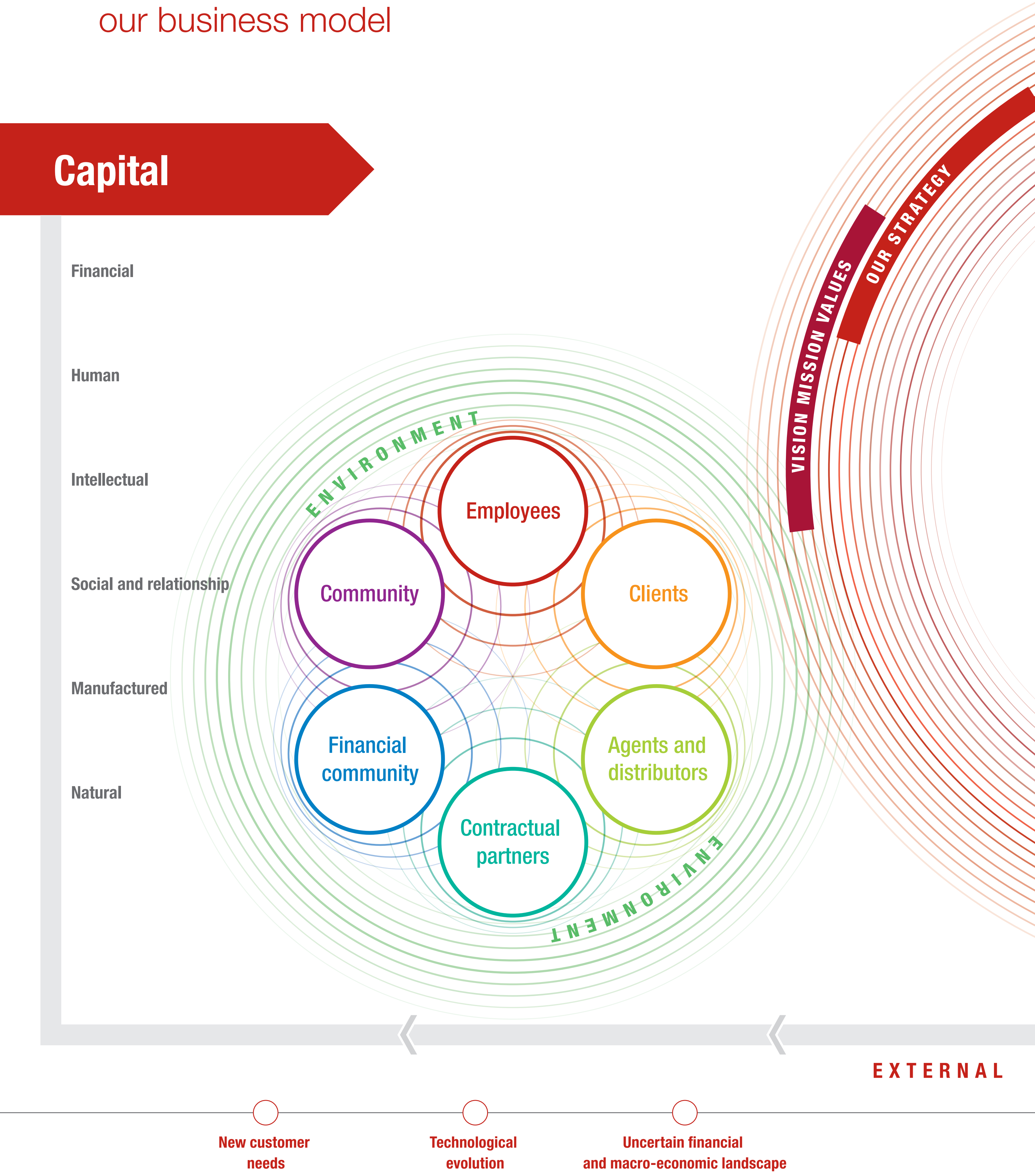
8 November 2017

Board of Directors
Approval of the Interim financial information as at 30 September 2017

9 November 2017

Publication of the results as at 30 September 2017

How we create value: our business model



Our strategy, p. 25
for 2016-2018 targets

OUR GOVERNANCE

OUR BUSINESS MODEL

INNOVATION

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

Financial

Human

Intellectual

Social and relationship

Manufactured

Natural

CONTEXT

Regulatory evolution

Environmental challenges

Demographic and social change

As for capital other than financial capital, more information on external and internal impacts resulting from our business is reported in the Sustainability Report, the Corporate Governance and Share Ownership Report and the Remuneration Report

Vision, Mission, Values

Our vision

Our mission

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.

Our rules for running business with integrity

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

The **Code of Conduct** defines the rules of conduct to be observed, for example, for the promotion of diversity and inclusion, the management of personal data and privacy, the prevention of conflicts of interest and corruption, bribery, money laundering, terrorist financing and international sanctions, and the proper management of relationships with customers and suppliers.

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

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

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

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

Sustainability Report 2016, p. 24
for other information on the prevention of corruption topic

We also have a structured internal regulatory system named **Generali Internal Regulation System** (GIRS).

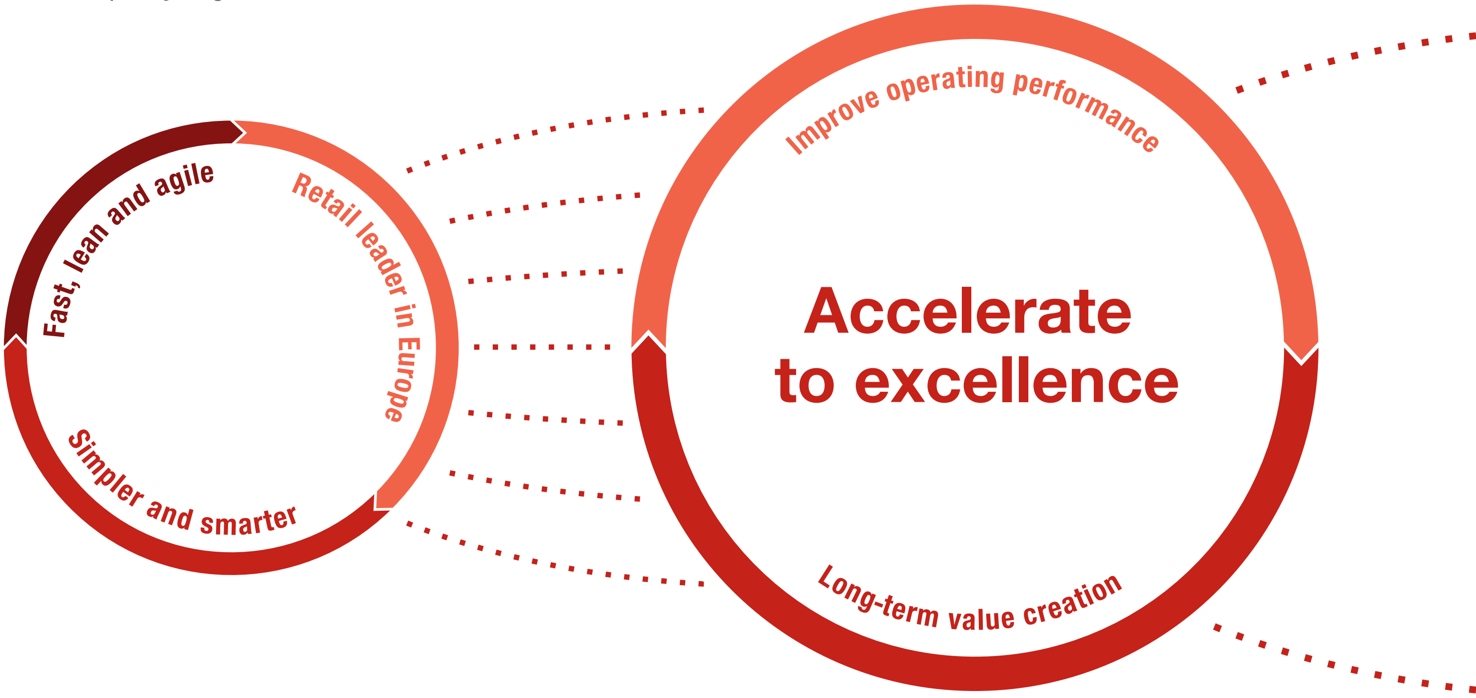
Corporate Governance and Share Ownership Report 2016, p.45

Our strategy

Accelerate to excellence

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

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



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

Our people always

SIMPLER, SMARTER. FASTER

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

Improve operating performance

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

Long-term value creation

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

at the heart of the strategy

Improve operating performance

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.

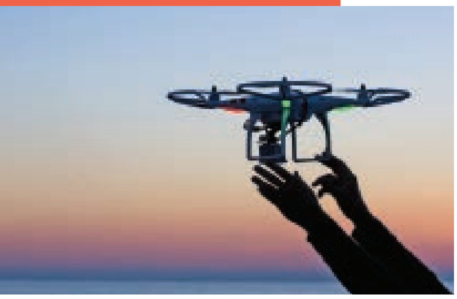
We have already embarked upon a streamlining process with the disposal of our companies in Guatemala and Lichtenstein. We expect to generate at least € 1 billion from the optimization of our international presence by the end of 2017 as to reinvest into the business. We aim to remain in the markets in which we can be in the top 5 in the short-medium term.

Rationalize the operating machine

We are committed to constantly improving our 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.

In Germany, we digitalized the entire claims management process, eliminating our use of paper records and speeding up compensation timing. Our clients are also able to use an app to view the entire claims settlement process: more than 30 thousand clients have used it since its introduction.

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 our P&C business while with the continuous improvement in the quality of our products and the capital return optimization in our life business.

In the Czech Republic, we have been the first in the insurance industry to obtain a license to use drones for large property inspections. It is a unique solution for obtaining detailed documentation and cutting time and costs.
It took us three years to develop the project, and we foresee an even bigger development potential thanks to its easy implementation elsewhere and the opportunity to merge it with new technologies, like thermo and multispectral cameras, in order to carry out inspections and to take pictures and videos in the most difficult situations, too.

Long-term value creation

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.

BG Stile Libero represents an innovative investment and protection solution in terms of content, services and distribution opportunities, which is flexible throughout the client's life. For the first time private networks are going beyond the borders of financial products and mere insurance guarantees and meet a combination of these two worlds resulting in an increased mutuality. This enhances the central role of the wealth planning professional. BG Stile Libero was our most successful product in terms of the net inflows of Banca Generali in the past two years.

We are one of the insurance industry leader in the area of **telematics**, with over 1.3 million policies that use various technology tools, such as Mobile Apps or Black Boxes, to encourage the adoption of responsible driving behaviour to help reduce accidents, and to collect useful information that can be used to provide products and services that are increasingly tailored to the needs of customers. Recently, the first **connected home** policies have also been launched, important innovations in the domestic risk insurance sector.

Sustainability Report 2016, p. 31

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.

More than
562 thousand
responses to surveys sent

More than
436 thousand
comments

More than
108 thousand
calls to detractors

T-NPS Group Program

Launched in 2015, the Net Promoter Score Listen and Act program is currently active in 26 business units and covers roughly 90% of our client base. As part of this program, we sent more than three million surveys to clients all over the world, obtaining a high global response rate, a sign of our clients' desire to have their voices heard and their interest in the future of Generali.
We called more than 108 thousand dissatisfied clients to understand their reasons and we organized interdepartmental work groups to implement several actions in response to the feedback received Feedback provides us with pointers on what clients like and areas in which we could improve; to date, 256 quick wins have been implemented, and we have made 175 structural improvements, such as automatic updates on the status of dossiers via SMS, app and portals.

Sustainability Report 2016, p. 54; 63

Digital Agent and Mobile Hub

New technologies offer the insurance business important innovations to be exploited in order to gain increasing awareness of the needs of our people and our clients.

The Digital Agent program is the Group initiative launched with a view to equipping our agents with suitable digital tools in order to understand and best adjust to customers' new approach to insurance, through greater visibility online, in social media and in the mobile world. The creation of web&mobile tools has been completed in Spain and is underway in France, Germany and Austria. Agents in Indonesia, Italy and Spain are now equipped with tools allowing them to efficiently be on the social networks.

In addition, we strive to offer our clients the possibility of interacting with us even more via mobile. This is why we created Mobile Hub, a framework shared at Group level which will enable our clients to manage their policies easily on their own. They will be able to file a claim, contact an agent or renew a policy right from their mobile phone by simply downloading our app which, with its user friendly interface, aims to improve customer satisfaction.

Strengthen the brand

We aim to become the top choice for consumers, committing ourselves to:

- strengthening our brand
- increasing its visibility through not only event sponsorship and media support, but also search engine optimization for insurance coverage estimates
- helping our agents to build value-added relationships with current and potential clients and adopting an even more advisory-oriented approach to sales.

There will be 4 main initiatives to achieve these objectives:

optimize number of brands to maximize efficiencies

shift to more coordinated media mix/spend

favour common platforms and strategic partnerships to efficiently drive cost savings

repackage our offering to prevent and protect what is most valuable for our clients

In France, we aimed at increasing our visibility in the sports field by adopting a non-commercial approach and building relationships with national sports federations based on a shared commitment to sustainability. In 2010 we launched La Charte du Sport Responsible that covers several aspects such as social inclusion, equal opportunities, health protection, risk prevention and the safeguarding of the environment. Its goal is to promote and spread six core principles for sporting activity that respects others and the environment, the Charter is flanked by a website that offers visibility to our brand e allows associations to share and promote their practices.

Our people always at the heart of the strategy

The transformation process that results in us being Simpler, Smarter. Faster is supported by the

Generali People Strategy

based on four priorities:

73,727 employees

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

Promote Engagement 1 & Empowerment

• measuring and promoting engagement

June 2015

Global Engagement Survey, the first step on a path aimed at making Generali an even better place to work

82% engagement rate

85% response rate

2016

more than 330 local actions to respond to specific opportunities for improvement arising in the Group's various countries and companies, the most recurring of which are:
- improving communication
- promoting empowerment and enablement to be simpler, smarter, faster
- developing a culture focused on the customer

June 2017

second edition of the **Global Engagement Survey**, a further fundamental step on our path of engagement and continuous improvement

• creating and embedding a new global managerial system which equips our managers with the necessary mindset, skills and tools to effectively manage our people and the organization

2016

- **11 focus groups** to better understand the management capacities required to promote empowerment
- **243 participants** with diverse profiles (geographies, seniority, gender, levels and professional background)

The objective is also to design a management school that offers a consistent management training program for all new Group managers.

• boosting a performance culture

We strive to provide every one of our people with the opportunity to dialogue in a structured manner with their managers regarding individual performance in light of predefined targets, and to be assessed regularly in a fair and transparent manner.

2016

61% employees assessed*

2018

100% employees assessed following a common Group framework

* The data refer to the Group companies equal to 64,447 employees or 87.4% of the total.

● improving diversity and inclusion

We commit to valuing the uniqueness of people and diversity of thought, particularly in relation to generation, gender and geographical differences.

2016

- creation of an **international network of colleagues** to facilitate an aligned and consistent approach to diversity and promote a concrete plan of initiatives throughout the Group
- **Breaking bias and building bridges**, a program that has involved a considerable number of people from the international HR offices on the topic of unconscious bias and the impact that this may have in decision-making processes, with a focus on people selection, management, promotion and performance management processes
- support in the organization of **Elle Active Forum**, an Italian female empowerment event
- appointment of Frédéric de Courtois as **Group D&I Sponsor**

2017

- introduction of **training courses** in all managerial training programmes at Group level for the purpose of maximising the value of diversity, teamwork and inclusion
- implementation of **D&I Colourful Program**, a programme aimed at identifying local projects in order to create awareness and to promote a culture of diversity and inclusion

Strengthen 2 our **Leadership & Talents**

● providing succession plan for top positions and clear career paths
● developing leadership skills
● identifying and developing talents at local and Group level
● attracting, selecting and retaining the best people through internal mobility and training programs

We have always focused on developing and strengthening the technical and other skills of all of our people.

