# Annual **Integrated** **Report** 2017

GENERALI

186th year | **generali.com**

# Annual **Integrated Report** 2017

Please note that the Report is translated into English solely for the convenience of international readers.

# Corporate bodies
as at 14 March 2018

Chairman
**Gabriele Galateri di Genola**

Vice Chairman
**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 auditor)
**Silvia Olivotto** (Substitute auditor)

Board secretary
**Giuseppe Catalano**

Company established in Trieste in 1831
Share capital € 1,561,808,262 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 the document*

# Index



*integratedreport2017.generali.com/en*
*for the online Report*

# The **integrated overview** of our reports

We report the story of our Group in an increasingly innovative and integrated manner: the story of how we create value is found within the Annual Integrated Report which is our core report[1] centred on key financial and non-financial information while - by means of other reports and channels


**Annual Integrated Report**
This report provides a concise and integrated view of the financial and non-financial performance of the Group, even in response to legislative decree 254/2016.


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


**Corporate Governance and Share Ownership Report**
This report illustrates the corporate governance system of Assicurazioni Generali and its ownership structure.

# About the **Annual Integrated Report**

This Report provides an overview of the Group's sustainable value creation process, reporting current and outlook financial and non-financial information and highlighting the connections between the context in which we carry on our business, our strategy and our corporate governance structure.

The Report is drafted in compliance with currently effective regulations, including legislative decree 254/2016 (Leg. Decree 254/16) concerning the disclosure of non-financial information relating to:

- environmental matters;
- social matters;
- employee matters;
- respect for human rights;
- anti-corruption and bribery matters.

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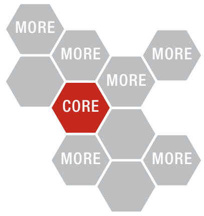
1 Core&More: new corporate reporting approach developed by Accountancy Europe which provides for a core report, that contains a summary of all key information required to evaluate and understand the company, and more reports including more detailed information. www.accountancyeurope.eu for more in-depth information




of communication (our more reports[1]) we present more detailed and supplementary information, some of which targets a specialized audience. The information of the Annual Integrated Report is therefore connected to the in-depth information, thus enhancing the integrated thinking.


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


**Management Report and Parent Company Financial Statements**
This report provides information on the performance of Assicurazioni Generali, in accordance with currently effective regulations.


**generali.com**
for further information about the Group.

For the purposes of simplifying the fulfilments required by the decree and also promoting greater accessibility to published non-financial information, the latter is clearly identified within this Report, even through the use of the infographic, as shown in the margin.

This Report also complies with the criteria of the International <IR> Framework issued by the International Integrated Reporting Council (IIRC). The standard adopted for the disclosure of the matters identified by the Group, especially of those non-financial ones envisaged by Leg. Decree 254/16, is the Consolidated Set of GRI Sustainability Reporting Standards, issued in 2016 by the GRI - Global Reporting Initiative (GRI-Referenced claims), with reference to selected GRI Standards and indicators of the GRI G4 Financial Services Sector Disclosures, as detailed in the Note to the Management Report.

The sections of the Report containing the aforementioned topics and information on the materiality determination process as well as the adopted reporting standards and criteria are illustrated in the Consolidated Non-Financial Statement.

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## Responsibility for the Annual Integrated Report

The Board of Directors of Assicurazioni Generali is responsible for the Annual Integrated Report which complies with the Guiding Principles and Content Elements required by the International <IR> Framework, and agrees with the approach for its preparation and presentation.

# Letter from the **Chairman** and the **Group CEO**

*Generali closed another year with excellent results and strengthened its positions as one of the most important players in the insurance industry. These results demonstrate that the Group is increasingly solid, efficient and innovative, and that it is able to effectively handle the challenges distinguishing our industry and that are becoming deeply intertwined with the global and interdependent changes in the society.*

*The gradual change in the demographic structure, the climate change, the technology that is more and more widespread and sophisticated, and the new events - at times unsettling - taking place in international politics are just a few elements of the environment in which an operator like Generali has the mission to manage risk. On the other hand, the needs of customers and the possibility they have to choose from diversified and increasingly personalised solutions are growing each day and opening doors to business opportunities unheard of until now.*

*In economic, industrial and capital terms, the Group presented an operating result once again marked by growth and the best profit of the last three years, increasingly higher quality and premium income and a strengthened capital position. All this confirms the soundness of the strategy launched two years ago and that will be completed in 2018 before starting a new three-year period that - and of this we are sure - will be just as satisfactory.*

*We carried ambitious projects forward in 2017. We implemented the new asset management strategy to develop and perfect an area that is becoming more and more integrated with the insurance area, with the objective of enriching our expertise and of offering tailor-made solutions to companies and the retail customers in order to reach € 500 billion by 2020.*
*We continued with the reorganisation of Generali Deutschland in Germany and entered a new stage focussed on strengthening its operating performance and on increasing the value creation over the long term. During the year, the Group continued its geographical optimisation plan that sets out to boost our presence in the most interesting markets and to free at least € 1 billion in resources from the less profitable ones.*

*2017 was also the year in which we started up The Human Safety Net, one of the most ambitious social projects of our almost 200 years of history. It is an initiative that has global reach, and its target is to connect and activate millions of people around the world to involve them in projects that make an enormous impact on the chosen local communities thanks to the contribution of our Group's employees. In this way we started initiatives dedicated to equal opportunities for those children who grow up in poverty, to the entrepreneurial potential of refugees and to the prevention and treatment of neonatal asphyxia.*
*We located the offices of The Human Safety Net in St Mark's Square in Venice, in Palazzo delle Procuratie Vecchie, which will be restored with a visionary project of extraordinary historic restoration.*

*We then further innovated our way of reporting thanks to an important stage along our accountability path: in this Report, we are publishing the Consolidated Non-Financial Statement for the first time to provide an integrated understanding of all our activities. In 2017, we also renewed our Charter of Sustainability Commitments that defines what it means to do business in a responsible manner. It singles out a precise category of priorities resulting from the ongoing dialogue we have with our stakeholders, and it commits us to the constant monitoring of progress made in this area.*

*The Assicurazioni Generali brand is old, full of history and prestige. In recent years, the Group has turned into a modern multinational with a vocation for customer centricity, and has been able to combine its heritage with technology in order to find increasingly innovative solutions. However, there is another vocation that distinguishes us: that for the human factor, for talent and for our people, whether they are employees, agents or collaborators. Without them, it would have been impossible to build the group that we have become and to attain the results we achieved in 2017. A special thanks goes to them this year as well.*

*Gabriele Galateri di Genola* | *Philippe Donnet*

# We, **Generali**

# Group **highlights**[2]

*Glossary available at the end of this document*

## Gross written premiums

-0.2%

€ 68,537 mln

Of which € 11,272 mln premiums with social value and € 676 premiums with environmental value[3]

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## Operating result

+2.3%

€ 4,895 mln

## Operating return on equity

+0.0 pps

13.4%

## Net profit

+1.4%

€ 2,110 mln

## Proposed dividend per share

+6.3%

€ 0.85

## Proposed total dividends

+6.5%

€ 1,330 mln

## Solvency II ratio

Regulatory
+30 pps
208%

Economic
+36 pps
230%

## Total Asset Under Management (AUM)

+5.0%

€ 542 bln

Of which € 345 bln direct investments to which the RIG is applied (+7.1%) and € 37.2 bln SRI (+21.2%)[4]

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## Our people

71,327 (-3.3%)

11% female in the top management[5] (-2 pps)

80% engagement rate (-2 pps vs 2015)

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## Our clients

57 mln (+4.9%)

## Our exclusive distributors

155 thousand (+3.3%)

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## Total emissions[6]

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t 112,782 $CO_2$e (-9.5% vs base year 2013)

2 All changes in this Report are calculated on 2016, unless otherwise reported. Changes in premiums, life net cash inflows and Annual Premium Equivalent (APE) are on a like-for-like basis, i.e. at equivalent exchange rates and consolidated scope. Changes in Operating result, Asset Under Management and Operating ROE consider 2016 comparative data restated due to the divestments in Dutch and Irish businesses in accordance with IFRS 5. Please refer to the paragraph Changes in the presentation of the performance indicators of the Group in the Note to the Report for further information.

3 Premiums with social and environmental value refer to companies representing 93.5% of total Group direct premiums.

4 RIG is the Responsible Investment Guideline that codifies responsible investment activities at Group level. SRI are assets managed according to Generali Investment

## Life

Increasing operating result thanks to the investment performance.
The trend in premiums continued to embed the approach in the offering that is even more disciplined. Life net cash inflows of more than € 9.7 bln, remaining at the highest levels in the market.

### Gross written premiums

-1.0%

**€ 47,788 mln**

Life net cash inflows € 9,718 mln (-17.1%)

### NBV

+53.8%

**€ 1,820 mln**

### Operating result

+1.8%

**€ 3,141 mln**

## P&C

Positive trend in premiums thanks to both lines of business.
Operating result including € 416 mln CAT claims. Group Cor is confirmed at best level.

### Gross written premiums

+1.7%

**€ 20,749 mln**

### Cor

+0.5 pps

**92.8%**

### Operating result

-4.9%

**€ 1,972 mln**

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

Europe's SRI (Socially Responsible Investment) proprietary methodology (two funds and three mandates) both on behalf of Group insurance companies and third-party clients.

5 Top management refers to the Generali Leadership Group (GLG).

6 Total emissions refer to 44% of the total Group employees in the following countries: Austria, France, Germany, Italy, Czech Republic, Spain and Switzerland.

# 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 400 companies and over 71 thousand employees.

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

## 1831

Assicurazioni Generali Austro-Italiche were established in Trieste, that 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 affected the whole Europe. After the Allied victory over the Central Powers, Trieste became part of Italy: as a result, Generali became an Italian company.

## 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.

## 2011-2016

Recent years have driven a new phase of change, with a new top management and a corporate reorganization. The Group presented the update of its strategic plan at the Investor Day in November 2016, which aims to set out a new business model and confirm the achievement of the already announced targets by 2018.

*Our strategy, p. 30*


# 2017 **key facts**

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

## January

On 25 January, the Board of Directors of Assicurazioni Generali terminated its employment contract with Alberto Minali and appointed Luigi Lubelli as Group CFO, who also joined the Group Management Committee. 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.

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

On 23 January, Assicurazioni Generali communicated that it had acquired voting rights on 505 million shares of Intesa Sanpaolo S.p.A., equal to 3.01% of the share capital, through a securities lending transaction.

## February

Generali Finance B.V. exercised the early redemption option on the perpetual subordinated bond on 8 February for an amount totalling € 869 million. This debt had already been refinanced through the subordinated bond, concluded on 8 June 2016, for an overall amount of € 850 million, targeting institutional investors.

## March

On 15 March, the Board of Directors of Assicurazioni Generali approved the appointment of Aldo Mazzocco as the new CEO and General Manager of Generali Real Estate; he became a member of the Board of Directors of Generali Real Estate in June.

The new Charter of Sustainability Commitments of the Group was approved by the Board of Directors of Assicurazioni Generali. This document outlines the position of Generali with respect to sustainability as well as its commitments to stakeholders.

*www.generali.com/our-responsibilities/responsible-business/charter_sustainability_commitments-*

## April

On 20 April, Assicurazioni Generali completed the share capital increase in execution of the Long Term Incentive Plan approved by the Shareholders' Meeting of the Company on 30 April 2014. The share capital of Assicurazioni Generali, fully subscribed and paid up, is subdivided into 1,561,808,262 ordinary shares of € 1 each (par value).

On 26 April - and following Fitch's recent downgrade of Italy's sovereign rating to 'BBB' from 'BBB+', with Stable Outlook - the agency announced that it has affirmed Generali's and its subsidiaries' IFS ratings at A-. The Outlooks are Stable. Fitch explained that the ratings are two notches higher than Italy's sovereign rating (BBB/Stable), "in recognition of Generali's resilient capital position and strong geographical diversification (with around 60% of operating result from outside Italy), including significant operations in France and Germany with strong market positions".

On 27 April, the ordinary and extraordinary Shareholders' Meeting of Assicurazioni Generali appointed the Board of Statutory Auditors for the three-year period 2017-2019, electing Carolyn Dittmeier (Chairwoman), Lorenzo Pozza and Antonia Di Bella as auditors and Francesco Di Carlo and Silvia Olivotto as substitute auditors. The members of the Board of Statutory Auditors declared that they met the conditions of professionalism, respectability and independence.

*Our governance, p. 36*

## May

The new strategy for the Asset Management division was announced on 11 May. The objective is to address the needs of insurance companies and individuals in a low interest rate environment and supporting Generali's shift towards a greater contribution from fee-based business. The new Asset Management strategy is based on two pillars: broadening the investment capabilities and offering bespoke investment solutions to European companies and savings products to individual clients. This division will broaden investment capabilities and enlarge product offering to reach € 500 billion of assets under management by 2020.

*Our strategy, p. 30*

On 30 May, Assicurazioni Generali sold 510 million ordinary shares of Intesa Sanpaolo S.p.A., amounting to 3.04% of the share capital, and which had been acquired in January. At the same time, Generali ended the collateralized derivative transaction, settled on 17 February, in order to fully hedge the economic risk related to the acquisition of these shares. The Generali Group maintains a marginal exposure to Intesa Sanpaolo shares as an ordinary financial investment.

## June

Effective as of 1 June, Jean-Laurent Granier joined the Generali Group as Country Manager and Président Directeur Général (PDG) of Generali France. He also joined the Group Management Committee. Eric Lombard resigned from the Group.


## July

Generali returned to the Insurance Linked Securities (ILS) market with a € 200 million catastrophe bond on floods and windstorms in Europe and earthquakes in Italy, through a reinsurance agreement with Lion II Re DAC, an Irish special purpose company, providing per occurrence cover in respect to any mentioned events which occur to the Generali Group over a four-year period. The Lion II Re transaction transfers part of these risk to the bond investors allowing for a more optimized protection for the Group against catastrophes.

On 19 July, an agreement was signed for the transfer of the shareholding in the Colombian companies[7], equivalent to 91.3% of Generali Seguros and to 93.3% of Generali Vida. The operation is subject to approval from the competent authorities. The sale of the shareholding in the Guatemala subsidiary[7] was also completed.

## August

On 1 August, the Board of Directors of Assicurazioni Generali appointed Nora Gürtler as Head of Group Audit as from 1 October.

On 7 August, an agreement for the sale of its assets in Panama[7] was undersigned. The operation is subject to approval from the competent authorities.

## September

On 13 September, an agreement for the transfer of the entire shareholding in Generali Nederland N.V.[7] was undersigned with an initial compensation of € 143 million, subject to adjustment on the closing date of the operation as well as approval, inter alia, from the competent authorities. The operation was completed in February 2018.

On 28 September, the subsequent phase of industrial transformation of Generali Deutschland was initiated in order to strengthen operational performance and increase value creation in the long term.

## October

On 18 October, the Board of Directors of Assicurazioni Generali deliberated in favour of the entry - within the Group Management Committee - of Isabelle Conner, Group Chief Marketing & Customer Officer, and of Monica Alessandra Possa, Group Chief HR & Organization Officer; it also deliberated in favour of the mutually agreed resignation of Valter Trevisani, Group Chief Insurance Officer.

The Human Safety Net, a new Group initiative for the community, was launched.

*Vision, Mission, Values, p. 21*

## November

In Paris, the Argus de l'Assurance digitale award within the "Best mobile strategy" category was received for the Mobile Hub product, a mobile app launched internationally and known in France as Mon Generali. The award, assigned by one of the most prestigious specialized magazines, L'Argus de l'Assurance, is in recognition of the Group's commitment to realize its strategic plan with an increasingly digital and innovative approach which will render Generali simpler, smarter, faster.

## December

On 18 December, an agreement for the transfer of the entire shareholding in Generali PanEurope[7] was undersigned with an initial compensation of € 230 million, subject to adjustment on the closing date of the operation. The operation is subordinate, inter alia, to approval from the competent authorities and its completion is expected within the first half of 2018.

An agreement for the transfer of the run off P&C portfolio of the British subsidiary was signed on 19 December.

The Board of Directors approved the creation of a new position, the Group Chief Operations & Insurance Officer, effective as of 1 January 2018. The responsibility for this function - which integrates the activities of the Operations division with those of the Insurance Officer, in addition to directly reporting to the Group CEO - has been entrusted to Jaime Anchustegui Melgarejo, previously manager of the EMEA division; he will therefore become a member of the Group Management Committee.

7 The operation is part of the Group's strategy to optimize its geographic presence as well as improve operational efficiency and the allocation of capital.

*Our strategy, p. 30*


# **Significant events after** 31 December **2017** and **2018** corporate event **calendar**

## February

Generali completed the sale of its entire shareholdings in Generali Nederland N.V. (and its subsidiaries).

The Net Promoter Program of Generali was recognized as the world's best by Medallia during the Experience Europe 2017 event held in London.

*How we create sustainable value: our business model, p. 19*

Generali approved the strategy on climate change.

*Our rules for running business with integrity, p. 23*

## March

**14 March 2018:**
Board of Directors approving the Annual Integrated Report and Consolidated Financial Statements*, the Parent Company Financial Statements Proposal and the Corporate Governance and Share Ownership Report as at 31 December 2017 and the Remuneration Report

* The Annual Integrated Report includes the Consolidated Non-Financial Statement.

*Consolidated Non-Financial Statement, p. 80*

**15 March 2018:**
Publication of the results as at 31 December 2017

## April

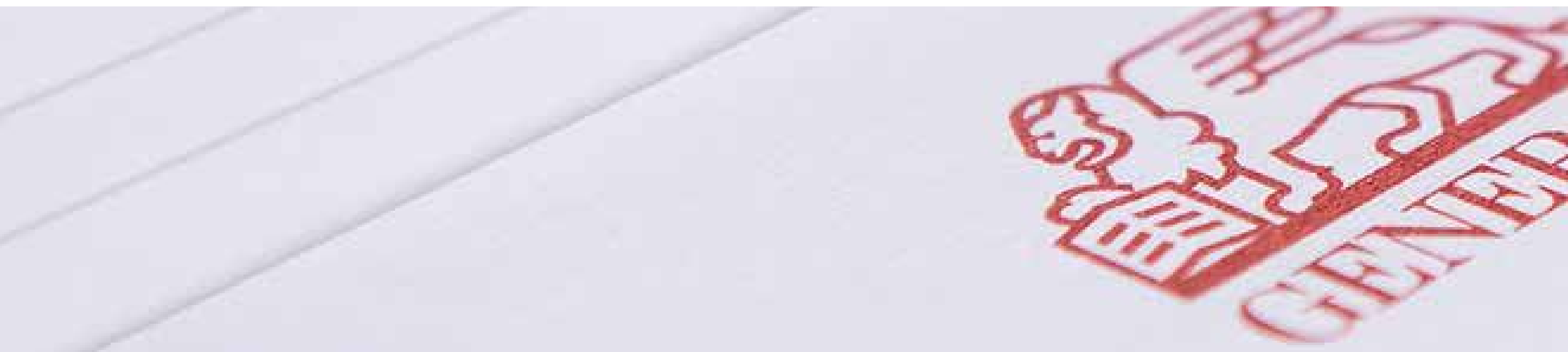
**19 April 2018:**
Shareholders' Meeting Approval of the Parent Company Financial Statements as at 31 December 2017 and the Remuneration policy as well as the other agenda items

## May

**3 May 2018:**
Board of Directors approving the Interim financial information as at 31 March 2018

**4 May 2018:**
Publication of the results as at 31 March 2018

**23 May 2018:**
Dividend pay-out on the share of Assicurazioni Generali



## July

**31 July 2018:**
Board of Directors
approving the Consolidated financial half-yearly report as at 30 June 2018

## August

**1 August 2018:**
Publication of the results
as at 30 June 2018

## November

**7 November 2018:**
Board of Directors
approving the Interim financial information as at 30 September 2018

**8 November 2018:**
Publication of the results
as at 30 September 2018

**21 November 2018:**
Investor Day

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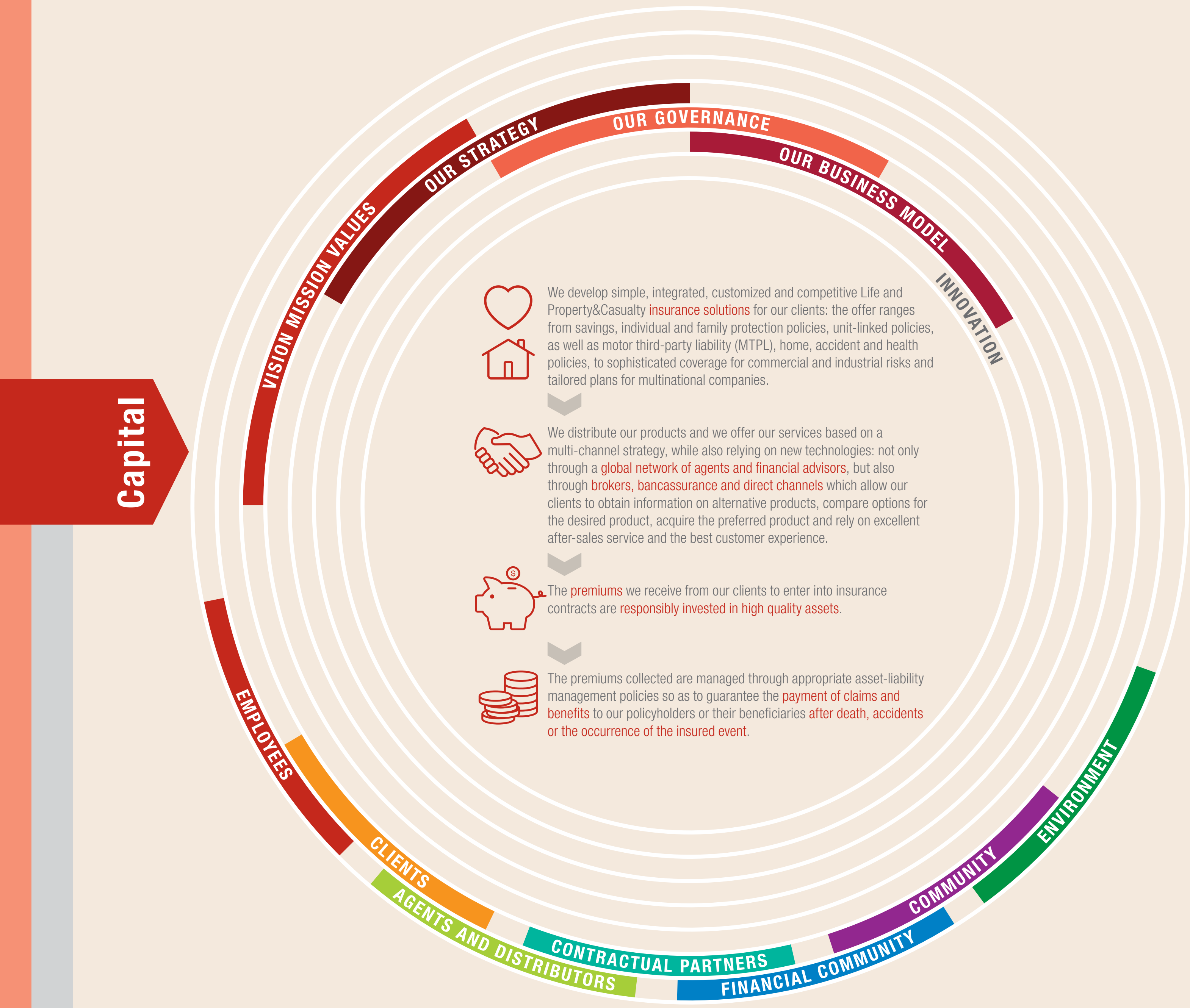
# How we create **sustainable value**: our **business model**

## External context




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.

