

**Speech by the GROUP CEO
Mr. Philippe Donnet**

Dear Shareholders, good morning to you all and thanks for taking part in our annual meeting. I and Chairman Galateri wish to thank the whole management team attending this meeting and all those who work and collaborate with Generali, who have supported me in this particularly challenging year and contributed to the brilliant 2016 results, which we are going to present to you today. I thank you all shareholders for your trust in Generali: today, after 186 years, Generali represent one of the largest and most successful, independent Italian companies in a global perspective.

Now I would like to focus on three important messages:

- 1) The **implementation of our strategy** is continuing in a disciplined way, absolutely in line with our plan: this allows, for instance, to accelerate the achievement of our goals regarding saving on operating costs;
- 2) In 2016 the Group achieved the best **operating profit** in its history, not only in terms of quantity, but also of quality and sustainability of this result and the **dividend** that we are proposing to distribute today has increased by 11 percentage points compared to last year;
- 3) Generali is a market leader as regards **underwriting and operating performances**.

Four years ago Generali launched a financial restructuring plan with a view to focusing on its insurance core business, consolidating our capital strength and completing the Group's integration in Italy: in order to do so, we have sold a few non-strategic assets. This financial restructuring was completed at the end of 2015 and, in that same year, we submitted new and ambitious financial targets for 2018 to the markets. Soon enough those targets have become even more ambitious because of the dramatically worsening market conditions of 2016, as the Chairman has recalled just now.

Last year we worked to identify areas where we needed to concentrate our efforts in order to be able to reach our financial goals, despite the substantial worsening of market conditions. Then we defined six operating levers that will allow us to further improve the quality of our insurance business in terms of operating performance and of creating long-term value.

Today, I would like to provide you with a short description of these six levers:

- 1) First of all we wish to **optimize our international presence**: we do not want to reduce or weaken it, but just to strengthen it. Today our Group is present in 60 countries all over the world; in some of them, our business units failed to reach the size they need to be competitive. Additionally, their growth prospects are limited. Therefore, we wish to optimize our geographical presence, selling these assets to obtain at least € 1 billion to be reinvested in assets capable of generating a higher yield and having greater potential: the proceeds from those sales, indeed, will not contribute to generating dividends, which will come from our recurring activities. According to this plan, in 2016 we moved out of Liechtenstein and Guatemala and started competitive processes to sell other assets;

- 2) We wish to **streamline our operating machinery**, remove duplicates and waste, look for synergies, simplify and contain costs. In 2016 we were able, for the first time, to slash by € 70 million the operating costs in mature markets: this extremely positive result allows us to update our saving plan and to meet our goals one year in advance. The goal we have set now is to reduce the operating costs for countries and markets by € 200 million by the end of 2018;
- 3) We also aim to **strengthen our technical skills**: although we are starting from an already good level, we believe that there is still room for improvement. In the P&C line of business, for example, we set ourselves the goal of confirming our leadership in terms of combined ratio and to further increase our lead over our closest competitor: we are going to do it by improving pricing, as well as through risk selection and claims management. In the Life business we believe we can further increase the profitability by accelerating the transition from traditional products to higher value-added solutions for our clients and with lower capital absorption for the Company: in this case the goal is to reduce the guaranteed rate on the new business to zero. In 2016 we were in line with both goals. The three levers that I have hitherto described will contribute – and are already contributing – to improving our short-term operating performance;
- 4) The Group is also committed to **rebalancing the portfolio** with the goal of diversifying its profit sources. We are also accelerating the rebalancing of Life provisions while aiming to increase those with low capital absorption and to reduce the average guarantee of the existing portfolio: thus, in 2016, the provisions with low capital absorption grew by 2 percentage points, while the average guarantee dropped by 7%. We also would like to target new business segments, such as those concerning health and protection, but also asset management. In this respect, on 11 May 2017 we are going to provide the markets with details about our strategy, which aims to make asset management a substantial and increasingly significant source of profit for the Company;
- 5) We believe that **improving the experiences of consumers and distributors** when interacting with Generali is also essential. To do so, we intend to transform our business model through innovation, providing our agents with cutting-edge systems and platforms to allow them to offer better products and services to our clients. Most of our investments in innovation are aimed at developing solutions connected with the management of the enormous amount of data at our disposal and with the digitization of our internal processes to increase the effectiveness of our Company. I would like to underline, in this regard, that the Group is already among the most technologically advanced in the market: the Big Data Innovation Award we received in November 2016 from the Politecnico University institute in Milan is a further demonstration of this;
- 6) Generali believe in the value of its historical and glorious **brand** – Saint Mark's winged lion – and we wish to improve its identifiability and awareness. By implementing the latter two strategic levers – innovation to improve the experiences of our clients and distributors and investments in our brand – we expect to obtain a significant increase in our client retention and in the preference for the Generali brand in financial markets by 2019. The results obtained in 2016 are in line with this plan. Balancing our portfolio, promoting innovation for our clients and distributors, and strengthening our brand are all direct levers for long-term value creation.

