

187th year

Group Annual Integrated Report 2018



Group Annual Integrated Report 2018

Corporate bodies

at 13 March 2019

Chairman

Gabriele Galateri di Genola

Vice-Chairmen

Francesco Gaetano Caltagirone

Clemente Rebecchini

Managing Director and Group CEO

Philippe Donnet

Board members

Romolo Bardin

Ornella Barra

Paolo Di Benedetto

Alberta Figari

Diva Moriani

Lorenzo Pelliccioli

Roberto Perotti

Sabrina Pucci

Paola Sapienza

Board of Statutory Auditors

Carolyn Dittmeier (Chairwoman)

Antonia Di Bella

Lorenzo Pozza

Francesco Di Carlo (Alternate Auditor)

Silvia Olivotto (Alternate Auditor)

Board secretary

Giuseppe Catalano

ISIN: IT0000062072
Reuters: GASLMI
Bloomberg: G:IM

Assicurazioni Generali S.p.A.

Company established in Trieste in 1831

Share capital € 1,565,165,364 fully paid-up

Registered office in Trieste, piazza Duca degli Abruzzi, 2

Fiscal code, VAT and Venezia Giulia Companies' 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

assicurazionigenerali@pec.generaligroup.com



Contacts available at the end of this document

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The integrated overview of our reports

The Group reporting approach is based on the integrated thinking and Core&More¹ concept also this year: the **Annual Integrated Report** is our **Core** report, centred on material financial and non-financial information while **other reports and channels of communication (More)** present more detailed information, some of which targets a specialized audience.



Annual Integrated Report and Consolidated Financial Statements

It 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

It outlines the corporate governance system of Assicurazioni Generali and its ownership structure.



Remuneration Report

It provides specific information on the remuneration policy adopted by the Group and its implementation.



Management Report and Parent Company Financial Statements

It provides information on the performance of Assicurazioni Generali, in accordance with currently effective regulations.



generali.com

for further information on the Group.



¹ **Core&More** is a reporting approach developed by Accountancy Europe which provides for a core report, including a summary of all key information required to evaluate and understand a company, and more reports, presenting more detailed information. www.accountancyeurope.eu for further information.

About the Annual Integrated Report

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



Group Annual Integrated Report

It provides a concise and integrated view of the Group's financial and non-financial performance, also pursuant to legislative decree 254/2016 (leg. decree 254/2016).

The Report is drafted in compliance with currently effective regulations, including leg. decree 254/2016 concerning the disclosure of non-financial information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. This information is clearly identified through a specific infographic (NFS) created for the purposes of simplifying the fulfilments required by the decree and improving accessibility to the information itself.

The criteria of the International <IR> Framework issued by the International Integrated Reporting Council (IIRC) are also applied to the Report. The standard adopted for the disclosure of the matters identified by the Group, including those non-financial matters envisaged by leg. decree 254/2016, 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. 75 for information on the materiality determination process and connections between the material matters identified and those envisaged by leg. decree 254/2016



Note to the Report, p. 86 for the criteria of the International <IR> Framework and selected indicators

NFS

Responsibility for the Annual Integrated Report

The Board of Directors of Assicurazioni Generali is responsible for the Annual Integrated Report, which is presented also in accordance with the Guiding Principles and Content Elements established by the International <IR> Framework. The Board, through its competent Committee, and the Board of Statutory Auditors are regularly engaged by the management in specific meetings aiming at sharing the approach to the preparation and presentation of the Report.

Letter from the Chairman and the Group CEO



Gabriele Galateri di Genola
Chairman



Philippe Donnet
Group CEO

Dear reader, dear Generali shareholder,

Although 2018 was a challenging year for many economies, especially in Europe, Generali has once again achieved excellent results. The Group closed the year with improvements in premium income, technical and operating performance and net profit. These results made it possible to meet, and in some cases even exceed, the expectations of the 2016-2018 strategic plan, demonstrating the Group's excellent execution capacity and its tireless commitment to excellence.

Indeed, the Group optimised its geographical positioning by concentrating its presence within the most promising markets in which it has - or expects to have - a leadership position, while also generating considerably more proceeds from disposals than estimated. It streamlined its operating machine, generating synergies and boosting productivity, resulting in a faster than expected reduction in operating costs in mature markets. It improved its technical capacities, consolidating performance leadership with respect to its competitors, and rebalanced the portfolio towards capital-light products within a low interest rate environment. It also started to implement its asset management strategy. By so doing, Generali strengthened its profitability and resilience in the face of market fluctuations and was able to improve customer loyalty and the degree of preference for the brand.

In line with the Group's culture of sustainability and long-term outlooks, and with the mutualistic approach at the basis of the insurance business, Generali published its Annual Integrated Report for the sixth consecutive year. Aside from the usual financial information, the Report provides a non-financial disclosure on social, environmental and governance matters, the importance of which is also reflected in the Group's purpose: enable people to shape a safer future by caring for their lives and dreams.

The turnaround plan was accordingly supported by measures intended to improve governance and promote social responsibility. For example, we afforded greater autonomy to employees and simplified processes and lines of reporting. The Human Safety Net, the awareness-raising and concrete aid programme designed for the communities in which the Group carries on business at global level, was extended to 18 countries. The climate change strategy was also launched, to reduce direct and indirect impacts on the environment, including through investments in 'green' projects and disinvestments in the coal sector, promoting a shift towards more sustainable practices on the part of stakeholders.

At 31 December 2018, Generali reached and surpassed its financial targets of more than € 7 billion in cumulative net operating cash in the 2015-2018 period and an average operating return on equity of more than 13%. The proposed 2019 dividend per share will enable Generali to reach and exceed the target of more than € 5 billion in cumulative dividends in the 2015-2018 period.

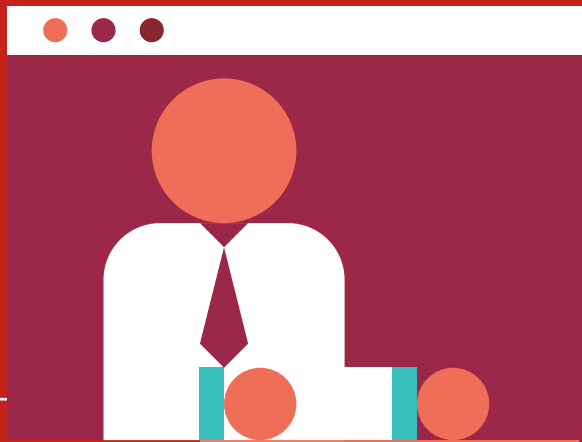
On 21 November 2018, Generali presented Generali 2021, the new 2019-2021 strategic plan which aims to exploit the Group's strengths to accelerate its growth. Generali aspires to become a partner for life for its customers, offering innovative and customized solutions relying on its unequalled distribution network. Generali strives to be a leader in the European insurance market for private individuals, professionals and SMEs, while also developing a global and focused asset management platform and taking advantage of opportunities in high-potential markets. Lastly, Generali 2021 is aligned with the Charter of Sustainability Commitments approved by the Board of Directors in 2017.

We are certain that Generali will reach its goals for 2021. Our confidence lies in the Group's current position of strength demonstrated, inter alia, by its leadership position in Europe, its undeniable path of success and the clarity and robustness of the actions set forth in its new plan. Even more importantly, our confidence is based on the talented team consisting of roughly 70,000 employees and more than 150,000 agents and distributors present all over the world, who with their energy, commitment, skill and proud sense of belonging contribute to making the difference. Our sincerest gratitude goes out to them and their families.

Gabriele Galateri di Genola

Philippe Donnet

The image shows two handwritten signatures in black ink. The signature on the left is 'Gabriele Galateri di Genola' and the signature on the right is 'Philippe Donnet'.



We, Generali

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Group highlights¹

 Glossary available at the end of this document

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 50 countries through more than 400 companies.

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

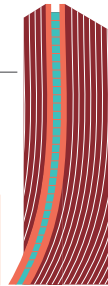
GROSS WRITTEN PREMIUMS

+4.9%

€ 66,691 mln

NFS

of which € 12,420.4 mln premiums from social and environmental products²



OPERATING RESULT

+3.0%

€ 4,857 mln

13.4% Operating Return on Equity (RoE) 2015-2018

REGULATORY SOLVENCY RATIO

+9 pps

216%

NFS

TOTAL ASSETS UNDER MANAGEMENT (AUM)

+0.4%

€ 488 bln

of which € 289 bln direct investments to which the RIG is applied (-2.2%) and € 33.2 bln SRI (-2.1%)³

NFS

TOTAL EMISSIONS⁴

t 107,394 CO₂e (-13.8% vs base year 2013)

NET PROFIT

+9.4%

€ 2,309 mln



PROPOSED DIVIDEND PER SHARE

+5.9%

€ 0.90

PROPOSED TOTAL DIVIDEND

+6.2%

€ 1,413 mln

¹ All changes in this Report are calculated on 2017, unless otherwise reported. Changes in Life net cash inflows and premiums are on equivalent terms, i.e. at constant exchange rates and consolidation scope pursuant to IFRS 5. Changes in Operating result, Assets Under Management and Operating RoE consider, in accordance with IFRS 5, 2017 comparative data restated following the divestment of Belgian, German and Guernsey businesses as well as the disposal of the Dutch and Irish operations completed in February and June 2018, respectively. 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.

² Premiums from social and environmental products refer to companies that represent 94.4% of total gross direct written premiums contributing to the analysis. Their amount is hardly comparable with that of 2017 due to some methodological improvements made during 2018.

³ RIG is the Responsible Investment Guideline that codifies responsible investment activities at Group level. SRI are assets managed according to Generali Insurance Asset Management's SRI (Socially Responsible Investment) proprietary methodology both on behalf of Group insurance companies and third-party clients (two funds and three mandates). Their change considers 2017 comparative data restated following a change in methodology.

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



OUR PEOPLE

-0.8%

70,734

11.5% women in the top management⁵ (+0.6 pps)

92% local actions implemented after the Generali Global Engagement Survey⁶

OUR CUSTOMERS⁷

+7.0%

61 mln

OUR DISTRIBUTORS⁸

n.m.

155 thousand

NFS

LIFE



Good performance: both net cash inflows and gross written premiums increased. Both operating result and Life new business profitability grew.

GROSS WRITTEN PREMIUMS

+5.7%

€ 46,084 mln

Life net cash inflows € 11,369 mln (+5.2%)

NBV

+4.3%

€ 1,877 mln

OPERATING RESULT

+2.8%

€ 3,067 mln

P&C



Premiums increased in both lines of business. Operating result grew; CoR conferred at excellent level.

GROSS WRITTEN PREMIUMS

+3.3%

€ 20,607 mln

CoR

+0.1 pps

93.0%

OPERATING RESULT

+2.5%

€ 1,992 mln

4 Total emissions refer to 42% of the total Group employees in the following countries: Austria, France, Germany, Italy, Czech Republic, Spain and Switzerland. They are calculated according to the location-based method; they are also disclosed according to the market-based method on our website.

5 Top management refers to the Group Management Committee (GMC) and the Generali Leadership Group (GLG).

6 The Generali Global Engagement Survey (GGES) is launched every two years. During the year when it is conducted, the data monitored are the engagement rate and the response rate while the subsequent year it is the percentage of local actions implemented after the GGES.

7 The number of customers refers to all entities with core insurance business, banks and pension funds (line-by-line consolidated entities, few insurance entities in Asia measured with the equity method where Generali has relevant shareholdings and specific Europ Assistance entities with relevant direct BTC business in Belgium, Italy, France, Spain and USA).

8 The number of distributors refers to all entities with core insurance business with relevant traditional distribution networks (line-by-line consolidated entities and few insurance entities in Asia measured with the equity method where Generali has relevant shareholdings).

2018 key facts

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

February

The **Net Promoter Score programme** of Generali was recognized as the **world's best one** by Medallia during the Experience Europe 2017 event held in London. The programme enables to listen to client feedback in real time and act on that feedback in order to resolve issues and improve services. It covers retail and corporate customers as well as distributors.

NFS

Sale completed of the entire shareholding in Generali Nederland N.V. (and its subsidiaries). Generali remains active in the Netherlands through Europ Assistance and its Global Business Lines, continuing to provide insurance services to its international customers.

During the Board of Directors' meeting on 21 February, Generali approved its **climate change strategy** including actions in its core activities, i.e. investments and underwriting.

NFS

 **The Generali 2021 strategy, p. 21**

March

Launch of Generali Global Infrastructure (GGI), a cornerstone of the Group's multi-boutique asset management strategy. It is a platform that employs internal know-how and also creates partnerships to invest in infrastructure debt across a wide geographical and sectorial investment scope and develop a range of products and solutions for investors.

The investment selection approach is rigorous both from a credit quality and ESG (Environmental, Social, and Governance) factors perspective.

NFS

 **Investment, Asset & Wealth Management, p. 67**

April

Sale completed of operations both in Panama and Colombia, countries where Generali is still present through Europ Assistance and its Global Business Lines.



On 19 April, the **Shareholders' Meeting of Assicurazioni Generali** approved the 2017 financial statements, the remuneration policy, the 2018 Group Long Term Incentive Plan (LTIP) and the amendments to the Articles of Association. It also approved the proposal to delegate the Board of Directors to increase the share capital with free issues in one or several transactions, for the purposes of the 2018 LTIP. For the first time, Generali transmitted via streaming the initial speeches, thus confirming its focus on digital development and the integration of technology into the business.



In execution of the 2015 Long Term Incentive Plan the **share capital of Assicurazioni Generali increased to € 1,565,165,364.**

May

Geographical presence pushed forward in the Central and Eastern European countries acquiring control of Concordia Capital SA e Concordia Polska TUW, Polish Life and P&C companies respectively, as well as acquiring the entire capital of Adriatic Slovenica and its subsidiaries providing a full suite of P&C, health, life and pension products. The former transaction was approved in November and the latter was completed in February 2019.

 **Austria, CEE & Russia, p. 62**

Revolving credit facilities renewed, initially signed in 2013 and last renewed in 2015, increasing their overall amount and adopting innovative sustainable and green features: their cost is linked both to targets on green investments and to progress made on sustainability initiatives.

NFS

2018

June

Generali CEE Holding B.V. and UniCredit signed a bancassurance agreement for the distribution of insurance solutions in Central and Eastern Europe.

Sale completed of the entire shareholding in Generali PanEurope. Generali remains active in Ireland through its Global Business Lines.



July

Sale launched of 89.9% of Generali Leben and transaction signed with Viridium Gruppe, with which Generali established a broader industrial partnership in the German insurance market. The transaction is subject to the approval by the German Federal Financial Supervisory Authority (BaFin) and to the clearance by the competent German antitrust authorities.

Announcement of the Group's new organizational structure, which will boost the Group's capacity to face the significant challenges of the 2019-2021 strategic plan. Amongst the other organizational modifications in force as of 1 September, the position of General Manager was created, reporting directly to the Group CEO, assigned to Frédéric de Courtois, and Cristiano Borean was appointed to the position of Group CFO and joined the Group Management Committee (GMC). Luigi Lubelli resigned from the Group at the end of the year.

 Corporate Governance and Share Ownership Report 2018, p. 30-33

September

Generali included in the Dow Jones Sustainability World Index (DJSI), the most prestigious international index that identifies leading businesses based on their sustainability performance. Generali is the only Italian insurance company in this index.

NFS

A new innovative asset management company headquartered in New York launched with Aperture Investors, aligning client and manager interests through an innovative performance-linked fee model.



October

New function dedicated to Cyber Insurance launched along with a start-up to satisfy client needs in the field of cyber risks. The new function will combine broad-scale insurance offerings in the IT realm with the support of a tech start-up, GeneraliCyberSecurTech, wholly owned by the Group and created to offer clients innovative cyber risk assessment methods.

 Challenges and opportunities of the market context, p. 30

NFS

Option of early redemption announced on all perpetual subordinated notes outstanding belonging to ISIN XS0399861326 exercised in November. The exercise of this option was authorized by the Italian insurance regulatory agency (IVASS) and will take place with respect to all notes outstanding, in compliance with the respective terms and conditions. Another early redemption relating to notes belonging to ISIN XS0406159623 was exercised in December.

Agreement signed for the acquisition of 100% of the Polish asset management company Union Investments TFI S.A., that will significantly strengthen Generali's position in asset management in central and eastern Europe. The transaction is subject to the approval of the regulatory authorities.

Moody's confirmed the IFS rating of Assicurazioni Generali at Baa1 and of the notes issued or guaranteed by Generali (Baa2 senior debt; Baa3 senior subordinated debt; Ba1(hyb) junior subordinated debt). The outlook is stable.

2018

Significant events after 31 December 2018

November

Launch of **Generali Global Pension**, a new business unit capable of offering innovative long-term asset management and environmental, social and governance (ESG) skills, funds for multi-boutique platforms, cross-border services and a new generation of defined contribution plans and selective risk transfer.

The **Generali Group's new strategy** presented to investors, in line with the Group's desire to become a life-time partner for its customers, offering innovative and customized solutions relying on its unequalled distribution network; and to be a leader in the European insurance market for private individuals, professionals and SMEs, while also creating a global and focused asset management platform and pursuing opportunities in high-potential markets.



The **Generali 2021 strategy**, p. 16-17



The Italian insurance regulatory agency (IVASS) **authorized the extension of the scope of application of the Group's internal model to Austria and Switzerland** as of December 2018.

December

100% of CM Investment Solutions Limited acquired. This transaction represents an acceleration of Generali's multi-boutique strategy, strengthening its capacity to reach sophisticated clients and distribution partners in Europe and worldwide.

Completion of the process of transferring the P&C portfolio of the UK branch announced after the Italian insurance regulatory agency (IVASS) expressed its favourable opinion.

Generali was amongst the main investors in the project for the construction of the new **Trieste Convention Centre**, the multifunctional centre which aims to become a hub of innovation and knowledge amongst research and training entities and businesses in Central and Eastern Europe as well as the Balkans.

NFS

Share held in the Indian insurance joint ventures with Future Group increased to 49%. Through this transaction Generali will accelerate the leverage of the far-reaching distribution network of Future Group to offer insurance protection solutions in the Indian market with a focus on digital.

January

Sale of Generali Belgium, launched in April 2018, **completed**; however, the Group remains present in Belgium through its Global Business Lines, continuing to provide insurance and assistance solutions.

AM BEST confirmed its Financial Strength Rating (FSR) of A (Excellent) and raised Generali's Long-Term Issuer Credit Rating (ICR) from "a" to "a+." The Long-Term ICR outlook was modified from positive to stable, while the FSR outlook is stable.

A € 500 million **subordinated bond issue was successfully placed** with institutional investors, for the partial refinancing of € 750 million in subordinated debt of the Group, with the first call date in 2019. The issue received orders from roughly 450 investors for a total in excess of € 6.5 billion, 13 times the amount offered. The rating agencies Fitch, Moody's and AM Best rated that issue "BBB", "Baa3" (hyb) and "a-", respectively.

Option of **early redemption** announced **on all perpetual subordinated notes outstanding** belonging to ISINs XS0415966786 and XS0416148202, to be exercised in March. The exercise of this option was authorized by the Italian insurance regulatory agency (IVASS) and will take place with respect to all notes outstanding, in compliance with the respective terms and conditions.



February

Europ Assistance **acquired Trip Mate**, the leading company in the market of travel insurance for tour operators in the United States.

Closed the acquisition of the majority stake in Sycomore Factory SAS, started in September. The strategic partnership, that is another step forward in the execution of Generali's asset management strategy, will allow to enrich the offering with innovative investment solutions and to strengthen focus and capabilities on sustainability and responsible investments for clients.

NFS

and 2019 corporate event calendar

2019

March

Following an agreement signed in July 2018, closed the sale of the entire shareholding in Generali Worldwide Insurance Company Limited, that has its headquarters in Guernsey and specializes in offering Life-insurance-based wealth management and employee benefit solutions to a global audience, and in Generali Link, an Irish company providing shared services in fund and policy administration. However, Generali Worldwide will continue to act as the partner of the employee benefits network of Generali and the latter will manage its health portfolio in the Caribbean, as to maintain its presence in the region with the aim to further reinforce it in line with its strategy of sustainable growth and excellence in service.

Announced the launch of Axis Retail Partners, a new real estate boutique focusing on shopping centre investments. The partnership is in line with Generali's strategy to further increase its exposure to real estate, where it is already one of the world's leading investors through Generali Real Estate.