*Glossary available at the end of this document*

**Financial capital**
**13.4% RoE** (+0.0 pps)
**€ 1,330 mln proposed total dividends** (+6.5%)

*Our performance, p. 45*

**Human capital**
We are committed to valuing and developing our people in order to be ready to more effectively meet future challenges. We listen to them as to understand how we can improve and meet their needs.
**Global Engagement Survey 2017**
**86% response rate** (+1 pps vs 2015)
**80% engagement rate** (-2 pps vs 2015)

*Our strategy, p. 32*

**Natural capital**
We are committed to contributing to the transition towards a more sustainable economy and society, even by managing our direct impact.
**t 112,782 $CO_2$e total emissions** (-9.5% vs base year 2013)

*Our rules for running business with integrity, p. 23*

Total emissions refer to 44% of the total Group employees in the following countries: Austria, France, Germany, Italy, Czech Republic, Spain and Switzerland.

## Output

## Impact

**Social and relationship capital**
We continue to implement our **Net Promoter System Program** - recently awarded by Medallia as one of the most successful global programs - and listen to our customers and distributors while responding to their feedback and allowing ourselves to improve their satisfaction and loyalty.
**Customer T-NPS**, active in 54 business units and with a coverage of approximately 90% of our customer base
167 thousand unsatisfied clients were re-contacted
+350 quick wins were implemented
+250 structural improvements
**Distributor R-NPS**, active in 31 sales channels in 20 business units
147 improvements were implemented
Global Agent Excellence Contest launched in 23 business units to improve digital adoption and further empower our agents.
**Connected Agent and Mobile Hub**, initiatives which aim to respectively equip our agents with tools to interact with customers through digital channels and our customers with a platform for managing their policies through their cell phones in an easier and more independent manner. The agents have already been provided with tools in Spain, Argentina, Austria, Switzerland and Indonesia; the platform was launched in France and Switzerland and is being launched in Italy and Spain.

We support the most vulnerable people through **The Human Safety Net (THSN)**, a global initiative which tackles three important socio-demographic issues.

*Vision, Mission, Values, p. 21*

**Manufactured capital**
**approximately € 26 billion in real estate assets** composed of both historical properties as well as recent ones, and managed by Generali Real Estate (GRE) for the purposes of creating eco-sustainable value. Within the realm of the European project, Green Building Workshop, GRE developed the Green Building Guidelines (GBG) which aim to improve the environmental performance of the real estate assets of the Group by bringing them to elevated standards in order to mitigate the future obsolescence of properties and to ensure that - along the entire real estate value chain - all affected parties (manufacturers, administrators, tenants) understand and respect effective sustainability rules. An increasing number of buildings is therefore certified according to HQE, DGNB, LEED and/or BREEAM standards.

**Intellectual capital**
We have strong technical know-how which allows us to offer insurance solutions that are high in quality as well as innovative and digital so as to meet the needs of our clients and simplify our processes.

*Our strategy, p. 30*

# Vision, Mission, Values

## 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.

The Human Safety Net

NFS

We support the most vulnerable people through The Human Safety Net (THSN), the new Group flagship initiative for the community. The Human Safety Net's programmes target three key social and demographic issues affecting communities where we live and work:

- creating equal life opportunities for children from disadvantaged backgrounds

  Generali wants to promote equal life chances for children from disadvantaged backgrounds, by helping parents to boost their children's cognitive, motor and social development through play, reading, nutrition and providing a safe and stimulating social environment.
  THSN aims to support 30,000 parents during the first six years of their child's life, which has been scientifically proven as the most formative period in children's development.

- supporting refugee to set up their start-ups

  Generali wants to empower refugees to realize their entrepreneurial potential and build livelihoods in their new 'home' countries.
  THSN will support those who have the experience and skills to create their own businesses and to become self-sufficient, thus setting up 500 new businesses and opportunities for work.

- saving newborns from the debilitating and potentially fatal consequences of asphyxia

  In Europe and Asia, THSN is investing in innovative technologies and better care to help tackle asphyxia, that can result in severe and permanent injuries to the baby's brain, with the aim to train and equip professionals to help save 1,000 lives from this potentially fatal condition.

THSN will operate through partnerships with NGOs and social enterprises that will be selected through due diligence and monitored using a new reporting system, based on the London Benchmarking Group framework i.e. the global standard to measure investments in the communities.
Based on a 3-year strategy supported by a new set of Group guidelines, this initiative has already been launched in Germany, France, Argentina, Indonesia and Spain and aims to be active in the majority of the business units by 2020.

As part of its long-term commitment, Generali is creating a home for THSN in its most prized properties: the Procuratie Vecchie in St. Mark's Square in Venice, a UNESCO World Heritage Site where Generali is committed to an important renewal project that will be extended to other spaces around the square and the adjacent Royal Gardens.

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# **Our rules** for running **business with integrity**

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

We operate in a sustainable manner in all our operations and support the community in addition to our daily activities. These are the two pillars on which our vision of sustainability is based:

> *“ We contribute towards a healthy, resilient and sustainable society where people can develop and flourish. This is how we live our role as a corporate citizen, creating long-term value for our stakeholders”.”*

This vision is outlined in the Charter of Sustainability Commitments approved by the Board of Directors of Assicurazioni Generali in 2017 which renews the commitment of the Group with respect to its stakeholders and the society in general.

We have a collection of Group policies and guidelines published within the website of the Group which support our operations in a sustainable and responsible manner.

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

The Code of Conduct defines the basic behavioural principles which all the personnel of the Group is required to comply with: these principles are outlined in specific guidelines that refer, for example, to the promotion of diversity and inclusion as well as the management of conflicts of interest, personal data protection and corruption prevention.

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

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

*Our performance, p. 49*

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

The overall set of Group policies and guidelines contributes to ensure respect for human rights, particularly with reference to the Code of Conduct, the Responsible Investment Guideline and the Ethical Code for suppliers. In 2017, the Group has initiated a series of in-depth activities in order to identify areas and activities for improvement, and which will be completed in 2018.

We also have a structured internal Group regulatory system, regulated by the Generali Internal Regulation System Policy (GIRS). The Group policy cover the internal control system and governance as well as the risk management system - linked in particular to monitoring solvency (Solvency II) - in addition to the primary areas of financial and non-financial risk.

*Corporate Governance and Share Ownership Report 2017, p. 45*

Personal Data Protection
**Sponsorship** **Responsible Investment**
**Community Initiatives** Environment and Climate
**Information Security** **Physical Security**

The primary risks of compliance are monitored by specific programs utilized throughout the Group.
We regularly monitor - by means of specific risk assessment activities - our exposure to these risks in order to minimize potential reputational and economic damages deriving from the violation of regulatory provisions, including those which aim to prevent corruption. .

We condemn and combat all forms of corruption and financial crime.

We have made available communication channels (Group Compliance Helpline) to our employees, customers and suppliers, even in anonymous format, which ensure an objective and independent management of reports of actions which violate ethics, our principles and our regulations, in accordance with a whistleblowing policy which we have been applying for years. These channels are active 24 hours a day. We have also adopted a rigorous policy against retaliations.

**149 managed reports**

**60,921 (85.4%) employees**

have completed the training course on the Code of Conduct

**Compliance. Building Trust**

a global communications campaign which is also supported by a video message of the Chairman within the Group Portal as well as on the website of the Group and on YouTube in addition to a personal message to all employees from the Group CEO which emphasizes the importance of compliance for our success

**2 Compliance Week**

aiming to promote both knowledge of the Compliance Management System as well as the importance of compliance and the concept of integrity in company operations

We are committing to rendering our HR training system increasingly effective.
We continue to work in activities for creating awareness and training on the different themes of the Code.
The implementation of certain training programs - both online as well as in the classroom, combined with a global communication program - aims to create full awareness within employees of the importance of the Code and one's responsibility to report each violation that one becomes aware of. Everybody is encouraged to voice their concerns or request clarifications on any topic handled by the Code.

In accordance with that declared in our Group Policy for the Environment and Climate, we have established a multi-dimensional approach to the environmental theme which considers:

**Direct impact**

In 2014, we have defined an objective for reducing our Carbon Footprint by 20% within 2020 (base year 2013).

**t 112,782 $CO_2$e**

(-9.5% vs base year 2013)

Total emissions refer to 44% of the total Group employees in the following countries: Austria, France, Germany, Italy, Czech Republic, Spain and Switzerland.

Total emissions mainly come from energy consumption. In 2017, the purchased renewable energy was equal to 74.6% of the total acquired energy.

**Indirect impact**

Our commitment to contributing towards the transition to a more sustainable economy and society is also expressed through a strategy which focuses, in particular, on insurance activities and investments.
With regard to investments, Generali, as asset owner (general account investment), commits to developing the following actions:

- green investments by 2020: investments in green sectors will be increased by € 3.5 billion (mainly through green bonds and green infrastructures). Generali will monitor the action plan annually to assess if it is being properly implemented and possibly raising the objectives
- positioning in coal-related activities: Generali will not make any new investments in businesses associated with the coal sector. With reference to the current exposure to the coal sector, equivalent to approximately € 2 billion, Generali will dispose of equity investments and gradually eliminate bond investments by bringing them to maturity or considering the possibility of investing them before maturity. The Group will allow exceptions only in those countries where the production of electrical energy and that for heating are still dependent on coal, without alternatives in the medium term. These exceptions currently represent a marginal portion of investments (equivalent to 0.02% of the general account).

With regard to underwriting, as for premiums related to non-Life products, Generali commits to developing the following actions:

- growth in green insurance: the percentage of the premium portfolio related to the renewable energy sector will be increased as well as the offering of products with environmental value (e.g. sustainable mobility and energy efficiency) for the retail market and SMEs
- positioning in coal-related activities: Generali 's current exposure to coal-related activities is minimal in relation to total non-Life premiums and primarily refers to countries where the economy and employment heavily depend on the coal sector. The Group will continue its policy of minimal insurance exposure.

In countries where the economy and employment heavily depend on the coal sector, Generali will engage issuers, clients and other stakeholders through constant dialogue.

**Public commitment**

In line with the commitments made when adhering to certain important international initiatives (Paris Pledge for Action, The Geneva Association - Climate Risk Statement, European Financial Services Round Table), we actively participate in work groups as well as national and international events pertaining to green finance, including the Italian National Dialogue on Sustainable Development promoted by UNEP and the Italian Ministry of the Environment. We have organized significant institutional events, including the presentation of the Interim Report by the High-Level Expert Group (European Commission) on sustainable finance in Italy.

*www.generali.com/our-responsibilities/our-commitment-to-the-environment-and-climate for additional environmental information*

# **Risks and opportunities** of the external context

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The capacity of the Group to create value can be significantly influenced by certain factors in the short, medium and long term which then determine risks and opportunities.

## Uncertain financial and macro-economic landscape

During the course of 2017, the global economy grew at a rate that was greater than expected due to the dynamic nature of domestic demand in developed economies. The Eurozone grew not only as a result of dynamic consumption but also as a result of increased investment. Within Eastern European countries, the positive economic trend continued, driven by consumption and a growing labour market, including salary increases which sustained inflation.
Within Europe, significant events include the victory of Macron within the French presidential elections, the advance elections in the UK as well as the advance elections in Catalonia. On the global level, on the other hand, the year was characterized by significant political uncertainties (Russiagate, tensions with North Korea) which influenced the confidence levels of operators within financial markets. Within the USA, GDP growth compared to the previous year was 2.2% and the labour market continued to gain strength, with an unemployment rate that fell in November to 4.1%, the lowest level in the last 17 years. Significant uncertainty developed in relation to the abolition of Obamacare and tax reform; the primary point of the latter was the decrease in fiscal load for companies. Inflation remained, in any case, low despite increases in both the USA and Europe. Growth in Asia, in particular China, continued at significant levels.
With regard to the insurance sector in Italy, Germany, France and Spain (in a persistent environment of low interest rates and stringent capital requirements), the Life business was characterized by the sale of unit-linked policies, which however failed to offset the decrease in traditional products. P&C business continued to grow throughout Europe: in Italy the slight increase in the P&C business was mainly attributable to the health insurance business; in France, Germany and Spain the result was also positively affected by the motor business

## Regulatory evolution

The insurance industry is characterized by a detailed regulatory system consisting of continuously evolving domestic and European regulations. Some of the most significant are:

- European directive Solvency II, the European insurance market supervisory framework which includes three pillars: capital measurements, governance and risk management systems and reporting
- 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
- IFRS 9 (financial instruments) and IFRS 17 (insurance contracts) that - as of 2021 - will be the new reference accounting standards for the valuation of the most significant items of the insurance financial statements, i.e. financial instruments and liabilities to policyholders

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- 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
- European directive on non-financial information, transposed into the Leg. Decree 254/2016.

*Risk Report*
*for a detailed description on the risk profile and the main risks, p. 94 of the Annual Integrated Report and Consolidated Financial Statements 2017*

## Identified risk | Our risk management

**Financial risk**

**Credit risk**

**Strategic risk**

The constraints imposed by the calculation of the capital requirement according to the Solvency II regulations, market expectations, the Group's profitability targets and the expectations of policyholders' returns are the main factors influencing the formulation of the investment allocation strategy. The regulatory system and the continued low interest environment - despite overall positive global growth - render it essential to manage assets in a rigorous and careful manner that is consistent with liabilities. Geographical diversification and selective focus on alternative investments and real assets (real estate assets and/or infrastructural assets, both direct and indirect) are important factors in investment activities which aim to contain portfolio risks and sustain current profitability. The creation of a multi-boutique insurance asset manager platform is part of the strategy to enhance the investment capacity in these market sectors.

## Identified risk | Our risk management

**Strategic risk**

**Operational risk**

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 regularly evaluate our exposure to the risk of non-compliance and assume prompt measures to adequately manage it.
We continue to apply the requirements of Solvency II and are engaged in the various tests carried out by the International Association of Insurance Supervisors (IAIS) in order to determine the final architecture and calibrations of the supervisory requirements.
We are making investments which aim towards the methodological and operational implementation of the new international standards IFRS 9 and IFRS 17 for the evaluation of financial instruments and insurance contracts, also by actively participating in specialized international and national work groups on the issues subject to implementation.
In accordance with our customer focus strategy, we have implemented the transparency requirements for investment products required by EU legislation by putting the best practices of the Group into common use. We are working to be ready to apply the new regulatory requirements on insurance distribution and personal data processing.
Finally, we monitor regulatory developments pertaining to non-financial information; the first reporting on this topic was implemented within this document.

*Consolidated Non-Financial Statement, p. 80*

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## Technological evolution

We are facing profound changes caused by the interaction and cumulative effect of multiple technological developments: 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 (such as the development of programs for the prevention of losses) as well as develop new products and re-design operational processes. On the other hand, it creates potential challenges deriving from the management of personal data and the automation of decisive processes in addition to new challenges within the traditional risk management insurance model.
At the same time, elevated technological growth implies an exponential evolution in cyber threats, both in terms of volume as well as typology (i.e. targeted attacks which aim to steal information or block operational processes). Adequate management of cyber risk is therefore fundamental in order to limit potential effects of economic and operational nature but also to preserve, in particular, the confidence of customers in the processing of their data which are frequently sensitive. This issue is also increasingly relevant for regulators which are requesting the introduction of specific safety measures as well as reporting processes in the case of violation of the data (Regulation on personal data protection).
Finally, technology as an enabling element of the processes may also impair business continuity, representing a potential threat (malfunction of equipment and systems, etc.) if appropriate measures are not applied.

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## New customer needs

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

Customers currently place greater focus on 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.

*Risk Report*
*for a detailed description on the risk profile and the main risks, p. 94 of the Annual Integrated Report and Consolidated Financial Statements 2017*

| *Identified risk* | **Our risk management** |
|---|---|
| ***Strategic risk*** <br> ***Operational risk*** | We have implemented a cloud analytical platform (with EU server) for the management and analysis of data derived from our business units. Each of these has a dedicated and exclusive area available to them where the data are initially uploaded and processed in an absolutely anonymous manner; at the end of the process, the results/models which are attained are made available to the requesting operational units. The platform takes advantage of the currently most innovative technologies which were also essential to define a series of applications available to all business units, thereby ensuring superior user experience so as to increasingly meet customer requests for greater digital interaction. This development is based on a hybrid architecture that offers the latest mobile technology.<br>In order to protect ourselves from new threats we are continuing to enhance our ability to prevent, detect and respond to potential cyber attacks while implementing the most innovative security solutions and continuously improving our response processes. In particular, we acquire and analyse threat intelligence from multiple external and internal sources so as to increase our prevention capacity while adopting the best market solutions to detect and prevent potential attacks. We have also strengthened the Group's security governance model, defined a policy and implemented effective awareness campaigns for our employees in relation to the management of security risks.<br>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. |

| *Identified risk* | **Our risk management** |
|---|---|
| ***Strategic risk*** <br> ***Insurance risk*** | We aim to become the first choice of clients and distributors. We aim to 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. The digital transformation taking place in our business units allows us to increase the efficiency of our distribution network across the world: our aim, in fact, is for the interaction with customers to be increasingly based on a consulting approach, i.e. based on an understanding of the needs of individual customers and on the offer of a personalized solution. |

## Environmental challenges

Global warming caused by the emission of greenhouse gases has resulted in an increase in the volatility of climate events, particularly extreme conditions such as hurricanes, floods, heat waves and droughts.
In addition to an increase in physical risks, there is also growing awareness at the political level, even international, in relation to these issues. This has strategic and regulatory repercussions on activities affected by climate risk, particularly in Europe. For example, there is the emergence of new financial risks (creation of stranded assets) as well as risks connected to the transition to a low-carbon economy due to unknown factors generated by the use of new technologies and business models with reduced emissions.
These factors are increasingly affecting the economic and social system, including the insurance sector, which is thus facing new risks and opportunities.
Opportunities arise from a new or increased demand for coverage which needs to be met with innovative products. For this to be sustainable, however, appropriate countermeasures must be prepared at the same time. These are necessary in order to avoid increased damages and greater volatility which would negatively affect the price dynamics of the policies, also due to the greater absorption of capital deriving from underwritten business. If they are not present, access to insurance would be excessively costly or, in extreme cases, the offer would not be feasible.

*Glossary available at the end of this document*

## Demographic and social change

Modern communities are affected by distinct demographic and social phenomena with a strong impact on their socio-economic balances.
In Europe, the continual process of population aging, driven by an increase in life expectancy and a decrease in birth rates, is only partially counterbalanced by international immigration. The non-European area is affected by similar phenomena, albeit of a distinct nature with respect to local socio-political characteristics.
Younger age groups are affected by a reduced and often discontinuous capacity to generate average income; this is strongly influenced by a flexible but precarious labour market that does not ensure reasonable certainty for financing the public welfare system.
The result is increasingly unbalanced communities where higher post-retirement pension and healthcare requirements are no longer properly financed and covered by the public system, in addition, the limited economic and financial resources produced by the younger categories of the population, or from private savings in general, have to be directed and valued more carefully.

*Risk Report*
*for a detailed description on the risk profile and the main risks, p. 94 of the Annual Integrated Report and Consolidated Financial Statements 2017*

| Identified risk | Our risk management |
|---|---|
| **Underwriting risk**<br>**Emerging risks**<br>**Operational risk** | 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 and thereby optimizing our underwriting strategy. Re-insurance plays a fundamental 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. In accordance with our commitments to favour the transition to a low-carbon society and the global targets established at the COP21 conference, we continue to monitor and reduce our direct impact through a responsible management of key activities; we also incentivise the adoption of environmentally sustainable behaviour within our spheres of influence through our insurance solutions as well as our investments in order to reduce indirect impact of our activities. 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 decrease 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 cause serious harm to the environment. We support research and studies on environmental risks.<br>We adopt sustainability criteria for the underwriting of new insurance policies that are in line with the best and universally recognized sustainability standards, even through the use of specific third-party tools while analysing in detail and potentially excluding business opportunities that are not consistent with principles of environmental, social and governance sustainability.<br>In particular, we utilize internal and external monitoring processes of environmental emissions associated with the activities in our investment and insurance portfolios. As a result, we are capable of monitoring, on the one hand, any business and environmental risks associated with greenhouse gas emissions and, on the other hand, we can design and develop new solutions that simultaneously offer a competitive advantage to our Group as well as an incentive for policyholders for the transition to a business model with reduced emissions. |

| Identified risk | Our risk management |
|---|---|
| **Underwriting risk**<br>**Emerging risks** | We actively engage in creating more stable communities while monitoring and tackling the effects of a changing society. We develop and offer flexible and modular solutions with elevated social security and welfare content for the coverage of healthcare costs and other potential current and future needs for individuals, families and communities. We undertake to strengthen dialogue with individuals during their entire period of interaction with our companies.<br>We provide customers with complete and easily accessible information on products and services while helping them to understand the primary risks that may affect their income capacity and aiding them in accurately assessing their capacity to save as well as identifying their current and future needs.<br>We believe that insurance coverage is the most appropriate tool to forecast and meet potential needs of both younger and older individuals with the required advance notice; we therefore formulate and present offers even in the case of market contexts with little knowledge and low individual propensity for insurance solutions. |

# Our **strategy**

2015
**SIMPLER AND SMARTER**

Increasingly challenging
external context

## Accelerate

## Improve operating performance[8]

**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.

At least € 1 bln
cash proceeds from disposals

**Rationalize the operating machine**

We are committed to constantly improving the 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.