Our Group already has a good average performance and is improving: but this is not enough for us. Our ambition is to aim for excellence in everything we do. To achieve this goal, our performance cannot just improve on average, we have to improve systematically

within all business units, and I am proud to confirm that our results for 2016 met this condition. The combined ratio has improved almost everywhere: except in Italy, where a particularly adverse and challenging market condition took its toll, notwithstanding Generali's still excellent combined ratio in that country, which was below 90% and among the best in the market.

The **margins of the new Life business** have increased everywhere, in some cases at a double-digit rate: this means that we are applying our strategy within all our business units and we are effective at that.

All this contributed to achieving excellent results. In 2016 the **operating profit** was the best ever, exceeding € 4.8 billion: this performance was due to the Group's ability to improve its underwriting performance and to cut costs which, as noted above, fell for the first time in that same year. This performance is also reflected in the contribution of the Life segment, whose operating profit has grown by more than 5%, while that of the P&C segment has risen by almost 3%. Both the Life and P&C segments contributed positively to these excellent results in 2016: the **net profit**, as a result, grew by 2.5%, reaching € 2.1 billion, although lower realized profits were recorded with a view to preserving our Company's future profitability. The 2016 results, therefore, show a high-quality performance for the insurance business of Generali.

Thanks to the improvement of technical performances in all segments and regions, the Group was able to generate € 200 million more in its net **operating cash flows** than in 2015, thanks also to the improved ability of all business units to pay dividends to the Parent Company. The high cash generation combined with a sound capital position allows Generali to increase their **dividend** significantly: today we propose to you an 11% higher dividend than last year, corresponding to € 80 cents per share.

Having almost completed half of our industrial restructuring and strengthening plan, we can claim with full confidence that we are well-placed to reach our main **financial targets by the end of 2018**. € 3.5 billion in operating liquidity and € 2.4 billion of dividends stored up at the end of 2016 show that we are making steady progress towards all our financial goals. The average operating Return On Equity, finally, exceeded by far the target set for the period 2015-2016.

These 2016 results show not only the validity of our strategic plan but also our ability to implement it correctly. Obviously, we still have to complete the other half of the plan and, to do so, we have to remain focused on managing our business in a disciplined manner, without making compromises. Thus, we have to apply rigour and discipline to cost-cutting and to technical excellence and, more generally, to the implementation of our strategy.

Generali's performance in 2016 was positive not only in absolute but also in relative terms. Observing some **key indicators of the insurance business**, the Group achieved the best result among leading market players. For instance, our combined ratio – the indicator measuring the profitability of the P&C line of business, which is the reference for the sector – is the best in the market. More specifically, it improved by another 0.7% in 2016, reaching 92.5%, and the distance from the second best market player has further widened, thanks to some careful cost management and some judicious risk underwriting and claims management. The Life net inflows exceeded € 12 billion and are better than those of our competitors. Hence Generali are growing faster than others. This significant growth has not been achieved at the expense of quality: ours is a high-quality growth indeed.

Therefore the margins on new Life business are around 26%, with an improvement of almost 5 pp in 2016, with Generali outperforming all competitors. These performances affect a very important indicator, especially for those who invest capital in our Company: I am referring to the return on capital which, at the end of 2016, was 13.5%, i.e. higher than for all our competitors.

The insurance business is made of people and, in this sector, working with competent, talented and motivated people makes a difference. I am lucky enough to work in a group where this has become an everyday reality. During 2016 we gave ourselves a slim organization, in line with the implementation of our strategy. We enlarged the Group Management Committee – where today all business units are represented – by appointing Mr. Marco Sesana as Country Manager for Italy and Mr. Luigi Lubelli as Group CFO, and by enlisting Mr. Luciano Cirinà, operations manager for Central Eastern Europe and Mr. Valter Trevisani, Group Chief Insurance Officer.