13 March 2019

Board of Directors

Approval of the Annual Integrated Report and Consolidated Financial Statements, the Parent Company Financial Statements Proposal and the Corporate Governance and Share Ownership Report at 31 December 2018 and the Remuneration Report

14 March 2019

Publication of the results
at 31 December 2018

May

7 May 2019

Shareholders' Meeting

Approval of the Parent Company Financial Statements at 31 December 2018 and the Remuneration policy as well as the other agenda items

15 May 2019

Board of Directors

Approval of the Financial Information at 31 March 2019

16 May 2019

Publication of the results

at 31 March 2019

22 May 2019

Dividend pay-out

on the share of Assicurazioni Generali

24 May 2019

Exploring Generali Conference

July

31 July 2019

Board of Directors

Approval of the Consolidated Half-Yearly Financial Report at 30 June 2019

August

1 August 2019

Publication of the results

at 30 June 2019

November

6 November 2019

Board of Directors

Approval of the Financial Information at 30 September 2019

7 November 2019

Publication of the results

at 30 September 2019



The Generali 2021 strategy

Being a life-time partner to customers, offering innovative, personalized solutions thanks to an unmatched distribution network

Profitable Growth

STRENGTHEN LEADERSHIP IN EUROPE:

reinforce #1 market position⁹

FOCUS ON HIGH POTENTIAL INSURANCE MARKETS:

15%-25% earnings CAGR 2018-2021 depending on country/segment

Capital Management and Financial Optimization

INCREASE CAPITAL GENERATION:

> € 10,5 billion cumulative capital generation 2019-2021

ENHANCE CASH REMITTANCE:

+35% cumulative cash remitted to holding 2019-2021 compared to period 2016-2018

Innovation and Digital Transformation

BECOME LIFE-TIME PARTNER TO CUSTOMERS

ENABLE DIGITAL TRANSFORMATION OF DISTRIBUTION

about € 1 billion total investment in internal strategic initiatives 2019-2021

Three key enablers which will drive the execution of the strategy:

1. our people

2. a strong brand



Our people, p. 18-20



A strong brand, p. 21

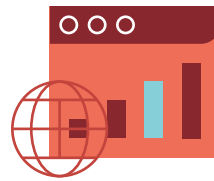
Leading the European insurance market for individuals, professionals and SMEs, while building a focused, global asset management platform and pursuing opportunities in high potential markets

**DEVELOP GLOBAL ASSET
MANAGEMENT PLATFORM:**
15%-20% earnings CAGR
2018-2021

**REDUCE DEBT LEVEL
AND COST:**
€ 1,5-2,0 billion debt reduction
by 2021;
€ 70-140 million reduction in
annual gross interest expense
by 2021 vs 2017

**TRANSFORM AND
DIGITALIZE OPERATING
MODEL**

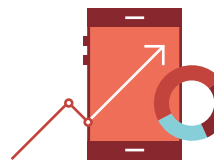
Generali 2021 – Financial Targets



**GROWING EARNINGS
PER SHARE:**

6%-8%

EPS CAGR range¹⁰
2018-2021



GROWING DIVIDEND:

55%-65%

dividend pay-out range¹¹
2019-2021



**HIGHER RETURN FOR
SHAREHOLDERS:**

>11,5%

average return on equity¹²
2019-2021



3. a continuous commitment to sustainability



A continuous commitment to
sustainability, p. 21-23

9 Based on IAS-IFRS gross written premiums in Europe at year-end 2017.
10 3 year CAGR; adjusted for impact of gains and losses related to disposals.
11 Adjusted for impact of gains and losses related to disposals.
12 Based on IFRS Equity excluding OCI and on total net result.

NFS

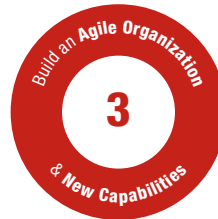
1. Our people



70,734
employees
(-0.8%)

50.8% (+1 pps)
49.2% (-1 pps)

The Generali People Strategy, based on four priorities, ensures the execution of the business strategy while respecting our values.



Each priority is supported by specific Group initiatives, the results of which are measured and monitored over time to ensure continuous improvement.



To **measure and promote the engagement of our people**, in June 2017 we carried out the second edition of the **Generali Global Engagement Survey**, a managerial tool for continuous improvement. In the course of 2018, leveraging our strengths, we established specific action plans for the opportunities for improvement. The priorities mainly identified in the local action plans were:

- foster strategy cascading and communication;
- keep investing in performance management tools and meritocracy;
- accelerate on efficiency and velocity;
- further enhance a diverse and inclusive culture.

Since January 2018, more than 390 local actions were planned, initiated and communicated. At the end of December 2018, 92% of these were already implemented, with a view to launching 100% of the actions by the end of June 2019, coinciding with the third edition of the Generali Global Engagement Survey.

To **create and spread a culture focusing on the empowerment of our people**, in 2017 we designed and rolled out the **Managerial Acceleration Program (MAP)**. MAP fosters and strengthens a managerial culture capable of engaging and boosting the accountability of our people in line with the eight key managerial behaviours of the **Generali Empowerment Manifesto (GEM)**.

MAP is dedicated to the management population and fully facilitated by Group managers who have participated in special training and coaching initiatives (189 trainers trained in 2018).

In 2018, 4,218 managers participated in the MAP. The goal is to train 8,900 of them by the end of 2019.

Increasing the accountability of our people also means **boosting a performance culture**. Through **Group Performance Management** we focus our efforts on spreading this culture while also strengthening transparency and meritocracy in line with what our people asked in the Generali Global Engagement Survey.

In 2018, 99%¹³ of our people participated in a programme involving: defining objectives, assessing performance, feedback and individual development plans.

¹³ The data exclusively refer to Group companies, equal to 54,743 employees (77.4% of the total), within the scope of the Group Performance Management process.

Lastly, we **promote a culture of inclusion** which **ascribes value to individuals and diversity of all types**, particularly with regard to four types of diversity: cultural, gender, generational and disability. Our targets in terms of diversity and inclusion at Group level have been revised with a view to supporting the new strategy, coming into line with market best practices and collecting the points arising from continuous dialogue with business leaders. The Group's plan is joined by local plans developed on the basis of local requirements.

Amongst the main Group actions, diversity and inclusion training has been reinforced for the top international leaders. Particular focus has been dedicated to the topic of unconscious bias, i.e., the unconscious stereotypes and prejudices that can guide decisions with significant impacts on the business and people alike. The Group also launched the #BeBoldForInclusion initiative, with the participation of more than 40 CEOs on 8 March, which provided the occasion for an effective awareness-raising and promotion campaign with respect to Generali's diversity and inclusion strategy, with a particular focus on gender diversity. The initiative opened up dialogue on this topic, collecting feedback from all employees.

These and many other activities were shared and supported by the Group D&I Council, led by the Group D&I Sponsor Frédéric de Courtois, and consisting of business leaders acting as D&I champions.



We develop the managerial skills of our leaders and talents to **favour their development and internal growth**. To achieve this objective, we offer mentoring and international training programmes in partnership with the best business schools in the world.

To enhance strategic thinking and leadership skills, a number of ad hoc **training programmes** were launched in 2018, including:

- Step Up, a 4-day residential programme at the Lausanne campus in collaboration with IMD and dedicated to 70 Group Talent Directors. This initiative is intended to provide the Group's future leaders with the necessary leadership capabilities in the digital age;
- Global Mentoring Program, the third edition of which was launched in October 2018, involving 82 participants including members of the Generali Leadership Group (GLG) and young managers from throughout the Group. The Global Mentoring community now consists of more than 200 people and the Group initiative paved the way for multiple regional and local mentoring initiatives;
- Strategic Study Tour 2018, an immersive study tour in the ecosystem of Singapore on the topic of digital innovation and business model transformation, supporting Generali 2021 strategic cycle planning and dedicated to a select group of 35 senior leaders.



The Group's organization is a fundamental tool for ensuring the proper execution of the strategy and the achievement of business objectives. Thus, we periodically analyse the Group's organizational structure to ensure that it is aligned with business challenges. We believe in a clear and simple organizational model that is based on shared rules, local empowerment and integration mechanisms. Furthermore, we promote a new way of working which, also thanks to the use of technology, is efficient, effective and capable of leveraging the organization's collective intelligence. Within this context, we **support smart working**, including through trade union agreements.

NFS

96.6% (+7.9 pps)
people trained*

35 average **hours** (+6.4%)
of training per capita*

€ 55.8 mln (+2.0%)
training costs*

Developing and improving upon the technical skills of all of our people has always been one of our objectives and is now more important than ever in today's rapidly evolving business environment. **Generali Advanced Technical Education (GATE)** is our international training programme that aims to ensure the consolidation, updating and innovation of technical skills and business knowledge. GATE relies on the contribution of MIB - School of Management of Trieste instructors as well as the Generali Group Faculty, roughly 60 internal instructors and lecturers. 39 training initiatives were carried out in 2018.



We believe it is fundamental to build an organization focused on the customer, with a limited number of decision-making levels and strong inter-functional transversality. We implemented a **Net Promoter Score (NPS) programme** in 58 Group's business units, which facilitated reimagining key processes for the benefit of end customers. Furthermore, we favour the customer-centricity of all of our people by means of consistent incentive systems, training programmes and onboarding processes that call for client-facing experience.



Challenges and opportunities of the market context, p. 31



Glossary available at the end of this document

Confirming the centrality of people in the Group's strategy, we held 8 meetings with the European Works Council - the representative body for Group employees - at the permanent forum dedicated to social dialogue.

In line with the launch of a new strategic cycle and the new business priorities, in 2018 we developed the new Generali People Strategy which will guide the Group's priorities and initiatives in 2019-2021. The new Generali People Strategy was defined through a co-creation process involving more than 400 of the Group's people at various organizational levels. The result was the definition of **five lines of transformation**:

- promote a culture of innovation, customer-centricity and inclusion;
- build and develop key competencies for the digital age;
- become a simple, agile and efficient organization;
- leverage excellence and the creation of sustainable value;
- favour the development of leaders and global talent.

These lines of transformation will be supported by specific global and local initiatives and targets defined and monitored in line with the Generali 2021 strategic plan.

We have developed a framework for the assessment and management of **operational risks** inspired by international best practices and consistent with the requirements of the Solvency II directive. As part of the assessment conducted every year by the Group companies, the risks that could impact areas concerning our people were identified and precisely analysed, and the initiatives implemented with a view to mitigating such risks were evaluated. The areas of analysis regarded the following specific categories:

- employment relationships, with a particular focus on matters relating to key people and business ethics;
- safety at work;
- discrimination, diversity and inclusion.

The assessment is satisfactory also in light of the initiatives implemented within the Generali People Strategy described and the centrality of our people within the Group strategy.

* Data and related changes also refer to companies non-consolidated line-by-line.

2. A strong brand



Generali strives to create a brand experience aligned with the Group's goal of becoming a life-time partner to its customers.

We strive to be proactive and focused on customer relationships and integrate protection, prevention and assistance, creating tailor-made products and services that meet our clients' needs. Our agents are at the very heart of this transformation. Data and technology are the crucial levers that give our distribution networks the opportunity to customize and adapt our products and services. Continuous connectivity and real-time support will enable us to create faster and more consistent experiences that will delight our clients.

Being a life-time partner to customers allows us to transform our role from a mere product vendor to a provider of integrated solutions that add genuine value to people's lives, their health, their home, their mobility and their work.

We are committed to strengthening our brand¹⁴ to **become 1st choice in the Relationship Net Promoter Score among our European international peers** by the end of 2021, to foster new business development. We thus must get consumers to consider, prefer and acquire Generali, and connect them with our agents. Our goal is to have a **higher brand preference than our market share**.



Challenges and opportunities of the market context, p. 31



Glossary available at the end of this document

3. A continuous commitment to sustainability



The Group's new strategy is aligned with our sustainability commitments. Generali has undertaken to **increase premiums from social and green products by 7%-9% and allocate € 4.5 billion for green and sustainable investments by the end of 2021**.

Transition towards a low environmental impact company

As stated in our climate change strategy approved by the Board of Directors in February 2018 and explained in more detail in the technical note published by the Group in November 2018, our commitment calls for specific actions with regard to the direct impact of our activities as well as investments and underwriting, and identifies stakeholder dialogue and engagement as the instruments to support our transition.



www.generali.com/our-responsibilities/our-commitment-to-the-environment-and-climate

With respect to **investments**, as already announced, the Group has suspended all new investments in companies linked to the coal sector. As regards its existing exposure, estimated at around € 2 billion at the start of 2018, Generali is completing the disposal of its equity investments by the planned deadline of April 2019 and gradually disinvesting from bonds, by holding them to maturity and/or assessing the possibility of disposing of them before they mature if market conditions are favourable.

In terms of green and sustainable investments, the internally planned objectives of the 2018 investment plan were successfully met. As expected, the Group decided to revise its initial commitment of € 3.5 billion in new investments by the end of 2020 up to € 4.5 billion by the end of 2021.

In terms of **underwriting**, in 2018 we did not increase our minimal insurance exposure to coal-related businesses, which represent roughly 0.1% of all P&C premiums, also thanks to our commitment not to insure any new coal customer or any new mine or coal-fuelled power plant construction.

With reference to the renewable energy sector, in which Generali already has a strong presence, the Group is defining concrete actions to transfer knowledge and best practices in all geographical areas. It is also considering the possibility of defining a dedicated industrial practice.

NFS

As regards the process of engagement of counterparties associated with the coal sector in countries which are highly dependent on coal, in line with the Just Transition principles, we involved the 6 companies to which the Group has exposure, which are part of the 120 companies identified as Top Coal Plant Developers by the Urgewald organization and currently taken as a reference. We are evaluating their transition plans to decide whether to continue or suspend the business.

t 107,394 CO₂e¹⁵
(-13.8% vs base year 2013)

We are also committed to reducing our **direct impacts** through the responsible management of the relevant activities. In 2014, we defined an objective for reducing our Carbon Footprint by 20% within 2020 (base year 2013).

In 2018, purchased renewable energy was equal to 88% of the total acquired energy.

Insofar as our public commitment goes, in 2018 we declared our support for the Task Force on Climate-related Financial Disclosure (TCFD) and launched an internal process for the management of key aspects and the development of a reporting framework. We also participate in the UNEP FI Principles for Sustainable Insurance (PSI) work group on the implementation of the TCFD Recommendations by insurers and the Investor Leadership Network, promoted as part of the G7 Investor Global Initiatives, in which we also dig deep into the topic of climate change with the main financial sector operators.

The Group's new strategy features a considerable sustainability component amongst its key initiatives:

Responsible consumers

Generali will create a distinctive offer dedicated to responsible consumers who want to have a positive impact on the environment and society. The offer will include **social and green products** and **sustainable investments** to meet the expectations and satisfy the consumption choices of the consumers of today and tomorrow. We are committed to promoting responsible behaviours by engaging and training our sales channels.

We have already identified specific products which, given the type of customer or due to their promotion of responsible behaviours or based on provided coverage, meet specific social and environmental needs.



Group's performance, p. 43



Glossary available at the end of this document

EnterPrize

EnterPrize is an initiative based on our successful experience with Entrepreneur d'Avenir in France and PMI-Welfare Index in Italy. In line with our strategic focus on SMEs, Generali will create a **prize** at domestic and international level **for the most sustainable SMEs based on their performance with respect to environmental and social matters**, to boost awareness of the competitive advantage that sustainability can provide, with the ultimate goal of contributing towards building a more resilient economy.

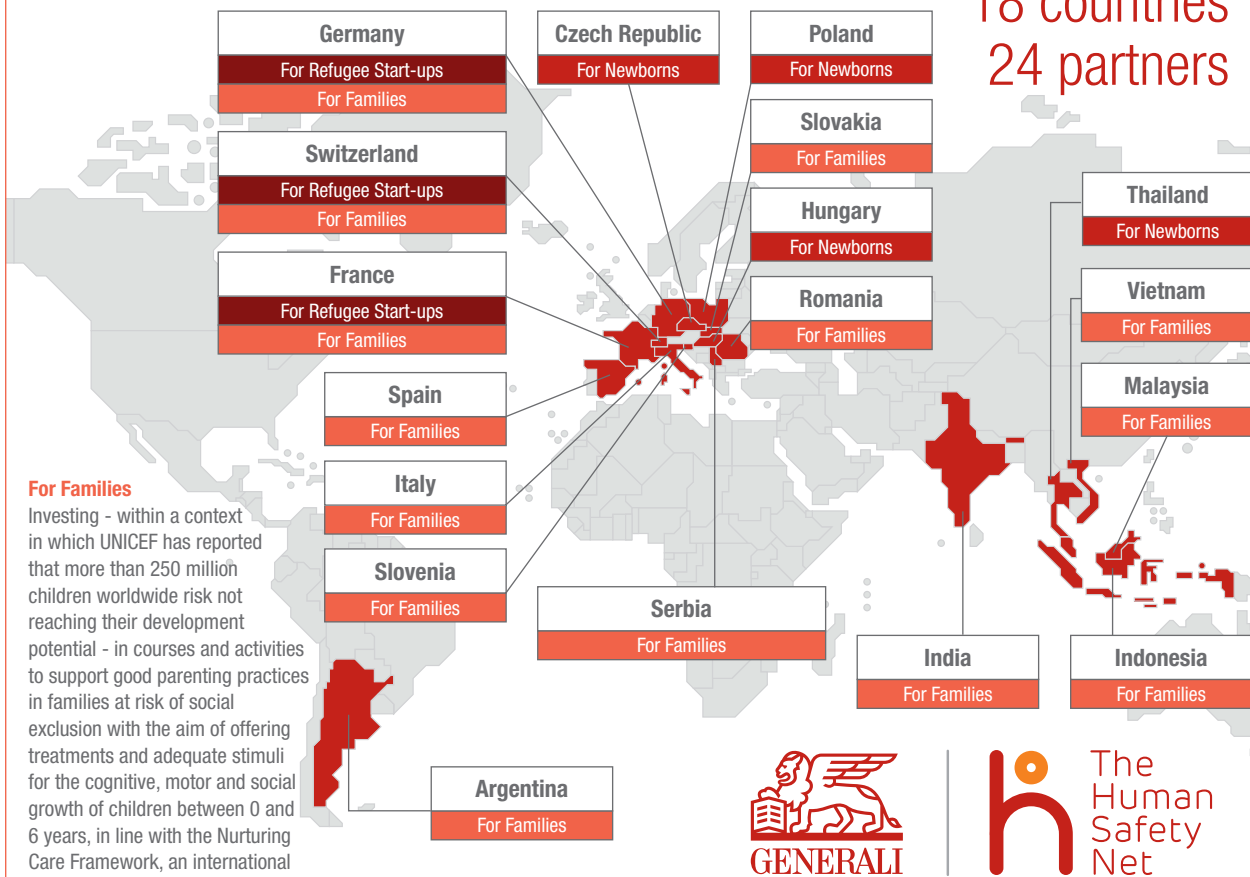
Thanks to this prize, it will be possible for SMEs to increase their knowledge of sustainability and competitiveness in general, while also gaining international visibility and improving their reputation amongst their main stakeholders.

¹⁵ Total emissions refer to 42% of the total Group employees in the following countries: Austria, France, Germany, Italy, Czech Republic, Spain and Switzerland. They are calculated according to the location-based method; they are also disclosed according to the market-based method on our website.

The Human Safety Net

The Human Safety Net was launched in 2017 with a view - provided in **internal guidelines** - to focusing on a smaller number of more similar and impactful initiatives for the communities where the Group operates compared to the past. It aims to **activate both financial and technical resources, as well as the network of people and the skills of Generali's employees and agents to meet shared goals**, favouring contact with local communities and making lasting change in the lives of recipients.

18 countries
24 partners



For Families
Investing - within a context in which UNICEF has reported that more than 250 million children worldwide risk not reaching their development potential - in courses and activities to support good parenting practices in families at risk of social exclusion with the aim of offering treatments and adequate stimuli for the cognitive, motor and social growth of children between 0 and 6 years, in line with the Nurturing Care Framework, an international document that promotes the development of early childhood.

For Refugee Start-ups
Offering to those who have received refugee status - more than 2.3 million have arrived in Europe since 2015 - the tools they need to launch independent businesses enabling them and their families to create new livelihoods, contribute to the local economy and thus regain their dignity as well as encourage social integration.

For Newborns
Contributing to combatting neonatal asphyxia, a condition that impacts almost one million newborns at the moment of birth every year all over the world, and can cause serious and permanent injury to the child's brain.

The Human Safety Net is active through three programmes with the shared mission of freeing the potential of disadvantaged people to enable them to improve the living conditions of their families and communities, by working alongside partners, like local social businesses and non-governmental organizations. Every country and business unit of the Group can choose to participate in one of these three programmes, identifying, conducting due diligence on and selecting one or more partners to directly manage activities with beneficiaries. All of the activities and the results achieved are monitored through a measurement system based on the London Benchmarking Group's international standard.