€ 200 mln
net reduction in nominal OpEx cost base in mature markets

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

Best combined ratio
further improvement in outperformance vs peers

Guarantees maximum 0%
on new retail business

## Our people

8 The achievement of the targets reported in this chapter is expected by 2018, with the exception of the Asset Management target that is expected by 2020. The target about the € 200 net reduction in nominal Opex cost base in mature markets has been achieved a year in advance, in 2017.

2016-2018
**SIMPLER, SMARTER. FASTER**

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

# to excellence

## Long-term value creation[8]

**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.
We aim through the new Asset Management strategy to enhance investment capabilities and offer bespoke investment solutions to European companies and individual savings products.

~30 bp reduction in average portfolio guarantee to 1.5%

+6 pps on the total capital-light reserves

+150 mln Group net profit from Asset Management

**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.

+ 2 pps
increase in retention

**Strengthen the brand**

We aim to become the first choice for consumers.
We are focusing on strengthening brand preference in four areas: provide a delighting experience to our customers and distributors; shift to digital marketing channels (web, mobile and social); provide content on how to live a healthier, safer life; enhance the look & feel of our brand, to make it more straightforward, dynamic and likeable.

+ 3%
brand preference in mature markets

## Innovation

# Our people always at the heart of the strategy

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As to ensure the attainment of the business strategy, respecting our values, we have developed the Generali People Strategy that is based on four priorities:

**71,327 employees** (-3.3%)

**49.8%** (+0.4 pps)

**50.2%** (-0.4 pps)

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

Promoting **Engagement** ① & **Empowerment**

- we measure and promote engagement

In June 2017, we carried out the second edition of the Global Engagement Survey, a managerial tool for continuous improvement.

**86%** (+1 pps vs 2015)
response rate

**62.711** employees
**45** countries
**175** companies
**33.571** open comments received

**80%** (-2 pps vs 2015)
engagement rate

**8 out of 10** of us feel engaged

The engagement rate is calculated on the basis of the average percentage of collected favourable responses by means of the following questions:

I strongly believe in the goals and objectives of my Company.
**78%** favourable responses

I am proud to work for the Generali Group.
**83%** favourable responses

I am willing to work beyond what is required to help my Company succeed.
**87%** favourable responses

I fully support the Values for which the Generali Group stands.
**83%** favourable responses

I would recommend the Generali Group as a place to work.
**79%** favourable responses

My Company inspires me to do my best work.
**68%** favourable responses

We want to accelerate the process of generating excellence by leveraging our strengths and rapidly acting upon improvement opportunities. We therefore commit ourselves to focusing our action plans on four global priorities in addition to local ones:
- foster strategy cascading and communication
- keep investing in performance management and meritocracy
- accelerate on effectiveness and velocity
- further enhance a diverse and inclusive culture.

More than 390 local actions were identified, initiated and communicated as of January 2018.

- we create and promote a new global managerial system

We have developed the Managerial Acceleration Program (MAP) in order to strengthen the sense of responsibility and engagement in changing the corporate culture of the Group. By means of internal focus groups sessions, inputs were collected in order to identify the eight key managerial skills to empower our people: the Generali Empowerment Manifesto (GEM).

**8,900** managers responsible for people trained by internal trainers by 2019

- we boost a performance culture
  By means of the Group Performance Management we promote engagement and a sense of responsibility for all our people so that they can contribute towards the attainment of our business strategy and strengthen transparency and meritocracy. The process was launched globally in 2016 with the implementation of numerous initiatives coordinated by the Group and managed locally, including classroom courses, e-learning modules and workshops for managers and collaborators.

  **86%** Group employees involved in performance management activities in 2017[9] (+25 pps)

  The dialogue on performance will be expanded to the whole Group by the end of 2018.

*Corporate Governance and Share Ownership Report 2017, p. 72 and 105 for additional information on the diversity of administration, management and control bodies*

- we improve diversity and inclusion (D&I)
  We are committed to promoting a culture of inclusion which ascribes value to individuals and diversity of all types, particularly with regard to cultural, gender, generational and disability diversity.

  In 2017, we have set a Group D&I Council that is led by a business sponsor of the Group Management Committee in the person of Frédéric de Courtois and has the task of establishing objectives and actions for promoting diversity and supporting these in local situations.
  We are focused on training modules within managerial training programs as well as different programs and events which aim to analyse the issue in depth. A few examples:
  – Be bold for women, for a group of international talents who have analysed in depth the theme of unconscious prejudices, particularly those which are gender-related, and have identified practical solutions for the elimination of barriers to gender balance and greater capacity of managers for inclusion
  – Inspiring Leaders on Diversity and Inclusion, for 100 people and with top testimonials
  – Our differences, our strengths, with a report on unconscious prejudices and their impact on decision-making processes.

Strengthen **2** **our Leadership & Talents**

- we provide succession plans for all key positions and career paths that facilitate professional growth with the aim of fostering internal growth in key positions
- we develop leadership skills at various levels in the organization through international training programs with the best Business Schools
- we identify and develop talents at the local and Group level with specific internal and external assessment programs
- we attract, select and retain the best people through internal mobility and training programs

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

- we align the Group organization with the business evolution, with a clear model that is based on shared rules, local empowerment and integration mechanism
- we identify and invest in new key capabilities, in particular those related to insurance sector through the Group Academy and qualified, internal trainers

**88.7%** (-2.4 pps)
trained people

**33.2 average hours** (-10.9%)
of training per capita

**€ 54.7 mln** (-10.8%)
training costs

- we support smart working and, in general, we develop a new approach to working that empowers us by increasing our flexibility, autonomy and responsibility
- we simplify our HR processes with a cutting-edge platform

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

- we focus on customer needs, through the implementation of a Group NPS program
- we value our 'Client Heroes', through recognition processes

*www.generali.com/our-responsibilities/investing-in-our-people e www.generali.com/it/work-with-us for more information on our people*

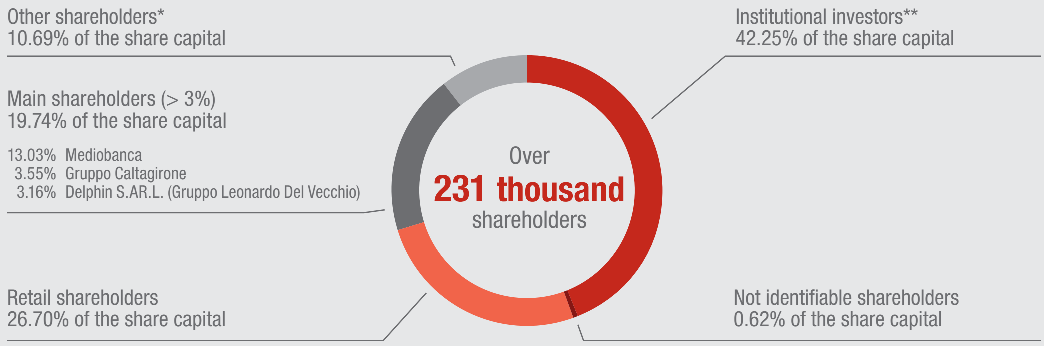
As part of the operational risk management, the annual assessment of the categories that can impact on our people* was conducted. The results did not show significant critical issues. The Generali People Strategy implementation at Group level supports us in both mitigating any operational risks and managing other objectives, such as those related to the management of internal engagement and the empowerment of our resources, as well as to the management of internal talents and their skills.

9 The data exclusively refers to Group companies, equal to 60,140 employees (84.3% of the total), within the scope of the Group Performance Management process.

10 Basel III - category 3: Employment practices and workplace safety: losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.

# Our **governance** and **remuneration policy**

Within a challenging economic and financial environment, we are convinced that our governance - which complies with the best international practices - is adequate for effectively pursuing our strategy of creating value for all stakeholders in the medium-long term.




* The category takes account of legal entities including Foundations, Trust Companies, Religious Institutions.
** The category includes Asset managers, Sovereign Funds, Pension Funds, Life Insurers.

The data are updated as at 9 March 2018.

There is no stock ownership system for employees and there are no shareholder agreements on shares. It should, however, be noted that the Company facilitates participation in Shareholders' meetings for beneficiaries of long term incentive (LTI) plans - which are based on Generali shares - by providing them with a designated representative.

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

The Company maintains continuing relations with all external stakeholders: institutional investors, proxy advisors and retail shareholders. This intense relationship activity is also substantiated in a specific cycle of meetings with institutional investors and proxy agencies, focusing on issues of corporate governance, remuneration and sustainability which are relevant to the financial community. A constructive dialogue also occurs during the course of the annual Shareholders' Meeting which serves as one of the primary opportunities for communication between shareholders and top management of the Company. Overall participation in the 2017 Shareholders' Meeting grew both in terms of representation of share capital and in terms of the presence of institutional investors.

**Share capital represented in the Shareholders' Meeting**

**52.34%** in 2017

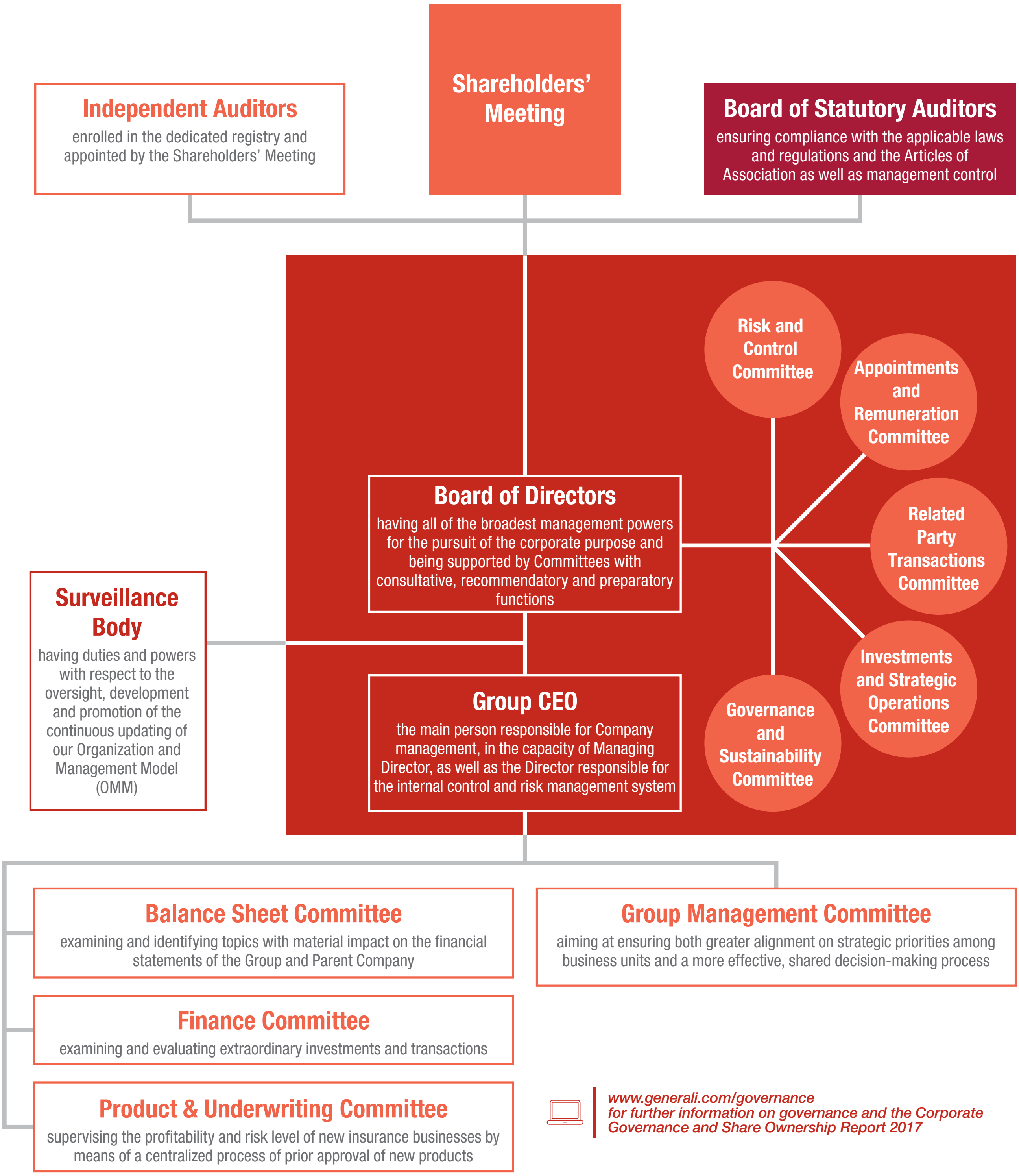
**46.87%** in 2016

**Share capital represented by institutional investors in the Shareholders' Meeting**

**26.18%** in 2017

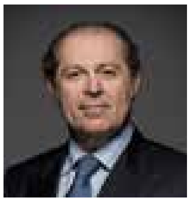
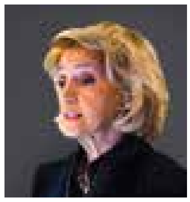
**21.02%** in 2016

The Board of Directors has structured its organization - even through the establishment of special board committees - in a manner that meets the need to define strategic planning in line with the Group's mission, values and culture and, at the same time, monitors the pursuit of this strategy with a view to the sustainable value creation over the medium to long term. Our integrated governance also leverages the varied and in-depth professional skills present in the Board and ensures effective oversight of management's activities.




*www.generali.com/governance*
*for further information on governance and the Corporate Governance and Share Ownership Report 2017*

## Focus on the Board of Directors in office until the 2019 annual Shareholders' Meeting

| | **Gabriele Galateri di Genola** | **Francesco Gaetano Caltagirone** | **Clemente Rebecchini** | **Philippe Donnet** | **Romolo Bardin** | **Ornella Barra** |
|---|---|---|---|---|---|---|
| | Chairman | Deputy Vice-Chairman | Vice-Chairman | Group CEO | Director | Director |
| Age | 70 | 74 | 53 | 57 | 39 | 64 |
| Nationality | Italian | Italian | Italian | French | Italian | Monegasque |
| Professional Background | manager | entrepreneur | manager | manager | manager | entrepreneur |
| In office since | 8 April 2011 | 28 April 2007<br>Vice-Chairman since 30 April 2010 | 11 May 2012<br>Vice-Chairman since 6 November 2013 | 17 March 2016 | 28 April 2016 | 30 April 2013 |
| Board Committee | ■ P ■ | ■ ■ | ■ ■ | ▲ ■ P | ■ ■ | ■ P |
| Independent* | | | | | ✔ | ✔ |
| Executive | | | | ✔ | | |

* As defined in the listed companies' Corporate Governance Code.

**58** **average age**

**38%** **female director**

**61%** **independence level**

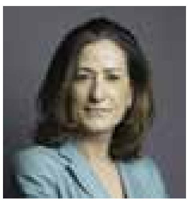
**1** **executive director**

**3** **induction days** on corporate administrative liability, market abuse, management of inside information and reporting of non-financial information

**96%** **average participation in Board meetings**

**14** **Board meetings**

## Focus on the Board of Statutory Auditors in office until 2020 annual Shareholders' Meeting

| | **Carolyn Dittmeier** | **Antonia Di Bella** | **Lorenzo Pozza** | **Silvia Olivotto** | **Francesco Di Carlo** |
|---|---|---|---|---|---|
| | Chairwoman | Auditor | Auditor | Substitute auditor | Substitute auditor |
| Age | 61 | 52 | 51 | 67 | 48 |
| Nationality | Italian and American | Italian | Italian | Italian | Italian |
| In office since | 30 April 2014 | 30 April 2014 | 30 April 2014 | 30 April 2014 | 30 April 2014 |

Appointments and Remuneration Committee

Risk and Control Committee

Related Party Transactions Committee

Governance and Sustainability Committee

Investments and Strategic Operations Committee

Director responsible for the internal control and risk management system

P Committee Chairman

|  |  |  |  |  |  |  |
|---|---|---|---|---|---|---|
| **Paolo Di Benedetto** | **Alberta Figari** | **Diva Moriani** | **Lorenzo Pellicioli** | **Roberto Perotti** | **Sabrina Pucci** | **Paola Sapienza** |
| Director | Director | Director | Director | Director | Director | Director |
| 70 | 53 | 49 | 66 | 56 | 50 | 52 |
| Italian | Italian | Italian | Italian | Italian | Italian | Italian |
| lawyer | lawyer | manager | manager | professor | professor | professor |
| 28 April 2016 | 30 April 2013 | 28 April 2016 | 28 April 2007 | 28 April 2016 elected from the minority slate | 30 April 2013 | 30 April 2010 elected from the minority slate |
| P | P | | | | | |
| ✔ | ✔ | ✔ | | ✔ | ✔ | ✔ |

## Skills and expertise

**62% international experience** in foreign business, professional or academic environments

**62% manager**

**23% entrepreneur skills**

**38% academic skills**

**62% regulation framework and regulatory requirements**

**77% financial and accounting skills**

**77% insurance experience**

**62% industrial experience**

**54% large cap companies**

**56 average age**

**100% average participation in Board meetings**

**60% female auditor**

**24 meetings of the Board of Statutory Auditors**

**3 induction days** on corporate administrative liability, market abuse, management of inside information and reporting of non-financial information

*Corporate Governance and Share Ownership Report 2017, p. 72 and 105 for additional information on the diversity of administration, management and control bodies*

NFS

## The remuneration policy

Our remuneration policy is designed to attract, motivate and retain the people who - due to their technical and managerial skills and their different profiles in terms of origin, gender and experience - are key to the success of the Group, as reflected in our values.
Our remuneration policy reflects and supports both our strategy and values: to be a global insurance Group aiming at creating value and sustainable results, while valuing our people and maintaining commitments to all stakeholders.

The following principles lie at the heart of our remuneration policy and consequent actions::

| | | | | |
|---|---|---|---|---|
| **Equity and consistency** in terms of the responsibilities assigned and capabilities demonstrated | **Alignment with corporate strategy** and defined goals | **Competitiveness** with respect to market practices and trends | **Merit- and performance-based** reward in terms of results, conduct and values | **Clear governance** and **compliance** with the regulatory environment |

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 executives of the Generali Group), 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 Managing Director/Group CEO, the unique executive director, the members of the Group Management Committee (GMC) and the other executives with key responsibilities receive a remuneration package consisting of a fixed component, a variable component with no-claims bonus and claw back mechanisms, and benefits..

Total target remuneration[11]

| FIXED | | VARIABLE | | | | BENEFITS |
|---|---|---|---|---|---|---|
| | | ANNUAL | | DEFERRED | | |
| **Fixed remuneration** | + | **Annual** (on an annual basis) | + | **Deferred** (on a multi-year basis) | + | **Benefit** |

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

11 Remuneration package for all those described, with the exception of the executives with key responsibilities in control functions to whom specific remuneration policy and rules are applied.

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[12] 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 - based on the following perspectives:

| 2017 Perspectives | | |
|---|---|---|
| **Economic and Financial Risk Adjusted Performance** | 50+% | **Core business Key Performance Indicators (KPIs)** (i.e. Operating Result, Net Profit, New Business Value, Combined Ratio, Cash Generation/Dividend) **Minimum 10% RORC (up to 15% for business roles)** |
| **Efficiency & Business Transformation** | 30-40% | **Efficiency KPIs** + **Customer & Distributor KPIs and acceleration initiatives** |
| **People Empowerment** | 10-15% | **Managerial assessment based on specific HR KPIs** |

The long-term variable remuneration is based on a long-term plan based on Assicurazioni Generali shares (upon approval by the Shareholders' Meeting). The maximum potential bonus to be disbursed in shares amounts to 175% of the gross fixed remuneration of the participation (this percentage is 250% for the Managing Director/Group CEO). Here the features of the plan are:

- it 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[12] level
- it 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 consist of 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 on remuneration policy and the Remuneration Report, including also information about remuneration*

*Additional information in the Notes of the Annual Integrated Report and Consolidated Financial Statements 2017*
*for further information on pension benefits of the Group employees*

12 Regulatory Solvency Ratio as from 2018.

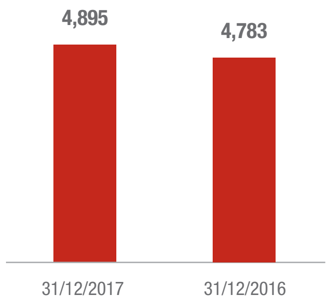
# Our
# **performance**

# Group performance and financial position

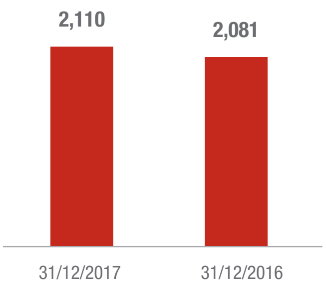
## Group highlights[1]

**Gross written premiums (€ mln)**

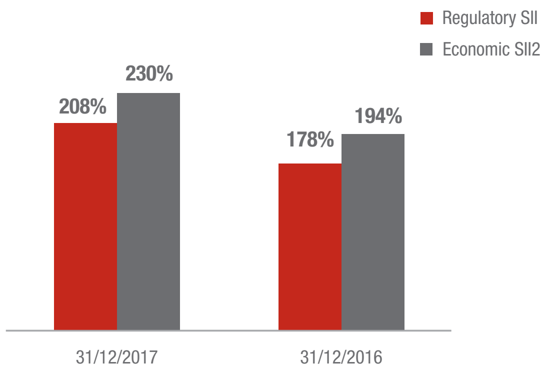

**Group operating result (€ mln)**




**Net Result (€ mln)**




**Solvency II ratio**




- Gross written premiums over € 68.5 bln (-0.2%), improving in P&C business (+1.7%). Life net cash inflows of more than € 9.7 bln, remaining at industry leading levels
- Operating result at € 4.9 bln (+2.3%) thanks to the performance of the Life and Holding and other businesses segments. The operating result of the P&C segment is solid, with its CoR confirmed at excellent levels (92.8%)
- Operating RoE at 13.4% confirming the achievement of the strategic target (>13%)
- Group result at € 2.1 bln (+1.4%)
- Further strengthened Group capital position, with the Regulatory Solvency Ratio at 208% and Economic Solvency Ratio at 230%

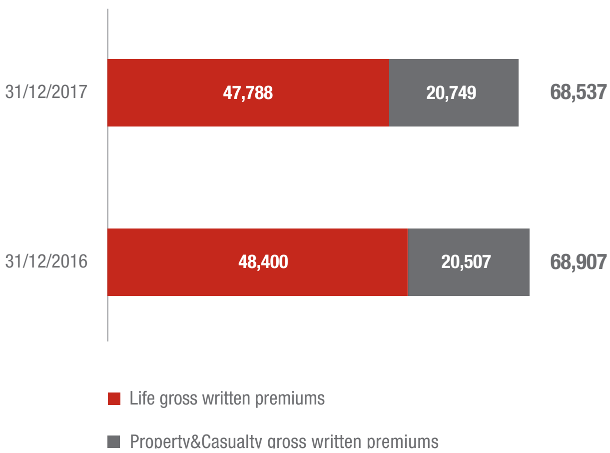
1 Changes in premiums, net cash inflows and PVNBP (the present value of new business premiums) are presented in equivalent terms, that is at constant exchange rates and scope of consolidation. With reference to the divestment of the Dutch and Irish assets in application of IFRS 5, the Dutch and Irish companies under disposal are classified as held for sale. As a result, these shareholdings were not left out of the consolidation in the financial report at 31 December 2017, but both of the total of the assets and liabilities and the economic result – net of taxes – were separately recognized in the specific items of the financial statements. The 2016 comparative figures were likewise reclassified. For more information, please refer to the paragraph Changes in the presentation of the performance indicators of the Group in the Note to the Report.