91.1% trained people | 37.3 average hours of training per capita | € 61.2 mln training costs

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

● building a simpler Group organization
● simplifying our HR processes with a cutting-edge platform
● identifying and investing in key new capabilities
● sustaining smart working and developing a new approach to working that empowers us by increasing our flexibility, autonomy and responsibility

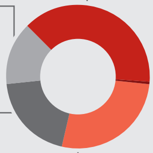
Shift **mindset** 4 towards **Customer Centricity**

● fostering a customer mindset from day 1
● understanding how to support our customer experience
● giving recognition for great customer service showcasing examples of employee actions that create excellent customer experiences

Sustainability Report 2016, p. 43

Our governance* and remuneration policy

Approximately 233,000 shareholders in 2016



Italian institutional investors 14.31% of the share capital

Foreign institutional investors 38.90% of the share capital

Unidentifiable shareholders 0.14% of the share capital

Retail shareholders 26.89% of the share capital

Main shareholders (>3%) 19.76% of the share capital

13.04% Mediobanca
3.56% Caltagirone Group
3.16% Delfin S.AR.L. (Leonardo Del Vecchio Group)

All data are updated as at 19 January 2017.

Shareholders' Meeting

Unidentifiable shareholders 0.14% of the share capital

Italian shareholders 60.50% of the share capital

Foreign shareholders 39.36% of the share capital

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

Board of Statutory Auditors
It consists of three permanent and two substitute auditors, all responsible for ensuring compliance with the applicable laws and regulations and the Articles of Association as well as management control.

Board of Directors
It has all of the broadest management powers for the pursuit of the corporate purpose. It appoints a Chairman and may appoint one or more Vice-Chairmen.

Independent Auditors
Enrolled in the dedicated registry and appointed by the Shareholders' Meeting, it is an auditing body external to the Company.

Surveillance Body
It has duties and powers with respect to the oversight, development and promotion of the continuous updating of our Organization and Management Model, defined to prevent offences that are relevant for the purpose of legislative decree no. 231/2001 with respect to the administrative liability of legal entities.

Group CEO
This is the main person responsible for Company management, in the capacity of Managing Director.
The Group CEO is also the Director responsible for the internal control and risk management system.

Group Management Committee

Balance Sheet Committee
Finance Committee
Product & Underwriting Committee

Risk and Control Committee
It has consultative, recommendatory and preparatory functions in favour of the Board with respect to internal control and risk management matters.

Appointments and Remuneration Committee
It has consultative, recommendatory and preparatory functions in favour of the Board with respect to remuneration and appointments.

Governance and Sustainability Committee
It has a consultative, recommendatory and preparatory role in favour of the Board in taking the decisions for which it is responsible with respect to the structure of corporate governance rules and social and environmental sustainability matters.

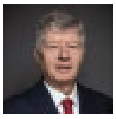
Investments and Strategic Operations Committee
It has a consultative, recommendatory and preparatory role in favour of the Board with respect to investments and strategic operations.

Related Party Transactions Committee
It provides opinions on transactions with related parties, in compliance with the procedure approved by the Board.

www.generali.com/governance for further information and the Corporate Governance and Share Ownership Report 2016

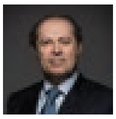
* The corporate governance is updated as at 25 January 2017.

Focus on the Board of Directors
as at 25 January 2017

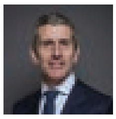


Gabriele Galateri di Genola
Chairman
Nationality: Italian
Professional background: Manager
In office since 8 April 2011

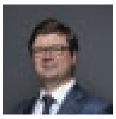
Francesco Gaetano Caltagirone
Vice-Chairman and Deputy Chairman
Nationality: Italian
Professional background: Entrepreneur
In office since 28 April 2007
Vice-Chairman since 30 April 2010



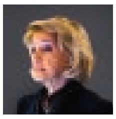
Philippe Donnet
Group CEO
Nationality: French
Professional background: Manager
In office since 17 March 2016



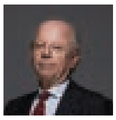
Clemente Rebecchini
Vice-Chairman
Nationality: Italian
Professional background: Manager
In office since 11 May 2012
Vice-Chairman since 6 November 2013



Romolo Bardin
Director
Nationality: Italian
Professional background: Manager
In office since 28 April 2016

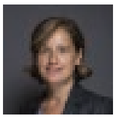


Ornella Barra
Director
Nationality: Monegasque
Professional background: Entrepreneur
In office since 30 April 2013



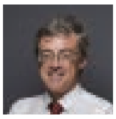
Paolo Di Benedetto
Director
Nationality: Italian
Professional background: Lawyer
In office since 28 April 2016

Alberta Figari
Director
Nationality: Italian
Professional background: Lawyer
In office since 30 April 2013

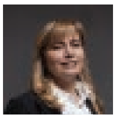


Diva Moriani
Director
Nationality: Italian
Professional background: Manager
In office since 28 April 2016

Lorenzo Pellicioli
Director
Nationality: Italian
Professional background: Manager
In office since 28 April 2007



Roberto Perotti
Director
Nationality: Italian
Professional background: Professor
In office since 28 April 2016,
elected from the minority slate



Sabrina Pucci
Director
Nationality: Italian
Professional background: Professor
In office since 30 April 2013

Paola Sapienza
Director
Nationality: Italian
Professional background: Professor
In office since 30 April 2010,
elected from the minority slate

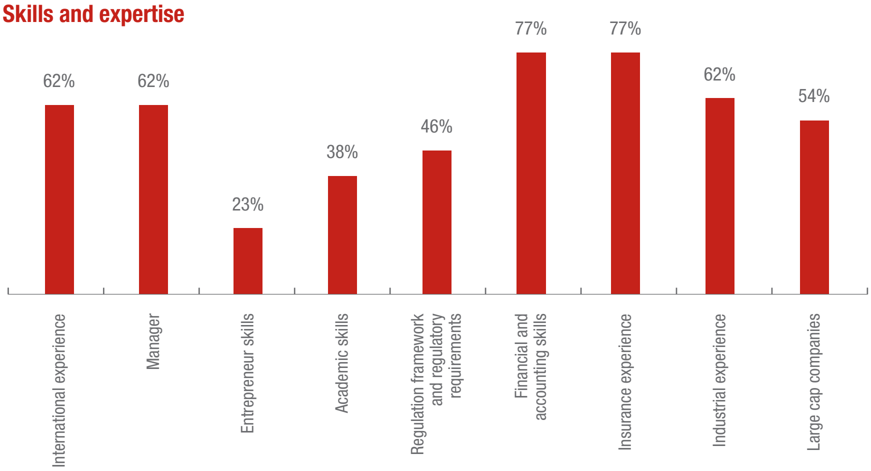
- Executive
- Non-executive
- Independent as defined in the listed companies' Corporate Governance Code
- Director responsible for the internal control and risk management system
- Appointments and Remuneration Committee
- Risk and Control Committee
- Related Party Transactions Committee
- Governance and Sustainability Committee
- Investments and Strategic Operations Committee

38.4% Female director | **57.5** Average age

61.5% Independence level | **1** Executive director

2 Induction sessions on internal model – Solvency II and insurance market

Skills and expertise



Tenure (non-executive directors)

Up to three years	39%
3-6 years	46%
7-9 years	0%
Over 9 years	15%

Number of meetings of the Board and Committees

1/1/2016 - 28/4/2016

Investments Committee	3
Appointments and Governance Committee	5
Remuneration Committee	4
Related Party Transactions Sub-Committee	2
Risk and Control Committee	6
Board of Directors	6

28/4/2016 - 31/12/2016

Investments Committee	7
Governance and Sustainability Committee	4
Appointments and Remuneration Committee	appointment topics 5 remuneration topics 6
Related Party Transactions Committee	2
Risk and Control Committee	7
Board of Directors	10

Average percentage attendance at the meetings of the Board and Committees

1/1/2016 - 28/4/2016

Investments Committee	100%
Appointments and Governance Committee	100%
Remuneration Committee	92%
Related Party Transactions Sub-Committee	100%
Risk and Control Committee	100%
Board of Directors	83%

28/4/2016 - 31/12/2016

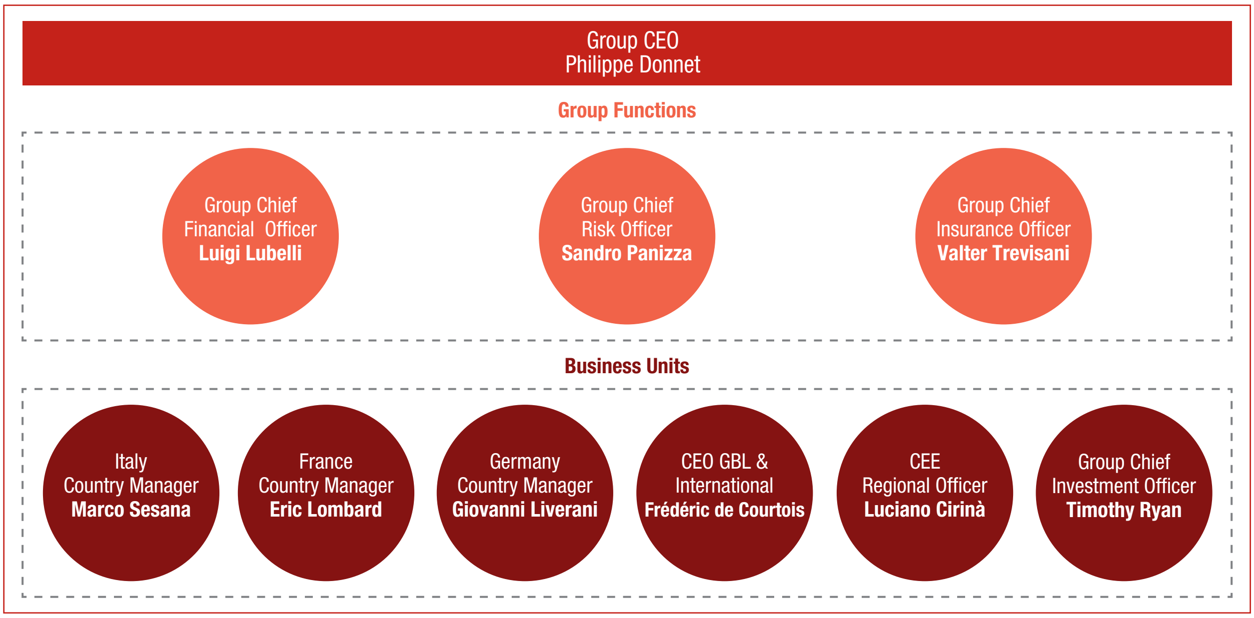
Investments Committee	100%
Governance and Sustainability Committee	100%
Appointments and Remuneration Committee	appointment topics 92% remuneration topics 94%
Related Party Transactions Committee	100%
Risk and Control Committee	97%
Board of Directors	94%

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 Generali Group executives), 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 remuneration policy for the Managing Director and Group CEO, the only executive director, instead comprises a fixed amount, a variable amount (short and medium/long-term) and benefits in line with the remuneration package of the GMC members and the other executives with key responsibilities as later described.

Focus on the Group Management Committee (GMC)

as at 15 February 2017



The **Managing Director and Group CEO**, the **members of the GMC** and the **other executives with key responsibilities** receive a **remuneration package** consisting of a fixed component, a variable component (short and medium/long-term) and benefits, on the basis of the following principles:

Fairness and consistency with respect to the responsibilities assigned and the abilities demonstrated	**Alignment with corporate strategy** and defined objectives	**Competitiveness** with respect to market practices and trends	**Evaluation of merit and performance** in terms of results, conduct and values	Clear **governance** and **compliance** with the regulatory environment

Fixed

Fixed remuneration

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

+

Variable with no-claims bonus and claw back mechanisms

Annual Short Term Incentives (on an annual basis)

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 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 - **in terms of value creation, proper profitability based on risks, effectiveness, business transformation initiatives, strategy acceleration and people empowerment.**

Deferred Long Term Incentives (on a multi-year basis)

The long-term variable remuneration is based on a **long-term plan based on Assicurazioni Generali shares** (upon approval by the Shareholders' Meeting) with the following features:
- the plan 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 level
- the plan 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

In particular, benefits include 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 and the Remuneration Report

Risks and opportunities of the external context

Main long-term factors that could significantly affect the business and capacity of the Group to create value

Risk Report
for a detailed description on the risk profile and the specific methods used to assess it, p. 92 of the Annual Integrated Report and Consolidated Financial Statements 2016

New customer needs

Risk identified

Strategic risk
Insurance risk

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 different insurance product management
- **economic uncertainty**, which has changed spending on savings and other insurance products.

Today, customers are demonstrating greater attention to 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.

Technological evolution

Risk identified

Strategic risk
Operational risk

We are facing a profound change caused by the interaction and the cumulative effects of various developments in technology: 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. However, it creates potential risks arising from the management of personal data as well as new challenges within the traditional insurance risk management model.
Technology as an enabling element of the processes may also impair business continuity, representing a potential threat (malfunction of equipment and systems, etc.).

Uncertain financial and macro-economic landscape

Risk identified

Financial risk
Credit risk
Strategic risk

In 2016, numerous political events have impacted the global economy: the referendum on the constitutional reform in Italy, Brexit and the US presidential elections. At **macroeconomic** level, Italy remains in difficulty, with expected growth of 0.8%; Eurozone growth forecasts stand at 1.7% in 2016 and 1.5% in 2017. The British economy has not yet shown signs of a slowdown, and the pound has depreciated by 17% with respect to the euro. Consumption has slowed and investments are weak in the United States. US growth forecasts are 1.6% for 2016 and 2.2% for 2017; the Fed will therefore raise benchmark interest rates.
The European **insurance sector** was characterized by good performance in property&casualty premiums (with the exception of Italy), in line with the albeit feeble economic recovery and a certain difficulty in the performance of life premiums, influenced by low interest rates. This situation should also continue in 2017; the only exception is forecast in Italy, which is expected to record an improvement in life premiums.

Our risk management

We aim to become the **top choice of clients and distributors**. We 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. We are analyzing and implementing a real digital transformation in our business units in order to make our global distribution networks more efficient. We are supporting them so that the interaction with clients can be increasingly based on an advisory approach. It means to interpret the clients' needs and offer the best solutions for them.

Sustainability Report 2016, p. 57; 63

Our risk management

We have implemented an **analytics platform on cloud** in all our business units, leveraging the cutting-edge technologies for the management and analysis of data. The technology was critical to provide a superior user experience, designed to bring us closer to requests for greater digital interaction from our clients. This development is based on a hybrid architecture that offers the latest mobile technology.
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.

Our risk management

Macroeconomic and financial expectations, along with yield expectations of policyholders, the Solvency II rules relating to the calculation of economic capital and Group targets on profitability, are the main factors influencing the definition of our **asset allocation strategy**. In addition, the progressive decline of interest rates and the new regulatory environment have made asset management disciplined and focused on consistency between assets and liabilities even more important.
In investment activities, factors such as geographical diversification and a selective focus on alternative investments are key to limit portfolio risks and strengthen current returns.

Risk Report
for a detailed description on the risk profile and the specific methods used to assess it, p. 92
of the Annual Integrated Report and Consolidated Financial Statements 2016

Regulatory evolution

Risk identified

Strategic risk

Operational risk

The insurance industry is characterized by a detailed regulatory system consisting of continuously evolving domestic and European rules and regulations. Some of the most significant are:
- **Solvency II**, the European insurance market supervisory framework which includes three pillars in terms of capital measurements, risk management systems and risk disclosures
- **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
- **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** for improved protection of citizens
- **European directive on non-financial information**
- **IFRS 9 (on financial instruments) and IFRS 17 (on insurance contracts)**.

Environmental challenges

Risk identified

Underwriting risk

Emerging risks

Operational risk

The global warming caused by greenhouse gas emissions originating from human activity is triggering a rise in **extreme weather events**, such as higher temperatures and flooding, that become increasingly frequent and violent. These factors impact the economic and social system as well as the relative insurance needs.
Proper measures are therefore necessary to avoid higher losses and increased volatility that would impact on insurance policies' price, also due to higher capital absorption resulting from the events being underwritten, and make the access to insurance too expensive or, in extreme cases, the offering uninsurable.