Glossary available at the end of this document

In the coming three years, our ambition is to further extend The Human Safety Net through active engagement of employees and agents, including volunteering activities, as well as of customers and other third-party organizations that share its approach and mission.

www.thehumansafetynet.org for further information on the initiative



NFS Our rules for running business with integrity

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

Running a sustainable business, pursuing excellence in our internal processes, and living the community, playing an active role where we operate, beyond our day-to-day business, represent our commitments to stakeholders and the society as a whole. We have renewed them in the **Charter of Sustainability Commitments**.



We have a collection of **Group public policies and guidelines** which support our operations in a sustainable and responsible manner, such as:

Code of Conduct that defines the basic behavioural principles which all the personnel of the Group are 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

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

Responsible Investment Guideline that codifies the responsible investment activities at Group level

Responsible Underwriting Group Guideline that outlines principles and rules aimed at assessing environmental, social and governance features of the prospective and insured clients in the P&C underwriting process

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



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

Together, these Group policies and guidelines contribute to ensuring **respect for human rights**, a topic which we began to focus on in 2017. The goal is to identify, prevent and mitigate the main direct risks of human rights violations to which the Group is exposed, while also identifying areas and activities for improvement. In line with the principles and instruments in place at international level, a due diligence process was initiated to evaluate human rights on the basis of direct business risk and country risk, and also allowed for an initial assessment in countries with potentially greater exposure. The Group is defining a long-term action plan based on these results.

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



Corporate Governance and Share Ownership Report 2018,
p. 34-35

The primary compliance risks are monitored through specific programs spread throughout the Group. We regularly monitor - by means of specific risk assessment activities - our exposure to these risks with the aim of minimizing 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 behaviour or actions which might violate law, the Code of Conduct and the related Group Rules or other internal rules, in accordance with the **Process on managing reported concerns** and the **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**.



www.generali.com/our-responsibilities/responsible-business/code-of-conduct for further information on the Code of Conduct and communication channels

136 (-8.7%)
managed reports

1 Compliance Week

Risk is no joke! Awareness is the key to managing risks in your daily activities. Your commitment is essential!

was the motto of the most recent edition of Compliance Week, during which the concept of risk was explored and the importance was underscored of providing the Group with an increasingly robust and effective Compliance Management System intended to prevent compliance risks. The role that every employee can play was emphasised throughout this prevention campaign.

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 specific training programs - both online as well as in the classroom - combined with a global communication program aims to create full awareness within all employees of the importance of the Code and their 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.

56,787 (-3.8%) employees*
have completed the training course on the Code of Conduct

* The employees trained, also belonging to companies non-consolidated line-by-line, represent 80.3% of the total. The change is calculated at constant scope pursuant to IFRS 5.

NFS Our purpose and the value creation

EXTERNAL

FINANCIAL CAPITAL
HUMAN CAPITAL
SOCIAL AND RELATIONSHIP CAPITAL
INTELLECTUAL CAPITAL
MANUFACTURED CAPITAL
NATURAL CAPITAL



The Generali 2021 strategy, p. 16-17

Our strategy

Our governance

Our governance and remuneration policy, p. 34-39

In defining its new strategic plan, Generali has identified a new purpose representing an evolution of its previous vision and mission:

Enable people to shape a safer future by caring for their lives and dreams

It is the essence of what Generali does for its clients every day.

Our **sustainable value creation** is reflected in an integrated offering of Life, P&C and Asset Management products, which is fundamental for customers who seek complete solutions to protect their quality of life, now and in the future.

We distribute our products and we offer our services based on a multi-channel strategy: the guidance of our agents will be essential to provide our customers with customized products that meet their needs, including with the support of new technologies.

BRAND

LIFE-TIME PARTNER




Social and relationship capital
Natural capital

The Generali 2021 strategy, p. 21

Challenges and opportunities of the market context, p. 31

 Glossary available at the end of this document

CONTEXT

 Challenges and opportunities of the market context, p. 28-33

VALUES

Deliver on the promise
Value our people
Live the community
Be open

Deliver on the promise

At 31 December 2018, Generali reached and surpassed its financial targets of more than € 7 billion in cumulative net operating cash in the 2015-2018 period and an average operating return on equity of more than 13%. The proposed 2019 dividend per share will enable Generali to reach and exceed the target of more than € 5 billion in cumulative dividends in the 2015-2018 period.

- > € 7 bln cumulative net operating cash 2015-2018
- > € 5 bln cumulative dividends 2015-2018
- > 13% average operating RoE 2015-2018


Financial capital


 www.generali.com/investors/investing-in-general/goals-and-results for further details on the achievement of 2015-2018 strategic objectives

CULTURAL TRANSFORMATIONAL AREAS

Ownership
Simplification
Human touch
Innovation


Intellectual capital
Manufactured capital
Human capital

 The Generali 2021 strategy, p. 16-20

 www.generali.com/our-responsibilities/our-commitment-to-the-environment-and-climate/real-estate-investments for further information on sustainable real estate investments

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.


Human capital

 The Generali 2021 strategy, p. 18-20

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.


Social and relationship capital
Natural capital


 The Generali 2021 strategy, p. 21-23

Be open

We are curious, approachable and empowered people with open and diverse mindsets who want to look at things from a different perspective.


Social and relationship capital
Intellectual capital

 The Generali 2021 strategy, p. 16-20

 Challenges and opportunities of the market context, p. 30

Challenges and opportunities of the market context

We are an international player of the insurance sector and the centre of interest and expectations for a large number of stakeholders. The factors of the context in which we operate represent challenges and opportunities that we continuously assess in order to guarantee adequate monitoring of the risks that can arise from them. We manage our business in an integrated manner, taking it into account in our strategy and pursuing the value creation over time.



Risk Report, p. 93 of the Annual Integrated Report and Consolidated Financial Statements 2018 for more detailed information on the risk management model and on the capital requirement

Uncertain financial and macro-economic landscape

In 2018, **global GDP** is expected to increase to 3.6%. The global macro-economic and political landscape was affected by topics that aroused significant concern also on the markets during the year, such as the budget law in Italy, the escalation of trade friction (especially between the USA and China), the worsening of the crisis in the more fragile emerging markets and the protests of the Yellow Vests in France.

Growth of real GDP of the Eurozone in 2018 is forecast to be 1.9%, down compared to 2017 (2.5%). The unemployment rate dropped to the minimum low of the last decade, with an acceleration of wages in spite of the inflation rate being low. The European Central Bank (ECB) ended the quantitative easing during the year, but will continue to reinvest bonds on maturity; the ECB's first increase in rates will be subordinate to the changes in inflation. The major important topics for the financial

markets during 2018 within the Eurozone were Brexit and developments on the Italian political scene. As regards concern for the latter, the rating agencies Fitch and Moody's lowered their creditworthiness opinion while alarm on Italy's public finance pushed the ten-year BTP-Bund spread up, and it closed 2018 at 253 bps.

In the USA, the tax reform kept up the confidence level; growth of real GDP in 2018 should settle at 2.9%, up by 2.2% over 2017, while the unemployment rate fell to the lowest level of the last 50 years. The Federal Reserve raised the reference rates four times during 2018, and additional increases are forecast for 2019 as well.

With reference to the **insurance sector**, the Life business in Italy, France and Germany registered an upswing following a difficult period, thanks not only to the sale of unit-linked products, but also to recovery in traditional policies that increased to rates higher than those of the unit-linked ones. Income in the P&C market in the major Eurozone countries improved, with particularly good performance recorded in the health business.

and our management

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**, in line with the Solvency II principles. The regulatory system and the continued low interest in a global context of growing uncertainty 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 (private equity and private debt) and real assets (real estate assets and/or infrastructural assets, both direct and indirect) are important factors in current 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.

We are exposed to the **market risks** arising from the value fluctuations of the investments and to the **credit risks** linked to the risk of counterparties' non-fulfilment as well as to expansion of the credit spread. We are handling these risks by following principles of sound and prudent management, in line with the Prudent Person Principle and with the Group Investment Governance Policy and risk guidelines. We measure financial and credit risks using the Group's internal model, which offers us a better representation of our risk profile.

Regulatory evolution

The insurance sector continues to be affected by continuous changes in the national and international regulatory system.

IVASS Regulation, no. 38 was issued in 2018, and it entails an in-depth revision of the Group's corporate system and a few important corporate processes.

The IDD, the insurance intermediation directive, was also applied in 2018.

Other important Regulation proposals completing the regulatory framework introduced by the General Personal Data Protection Regulation (GDPR) are presently being discussed. They touch on themes such as the protection of electronic communications (ePrivacy) and the free circulation of non-personal data.

In a perspective of growth and creation of a true single European market, discussions focused on defining rules governing the PEPPs, the European voluntary pension products that will join the already existing national pension instruments, continue.

The European Commission also launched several

packages of measures: the sustainable finance action plan (including the obligation for asset managers to take into account sustainability factors in the investment processes), the one on opportunities that technological

innovation in the financial services (Fintech) offers and lastly, a number of measures aimed at bolstering consumer protection (New Deal for Consumers).

The revision of the Solvency II Directive and the Key Information Document (KID) for the PRIIPS, the insurance investment products, is currently in progress.

At the global level, the Common Framework (ComFrame) works launched by the International Association of Insurance Supervisors (IAIS) in order to develop standard capital requirements for insurance groups operating globally are continuing.

Lastly, as regards the new international accounting standards, the International Accounting Standards Board (IASB) has decided to postpone the entry into force of the new accounting standard IFRS 17 (insurance contracts) by one year, from 2021 to 2022, and to postpone also exemption from applying the standard IFRS 9 (financial instruments) for insurance companies until 2022.

NFS

NFS

and our management

We run our business in compliance with the law, internal regulations and codes and professional ethics, and we closely monitor the evolution of the regulatory environment, dialoguing with legislators and institutions. We regularly evaluate our exposure to the risk of non-compliance and assume prompt measures to adequately manage it.

We are implementing the requirements set out in the new IVASS Regulation, no. 38, on the subject of corporate governance, and we have adapted our business model to the IDD and GDPR rules.

We are closing following developments in the proposals put forward by the various institutions in order to assess their possible risks and impacts, and also the opening of new business scenarios and opportunities.

After having implemented the Solvency II requirements and those concerning transparency of investment

products, we are closely monitoring the revision of these two important regulations for the sector.

We are engaged in the various tests carried out by the International Association of Insurance Supervisors (IAIS) to determine the final architecture and calibrations of the supervisory requirement.

We are also following the developments of the new international accounting standards entailing sizeable operational impacts for the companies. As regards these topics, we have developed an integrated Group programme called Finance NEXT (Navigate to Excellence Transformation) with the goal of optimally coordinating the plans to implement the new IFRS accounting standards (specifically, IFRS 9 on investments and IFRS 17 on insurance contracts) and of speeding up the reporting processes in line with the new regulatory deadlines. This will allow the Group to manage the new regulatory obligations that will have a very sizeable impact over the years to come in an integrated manner.

NFS

Technological evolution

We are facing a **profound change** caused by the interaction and the cumulative effects of various developments in technology: Internet of Things, cloud services, cognitive computing, advanced analytics, Robotic Process Automation (RPA), artificial intelligence and the development of mobile networks are elements that contribute to creating a renewed environment in which to operate in order to optimise efficiency, operations and proximity with our customers. The spread of public and context data, the progressive digitalisation of customers, the growing appetite for personalised products, the computing power available at low prices that doubles one year after the next allow insurance companies to transform their way of doing business and to step into

the so-called world of ecosystems, where the borderlines between businesses at one time different and distinct are becoming fainter and fainter in order to offer customers a service in addition to a product.

Technological evolution also involves exponential growth in **cyber** threats, such as attacks aimed at stealing information or blocking operational processes. Adequate management of this 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. The issue is also increasingly relevant for regulators which have introduced specific safety measures as well as reporting processes in the case of violation of the personal data (**General Personal Data Protection Regulation**).

and our management

Data analysis is increasingly part of the DNA of the Group's production processes, from the systems for improving fraud identification to personalisation of the offer, from the automation of processes to anticipating customers' needs.

The formulations and analyses necessary for this new era of customer relations are carried out - while guaranteeing anonymity - both by the single business units on their own and with the Group's support through an analytical platform. Consolidated in 2018, the platform now lets us leverage synergies coming from the RPA and the cognitive technologies, thus allowing increasingly complex processes to be automated which increases quality and efficiency. Nevertheless, in the perspective of ongoing improvement we are continuing to scout platforms both based on traditional integration technologies (API) and the Blockchain/Distributed Ledger type that lead the way to new digital ecosystems.

We are in step with the new technologies and are protecting ourselves from the 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 constantly improving our response processes. More specifically, we have set up a Security Operation Center (SOC) to monitor all events recorded by our security solutions 24/7, detect potential incidents and step in with containment and restoration actions. SOC's performance are monitored in a structured manner through specific indicators, that are not reported due to security reasons. In agreement with the **operational risk** management model, we have introduced an intervention assessment and prioritisation framework supported by an IT tool available to our countries. The Group governance model has also been reinforced by defining a **regulatory corpus concerning the security of the information**, in line with the major reference standards (NIST, ISO 27001, etc.) and with the sector's best practices. Lastly, we are busy consolidating the security ethos in the Group via many communication and training initiatives, such as the publication of practical advice for managing information security during one's work activity.

We are measuring operational risk following the regulatory standards and with qualitative and quantitative models that allow us to grasp our most important exposures and to define the adequacy of the existing controls.

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, and **economic uncertainty**, which has changed spending on savings

and other insurance products.

Customers currently place greater focus on service quality: 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. However, the role of the agent is still crucial in the purchase of an insurance product.

and our management

Our ambition is to **be a life-time partner to our customers** by combining simplicity and innovation with empathy and care along the entire customer journey, at all touchpoints and channels. We strive to be proactive and focused on customer relationships and integrate protection, prevention and assistance, creating tailor-made products and services that meet our clients' needs.

We will therefore focus on **5 transformation actions**:

1. we will digitally enable our advisory distribution network: through the Agent Hub, we will provide distributors with adequate digital tools, training and the mindset to become true life-time partners, and we will provide our agents with a commercial dashboard that will include:

- 360° view of the customer, including all of their products and the past interactions;
- needs-based assessment tools to advice clients based on their stage of life;
- the possibility to personally involve the

customer through the digital and social channels;

– campaign management tools that allow Generali to manage new solution launches;

2. we will offer the best in class proposition and service innovations with the benefit of digital and data analytics;

3. we will seamlessly connect Generali, our agents and customers together on mobile and web (Mobile and Web Hub);

4. we will continue to listen to our customers and to act based on their feedback in order to improve the service offered across all touchpoints;

5. we will strengthen our brand¹⁹ to become 1st choice in the Relationship Net Promoter Score among our European international peers by 2021.



The Generali 2021 strategy, p. 16-17 and p. 21



Glossary available at the end of this document

Customers¹⁶

61 mln
(+7.0%)

Distributors¹⁷

155
thousand (n.m.)

Customer
T-NPS rolled-out

in **58**
business unit
(+7.4%)

Distribution
NPS rolled-out

in **35**
business unit
(+34.6%)¹⁸

Agent Hub is an initiative focused on supporting the digitalisation of our distribution network, strengthening the advisory activity addressed to the customer and digital interaction with the customers.

Mobile & Web Hub is an initiative focused on supporting relationships with our customers, on making management of the key insurance operations easier (e.g. claims management) and on making good use of the many platforms. It offers customers a simple and quick consultation of their policies using different devices, it emphasises the centrality of the relationship with the network of agents and exploits the connectivity and geolocation potentials in order to offer personalised services.

Germany, France, Switzerland, Spain, Italy, Austria, Argentina, Turkey, Portugal and India have joined the initiative. The first markets have launched the My Generali application in the stores and soon also the versions of the remaining countries will be developed and published. The platform, which is continuously evolving with the collaboration provided by the member countries, will also be extended to other business units.

¹⁶ The number of customers refers to all entities with core insurance business, banks and pension funds (line-by-line consolidated entities, few insurance entities in Asia measured with the equity method where Generali has relevant shareholdings and specific Europ Assistance entities with relevant direct BTC business in Belgium, Italy, France, Spain and USA).

¹⁷ The number of distributors refers to all entities with core insurance business with relevant traditional distribution networks (line-by-line consolidated entities and few insurance entities in Asia measured with the equity method where Generali has relevant shareholdings).

¹⁸ The methodology to calculate the KPI has been improved including country split for the following business units: Generali Corporate & Commercial and Europ Assistance.

¹⁹ Scope: Generali in Europe, Asia, Argentina and Turkey.

NFS

Environmental challenges

Climate changes, a consequence of the global warming caused by the anthropic emissions of greenhouse gases, will produce direct or indirect effects that will become increasingly evident as time goes by. This will lead to increased risks. On the one hand, it is a question of **physical risks** that involve not only increased volatility of the weather events, but also ecological consequences, which without adequate countermeasures might become irreversible and have incalculable economic and social effects. The insurance sector as well would be impacted,

with increased claims in coverage tied to the phenomena influenced by the climate and, as a result, costs for the related products. On the other hand, there will also be **transition risks** for coping with the change. They include new financial risks (e.g. creation of stranded assets), lower revenues if leaving the segments tied to fossil fuels were not to be offset by new flows, for example those arriving from the production of sustainable energy or carbon capture and storage. The environmental challenges also pose **reputational risks** for those players that do not manage them in the best way possible

and our management

Considering our social role as insurer and institutional investor and the underwriting risks to which we are exposed, climate change is one of the major trends under way for us, and is singled out as one of the emerging risks for the insurance sector. In order to cope with this situation, we constantly monitor the main perils and territories to which the Group is exposed, using **actuarial models** to estimate the damage that could result from natural phenomena and thereby optimize our underwriting strategy. We also measure the **underwriting risks** and the **risk arising from catastrophes** using the Group's internal model, which allows us to better capture our risk profile. We also adopt **sustainability criteria for selecting our investments and for the underwriting of new insurance policies** that are in line with the best and universally recognized 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. We then utilize internal and external **monitoring processes of greenhouse gas emissions** associated with the activities in our investment portfolios and of the insurance exposure to high carbon intensity sectors.

We have published our **climate change strategy** that includes concrete actions on our core business and that explains our stance on coal and identifies 'green' opportunities in the investment and insurance activities. We also take part in **multi-stakeholder initiatives** and in **technical round table discussions** that facilitates the analysis of the climate change's impact in the insurance sector and that undertake to promote the transition to a low environmental impact society.



The Generali 2021 strategy, p. 21-22

MACRO-ECONOMIC
CONTEXT
FINANCIAL
REGULATORY MARKETS
DEVELOPMENTS
TECHNOLOGY AND
DIGITALIZATION
BIG DATA
CLIMATE CHANGE
DEMOGRAPHIC
CHANGE

Demographic and social change

Modern communities continue to be influenced by distinct demographic and social phenomena with a strong impact on their socio-economic balances.

In Europe, we are witnessing a continual process of **population aging**, driven by an **increase in life expectancy** and a **decrease in birth rates**. The international **migration phenomena** only partially counter-balance this trend, which is in any case otherwise influenced by socio-political initiatives adopted locally. Outside of Europe, we are noticing similar phenomena, though of a lower scope compared to the European situation and in any case significant on a broader time horizon.

In the more mature economies, the 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.

In this context of profound changes, the matter of human rights grows in importance, especially in the less mature economies, where labour law is under development.

and our management

We actively engage in creating more stable communities while monitoring and tackling the effects of a changing society. This is why we develop and offer **flexible and modular pension and welfare solutions** for the coverage of healthcare costs and other potential current and future needs for individuals, families and communities. In particular, we are focusing on the senior customers segment with modular solutions that combine savings, protection and services in a welfare perspective. We also undertake to strengthen dialogue with individuals during their entire period of interaction with our companies through services accessible 24/7.

We provide customers with **complete and easily accessible information on products and services** while helping them to understand the primary factors 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. 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.

Life products, including pension and welfare products, imply Generali's acceptance of **biometric underwriting risks**, typically mortality, longevity and health. We therefore need to manage them through the underwriting processes that currently exist, which are based on an updated assessment of the socio-demographic conditions of the population whose purpose is to understand their relative trends. We also have **pricing and product approval processes** that offer a preliminary analysis of the cases regarding the biometric factors and a structured governance defined in the **Life underwriting policy**, which is applied at Group level. Lastly, we measure the mortality, longevity and health risks using the Group's internal risk model.

We also commit ourselves to and monitor the respect of human rights thanks to the Group's guidelines and policies, including the Code of Conduct, the Responsible Investment Guideline and the Responsible Underwriting Guideline.