# Group performance

## Gross written premiums development

The Group's **gross written premiums** totalled € 68,537 million (-0.2%), reflecting performance of the Life segment (-1.0%), while P&C (+1.7%) confirmed the development observed in 2017.

With reference to the lines of business, **Life gross written premiums** amounted to € 47,788 million (-1.0%). In line with the strategic goal of pursuing the more selective underwriting policy, premiums of savings products decreased by 11.6%, especially in Italy, Asia, Germany, Spain and France. The above-mentioned targeted rebalancing in favour of products offering better risk-return terms brought about an increase in both unit-linked products (+22.4%) widespread in the Group's areas of operations and especially in Italy (+57.3%) and France (+52.1%), and in the protection line (+7.0%).




**Net cash inflows** surpass € 9.7 billion, staying among the market levels; the decrease of 17.1% reflects the aforementioned pursuit of the strategic objectives of concentrating sales on products with high profit margins.

**New business in terms of present value of new business premiums (PVNBP)** amounted to € 45,429 million, down by 2.3%, both in the single premium (-2.8%) and in the annual premium policies (-2.6%). With reference to the business lines, unit-linked production rose sharply (+28.7%) and the protection line improved slightly (+3.0%). Savings and pension line premiums recorded a significant decrease (-19.0%) due to the Group's scheduled actions aimed at reducing business subject to financial guarantees.

The **new business value (NBV)** improved significantly (+53.8%), standing at € 1,820 million (€ 1,193 million at 31 December 2016).

**€ 11,272 mln** premium with social value*

**€ 676 mln** premium with environmental value*

Insurance products, by their very nature, have a high social and environmental value given that they constitute a concrete response to the protection needs of customers and the growing needs of society, thereby promoting risk prevention and mitigation. We constantly monitor risks that may have impact on the society and the environment as to identify opportunities and continue to create value.

*Risks and opportunities of the external context, p. 28*

As a consequence of such evaluation, we also develop products and services that - given the type of customer or provided coverage - meet specific social and environmental needs.

*Glossary available at the end of this document*

* Premiums with social and environmental value refer to companies representing 93.5% of total Group direct premiums.

**New business margin on PVNBP**[2] rose significantly by 1.46 pps to 4.01% (2.56% at 31 December 2016), of which +1.12 pps primarily due to the refocusing of sales towards unit-linked and pure risk business and the effective recalibration of financial guarantees, and +0.34 pps arising from the improved economic environment compared to last year.

**P&C premiums** amounted to € 20,749 million, 1.7% higher because of the positive performance of both business lines. Development of the motor segment (+3.0%) is driven by the growth recorded in Germany (+4.2%), CEE countries (+3.2%), Spain (+3.8%), the Americas region (+25.7%) and France (+2.6%), which more than offset the drop in motor premium income in Italy (-4.5%) after the average premium fell and after the measures taken to recover the returns of the portfolio. Also non-motor premium income is up (+0.9%) as it is mainly supported by development in the CEE countries (+3.6%), in the EMEA region (+2.6%) and by Europ Assistance (+14.0%), while Italy, even if recovering from the drop seen in 2017, is down by 1.8%, mostly due to the reduction in the Global Corporate & Commercial lines. France fell 2.0% because of the weak market conditions in commercial and construction.

## Total gross written premiums

| (€ million) | Total gross written premiums | |
|---|---|---|
| | 31/12/2017 | 31/12/2016 |
| Italy | 22,836 | 23,612 |
| France | 11,799 | 10,920 |
| Germany | 16,005 | 16,227 |
| Central Eastern Europe | 3,600 | 3,490 |
| International* | 14,215 | 14,576 |
| EMEA | 8,688 | 8,960 |
| Spain | 2,427 | 2,502 |
| Austria | 2,592 | 2,568 |
| Switzerland | 1,817 | 1,883 |
| Other EMEA | 1,852 | 2,007 |
| Americas | 1,420 | 1,308 |
| Asia | 2,359 | 2,578 |
| Europ Assistance | 753 | 681 |
| Other | 996 | 1,048 |
| Group holding and other companies | 82 | 83 |
| **Total** | 68,537 | 68,907 |

* Total gross written premium for GBL & International, taking into consideration the Global Business Lines business underwritten in the various countries, amounted to € 16.324 mln. Overall, the Global Business Lines recorded € 4,102 million in premiums from:
- Global Corporate&Commercial € 1,887 mln;
- Generali Employee Benefits e Generali Global Health € 1,462 mln and
- Europe Assistance € 753 mln.

The description of the geographical areas presented in the document is available in the Note to the Report.

2 The margin calculated on Annual Premium Equivalent (APE) would amount to 39,2%.

# Operating result

The **Group's operating result** amounted to € 4,895 million, up by 2.3% (€ 4,783 million at 31 December 2016[3]), which reflects the positive performance of the Life and Holding and other businesses segments. The operating result of the P&C segment is confirmed solid regardless of the bigger impact of catastrophe claims.
The **operating return on equity**, the Group's main economic profitability target, came to 13.4% (unchanged compared with the 31 December 2016 figure), confirming the achievement of the strategic target (>13%).

## Total operating result by segment

| (€ million) | 31/12/2017 | 31/12/2016 | Change |
|---|---|---|---|
| **Total operating result** | **4,895** | **4,783** | **2.3%** |
| Life segment | 3,141 | 3,084 | 1.8% |
| Property&Casualty segment | 1,972 | 2,073 | -4.9% |
| Holding and other business | 59 | -74 | n.m |
| Consolidation adjustments | -278 | -300 | -7.4% |

In particular, the Life result, € 3,141 million, increased by 1.8% due to the performance of the investment result that benefited from higher realised gains and lower impairments. Technical performance net of insurance and other operating expenses instead fell.
The P&C operating result, which amounted to € 1,972 million, dropped by 4.9% as it reflected on the one hand the bigger impact of the natural catastrophes for € 124 million (including the US hurricanes in August and September and the storms that struck central Europe in July and August) and, on the other, the lower contribution of financial result in the context of a continuing low level of interest rates. The combined ratio came to 92.8%, ranking number one amongst our peers, consistent with the Group's strategic policy of technical excellence.

Improvement of the operating result of the Holding and other businesses segment, which totalled € 59 million (€ -74 million at 31 December 2016), reflects the excellent performance of Banca Generali, the reduction in holding operating costs and the positive result of the other asset management and real estate businesses.

## Operating result by country

| (€ million) | Total operating result | |
|---|---|---|
| | 31/12/2017 | 31/12/2016 |
| Italy | 1,841 | 1,948 |
| France | 744 | 701 |
| Germany | 827 | 847 |
| Central Eastern Europe | 481 | 461 |
| International* | 1,067 | 1,120 |
| EMEA | 896 | 825 |
| Americas | 62 | 98 |
| Asia | 39 | 32 |
| Europ Assistance | 88 | 90 |
| Other | -18 | 76 |
| Investments, Asset & Wealth Management** | 468 | 321 |
| Group holding, other companies and countries adjustments | -532 | -615 |
| **Total** | **4,895** | **4,783** |

* Adding to the above mentioned total International the part of the business related to the Global Business Lines "Global Business and Commercial" also signed in the countries, the total operating result for GBL & International amounts to € 1,191 mln.

** Adding to the above mentioned total Investments, Asset & Wealth Management also the result of AM of the Central and Eastern European countries, the total operating amounts to of € 482 mln.

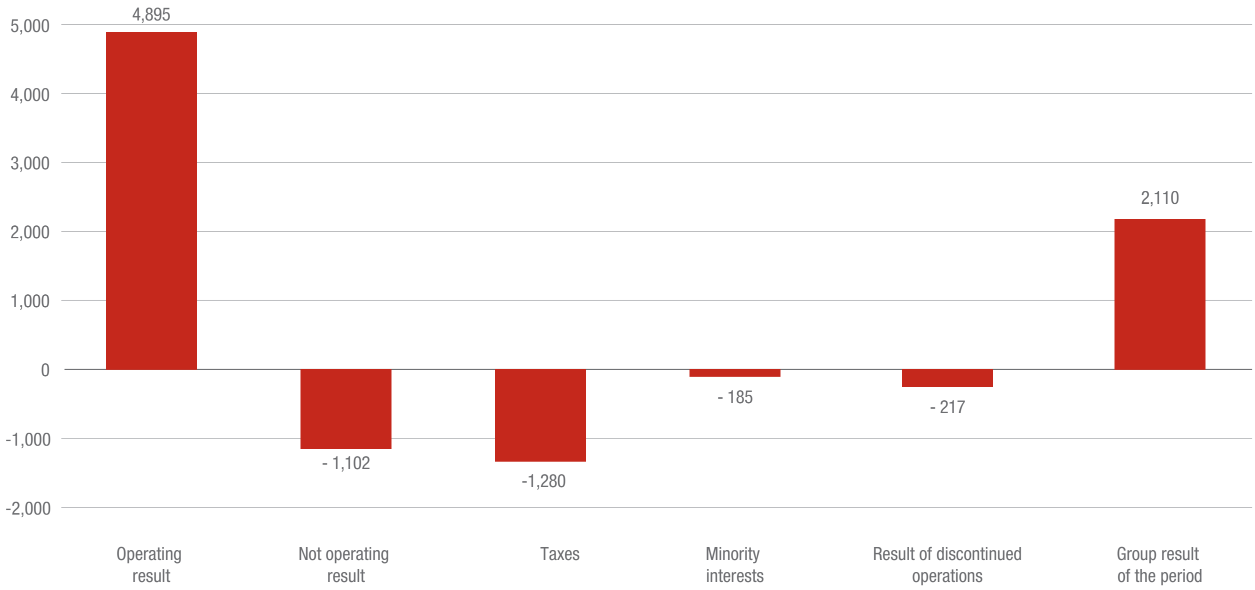
3 As aforementioned, the 2016 comparative figures were likewise reclassified. For further information refer to paragraph Changes in the presentation of the performance indicators of the Group in Note to the Report.

## Non-operating result

The non-operating result of the Group improved to € -1,102 million (€ -1,526 million at 31 December 2016). In particular:

- **net impairment losses** dropped to € -271 million (€ -543 million at 31 December 2016) due to lower impairments on equities and bonds;
- **net realized gains** stood at € 331 million (€ 425 million at 31 December 2016), down mainly due to the lower profits from real estate and equity portfolios;
- **net non-operating income from financial instruments at fair value** increased to € 26 million (€ -96 million at 31 December 2016);
- **other net non-operating expenses** decreased to € -432 million (€ -518 million at 31 December 2016). This item consists of € -106 million relating to the amortization of the value of acquired portfolios (€ -139 at 31 December 2016), € -297 million in restructuring costs (€ -176 at 31 December 2016), of which about € -170 million regarding the announced phase of industrial transformation to strengthen the operating performance in Germany, and € -29 million in other net non-operating expenses (€ -204 million at 31 December 2016), which benefits from € 196 million in income from the sale of the P&C portfolio in run-off of the UK branch that took place in December;
- non-operating holding expenses amounted to € -756 million (€ -794 million at 31 December 2016), reflecting the drop in interest expense on financial debt which went from € -723 million to € -673 million.

## Group result




The **result for the period attributable to the Group** stood at € 2,110 million, showing an increase of 1.4% over the € 2,081 million recorded at 31 December 2016 and reflects:

- the improvement of the operating result and the development of the non-operating result noted above;
- the result of discontinued operations of € -217 million which includes the impairment of Dutch operations and the profit for the period deriving from said activities, plus the profit coming from the Irish company being discontinued;
- the increase in taxes, the tax rate of which came to 31.8% (29.4% at 31 December 2016), basically caused by the extraordinary additional tax introduced in France for 2017 for about € 40 million and the one-off substitute tax imposed by the US government on undistributed profits of the foreign investees of € 52 million. Last year the tax rate benefited from the reduced nominal tax rate on corporate income in Spain, as well as extraordinary income recognized in Germany against lower taxes on previous years;
- the result attributable to minority interests, amounting to € 185 million, which corresponds to a minority rate of 8.1% (7.1% at 31 December 2016), increased when compared to € 158 million in the previous year due to the results of Banca Generali.

## From operating result to net result

| (€ million) | 31/12/2017 | 31/12/2016 | Change |
|---|---|---|---|
| **Consolidated operating result** | **4,895** | **4,783** | **2.3%** |
| Net earned premiums | 64,604 | 64,944 | -0.5% |
| Net insurance benefits and claims | -65,748 | -63,616 | 3.4% |
| Acquisition and administration costs | -10,634 | -10,456 | 1.7% |
| Net fee and commission income and net income from financial service activities | 454 | 334 | 36.1% |
| Operating investment result | 16,993 | 14,245 | 19.3% |
| Net operating income from financial instruments at fair value through profit or loss | 4,365 | 2,164 | n.m. |
| Net operating income from other financial instruments | 12,628 | 12,081 | 4.5% |
| Interest income and other income | 11,874 | 12,029 | -1.3% |
| Net operating realized gains on other financial instruments and land and buildings (investment properties) | 1,957 | 1,698 | 15.2% |
| Net operating impairment losses on other financial instruments and land and buildings (investment properties) | -258 | -707 | -63.5% |
| Interest expense on liabilities linked to operating activities | -340 | -347 | -2.0% |
| Other expenses from other financial instruments and land and buildings (in-vestment properties) | -604 | -591 | 2.1% |
| Operating holding expenses | -454 | -458 | -0.9% |
| Net other operating expenses (*) | -321 | -208 | 53.8% |
| **Consolidated non-operating result** | **-1,102** | **-1,526** | **-27.7%** |
| Non operating investment result | 86 | -213 | n.m. |
| Net non-operating income from financial instruments at fair value through profit or loss | 26 | -96 | n.m. |
| Net non-operating income from other financial instruments (**) | 60 | -118 | n.m. |
| Net non-operating realized gains on other financial instruments and land and buildings (investment properties) | 331 | 425 | -22.1% |
| Net non-operating impairment losses on other financial instruments and land and buildings (investment properties) | -271 | -543 | -50.0% |
| Non-operating holding expenses | -756 | -794 | -4.7% |
| Interest expenses on financial debt | -673 | -723 | -6.9% |
| Other non-operating holding expenses | -83 | -71 | 17.7% |
| Net other non-operating expenses | -432 | -518 | -16.7% |
| **Earning before taxes** | **3,792** | **3,258** | **16.4%** |
| Income taxes (*) | -1,280 | -1,059 | 20.9% |
| **Earnings after taxes** | **2,513** | **2,199** | **14.2%** |
| Profit or loss from discontinued operations | -217 | 40 | n.m. |
| Consolidated result of the period | 2,295 | 2,239 | 2.5% |
| **Result of the period attributable to the Group** | **2,110** | **2,081** | **1.4%** |
| Result of the period attributable to minority interests | 185 | 158 | 17.4% |

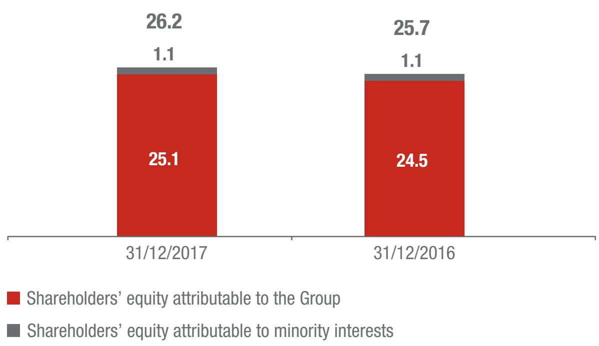
(*) At 31 December 2017 the amount is net of operating taxes for € 52 million and of non-recurring taxes shared with the policyholders in Germany for € 54 million (at 31 December 2016 for € 64 million and € 79 million, respectively).

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

# Group financial position

## Shareholder's equity and Group solvency

**Shareholders' equity attributable to the Group** amounted to € 25,079 million, an increase of 2.2% compared to € 24,545 million at 31 December 2016. The change is mainly due to:
- the result of the period attributable to the Group, which amounted to € 2,110 million at 31 December 2017;
- the dividend distribution of € 1,249 million, carried out in 2017;
- other gains or losses recognized through shareholders' equity in the current year amounted to € -100 million More specifically, this performance is mainly attributable to the reduction in profits or losses on exchange rates amounting to € -158 million.




### Rollforward of Shareholders' equity

| (€ million) | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Shareholders' equity attributable to the Group at the end of the previous period** | **24,545** | **23,565** |
| Result of the period | 2,110 | 2,081 |
| Dividend distributed | -1,249 | -1,123 |
| Other comprehensive income | -100 | 11 |
| Reserve for unrealized gains and losses on available for sale financial assets | -27 | 372 |
| Foreign currency translation differences | -158 | -31 |
| Net unrealized gains and losses on hedging derivatives | 58 | 13 |
| Net unrealized gains and losses on defined benefit plans | 31 | -224 |
| Other net unrealized gains and losses | -4 | -119 |
| Other items | -226 | 11 |
| **Shareholders' equity attributable to the Group at the end of the period** | **25,079** | **24,545** |

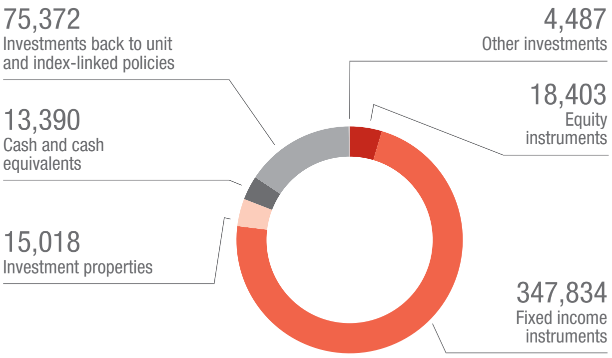
The Regulatory Solvency Ratio - which represents the regulatory view of the Group's capital and is based on the use of the internal model, solely for companies that have obtained the relevant approval from IVASS, and on the Standard Formula for other companies - stood at 208% (178% at 31 December 2016; +30 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 230% (194% at 31 December 2016; +36 pps). For further information regarding the Group's solvency position, please refer to the Risk Report.

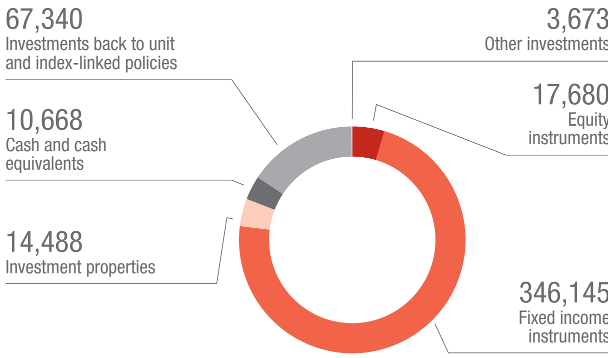
# Investments

## Asset allocation

**Investments at 31 December 2017**




**Investments at 31 December 2016**




At 31 December 2017, total investments amounted to € 474,502 million, up by 3.2% over the previous year. Group investments amounted to € 399,130 million (+1.6%) and unit/index linked investments amounted to € 75,372 million (+11.9%).

**€ 345 bln** (+7.1%) direct investments by the Group insurance companies which are subject to the Responsible Investment Guideline

In implementation of the Responsible Investment Guideline - the document which regulates the various responsible investment activities at Group level - we identify, evaluate and monitor issuing companies in the portfolio which are involved in controversial sectors (for example, non-conventional weapons) or in activities that involve serious or systematic violations of human rights, serious environmental damage or corruption.

Due to the creation of a proprietary ESG methodology - which considers environmental, social and corporate governance factors - we evaluate the degree of responsibility and involvement of the issuing companies and promote specific actions with respect to them, ranging from a ban on making new investments to the settlement of current holdings or the retention of same until their expiration with no possibility of renewal, or even direct dialogue to encourage them to act responsibly.

A cross-functional committee named **Responsible Investment Committee** retains the task of supporting the decisions of the Group Chief Investment Officer in relation to potential exclusions from the investable universe of the Group.

### Climate strategy

In line with the principles of responsible investing which we have been applying for years, and in execution of the Group Policy for the Environment and Climate, we have defined our commitment, even through investment activities, to mitigate climate change and transition towards energy sources as alternatives to carbon and fossil fuels

*Our rules for running business with integrity, p. 23*

### Sustainable and responsible investment funds

Due to a methodology developed internally by a dedicated team - which integrates non-financial and traditional financial elements - we select the best companies in relation to corporate social responsibility and sustainable development policies in order to establish dedicated SRI (Sustainable and Responsible Investment) funds and mandates.

As at 31 December 2017, the methodology was applied to funds and management mandates totalling € 37.2 billion in assets (+21.2%). Of these, 76.3% was subject to the SRI analysis and reported a compliance rate of more than 90% with the Group's SRI principles. The remaining 23.7% is not covered by the SRI analysis (funds of funds, issuers located in non-European regions, unlisted issuers).