Demographic and social change

Risk identified

Underwriting risk

Emerging risks

Modern communities are characterized by conflicting demographic and social phenomena: the continuous **aging of populations**, driven by increased life expectancies and lower birth rates, which is partially offset by **increasing migration**, boosting younger populations, whose average income capacity is however quite limited and highly conditioned by a flexible, yet precarious, job market. The risk of increasingly unbalanced societies remains, where the higher post-retirement requirements of the older population with greater willingness to save are no longer properly covered by the public system, and the economic and financial resources produced by the younger categories of the population, or from private savings, have to be directed and valued more carefully.

Our risk management

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 have implemented the organizational requirements laid out by **Solvency II** and received approval for the partial internal model for the determination of the Group solvency capital requirement from the Supervisory Authority.
We are engaged in the various tests carried out by the **International Association of Insurance Supervisors (IAIS)** to determine the final architecture and calibrations of the supervisory requirement.
We have strengthened an **international and multifunctional initiative** aimed at internally sharing knowledge, experience and best practices in the field of product development and distribution strategies so as to be ready to meet the necessary regulatory requirements.
We have contributed to the European debate on **personal data protection** and we continue to monitor the definition of detailed measures to identify aspects pertaining to our business to be implemented.
We also monitor developments in the new disclosures on **non-financial information** to ensure its implementation.
Lastly, we monitor developments in **international accounting standards** through work groups skilled in investments and insurance contracts.

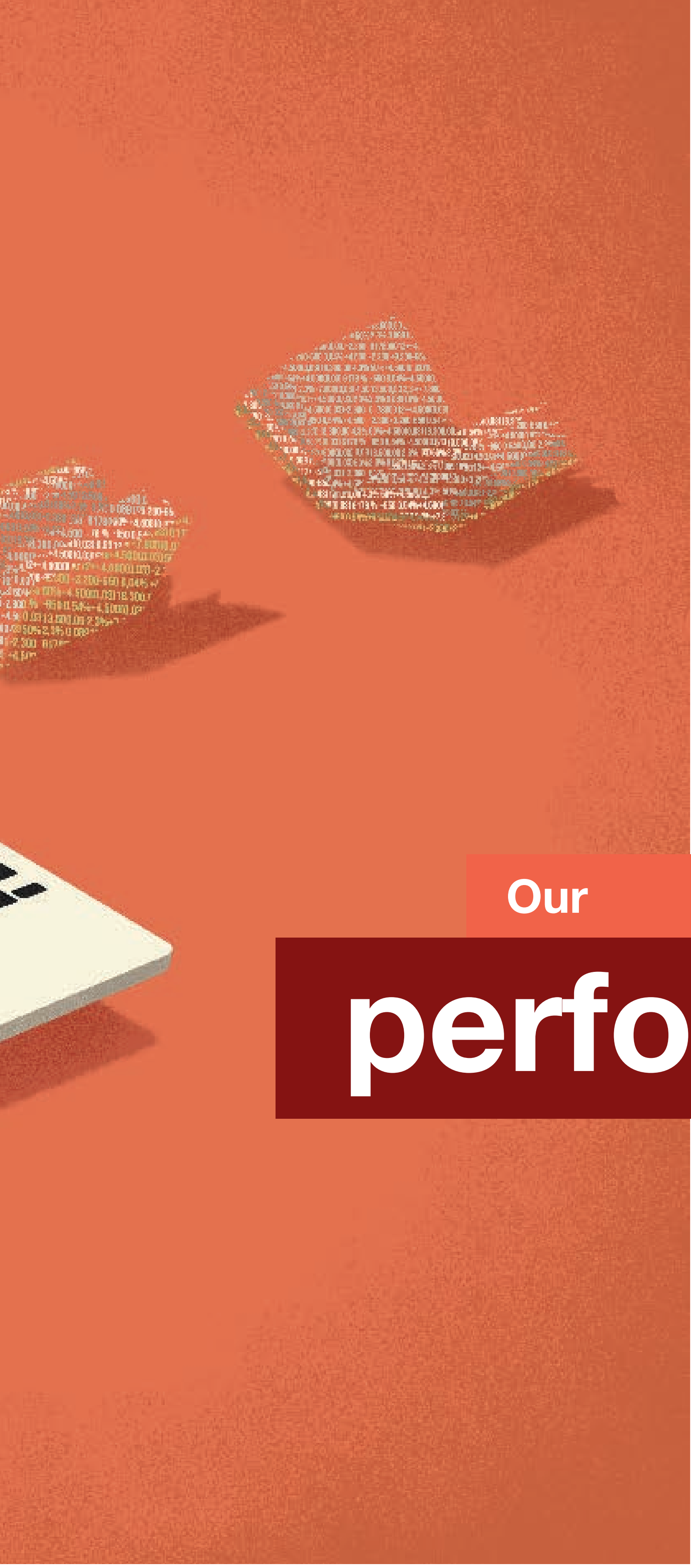
Our risk management

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. We can therefore optimize our underwriting strategy.
Reinsurance plays a key 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.
We also continue to monitor and reduce our **direct impact** and to favour the limitation of global warming to within 2°C through our **insurance solutions** as well as our **investments**. 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 lower 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 are involved in causing serious harm to the environment. We support research and studies on environmental risks.

Sustainability Report 2016, p. 78

Our risk management

We monitor and manage the consequences of a changing society. We offer **effective, flexible and modular solutions with high pension and assistance content** to cover healthcare expenses and any other possible current and future, individual and family requirements. We commit to strengthening dialogue with people, providing complete and easy-to-use information on products and services, helping them to understand the main risks that may impact their earning capacity and to accurately assess their capacity for saving and the financial gap between the pension that has accrued by the age of retirement and the projected income. We therefore believe it is important to provide support to face the possible needs of old age in due time with adequate financing, within a general context characterized by little knowledge of and propensity to seek out insurance solutions.



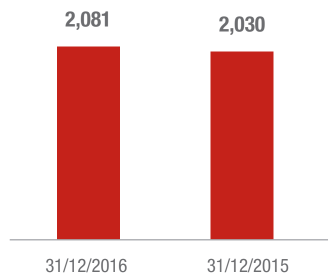
Our performance

Group performance and financial position

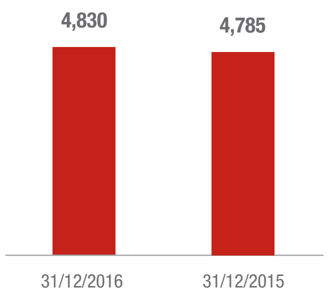
Group highlights [1]

Gross written premiums[2]

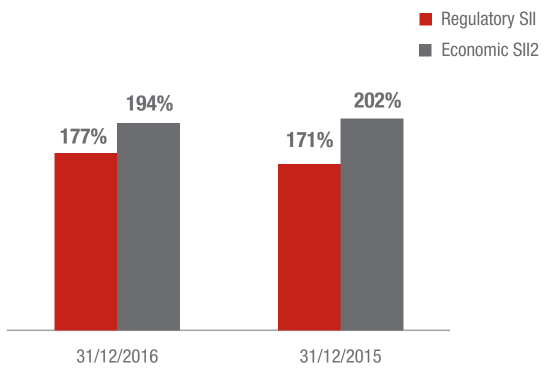
Net result



Group operating result



Solvency II ratio



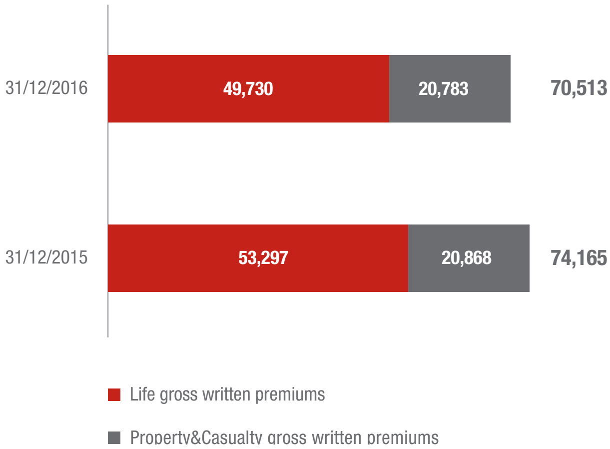
- Gross written premiums exceeding € 70 billion (-3.9%), reflecting selective subscription in the life business and good development in the P&C business. Significant improvement in the new business value
- Record operating result in excess of € 4.8 billion, up (+0.9%) due to the technical performance of the life and P&C segments, with an excellent CoR improving to 92.5%
- Operating RoE at 13.5% again confirming the achievement of the Group's strategic target (>13%)
- Group result over € 2 billion (+2.5%)
- Group capital solidity confirmed, with the Regulatory Solvency Ratio at 177% and Economic Solvency Ratio a 194%

1 Changes in premiums, net cash inflows and Annual Premium Equivalent (APE) are presented in equivalent terms, i.e. at constant exchange rates and scope of consolidation.

2 Including € 3,324 mln of premiums related to investment contracts.

Group performance

Gross written premiums development



The Group's **gross written premiums** totalled € 70,513 million (-3.9%), following the decline in the life segment (-6.3%), while P&C (+2.1%) reflected the recovery observed in 2016.

Life premiums came to € 49,730 million (-6.3%), reflecting the increasingly disciplined approach to the offer, aiming to optimize the return on invested capital, and the current performance of the financial markets. With reference to the lines of business, there was a contraction of 10.9% in unit-linked products, of 5.7% in savings products and of 2.8% in protection. **Net cash inflows** is confirmed at excellent levels, exceeding € 12 billion (-18.5%), above the average of the last 5 years.

New business in terms of annual premium equivalents (APE) stood at € 4,847 million, down 6.6% with respect to the previous year. This performance is mainly attributable to the decline in single premium policies (-13.4%). Recurring premiums are basically stable (-0.5%).

With reference to the lines of business, there was an improvement in pure risk business with a good level of growth (+12.4%), while unit-linked business declined (-11.3%). The savings business also decreased (-9.7%) due to the unfavourable financial situation and the Group's actions planned to reduce guaranteed business. In line with strategic policies, the **new business value (NBV)** improved significantly (+14.6%), standing at € 1,256 million (€ 1,097 million at 31 December 2015).

New business margin (margin on APEs) rose significantly by 4.9 pps to 25.9% (21.0% 31 December 2015), primarily due to the refocusing of sales towards the pure risk business and the effective recalibration of guarantees, although the economic environment is worse than last year.

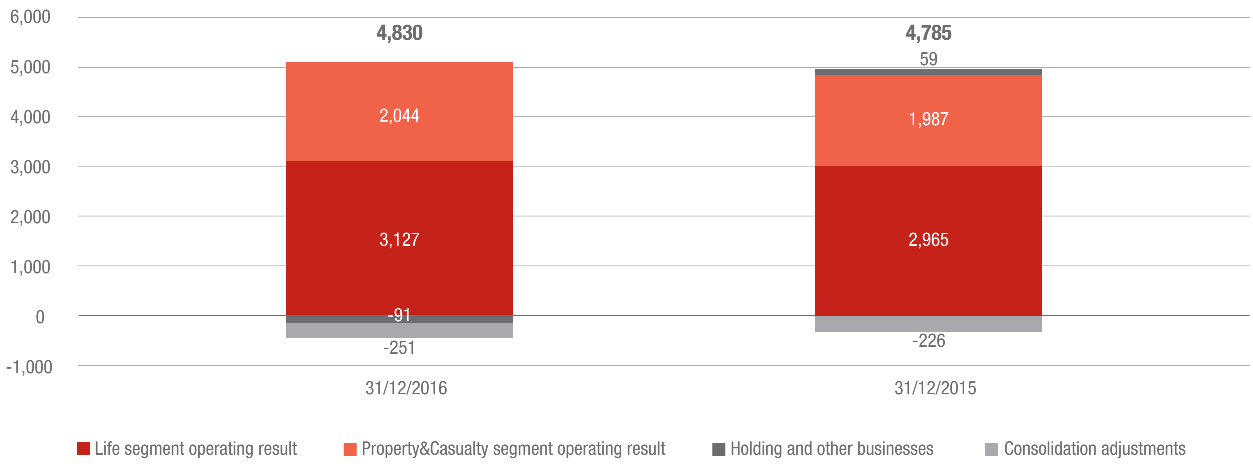
As noted above, **P&C premiums** amounted to € 20,783 million. On a like-for-like basis, the 2.1% increase can be attributed to the motor segment (+4.3%), driven by Spain, CEE Countries, Germany and Argentina, which more than offset the continuing decline in motor premium income in Italy (-5.2%). Confirming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

Operating result

The **Group's operating result** posted its best performance ever, at € 4,830 million, with further growth of 0.9% (€ 4,785 million at 31 December 2015) thanks to the positive performance of life and P&C business.
In particular, the life operating result came to € 3,127 million, up by 5.5% due to good technical performance, even in the currently complex environment in the financial markets which is impacting profitability. The P&C operating result was also positive, at € 2,044 million, up by 2.9% thanks to the continuous improvement in the combined ratio, which, at 92.5%, is confirmed in first place amongst our peers, consistent with the Group's strategic policy of technical excellence.

The operating result of the Holding and other businesses segment[3] declined to € -91 million. This performance mainly reflects the decreased contribution of other businesses, particularly the reduction in performance fees in the financial segment, influenced by the related market performance, and lower net realized gains in the real estate sector.

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



Non-operating result

The non-operating result of the Group came to € -1,529 million (€ -1,318 million at 31 December 2015). More specifically:

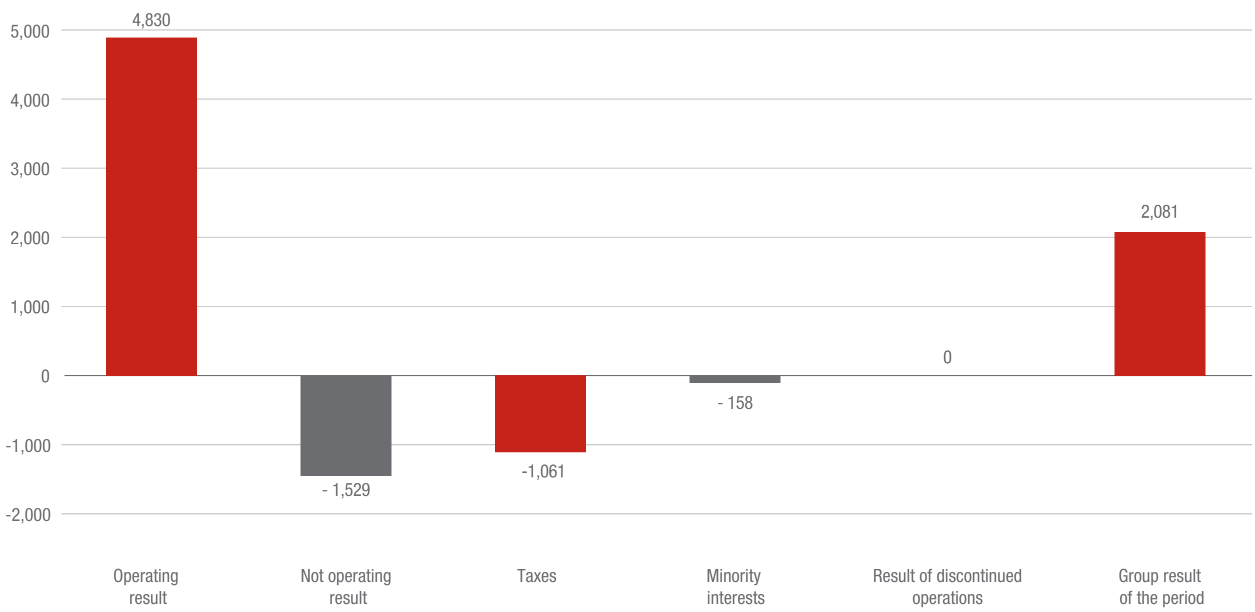
- the **net impairment losses** rose to € -543 million (€ -503 million at 31 December 2015) and were primarily impairments recognized on financial investments;
- **net realized gains** are down, standing at € 422 million (€ 758 million at 31 December 2015) due mainly to the planned lower profits on real estate and equity portfolios;
- **net non-operating income** from financial instruments at fair value remained stable at € -96 million (€ -96 million at 31 December 2015);
- **other net non-operating expenses** decreased to € -519 million (€ -712 million at 31 December 2015). This item comprises € -139 million for the amortization on the value of the acquired portfolios (€ -142 at 31 December 2015), € -176 million for restructur-

3
This segment includes the activities of the Group companies in the banking and asset management sectors, the costs incurred for management and coordination and business financing, and all other operations that the Group considers to be ancillary to the core insurance business.

ing costs (€ -269 at 31 December 2015) and € -205 million in other net non-operating expenses (€ -302 million at 31 December 2015), that mainly includes the allocation to the risk provisions;
- **non-operating holding expenses** amounted to € -794 million (€ -764 million at 31 December 2015).