The Generali 2021 strategy, p. 21-22

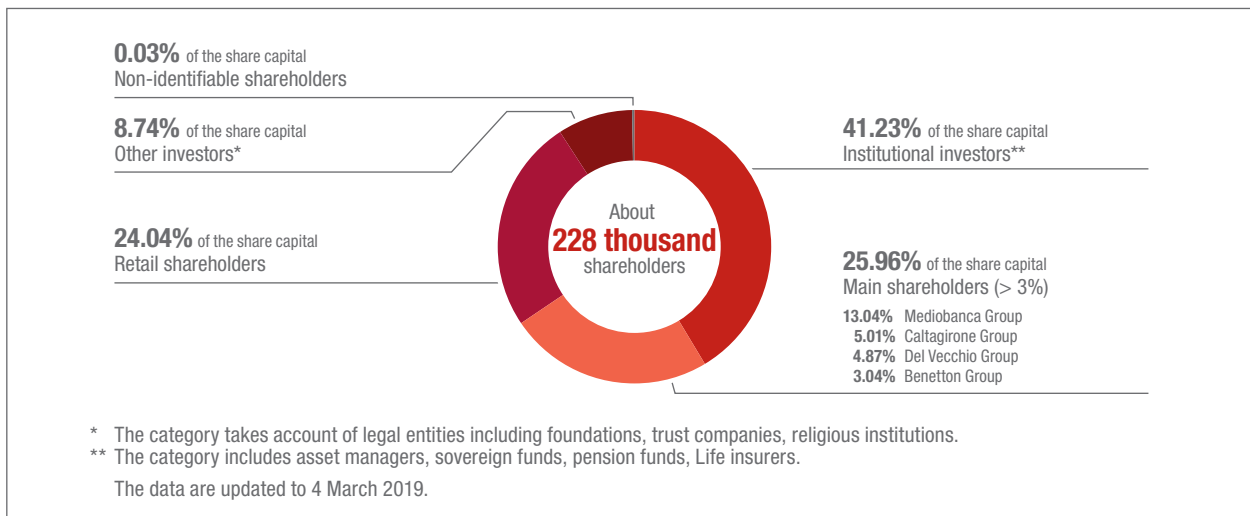


Our rules for running business with integrity, p. 24

Our governance and remuneration policy

Our governance

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.



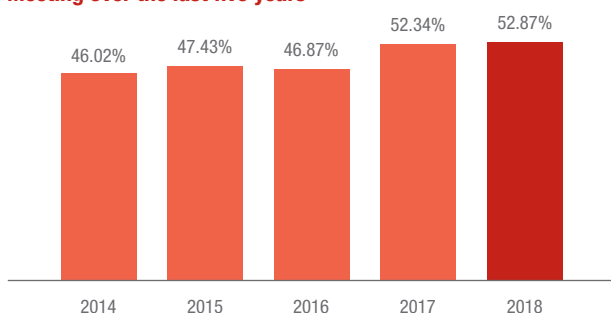
There is no stock ownership system for employees and there are no shareholder agreements on shares. It should, however, be noted that the Company facilitates participation in Shareholders' Meetings for beneficiaries of long term incentive (LTI) plans - which are based on Generali shares - by providing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

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

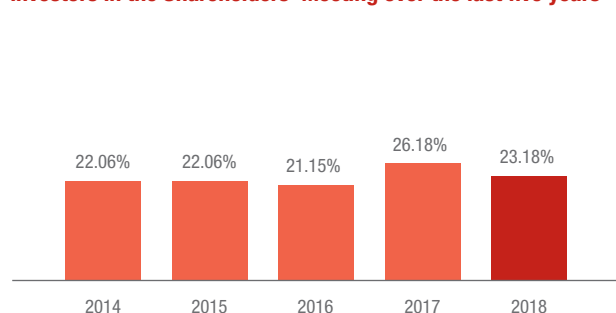
The Company maintains **continuing relations with all external stakeholders**: institutional investors, proxy advisors, financial analysts and retail shareholders. Its intense relationship activities consist of various types of interaction with individual stakeholders or groups, as part of roadshows and sector conferences, as well as ad hoc occasions for the discussion of specific topics, ranging from business, financial and performance matters to corporate governance, remuneration and sustainability topics relevant to the various financial community representatives. Some of the main recurring occasions for interaction with the Company's top management are the annual Shareholders' Meeting and the Investor Day.

Note to the Report, p. 86 for further information on stakeholder relations

Percentage of share capital represented in the Shareholders' Meeting over the last five years

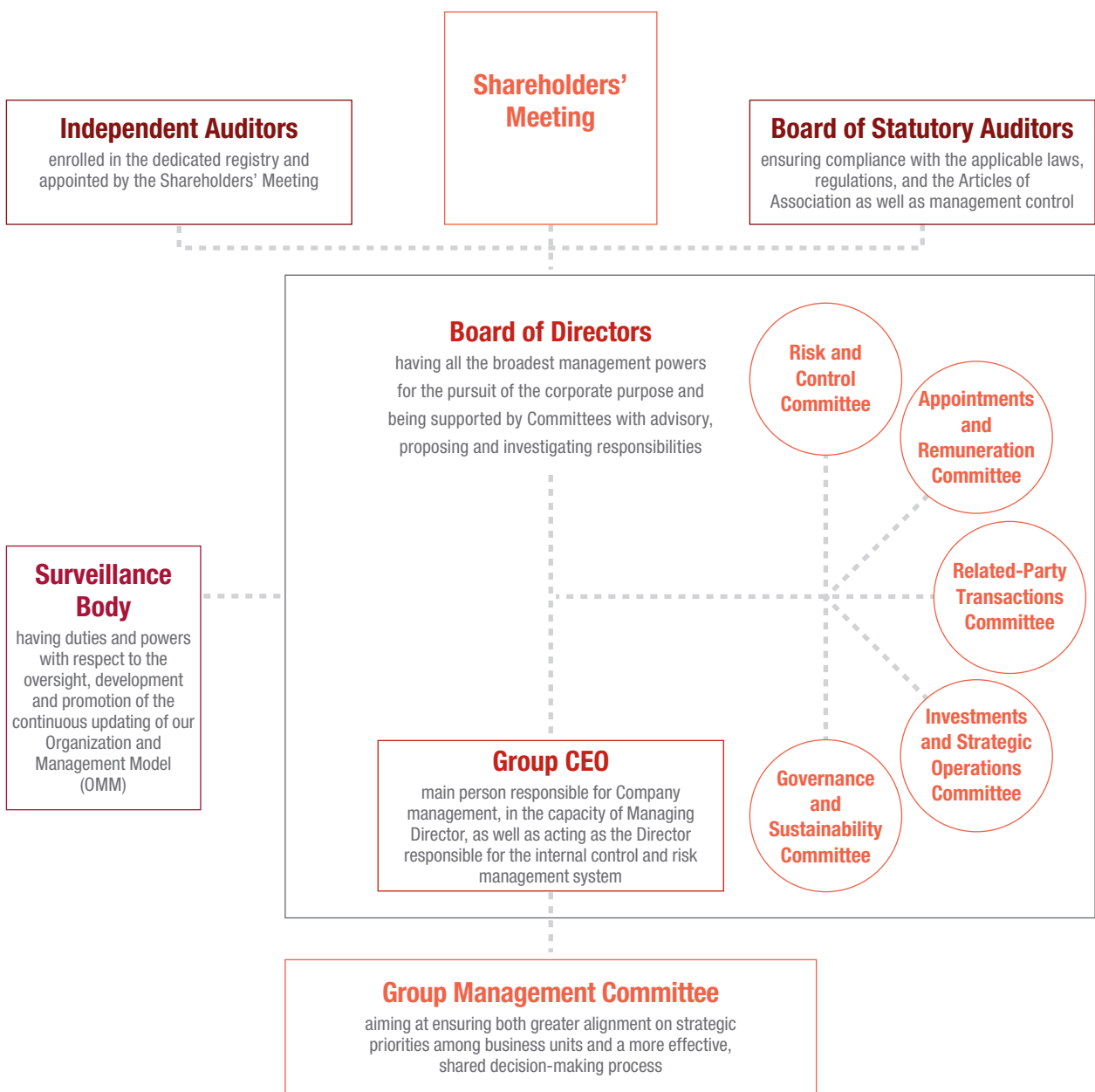


Percentage of share capital represented by institutional investors in the Shareholders' Meeting over the last five years



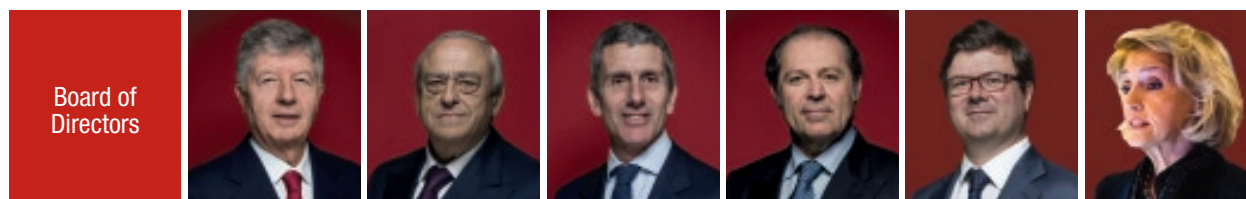
In 2016, we launched the **Shareholders' Meeting Extended Inclusion** program to facilitate participation in the Shareholders' Meeting to those with motor and sensory disability: some dedicated services are provided to overcome any physical, communication and sensory barriers, like simultaneous translation into many languages, sign language and captioning in Italian, reception and check-in, as well as professional medical assistance.

The Board of Directors has structured its own 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 purpose, 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.



Focus on the Board of Directors

in office until the 2019 annual Shareholders' Meeting



	Gabriele Galateri di Genola Chairman	Francesco Gaetano Caltagirone Deputy Vice-Chairman	Clemente Rebecchini Vice-Chairman	Philippe Donnet Group CEO	Romolo Bardin Director	Ornella Barra Director
Age	71	75	54	58	40	65
Nationality	Italian	Italian	Italian	French	Italian	Monegasque
Professional background	manager	entrepreneur	manager	manager	manager	entrepreneur
In office since	8 April 2011	28 April 2007, Vice-Chairman since 30 April 2010	11 May 2012, Vice-Chairman since 6 November 2013	17 March 2016	28 April 2016	30 April 2013
Board Committee						
Independent ²⁰					✓	✓
Executive				✓		

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	Committee Chairman
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59.5
average age

38%
female directors

61,5%
independence level

1
executive director

95%
average attendance at meetings

14
meetings

In early 2019 induction sessions were held on the impacts of the future application of IFRS 9 and IFRS 17 and IT impacts on the insurance sector (Insurtech).

Skills and experiences

62%
international experience

62%
managerial experience

23%
entrepreneurial skills

38%
academic experience

62%
knowledge of legal context and regulatory requirements















77%
financial and accounting skills

77%
insurance experience

62%
industrial experience



54%
experience in large cap companies

 Corporate Governance and Share Ownership Report 2018, p. 59-60 for further information on the diversity of administration, management and control bodies

						
Paolo Di Benedetto	Alberta Figari	Diva Moriani	Lorenzo Pellicoli	Roberto Perotti	Sabrina Pucci	Paola Sapienza
Director	Director	Director	Director	Director	Director	Director
71	54	50	67	57	51	53
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
						
✓	✓	✓		✓	✓	✓

Focus on the Board of Statutory Auditors

in office until 2020 annual Shareholders' Meeting

					
	Carolyn Dittmeier	Antonia Di Bella	Lorenzo Pozza	Francesco Di Carlo	Silvia Olivotto
	Chairwoman	Permanent Statutory Auditor	Permanent Statutory Auditor	Alternate Auditor	Alternate Auditor
Age	62	53	52	49	68
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

57
average age

60%
female auditors

95%
average attendance at Board meetings

97%
average attendance at meetings

34
meetings

The Board of Statutory Auditors attended the same induction sessions held for the Board.

NFS

Our 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.

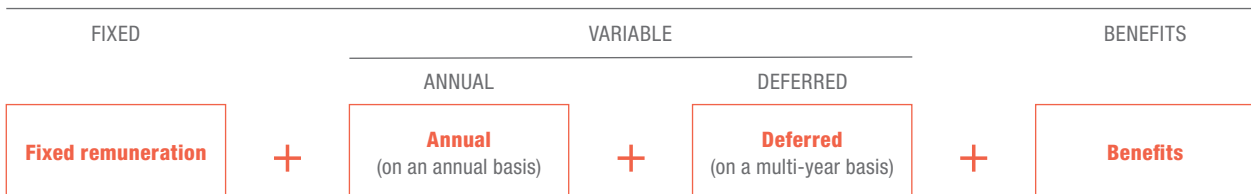
Our policy is based on the following principles that steer remuneration programs and related actions:



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 (except for 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 remuneration²¹

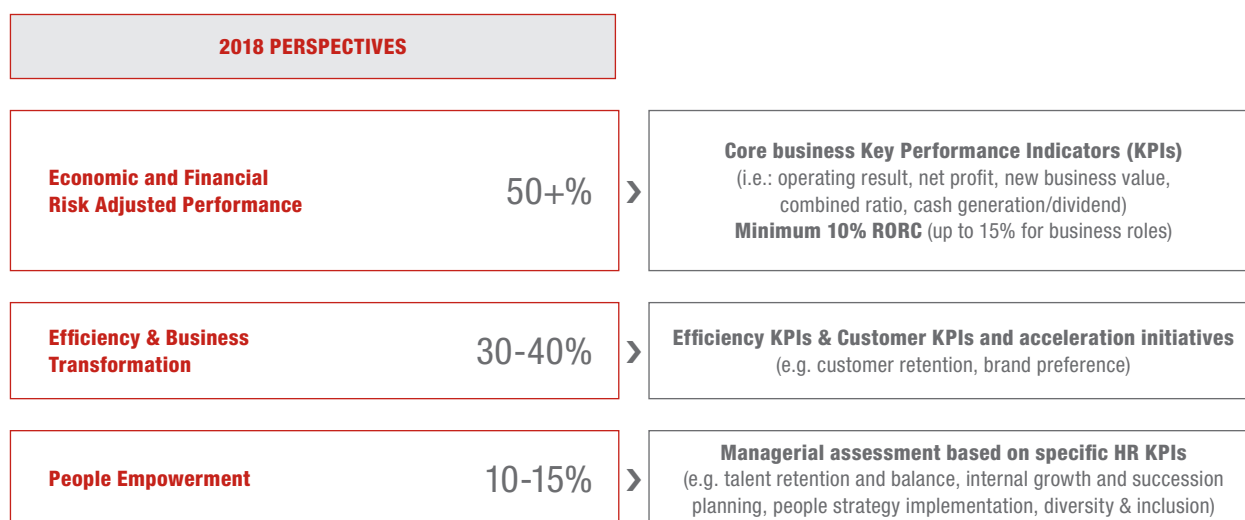


²¹ It represents the remuneration package for all those described, except for the executives with key responsibilities in control functions to whom specific remuneration policy and rules are applied.

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.

The annual variable remuneration is based on an incentive system, whereby a cash bonus ranging from 0% to 200% of the individual target baseline can be accrued depending on:

- the Group funding, connected with results achieved in terms of Group operating result and adjusted net profit as well as the surpassing of a minimum Regulatory Solvency Ratio level;
- the achievement of the objectives defined in the individual balanced scorecards, which establish from 5 to 7 objectives at Group, Region, country, business/function and individual level - as appropriate - based on the following perspectives:



An **internal path valuing and focusing on sustainability topics** has been enhanced since 2018 with the aim of embedding key environmental, social and governance (ESG) drivers in the balanced scorecards of the Group's top management. Specifically, the balanced scorecards of the top managers in Investment and Insurance functions include specific sustainability KPIs, focused on updating the responsible investment strategy on the most relevant topics (e.g. fossil fuels and tobacco) and implementing a responsible underwriting policy, respectively.

The deferred variable remuneration is built on a multi-year plan based on Assicurazioni Generali shares and annually approved by the Shareholders' Meeting. The maximum potential bonus to be disbursed in shares amounts to 175% of the fixed remuneration of the participants (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 Regulatory Solvency Ratio 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.



Additional information in the Notes of the Annual Integrated Report and Consolidated Financial Statements 2018 for further information on pension benefits of the Group employees



www.generali.com/governance/remuneration for further information on remuneration policy and the Remuneration Report, also including information about remuneration

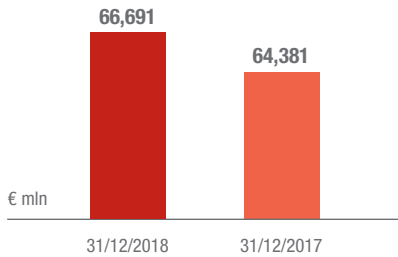


Our performance

- 43 Group's performance
- 48 Group's financial position
- 57 Share performance
- 58 Our reference markets: positioning and performance

Group highlights¹

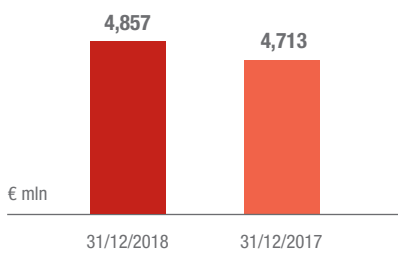
Gross written premiums



Excellent Life net cash inflows, at € 11.4 billion (+5.2%)

Life technical reserves posted an increase of 2.2%
Gross written premiums increased by 4.9% thanks to the positive performance of both segments

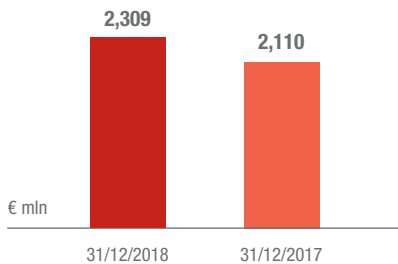
Group operating result



Operating result up 3% thanks to the contribution of all Group segments

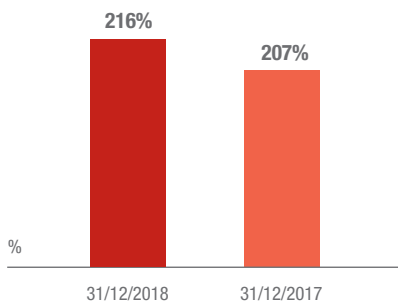
Operating RoE 2015-2018 at 13.4%, confirming the achievement of the strategic target (>13%)

Group result of the period



Result of the period up 9.4%, reflecting, in addition to the growth of operating result, also the positive contribution of divestments

Regulatory Solvency Ratio



Solid Group capital position confirmed with Solvency Ratio of 216%

¹ Changes in Life net cash inflows and premiums are on equivalent terms, i.e. at equivalent exchange rates and consolidation scope pursuant to IFRS 5. Changes in Operating result, Asset Under Management and Operating RoE consider, in accordance with IFRS 5, 2017 comparative data restated following the divestment of Belgian, German and Guernsey businesses. Investments in these assets were not excluded from consolidation in the financial statements disclosure at 31 December 2018, but were classified as assets held for sale, whose total assets and liabilities, as well as the result net of tax effects, were posted separately in the specific items of the financial statements. The comparative data was also restated following the disposal of the Dutch and Irish operations completed in February and June 2018, respectively. 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.

Group's performance

Premiums development

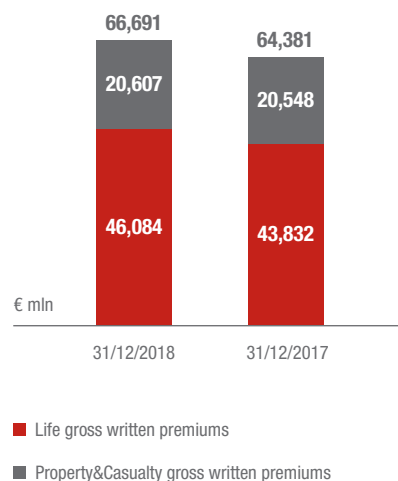
The **gross written premiums** of the Group amounted to € 66,691 million, showing an increase of 4.9% as a result of growth both in the Life (+5.7%) and P&C (+3.3%) segments.

The **Life gross written premiums²** continued the growth posted during the year, standing at €46,084 million (+5.7%). With reference to the lines of business, positive trend in savings policies (+5.7%), specifically in Italy (+8.2%, reflecting the renewal actions undertaken on the existing portfolio of collective policies for € 1.2 billion), Asia (+23.8% due to growth in the banking channel) and France (+1.3%). Unit-linked also posted growth of 1.8%, reflecting the excellent performance in Germany and France. Protection products showed a 10.7% increase, confirming the broad growth in countries in which the Group operates.

The **Life net cash inflows** (+5.2%) amounted to € 11.4 billion, strengthening the growth observed in the first nine months due to the performance for the quarter.

The **new business in terms of present value of new business premiums (PVNBP)** amounted to € 43,202 million, showing a decline of 1.8%.

With reference to the business lines, the protection business increased by 2.1% in all the Group's areas of operations, with the exception of Germany. Unit-linked business decreased (-1.5%, due to the performance in Italy and Germany) as did that of savings products (-3.7%), in line with the Group's strategy aimed at reducing the guaranteed business.