*www.generali-investments.com/it/it/institutional/strategies/#isr*

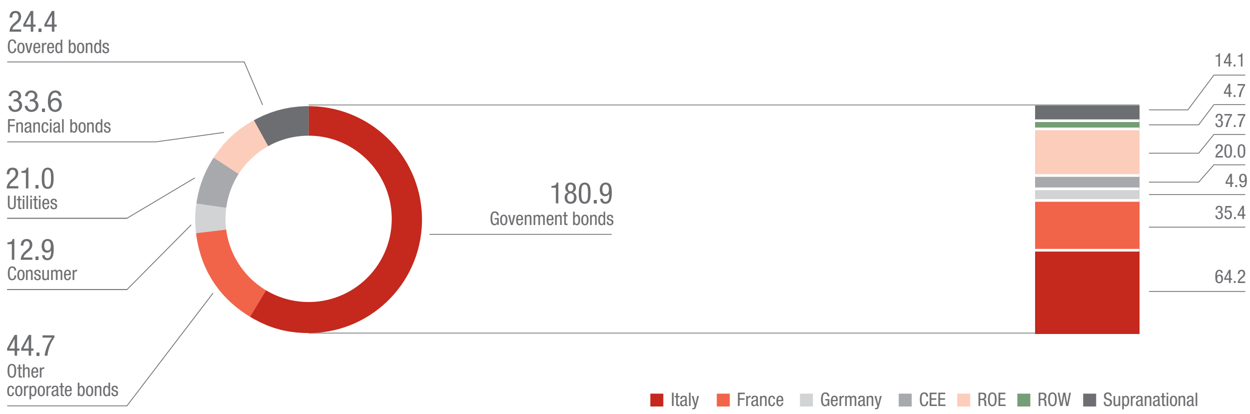
In terms of incidence of the major investment categories, the relevant exposure of the fixed income instruments dropped to 87.1% (88.2% at 31 December 2016), while that of the equity instruments increased slightly, standing at 4.6% (4.5% at 31 December 2016). Also the incidence of the real estate and other investments increased slightly, standing at 3.8% (3.7% at 31 December 2016) and at 1.1% (0.9% at 31 December 2016), respectively. Other investments mainly include receivables from banks or banking customers, equity investments and derivatives.

Lastly, the liquidity ratio rose from 2.7% to 3.4%.

## Fixed income securities: bond portfolio

**Bond portfolio: details by sector**

**Government bonds: details by country of risk**



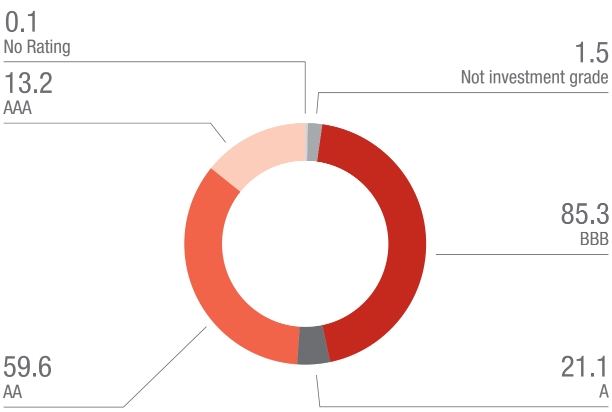

With reference to the bond portfolio, government bonds which represent 57% (54.8% at 31 December 2016) were up, standing at € 180,905 million (€ 172,647 million at 31 December 2016). The change during the period is mostly attributable to the Group's position of net buyer of this class of assets. The 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 decreased in absolute terms to € 136,579 million (€ 142,528 million at 31 December 2016), equal to 43% of the bond portfolio (45.2% at 31 December 2016). This was due to the orientation of the reinvestment strategy toward the sovereign bond component.

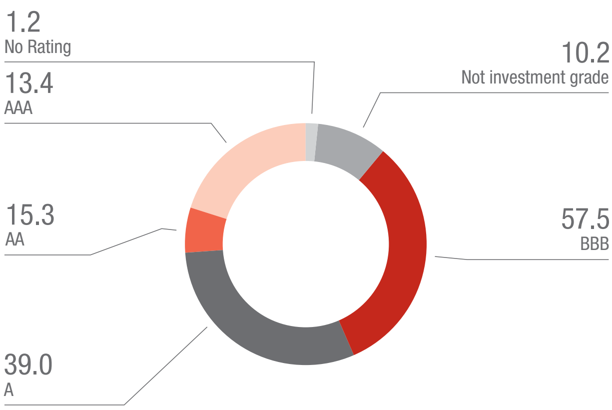
Taking into consideration, on the other hand, the new current breakdown of the portfolio, note that the non-financial component increased in order to foster a higher level of diversification.
The bonds issued by companies operating in the real estate sector were included in the scope of the Other corporate bonds.

A breakdown by credit rating of the bond portfolio at 31 December 2017 split between corporate and government bonds follows.

**Government bonds**



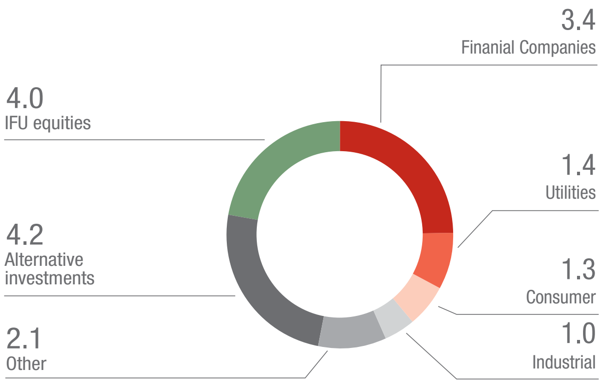

**Corporate bonds**




The Group's Corporate portfolio is still basically in line with what was recorded at 31 December 2016 in terms of creditworthiness, with over 91% of securities held classified as Investment Grade.

Exposure to bonds with BBB rating increased slightly, while all the other classes decreased in absolute terms against the scheduled portfolio reduction during 2017.

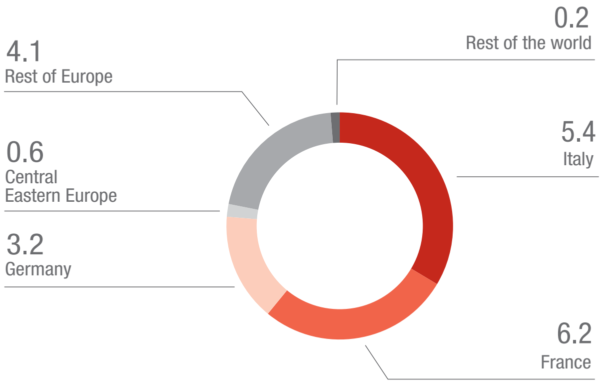
## Equity securities: share portfolio




Equity securities increased in absolute terms, standing at € 18,403 million (€ 17,680 million at 31 December 2016).

The change for the period is mainly attributable to the increased value of the investments that benefited from the positive performance of the share prices, and to a lesser extent for the conversion of some bonds into shares.

## Investment properties




Investment properties in terms of book value amounted to € 15,018 million (€ 14,488 million at 31 December 2016).

In particular, the direct investment properties of the Group, at market value, amounted to € 19,763 million (€ 18,520 million at 31 December 2016), and are almost all in Western Europe, mainly in Italy, France and Germany, and are situated in the respective countries of operation.

## Investment result[4]

### Return on investment

| | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Economic components** | | |
| Current income from fixed income instruments | 10,399 | 10,664 |
| Current income from equity instruments | 691 | 704 |
| Current income from real estate investments(*) | 802 | 775 |
| Net realized gains | 2,652 | 2,166 |
| Net impairment losses | -432 | -1,133 |
| Net unrealized gains | 449 | -395 |
| **Average stock** | **395,098** | **392,194** |
| **Ratio** | | |
| Current return(*) | 3.1% | 3.2% |
| Harvesting rate | 0.7% | 0.2% |
| P&L return | 3.4% | 3.3% |

(*) Net of depreciation of the period.

Current return slightly fell to 3.1% (3.2% at 31 December 2016). The performance of this indicator is attributable on the one hand to the increase in average investments and, on the other, to a drop in absolute value of current income, which amounted to € 12,089 million (€ 12,386 million at 31 December 2016) due to the low interest rates that can be obtained when reinvesting.

The contribution to the result of the period from realized gains and losses through profit or loss (harvesting rate) increased to 0.7% (0.2% at 31 December 2016) following an increase in realized gains and a lower impact of impairments, which were particularly substantial at 31 December 2016.

4 Please refer to the Methodological note on alternative performance measures for details on the calculation of this indicator, p. 134 of the Annual Integrated Report and Consolidated Financial Statements 2017.

# 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) | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Liabilities linked to operating activities** | **30,501** | **28,445** |
| **Liabilities linked to financing activities** | **11,815** | **12,669** |
| Subordinated liabilities | 8,379 | 9,126 |
| Senior bonds | 2,980 | 3,017 |
| Other non-subordinated liabilities linked to financing activities | 456 | 526 |
| **Total** | **42,316** | **41,114** |

The decrease in the Group's liabilities linked to financing activities was due mainly to the repayment of a subordinated bond issued by the subsidiary Generali Finance B.V.. The repayment totaling € 869 million at nominal value was finalized by exercising an early repayment option on 8 February 2017.
Liabilities linked to operating activities recorded an increase due to the higher financial liabilities linked to investment contracts.

The weighted average cost of the liabilities linked to financing activities at 31 December 2017 totaled 5.71%, basically unchanged compared to the 5.67% of 31 December 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) | 31/12/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Interest expense on liabilities linked to operating activities | 340 | 347 | -2.0% |
| Interest expense on liabilities linked to financing activities | 673 | 723 | -6.9% |
| **Total(*)** | **1,013** | **1,070** | **-8.9%** |

(*) 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 activities

## Details of subordinated liabilities and senior bonds

| (€ million) | 31/12/2017 | | | | 31/12/2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Nominal value | Book value | Accrued interest expenses | Average weighted cost % | Nominal value | Book value | Accrued interest expenses | Average weighted cost % |
| Subordinated liabilities | 8,417 | 8,379 | 547 | 6.22% | 9,166 | 9,126 | 595 | 6.14% |
| Senior bonds | 3,000 | 2,980 | 125 | 4.19% | 3,000 | 3,017 | 125 | 4.18% |
| **Total** | **11,417** | **11,359** | | | **12,166** | **12,144** | | |

* 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) | 31/12/2017 | | | 31/12/2016 | | |
|---|---|---|---|---|---|---|
| | Issuances | Redemptions | Issuances net of re-demptions | Issuances | Redemptions | Issuances net of re-demptions |
| Subordinated liabilities | 0 | 869 | -869 | 850 | 1,167 | -317 |
| Senior bonds | 0 | 13 | -13 | 0 | 0 | 0 |
| **Total** | **0** | **882** | | **850** | **1,167** | |

# Details on principal issuances

## Subordinated liabilities

### Main subordinated issues

| | Coupon | Outstanding (*) | Currency | Amortised cost(**) | Issue date | Call date | Maturity |
|---|---|---|---|---|---|---|---|
| Assicurazioni Generali | 6.27% | 350 | GBP | 392 | 16/06/2006 | 16/02/2026 | Perp |
| Generali Finance B.V. | 5.48% | 869 | EUR | 0 | 08/02/2007 | 08/02/2017 | Perp |
| Assicurazioni Generali | 6.42% | 495 | GBP | 555 | 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 | 1,247 | 12/12/2012 | 12/12/2022 | 12/12/2042 |
| Assicurazioni Generali | 4.13% | 1,000 | EUR | 990 | 02/05/2014 | n.a. | 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.

This category also includes unlisted subordinated liabilities issued by Assicurazioni Generali and other subsidiaries. Liabilities issued by Assicurazioni Generali in the form of private placements amounted to a nominal amount of € 1,000 million corresponding to an amortized cost of € 999 million. The remaining subordinated liabilities relate to shares issued by subsidiaries in Austria with an amortized cost of about € 26 million.

In February 2017 a subordinated bond issued by the Group in February 2007 for the amount of € 869 million was repaid with the income from the issue of a subordinated bond for the total amount of € 850 million in June 2016.

## Senior bonds

### Main senior bonds issues

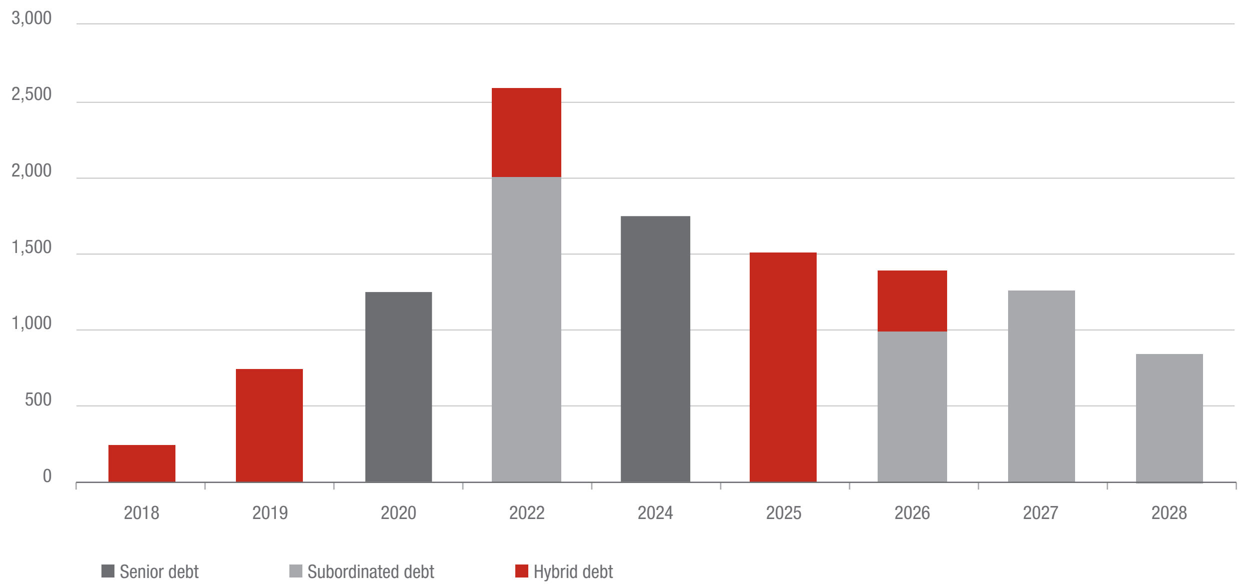
| Issuer | Coupon | Outstanding (*) | Currency | Amortised cost(**) | Issue date | Maturity |
|---|---|---|---|---|---|---|
| Assicurazioni Generali | 5.13% | 1,750 | EUR | 1,733 | 16/09/2009 | 16/09/2024 |
| Assicurazioni Generali | 2.88% | 1,250 | EUR | 1,247 | 14/01/2014 | 14/01/2020 |

(*) In currency million.

(**) In € million.

The bonds issued by the subsidiary Ceska Pojistovna for the nominal amount of CZK 500 million were repaid in December 2017.

### Maturity of the financial debt




The average duration at 31 December 2017 was 6.22 years compared to 6.72 years at 31 December 2016.

## Lines of credit

As in established market practice for the sector, Assicurazioni Generali has a number of credit lines for the total maximum amount of € 2 billion with maturities in 2018 and 2020. The company intends to renew them.

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.

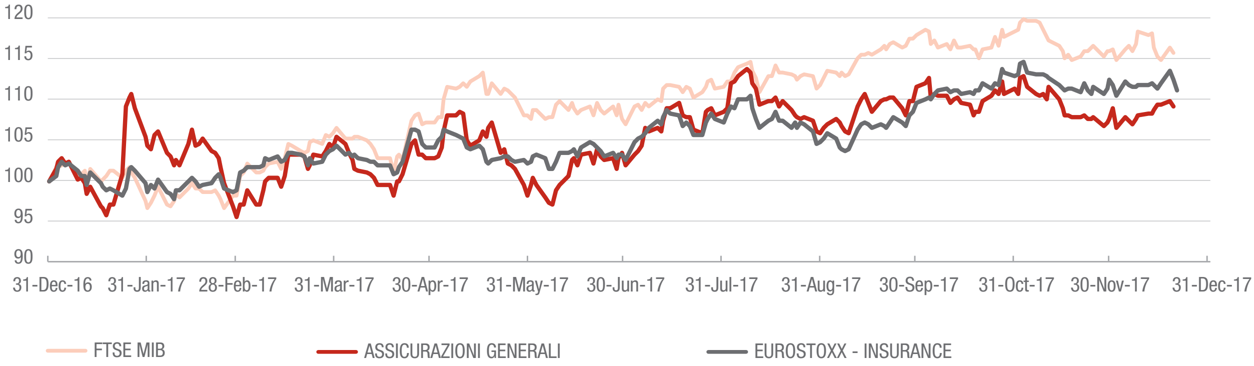
# Liquidity

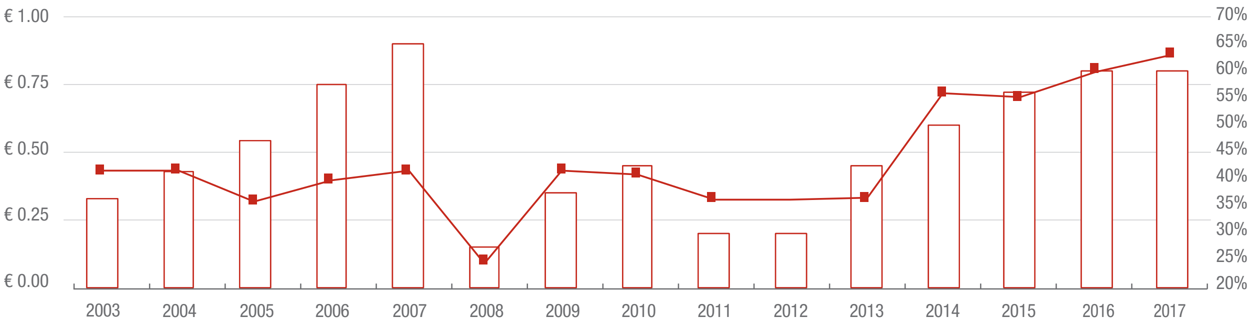
### Cash and cash equivalent

| (€ million) | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Cash at bank and short-term securities | 6,143 | 6,210 |
| Cash and cash equivalents | 113 | 649 |
| Cash and balances with central banks | 593 | 606 |
| Money market investment funds unit | 6,891 | 4,000 |
| Other | -351 | -796 |
| **Cash and cash equivalents** | **13,390** | **10,668** |

Liquidity recorded an increase and amounted to € 13,390 million, mainly following the somewhat less favourable opportunities to reinvest profits generated particularly during the last part of the year.

## Share trend




### KPIs per share

| | 31/12/2017 | 31/12/2016 |
|---|---|---|
| EPS | 1.35 | 1.34 |
| Operating earning per share | 1.67 | 1.64 |
| DPS | 0.85 | 0.80 |
| Payout ratio | 63.0% | 60.0% |
| Total dividends (in € million) | 1,330 | 1,249 |
| Share price | 15.20 | 14.12 |
| Minimum share price | 13.52 | 9.82 |
| Maximum share price | 16.02 | 16.37 |
| Average share price | 14.91 | 12.42 |
| Weighted average number of ordinary shares outstanding | 1,560,771,499 | 1,558,512,070 |
| Market capitalization (in € milion) | 23,739 | 22,026 |
| Average daily number of traded shares | 7,179,293 | 9,962,523 |
| Total shareholders' return (%)* | 13.54 | -11.60 |

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

# Our **reference markets**: positioning[5] and performance

## Italy

| Gross written premiums | Total operating result | Life market share | P&C market share | Ranking | Our people |
|---|---|---|---|---|---|
| € 22,836 mln (-3.3%) | € 1,841 mln (-5.5%) | 16.8% | 15.3% | 1° | 12,970 |

Generali confirms its leadership in the Italian insurance market with a total market share of 16.4% thanks to a complete range of insurance solutions for its customers in both the Life and the P&C segments. At distribution level, over the years Generali has perfected a multi-channel strategy heavily concentrated on agents. It also has a strong position in the P&C and Life direct channel, through Genertel and Genertellife, the first online insurance launched in Italy. Lastly, its partnership with Banca Generali allows it to offer a complete variety of insurance, pension and savings products to its customers.
The Group presents itself to the Italian market with three distinct brands having clear strategic positioning - Generali (retail and SME market), Alleanza (families) and Genertel and Genertellife (alternative channels). During 2017, Generali Italia further developed its simplification programme with the goal of improving 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.
Furthermore, at the end of 2017 Generali Italia launched Welion, a new services company focussed on providing advanced solutions in the world of individual health and corporate welfare.

With reference to the macroeconomic context, the Italian economy has exited its long recession; GDP growth for 2017 is estimated at 1.5%, 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.

In line with the trend observable during 2016, the Italian Life insurance market continued to fall also during 2017. New Life business continues to be mainly oriented toward the traditional products, even if it dropped sharply compared to the previous year (-18%) and significant growth in the unit-linked products (+33%) was noticed, even if the context continues to be characterised by volatility on the financial markets.
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. Benefiting from the macroeconomic recovery, though modest, positive growth rates on the other hand continued to be seen in the non-motor segment.

The domestic financial market was distinguished by growth in yield of the 10-year Italian bond, which closed 2016 at 1.8% to then settle at 2% at year-end 2017. The Italian bond-German bund spread however fell from 1.6% at the end of 2016 to 1.5% at the end of 2017 owing to the improved macroeconomic condition of the country, also confirmed by the increased S&P rating from BBB- to BBB and to the measures taken to strengthen the Italian banking system.

The stock market was supported by strong global demand and accommodating policy of the ECB. FTSE MIB recorded positive performance (+14%) after having touched a maximum annual increase of 38% in September.

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

| Life premiums | PVNBP | NBV | Life OR |
|---|---|---|---|
| € 17,299 mln (-3.4%) | € 19,116 mln (-3.3%) | € 903 mln (+56.0%) | € 1,246 mln (-4.5%) |

Protection (+14.9%) and unit-linked (+52.1%) premiums recorded outstanding performance thanks to the new forms of hybrid investment that also benefited from the introduction of products having controlled volatility able to guarantee better investment stability. Traditional savings products went down (-13.5%), particularly the single premium ones, and this is in line with the strategic goal that prefers an underwriting policy more attentive to the absorption of capital.