This performance was influenced by interest expenses on financial debt which, as a result of new issues of € 1.25 billion in the fourth quarter of the previous year and € 850 million in May 2016, went from € -684 million to € -723 million.

Group result



Thanks to improvements in the operating results noted above, the re**sult for the period attributable to the Group** stood at € 2,081 million, showing an increase of 2.5% over the € 2,030 million recorded at 31 December 2015.

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

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

From operating result to net result

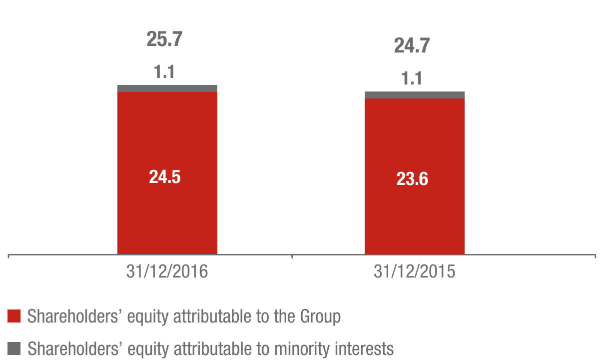
(€ million)	31/12/2016	31/12/2015	Change
Consolidated operating result	**4,830**	**4,785**	**0.9%**
Net earned premiums	65,352	68,507	-4.6%
Net insurance benefits and claims	-63,963	-69,091	-7.4%
Acquisition and administration costs	-10,597	-10,724	-1.2%
Net fee and commission income and net income from financial service activities	384	494	-22.3%
Operating investment result	14,344	16,615	-13.7%
Net operating income from financial instruments at fair value through profit or loss	2,201	3,207	-31.4%
Net operating income from other financial instruments	12,142	13,408	-9.4%
Interest income and other income	12,096	12,263	-1.4%
Net operating realized gains on other financial instruments and land and buildings (investment properties)	1,702	2,434	-30.1%
Net operating impairment losses on other financial instruments and land and buildings (investment properties)	-707	-341	107.3%
Interest expense on liabilities linked to operating activities	-358	-411	-12.8%
Other expenses from other financial instruments and land and buildings (investment properties)	-591	-538	9.8%
Operating holding expenses	-459	-429	7.0%
Net other operating expenses(*)	-230	-586	-60.7%
Consolidated non-operating result	**-1,529**	**-1,318**	**16.1%**
Non operating investment result	-217	159	n.m.
Net non-operating income from financial instruments at fair value through profit or loss	-96	-96	-0.6%
Net non-operating income from other financial instruments(**)	-121	255	n.m.
Net non-operating realized gains on other financial instruments and land and buildings (investment properties)	422	758	-44.4%
Net non-operating impairment losses on other financial instruments and land and buildings (investment properties)	-543	-503	8.0%
Non-operating holding expenses	-794	-764	3.8%
Interest expenses on financial debt	-723	-684	5.8%
Other non-operating holding expenses	-71	-81	-12.5%
Net other non-operating expenses	-519	-712	-27.2%
Earning before taxes	**3,300**	**3,467**	**-4.8%**
Income taxes(*)	-1,061	-1,173	-9.5%
Earnings after taxes	**2,239**	**2,295**	**-2.4%**
Profit or loss from discontinued operations	0	-35	n.m.
Consolidated result of the period	2,239	2,259	-0.9%
Result of the period attributable to the Group	**2,081**	**2,030**	**2.5%**
Result of the period attributable to minority interests	158	229	-31.0%

(*) At 31 December 2016 the amount is net of operating taxes for € 64 million and of non-recurring taxes shared with the policyholders in Germany for € 79 million (at 31 December 2015 respectively for € 64 million and € -3 million).

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

Group financial position

Shareholder's equity and Group solvency



The **shareholders' equity attributable to the Group** amounted to € 24,545 million, +4.2% compared to € 23,565 million as at 31 December 2015. The change is mainly due to:

- the result of the period attributable to the Group, which amounted to € 2,081 million as at 31 December 2016;
- the dividend distribution of € 1,123 million, carried out in 2016;
- other gains or losses recognized through shareholders' equity in the current year amounted to € 11 million. In particular, this performance is attributable primarily to the increase in gains or losses reserves attributable to available for sale financial assets for € 252 million which more than compensates actuarial losses deriving from the re-measurement of the financial liabilities for defined benefit plans for € -243 million attributable to the reduction in the applicable rates used to discount those liabilities.

Rollforward of shareholders' equity

(€ million)	31/12/2016	31/12/2015
Shareholders' equity attributable to the Group at the end of the previous period	**23,565**	**23,204**
Result of the period	2,081	2,030
Dividend distributed	-1,123	-934
Other comprehensive income	11	-118
Reserve for unrealized gains and losses on available for sale financial assets	252	-431
Foreign currency translation differences	-31	313
Net unrealized gains and losses on hedging derivatives	13	-14
Net unrealized gains and losses on defined benefit plans	-243	162
Other net unrealized gains and losses	20	-149
Other items	11	-617
Shareholders' equity attributable to the Group at the end of the period	**24,545**	**23,565**

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 177% (171% 31 December 2015; +6 pps).

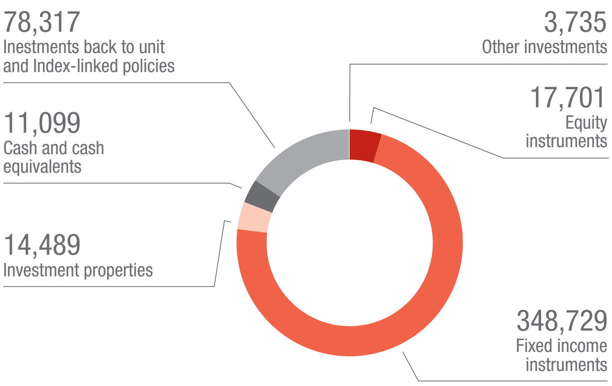
The Economic Solvency Ratio, which represents the economic view of the Group's capital and is calculated by applying the internal model to the entire Group perimeter, stood at 194% (202% 31 December 2015; -8 pps).

For further information regarding the Group's solvency position, please refer to the Risk Report.

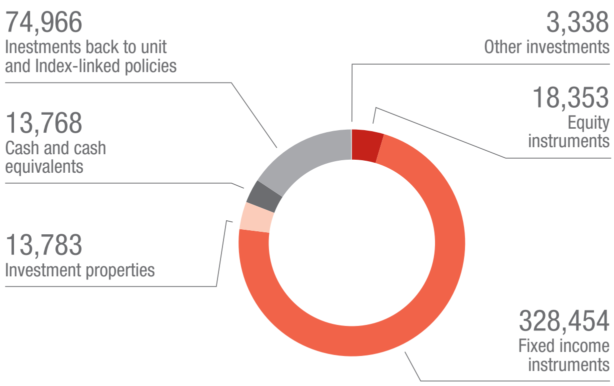
Investments

Asset allocation

Investments at 31/12/2016



Investments at 31/12/2015



At 31 December 2016, total investments amounted to € 474,069 million, up by 4.7% over the previous year. Group investments amounted to € 395,752 million (+4.8%) and unit/index linked investments amounted to € 78,317 million (+4.5%).

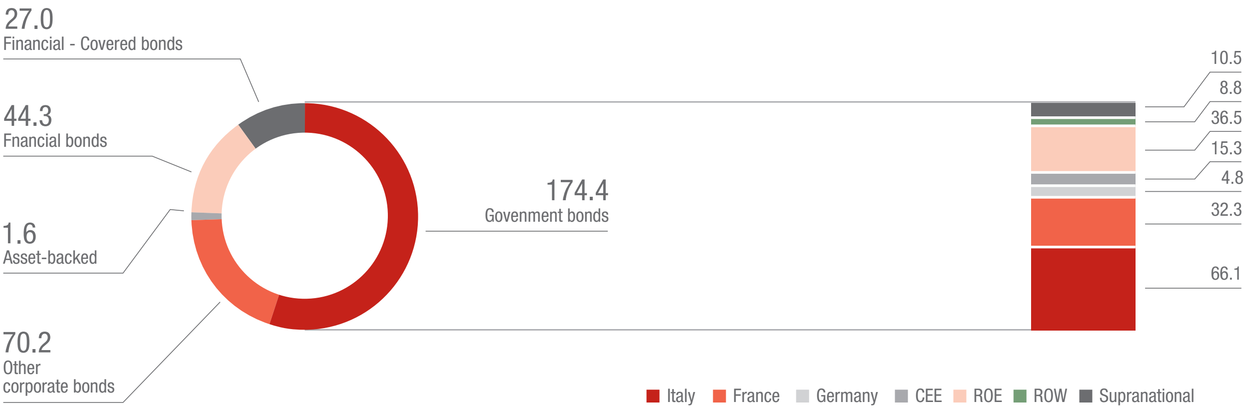
With respect to the ratio of the main investment categories, the relative exposure of the fixed income instruments was up to 88.1% (87% at 31 December 2015). The ratio of investment properties is stable at 3.7% (3.7% at 31 December 2015), while the incidence of the equity instruments declined to 4.5% (4.9% at 31 December 2015) and that of other investments remained substantially stable, at 0.9% (0.9% at 31 December 2015). Other investments mainly include receivables from banks or banking customers, equity investments and derivatives. Lastly, the liquidity ratio decreased from 3.7% to 2.8% due to the planned gradual reinvestment of liquidity.

Sustainability Report 2016, p. 36
for further information on Group responsible investments

Fixed income securities: bond portfolio

Bond portfolio: details by sector

Government bonds: details by country of risk

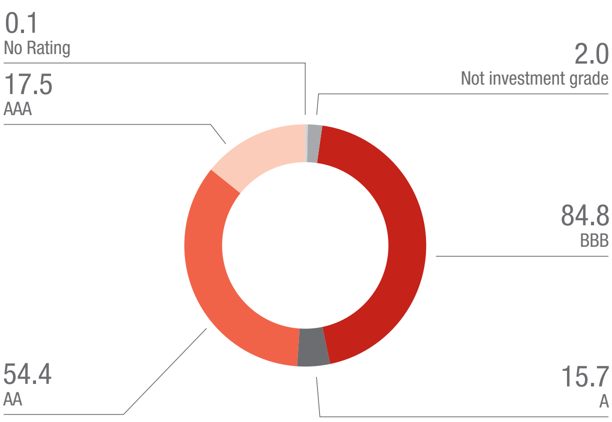


With reference to the bond portfolio, government bonds which represent 54.9% (54.9% at 31 December 2015) were up, standing at € 174,364 million (€ 163,474 million at 31 December 2015). The change during the period was due primarily to the acquisitions made in 2016. The exposure to individual government bonds is mainly allocated to the respective countries of operation, in line with the Group's ALM policy.

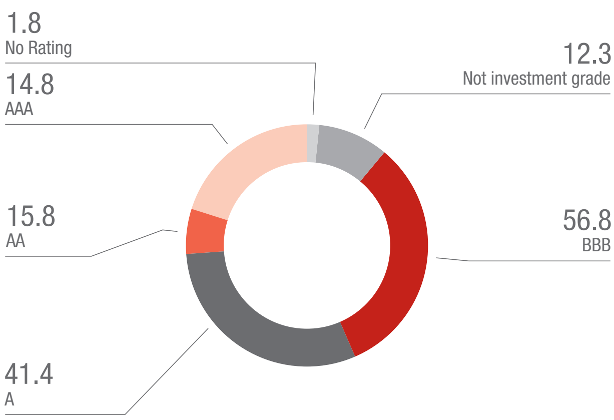
The corporate component increased in absolute terms to € 143,063 million (€ 134,077 million at 31 December 2015), equal to 45.1% of the bond portfolio (45.1% al 31 December 2015). The change is due to the net purchases made during the year, as well as the increase in value resulting from the decrease in the credit spread. The corporate component includes guaranteed bank corporate bonds, financial sector bonds and bonds issued by industrial companies. With reference to the new investments those in the non-financial sector were preferred in order to increase diversification. The decrease of Covered bonds was mainly due to maturities not replaced by new acquisitions, also due to a lack of new issuances for this kind of instruments.

A breakdown by credit rating of the bond portfolio at 31 December 2016 split between corporate and government bonds follows.

Government bonds

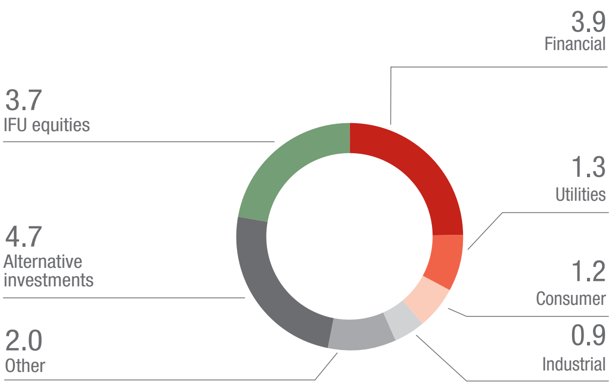


Corporate bonds



Rating changes in comparison with previous period reflect net sales as well as market movements; moreover further variations in some rating classes - mainly AAA - are due to a changed methodology in the rating attribution process, which foresees the use of internal rating when lower than the external one.

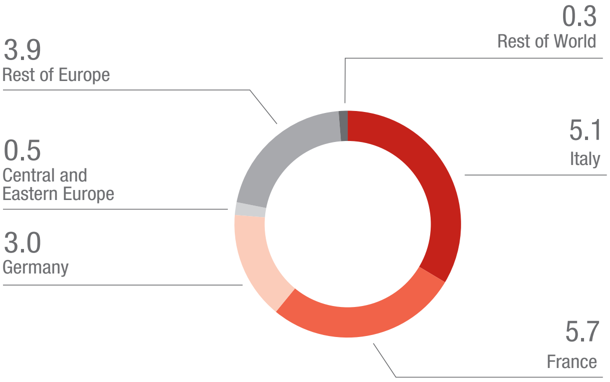
Equity securities: share portfolio



Equity securities decreased in absolute terms, standing at € 17,701 million (€ 18,353 million at 31 December 2015).

The change during the period is partially due to the sales made in the year and partially to the rotation of the portfolio, aimed at reducing of equity risk against negative performances of the market at the beginning of the period. In this context the exposure to financial securities - more volatile - decreased, and priority was given to countries and sectors with a more promising economic outlook.

Investment properties



Investment properties in terms of book value amounted to € 14,489 million (€ 13,783 million as at 31 December 2015).

In particular, the direct investment properties of the Group, at market value, amounted to € 18,522 million (€ 17,385 million as at 31 December 2015), and are almost all in Western Europe, mainly in Italy, France and Germany. The properties are mainly located in their respective countries of operation.

Investment result[4]

Return on investment

	31/12/2016	31/12/2015
Economic components		
Current income from fixed income instruments	10,737	10,880
Current income from equity instruements	704	583
Current income from real estate investments(*)	775	826
Net realized gains	2,167	3,212
Net impairment losses	-1,134	-737
Net unrealized gains	-382	-784
Average stock	**395,343**	**373,097**
Ratio		
Current return(*)	3.2%	3.4%
Harvesing rate	0.2%	0.5%
P&L return	3.3%	4.0%

(*) Net of depreciation of the period.

The current return recorded a modest decline, standing at 3.2% (3.4% at 31 December 2015), with a slight decrease in absolute terms in current income, amounting to € 12,469 million (€ 12.552 million at 31 December 2015). The reduction in the ratio is partly due to the significant increase in average investments, and also to the low interest rates that can be obtained when reinvesting.