The **profitability of new business (margin on PVNBP)** improved by 0.26 pps, to 4.35% (4.01% at 31 December 2017), following the increase in profitability of both protection products (+0.51 pps), mainly thanks to the improvement in France and Spain, and savings products (+0.29 pps), positively influenced by the continued reduction of financial guarantees and the improvement of the economic environment.

As a result of the actions described above, the **value of new business (NBV)** increased by 4.3% and stood at € 1,877 million (€ 1,820 million at 31 December 2017).

€ 10,651.2 mln premiums from social products*

€ 1,769.2 mln premiums from environmental products*

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

As part of its offering, the Generali Group is committed to promote several high value-added solutions from a so-

cial and environmental perspective. Developing this type of coverage means providing a service that creates value over time, responding to new requirements related to emerging risks, fostering eco-sustainable conduct, and bridging gaps in the pension and public health services sectors. Embracing technology and innovation, we address habits and behaviour towards healthier and more informed lifestyles, aiming at risk prevention rather than claims settlement. In order to encourage eco-sustainable conduct and support green activities, consistent with our climate change strategy, we develop and distribute products and services with particular attention to environmental protection.



Challenges and opportunities in the market context, p. 32-33



Glossary available at the end of this document

* Premiums from social and environmental products refer to companies that represent 94.4% of total gross direct written premiums contributing to the analysis. Their amount is hardly comparable with that of 2017 due to some methodological improvements made during 2018.

² Including premiums from investment contracts for € 1,457 million, stable compared to the previous period.

The **Property & Casualty gross written premiums** reached € 20,607 million, growing by 3.3%, thanks to the positive performance of both business lines.

The 3.4% growth in the motor business is attributable to the growth observed in ACEER (+5.7%), France (+4.2%) and in the Americas and Southern Europe region (+19.2%), reflecting the tariff adjustments implemented in Argentina following inflation. In spite of a recovery in the second half of the year, motor premium income in Italy was down by 1.7%, following the contraction of the portfolio as a result of measures adopted to restore portfolio profitability.

Non-motor premium income also grew (+2.7%), with positive trends broadly extended across the Group's various areas of operations. Premiums increased in the ACEER region (+4.1%) with diversified growth in the territory, France (+2.7%), Germany (+1.8%) and in the International cluster (+ 7.2%), driven by Europ Assistance and Spain. The decrease observed in Italy (-1.5%) persisted, related to the reduction of the Global Corporate & Commercial lines as well as in the A&H line, which reflected strong competition in a market characterized by sustained price competition.

Total gross written premiums by country (*)

(€ million)	31/12/2018	31/12/2017
Italy	23,781	22,836
France	12,264	11,904
Germany	13,577	13,107
Austria, CEE & Russia	6,429	6,191
International	10,539	10,260
Spain	2,378	2,427
Switzerland	1,696	1,817
Americas and Southern Europe	1,427	1,858
Asia	2,894	2,359
Europ Assistance	834	753
Other	1,310	1,047
Group holding and other companies	102	82
Total	66,691	64,381

(*) Total gross written premium for Global Business Lines (GBL), taking into consideration the business underwritten in the various countries, amounted to € 4,332 million and broken down as follows:

- Global Corporate&Commercial € 1,991 million;
- Generali Employee Benefits and Generali Global Health € 1,507 million;
- Europ Assistance € 834 million.

The details by geographical area highlighted in this document reflect the Group's managerial structure in place at the beginning of 2018 and effective for a large part of the year, made up of the business units of the three main markets - Italy, France and Germany - and four regional structures (ACEER, International, Investments, Asset & Wealth

Management, and Group holding and other companies). In International, Other companies mainly include Generali Global Health and Generali Employee Benefits.



Note to the Report, p. 86 for the detailed description of the geographical areas presented in the document

Operating result

The Group's **operating result**, equal to € 4,857 million, showed 3.0% increase (€ 4,713 million at 31 December 2017³), reflecting the positive trend of all segments.

Operating Return on Equity amounted to 12.6% at 31 December 2018 (-0.2 pps), reflecting the impact of the accounting method for divestment according to IFRS 5⁴.

³ As mentioned above, the 2017 comparative data were reclassified. 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.

⁴ The accounting method for divestment according to IFRS 5 reclassifies Operating result from discontinued operations into Result of discontinued operations, effectively reducing the numerator.

The average operating Return on Equity for the 2015-2018 period stood at 13.4%, confirming the achievement of the strategic objective (>13%).

Total operating result by segment

(€ million)	31/12/2018	31/12/2017	Change
Total operating result	4,857	4,713	3.0%
Life	3,067	2,982	2.8%
Property & Casualty	1,992	1,944	2.5%
Asset Management	335	261	28.2%
Holding and other business	-70	-163	n.m
Consolidation adjustments	-467	-311	50.0%

In particular, the Life operating result, equal to € 3,067 million, grew by 2.8% thanks to the trend of technical margin net of insurance operating expenses. The investment result was down due to the higher impairments on financial instruments, especially posted in the last quarter of the year.

The P&C operating result, equal to € 1,992 million, increased by 2.5%, reflecting the contribution from investment result, albeit in the context of a persistently low level of interest rates, and other operating components. The combined ratio stood at 93.0% (92.9% at 31 December 2017), confirming its position amongst our peers, in line with the Group's strategic technical excellence directive.

The Asset Management segment, introduced starting from 31 December 2018 to better reflect the results of the Group's asset manager activities in line with the strategic communication to the market, achieved an operating result of € 335 million thanks to the increase in revenues arising from portfolio management activities.

The improvement in the Holding and other businesses operating result reflected the positive result of other private equity and real estate activities.

Finally, the change in the consolidation adjustments was mainly due to higher dividends and intra-group realized gains.

Operating result by country

(€ million)	31/12/2018	31/12/2017
Italy	1,801	1,841
France	703	744
Germany	821	750
Austria, CEE & Russia	776	744
International	814	731
Spain	294	289
Switzerland	273	258
Americas and Southern Europe	116	85
Asia	79	39
Europ Assistance	86	88
Other	-33	-28
Investments, Asset & Wealth Management (*)	527	468
Group holding, other companies and consolidation adjustments	-585	-565
Total	4,857	4,713

(*) Investments, Asset & Wealth Management area includes the main Group entities operating in investment advisory, asset management and financial planning; it includes, among others, Banca Generali. Adding the operating result of AM of the Central and Eastern European countries to that of Investments, Asset & Wealth Management reported in the table, the total operating amounts to € 542 million (€ 482 million at 31 December 2017).

Non-operating result

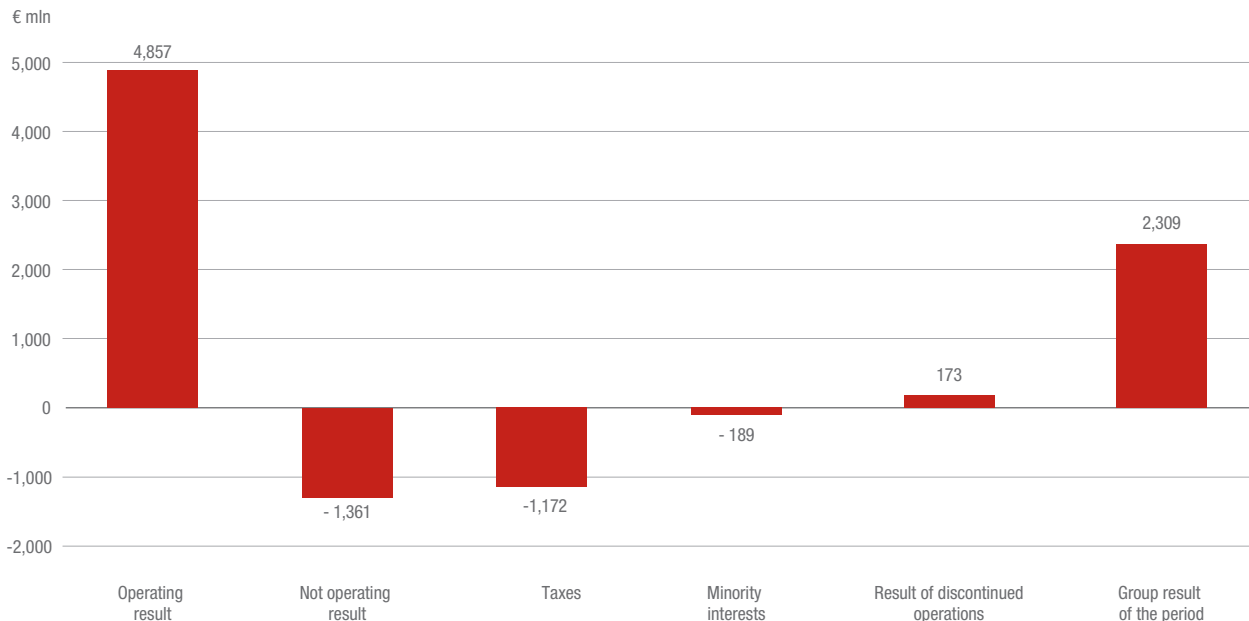
The **non-operating result** of the Group came to € -1,361 million (€ -1,109 million at 31 December 2017). In particular:

- **net impairment losses** increased to € -431 million (€ -271 million at 31 December 2017) mainly due to higher impairments on equity financial investments, especially posted in the last quarter of the year;
- **net realized gains** amounted to € 265 million (€ 311 million at 31 December 2017), benefiting € 113 million from the disposal of the investment in Italo - Nuovo Trasporto Viaggiatori. The decrease in realized gains compared to the previous period is mainly due to the bond and real estate component, reflecting the planned policy of supporting future returns on investments;
- **net non-operating income** from financial instruments at fair value reached € 11 million (€ 26 million at 31 December 2017);
- **other net non-operating expenses** decreased slightly to € -411 million (€ -419 million at 31 December 2017).

The item comprised € -98 million for the amortization on the value of the acquired portfolios (€ -106 at 31 December 2017), € -211 million for restructuring costs (€ -297 at 31 December 2017), decreasing mainly in Germany, and € -102 million in other net non-operating expenses (€ -16 million at 31 December 2017). The latter included € 77 million in gains from the disposal of operations in Panama, while last year the item had achieved € 196 million in gains from the disposal of the run-off P&C portfolio of the UK branch;

- **non-operating holding costs** amounted to € -795 million (€ -755 million at 31 December 2017) due to expected restructuring costs (mainly due to the transfer of the Generali Employee Benefits operations and the closure of the branch in Japan), as well as the result of the development of asset management activities. Interest expense on financial debt decreased from € -673 million to € -666 million.

Group result of the period



The **result of the period attributable to the Group** stood at € 2,309 million, showing an increase of 9.4% over the € 2,110 million posted at 31 December 2017, and reflected:

- the improvement in the aforementioned operating result;
- the result of discontinued operations of € 173 million,

related to the disposal of the German, Belgian and Guernsey businesses and to the gain from the disposal of the Irish company for € 49 million. In 2017, the item had included the impairment on the Dutch operations;

- a slight decline in taxation. The tax rate remained substantially unchanged, going from 32.7% to 32.6%;

– the result attributable to minority interests, equal to € 189 million, which corresponded to a minority rate of 7.6% (8.1% at 31 December 2017) and which in-

creased compared to last year (€ 185 million), mainly reflecting the trend of Asia.

From operating result to result of the period

(€ million)	31/12/2018	31/12/2017	Change
Consolidated operating result	4,857	4,713	3.0%
Net earned premiums	63,405	61,137	3.7%
Net insurance benefits and claims	-52,032	-60,853	-14.5%
Acquisition and administration costs	-10,393	-10,260	1.3%
Net fee and commission income and net income from financial service activities	428	420	1.9%
Operating investment result	3,959	14,971	-73.6%
Net operating income from financial instruments at fair value through profit or loss	-6,018	3,912	n.m.
Net operating income from other financial instruments	9,977	11,059	-9.8%
Interest income and other income	10,560	10,634	-0.7%
Net operating realized gains on other financial instruments and land and buildings (investment properties)	1,215	1,568	-22.5%
Net operating impairment losses on other financial instruments and land and buildings (investment properties)	-836	-274	n.m.
Interest expense on liabilities linked to operating activities	-333	-337	-1.1%
Other expenses from other financial instruments and land and buildings (investment properties)	-628	-532	18.1%
Operating holding expenses	-467	-454	2.9%
Net other operating expenses (*)	-44	-247	-82.3%
Consolidated non-operating result	-1,361	-1,109	22.8%
Non operating investment result	-155	65	n.m.
Net non-operating income from financial instruments at fair value through profit or loss	11	26	-59.0%
Net non-operating income from other financial instruments (**)	-166	40	n.m.
Net non-operating realized gains on other financial instruments and land and buildings (investment properties)	265	311	-14.6%
Net non-operating impairment losses on other financial instruments and land and buildings (investment properties)	-431	-271	59.0%
Non-operating holding expenses	-795	-755	5.2%
Interest expenses on financial debt	-666	-673	-1.0%
Other non-operating holding expenses	-128	-82	56.1%
Net other non-operating expenses	-411	-419	-1.8%
Earning before taxes	3,496	3,605	-3.0%
Income taxes (*)	-1,172	-1,241	-5.6%
Earnings after taxes	2,324	2,364	-1.7%
Profit or loss from discontinued operations	173	-68	n.m.
Consolidated result of the period	2,497	2,295	8.8%
Result of the period attributable to the Group	2,309	2,110	9.4%
Result of the period attributable to minority interests	189	185	1.8%

(*) At 31 December 2018 the amount is net of operating taxes for € 52 million and of non-recurring taxes shared with the policyholders in Germany for € -6 million (at 31 December 2017 for € 52 million and € 42 million, respectively).

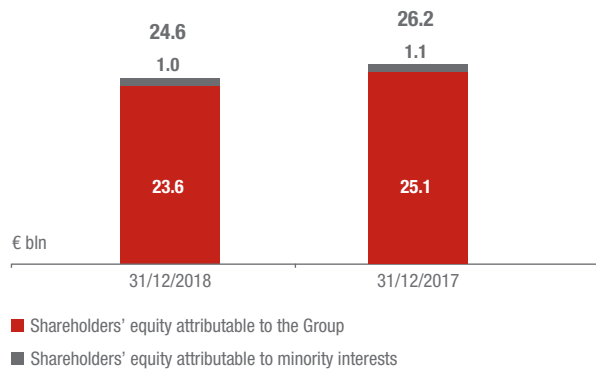
(**) The amount is gross of interest expenses on liabilities linked to financing activities.

Group's financial position

Group shareholders' equity and solvency

The **shareholders' equity attributable to the Group** amounted to € 23,601 million, a decrease of 5.9% compared to € 25,079 million at 31 December 2017. The change was mainly attributable to:

- the result of the period attributable to the Group, which amounted to € 2,309 million at 31 December 2018;
- the dividend distribution of € 1,330 million, carried out in 2018;
- other comprehensive income (€ -2,517) due to both the reduction in the reserve for unrealized gains or losses on available for sale financial assets of € -2,288 million, mainly arising from the performance of bonds as a result of expansion in spreads for the year, as well as the reduction in the reserve attributable to disposal groups of € -283 million, partially offset by the increase in unrealized gains or losses for defined benefit plans of € 81 million.



Rollforward of Shareholders' equity

(€ million)	31/12/2018	31/12/2017
Shareholders' equity attributable to the Group at the end of the previous period	25,079	24,545
Result of the period	2,309	2,110
Dividend distributed	-1,330	-1,249
Other comprehensive income	-2,517	-100
Reserve for unrealized gains and losses on available for sale financial assets	-2,288	162
Foreign currency translation differences	-32	-158
Net unrealized gains and losses on hedging derivatives	22	58
Net unrealized gains and losses on defined benefit plans	81	22
Other net unrealized gains and losses	-300	-183
Other items	60	-226
Shareholders' equity attributable to the Group at the end of the period	23,601	25,079

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 216% (207% at 31 December 2017; +9 pps). The trend was mainly determined by the solid normalized generation of capital and by the contribution of both the regulatory changes in the model (including expansion of the internal model to Austria and Switzerland) and the M&A activities completed during the year, which more than offset the

negative economic variances of the period and the expected dividend distribution.

Starting from 31 December 2018, the Economic Solvency Ratio, which represented the economic view of the Group's capital and was calculated by applying the internal model to the entire Group perimeter, will no longer be published, as the difference between the regulatory and economic view tapered with the reduction in the perimeter of entities still in the approval phase (Austria for the health business and Spain).

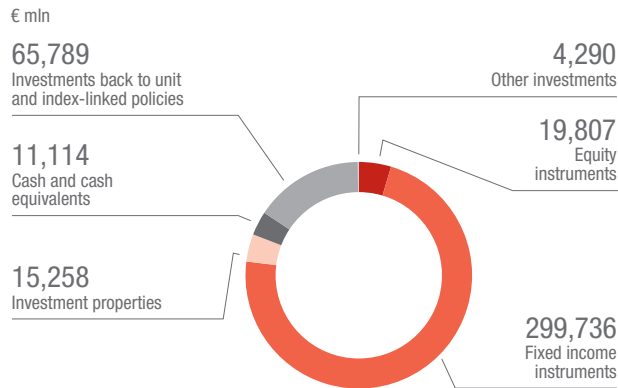


Risk Report, p. 93 of the Annual Integrated Report and Consolidated Financial Statements 2018 for additional information on the Group's solvency position

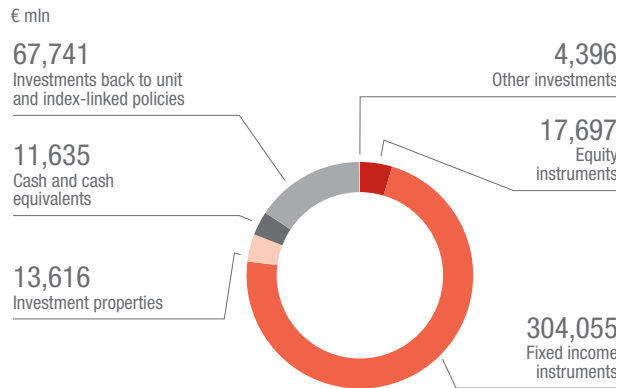
Investments

Asset allocation

Investments at 31 December 2018



Investments at 31 December 2017



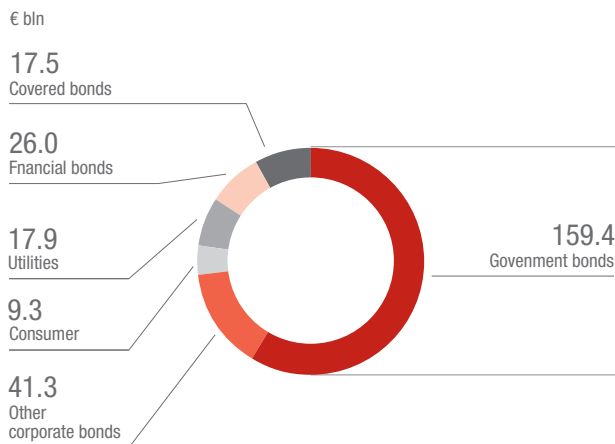
At 31 December 2018, total investments amounted to € 415,994 million, a slight decrease compared to the previous year (-0.8%). Group investments amounted to € 350,205 million (-0.3%) and linked investments amounted to € 65,789 million (-2.9%).

In terms of weight of the main investment categories, the relative exposure of the fixed income instruments was down to 85.6% (86.5% at 31 December 2017), while that

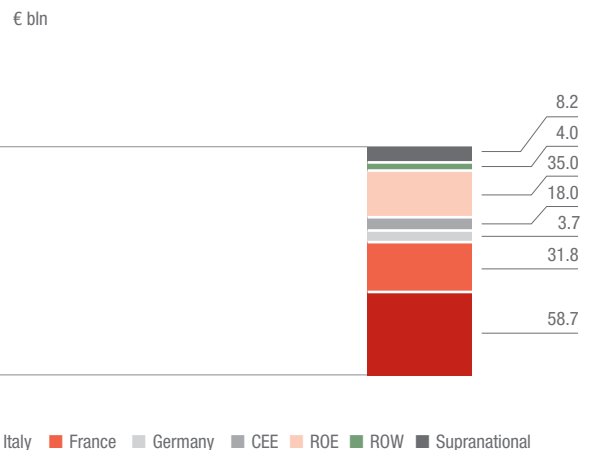
of equity instruments increased, up to 5.7% (5.0% at 31 December 2017). The weight of investment properties and that of other investments also showed a slight increase, standing at 4.4% (3.9% at 31 December 2017) and 1.1% (1.0% at 31 December 2017), respectively. Other investments mainly include receivables from banks and customers, investments in subsidiaries, associated companies and joint ventures, and derivatives. Finally, the weight of liquidity went from 3.3% to 3.2%.