New business in terms of present value of new business premiums (PVNBP) amounted to € 19,116 million, down by 3.3%, mainly after the single premium policies fell (-7.9%) and annual premiums (-3.8%).
With reference to the business lines, unit-linked production improved considerably (+71.3% thanks to the contribution of the "hybrid" products) and growth of the protection line (+28.0%) was good. The savings products instead recorded a reduction (-18.8%), in line with the actions the Group took to reduce guaranteed business.

Profitability (margin on PVNBP) went up by 1.79 pps, increasing from 2.93% of 2016 to 4.72% of 2017, mainly following the recalibration of the guarantees offered, the better production mix, the sale of new, more profitable hybrid products and a recovery of the financial situation. The new business value considerably improved compared to the previous year (+56.0%) mainly due to the increase in profitability, despite the reduced volumes, and amounted to € 903 million.

| P&C premiums | P&C OR | Cor |
|---|---|---|
| € 5,537 mln (-2.9%) | € 651 mln (-8.8%) | 90.0% (+0.1 pps) |

Income decreased mainly because of the motor segment (-4.5%), which suffered the drop in new business linked to the profitability recovery policy in a market still going through a profitability crisis. The negative trend of non-motor segment (-1.8%) has to be entirely conducted to the Corporate and SME sector which is affected by strong competition on a soft market. The healthcare line grew thanks to the development initiatives that also led to the creation of Welion, a new company active in corporate welfare.

The combined ratio; is basically stable; the increase in the expense ratio, mainly linked to development of the non-motor portfolio, is almost entirely offset by the improvement in the current year loss ratio, while the contribution to the loss ratio from previous times is basically at the same levels of last year.

# Germany

| Gross written premiums | Total operating result | Life market share | P&C market share | Ranking | Our people |
|---|---|---|---|---|---|
| € 16,005 mln (-1.4%) | € 827 mln (-2.4%) | 9.6% | 5.5% | 2° | 11,467 |

Generali Deutschland is the second insurance group in Germany in terms of total premium income. Its market share is 5.5% in the P&C segment and 9.6% in the Life segment (also including the healthcare business), with leadership positions particularly in the unit-linked and protection and corporate pension plans business lines, and in the direct channel.

In 2017, after having successfully concluded an early strategic and organisational revision (with the Simpler Smarter for You programme) ahead of schedule, Generali sped up implementation of the strategic plan in Germany by starting up the second phase of the strategic programme (Simpler, Smarter for You to Lead) with the objective of fully taking advantage of the growth and value creation potential in terms of:

– maximising operational efficiency with the creation of the “One company” model that calls for consolidating employees in two main companies, creating three product factories serving all distribution channels and significant management and corporate synergies and rationalisation of the brands portfolio;
– maximising distribution power: with integration of the channel of Generali dedicated agents in the DVAG network (the largest insurance distribution network in the country) that will operate under a new exclusive agreement to distribute the Generali brand products with strengthening of the direct channel (CosmosDirekt) through significant investments in simplifying processes and extending to new forms of digital brokering and with focus of the broker channel on profitability and the digitalisation process (Dialog);
– minimising the interest rate risk through the decision to put Generali Leben in run-off, with improvement of Generali’s Economic Solvency Ratio and the release of resources supporting growth in the German market.

During the year, the Group also further strengthened its positioning on the product innovation and customer services market owing to the Smart Insurance programme, which witnessed extension of the Generali Vitality programme to all distribution networks and the offer of telematics products (Generali Mobility), domotics products (Generali Domocity), legal protection and also owing to the digitalisation in the healthcare and claims services.

Difficulties persist in the German Life market due to the interest rates, which have remained for a long time at extremely low levels. In the P&C market, a stable market share with high business profitability by virtue of a combined ratio clearly better than the market is expected for Generali in Germany.

With reference to the financial markets, performance of the 10-year German bund, which closed 2016 at 0.2%, increased during 2017 to then close the year at 0.4%. The DAX stock market also recorded a maximum in the summer to then close 2017 with 13% annual growth.

| Life premiums | PVNBP | NBV | Life OR |
|---|---|---|---|
| € 12,297 mln (-2.2%) | € 8,529 mln (-9.7%) | € 243 mln (-11.1%) | € 526 mln (+15.2%) |

Life income showed a decrease of savings products (-10.0%), in particular the single premium one, consistently with the strategic actions implemented for the reduction of this product category in favour of the healthcare and unit-linked lines.
New business in terms of PVNBP decreased (-9.7%), caused by the drop in the Life segment (-10.7%); in the healthcare sector, on the other hand, growth was recorded (+10.9%). In looking at the business lines in detail, production of unit-linked products increased (+5.1%) while savings (-33.0%) products and risk products (-9.0%) decreased.
Profitability (margin on PVNBP) remained almost stable, from 2.89% of 2016 to 2.85% of 2017, owing to the good production mix and reduction of the guarantees offered. The new business value amounted to € 243 million (-11.1%).

| P&C premiums | P&C OR | Cor |
|---|---|---|
| € 3,708 mln (+1.6%) | € 327 mln (-23.6%) | 92.6% (+2.6 pps) |

The increase in income is attributable to the positive performance of the motor segment (+4.2%) that mainly benefits from the tariff policies on the existing portfolio, while the non-motor segment recorded a slight drop (-0.2%) linked to the reduction seen in the accident, healthcare and disability line.

The combined ratio shows a 2.6 pps worsening arising from the increase in claims following both the greater impact of major claims and the increase in claims tied to bad weather.

## France

| Gross written premiums | Total operating result | Market share | Ranking | Our people |
|---|---|---|---|---|
| € 11,799 mln (+8.1%) | € 744 mln (+6.0%) | Life 5.1%<br>P&C 4.7%<br>A&H 6.3% | Life 7°<br>P&C 6°<br>A&H 5° | 7,145 |

Generali France is a major player on the French market, with a multi-channel distribution network approach of 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 type of products distributed. This approach gained momentum after the Customer centric reorganization occurred in 2014, based on the creation of 4 separate client areas (Individual, Affluent, Professional & SME and Commercial). Another distinguishing element of Generali in the territory is its leadership in the Internet savings segment thanks to the excellence of the services provided and its important partnerships.

In 2017, the French economy displayed signs of recovery since the previous year, with estimated 1.9% growth of GDP yearly in real terms as compared to the 1.1% of last year. Although remaining at levels historically extremely modest, the interest rates recorded a slight increase that on the one hand reflects the growth of the GDP and, on the other, a certain recovery of the inflation, in line with what took place in the major European economies.

With reference to the financial markets, the performance of the 10-year OAT government bond was posted at 0.8% at year-end 2017 (0.7% year-end 2016). The stock market recorded steady growth (CAC40 +9%) thanks to the recovery of the production activities and consumption, but also supported by the considerable volume of liquidity on the financial markets.

On the whole, following a particularly positive 2016 in terms of demand, the sales of the Life insurance market decreased slightly (-2%) in relation to highly differentiated dynamics between the different products offered. The traditional ones - En Euro policies - decreased by 11% as they were affected by the historically low level of yields offered, while the unit-linked policies recorded 35% growth, reflecting the policy of searching for customers of a more satisfactory risk/yield mix.
The dynamics of the P&C segment (+2.4% versus +1.8% of 2016) benefited from the economic recovery, although in the midst of increasingly lively competition and a soft phase in underwriting corporate business. The market was struck by various natural catastrophes with foreseeable negative consequences in the claims area.

| Life premiums | PVNBP | NBV | Life OR |
|---|---|---|---|
| **€ 9,279** mln (+10.4%) | **€ 9,306** mln (+9.7%) | **€ 211** mln (n.s. change) | **€ 607** mln (+2.3%) |

In line with thw Group's strategy, the growth in premiums is due to the dynamics of the unit-linked products (+52.1%) and of the protection line (+6.1%) that more than offset the decrease in traditional savings policies (-2.5%), in a market context made difficult by the low interest rate level. The considerable increase of the NBV is due to the change in business mix and a profound revision of the new products in order to improve their profitability.
Good growth of the PVNBP (+9.7%), driven by development of the annual premiums (+9.1%) and the excellent progression of the single premiums (+9.8%). With reference to the business lines, excellent production of the unit-linked products (+55.7%) and good resilience of the risk products (+3.0%) was seen, to the detriment of the savings products (-7.3%).
Profitability (margin on PVNBP) recorded a sizeable increase, from 0.33% of 2016 to 2.26% of 2017, mainly thanks to the improved production mix in favour of unit-linked products with high profitability and the considerable reduction in guarantees offered on the savings business (representing 40.2% of production). The new business value amounted to € 211 million, also following the reduction in taxes (from 34.43% to 28.92% starting from 2020).

| P&C premiums | P&C OR | Cor |
|---|---|---|
| **€ 2,520** mln (+0.2%) | **€ 155** mln (+12.8%) | **98.4%** (-1 pps) |

Slight increase in P&C income thanks to the motor segment (+2.6%) by virtue of the actions aimed at increasing both the number of policies in the portfolio and the average premium. The non-motor segment (-2.0%) instead suffered from the weak market conditions in commercial and construction.
The reduction of the combined ratio reflects both improvement of claims and that of the expense ratio because of the measures taken in recent years, aimed at improving the technical profitability of the segment.
Compared to 2016, the impact of CAT claims remained unchanged.

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

| Gross written premiums | Total operating result | Life market share | P&C market share | Ranking | Our people |
|---|---|---|---|---|---|
| **€ 3,600** mln (+1.3%) | **€ 481** mln (+4.3%) | Cz: **24.8%**<br>Hu: **10.2%**<br>Sk: **7.7%**<br>Pl: **3.9%** | Cz: **32.4%**<br>Hu: **19.1%**<br>Sk: **11.2%**<br>Pl: **3.7%** | Cz: **2°**<br>Hu: **1°**<br>Sk: **3°**<br>Pl: **8°** | **11,626** |

Generali CEE Holding is one of the biggest insurers in the Central Eastern European market. The Group ranks first in Hungary, second in the Czech Republic 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 and 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 and of the Group by technical profitability, with a medium-long term Combined Ratio at below 90%.

With reference to the Czech Republic, the most significant financial market of the Region for the Generali Group, the good performance of the macroeconomic situation continued in 2017, especially in the job market. In April 2017, the National Czech Bank announced it was abandoning the cap at the exchange rate between Czech koruna and euro introduced in 2014 to prevent excessive strengthening, which would have fuelled deflationary pressures. As a result, it introduced an immediate fluctuation of the currency. Gradual recovery in the interest rates throughout the Region, together with the stock markets that are recording positive yields.

In 2017, insurance market volumes of the area declined in Life premiums, due for the most part to single premium policies, while there were positive developments in P&C premiums, driven for the most part by motor insurance.

| Life premiums | PVNBP | NBV | Life OR |
|---|---|---|---|
| **€ 1,454** mln (-1.6%) | **€ 881** mln (0.0%) | **€ 97** mln (+20.9%) | **€ 229** mln (-8.0%) |

With reference to the Life premiums of the CEE countries, savings products dropped (-3.6%, due to the performance of single premium policies), only partly offset by the positive development of the unit-linked products (+1.9%, supported by the growth in single premium policies). The trend of the Life premiums is explained by the slowdown in income in the Czech Republic (-3.4%, due to the strong competition between the main players of the market) and in Poland (-1.0%, linked to the complex legislative context and the company's constant focus on greater profitability of the insurance business). Premium income in Slovakia is progressively growing (+7.7%), driven by protection products, in line with Group strategy.

New business in terms of present value of new business premiums (PVNBP) remained almost the same at € 881 million. At the business line level, unit-linked production decreased (-4.1%) despite the good production of the relevant single premiums (+11.4%), offset by the risk business production (+4.3%).
The rise in profitability (margin on PVNBP) from 9.05% of 2016 to 10.98% of 2017 is mainly explained by the increase in the profitability of the risk business, which represents 50.6% of production, higher than last year.
The increased profitability takes the new business value to € 97 million (+20.9%).

| P&C premiums | P&C OR | Cor |
|---|---|---|
| **€ 2,145** mln (+3.4%) | **€ 249** mln (+22.2%) | **87.8%** (-1.7 pps) |

The 3.4% increase in P&C income is attributable to both segments. The motor segment (+3.2%) benefited from the tariff policies on the existing portfolio, while the non-motor segment recorded 3.6% growth, in line with the Group strategy thanks to introduction of new home and travel products in the major markets of the area.

The improvement of the combined ratio, which decreased 1.7 pps compared to 2016, is mostly due to the lower net claims (-1.8 pps), thanks to the positive performance of prior years. The expense ratio stayed stable compared to the previous year (+0.1 pps), also benefiting from the lasting cost reduction measures.

# Global Business Lines & International

In 2017, this business unit realised premiums amounting to € 16.3 billion and an operating result of € 1.2 billion. It is also the largest in terms of size, comprising over 20 countries grouped into three regions (Asia, Americas and EMEA) and four global business lines (GBL) of the Generali Group. The approach best suited to satisfying specific cluster of our customers is developed through GBL, in particular:

- Global Corporate and Commercial (GC&C): offers P&C insurance and services solutions to medium-large companies and brokers in over 160 countries around the world. Thanks to its solid global experience, knowledge of the local markets and the corporate sector, the unit offers integrated and personalisable solutions in property, casualty, engineering, marine, aviation and speciality risks. Through its experts in Multinational Programs, Claims and Loss Prevention, GC&C guarantees companies the same level of assistance and protection over the world.
- Generali Employee Benefits (GEB): strategic business unit of the Group present in more than 100 markets that deals with benefits for employees (local and expatriate), offering sophisticated solutions to multinational companies that want to protect their human capital with Life, accident, disability and health coverage and pension products.
- Generali Global Health (GGH): offers health insurance coverage all over the world to companies, international organisations and individuals needing to gain access to the best medical treatment without geographical boundaries. The products offered are distinguished by direct benefits and compensation, without prior disbursement by the policyholder, a modular and flexible structure and access to its network of over 1 million healthcare facilities;
- EuropAssistance (EA): major global brand for the assistance services focussed on innovation.

Global Business Lines & International is one of the growth engines for the Generali Group. The sections regarding the single regions are presented below.

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

| Gross written premiums | Total operating result | Life market share | P&C market share | Ranking | Our people |
|---|---|---|---|---|---|
| **€ 8,688** mln (-2.5%) | **€ 896** mln (+8.6%) | Es: **3.3%**<br>Ch: **3.7%**<br>At: **13.8%** | Es: **4.5%**<br>Ch: **5%**<br>At: **16.2%** | Es: **8°**<br>Ch: **8°**<br>At: **3°** | **9,693** |

The Group's main EMEA markets are Spain, Switzerland and Austria. In these territories 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. An agreement to sell the entire stake in Generali PanEurope was signed in December, and the sale of the assets that the Group held in the Netherlands was finalised in February 2018. These transactions are part of the Generali Group's strategy to readjust its geographical presence

### Spain

Generali has been in Spain since 1834 and currently exercises its presence with Generali España, a fully-owned subsidiary, and through two bancassurance agreements in a joint venture with Cajamar (Life and P&C) that ensure the Group exposure to the main Life distribution channel and continuous expansion in the P&C channel as well. Generali is one of the main insurance groups in Spain, with a total market share of 3.3% in the Life segment and 4.5% in the P&C segment. The Generali España group offers a wide range of Life and P&C policies dedicated to private individuals and companies, using a multi-channel distribution strategy including not only bank offices, but a network of agents and brokers which is among the most extensive in Spain. Overall, the Group ranks 8th in the Spanish insurance market in terms of total premiums.
With reference to the insurance market, the P&C segment continued to keep up its growth trend in 2017, also thanks

to an overall macroeconomic recovery of the country. On the contrary, the Life market recorded a slow-down and decrease both in savings products and protection products.

## Switzerland

Generali has been operating in Switzerland since 1987 and over the following decade its presence was consolidated by the acquisition and merger of many insurance companies. In accordance with the Group strategy, Generali Switzerland focuses on the retail business and provides high quality and innovative services, through various distribution channels: agents, brokers, financial advisors and direct channels. Generali Switzerland is the number eight insurance group in terms of premium income in the Life and P&C segments. The Life market share is 3.7%, while that of the P&C segment is 5%.
The Life insurance market recorded a slight decline, while the P&C market continued to grow, albeit weakly. More in general, the Swiss economy has always proven solid, even following the Central Bank's decision to abandon the exchange rate floor. Following a period of stability in the beginning, in 2017 the Swiss currency slowly began to depreciate due to the euro appreciation (after the French elections), with the country's desire to back export contributing. However, the inflation rate is still close to 0% and the domestic GDP hovers around 1% in spite of the forecast progression for 2018.

## Austria

Generali has been present in Austria since 1832, the year after the Company was established in Trieste. Generali operates in the country through the insurance companies Generali Versicherung, BAWAG P.S.K. Versicherung and Europäische Reiseversicherung. The multi-channel distribution strategy involves agents, brokers, financial advisors and banks (BAWAG P.S.K. and 3Banken). The Group strategy is reflected in the confirmation of Austria 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. Generali was the third largest insurance operator in terms of written premiums, with a market share of 13.8% in Life insurance and of 16.2% in P&C.
In general, a particularly complex economic situation marks the country and it is distinguished by low interest and inflation rates, and an unemployment rate in line with 2016 levels. As for the insurance market, price competition is very high, especially for the broker market, where a tendency to concentrate in pools is noted; difficulties in hiring a new sales force are seen and the comparative web portals are growing.

| Life premiums | PVNBP | NBV | Life OR |
|---|---|---|---|
| **€ 4,356** mln (-6.8%) | **€ 5,283** mln (-7.1%) | **€ 218** mln (+22.8%) | **€ 447** mln (+4.9%) |

The trend in Life premiums is mainly explained by the slow-down of income in Spain (-10.1%) and in Switzerland (-2.4%), and this is for the most part attributable to the fall in traditional savings products, in line with the Group's commercial strategy. Income from pure risk premiums experienced slight growth, especially in Spain and Austria.
New business in terms of PVNBP was down (-7.1%), following the reductions in Switzerland (-36.1%), Austria (-4.2%) and Spain (-8.9%), with direct effects on the savings sector (-23.1%).
All in all, productivity enjoyed a considerable increase, from 3.16% of 2016 to 4.13% of 2017, mainly following the considerable reduction of traditional business (and of the financial guarantees offered) in favour of the risk business in Austria and Spain. New business value increased to € 218 million (+22.8%).

| P&C premiums | P&C OR | Cor |
|---|---|---|
| € 4,332 mln (+2.3%) | € 486 mln (+11.0%) | 92.1% (-0.7 pps) |

P&C premiums recorded slight growth in both segments, primarily due to Spain (+2.2%) and Austria (+2.8%). A drop in the motor business (-4.4%) was recorded in Switzerland, partly due to the reduction of the average premium, in line with the market context, and growth in the non-motor lines (+2.6%).
The improvement of the combined ratio is the result of the fewer claims recorded, in particular in Austria and Switzerland, and of the fewer costs, mainly in Spain.

## Americas includes Argentina, Brazil, Colombia, Chile, Ecuador, Panama and the USA.

| Gross written premiums | Total operating result | Life market share (Argentina) | P&C market share (Argentina) | Ranking (Argentina) | Our people |
|---|---|---|---|---|---|
| € 1,420 mln (+8.3%) | € 62 mln (-36.5%) | 5.8% | 5.9% | Life 3rd<br>P&C 4th | 3,432 |

Argentina, where Generali ranks as the fourth operator, is the major market for the Group in this region. It is marked by a historically high inflation rate and a volatile financial situation, which has become accentuated following the political elections at the end of 2015. Nonetheless, starting from the second half of 2016 the economy began to show signs of stabilisation and opening up to the international markets; positive signals for the future of this key country on the Latin American continent. Its economy, and inflation in particular, are stabilising due to the measures taken by the government. In such a 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. The company Caja is the market leader, not counting the business lines where it does not operate (Workers Compensation and Annuities).

Brazil is the second most important country. Despite its systemic turmoil - a prolonged period of economic crisis and political instability from which the country appears to have left during 2017 - Brazil can boast an emerging middle class that represents development potential for the insurance market in the years to come. The Group also operates in Chile, Ecuador and the USA. During 2017, agreements were reached to sell Colombia and Panama and they will be finalised in 2018.

| Life premiums | PVNBP | NBV | Life OR |
|---|---|---|---|
| € 292 mln (+14.7%) | € 256 mln (-8.4%) | € 4 mln (n.a.) | € 42 mln (-16.9%) |

Life volumes, mainly represented by protection products corresponding to 90% of total income, reported growth over 2016 (+14.7%) that was driven by Brazil's performance (+37% owing to the contribution of new projects) and that of Argentina (+20% arising from increased insured sums consequent to the impact of inflation on wages).
New business in terms of PVNBP is down (-8.4%), while profitability (margin on PVNBP) was 1.42% with the new business value amounting to € 4 million[6].

6 The NBV comes from the risk business in Argentina that for the first time was reported in 2017. After the Contract Boundaries rule was introduced, the Argentinian products have been classified as new business since the first quarter of 2017, while they were previously measured inside the existing portfolio.

| P&C premiums | P&C OR | Cor |
|---|---|---|
| € 1,128 mln (+19.2%) | € 25 mln (56.9%) | 105.5% (+2.8 pps) |

P&C income, 75% of which comes from motor policies, went up 19.2% mostly thanks to Argentina (representing about 70% of the region) due to both the tariff adjustments resulting from the inflation and the higher number of policies.
The combined ratio of the region was 105.5%, 2.8 pps worse than the previous year; this performance is attributable mainly to the strengthening of the reserves carried out in Argentina.