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

4 Please refer to the methodological notes attached to this report 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)	31/12/2016	31/12/2015
Liabilities linked to operating activites	**38,747**	**36,787**
Liabilities linked to financing activities	**12,669**	**13,117**
Subordinated liabilities	9,126	9,643
Senior bonds	3,017	2,992
Other non subordinated liabilities linked to financing activities	526	481
Total	**51,416**	**49,904**

The decrease in the Group's liabilities linked to financing activities was due mainly to the following transactions completed in the course of the year:

- the issue by Assicurazioni Generali of a subordinated bond with a nominal value of € 850 million for the early financing of the repayment of another subordinated liability issued by the subsidiary Generali Finance, with an early repayment option as of 8 February 2017;
- the repayment as at 16 June 2016 of two subordinated bonds issued, in euro and pounds, by the subsidiary Generali Finance, for a total equivalent value of € 1,167 million.

The weighted average cost of liabilities linked to financing activities at 31 December 2016 amounted to 5.67%, similar to the 5.65% at 31 December 2015 and the 5.68% at 30 September 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)	31/12/2016	31/12/2015	Change
Interest expense on liabilities linked to operating activities	358	411	-12.8%
Interest expense on liabilities linked to financing activities	723	684	5.8%
Total(*)	**1,081**	**1,094**	**-7.1%**

(*) 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 activites

Details of subordinated liabilities and senior bonds

(€ million)	31/12/2016				31/12/2015			
	Nominal value	Book value	Accrued interest expenses	Average weighted cost %	Nominal value	Book value	Accrued interest expenses	Average weighted cost %(*)
Subordinated liabilities	9,166	9,126	595	6.14%	9,681	9,643	551	6.10%
Senior bonds	3,000	3,017	125	4.18%	3,009	2,992	132	4.20%
Total	**12,166**	**12,144**			**12,690**	**12,635**		

(*) 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)	31/12/2016			31/12/2015		
	Issuances	Redemptions	Issuances net of redemptions	Issuances	Redemptions	Issuances net of redemptions
Subordinated liabilities	850	1,167	-317	1,250	0	1,250
Senior bonds	0	0	0	0	500	0
Total	**850**	**1,167**		**1,250**	**500**	

Details on principal issuances

Subordinated liabilities

Main subordinated issues

	Coupon	Outstanding (*)	Currency	Amortised cost(**)	Issue date	Call date	Maturity
Generali Finance B.V.	5.32%	752	EUR	-	16/06/2006	repaid(***)	Perp
Generali Finance B.V.	6.21%	345	GBP	-	16/06/2006	repaid(***)	Perp
Assicurazioni Generali	6.27%	350	GBP	407	16/06/2006	16/06/2026	Perp
Generali Finance B.V.	5.48%	869	EUR	711	08/02/2007	08/02/2017	Perp
Assicurazioni Generali	6.42%	495	GBP	576	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	1,246	12/12/2012	12/12/2022	12/12/2042
Assicurazioni Generali	4.13%	1,000	EUR	989	02/04/2014	na	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.

(***) on 16/06/2016.

This category also includes unlisted subordinated liabilities issued by Assicurazioni Generali S.p.A. and other subsidiaries. Liabilities issued by Assicurazioni Generali S.p.A. in the form of private placements amounted to a nominal amount of € 1,000 million corresponding to an amortized cost of € 998 million. The remaining subordinated liabilities relate to shares issued by subsidiaries in Austria with an amortized cost of about € 29 million.

A subordinated bond was issued in June 2016 for a total amount of € 850 million the proceeds from which were used to refinance a subordinated bond issued by the Group with a call date in February 2017.

Senior bonds

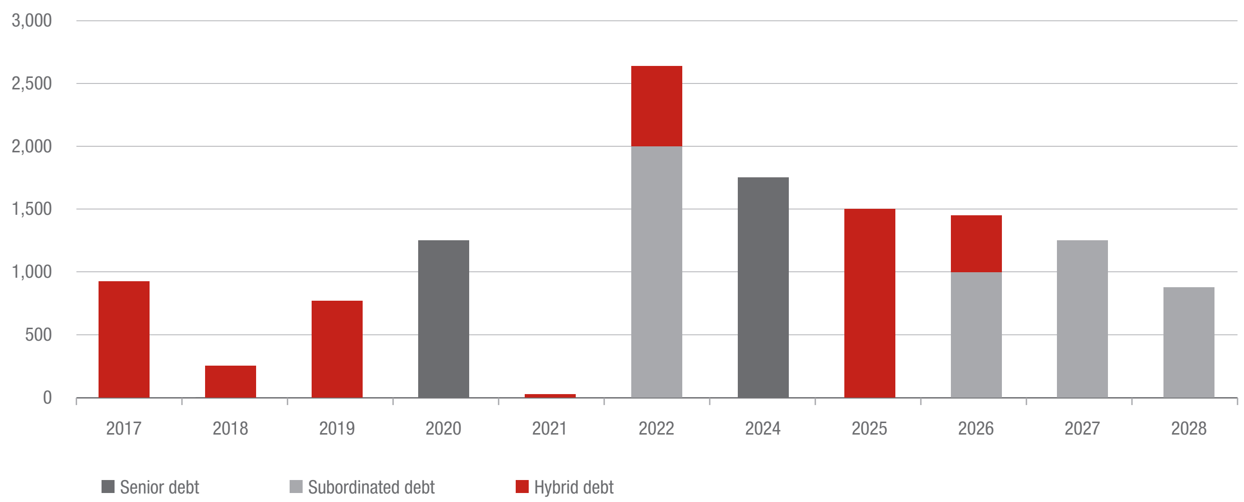
Main senior bonds issues

Issuer	Coupon	Outstanding (*)	Currency	Amortised cost(**)	Issue date	Maturity
Assicurazioni Generali	5.13%	1,750	EUR	1,724	16/09/2009	16/09/2024
Assicurazioni Generali	2.88%	1,250	EUR	1,245	14/01/2014	14/01/2020

(*) in currency million.
(**) in € million.

This category also includes other bonds, mainly including those issued by the subsidiary Ceska Pojistovna for a nominal amount of CZK 500 million. The amortized cost of the remaining positions amounts to about € 48 million.

Maturity of the financial debt



The average duration at 31 December 2016 was 6.72 years compared to 6.68 years at 31 December 2015. The change in the average duration is a direct result of the re-financing operations described above.

Lines of credit

As in established market practice for the sector, in May 2015 Assicurazioni Generali renewed the previous revolving credit lines programme. The series of lines with a total maximum amount of € 2 billion has expiries from 3 to 5 years.

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.

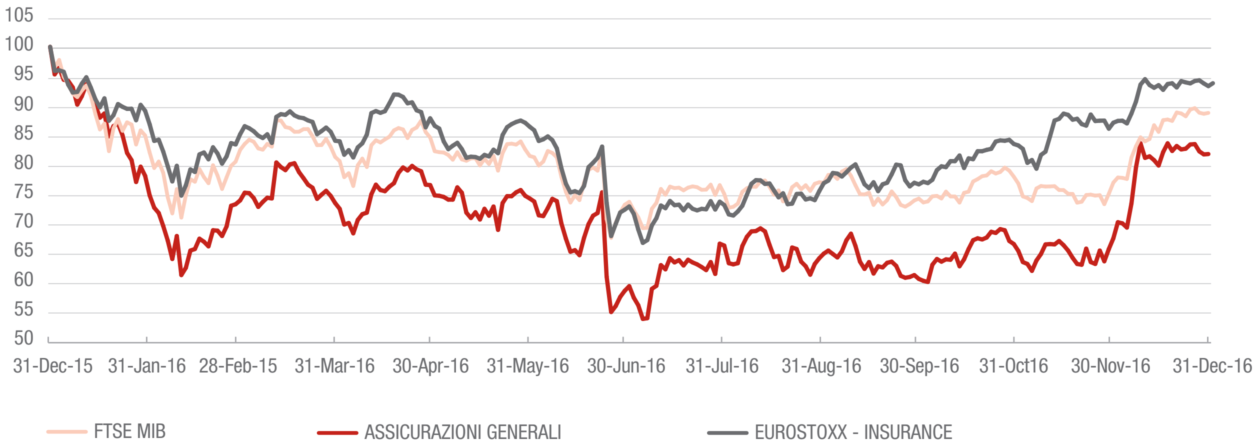
Liquidity

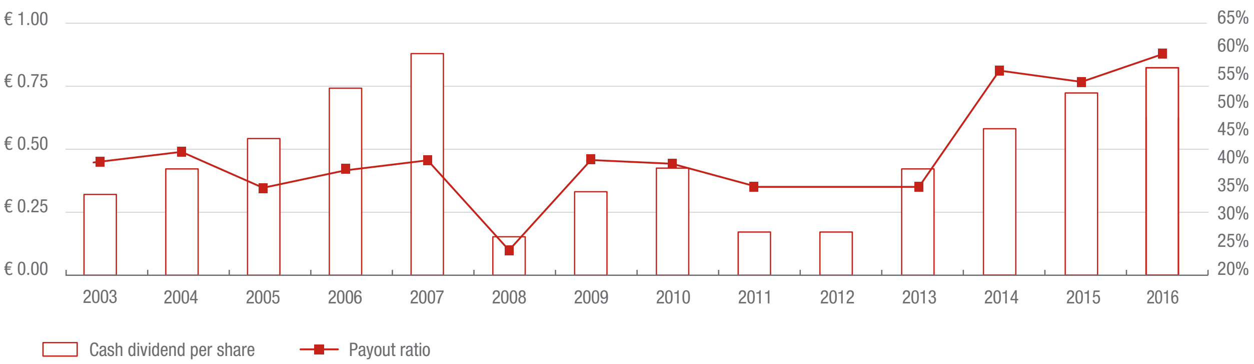
Cash and cash equivalent

(€ million)	31/12/2016	31/12/2015
Cash at bank and short-term securities	6,279	8,792
Cash and cash equivalents	649	211
Cash and balances with central banks	606	41
Money market investment funds unit	4,362	5,527
Other	-796	-803
Cash and cash equivalents	**11,099**	**13,768**

Liquidity decreased to € 11,099 million, in particular due to its reinvestment, in order to limit the dilution of yelds, which are currently negative for bank deposits.

Share performance





KPIs per share

	31/12/2016	31/12/2015
EPS	1.34	1.30
Operating earning per share	1.64	1.64
DPS	0.80	0.72
Payout ratio	60.0%	55.3%
Total dividends (in € million)	1,249	1,123
Share price	14.12	16.92
Minimum share price	9.82	15.26
Maximum share price	16.37	19.07
Average share price	12.42	17.35
Weighted average number of ordinary shares outstanding	1,558,512,070	1,556,428,701
Market capitalization (in € milion)	22,026	26,342
Average daily number of traded shares	9,962,523	7,603,419
Total shareholders' return (%)*	-11.60	2.95

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

Our reference markets: positioning* and performance

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

Italy

Gross written premiums
€ 23.6 bln

Total operating result
€ 2,087 mln

Life market share
16.2%

P&C market share
15.8%

Our people
14,091

Ranking
1st

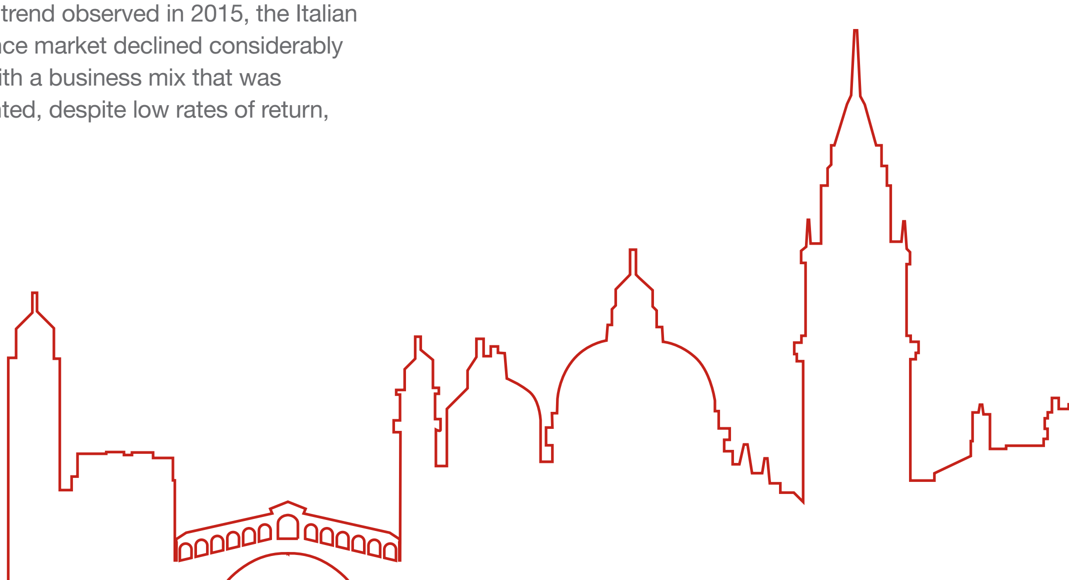
Generali is a leader on the Italian insurance market with an overall share of 16.2% thanks to the complete range of insurance solutions the Group offers its clients – retail, SME and corporate – in both the life and P&C segments. For distribution, Generali operates through a multi-channel strategy, mainly concentrated on agents. It also has a strong position in the direct channel, through Genertel – Genertellife, the first online insurance launched in Italy. The Group also offers a complete variety of insurance, pension and savings products to its customers through Banca Generali.
With the completion of the integration process, launched in 2013, aiming at the unification of all the existing brands into three main strategic brands - Generali (retail market and SME), Alleanza (households) and Genertel (alternative channels) – in 2016 Generali Italia has launched its simplification programme. The goal is to improve 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.

At macroeconomic level, the Italian economy has exited its long recession; GDP growth for 2016 is estimated at 0.9%, 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.

Unlike the trend observed in 2015, the Italian life insurance market declined considerably in 2016, with a business mix that was more oriented, despite low rates of return, towards traditional products, which are more attractive than unit-linked products when financial markets are particularly volatile.

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. Benefitting from the macroeconomic recovery, though modest, positive growth rates continued to be seen in the non-motor segment.

The domestic financial market was characterized by increased volatility starting in the second part of the year, due to the Italian bank recapitalization process in addition to the constitutional referendum. Government bonds were impacted by this to a certain extent, with the yield spread between the 10-year Italian bond and the German bund expanding to 162 bps (97 bps at the end of 2015), while the equity market recorded negative performance overall (FTSE MIB -10%) despite the significant recovery in December after the quick formation of a new government and the accommodating actions of the ECB.



Life premiums
€ 17,911 mln
(-7.7%)

APE
€ 2,129 mln
(-8.3%)

NBV
€ 579 mln
(-1.8%)

Life OR
€ 1,298 mln
(+7.6%)

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

New production registered a negative trend in terms of APE (-8.3%) following the reduction of both annual (-2.7%) and single premiums (-13.0%), mainly because of the drop in hybrid products sales caused by the review of the product range. NBM (margin on APE) grew from 25.4% (year end 2015) to 27.2, mainly because of the calibration of the offered guarantees, of more profitable unit-linked products and of a taxation reduction. Notwithstanding the reduction in terms of volumes, the increase in profitability brought the new production value to € 579 million (-1.8%), slightly lower than the previous year one.

P&C premiums
€ 5,701 mln
(-4.1%)

P&C OR
€ 669 mln
(-5.0%)

Cor
89.9%
(+0.9 pps)

The reduction of the gross written premiums is attributable to both segment trends. As for the motor one (-5.2%), its result is impacted by the decrease of the average premium and the loss of important fleet contracts occurred during the first part of the year. The negative trend of non-motor segment (-3.6%) has to be entirely conducted to the SME sector which is affected by strong competition.

Cor is increasing mainly because of the expense ratio of the non-motor portfolio. Loss ratio improved (-0.6 pps) thanks to the positive contribution of prior years loss ratio and nat cat claims, which counted for € 100 million (1.9 pps; 2.1 pps in 2015), of which € 56 million are attributable to the earthquake occurred in centre Italy.

In Italy we offer Generali qui per voi, a service to be used in the case of natural catastrophes which involve several people. A team specialized in Natural events is activated when the events occurs. It is made up of an event manager and of several teams which on one hand will help local agencies with the work-peaks in case of emergency and on the other hand it will identify and coordinate partners for the definition and settling of claims. A dedicated line and an operating unit are also set in case local agencies are unavailable because of the natural catastrophe.
Generali Italia has also extended policies' coverage for earthquake and flooding risks for the customers already insured against fire and other damages, not considering a possible State help in case of calamity.