Where needed, we also made a few changes to the team, acquiring the best possible skills to reach our objectives. Thus we appointed Mr. Frédéric De Courtois as head of Global Business Lines and of International Operations and Mr. Timothy Ryan, as new Group Chief Investment Officer, with the responsibility of developing the asset management activities and of managing our financial assets, totalling some €530 billion.

The uniqueness of those assets is represented, for instance, by our real estate portfolio, which is made up of modern projects, such as the new Citylife district in Milan, where the construction of the Generali tower, which is going to accommodate our colleagues as early as next year, is being completed. The real estate assets also include historical luxury buildings, such as the Procuratie Vecchie in Piazza San Marco in Venice, to whose refurbishment, along with that of the Giardini Reali and of the whole San Marco area, we are contributing. To best enhance this portfolio, we recently appointed Mr. Aldo Mazzocco – an experienced manager in the sector – as the new managing director of Generali Real Estate.

Nonetheless, the Generali team does not just consist of managers: it is made up of more than 70 thousand people working for the Group and of 150 thousand agents and distributors all over the world. In order to involve and motivate everybody, we have perfected dialogue and information sharing tools. We want to create a cohesive and motivated team to implement our strategic plan at best. We are intensifying meetings between managers and employees to disseminate the strategy, clarify the performance obtained and the goals to be achieved. We wish to empower all the Group's managers and all our colleagues and persuade them to make our strategic priorities their own.

Before concluding, I would like to give you a summary of the development of the quoted price of our stock. Between January and 23 November 2016 (Investor Day) – a period of transition – its development was not positive at all. Nonetheless, I consider that it was predictable, given the reorganization of the management team and because the market did not yet know precisely the operating levers with which the Group seeks to achieve its ambitious financial targets. Starting from the Investor Day, when we were able to explain these aspects to the market, the Generali share has gained almost 30% on the stock exchange, exceeding the European insurance sector index and the performance of our main competitors.

All analysts' reports, even the most critical ones, show appreciation for our business plan and recognize the commitment, quality and discipline of our management: it is no coincidence that analysts expect Generali's dividend to grow significantly more than those of our competitors over the next two years. I also witnessed the same appreciation at the numerous meetings that the Group CFO and I had in the past months with institutional investors all over the world.

I am convinced that our Company's potential is underestimated and not fully reflected in its current stock exchange price. The ratio between the latter and the profits forecast by analysts demonstrates that that of our leading competitors is higher than ours and shows more realistic evaluations. We have to close this gap. I am also convinced that our unused potential will be gradually reflected in our stock exchange value. I am confident of this because we will show to the market our ability to reach all the goals we have set, thanks also to four characteristics that make Generali unique on the market:

- 1) The Generali Group is an international group with a **unique position in Europe**, where we are among the first 5 companies in 10 European markets out of the 20 in which we do business;
- 2) Generali manage a peerless **proprietary distribution network** consisting of 150 thousand exclusive agents and distributors all over the world: this network guarantees a relationship with their clients based on trust, on competence, and on understanding their needs, whether individual or corporate;
- 3) Generali continuously generate an operating performance among the best on the market thanks to its **technical competence**. Add to this a sound capital, a clear plan and strong determination in carrying it out;
- 4) We are at the forefront of **business-oriented innovation** to improve our offering to our clients and distributors, focusing on connectivity.

These factors are upheld by a team of 70 thousand employees throughout the world who are motivated to reach our strategic goals: this is an extremely important empowering factor. Generali is investing and is going to increasingly invest in the quality of its human resources. These sources of competitive edge guarantee us long-term sustainability as an Italian and a global independent insurance company and make Generali the new success story of the insurance industry.

I wish to conclude looking to the future. As I told you at the outset of my speech, Generali have completed their financial restructuring and are in the middle of their consolidation business plan. Once we have completed this stage, we can design an ambitious plan of growth and development based on sound foundations. This is my personal commitment to you all and to all the Group's stakeholders.

Now, I am going to leave the floor to our Group CF, Mr. Luigi Lubelli, who is going to explain to you our 2016 financial statements in detail, later I will be available to answer your questions.

Thank you for your attention.