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

| Gross written premiums | Total operating result | Life market share (Cina) | P&C market share (Cina) | Ranking (Cina) | Our people |
|---|---|---|---|---|---|
| € 2,359 mln (-3.8%) | € 39 mln (+21.0%) | 7% | 2.6% | Life 4th<br>P&C 10th | 4,738 |

The group has been present in Asia since the 1980s. It is currently operating 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 company operating in the P&C segment, are not consolidated line-by-line as the relative shareholdings are not controlling. Hong Kong is also home to the regional office, which coordinates the entire area's activities.
The Life income comes from China, Indonesia, Hong Kong, the Philippines, Thailand, Vietnam and India, and is concentrated primarily in the savings and protection segments and, to a lesser extent, the unit-linked segment. The P&C income, on the other hand, comes from 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.
The banking and agency channels are enjoying rapid development, especially in China, and are the main distribution channels. 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 in July 2016 of a new Life company in Hong Kong, specialised in the High Net Worth segment, added alongside the branch and the regional office. The joint venture in the Philippines with the partner Banco De Oro was also closed in mid-2016, and at the same time a new company 100% owned by the Generali Group operating in the Group Life and Employee Benefits business was created. 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 Multi-Purpose Insurance Berhad (MPIB), with the option to exercise a call option on the additional 21% of MPIB in the future. Thus, the Generali Group would hold a 70% stake in the company, the maximum allowed for foreign companies in Malaysia.

| Life premiums | PVNBP | NBV | Life OR |
|---|---|---|---|
| € 2,155 mln (-4.3%) | € 2,001 mln (+6.0%) | € 140 mln (n.s. change) | € 78 mln (+14.2%) |

| P&C premiums | P&C OR | Cor |
|---|---|---|
| € 204 mln (+3.0%) | € -7 mln (var n.s.) | 103.8% (+3.3 pps) |

Total premiums dropped by 3.8% at the end of 2017 (Life -4.3%, P&C +3.0%), basically due to several extraordinary effects that occurred in 2016, including the formation of a new company operating in the Life segment, whose underwritten business settled at levels below the initial ones following some delays in the process of approving products with the banking partners and a change in distribution strategy (from exclusive brokers to multibrokers), to resume momentum only starting from mid-2017.
The Life segment is driven by China, and more specifically by the savings products, even if the other countries also are demonstrating positive growth.
New business in terms of PVNBP is up (+6.0%) in all the countries; in particular, China (+14.1%) and Thailand (+58.9%) are enjoying good increases. With reference to the business lines, excellent development of the risk products (+75.1%) and good progress of the unit-linked products (+24.0%) was seen, at the same time the savings products decreased (-28.7%).
Profitability (margin on PVNBP) recorded a considerable increase, from 2.31% in 2017 to 7.00% in 2018, above all thanks to China that improved the business mix, with a resulting reduction of the guarantees offered on the savings business, and to improvement of the economic situation. The new business value amounted to € 140 million.
The P&C segment instead sustained the negative impact of CAT claims due to the corporate line of Hong Kong, bringing about an increase in the combined ratio of the region.

## Global Lines

### Global Corporate and Commercial

Created to develop P&C products and services for medium-large companies, Generali Global Corporate & Commercial offers complete insurance solutions to customers and intermediaries in over 150 countries through nine main offices in Europe, Asia and the Americas. With its global network of more than 1000 dedicated professionals and over 100 risk control experts, Generali Global Corporate & Commercial presents an integrated offer of insurance solutions that includes property, casualty, engineering, marine, aviation, cyber, financial risks and multinational programmes, generating a total premium volume of € 1.9 billion in 2017. From a technical viewpoint, the year's performance was positive even though it was influenced by the occurrence of several CAT claims and the ongoing soft phase of the global corporate market marked by tariff pressures, tensions on the margins and heavy competition, above all in the property, casualty and engineering segments.

### EuropAssistance

Major global brand for private assistance, this Group is specialised in offering insurance coverage and services in the travel, motor, home and family, and healthcare sectors. With over 300 million customers, Europ Assistance sets its goals on innovation and new markets, like that of Senior Care. The total income of the EA Group, calculated locally and including not only the gross written premiums but also revenue for assistance services and other activities, totalled € 1.6 billion in 2017. In 2017, the Group continued to pursue a growth strategy in both volumes and margins, considering that positive one-off effects linked to the sale of a non-core business unit were recorded the previous year.

## Generali Employee Benefits

GEB is an integrated network that offers services for multinational company employee benefits consisting of pure risk, Life and health coverage and pension plans for both local and expatriate employees. Present in over 100 countries and with more than 400 coordinated multinational programmes (of which at least 40 captives), GEB today is the market leader for multinational companies with a premium volume of € 1.3 billion. GEB improved its performance in 2017 - and especially its technical performance - thanks to a successful Pool products (characterised by the centralisation of the customer's international risks) campaign.

## Generali Global Health

Generali Global Health (GGH) was created in 2015 as the brand and business unit of the Generali Group dedicated to the International Private Medical Insurance (IPMI) segment. Its premium income for the entire insurance market amounted to more than € 10 billion in premium at the global level, and compound annual growth of 13%.
More specifically, GGH realised a premium volume of € 0.1 billion in 2017 (+60% in 2016), in line with its strategic plan of becoming leader of the IPMI market by 2023.
GGH is distinguished by the innovative nature of its products and services, and by the high degree of digitalisation of processes. These features have already been acknowledged by the market, which awarded the company the title of Most Innovative Health Insurer at the recent 2017 International Insurance Forum.

## Investments, Asset & Wealth Management

| Total revenues of the Business Unit | Cost/Income ratio | Net operating income of the Business Unit | Our people |
|---|---|---|---|
| **€ 922** mln | **49%** | **€ 468** mln (+45.7%) | **1,860** |

Coherently with the Group asset management strategy announced in May 2017, the business unit was established in order to unify in a single entity the Group's units operating in investments, asset management and wealth management. The ambition of the new business unit lies in expanding the customer base (mostly captive at the moment) to third–party clients, transforming the asset management arm of the Group from an insurance services provider in a foremost player in the asset management industry.

The move, announced in 2017, towards a leaner, more efficient and more modern organizational structure, will allow the Group to:

- exploit cross-selling and rationalization opportunities in order to reach a broader customer base increasing the weight of third-party customers, and to change the business mix by shifting to more capital-light products. One such example is the launch of the Liability-Driven Investment Solutions, which aims to offer insurance investments advisory services, internally developed, to external institutional clients;
- create a solid and lean platform that facilitates the development of the Multi-boutique model, which consists in the creation of asset&savings management firms in partnership with expertise on niche asset classes and guarantees the interests alignment between the Boutiques' management and the Group, alongside with limited risk for our shareholders.

The new business unit operates in three areas:

1. Investment Management: implementation of Asset Liability Management (ALM) and Strategic Asset Allocation (SAA) models for Group Insurance Companies;
2. Asset Management: asset management services targeted mainly at insurance clients, with the goal to widen the client base to third-party customers, both institutional (such as pension funds and foundations) and retail;
3. Wealth Management: financial advisory and wealth protection services offered to private clients, mainly through Banca Generali Group.

The business unit's Europe-based Assets under Management amounted to € 447 billion at year-end 2017. Its net income increased from € 84 million at year-end 2016 to € 152 million at year-end 2017[7], in line with the announced 2020 target.

7 Data including net income attributable to non-controlling interests; including Generali Investment CEE's and Generali Alapkezelo's contribution.

# Outlook

In 2018, a continuation of the current growth dynamics is expected; in the Eurozone, this growth should settle at 2.1%, marginally lower than in 2017, due to exports supported by a global recovery as well as consumption increasing as a result of the continued decline in unemployment and investments favoured by positive conditions for accessing credit.
As for the United States, a continuation of the current growth phase is forecasted, with a slight acceleration (real GDP of +2.4%) due to the tax reform that - as a main element - reduces the tax rate on companies from 35% to 21%. The effect on families will be reduced and concentrated on higher income brackets. With regard to monetary policy, the Fed is expected to follow its path of "normalization", increasing its reference rate three times, thus bringing the corridor to 2.00% - 2.25%.
Given solid growth and slightly higher inflation forecasts, returns within financial markets should increase, reporting growth that is probably slightly higher in the Eurozone with investors that are increasingly looking forward towards the first increase in the interest rates of reference by the ECB in 2019. As a result, both public and private bond performances are expected to be negative. The sovereign spreads of countries in Southern Europe could be negatively affected in the first part of the year given the uncertainty over both the Italian political context and the Catalan issue.
With regard to stock markets, the growth trend should continue. Although markets are already somewhat overvalued, the current favourable economic situation, US tax reform and the still extensive levels of liquidity will foster this growth.

With regard to insurance markets, in 2018 growth in the P&C segment will continue thanks to the positive trends in the economy. The unfavourable situation within the Life segment could continue, even if there could be a few positive signs thanks to the expected positive trend in available income and - within Italy - the presence of regulations which should render the sale of traditional products less unfavourable.
With regard to the reinsurance business, the anomalous frequency of major catastrophic events in the second half of 2017 - which mainly affected the Caribbean areas and the United States - should be noted. Hurricanes Harvey, Irma and Maria in late August/early September caused insured losses of around $ 93 billion. In addition, the earthquakes that affected Mexico as well as the vast forest fires in California and the Iberian Peninsula negatively affected the reinsurance industry while, however, demonstrating its financial strength in sustaining an extraordinary sequence of claims. Consequently, the main renewal season, concentrated on 1 January, highlighted the end of the soft cycle and a trend reversal which also spread to business classes not affected by the aforementioned events.
The Generali Group - although partly affected by the hurricanes - exploited the benefits of a centralized reinsurance structure which allowed for greater control over risk retention levels, thereby mitigating the impact of losses to levels that were essentially in line with the averages of previous years. In accordance with the market cycle, reinsurance costs have marginally suffered from the contingent circumstances, recording increases, although very limited, in reinsurance expenses for the 2018 coverages keeping retentions unchanged or, in some cases, even more conservative.

Within the Life segment, the Group will continue to face, in 2018, the various and dynamic constraints that are derived from the regulatory sector as well as markets characterized by significant competition in a financial scenario featuring continuing low interest rates.
The strategy is based on Life portfolio rebalancing with the objective of optimizing profitability and allowing for efficient capital allocation. Significant focus was placed on strengthening the Generali brand by simplifying and innovating the range of product solutions which will be marketed through the most suitable, efficient and modern distribution channels that are increasingly based on digital processes. As a result, actions dedicated to Life portfolio enhancement will continue with renewed emphasis:
– the creation of new business based on the selective development of sustainable lines of business such as the Protection & Health and unit-linked lines; the latter serves as an alternative to investments in traditional funds which are only still sustainable if capital-light. The development of these lines of business 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 particular, and with regard to Protection & Health products, the focus is on traditional risk coverage enriched with customer services that render the management and solution of critical issues subject to coverage even more concrete; unit-linked target products are characterized by protection mechanisms that are capable of coping with potential market crashes (e.g. selection of volatility-controlled funds);
– with regard to in-force business, actions dedicated to improving the degree of persistency of value portfolios, in particular through actions which aim to strengthen relations with existing customers on the basis of an analysis of current insurance needs.

The Group's upcoming objectives include following up on the positive results of the rebalancing of the business mix while emphasizing the focus on market positioning in terms of premiums.
Premium trends will continue to reflect a careful underwriting policy, in line with the common Group goals and driven by a focus on the central importance of customers' interest, as well as the value of the products and the risk appetite framework.

Within the P&C segment, premiums are forecasted to continue their growth trend in the primary geographical areas of operation of the Generali Group. This growth is consistent with the relative growth of GDP within a macroeconomic context featuring general recovery despite persistently strong competition, particularly in the corporate sector. The growth will be driven by motor - triggered by the economic recovery and the increase in the average premium - in order to cope with claims inflation, while non-motor, although increasing, will be more affected by competitive pressure.
Competition is also expected to accelerate in terms of distribution; in fact, digital transformation will create more space for non-traditional or non-exclusive distribution networks (such as aggregators), with a potential impact, from the business perspective, on 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, particularly fleets, but not only) with anti-cyclical measures, a disciplined approach to setting prices 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.
Management of the P&C segment - due to the level of capital absorption of these products which allow for efficient allocation - will therefore continue to be a foundational principle for implementing the Group's strategy whose objective is to become the European leader in the retail segment.

With reference to the Group investments policy, an asset allocation strategy aimed at consolidating current returns and safeguarding consistency with liabilities to policyholders will continue.
With regard to fixed-income investments, the investment strategy aims to diversify the portfolio, both within the sector of government bonds as well as in terms of corporate bonds in order to guarantee adequate profitability to policyholders as well as a satisfactory return on capital while maintaining a controlled risk profile.
Alternative investments are considered interesting for their contribution to portfolio diversification, and the creation of a multi-boutique insurance asset manager platform is part of the strategy aimed at enhancing investment capacity in these market sectors and within a context where total investment volumes are influenced by the limited supply and the high-quality requirements of investment policies.
With reference to stock exposure, 'controlled volatility' strategies will be adopted.
New investments in the real estate sector will be primarily oriented towards the European market and - to a limited extent - other geographical areas in order to improve the overall diversification of the portfolio. The focus on efficiency in management of the existing portfolio also continues in order to optimize internal geographical diversification within Europe.

The aforementioned initiatives will enable the Group to counteract the prolonged scenario of low interest rates and encourage growth, thereby confirming the pre-established objectives of the strategic plan.

# Consolidated Non-Financial Statement

# Consolidated Non-Financial Statement
## pursuant to Leg. Decree 254/2016

The Annual Integrated Report also provides non-financial information, in accordance with the provisions of legislative decree of 30 December 2016, no. 254 (Leg. Decree 254/2016), in implementation of European Directive 2014/95.

To the extent necessary for an understanding of the Group development, performance, position and impact of its activity, information relating to:
- environmental matters;
- social matters;
- employee matters;
- respect for human rights;
- anti-corruption and bribery matters;

which are relevant to the activities and characteristics of the Group is disclosed while also at least describing:

- the organization and management model, including direct and indirect impact (p. 18). The main operating companies based in Italy have adopted models pursuant to article 6, paragraph 1, letter a), of legislative decree of 8 June 2001, no. 231. These models aim at mitigating risks connected to offences that are relevant also to legislative decree of 30 December 2016, no. 254. As for the Parent Company's model, refer to the Corporate Governance and Share Ownership Report 2017, p. 125-127;
- the policies applied (p. 22 and 38);
- the non-financial key performance indicators (p. 10, 19, 32-33 as well as where indicated through the infographic);
- the principal risks related to the matters aforementioned (p. 22-29, 33).

Based on the Group's consolidated methodological decisions pertaining to integrated reporting, the Report is drafted in accordance with the Guiding Principles and Content Elements envisaged by the International <IR> Framework, approved by the International Integrated Reporting Council (IIRC). The standard adopted for the disclosure of the material matters identified by the Group, especially of those non-financial ones envisaged by Leg. Decree 254/16, is the Consolidated Set of GRI Sustainability Reporting Standards, issued in 2016 by the GRI - Global Reporting Initiative (GRI-Referenced claims), with reference to selected GRI Standards and indicators of the GRI G4 Financial Services Sector Disclosures, as detailed in the Note to the Management Report.

The disclosure of the aforementioned matters is therefore integrated into the Annual Integrated Report of the Group: this decision complies not only with current legislation, but also with the International <IR> Framework, in particular with the Materiality, Connectivity of information and Conciseness Guiding Principles. For the purposes of simplifying the fulfilments required by the decree and also promoting greater accessibility to published non-financial information, the latter is clearly identified within this Report, even through the use of infographic in the margin.

Information which is relevant to this decree has been identified through an innovative materiality process developed in accordance with the <IR> Framework. In particular, the starting points were the matters contained in the materiality matrix created in 2016 where primary importance is ascribed to the perspective of internal and external stakeholders. These matters were found within the primary reporting documents produced by the Company and approved by corporate bodies or, at least, at the top levels of Generali. Research activities were implemented through content analysis of a documentary sample of about 1,500 pages, including the presentation of the Group's strategy to the market, the Charter of Sustainability Commitments, the minutes of the annual Shareholders' Meetings and the transcripts of conference calls with investors. With respect to the 20 starting matters of the aforementioned materiality matrix, the analysis identified the following 11 matters as most material in terms of frequency within the documentary sample:

1. Responsible business management
2. Climate change and natural disasters
3. Responsible remuneration and incentives
4. Quality of the customer experience
5. Product and service development
6. Responsible investments and underwriting
7. Attracting talent and development of human capital
8. Employee engagement and promotion of a common culture
9. Data and cyber security
10. Demographic and social change
11. Prevention of corruption

Given its connection with the strategy, complementary information is also provided as for:

12. Diversity, inclusion and equal opportunities
13. Relations with distributors

*Glossary available at the end of this document*

Such matters are disclosed in this Report in a manner which is consistent with the strategic orientation and business management of the Group. The specific performance indicators are those related to the strategic plan or those which are monitored operationally during planning and control processes while taking into account the relative scope that is currently applied. Finally, where feasible, a comparison is offered with the previous period.

For the purposes of promoting greater accessibility to non-financial information, the following table highlights the connection between the matters of Leg. Decree 254/2016 and those most material to the Group, as well as an indication of the related section of the Report in which they are reported in addition to our support for the Sustainable Development Goals launched by the United Nations.

| Leg. Decree 254/16 matters | Material matters for the Generali Group | Sections of the Report |
|---|---|---|
| **environmental matters** | 1. Responsible business management<br>2. Climate change and natural disasters<br>5. Product and service development<br>6. Responsible investments and underwriting | – Group highlights (p. 10)<br>– How we create sustainable value: our business model (p. 18)<br>– Our rules for running business with integrity (p. 22)<br>– Risks and opportunities of the external context (p. 24)<br>– Our performance (p. 43 and p. 49) |
| **social matters** | 1. Responsible business management<br>4. Quality of the customer experience<br>5. Product and service development<br>9. Data and cyber security<br>10. Demographic and social change<br>13. Relations with distributors | – Group highlights (p. 10)<br>– How we create sustainable value: our business model (p. 18)<br>– Vision, Mission, Values (p. 21)<br>– Risks and opportunities of the external context (p. 24)<br>– Our strategy (p. 30)<br>– Our performance (p. 43) |
| **employee matters** | 1. Responsible business management<br>3. Responsible remuneration and incentives<br>7. Attracting talent and development of human capital<br>8. Employee engagement and promotion of a common culture<br>12. Diversity, inclusion and equal opportunities | – Group highlights (p. 10)<br>– How we create sustainable value: our business model (p. 18)<br>– Our strategy (p. 32)<br>– Our governance and remuneration policy (p. 38) |
| **respect for human rights** | 1. Responsible business management<br>6. Responsible investments and underwriting | – Our rules for running business with integrity (p. 22)<br>– Our performance (p. 49) |
| **anti-corruption and bribery matters** | 1. Responsible business management<br>6. Responsible investments and underwriting<br>8. Employee engagement and promotion of a common culture<br>11. Prevention of corruption | – Our rules for running business with integrity (p. 22)<br>– Our performance (p. 49) |

Pursuant to article 5 of the Consob Regulation 18 January 2018, no. 20267 the Generali Group has assigned the auditing firm EY S.p.A. - the current external auditor for the financial statements - with the task of performing the limited assurance activity on this Statement. The Report drafted by EY S.p.A. is attached to this document.

Milan, 14 March 2018
The Board of Directors

# Independent Auditor's
# **Report**

Building a better working world

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# INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION IN ACCORDANCE WITH ARTICLE 3, PAR. 10, OF LEGISLATIVE DECREE 254/2016 AND WITH ARTICLE 5 OF CONSOB REGULATION ADOPTED WITH RESOLUTION 20267

(Translation from the original Italian text)

To the Board of Directors of
Assicurazioni Generali S.p.A.

We have performed a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267, on the consolidated disclosure of non-financial information of Generali Group (hereinafter the "Group" or " Generali Group") for the year ended 31 December 2017 in accordance with article 4 of the Decree, *presented in the specific section of the Management Report* approved by the Board of Directors on 1st March 2018 (hereinafter "DNF").

## Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI – Global Reporting Initiative ("GRI Standards"),identified by them as a *reporting standard methodology*, with reference to selected GRI Standards, as illustrated in the Management Report section "Note to the Management Report".

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

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### Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

### Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI – Global Reporting Initiative ("GRI Standards"), with reference to selected GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. understanding of the following aspects:
    - group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
    - policies adopted by the Group related to the matters indicated in art. 3 Decree, results achieved and related key performance indicators;
    - main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

    With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.
4. Understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.

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In particular, we have conducted interviews and discussions with the management of the Assicurazioni Generali S.p.A. and with the personnel of Generali Italia S.p.A., Generali Versicherung AG (AT), Česká pojišťovna a.s., Generali France S.A., Generali Deutschland AG, Generali Personenversicherungen AG, Generali España S.A. de Seguros y Reaseguros and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, at group level, for significant information, considering the Group activities and characteristics:

- at Group level,
  - i. with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  - ii. with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the following companies, Generali Italia S.p.A., Generali Versicherung AG (AT), Česká pojišťovna a.s., Generali France S.A., Generali Deutschland AG, Generali Personenversicherungen AG, Generali España S.A. de Seguros y Reaseguros, which we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

## Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that DNF of the Generali Group for the year ended 31 December 2017 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards, with reference to selected GRI Standards.

## Other Information

The comparative information presented in the DNF for the year ended 31 December 2016, have not been examined.

Trieste, 27 March 2018

EY S.p.A.
Signed by: Paolo Ratti, Partner

*This report has been translated into the English language solely for the convenience of international readers.*

# Appendices

to the Report

# **Note** to the Report

The Consolidated Financial Statements of the Generali Group as at 31 December 2017 were drawn up in accordance with the IAS/IFRS international accounting standards - issued by the IASB and endorsed by the European Union - as well as with Regulation (EC) no. 1606/2002, Leg. Decree 58/1998 as amended, and Leg. Decree 209/2005, as amended by Leg. Decree 32/2007.

This annual Report includes both the consolidated financial statements and notes in accordance with ISVAP Regulation of 13 July 2007, no. 7 as amended, and the information required under CONSOB Communication of 28 July 2006, no. 6064293. As allowed by the aforementioned ISVAP Regulation, 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' Regulation 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 2017, the consolidated scope decreased from 428 to 423 companies, of which 388 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 were 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 is available in the related Methodological note.

The Annual Integrated Report also provides non-financial information, in accordance with the provisions of Leg. Decree 254/2016, in implementation of European Directive 2014/95, and Consob Regulation of 18 January 2018, no. 20267.