Sustainability Report 2016, p.59

Germany

Gross written premiums
€ 16.2 bln

Total operating result
€ 847 mln

Life market share
10.2%

P&C market share
5.6%

Our people
12,424

Ranking
2nd

In Germany, Generali Deutschland is the second insurance group in terms of total premium income. Its market share is 5.6% in the P&C segment and 10.2% in the life segment (also including the healthcare business), and is particularly well positioned in the unit-linked and protection business lines, in hybrid products, corporate pension plans and in the direct channel.

In 2016 Generali Deutschland continued the strategic repositioning aimed at implementing different initiatives to strengthen its position by leveraging its strong multi-channel presence, the simplified and market focused approach, a new business model in the life segment, as well as through the launch of innovative and smart products and of services and processes focusing on the specific customer needs.
Thanks to the strategic repositioning on German market started in May 2015, governance in Generali Deutschland has been strongly revised and made more efficient. The local holding, whose headquarter wad based in Cologne, organizationally speaking has been integrated with the two main business units - Generali Versicherung (P&C) and Generali Leben (life) located in Munich - becoming the new Generali Deutschland AG. With the realignment of the different Group companies' board of directos and the creation of a matrix management structure, Generali in Germany is continuously oriented towards agile governance.

The product range is built on the following three pillars:

- **Generali** as a multi-channel life and P&C insurer, mainly relying on agents and brokers as to the distribution;
- **AachenMünchener**, leader in unit-linked products with a successful partnership with DVAG, representing the strongest financial consultant network in Germany;
- **CosmosDirekt** as first direct insurer and leader in term-life products.

Central, Advocard, Dialog and Badenia also guarantee tailored insurance solutions for customers and more agile sales channels at country level.
July saw the launch of Vitality, an innovative programme combined with life policies, particularly term life and professional disability, in order to promote healthy lifestyles.

The negative performance of the German life segment, which began in 2015, continued again in 2016: interest rates have remained quite low and are not expected to recover in the short term. The main sector counter play was to push towards unit-linked products.
In P&C, on the other hand, motor continues to grow at good pace, also thanks to rising vehicle registrations, but a slowdown is forecast in the years to come due to the flattening of the tariff cycle and decreased expectations of GDP growth.
Within a context of high volatility, the yield on the 10-year German bund declined significantly, even recording negative returns during the summer, to then bounce back to around 0.2% (0.6% at the end of 2015). On the other hand, there was growth in the equity market (DAX +7%).

Life premiums
€ 12,576 mln
(-11.1%)

APE
€ 708 mln
(-14.2%)

NBV
€ 275 mln
(+44.3%)

Life OR
€ 457 mln
(+3.9%)

Decrease of savings products (-18.8%), in particular the single premium one, consistently with the strategic actions implemented for the reduction of this product category.
New business in terms of APEs was down (-14.2%) due to the drop in the life segment (-14.9%), primarily following the decrease in single premium policies, whereas there was growth in the healthcare line (+3.4%). In terms of business lines, there was an increase in unit-linked policies (+1.8%) but savings products were down (-34.9%).
The NBM (margins on the APEs) increased from 23.1% in 2015 to 38.8% in 2016, mainly due to the better business mix, a recalibration of guarantees offered and a reduced cost of capital. New business value amounted to € 275 million (+44.3%).

P&C premiums
€ 3,651 mln
(+1.2%)

P&C OR
€ 428 mln
(+9.9%)

Cor
90.0%
(-2.5 pps)

Increase in the Gross written premiums thanks to the positive trends of both motor and non motor segments. Motor segment (+2.3%) benefitted from the pricing policies on the existing portfolio; non motor segment is also increasing (+0.6%).
Cor strongly improves, thanks to the reduced current accident year loss and to the expense ratio restraint, which reflects the cost-reduction policies, and the reduced catastrophe losses (€ 71 million, 2.0 pps. instead of the 2.3 pps of last year.).

Generali Vitality is the first holistic health- and wellness-based insurance product which thanks to its innovative approach helps consumers gain in-depth knowledge about their health, how to improve it, and how to reap the rewards for improving their lifestyle. We decided to reinvent insurance, creating a constant and emotional way to keep in touch and reward people. We did this by taking a start-up mentality and combining it with central and local teams; then we inspired those teams and launched a partnership with Discovery in order to reshape value proposition based on customer research. We wanted to be the first in Europe to capture the wellness insurance space. We created a new eco-system, also thanks to valuable partners such as Adidas and Fitness First. Vitality will change our relationship with customers, offering them a tailored program of services to help them improve their lives. Sales will be able to engage with customers about rewards and wellness instead of death, illness, and disability. That's why the 90% of agents subscribed to Vitality membership in the first week.

Sustainability Report 2016, p. 30

France

Gross written premiums

€ 10.9 bln

Total operating result

€ 701 mln

Market share

Life	**4.9%**
P&C	**4.6%**
A&H	**6.5%**

Our people

7,594

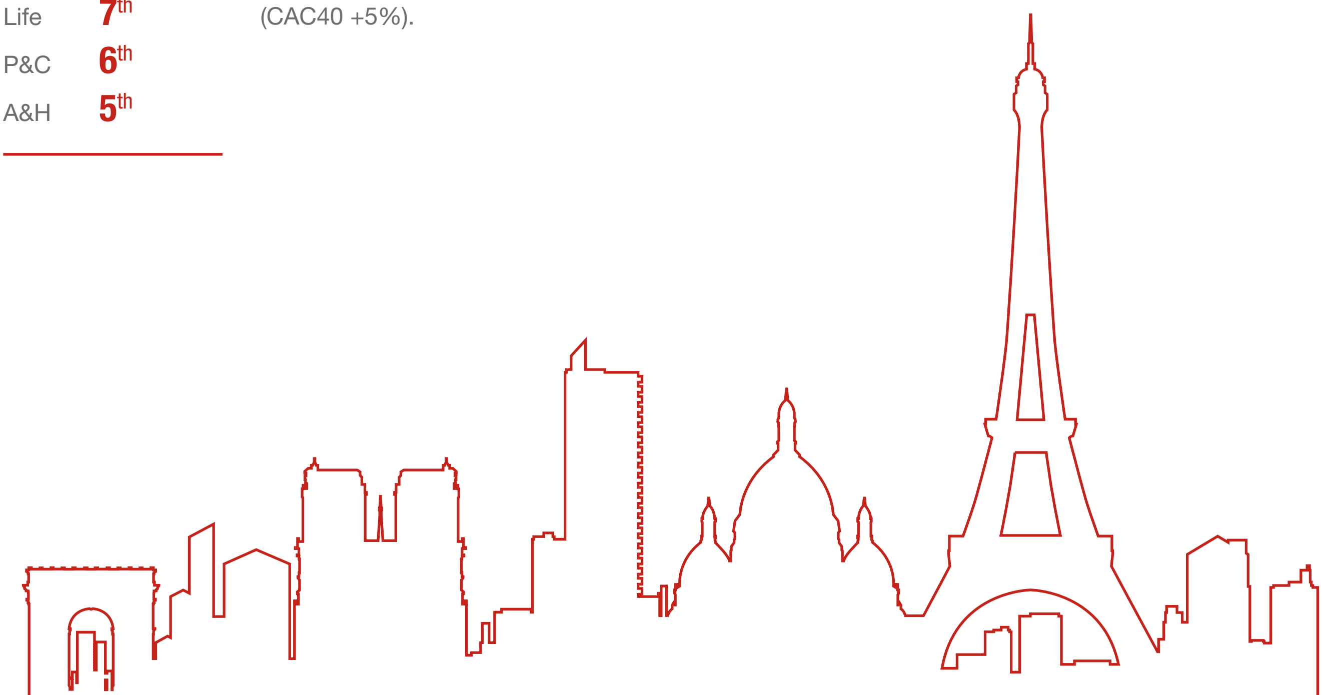
Ranking

Life	**7th**
P&C	**6th**
A&H	**5th**

France is the third most important market in the Group, after Italy and Germany, contributing roughly 15% to the Group's total premiums. In the French insurance market, Generali France is a major player, with a strong position and a multi-channel distribution network. Its sales force includes 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 products distributed. This approach gained momentum after the "Customer centric" reorganization occured in 2014, based on the creation of 4 separate client areas (Individual, Affluent, Professional&SME and Commercial). Generali is also renowned for its leadership in the Internet savings segment thanks to the excellence of the services provided and its important partnerships.

The French economy showed signs of recovery in 2016 compared to the previous year, although GDP growth has remained at low levels just over 1% yearly in real terms. Within a weak growth and low inflation scenario, interest rates remained at historically low levels, as in the rest of Europe. In particular, the yield on the 10-year OAT government bond declined to close to zero in the summer, and thereafter rose to 0.7% (1% at the end of 2015). There was moderate growth in the equity market (CAC40 +5%).

The low interest rates environment, especially in the its short term favoured the reallocation of financial assets into life products, i.e. the savers' favourite insurance form in France. Net cash inflows in the French life insurance sector was positive, although they were lower than in 2015. Despite contrasting trends in the securities markets, unit-linked products, which represent roughly 20% of premium income, posted a favourable performance at around the same levels as last year.
The rather modest trend in the P&C market continues (+1.5% compared to last year), due to the mentioned weak economic environment, ongoing competition and a soft phase within the corporate business underwriting.



Life premiums
€ 8,405 mln
(-4.3%)

APE
€ 939 mln
(-0.4%)

NBV
€ 90 mln
(+37%)

Life OR
€ 593 mln
(+4.5%)

Saving products shrinkage (-7.8%) due to the strict underwriting policies put into action to counter the difficult financial context characterized by low interest rates. This difficult environment affected also unit-linked products (-8.0%). Positive trend for pure-risk segment (+7.9%), thanks to the positive effect of the ANI reform.
APE was substantially stable (-0.4%), reflecting the excellent development of annual premiums (+10.2%), offset by the contraction in single premium policies (-8.4%). With reference to the lines of business, the risk business had particularly excellent performance (+21.7%). The NBM (margins on the APEs) increased from 6.5% in 2015 to 9.6% in 2016, mainly due to the decrease in guarantees offered in the savings segment, which represented 42.8% of business. New business value amounted to € 90 million (+37.0%).

P&C premiums
€ 2,514 mln
(-0.9%)

P&C OR
€ 137 mln
(+6.9%)

Cor
99.4%
(-0.8 pps)

Property&Casualty premium income was down to a modest extent; the motor segment (-0.6%) reflects the lower average retail premium and the fleet portfolio restructuring actions. The slight decline in the non-motor segment (-0.4%) was caused primarily by multi-risk and corporate businesses.
Cor is improving continuously as a result of the decline in the loss ratio, which reflects actions undertaken in recent years to restore an adequate level of profitability. The impact of catastrophe claims remained basically unchanged (1.8 pps compared to 1.9 pps in 2015).

Generali France found a new way to help SMEs be more aware of their risk exposure and to help them manage and expand their business: Generali Performance Globale (GPG), a new holistic approach to risk management.
GPG is an innovative strategy of risk management, with a focus not only on traditional and insurable risks, but with a wider perspective on business. After a preliminary assessment phase of in-depth data-collection from the company and analysis, we determine a company's strengths and weaknesses and make a cross-business risk-management plan with an eye toward sustainable development issues.
By 2016, ten years after its birth, GPG's influence has extended to larger organizations and franchise networks, leaving a mark on the history of risk management for any kind of business, thanks to its innovative and responsible approach.

CEE

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

Gross written premiums

€ 3.5 bln

Total operating result

€ 461 mln

Life market share

Cz:	**26.2%**
Hu:	**9.7%**
Sk:	**7.5%**
Pl:	**4.3%**

P&C market share

Cz:	**32.8%**
Hu:	**19.1%**
Sk:	**11.5%**
Pl:	**4.6%**

Our people

12,061

Ranking

Cz:	**2nd**
Hu:	**2nd**
Sk:	**3rd**
Pl:	**6th**

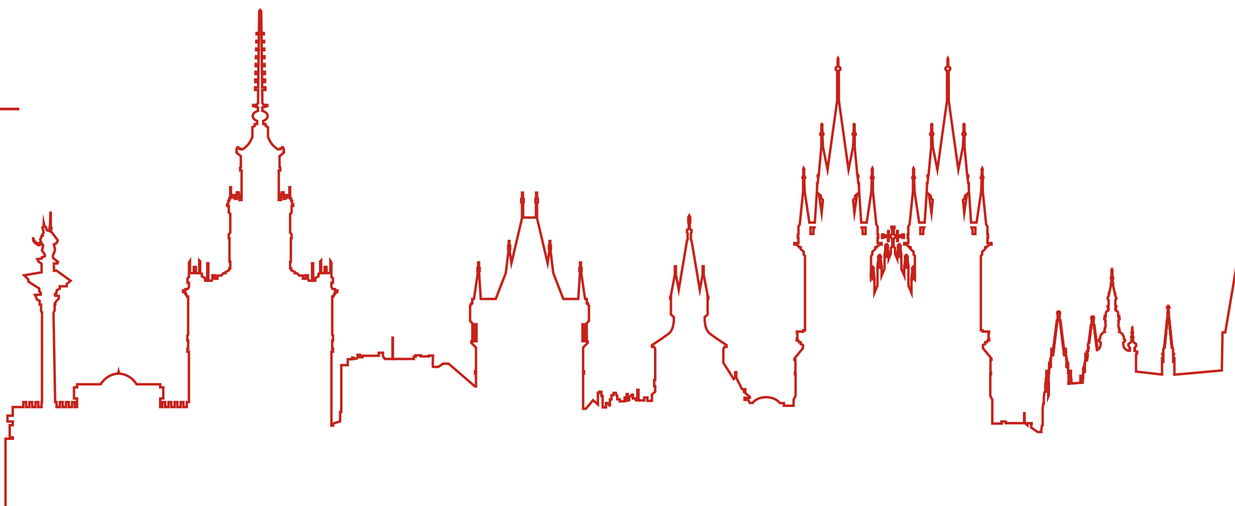
Generali CEE Holding is one of the biggest insurers in the Central Eastern European market. The Group ranks second in the Czech Republic, Hungary and Serbia, third in Slovakia and among the top ten in the other countries.

In terms of volumes, main insurance markets are Czech Republic, Poland, Hungary, 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 by technical profitability, with a medium-long term Net Combined Ratio at below 90%.

In the Czech Republic, the region's most significant financial market for Generali Group, growth and inflation trends have remained anchored to those of the Eurozone. The continuation of low interest rates has been combined with the increased volatility of the Czech koruna, expected especially in 2017, while awaiting for the launch of different methods of market intervention by the central bank.

As in other regions, in Eastern European countries local supervisory authorities are continuing to issue new insurance market regulations, thereby increasing the level of complexity for companies during their subsequent adoption and implementation.

In 2016, life premium volumes declined, due for the most part to single premium policies, while there were positive developments in P&C premiums, driven by motor insurance.



Life premiums

€ 1,448 mln

(-9.4%)

APE	NBV
€ 136 mln	**€ 47 mln**
(-16.8%)	(+21.2%)

Life OR

€ 248 mln

(+9.2%)

There was a decline in unit-linked products (-23.9%, particularly single premium policies) and savings products (-6.1%, for the most part recurring premium policies). In detail, this evolution can be ascribed to a significant extent to the drop in the Czech Republic (-7.5%), where there was strong competition amongst the main market players focusing on market share, and in Poland (-28.7%). In the latter country, premium income was down due to the complex legislative environment and the company's continuous focus on boosting insurance business profitability.

By contrast, the protection (+7.9%) recorded positive performance, in line with the Group strategy.

The drop in new business in terms of APE (-16.8%) is mainly due to the reduction in the unit-linked business (-28.3%). The rise in NBM (margins on APEs) from 23.7% in 2015 to 34.8% in 2016 is explained mainly by the sharp drop in the profitability of the risk business, which represents 56.9% of business, up compared to the previous year. The increased profitability despite lower volumes resulted in a new business value of € 47 million (+21.2%).