Fixed income instruments: bond portfolio

Bond portfolio: detail by sector



Government bonds: detail by country of risk



With reference to the bond portfolio, government bonds, which represented 53.2% (52.0% at 31 December 2017), were up, standing at € 159,431 million (€ 158,216 million

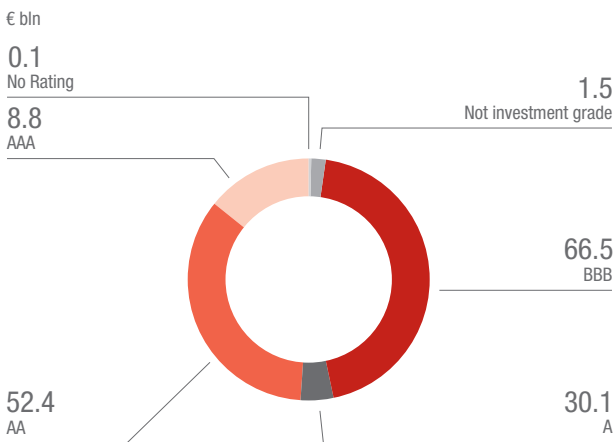
at 31 December 2017). The change during the period was mainly attributable to the net purchasing position of the Group with respect to these types of assets. The expo-

sure to individual government bonds was mainly allocated to the respective countries of operation, in line with the Group's ALM policy.

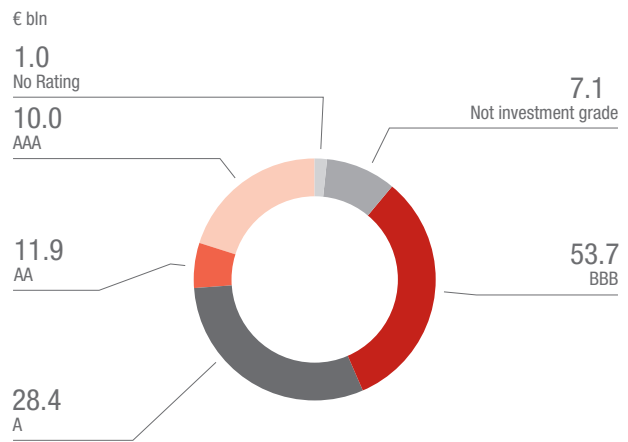
The corporate component decreased in absolute terms to € 112,017 million (€ 117,207 million at 31 December 2017), equal to 37.4% of the bond portfolio (38.5% at 31 December 2017), due to the orientation of the reinvest-

ment strategy toward the government bond component. On the other hand, taking into account the new composition of the current portfolio, there is a substantial decrease in securities exposed to the financial sector, partially offset by an increase in exposure to the telecommunications sector.

Bond portfolio: government bonds by rating



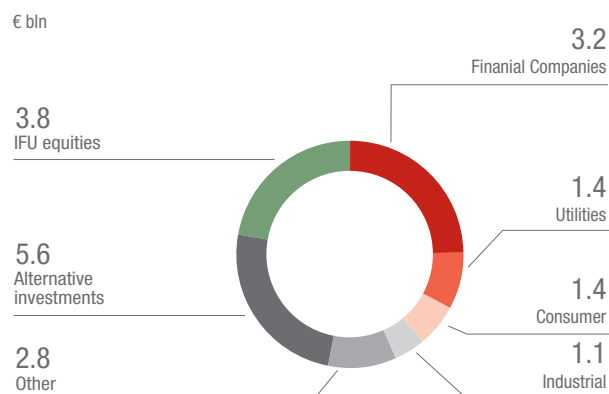
Bond portfolio: corporate bonds by rating



The Group's corporate portfolio confirmed its improvement in terms of creditworthiness, with over 93% of the securities classified as Investment Grade (91% at the end

of the previous year). Non-Investment Grade securities declined by € 2.9 billion compared to 31 December 2017.

Equity instruments

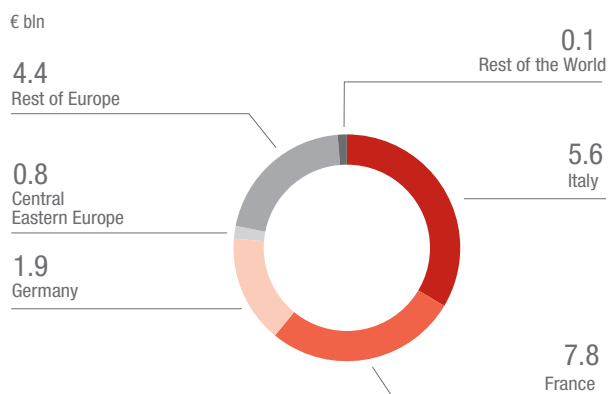


Equity instruments decreased in absolute terms, standing at € 19,807 million (€ 17,697 million at 31 December 2017).

The change is mainly due to the increase in the stock of alternative investments (both for appreciation and for the net purchasing position adopted by the Group) but also to the net purchases of equity instruments made in the period, in spite of a general negative trend in capital markets.

Investment properties

Direct investment properties at fair value



Investment properties in terms of book value amounted to € 15,258 million (€ 13,616 million at 31 December 2017). Specifically, the direct investment properties of the Group at fair value amounted to € 20,631 million (€ 18,025 million at 31 December 2017), and were almost all in Western Europe, mainly in Italy, France and Germany, and were held in the respective countries in which they operate.

Investment result

Return on investments

	31/12/2018	31/12/2017
Economic components		
Current income from fixed income instruments	8,861	9,279
Current income from equity instruments	869	650
Current income from real estate investments (*)	738	725
Net realized gains	1,495	2,111
Net impairment losses	-1,205	-448
Net unrealized gains	-549	357
Average stock	351,577	347,991
Ratio		
Current return (*)	3.0%	3.1%
Harvesting rate	-0.1%	0.6%
P&L return	2.8%	3.3%

(*) Net of depreciation of the period.

The current return on investments fell slightly, reaching 3.0% (3.1% at 31 December 2017). The performance of this indicator is attributable, on the one hand, to the increase in average investments and, on the other, to a fall in the absolute value of current income, which amounted to € 10,668 million (€ 10,847 million at 31 December 2017), due to the low interest rates obtainable as part of the reinvestment activity.

The contribution to the result of the period deriving from net realized gains, net impairment losses and net unrealized gains (harvesting rate)⁶ showed a decrease, reaching -0.1% (0.6% at 31 December 2017), following both a greater impact of the impairment losses, particularly significant compared to those posted in the previous period, and a lower impact of the net realized gains.

⁶ The contribution to investments backing unit-linked contracts was excluded. Please refer to the Methodological note on alternative performance measures for details on the calculation of the Return on investments.

Responsible investments

NFS

€ 289 bln (-2.2%) direct investments of Group insurance companies to which the Responsible Investment Guideline is applied

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.

Thanks to the creation of a proprietary ESG methodology - which considers environmental, social and corporate governance aspects - 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 investment 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.



The Generali 2021 strategy, p. 21-22



Our rules for running business with integrity, p. 24

Sustainable and responsible investment funds

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

At 31 December 2018, the methodology was applied to funds and mandates totalling € 33.2 billion in assets (-2.1%)*. Of these, 81.4% was subject to the SRI analysis and reported a compliance rate of more than 90% with the Group's SRI principles. The remaining 18.6% was not covered by the SRI analysis (funds of funds, issuers located in non-European regions, unlisted issuers).

Stewardship

As a responsible investor, we undertake to promote sustainability in our investees through proxy voting and engagement activities. To this end, the Group has developed a Voting Guideline which expresses our fundamental values, including with respect to sustainability. In 2018, the Group participated in 1,201 Shareholders' Meetings and voted on 15,257 resolutions, 13% against, confirming the Group's commitment to support sustainability best practices.



Glossary available at the end of this document

* The change considers 2017 comparative data restated following a change in methodology.

Debt and liquidity

Debt

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, among which subordinated liabilities, bonds issued and other loans obtained. This category includes, for example, liabilities incurred in connection with a purchase of controlling interests.

Total liabilities were as follows:

Group debt

(€ million)	31/12/2018	31/12/2017
Liabilities linked to operating activities	27,009	26,199
Liabilities linked to financing activities	11,532	11,816
Subordinated liabilities	8,124	8,379
Senior bonds	2,983	2,980
Other non-subordinated liabilities linked to financing activities	425	457
Total	38,540	38,015

The reduction in the Group's liabilities linked to financing activities was mainly due to the redemption of two subordinated bonds issued in 2008 for a nominal amount of € 250 million through the exercise of the early redemption option in November and December 2018.

The liabilities linked to operating activities posted an increase due mainly to the increase in the deposits of the Group banks.

The weighted average cost of liabilities linked to financing activities at 31 December 2018 stood at 5.66%, down from 5.71% at 31 December 2017. The weighted average cost reflects the annualized cost of financial debt, considering the nominal amounts at the reporting date and the related transactions of currency and interest rate hedging.

Interest expenses on total liabilities were detailed below:

Interest expenses

(€ million)	31/12/2018	31/12/2017	Change
Interest expense on liabilities linked to operating activities	333	337	-1.1%
Interest expense on liabilities linked to financing activities	666	673	-1.0%
Total (*)	1,000	1,010	-1.0%

(*) Without taking into account the interest expenses on liabilities linked to operating activities 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 financing activities

Details on subordinated liabilities and senior bonds

(€ million)	31/12/2018				31/12/2017			
	Nominal value	Book value	Accrued interest expenses	Average weighted cost % (*)	Nominal value	Book value	Accrued interest expenses	Average weighted cost % (*)
Subordinated liabilities	8,162	8,124	541	6.18%	8,417	8,379	547	6.22%
Senior bonds	3,000	2,983	125	4.19%	3,000	2,980	125	4.19%
Total	11,162	11,106			11,417	11,359		

(*) 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)	31/12/2018			31/12/2017		
	Issuances	Redemptions	Issuances net of redemptions	Issuances	Redemptions	Issuances net of redemptions
Subordinated liabilities	0	250	-250	0	869	-869
Senior bonds	0	0	0	0	13	-13
Total	0	250	-250	0	882	-882

Details on main issues

Subordinated liabilities

Main subordinated issues

	Coupon	Outstanding (*)	Currency	Amortised cost (**)	Issue date	Call date	Maturity
Assicurazioni Generali	6.27%	350	GBP	388	16/06/2006	16/02/2026	Perp
Assicurazioni Generali	6.42%	495	GBP	549	08/02/2007	08/02/2017	Perp
Assicurazioni Generali	7.24%	350	EUR	350	04/03/2009	04/03/2019	Perp
Assicurazioni Generali	8.50%	350	EUR	350	06/03/2009	06/03/2019	Perp
Assicurazioni Generali	9.00%	50	EUR	50	15/07/2009	15/07/2019	Perp
Assicurazioni Generali	10.13%	750	EUR	748	10/07/2012	10/07/2022	10/07/2042
Assicurazioni Generali	7.75%	1,250	EUR	1,248	12/12/2012	12/12/2022	12/12/2042
Assicurazioni Generali	4.13%	1,000	EUR	991	02/04/2014	n.a.	04/05/2026
Assicurazioni Generali	4.60%	1,500	EUR	1,341	21/11/2014	21/11/2025	Perp
Assicurazioni Generali	5.50%	1,250	EUR	1,243	27/10/2015	27/10/2027	27/10/2047
Assicurazioni Generali	5.00%	850	EUR	841	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. The remaining subordinated liabilities are mainly issued by Austrian subsidiaries for approxi-

mately € 25 million at amortized cost.

In November and December 2018, two subordinated bonds issued by the Group in 2008 were redeemed for a nominal amount of € 250 million using available cash.

Senior bonds

Main senior bonds issues

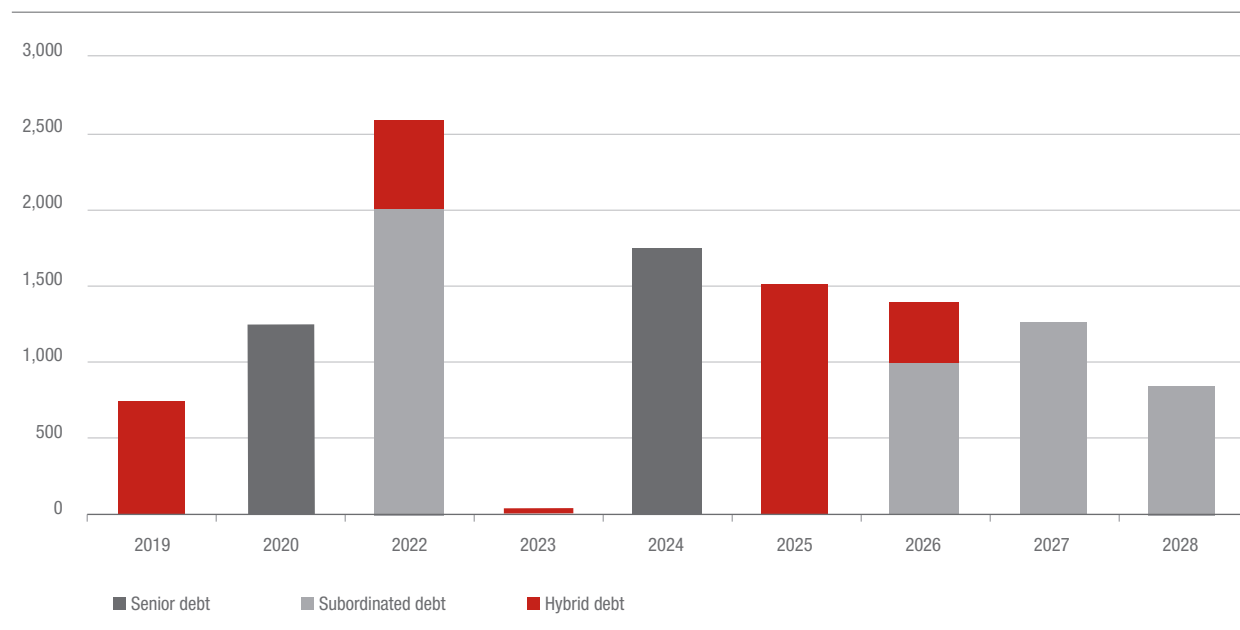
Issuer	Coupon	Outstanding (*)	Currency	Amortised cost (**)	Issue date	Maturity
Assicurazioni Generali	5.13%	1,750	EUR	1,733	16/09/2009	16/09/2024
Assicurazioni Generali	2.88%	1,250	EUR	1,247	14/01/2014	14/01/2020

(*) In currency million.

(**) In € million.

The senior bonds were essentially unchanged

Detail on debt maturity



The average duration at 31 December 2018 stood at 5.34 years compared to 6.22 years at 31 December 2017.

Revolving credit facilities

Assicurazioni Generali has revolving credit facilities for a total amount of € 4 billion. They represent, in line with best market practice, an efficient tool to protect the Group's financial flexibility in case of adverse scenarios.

The two facilities syndicated with a value of € 2 billion each, have a duration of 3 and 5 years.

The revolving credit facilities also present innovative features in terms of sustainability: their cost is linked to

both the targets on green investments and the progress made in sustainability. This transaction further strengthens Generali's commitment to sustainability and the environment, as set out in the Charter of Sustainability Commitments and in the climate change strategy. This will only impact the Group's liabilities linked to financing activities if the facilities are drawn down.

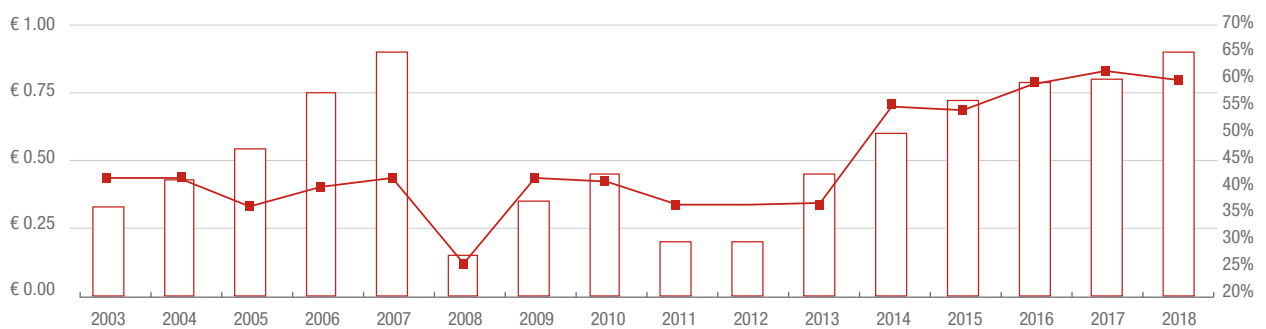
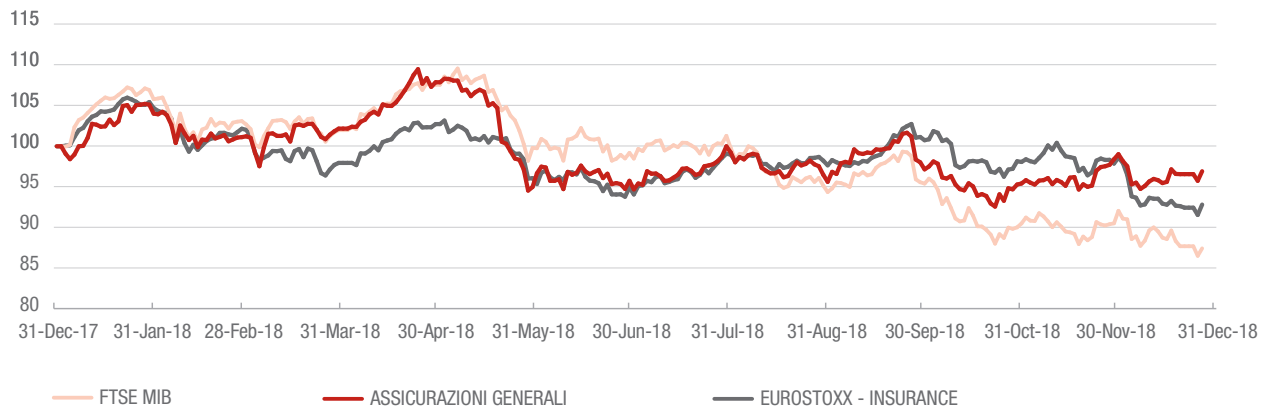
Liquidity

Cash and cash equivalent

(€ million)	31/12/2018	31/12/2017
Cash at bank and short-term securities	5,553	5,738
Cash and cash equivalents	115	96
Cash and balances with central banks	1,029	593
Money market investment funds unit	4,367	5,560
Other	50	-351
Cash and cash equivalents	11,114	11,635

Liquidity remained broadly stable, reaching € 11,114 million, in line with its seasonal trend and in the presence of unfavourable opportunities for reinvestment of profits generated, especially in the last part of the year.

Share performance



KPIs per share

	31/12/2018	31/12/2017
EPS	1.48	1.35
Operating earnings per share	1.64	1.67
DPS	0.90	0.85
Payout ratio	61.2%	63.0%
Total dividend (in € million)	1,413	1,330
Share price	14.60	15.20
Minimum share price	13.75	13.52
Maximum share price	17.06	16.02
Average share price	15.07	14.91
Weighted average number of ordinary shares outstanding	1,563,742,903	1,560,771,499
Market capitalization (in € million)	22,851	23,739
Average daily number of traded shares	5,778,912	7,179,293
Total shareholders' return (*)	1.39%	13.54%

(*) It is the ratio of the total dividend plus the share price variation during the reference period to the share price at the beginning of the year.

Our reference markets: positioning⁷ and performance

Italy

Generali holds the leadership in the Italian insurance market with an overall share of 16.2% thanks to the complete range of insurance solutions the Group offers its clients in both the Life and P&C segments. At the distribution level, a multi-channel strategy strongly hinged on agents has been developed. It has a strong position in the direct Life and P&C channel, through Genertel and Genertellife, the first online insurance launched in Italy. Thanks to its partnership with Banca Generali, the Group is able to offer its customers a broad and complete variety of insurance, pension and savings products. Generali presents itself on the Italian market with three distinct brands marked by a clear strategic positioning - Generali (retail market and SME), Alleanza (households) and Genertel and Genertellife (alternative channels).

During 2018, Generali Italia further developed its simplification programme with the goal to improve the customer experience by simplifying the relationship between customers and agents for the entire process by providing more and more accessible and innovative services. Furthermore, at the end of 2018 Generali Italia launched Jeniot, a company that develops innovative services in the Internet of Things and connected insurance area tied to mobility, home, health and work.

NFS

Within The Human Safety Net, the Group's global initiative for the society, Generali Italian launched Ora di Futuro, an innovative project for educating children and families that involves teachers, primary schools and non-profit networks throughout Italy. The purpose is to help families sustain responsible growth of their children.