*Consolidated Non-Financial Statement, p. 80*

All the disclosures by geographic area within this Report is based on the new Group managerial structure, made up of the business units in the main three markets - Italy, France and Germany - and four regional structures:
- Central and Eastern Europe countries: Czech Republic, Poland, Hungary, Slovakia, Serbia/Montenegro, Romania, Slovenia, Bulgaria and Croatia;
- International: consisting of EMEA, Americas, Asia, Europ Assistance and Other companies;
- Investments, Asset & Wealth Management, which includes the main Group entities operating in investment advisory, asset management and financial planning;
- Group holdings and other companies, which includes the Parent Company's management and coordination activities, including Group reinsurance, other financial holding companies and suppliers of international services not included in the previous geographic areas.

*Our reference market: positioning and performance, p. 58*

As noted above, the Report is drafted in compliance with currently effective regulations as well as the Content Elements and Guiding Principles envisaged by the International <IR> Framework of the International Integrated Reporting Council (IIRC).
The Annual Integrated Report enriches and makes the Management Report more accessible, expanding contents while maintaining a more rigorous and logical order.

Respect for the International <IR> Framework as for the Content Elements is shown in the margin: each chapter of the Report, that presents a new structure, meets one or more Content Elements. The Guiding Principles are illustrated later.


**Annual Integrated Report**


**Content Elements**

| | |
|---|---|
| **We, Generali** | |
| Group highlights | Performance |
| Our history<br>2017 and 2018 key facts | Organisational overview and external environment |
| How we create sustainable value: our business model | Business model |
| Vision, Mission, Values | Organisational overview and external environment |
| Our rules for running business with integrity | Organisational overview and external environment<br>Performance<br>Risks and opportunities |
| Our strategy | Strategy<br>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* approach is presented in detail in the Consolidated Non-Financial Statement.

*Consolidated Non-Financial Statement, p. 80*

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 non-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.
We regularly engage with **investors, 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 2017 we came into contact with more than 680 people (about 250 individual meetings and 430 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. As from 2016, we have extended this experience to Group employees as well. Overall, we met with around 260 people.
We also engage **customers**, **distributors** and Group **employees** with a view to continuous improvement.

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 from the Annual Integrated Report, drawn up in accordance with the *Materiality* principle, to the Annual Integrated Report and Consolidated Financial Statements, 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 non-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, unless otherwise indicated, and the strategic objectives announced to the market.

NFS

In this Report, the standard adopted for the disclosure of the material matters identified by the Group, especially of those non-financial ones envisaged by Leg. Decree 254/16, is the Consolidated Set of GRI Sustainability Reporting Standards, issued in 2016 by the GRI - Global Reporting Initiative (GRI-Referenced claims), with reference to selected GRI Standards and indicators of the GRI G4 Financial Services Sector Disclosures.

*Consolidated Non-Financial Statement, p. 80*

NFS

In accordance with the provisions of GRI 101: Foundation, paragraph 3, it references not only to GRI 103: Management Approach but also to the following GRI Sustainability Reporting Standards, paragraph 1:

- GRI 102: General Disclosures 2016 - Disclosure 102-16 Values, principles, standards, and norms of behavior as for the material matter Responsible business management;
- GRI 102: General Disclosures 2016 - Disclosure 102-43 Approach to stakeholder engagement as for the material matter Quality of the customer experience;
- GRI 205: Anti-corruption 2016 as for the material matter Prevention of corruption;
- GRI 305: Emissions 2016 - Disclosure 305-5 Reduction of GHG emissions[1] as for the material matter Climate change and natural disasters;
- GRI 404: Training and Education 2016 as for the material matters Attracting talent and development of human capital and e Employee engagement and promotion of a common culture;
- GRI 413: Local Communities 2016 as for the material matter Demographic and social change;
- GRI 418: Customer Privacy 2016 as for the material matter Data and cyber security.

Certain information more suitable for us is reported, considering the following GRI Sustainability Reporting Standards - General Disclosures and Topic Specific Disclosures:

- GRI 102: General Disclosures 2016 - Disclosure 102-35 (a) Remuneration policies as for the material matter Responsible remuneration and incentives;
- GRI 205: Anti-corruption 2016 - Topic Specific Disclosure 205-2 (e - aggregated data) Communication and training about anti-corruption policies and procedures;
- GRI 305: Emissions 2016 - Topic Specific Disclosure 305-1 (b, d, g) Direct (Scope 1) GHG emissions, 305-2 (c, d, g) Energy indirect (Scope 2) GHG emissions, and 305-3 (b, e, g) Other indirect (Scope 3) GHG emissions;
- GRI 404: Training and Education 2016 - Topic Specific Disclosure 404-1 (a - aggregated data) Average hours of training per year per employees, and 404-3 (a - aggregated data) Percentage of employees receiving regular performance and career development reviews.

Finally, the following indicators of the GRI G4 Financial Services Sector Disclosures are considered:

- FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose as for the material matter Product and services development;
- FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose as for the material matter Product and services development;
- FS11 Percentage of assets subject to positive and negative environmental or social screening as for the material matter Responsible investments and underwriting.

The reporting process and methodologies to calculate indicators are included in a specific document.

## Changes in the presentation of the performance indicators of the Group

All the comparative economic and performance indicators included in the Management Report have been restated in line with the current consolidation scope and the review of the disclosure by geographic area as indicated above.
It is therefore noted that the changes in the Management Report are on a like-for-like basis, excluding the aforementioned discontinued or disposed operations with reference to 31 December 2017 from the comparative period.
As abovementioned, the comparative KPIs in this Report have been recalculated as follows:

| (€ million) | 31/12/2016 as previously published | Change | 31/12/2016 restated |
|---|---|---|---|
| Gross written premiums | 70,513 | -1,606 | 68,907 |
| Life gross written premiums | 49,730 | -1,330 | 48,400 |
| P&C gross written premiums | 20,783 | -276 | 20,507 |
| Life Net cash inflows | 12,049 | -256 | 11,793 |
| Operating result | 4,830 | -46 | 4,783 |
| Life | 3,127 | -43 | 3,084 |
| P&C | 2,044 | 29 | 2,073 |
| Holding and other businesses | -91 | 17 | -74 |
| Consolidation adjustments | -251 | -49 | -300 |
| Non-operating result | -1,529 | 4 | -1,526 |
| Assets Under Management | 530,401 | -14,082 | 516,319 |
| Group debt | 51,416 | -10,302 | 41,114 |

* It refers to liabilities related to investment contracts.

1 The reduction of total emissions amounted to t 11,875 $CO_2e$ compared to base year 2013. The latter was chosen since it is the baseline for the goal to reduce total emissions by 20% by 2020. The reduction was attributable to indirect emissions (Scope 2 and Scope 3). The gases included were: $CO_2$, $CH_4$ and $N_2O$. The methodology adopted is the WRI GHG Corporate Standard Protocol.

# Balance sheet

Assets

| References: | (€ million) | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| | **1 INTANGIBLE ASSETS** | **8,784** | **8,866** |
| 4 | 1.1 Goodwill | 6,679 | 6,664 |
| 19 | 1.2 Other intangible assets | 2,105 | 2,202 |
| | **2 TANGIBLE ASSETS** | **4,075** | **4,476** |
| 20 | 2.1 Land and buildings (self used) | 2,606 | 2,810 |
| 20 | 2.2 Other tangible assets | 1,469 | 1,666 |
| 14 | **3 AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS** | **4,294** | **3,933** |
| 39, 40, 41, 42 | **4 INVESTMENTS** | **471,233** | **469,172** |
| 11 | 4.1 Land and buildings (investment properties) | 12,993 | 12,584 |
| 3 | 4.2 Investments in subsidiaries, associated companies and joint ventures | 1,171 | 1,194 |
| 7 | 4.3 Held to maturity investments | 2,267 | 2,168 |
| 8 | 4.4 Loans and receivables | 40,262 | 44,178 |
| 9 | 4.5 Available for sale financial assets | 320,641 | 313,933 |
| 10 | 4.6 Financial assets at fair value through profit or loss | 93,897 | 95,114 |
| | of which financial assets where the investment risk is borne by the policyholders and related to pension funds | 75,372 | 78,317 |
| 21 | **5 RECEIVABLES** | **11,676** | **11,790** |
| | 5.1 Receivables arising out of direct insurance operations | 7,238 | 7,155 |
| | 5.2 Receivables arising out of reinsurance operations | 1,441 | 1,163 |
| | 5.3 Other receivables | 2,997 | 3,471 |
| 22 | **6 OTHER ASSETS** | **30,170** | **15,414** |
| | 6.1 Non-current assets or disposal groups classified as held for sale | 16,146 | 772 |
| 15 | 6.2 Deferred acquisition costs | 2,119 | 2,083 |
| | 6.3 Deferred tax assets | 2,091 | 2,477 |
| | 6.4 Tax receivables | 2,961 | 2,974 |
| | 6.5 Other assets | 6,853 | 7,108 |
| 12 | **7 CASH AND CASH EQUIVALENTS** | **6,849** | **7,533** |
| | **TOTAL ASSETS** | **537,080** | **521,184** |

## Equity and liabilities

| References: | (€ million) | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| 16 | **1 SHAREHOLDERS' EQUITY** | **26,177** | **25,668** |
| | **1.1 Shareholders' equity attributable to the Group** | **25,079** | **24,545** |
| | 1.1.1 Share capital | 1,562 | 1,560 |
| | 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 | 9,209 | 8,604 |
| | 1.1.5 (Own shares) | -8 | -7 |
| | 1.1.6 Reserve for currency translation differences | -115 | 42 |
| | 1.1.7 Reserve for unrealized gains and losses on available for sale financial assets | 6,279 | 6,319 |
| | 1.1.8 Reserve for other unrealized gains and losses through equity | -1,055 | -1,153 |
| | 1.1.9 Result of the period | 2,110 | 2,081 |
| | **1.2 Shareholders' equity attributable to minority interests** | **1,098** | **1,123** |
| | 1.2.1 Share capital and reserves | 915 | 879 |
| | 1.2.2 Reserve for unrealized gains and losses through equity | -3 | 86 |
| | 1.2.3 Result of the period | 185 | 158 |
| 23 | **2 OTHER PROVISIONS** | **1,950** | **1,804** |
| 13 | **3 INSURANCE PROVISIONS** | **430,489** | **421,477** |
| | of which insurance provisions for policies where the investment risk is borne by the policyholders and related to pension funds | 67,997 | 60,799 |
| | **4 FINANCIAL LIABILITIES** | **42,316** | **51,416** |
| 17 | 4.1 Financial liabilities at fair value through profit or loss | 8,935 | 19,484 |
| | of which financial liabilities where the investment risk is borne by the policyholders and related to pension funds | 7,360 | 17,404 |
| 18 | 4.2 Other financial liabilities | 33,381 | 31,932 |
| | of which subordinated liabilities | 8,379 | 9,126 |
| 24 | **5 PAYABLES** | **10,494** | **9,550** |
| | 5.1 Payables arising out of direct insurance operations | 3,602 | 3,465 |
| | 5.2 Payables arising out of reinsurance operations | 848 | 579 |
| | 5.3 Other payables | 6,043 | 5,506 |
| 25 | **6 OTHER LIABILITIES** | **25,653** | **11,269** |
| | 6.1 Liabilities directly associated with non-current assets and disposal groups classified as held for sale | 15,745 | 702 |
| | 6.2 Deferred tax liabilities | 2,642 | 2,616 |
| | 6.3 Tax payables | 1,487 | 1,644 |
| | 6.4 Other liabilities | 5,779 | 6,307 |
| | **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **537,080** | **521,184** |

# Income statement

Income statement

| References: | (€ million) | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| 26 | 1.1 Net earned premiums | 64,604 | 64,944 |
| | 1.1.1 Gross earned premiums | 66,363 | 66,733 |
| | 1.1.2 Earned premiums ceded | -1,759 | -1,789 |
| 27 | 1.2 Fee and commission income and income from financial service activities | 1,080 | 959 |
| 28 | 1.3 Net income from financial instruments at fair value through profit or loss | 5,326 | 1,784 |
| | of which net income from financial instruments where the investment risk is borne by the policyholders and related to pension funds | 4,107 | 1,706 |
| 29 | 1.4 Income from subsidiaries, associated companies and joint ventures | 135 | 131 |
| 30 | 1.5 Income from other financial instruments and land and buildings (investment properties) | 14,880 | 14,782 |
| | 1.5.1 Interest income | 9,542 | 9,878 |
| | 1.5.2 Other income | 2,221 | 2,043 |
| | 1.5.3 Realized gains | 2,881 | 2,604 |
| | 1.5.4 Unrealized gains and reversal of impairment losses | 237 | 258 |
| 31 | 1.6 Other income | 3,180 | 2,916 |
| | **1 TOTAL INCOME** | **89,204** | **85,518** |
| 32 | 2.1 Net insurance benefits and claims | -65,748 | -63,616 |
| | 2.1.1 Claims paid and change in insurance provisions | -67,374 | -64,558 |
| | 2.1.2 Reinsurers' share | 1,626 | 942 |
| 33 | 2.2 Fee and commission expenses and expenses from financial service activities | -608 | -611 |
| 34 | 2.3 Expenses from subsidiaries, associated companies and joint ventures | -18 | -43 |
| 35 | 2.4 Expenses from other financial instruments and land and buildings (investment properties) | -2,784 | -3,403 |
| | 2.4.1 Interest expense | -1,029 | -1,088 |
| | 2.4.2 Other expenses | -388 | -350 |
| | 2.4.3 Realized losses | -612 | -471 |
| | 2.4.4 Unrealized losses and impairment losses | -755 | -1,494 |
| 36 | 2.5 Acquisition and administration costs | -10,868 | -10,698 |
| | 2.5.1 Commissions and other acquisition costs | -8,122 | -7,964 |
| | 2.5.2 Investment management expenses | -171 | -188 |
| | 2.5.3 Other administration costs | -2,575 | -2,546 |
| 37 | 2.6 Other expenses | -5,493 | -4,032 |
| | **2 TOTAL EXPENSES** | **-85,518** | **-82,403** |
| | **EARNINGS BEFORE TAXES** | **3,686** | **3,115** |
| 38 | **3 Income taxes** | **-1,173** | **-915** |
| | **EARNINGS AFTER TAXES** | **2,513** | **2,199** |
| | **4 RESULT OF DISCONTINUED OPERATIONS** | **-217** | **40** |
| | **CONSOLIDATED RESULT OF THE PERIOD** | **2,295** | **2,239** |
| | Result of the period attributable to the Group | 2,110 | 2,081 |
| | Result of the period attributable to minority interests | 185 | 158 |
| 16 | EARNINGS PER SHARE | | |
| | Basic earnings per share (€) | 1.35 | 1.34 |
| | From continuing operations | 1.49 | 1.34 |
| | Diluted earnings per share (€) | 1.33 | 1.32 |
| | From continuing operations | 1.47 | 1.32 |

# **Attestation** to the **Consolidated Financial Statements**

## 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 2017.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements as at 31 December 2017 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 2017:
      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, 14 March 2018

DPhilippe 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[2]

## 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.

**Capitals**: stocks of value as inputs to the business model. They are increased, decreased or transformed through the organization's business activities and outputs. The capitals are categorized in the International <IR> Framework as:
- financial capital: the pool of funds that is available to an organization for use in the production of goods or the provision of services, obtained through financing, such as debt, equity or grants, or generated through operations or investments
- manufactured capital: manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services
- intellectual capital: organizational, knowledge-based intangibles
- human capital: people's competencies, capabilities and experience, and their motivations to innovate
- social and relationship capital: the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being
- natural capital: all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization.

**Output**: an organization's products and services, and any by-products and waste.

**Outcomes**: the internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs.

**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.

**PVNBP, present value of premiums of new production**: present value of the expected future new business premiums, allowing for lapses and other exits, discounted to point of sale using reference rates.

**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. It 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). The shift from APE, which conventionally attributed to the single premiums a weight of 10%, to PVNBP allows a better representation of the margins on all new production volumes. The margin on PVNBP is now to be seen as a prospective ratio between profits and premiums.

2 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.

**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 on alternative performance measures.

**Cor, combined ratio**: 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.

**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, associated companies and joint ventures, derivative investments and receivables form banks and customers, the latter mainly related to Group banking operations.

**Asset owner**: who owns investments and bears the related risks.

**General account**: investments reported in the financial statements (excluding financial assets categorized as unit- and index-linked or deriving from pension funds management) and cash and cash equivalents. They also include some liabilities, with features similar to investments, among which derivative liabilities and REPOs.

**Stranded asset**: invested assets that may lose their economic value in advance of the expected duration, due to regulatory changes, market forces, technological innovation, environmental and social problems associated with the transition to a low-carbon economy. They are typically associated with the coal and fossil fuel sector, with an indirect impact on the utilities and transport sectors.

## Alternative performance measures

**Operating result**: it 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 policyhol-

ders and those on free assets. In the Property&Casualty 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**: it is equal 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 Methodological note on alternative performance measures), 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 Methodological note on alternative performance measures) 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**: 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.

## Non-financial definitions

**Products with significant social value:**

- products that respond to the needs of specific categories of customers or particularly unfortunate events in life, including products dedicated to the young, to the elderly, to the disabled, to immigrants, to the unemployed and to coverage for professional disabilities, or which in some way support and foster social inclusion; products that promote a more prosperous and stable society, with particular attention on small and medium-sized enterprises and people involved in voluntary work; products with high pension or microinsurance content;
- products that promote responsible and healthy lifestyles, leveraging on the opportunities provided by new technologies, on the importance of preventive healthcare or other virtuous behaviours of policyholders;
- products that supplement the public health service, designed to help manage the costs of treatment and assistance, as well as the reduction in earnings of customers in the event of serious illnesses or the loss of self-sufficiency.

**Product with significant environmental value:**

- products designed to promote sustainable transport with reduced environmental impact, including policies that reward responsible driving;
- products that support the energy efficiency of buildings;
- products for covering the risks connected with the production of renewable energies;
- products specifically designed to cover catastrophe risks or specific environmental damage;
- anti-pollution products.

**Customer**: either a physical person or a legal entity that holds at least one active policy and pays a premium to Generali (the policy is either with Generali, other non-Generali local brand, or white labelled).

**Customer T-NPS (Transactional Net Promoter System):** NPS approach to get a systematic feedback from customers after specific transactions (purchase, claims handling, etc.) selected locally. A survey is sent via email to customers to assess their propensity to recommend - or not - Generali to their closest persons (family members, friends and colleagues) using a scale from 0 to 10. Thanks to this feedback, the company is able to identify detractors (rating from 0 to 6), passives (rating of 7 or 8) and promoters (rating of 9 or 10). Each detractor is systematically called back by a member of Generali to understand the problem faced and solve it (quick wins). Those problems that have a more structural nature - and need, for example a revision of core processes and practices or investments - are addressed and solved in a cross-functional working group (structural improvements), with the goal deliver an outstanding customer experience.

**Exclusive distributor**: is both the agent with exclusive mandate to promote and distribute Generali products, and the employed sales force permanently involved in the activities of promoting and distributing Generali products.

**Distributor R-NPS (Relationship Net Promoter System):** NPS approach to collect a direct feedback from our distributors. This approach is similar to T-NPS, but covers the overall relationship with each distributor and is not focused on a specific transaction. A questionnaire is sent via email. As for T-NPS, detractor distributors are systematically called back in order to understand the root cause of dissatisfaction and solve the issue faced, with the goal to deliver an outstanding experience our distributors.

**Responsible business management**

It refers to policies, guidelines and procedures defining the internal system of rules which enables accountability and transparency.

**Climate change and natural disasters**

Climate change is already taking place and natural disasters are on the rise, constituting a threat to global economic development. In this context, the mitigation of climate risks and adaptation strategies are key factors at global level for strengthening the resilience of communities.

**Responsible remuneration and incentives**

A remuneration system based on internal equity, competitiveness, consistency and merit through a direct relationship between commitment and the recognition of merit makes it possible to create long-term value at all levels of the organisation.

**Quality of the customer experience**
In the relations with clients it is essential to be able to guarantee a unique and distinctive experience, maintaining and strengthening the loyalty on which the phases of the customer experience are based.

**Product and service development**
The requirements of customers constantly change and evolve in response to the changing scenarios, mega trends and technological innovations. Companies must be able to identify needs and to update their offers with a practical approach that is in keeping with expectations and with the constantly changing regulatory framework.

**Responsible investments and underwriting**
In the context of sustainable development, the environmental, social and governance (ESG) aspects of investments and underwriting are becoming increasingly important for the market.

**Attracting talent and development of human capital**
In an increasingly competitive and selective market, it is important to be able to count on well-prepared and motivated resources that are able to rise to the challenges of the sector.

**Employee engagement and promotion of a common culture**
Strengthening the motivation and commitment of employees to meeting our goals is important for maintaining a single, shared company vision. Dialogue and listening activities and the sharing of information are key aspects for the involvement of employees.

**Data and cyber security**
The quantity and quality of personal data now available is such that they must be managed carefully and professionally to ensure their confidentiality. The risks arising from the computerised management of acquired data and the vulnerability of systems to external or internal attacks require appropriate prevention and protection systems that ensure the protection of all stakeholders and business continuity.

**Demographic and social change**
Migration, new family structures, new coming generations and the aging of the population due to the fall in the birth rate and the increase in average life expectancy have relevant impact on public finances (in the management of both pensions and health care) and the attitude of citizens towards saving.

**Prevention of corruption**
In a sector based on trust, such as that of insurance, the promotion of business ethics and the prevention of corruption have a key role in protecting the company's reputation and credibility, the efficiency of the business and fair competition.

**Diversity, inclusion and equal opportunities**
Enhancing diversity, promoting inclusion and contrasting any kind of discrimination allow us to create the best possible conditions in our relationships with stakeholders and to promote targeted behaviour to prevent inequalities.

**Relations with distributors**
Distributors play a key role in the promotion and distribution of products and are able to provide important feedback for the development of products and improvement of services. Developing our relationship with the sales networks through dialogue, training and involvement in business strategies increases their satisfaction and loyalty.

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Coordination
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& Public Affairs**

The document is
available on
www.generali.com

Photos on page 6, 7, 14, 36, 37
**Giuliano Koren**

Image on page 12
**Marco Moro (1854)
Collezione Stelio e Tity Davia, Trieste**

Photo on page 12
**Collezione Archivio Fotografico Generali**

Photo on page 12
**Alessandra Chemollo**

Image on page 13
**Achille Beltrame (1916),
Foto Duccio Zennaro**

Photo on page 13
**Michele Stallo**

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**Daniele Braida**

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**Alphaomega**

Photo on page 15
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