P&C premiums

€ 2,041 mln

(+3.8%)

P&C OR	Cor
€ 204 mln	**89.5%**
(-0.4%)	(-0.6 pps)

The improvement in premium income emerged entirely from the motor segment (+7.1%), in particular the Czech Republic (+4.6%, thanks primarily to Casco line), Romania (+64.6%, especially due to retail trends), Slovakia (+13%) and Hungary (+8.3%).

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

Claims management is key to how clients perceive us. Hence, we want to prove to our customers that they can truly rely on us, especially in the toughest times.

We want to offer more: a more personal experience, a more convenient service, faster communications by launching a series of smart and simple actions to improve our customers' experience. For example, we have introduced a real-time claims payment, a service that is unrivaled in Hungary and that, thanks to online systems, gives the customer the opportunity to initiate the claim process directly on-site and to receive payout right away. We send regular email updates on the settlement process and we make phone calls to communicate certain information.

Moreover, we provide our motor insurance clients with additional services free-of-charge, such as interior and exterior car-washes and a one-year guarantee at a selected repair shops.

EMEA

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

Gross written premiums
€ 10.6 bln

Total operating result
€ 865 mln

Life market share

Es:	**3.7%**
Ch:	**3.7%**
At:	**14.0%**

P&C market share

Es:	**4.3%**
Ch:	**4.9%**
At:	**16.3%**

Our people
10,557

Ranking

Es:	**8th**
Ch:	**8th**
At:	**3rd**

The Group's main EMEA markets are Spain, Switzerland and Austria. In these countries 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.

Spain

Generali España is one of the main insurance groups in Spain, ranked eighth in terms of total premiums, with a market share of 3.7% in the life segment and 4.3% in the P&C segment.
The Group offers a wide range of life and P&C policies dedicated to private individuals and companies, using a multi-channel distribution strategy including bank offices and a network of agents and brokers which is among the most extensive in Spain.
In 2016, the bancassurance agreement with Cajamar was renewed and reinforced, thereby giving Generali España exposure to the main life distribution channel, which is also expanding in the P&C segment.
With reference to the insurance market, in 2016 the P&C segment grew for the second consecutive year since 2008, also supported by signs of recovery in the motor sector and in multi-risk and healthcare products. There was also a significant recovery in the life market, benefitting in part from the recovery of the bancassurance channel, which pushes the distribution of savings products.

Switzerland

Generali has been operating in Switzerland since 1987, consolidating its presence over time by the acquisition and merger of many insurance companies. Generali Switzerland is the 8th largest insurance group in terms of life and P&C premium income, with a life market share of 3.7%, and a P&C share of 4.9%. In accordance with the Group strategy, Generali Switzerland focuses on the retail business and provides high quality and innovative services through various distribution channels.

Overall, the Swiss economy has shown flexibility even after the decision of the central bank to abandon the floor on the exchange rate, which proves again to be stable. However, the inflation rate remains negative, the rate of unemployment, especially for young people, is growing and consumption levels are less dynamic.
As regards market trends, we are witnessing stable performance for the life segment - despite the context of low interest rates - and slight growth in the P&C segment

Austria

Generali has operated in this country since 1832 and is the third largest insurance operator in terms of written premiums, with a market share of 14.0% in life insurance and of 16.3% in P&C. It currently operates in the country through the insurance companies Generali Versicherung, BAWAG P.S.K. Versicherung and Europäische Reiseversicherung. The multi-channel distribution strategy involves multiple sales channels: agents, brokers, financial advisors and banks (BAWAG P.S.K. and 3Banken). The strategy adopted in the Austrian market reflects that of the Group, allowing the company to confirm its position 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.
At market level, the economic context remains overall quite complex, due to low interest rates, low inflation and a slightly increasing unemployment rate. As for the insurance market, price competition is very high, especially for the broker market, in which there has been a trend of concentration in pools. There have been difficulties in hiring new people for the sales force, and comparative web portals are on the rise.

Life premiums
€ 6,028 mln
(-7.1%)

APE
€ 544 mln
(-15.4%)

NBV
€ 212 mln
(+23.3%)

Life OR
€ 454 mln
(+19.8%)

The trend in life premiums is explained by the slowdown in income in Austria (-7.5%) and Switzerland (-7.3%), concentrated within savings products, in line with the Group's commercial strategy, in addition to the significant contraction in Ireland following the decline in single premium unit-linked products. Income from pure risk and healthcare premiums experienced gradual growth, especially in Spain and Austria.
New business in terms of APEs was down (-15.4%), following the reductions in Ireland (-23.7%) and Guernsey (-49.8%), with direct effects on the unit-linked sector (-16.1%). On the other hand, there was good progress in Spain (+10.0%) and Belgium (+48.7%) where, in particular, the company's commercial actions boosted sales of single premium unit-linked products.
Overall, NBM rose from 27.0% in 2015 to 39.0% in 2016, mainly due to the sharp decrease in traditional business in favour of the risk business in Austria, the recovery in profitability in Switzerland in light of new unit-linked products and the recalibration of the level of guarantee offered.
New business value amounted to € 212 million (+23.3%).

P&C premiums
€ 4,539 mln
(+3.4%)

P&C OR
€ 440 mln
(+16.6%)

Cor
93.3%
(-1.9 pps)

P&C premium growth in both segments was due in particular to Spain and Switzerland, which posted non-motor line growth. The motor segment is driven for the most part by growth in Spain and the Netherlands.
The Cor improved due to the lower loss ratio, especially in Austria and Belgium in non-motor lines and in Spain in the commercial line. The expense rate was down slightly, especially thanks to trends in Spain and the Netherlands.

In Spain the need to optimize the underwriting process, finds its solution in an underwriting platform that is conceived and managed to maximize industrialization, task-prioritization, and business specialization.
Our main goal is to improve on the main challenge areas of our previous system, while maintaining and even improving its strengths such as system flexibility and technical control.
The implementation of a state-of-the-art underwriting platform has had a huge impact, internally allowing us to gain high efficiency in analysis and network management, and externally to improve the satisfaction of intermediaries and to reduce the administrative burden. Although the solution is almost fully scaled up, additional synergies with respect to economies of scale and emerging technologies could still be generated.

Asia

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

Gross written premiums
€ 2.6 bln

Total operating result
€ 60 mln

Life market share (China)
7.4%

P&C market share (China)
1.8%

Our people
4,805

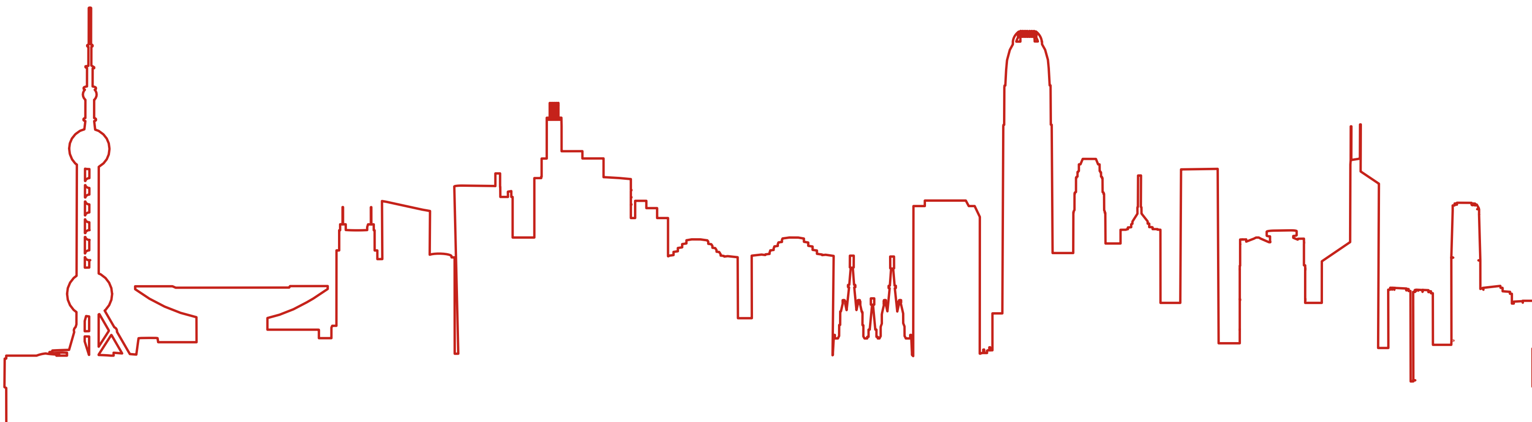
Ranking foreign insurers in China

Life **5th**

P&C **13th**

The Group has carried on business in Asia since the 1980s. It is currently present 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 P&C, are not consolidated line-by-line as, at the moment, the relative shareholdings do not reach 50%.
Hong Kong is also home to the regional office, which coordinates the entire area's activities. The life business comes from China, Indonesia, Hong Kong, the Philippines, Thailand, Vietnam and India, and is concentrated primarily in the saving&pension segment, as well as Protection and, to a lesser extent, unit-linked.
In the P&C segment we operate in 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 (directly and not directly consolidated).
The main distribution channels are banks and agencies, in rapid development especially in China. 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 of a new life company in Hong Kong, added alongside the branch and the regional office. The company, founded in July 2016, is specialized in the High Net Worth segment. On the other hand, 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 MPIB "Multi-Purpose Insurance Berhad", with the option to exercise a call option on the additional 21% of MPIB in the course of 2017. Thus, the Generali Group would hold a 70% stake in the company, the maximum allowed for foreign companies in Malaysia.



Life premiums
€ 2,380 mln
(+30.5%)

Life OR
€ 61 mln
(-35.7%)

Income experienced growth in all countries, driven by China and Hong Kong, the latter thanks to the High Net Worth business from the new life insurance company that has operated since July 2016.

P&C premiums
€ 198 mln
(+54.6%)

P&C OR
€ 1 mln
(n.m.)

Cor
100.5%
(+6.1 pps)

Premiums were up, mainly reflecting the performance of the Hong Kong branch, thanks to the volumes of premiums accepted for reinsurance in the accident&health and corporate segments.
The downturn in technical performance can be ascribed to a significant extent to the deteriorating profitability of the Hong Kong branch, impacted on one hand by the strengthening of reserves to come into line with the market's reserving level and, on the other hand, by the increased business mix of the accident and healthcare segment, with a higher loss ratio than the portfolio average. The worse loss ratio was partially offset by the decline in the cost rate, which benefitted from the increase in volumes.

The Generali brand was not recognizable in the Hong Kong life insurance market back in 2014. That year, Generali Asia made a strategic decision to launch a High Net Worth (HNW) project and developed a high benefit term life product called "Sigillo" to tap into Hong Kong's fast growing HNW-individual market. After the launch of this project we were able to offer competitive policies to the high-end customer base. The structure of Sigillo maximises the value for both insurers and insurees. Our share in life single premium sales in the Hong Kong brokerage market jumped from virtually 0% to 10% in two years.
It was such a success that Generali HK immediately shared its knowledge and experience with the company's China and Southeast Asia teams so that they, too, could grow their HNW business strategy.

Asia&Americas new business

APE
€ 391 mln
(+32.8%)

NBV
€ 53 mln
(+33.2%)

The new business in terms of APEs is up (+32.8%) with a good increase in Asia (+36.9%), despite the decline in Latin America (-23.1%).
Overall, thanks to the confirmation of higher NBM (13.5% in 2015 and 2016) and the increase in volumes, the value of new business stood at € 53 million, up 33.2%.

Americas

Americas includes Argentina, Brazil, Colombia, Chile, Ecuador, Guatemala and Panama.

Gross written premiums
€ 1.2 bln

Total operating result
€ 107 mln

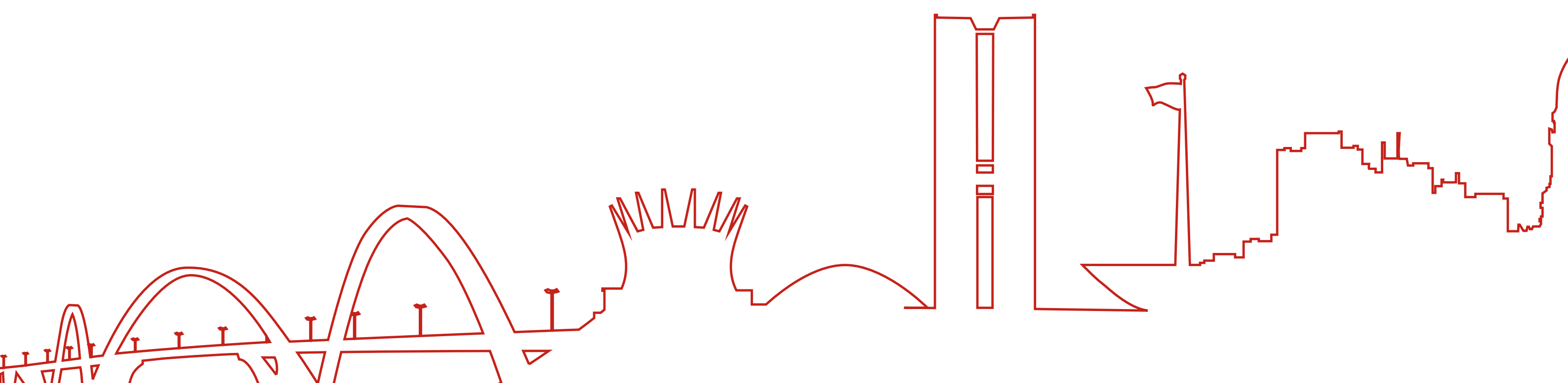
Life market share (Argentina)
6.2%

P&C market share (Argentina)
6.0%

Our people
3,399

Ranking (Argentina)
4th

Argentina is the main market in this region, where Generali is ranked as the fourth operator.
The Argentinian market is characterized by an historically high inflation rate, and a volatile financial environment, both of which have accentuated after the last political elections in late 2015. However, in the second part of 2016, the economy began to show signs of stabilization and opening towards the international markets despite the recession, which are positive signs for the future of this key Latin American country. Despite the 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.
Brazil is the second most important country in this area, although the current economic crisis and political instability are limiting development. Despite systemic turbulence, Brazil boasts of an emerging middle class which represents potential for insurance market development in the coming years.
The Group also operates in Chile, Colombia, Ecuador, Guatemala (whose disposal was finalised in early 2017) and Panama.



Life premiums
€ 272 mln
(+24.8%)

Life OR
€ 47 mln
(-5.2%)

The evolution in volumes is mainly associated with Argentina (more than 60% of the entire Region), operating in the protection segment, driven by the continuation of high inflation.

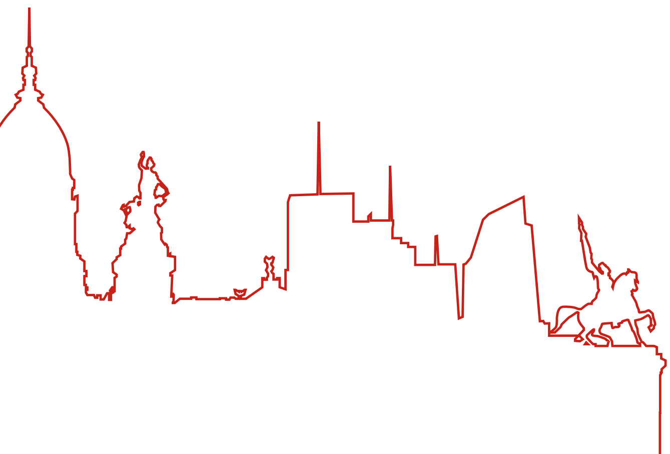
P&C premiums
€ 971 mln
(+27.1%)

P&C OR
€ 58 mln
(n.m.)

Cor
102.7%
(-3.5 p.p.)

Also in this case, the increase is linked for the most part to Argentina (more than 70% of the Region) and is explained by tariff increases (especially motor) enacted to deal with the peak in inflation. On the other hand, volumes were down in Brazil, as part of the measures taken to restore the company's profitability.
The improved Cor can be explained by the lower impact of the loss ratio with respect to the previous year, as well as the improvement of acquisition costs.

Mobile technology has changed the way we communicate, the way we search for information, the way we live. In a digital world where everyone has a mobile phone in his or her pocket, going to an office or even phoning a call center seems a very old-fashioned and inefficient solution. To minimize the gap between customers and branches, La Caja set up a partnership with Waze, a social app that uses geolocation to connect drivers and create local transport communities. Launched in 2015, this initiative has allowed us to increase brand visibility and client satisfaction.