In 2018, the Italian Life **insurance market** enjoyed a +2.1% growth, recovering over last year. The new Life business continues to be mostly oriented toward traditional products, which have experienced an increase with respect to the previous year (+8.4%); the support of the unit-linked products is decreasing (-4.5%), also because of the volatility experienced in the financial markets. The P&C market too has recorded a +2.4% growth. The motor business was affected by the heavy competition between the different operators of the segment and was driven by the other damages business (+5.3%) while MTPL continued its slow recovery (+0.7%). Benefitting from the moderate macroeconomic recovery, positive growth rates (+3.1%) continued to be seen in the non-motor business. The health risk trend was positive (+7.3%), marked by growing attention to the world of welfare.

With reference to the **financial markets**, the ten-year BTP yield jumped from 2.0% in 2017 to 2.8% at year-end 2018. The BTP-Bund spread widened from 153 bps of year-end 2017 to 253 bps of year-end 2018, making a return from the peaks hit in November following the agreements between the European Commission and the Italian government, which sized down the plans to increase spending.

The equity market was affected by the global monetary policies and the intrinsic country-Italy risk. The FTSE MIB posted negative performance during the year (-16%).

The growth of Generali's Life **premiums** shows the excellent performance of protection premiums (+18.3%) and traditional savings products (+8.2%), while unit-linked products (-2.4%) were affected by the volatility in financial markets that characterized the second half of the year.

Gross written premiums

€ 23,781 mln
(+4.1%)

Total operating result

€ 1,801 mln
(-2.2%)

Life market share

16.8%

P&C market share

14.7%

Total ranking

1°
(2nd Life and 2nd P&C)

Our people

12,926

Life premiums

€ 18,332 mln (+6.0%)

⁷ The indicated market shares and positions, based on written premiums, refer to the most recent official data.

The **new production** in terms of present value of new business premiums (PVNBP) stood at € 18,443 million, down 3.5% following the contraction of both the present value of future regular premiums (-5.0%) and single premiums (-2.2%).

The production of protection products shows good growth (+16.6%). Savings products are down (-4.7%) in line with the Group's actions aimed at reducing the guaranteed business; moreover, despite the satisfactory contribution of "hybrid" products, there was a reduction in unit-linked production (-2.2%).

The new business margin (expressed as a percentage of PVNBP) increased by 0.58 percentage points, from 4.72% in 2017 to 5.30% in 2018. The satisfactory increase is driven by the continuous recalibration of the financial guarantees offered, combined with the sale of highly profitable hybrid products.

New business value amounted to € 978 million, an improvement on the previous year (+8.3%).

The decrease in **gross written premiums** is attributable to both the motor segment (-1.7%), which is affected by the continued decline in the portfolio linked to the policy of improving profitability in a market still suffering from a crisis in profitability, and to the non-motor segment. The contraction of the latter (-1.5%) is mainly attributable to the Corporate business component as well as to the A&H sector, reflecting heavy competition in a market characterized by sustained price competition.

The **combined ratio** increased slightly due to the increase in the expense ratio component, mainly linked to growth in the non-motor portfolio, only partially offset by the slight improvement in both the current year loss ratio and prior year loss ratio.

Germany

In Germany, where Generali has been operating since 1837, the Group ranks second in terms of total premium income due to a 9.5% market share in the Life business (also including health business), in which it plays a leadership role in the unit-linked and protection lines, and to a 5.3% P&C share, distinguished by high premium profitability.

In 2018, after having successfully concluded a preliminary strategic and organisation revision (with the Simpler Smarter for You programme), Generali sped up implementation of the strategy in Germany by starting up the second phase of the strategic programme, called Simpler, Smarter for You to Lead. This phase is aimed at making full use of the growth potential and the competitive edges that were still unexpressed in order to create value in terms of:

- **maximisation of operational efficiency** with creation of the "One company" model that involves unifying employees in two main companies, creation of three product factories serving all distribution channels with considerable management and corporate synergies, and rationalisation of the brands portfolio, with significant strengthening of the Generali brand;
- **maximisation of the distribution power** by integrating the channel of exclusive Generali agents in the DVAG network (the largest insurance distribution network in the country), which operates under a new exclusive distribution agreement for Generali brand products; the strengthening of its leadership in the direct channel (CosmosDirekt) through sizeable investments in the simplification of the processes and extension to new forms of digital intermediation and the focusing of the broker channel on improvement of profitability and on the digitalisation process (Dialog);
- **mitigation of the interest rate risk**: during 2018, Generali started the sale of 89.9% of Generali Leben after agreeing on an industrial partnership with Viridium Gruppe for the profitable management of the Life portfolio having high guarantees.

PVNBP

€ 18,443 mln (-3.5%)

NBV

€ 978 mln (+8.3%)

Life OR

€ 1,284 mln (+3.0%)

P&C premiums

€ 5,450 mln (-1.6%)

P&C OR

€ 595 mln (-8.5%)

CoR

91.0% (+0.9 pps)

Gross written premiums

€ 13,577 mln
(+3.6%)

Total operating result

€ 821 mln
(+9.4%)

Life market share

9.5%

P&C market share

5.3%

Ranking

2nd

Our people

9,972

During the year, the Group retained its positioning on the market in the product innovation area and in customer services thanks to the Smart Insurance programme, with the Generali Vitality programme extended to all of the distribution networks, the offer of products in telematics (Generali Mobility), domotics (Generali Domocity), and legal protection, and also thanks to digitalisation in health services and claims.

NFS

Generali also successfully launched many initiatives in different cities as part of The Human Safety Net programme, which was also presented to the Office of the President of the German Republic during Berlin's Bürgerfest held in September. The programme supports refugees and their start-ups by providing co-working space, training courses and access to a wide range of trade contacts.

As regards the **financial markets**, the yield of the ten-year German Bund closed the year at 0.2% (0.4 in 2017). The DAX stock market lost 18% due to the economic data coming in below expectations in the Eurozone, concerns surrounding the tax policy of the Italian government and the Brexit negotiations.

In line with the Group's strategic initiatives, Life **premiums** show a growth in protection products (+5.8%, supported by the increase in single premium policies), as well as unit-linked policies (+5.6%, thanks mainly to regular premium policies), only partly offset by the decline in savings products with regular premiums (-5.8%).

The **new production** in terms of PVNBP shows a reduction of 5.6% attributable to the decline in the Life segment (-6.9%), affected mainly by the process to restructure the sales networks; the protection sector, however, grew by 14.9%. Specifically, there was a contraction in savings products (-10.6%), protection products (-6.3%) and unit-linked products (-3.0%).

New business profitability (expressed as a percentage of the PVNBP) is equal to 2.83%, stable compared to 2.85% in 2017, due to the recalibration of the guarantees offered and the maintenance of a good business mix in spite of the decline in business. New business value amounted to € 228 million (-6.2%).

The P&C segment **volumes** are driven by the positive performance of the non-motor segment (+1.8%), which benefits from the increase in policies mainly in the home and commercial lines, in particular supported by the Global Corporate & Commercial lines. The motor segment was slightly positive (+0.1%), in spite of the drop in third-party liability lines (-1.4%) following the pruning of the portfolio.

The **combined ratio** shows a slight worsening compared to the previous fiscal year (+0.2 pps), attributable to the increase in the loss ratio following higher impacts from catastrophes (+1.0 pps) registered in Germany, a lower contribution from prior year loss ratio, all partly mitigated by the positive trend of contributions from the current year loss ratio.

France

Generali has been active in France since 1831 with one of the Group's first foreign branches. The operating structure was consolidated in the mid-2000s, when the merger of the various brands forming the Group led to the creation of one of the country's largest insurance companies. Generali France operates with a multi-channel approach of agents, employed sales persons, brokers, financial advisors, banks, direct channels and affinity groups. The multiplicity of the distribution forms reflects the market seg-

Life premiums
€ 9,821 mln (+4.5%)

PVNBP
€ 8,048 mln (-5.6%)

NBV
€ 228 mln (-6.2%)

Life OR
€ 424 mln (+0.9%)

P&C premiums
€ 3,757 mln (+1.3%)

P&C OR
€ 445 mln (+26.5%)

CoR
92.7% (+0.2 pps)

Gross written premiums
€ 12,264 mln
(+3.0%)

ment served and the type of product sold, with focus always placed on the customer. Generali France boasts a leadership position in savings Life products distributed through the Internet and for the so-called affluent customers, just as holds true in the market of supplementary pensions for self-employed workers. The presence of professionals, SMEs and personal risks in the segment is also significant.

As regards the **insurance market**, in 2018 Life insurance made a small rebound (+4%) following the downturn in 2017 (-2%). This is attributed to the dynamics of the traditional “En-euro” policies (+5%). Dynamics of the unit-linked policies were also positive (+7%) despite a slowdown, following 2017, which was already strongly favourable. Life insurance therefore proves to be particularly appreciated by French customers as it is not affected by the change in tax regime that took place at the end of September 2017. On the contrary, it turned into fewer premature exits from the portfolio.

The dynamics of the P&C lines of business (+2.8%) appear in line with that of last year, with a slight recovery of the motor business, also due to the need to adapt the tariffs to the evolution in claims (particularly concerning average costs). Once again in 2018 the French market proved to be heavily exposed to weather damages (floods in particular), for which complementarity between public intervention and that of private insurance is provided in the country.

With reference to the **financial markets**, the ten-year French bond closed the year at 0.7%, almost in line with the level at year-end 2017. The stock market index, CAC 40, dropped just like the other European indexes, to close the year with an 11% loss.

As regards **volume** trends, the Group strategy aimed at developing unit-linked and prevention insurance coverage is reflected in the performance of unit-linked products (+5.4%), after the exceptional growth in 2017 and the pure risk and protection line (+4.9%), while traditional savings policies recovered (+1.3%), following the decline in the previous year.

With reference to the **new business**, slight growth in PVNBP (+2.9%) driven by the performance of single premiums (+6.1%), while the present value of future annual premiums shows a decrease (-16.5%).

The production of all lines of business is increasing; in particular, risk products grew by 4.6%, unit-linked products by 3.7% and savings products by 1.1%.

New business margin (expressed as a percentage of PVNBP) shows a slight increase from 2.26% in 2017 to 2.29% in 2018, thanks to the excellent performance of the protection products which represent 28.9% of new business; however, the profitability of unit-linked products and of the savings business decreased.

New business value grew by 4.1% and amounted to € 219 million.

P&C **volumes** for the year grew by 3.1%, accelerating compared to the previous year, driven by the performance of the motor segment (+4.2%), also thanks to new distribution partnerships. The non-motor segment (+ 2.7%) recorded a significant recovery compared to the decline in the previous year, also supported by the positive performance of the accident and protection business (+3.9%).

The increase in the **combined ratio** is affected by trends in the loss ratio, linked, on the one hand, to the greater weight of natural catastrophe claims and, on the other, to the increase in the loss ratio of the corporate sector due to a different reinsurance structure compared to the previous year.

Total operating result

€ 703 mln
(-5.5%)

Life market share

4.7%

P&C market share

4.5%

Ranking

8th Life, 8th P&C and 5th A&H

Our people

6,855

Life premiums

€ 9,558 mln (+3.0%)

PVNBP

€ 9,568 mln (+2.8%)

NBV

€ 219 mln (+4.1%)

Life OR

€ 585 mln (-3.6%)

P&C premiums

€ 2,706 mln (+3.1%)

P&C OR

€ 121 mln (-21.9%)

CoR

99.9% (+1.4 pps)

Austria, CEE and Russia

The new ACEER regional structure is the fourth most important market for Generali, in which the Group has strengthened its presence up to becoming one of the top insurance companies of the entire area. Twelve nations fall within the ACEER scope: Austria (At), Czech Republic (Cz), Poland (Pl), Hungary (Hu), Slovakia (Sk), Serbia, Montenegro, Romania, Slovenia, Bulgaria, Croatia and the recent Russia Regional Office.

The Group can boast its presence in the Eastern Europe territories since 1989. In 2008, a joint venture collaboration with PPF Holding started and ended in 2015, the year in which Generali acquired full control and powers over Generali CEE Holding.

Two important entities entered the area in 2018: Austria, where Generali has been present since 1832, the year after the company's foundation in Trieste, and Russia, where Generali is expanding. Generali reinforced its competitive and income position last year thanks to the acquisition of Adriatic Slovenica, in this way becoming the number two insurance group in Slovenia, and Concordia Insurance together with Concordia Polska Tuw in Poland, and to the bancassurance agreement with Unicredit for the distribution of insurance solutions mainly related to Credit Protection Insurance (CPI) in the whole region.

The Group also takes top rankings in the Czech Republic, Hungary, Serbia, Austria and Slovakia, and among the top ten in the other countries. In terms of volumes, on the other hand, main insurance markets are Austria, 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 is also leader in terms of technical profitability thanks to a medium-long term net combined ratio at around 90%.

With reference to the **financial markets**, the good macroeconomic performance, and particularly that of the labour market, bringing about increased inflation, continued in 2018 in the Czech Republic, the most important Eastern European country. As a result, the Czech National Bank raised the reference interest rate from 0.5% to 1.75%. The Czech Koruna marginally depreciated (1%) against the euro during the year.

In Austria, GDP went up and the labour market performed well. The ten-year Austrian bond yield closed 2018 at 0.5% (0.6% at year-end 2017).

In Life segment **premiums**, there was a decline in savings products (-2.1%, linked to the performance of regular premium policies), followed by a decline in unit-linked products (-1.8%, mainly due to the decline in single premium policies), only partially offset by the positive performance of the protection lines (+9.1%). This trend is explained by the slowdown in premiums in the Czech Republic (-2.2% due to the continued decline in new savings products production mainly in Ceska Pojistovna) and in Poland (-4.3% due to the decline in individual unit-linked products), offset by a growth in volumes in the rest of the region and especially in Slovakia (+8% due to the protection lines), Austria (+1.6% benefiting from the boost of Health products), as well as Romania (+69.5%, as a result of protection products launched as of July 2018 through the partnership with Unicredit) and Serbia (+15.3% supported by the growth in savings products following the renewals initiatives).

The **new business** in terms of present value of new business premiums (PVNBP) increased slightly (+1.8%), with growth in both single premiums (+3.9%) and the present value of future annual premiums (+0.8%).

Countries that provided the greatest contributed to the observed increase are Austria (+1.0%) and Hungary (+33.4%), which offset the decline recorded in the remaining countries (specifically, in Poland, the decline was 7.9%).

Gross written premiums

€ 6,429 mln
(+3.2%)

Total operating result

€ 776 mln
(+4.3%)

Life market share

At: 14.2% Cz: 24.4%
Hu: 9.4% Sk: 7.6%
Pl: 4.0%

P&C market share

At: 16.1% Cz: 32.2%
Hu: 18.6% Sk: 11.6%
Pl: 3.6%

Ranking

At: 3rd Cz: 2nd
Hu: 2nd Sk: 3rd
Pl: 9th

Our people

16,376

Life premiums

€ 2,611 mln (+1.0%)

PVNBP

€ 2,028 mln (+1.8%)

NBV

€ 143 mln (-3.2%)

Life OR

€ 306 mln (+5.3%)

New business profitability (expressed as a percentage of PVNBP) decreased to 7.03%, driven by the decline in unit-linked products in Austria and Poland. However, profitability remains at an excellent level as it is sustained by protection products, which account for around 47.4% of business (in particular in Austria and the Czech Republic).

New business value amounted to € 143 million (-3.2%).

P&C segment premiums grew by 4.8%, supported by good performance of the main lines of business. The motor segment grew (+5.7%), as a result of contributions mainly from the Czech Republic (+10.8%, following the pricing policies on the in-force portfolio, as well as higher volumes recorded by the fleet and leasing segments resulting from cooperation with Volkswagen Financial Services), from Hungary (+14.4%, growth sustained by the increase in vehicles) and Austria (+3.3%).

The non-motor sector recorded 4.1% growth, led by Poland (+16.4% driven by the corporate business and growth in travel products), Hungary (+7.7% which mostly benefits from growth in home products in the Health business volumes), Austria (+1.9% driven by the protection business) and Croatia (+51% thanks to the business underwritten through Unicredit).

The improvement in the combined ratio, down by 1 pps compared to 2017, is attributable to the drop in the loss ratio (-1.3 pps), which benefits from lower impacts related to natural catastrophe claims. The expense ratio remained stable compared to the previous year (+0.3 pps), reflecting ongoing cost reduction measures.

P&C premiums

€ 3.818 mln (+4.8%)

P&C OR

€ 482 mln (+4.9%)

CoR

88.1% (-1.0 pps)

International

Spain

Generali, in Spain since 1834, operates through Generali España, a wholly-owned subsidiary, and through two bancassurance agreements with Cajamar (Life and P&C), which guarantee the Group exposure to the major Life distribution channel and continuous expansion in P&C.

Generali is one of the main insurance groups in Spain, with a market share in 2017 of 3.2% in the Life segment and 4.4% 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 also a network of agents and brokers which is among the most extensive in Spain. All in all, the Group ranks eighth in the Spanish insurance market in terms of total premiums (sixth place in the P&C market).

With reference to the **insurance market**, in 2018 the P&C segment continued its growth trend, while the Life market posted a slowdown, primarily due to the drop in savings products.

GDP continues its growth trend at rates topping 3%. The ten-year Bonos-Bund spread ended 2018 slightly above the level recorded at the beginning of the year, while the Spanish stock market closed the year with a 14% loss, in line with the other Eurozone stock markets.

With reference to the year's performance, **Life** premiums fell by 8.0%, reflecting the decline in savings products in line with the Group's strategy of re-orienting the business mix towards products with lower capital absorption. Consequently, both pure risk and protection policies and unit-linked products increased.

New production in terms of PVNBP was down (-9.0%) both in single premiums (-12.2%) and in the present value of future regular premiums (-1.6%). In terms of business lines, a positive trend was observed both for the risk business (+ 8.0%, which represents 43.2%

Gross written premiums

€ 10,539 mln
(+11.6%)

Total operating result

€ 814 mln
(+11.4%)

Our people

19,450

of production) and for unit-linked products (+ 5.8%). Savings products fell by 21.1%, in line with the Group's strategy. The profitability of the new business (expressed as a percentage of the PVNBP) showed an excellent increase from 9.82% in 2017 to 13.07% in 2018 with growth in all business lines. The new business value amounted to € 118 million, up (+ 21.2%).

In the P&C segment, premiums grew by 1.8% entirely thanks to the development of non-motor vehicles, which recorded positive trends in health policies and funeral coverage. The combined ratio improved to 92.2% (-0.5 pps) thanks to the improvement in the expense ratio.

Switzerland

The Generali Group has been operating in Switzerland since 1987, where it has been able to consolidate its position through the acquisition and merger of several insurance companies. In following the Group strategy, Generali Switzerland focuses on the retail business and provides high quality and innovative services through various distribution channels: agents, brokers, financial promoters and direct channels.

In 2017, Generali Switzerland ranked as the number two insurance group on the market in terms of premium income in the Individual Life segment with a 15.3% market share, and was eighth in the P&C segment with a 5% market share. The company does not operate in the Collective Life segment.

In 2017, the Life segment **insurance market** slightly dropped (-1%), also because of the low interest rate level, while the P&C market continued to grow (1.3%), although weakly.

More generally, the Swiss economy in 2018 showed a positive trend. GDP went up by 2.9%, driven not only by domestic activities, but also by the positive development of the international economic activities. The sectors struck to the greatest extent by the 2015 appreciation of the Swiss franc - the metal, machinery and tourism industries - reversed the trend and made a positive contribution to the economic development posted in 2018. Nevertheless, the growth rate is expected to slow down slightly in 2019, with GDP recovering somewhat in 2020.

Growth of the GDP was particularly solid in 2018, also due to depreciation of the Swiss franc that continued up to mid-2018. The yields of the government bonds remained negative throughout the year.

Generali's **Life** premiums in the country were down 2.3% following the slowdown in savings product.

New production in terms of PVNBP was down (-1.7%) due to the reduction in the present value of future regular premiums (-4.0%), while single premiums show good growth (+ 56.4%) despite representing only 6.1% of total production. At business level, there was a drop in both unit-linked products (-2.1%) and risk products (-9.5%). The profitability of new business (expressed as a percentage of the PVNBP) showed a good increase from 3.63% in 2017 to 4.35% in 2018 mainly due to the increase in the profitability of the unit-linked business. The value of new business was € 17 million, up 18.0%.

P&C premiums fell by 4% due to the contractions observed both in the motor, due to the decline in the in-force portfolio, not offset by the growth of new production, and in non-auto, attributable to the AHD line which is affected by the loss of a large contract and portfolio cleaning activities in place since 2017.

The combined ratio rose slightly to 93.0% (+0.6 pps), mainly reflecting the increase in acquisition costs due to higher commissions.