Outlook

Outlook

The International Monetary Fund has forecast global growth of 3.4% in 2017, compared to 3.1% in 2016. In particular, the Eurozone, United Kingdom and Chinese economies are expected to slow down, while the US economy should accelerate and Russia and Brazil are expected to exit their recessions. In the Eurozone, GDP growth is expected to decline from 1.7% in 2016 to 1.4% in 2017, primarily as a result of weaker economic performance in Germany and Spain, while inflation in the Eurozone is expected to rise from 0.3% to 1.1%, driven by a modest price recovery in some commodities. In this context of economic weakness, the ECB will maintain an accommodating position, although towards the end of the year speculation will rise on the exit of the Central Bank from its quantitative easing programme. In 2017, US interest rates are expected to rise, driven by the Fed's gradual exit from quantitative easing, and long-term rates in the Eurozone should increase as well, especially towards the end of the year.
Combined with a high degree of uncertainty on the political front, these elements will once again create a challenging environment for investors. Forecasts point to a modest recovery in the Eurozone equity market and less brilliant performance than last year in the United States.

In 2017, within the insurance sector, the main countries of the Eurozone (Italy, Germany, France and Spain) are expected to show a good performance in the P&C business, which should recover in Italy as well. The life segment, influenced by low interest rates, will show signs of difficulty once again in 2017, except in Italy, where life premiums are expected to improve compared to 2016.
To be noted is that the catastrophic events occurring all over the world in 2016 did not have a significant impact on the reinsurance industry. The continuing absence of economic impacts from significant catastrophic events has generated a prolonged reduction in reinsurance costs. Within a similar context, the Generali Group has benefited from the favourable market trend, obtaining competitive coverage renewals for the year 2017.

In the life segment, the Group will continue to deal with a range of dynamic restrictions deriving from the market environment, such as the Solvency 2 directive, the IMD2 rules more restrictively governing transparency in the distribution of insurance products, and in general, financial markets characterized by continuing low interest rates. It will further strengthen its focus on the Techex program initiatives, both at Group level and in the business units, aiming to strengthen the combined portfolio value by taking a simplification and innovation approach for the range of product solutions. Income trends will continue to reflect careful underwriting policies, in line with the common Group goals, driven by the risk appetite framework and the focus on the value of the products. Initiatives dedicated to portfolio enhancement will continue with renewed emphasis:

- in terms of in-force business through dedicated actions for improving the degree of persistency of valuable portfolios, particularly thanks to the reinforcement of active liability management actions;
- in the creation of new business thanks to the selective development of certain business lines, such as protection and unit-linked products (particularly based on volatility-controlled unit-linked funds), as an alternative to investments in traditional type funds, which are still sustainable only if they are capital-light. The development of these business lines 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 property&casualty, total premium income is expected to grow in the Generali Group's main geographical areas, in line with the relative GDP developments, although this growth will take place within an environment of strong competitive pressure. Competition is also expected to accelerate in terms of distribution; digital transformation will create more space for non-traditional or non-exclusive distribution networks (such as aggregators), with possible impacts on portfolio volatility and, from the

business perspective, a decline in 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 segment, particularly fleets, but not only) with anti-cyclical measures, a disciplined approach to setting rates 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.
Property&Casualty segment management will therefore continue to play a key role in the implementation of the strategy of the Group, which aims to become a leader in the retail segment in Europe thanks to the degree of capital absorption of those products which allows for efficient allocation.

The Group investments policy will continue to be based on an asset allocation strategy aimed at consolidating current returns and safeguarding consistency with liabilities to the policyholders.
The investment strategy for fixed-income investments aims at portfolio diversification, in both government bonds and corporate bonds. This is in order to ensure adequate profitability for the policyholders and a satisfactory return on capital, while maintaining a controlled risk profile.
Alternative investments are considered appealing due to their contribution to portfolio diversification, but overall investment volumes are impacted by the limited supply and the high quality characteristics required by investment policies.
Equity exposure will be kept substantially stable.
New investments in the real estate sector will be primarily oriented towards the European market and, only as opportunities arise, other geographical areas in order to improve the overall diversification of the portfolio. In addition, attention is focused on the efficiency of existing portfolio management to boost overall returns.

Despite the challenging environment and the high volatility of the financial markets, in 2017 the Group expects to increase shareholder remuneration, consistently with the strategic plan presented to the market.

Milan, 15 March 2017

THE BOARD OF DIRECTORS


120

Appendices

Note to the Report

The consolidated financial statements of the Generali Group as at 31 December 2016 were drawn up in accordance with the IAS/IFRS international accounting standards issued by the IASB and The Generali Group's consolidated financial statements at 31 December 2016 were prepared taking into account the IAS/IFRS issued by the IASB and endorsed by the European Union, in accordance with the Regulation (EC) No. 1606/2002, Legislative Decree No. 58/1998 as amended, and Legislative Decree No. 209/2005, as amended by Legislative Decree No. 32/2007.

The Generali Group presented its consolidated financial statements and notes in this report, in accordance with ISVAP Regulation No. 7 of 13 July 2007 as amended, and the information required under CONSOB Communication No. 6064293 of 28 July 2006. As allowed by the aforementioned Regulations, 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' Regulations 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 2016, the consolidated scope of the Group decrease from 435 to 428 companies, of which 393 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 are 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 can be found in the Methodological note on alternative performance indicators.

In line with the concept of Integrated Reporting (see below), the Group has revised the structure and content of the Risk Report and its position within the Annual Integrated Report.

In particular, the Risk Report was restructured with a view to providing a disclosure aligned with the regulatory context of Solvency 2 and the associated reporting. In addition, in order to make the document more usable for the reader, it is presented as a supplementary part of the Management Report.

All reporting by geographical area presented in this report is based on the Group's territorial structure, consisting of the business units of the three main markets - Italy, France and Germany - and four regional structures:

- CEE: Czech Republic, Poland, Hungary, Slovakia, Serbia, Montenegro, Romania, Slovenia, Bulgaria and Croatia;
- EMEA: Austria, Belgium, Greece, Guernsey, Ireland, the Netherlands, Portugal, Spain, Switzerland, Tunisia, Turkey and Dubai;
- Americas: Argentina, Brazil, Colombia, Chile, Ecuador, Guatemala and Panama;
- Asia: China, Indonesia, India, Hong Kong, Vietnam, Thailand, the Philippines, Japan and Malaysia.

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

As noted above, the Management Report is prepared in accordance with the applicable law as well as the Content Elements and the Guiding Principles envisaged by the International <IR> Framework of the International Integrated Reporting Council (IIRC).
The Annual Integrated Report adds to the Management Report to provide more information and clarify matters, expanding on it while maintaining a more rigorous and logical order.

The **Content Elements** are connected to the document's structure.

Annual Integrated Report

Content Elements

Annual Integrated Report	Content Elements
We, Generali	
Group highlights	Performance
Our history	Organisational overview and external environment
2016 and 2017 significant events	Organisational overview and external environment
How we create value: our business model	Business model
Vision, Mission, Values	Organisational overview and external environment
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* of the information is then represented in detail within a matrix.

Sustainability Report 2016, p. 17

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 pre-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.

Sustainability Report 2016, p. 16
for more information on stakeholders and methods of dialogue

We regularly engage with i**nvestors, 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 2016 we came into contact with more than 530 people (about 230 individual meetings and 300 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. In 2016, we have extended this experience to Group employees as well.
Overall, we met with nearly 300 people.

We also engage **customers, distributors** and Group **employees** with a view to continuous improvement.

Annual Integrated Report 2016, p. 28; 30

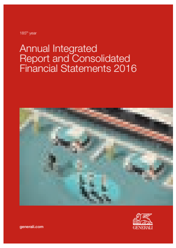
Our report has been improved in many aspects also considering our stakeholders' feedback; for instance, *Conciseness* was improved, as was connectivity among the Group's different reports and among the different parts of the report, therefore making it easier to read with a more logical structure. The diagram below shows the passage of the Annual Integrated Report, drawn up in accordance with the *Materiality* principle, and the Consolidated Financial Statements were 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 pre-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 (any changes in the criteria applied are noted in the Appendix to the Management Report) and the strategic objectives announced to the market.

Consolidated financial statements

BALANCE SHEET

Assets

References:	(€ million)	31/12/2016	31/12/2015
	1 INTANGIBLE ASSETS	**8,866**	**8,645**
4	1.1 Goodwill	6,664	6,661
19	1.2 Other intangible assets	2,202	1,985
	2 TANGIBLE ASSETS	**4,476**	**4,469**
20	2.1 Land and buildings (self used)	2,810	2,844
20	2.2 Other tangible assets	1,666	1,625
14	**3 AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**3,933**	**4,094**
40, 41, 42, 43	**4 INVESTMENTS**	**469,172**	**447,448**
11	4.1 Land and buildings (investment properties)	12,584	12,112
3	4.2 Investments in subsidiaries, associated companies and joint ventures	1,194	1,369
7	4.3 Held to maturity investments	2,168	1,984
8	4.4 Loans and receivables	44,178	48,198
9	4.5 Available for sale financial assets	313,933	289,399
10	4.6 Financial assets at fair value through profit or loss	95,114	94,385
	of which financial assets where the investment risk is borne by the policyholders and related to pension funds	78,317	74,966
21	**5 RECEIVABLES**	**11,790**	**11,706**
	5.1 Receivables arising out of direct insurance operations	7,155	6,497
	5.2 Receivables arising out of reinsurance operations	1,163	1,060
	5.3 Other receivables	3,471	4,149
22	**6 OTHER ASSETS**	**15,414**	**15,142**
	6.1 Non-current assets or disposal groups classified as held for sale	772	0
15	6.2 Deferred acquisition costs	2,083	2,000
	6.3 Deferred tax assets	2,477	2,652
	6.4 Tax receivables	2,974	3,115
	6.5 Other assets	7,108	7,375
12	**7 CASH AND CASH EQUIVALENTS**	**7,533**	**9,044**
	TOTAL ASSETS	**521,184**	**500,549**

Equity and liabilities

References:	(€ million)	31/12/2016	31/12/2015
16	**1 SHAREHOLDERS' EQUITY**	**25,668**	**24,708**
	1.1 Shareholders' equity attributable to the Group	**24,545**	**23,565**
	1.1.1 Share capital	1,560	1,557
	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	8,604	7,688
	1.1.5 (Own shares)	-7	-6
	1.1.6 Reserve for currency translation differences	42	74
	1.1.7 Reserve for unrealized gains and losses on available for sale financial assets	6,319	6,067
	1.1.8 Reserve for other unrealized gains and losses through equity	-1,153	-944
	1.1.9 Result of the period	2,081	2,030
	1.2 Shareholders' equity attributable to minority interests	**1,123**	**1,143**
	1.2.1 Share capital and reserves	879	748
	1.2.2 Reserve for unrealized gains and losses through equity	86	166
	1.2.3 Result of the period	158	229
23	**2 OTHER PROVISIONS**	**1,804**	**1,807**
13	**3 INSURANCE PROVISIONS**	**421,477**	**404,687**
	of which insurance provisions for policies where the investment risk is borne by the policyholders and related to pension funds	60,799	57,793
	4 FINANCIAL LIABILITIES	**51,416**	**49,904**
17	4.1 Financial liabilities at fair value through profit or loss	19,484	20,082
	of which financial liabilities where the investment risk is borne by the policyholders and related to pension funds	17,404	16,793
18	4.2 Other financial liabilities	31,932	29,821
	of which subordinated liabilities	9,126	9,643
24	**5 PAYABLES**	**9,550**	**8,828**
	5.1 Payables arising out of direct insurance operations	3,465	3,464
	5.2 Payables arising out of reinsurance operations	579	511
	5.3 Other payables	5,506	4,853
25	**6 OTHER LIABILITIES**	**11,269**	**10,614**
	6.1 Liabilities directly associated with non-current assets and disposal groups classified as held for sale	702	0
	6.2 Deferred tax liabilities	2,616	3,034
	6.3 Tax payables	1,644	1,320
	6.4 Other liabilities	6,307	6,259
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**521,184**	**500,549**

INCOME STATEMENT

Income statement

References:	(€ million)	31/12/2016	31/12/2015
26	1.1 Net earned premiums	65,352	68,507
	1.1.1 Gross earned premiums	67,176	70,400
	1.1.2 Earned premiums ceded	-1,824	-1,894
27	1.2 Fee and commission income and income from financial service activities	1,010	1,094
28	1.3 Net income from financial instruments at fair value through profit or loss	1,822	1,941
	of which net income from financial instruments where the investment risk is borne by the policyholders and related to pension funds	1,727	2,275
29	1.4 Income from subsidiaries, associated companies and joint ventures	133	130
30	1.5 Income from other financial instruments and land and buildings (investment properties)	14,860	16,219
	1.5.1 Interest income	9,955	10,075
	1.5.2 Other income	2,043	2,065
	1.5.3 Realized gains	2,605	3,873
	1.5.4 Unrealized gains and reversal of impairment losses	258	206
31	1.6 Other income	2,927	4,070
	1 TOTAL INCOME	**86,103**	**91,961**
32	2.1 Net insurance benefits and claims	-63,963	-69,091
	2.1.1 Claims paid and change in insurance provisions	-64,916	-70,204
	2.1.2 Reinsurers' share	953	1,113
33	2.2 Fee and commission expenses and expenses from financial service activities	-611	-586
34	2.3 Expenses from subsidiaries, associated companies and joint ventures	-43	-16
35	2.4 Expenses from other financial instruments and land and buildings (investment properties)	-3,425	-3,215
	2.4.1 Interest expense	-1,110	-1,103
	2.4.2 Other expenses	-350	-390
	2.4.3 Realized losses	-471	-686
	2.4.4 Unrealized losses and impairment losses	-1,495	-1,035
36	2.5 Acquisition and administration costs	-10,838	-10,856
	2.5.1 Commissions and other acquisition costs	-8,056	-8,179
	2.5.2 Investment management expenses	-188	-96
	2.5.3 Other administration costs	-2,594	-2,581
37	2.6 Other expenses	-4,066	-4,792
	2 TOTAL EXPENSES	**-82,947**	**-88,555**
	EARNINGS BEFORE TAXES	**3,157**	**3,407**
38	**3 Income taxes**	**-918**	**-1,112**
	EARNINGS AFTER TAXES	**2,239**	**2,295**
	4 RESULT OF DISCONTINUED OPERATIONS	**0**	**-35**
	CONSOLIDATED RESULT OF THE PERIOD	**2,239**	**2,259**
	Result of the period attributable to the Group	2,081	2,030
	Result of the period attributable to minority interests	158	229
16	EARNINGS PER SHARE		
	Basic earnings per share (€)	1.34	1.30
	From continuing operations	1.34	1.33
	Diluted earnings per share (€)	1.32	1.29
	From continuing operations	1.32	1.31

Attestation of 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 2016.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements as at 31 December 2016 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 2016:
      - 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, 15 March 2017

Philippe 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.

Glossary*

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.

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.

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. 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).

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.

Combined Ratio (COR): 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.

*
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".

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, derivative investments and receivables form banks and customers, the latter mainly related to Group banking operations.

Alternative performance measures

The **operating result**: 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 P&C 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: Earning per share: equals 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 section 3 of the methodological note), 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 previous methodological note) 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: it is 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.

Contacts

Group Integrated Reporting & CFO HUB
integratedreporting@generali.com
Manager: Massimo Romano

Corporate Affairs
giuseppe.catalano@generali.com
Manager: Giuseppe Catalano

Group Reward
group_reward@generali.com
Manager: Giovanni Lanati

Group 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

Since 2015, our new corporate website generali.com has had a more agile and modern layout, a significant focus on the visual approach, a broader range of content on topics of international interest and a specific focus on the most interesting news about the Group.

The website was designed to be viewed on any device and developed based on the Group's web guidelines, which also meet the international standards defined by the Web Accessibility Initiative (WAI).

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Coordination
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available on
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Illustrations
Andrea De Santis

Photos on page 8, 9, 33
Giuliano Koren

Photo on page 14,15
Alessandra Chemollo

Photos on page 22, 23, 26, 28, 29
i Stock

Photo on page 26
Mattia Zoppelaro
Agenzia Contrasto

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