Americas and Southern Europe

Argentina, where Generali is ranked as the fourth operator, is the main south-American market for the Group. It is marked by a historically high inflation rate and a volatile

financial situation. Despite this 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 leads the market in Argentina, excluding the business lines in which it does not operate (Workers Compensation and Annuities).

Brazil ranks second most important country of the region. Following an extended period of economic crisis and political instability, the country has started to show signs of improvement, bolstered by infrastructure investments and optimistic forecasts of the macroeconomic indicators. Specifically, the insurance sector today is characterised by significant expansion potential and a hike in the penetration level.

The Generali Group also operates in Chile, Ecuador and the USA. Sale of the investment in the Panama branch was completed in 2018, as well as the sale of the company in Colombia.

In Southern Europe, the Group operates in Portugal, Greece and Turkey. The Turkish insurance market and the company in the country were impacted by the macroeconomic developments linked to the inflationary trend and depreciation of the local currency.

Life volumes showed a growth of 22.6% compared to 2017, thanks to the positive performance of the entire area: Brazil, Argentina and Southern Europe.

New production in terms of PVNBP was up (+19.9%) with a profitability of new business (expressed as a percentage of PVNBP) reduced to 0.26%. The value of the new production amounted to € 1 million.

P&C premiums, which accounted for 64% of motor products, grew by 17.1% thanks largely to Argentina (which represents more than 60% of the Region) mainly due to the effect of tariff adjustments as a result of inflation.

The combined ratio of the Region improves to 101.6% (-1.8 pps) compared to the previous year when there was a strengthening of reserves in Argentina.

Asia

Generali is one of the key European insurers in the Asian market, and currently operates in eight territories. The predominant segment is Life, with premium income mostly concentrated in the savings and protection lines and, to a lesser extent, in the unit-linked lines. Generali offers its products in the entire region adopting a distribution strategy that includes agents, brokers and agreements with banking groups.

Generali operates in China with Generali China Life, one of the five most important Life country, in partnership with China National Petroleum Corporation (CNPC), which is one of the largest Chinese state-owned companies as well as one of the major energy groups in the world. Generali has a joint venture agreement with CNPC for the P&C products offer as well. Owing to its prominent presence in the Chinese market, Generali China Life is the leading contributor to the turnover and operating result of the entire region. A 100% owned distribution company was formed in 2018, which focuses on the agency channel.

Future Generali Insurance is a Life and P&C joint venture with Future Group, one of India's major retailers. In December 2018, the Generali Group increased its share in the Indian joint venture to 49% by investing up to € 120 million in the partnership with the goal of intensifying use of Future Group's vast distribution network in order to offer insurance solutions throughout the Indian market with a focus on digital.

Generali operates as Life insurer also in the emerging markets of the Philippines, Indonesia, Thailand and Vietnam, and as P&C insurer in Thailand and Malaysia, in the latter market with a 49% investment in MPI Generali. The companies China P&C, India Life, India P&C and in Malaysia are not fully consolidated since a non-controlling interest is held.

Generali has also been operating in the Hong Kong market since 1980, offering both Life and P&C products. Hong Kong is also the location of the regional office (Generali Asia Regional Office), which coordinates all activities in the region.

Lastly, it is pointed out that the P&C business in Japan is in run-off, and new business was interrupted starting from the first quarter of 2018.

Life premiums showed a 28.2% growth recorded in most countries, and in China in particular for savings and pure risk and protection policies, and Hong Kong, whose newly established company has greatly increased production levels.

New production in terms of PVNBP eas up (+ 5.3%) thanks to the development of single premiums (+ 27.0%) which largely offset the decline in the current value of future regular premiums (-6.2%). Growth concerned all countries except Indonesia (-24.8%); in particular good increases were observed in Hong Kong (+ 87.8%) and in Thailand (+ 20.6%), while China is stable (+ 0.4%). With reference to the business lines, there was an increase in risk products (+ 10.1%) and in the savings business (+ 9.0%), while unit-linked products fell (-22.6%). The profitability of the new business (expressed as a percentage of the PVNBP) recorded a decrease from 7.00% in 2017 to 6.02% in 2018, conditioned by the negative performance of China, where a savings business with reduced margins weighs compared to previous year, and from the decline of Indonesia and Thailand; the development of profitability in Hong Kong was very positive.

The value of new business amounted to € 123 million, down by 9.8%

In the **P&C** segment, premiums grew by 2.6%, thanks to non-motor line. The negative impact of the A&H and motor businesses in Thailand determined an increase in the combined ratio of the Region, which amounted to 104.5%.

Europ Assistance

Established in 1963, Europ Assistance (EA) is only of the leading global brands in the field of private assistance. Today EA boasts over 300 million customers in more than 200 countries, supported by its 35 assistance centres and its network of 750,000 partner suppliers. EA offers insurance coverage and assistance in the travel sector, the automotive area with road-side assistance, and personalised coverage for assisting the elderly, cyber-security, and medical and concierge services. In 2018, the EA Group's total turnover came to € 1.7 billion.

EA continues to pursue a growth strategy focused on strengthening its leadership position in the travel sector, at the same time expanding and diversifying its offer of motor and personal assistance products. The goal is to reach € 2.1 billion in revenues by 2021. In 2018, OpinionWay named EA the most trustworthy company operating in the financial sector in France.

In the International area, the main "Other companies" entities are Generali Global Health and Generali Employee Benefits, both Global Business Lines (GBL) of the Group.

Generali Global Health (GGH) was set up in 2015 as the General group brand and division dedicated to the International Private Medical Insurance (IPMI) sector. This market globally boasted premium income of over € 11.7 billion in 2017, with growth estimates at € 15.7 billion in 2020.

GGH achieved € 0.1 billion in premium volume in 2018 (+47% compared to 2017), staying in line with its strategic plan aimed at making it become the IPMI market leader by 2023.

GGH stands out from the rest due to the innovative nature of its products and services and to the high degree of digitalisation of its processes. These are qualities that the market has already acknowledged. In fact, GGH was awarded the title of "International Travel and Health Insurance of the Year" at the International Insurance Forum for 2018 held in Geneva.

Total GBL premiums

€ 4,332 mln
(+5.6%)

Generali Employee Benefits (GEB) is an integrated network that offers services for employee benefits of multinational companies consisting of protection, life and health coverage, and pension plans for both local and ex-pat employees. Located in over 100 countries and with more than 400 coordinated multinational programmes (of which about 40 captive), GEB today is the market leader for multinational companies with a premium volume of € 1.4 billion. With the aim of further developing its business, in 2018 Assicurazioni Generali S.p.A. obtained authorisation to open a new branch in Luxembourg, which will be concentrated on business employee benefits.

Global Corporate and Commercial

The Global Corporate and Commercial (GC&C) unit, representing one of the Group's Global Business Lines, it is only partially disclosed in the International cluster: the remainder is in the other countries of the Group in which it operates. GC&C offers medium to large companies and intermediaries in over 160 countries around the world, insurance solutions and P&C services. Backed by its solid global experience, knowledge of the local markets and of the corporate sector, integrated solutions that can be personalised in properties, casualty, engineering, marine, aviation, cyber and specialty risks are offered. Furthermore, GC&C guarantees companies the same level of assistance and protects everywhere in the world through its Multinational Programs, Claims and Loss Prevention experts. Global Corporate & Commercial has collected a total premium volume of € 2 billion in 2018. The performances of the year were influenced by the occurrence of some catastrophic claims and large claims, which particularly affected the property. From a technical point of view, in 2018 GC&C continued to pursue a policy of rebalancing the portfolio through the development of Multinational Programs and Financial Lines, focusing globally on the medium-large companies segment, in a market characterized by strong competition especially in the property, casualty and engineering branches.

Investments, Asset & Wealth Management

In line with the Group strategy announced in 2017, the Investments, Asset & Wealth Management business unit aims at becoming the unique managerial entity of the Group operating in the area of investments, asset management and financial planning consultancy. Its ambition is to expand its current customer base, today for the most part captive, through third-party customers, in this way evolving from its role of insurance business service to a benchmark in the asset management market.

The transformation into more modern and effective organisation model announced in 2017, which continued in 2018, offers the possibility to:

- tap the process cross-selling and streamlining opportunities in order to expand the customer base, above all outside the Group, at the same time promoting a business's growth at low capital absorption. One example is given by the launch of the LDI (Liability Driven Investments) Solutions services that aims at offering institutional customers not falling within the scope of the Group their insurance business expertise, developed over the years, on the subject of asset management;
- develop a Multi-boutique platform consisting of creating asset management companies partnered with operators having acknowledged investment skills in order to expand the offer of products and services, in any case with the objective of aligning interests between the Boutiques management and the Group and a limited risk for shareholders. In this perspective, several important initiatives were launched in 2018.

Total operating revenues

€ 1,041 mln
(+13%)

Cost income ratio

48.4%

Total operating result

€ 527 mln
(+13%)

Our people

1,821

Generali Global Infrastructure (GGI) was launched at the beginning of the year. It is a platform that employs internal know-how and also creates partnerships to invest in infrastructure debt across a wide geographical and sectorial investment scope and develop a range of products and solutions for investors.

Other initiatives of the multi-boutiques strategy were also launched during 2018, such as Aperture Investors, an innovative asset management company based on a revenue model that is radically different from what is found on the market. The company debits basic commissions, such as those of the Exchange Traded Funds (ETF), which can increase only when the managers go past the reference benchmarks. The acquisition of CM Investment Solutions Limited (CMISL) from Bank of America Merrill Lynch was announced in December. The acknowledged leader in developing alternative UCITS (Undertakings for the Collective Investment of Transferable Securities) strategies, with an international clientele and that is enjoying exuberant growth, CMISL will further support Generali's offer capacities and distribution to customers and distribution partners. Furthermore, Generali signed an agreement with the German group Union Asset Management Holding AG to acquire 100% of the Polish asset management company Union Investments TFI S.A, one of the largest asset management companies in Poland, in order to bolster its positioning in Central-Eastern Europe. Also during 2018 the Sycomore Asset Management partnership proposal was announced. This represents one more stage in the multi-boutique strategy and highlights Generali's commitment to environmental, social and governance (ESG) matters and socially responsible investment (SRI). Authorisation of the competent supervisory and antitrust authorities for this latter partnership have been received in the first decade of February 2019, closing the acquisition process of the company.

The business unit operates in the three areas depicted by its name:

1. **Investment Management:** implementation of the Asset Liability Management (ALM) and Strategic Asset Allocation (SAA) models for the Group Insurance Companies;
2. **Asset Management:** asset management for the most part addressed to insurance customers, with its customer base expanded to comprise external customers, both institutional (such as pension funds and foundations) and retail;
3. **Wealth Management:** financial planning and asset protection services for the Private customers, mainly offered through the Banca Generali Group.

The operating result of the Investments, Asset & Wealth Management business unit grew by 13%, from € 468 million to € 527 million in 2018. This positive figure was mainly driven by Asset Management Europe, which increased its operating result by about € 87 million compared to last year.

In this context, the contribution provided by Wealth Management was negative for about € 9 million, due to the high volatility that characterized financial markets in 2018 and which affected performance fees, only partially offset by other recurring commissions.

Outlook

In 2019, current economic growth trends are expected to slow on the whole. In the Eurozone, GDP growth is expected to decline to 1.0%, from 1.9% in 2018. In any event, some critical situations may significantly impact this trend: Brexit, renewed tensions concerning the Italian government spread, trade relations between the USA and China and USA tariffs on European cars. In this context, we expect the European Central Bank to closely monitor inflation to decide when to implement the first rate hike, which may take place not earlier than mid-2020.

In the United States, a slowdown is expected in the current phase of expansion, due to the more restrictive monetary policy and the elimination of tax stimulus measures. The job market, at full employment, will continue to support wage growth. The Federal Reserve indicated that it intends to normalise monetary policy toward a less aggressive stance; a wait-and-see approach associated with the future trend of economic indicators will prevail, and consequently less predictable.

In the **financial markets**, long-term rates are expected to rise in the bond segment. Considerable volatility is expected in the stock markets this year due to the reduction in monetary stimulus, higher bond yields, expectations of lower economic growth and the various external risks negatively affecting the political and economic scenario.

As regards the **insurance sector**, in 2019 performance in the Life segment is expected to be slightly worse than in 2018, with a lower growth rate in unit-linked products than witnessed in recent years, while traditional products could arouse renewed interest due to the rate hike. Growth in the P&C segment will continue in major Eurozone countries despite the slight economic slowdown forecast.

Again in 2018 the international insurance market recorded a certain frequency of considerable natural catastrophe claims which concerned the reinsurance segment to a significant extent, particularly in the second half of the year: hurricanes in the USA-Caribbean area, typhoons in Asia and the devastating forest fires in California. The reinsurance segment demonstrated its ability to absorb this new wave of claims, recording, although selectively and linked to the results achieved, growth in the retrocession market. The Group was able to benefit from favourable conditions due to its centralized reinsurance structure which allows for greater control over risk retention levels and good diversification in reinsurer portfolios. There were minimal increases or there will be in 2019 only on agreements with a higher claims frequency, as well as a higher corporate risk reinsurance cost, although against broader coverage aimed at better controlling result volatility.

In the **Life** segment, the Group will continue with its strategy of rebalancing that portfolio to further strengthen profitability, with a more efficient capital allocation approach. The Generali brand continues to be consolidated 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 are confirmed:

- new business growth based on the selective development of sustainable business lines such as protection and health, and on capital-light savings and investment insurance solutions. The development of these lines will aim at offering a wide range of insurance solutions adapted to risk and investment profiles for the benefit of both the policyholders and the Group. In particular, for products in the protection and health line, we aim to offer modular solutions in which traditional risk coverage is combined with substantial service packages for an even more concrete management and resolution of the critical issues covered. Amongst the capital-light products, unit-linked target products are increasingly characterized by financial 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 strengthening relations with existing customers on the basis of an updated analysis of current insurance needs;
- actions on the Life portfolio in general, which will have a new important focus on senior customers, a market segment with substantial development potential.

The Group will follow 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 that are driven by a focus on the central importance of customers' interest, as well as the value of the products and the risk appetite framework.

In the **P&C** segment, premiums are forecasted to improve in the primary geographical areas of operation of the Generali Group, with a significant focus on high growth potential markets.

The motor business will basically remain stable, although impacted by strong competitive pressure due to the digital transformation, with possible impacts from the business perspective on both volumes and profits. The Generali's aim is to continue to develop innovative insurance solutions while maintaining its leadership in the telematics market and guaranteeing growth in this business line's profitability.

In line with the profitable growth and customer centricity set in the strategy, non-motor development will concentrate on modular products designed to meet specific needs and any new customer needs, providing innovative services, prevention and assistance with the support of digital tools and platforms. Growth in this segment will also be supported by taking advantage of the opportunities offered by new markets and moving forward with distribution channel and partnership initiatives.

To handle these changes, the Group has rolled out a number of initiatives to exploit the opportunities offered by new technologies, for claims settlement as well as time to market. These initiatives will continue to work alongside a disciplined portfolio management approach - pricing, selection and profitability of risks - and careful assessments of customer requirements, which are placed at the very centre of product development, so as to create products that also take advantage of cross-selling opportunities.

As in the past, management of the P&C segment - due to the level of capital absorption of these products - will therefore continue to be a foundational principle for implementing the Group's strategy whose objective is to become the leader in the European insurance market for private individuals, professionals and SMEs.

In the **Asset Management** segment, actions will continue during 2019 to identify investment opportunities and sources of income for all customers, while at the same time managing risks. Consistent with the Group's strategy, growth will be achieved through the expansion of the multi-boutique platform in order to increase the product catalogue in terms of real assets and high conviction strategies for customers and partners. This platform, which is at present mainly based in Europe, aims to become global with the increase in revenues and assets under management (AUM) that will result from third-party customers that do not fall within the scope of the Group's insurance policies.

The Group **investments policy** will continue to be based on an asset allocation strategy aimed at consolidating current returns and ensuring consistency with liabilities to the policyholders.

The fixed-income 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.

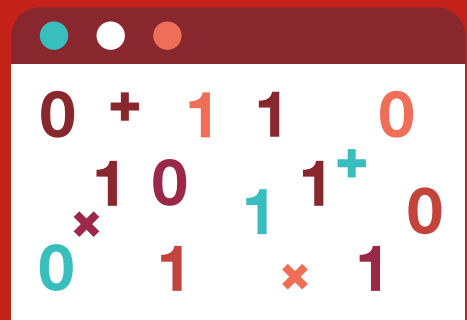
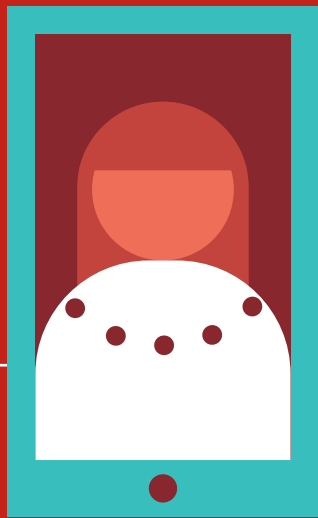
Alternative investments and investments in real assets are considered appealing due to their contribution to portfolio diversification and profitability. The Group is developing a multi-boutique insurance asset manager platform to enhance the investment capacity in these market sectors and better monitor their management in terms of complexity as well as liquidity.

The increase in exposure to alternative investments will be offset by reduced exposure to corporate bonds.

New direct investments in the real estate sector will be primarily oriented towards the European market, while investments in the United States and Asia will be made selectively through funds.

Despite a rather challenging market context, the Group achieved the targets established in the 2016-2018 strategic plan, highlighting solid profitability, focused on the technical component and on cost efficiency, and offsetting the effects of low interest rates. On 21 November 2018, the Group presented to investors the new 2021 Generali strategy, whose priority is to consolidate its leadership in Europe and strengthen its position in high-potential markets, financial optimisation, and innovation and the digital transformation of the operating model. Thanks to these initiatives, the Group is committed to achieving an increase in earnings per share of between 6% and 8% over the next three years and to offer greater returns to shareholders with an average RoE of more than 11.5% and a pay-out ratio between 55% and 65%.

The Report contains statements concerning events, estimates, forecasts and future expectations based on the current knowledge of the Group's management. Such statements are generally preceded by expressions such as "a decrease/increase is expected", "is forecast", "should grow", "we believe it may decline" or other similar wording. Please note that these forward-looking statements should not be considered forecasts of the Group's actual results or of factors outside the Group. Generali assumes no obligation to update or revise such forecasts, even after new information, future events or other elements come to light, unless required by law.



Consolidated Non-Financial Statement

pursuant to legislative decree of 30 December 2016,
no. 254 as amended

NFS

Non-financial information is disclosed in the Annual Integrated Report of the Generali Group in compliance with the provisions of legislative decree of 30 December 2016, no. 254 (leg. decree 254/2016), in implementation of European directive 2014/95. This information is clearly identified through a specific infographic (NFS) created for the purposes of simplifying the fulfilments required by the decree and improving accessibility to the information itself.

To the extent necessary for an understanding of the Group development, performance, position and impact of its activity, information relating to **environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters** - which is relevant to the activities and characteristics of the Group - is reported together with a description of the:

- **organization and management model**, including direct and indirect impact (p. 26-27). 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;



Corporate Governance and Share Ownership Report 2018, p. 113-114 for the organization and management model of the Parent Company

- **policies applied** (p. 23, p. 24-25 and p. 30-33);
 - non-financial key performance **indicators** (p. 10-11, 18-25, 31 and where indicated through the infographic);
 - **principal risks** related to the matters mentioned above and their management (p. 20 for employee-related matters, p. 24-25 for respect for human rights, as well as anti-corruption and bribery matters, and p. 28-33 for environmental, social and respect for human rights matters).

The Report complies with currently effective regulations and applies the **International <IR> Framework** -issued by the International Integrated Reporting Council (IIRC) - of which it mainly highlights the following Guiding Principles: materiality, connectivity of information and conciseness. The standard adopted for the disclosure of the material matters identified by the Group, including those non-financial matters envisaged by leg. decree 254/2016, 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.



Note to the Report, p. 86 for the criteria of the International <IR> Framework and selected indicators

In line with the previous Statement, information which is relevant to the decree was identified through an **innovative materiality process** developed in accordance with the International <IR> Framework. Specifically, matters in the 2016 materiality matrix, where primary importance is ascribed to the perspective of internal and external stakeholders, were found within the main reporting documents produced by the Company and approved by corporate bodies or, at least, top management of Generali, and then examined through the content analysis methodology. The most material matters in terms of frequency within the documentary sample of more than 1,200 pages - that are therefore disclosed - are the following:

1. Responsible business management
2. Responsible remuneration and incentives
3. Climate change and natural disasters
4. Product and service development
5. Responsible investments and underwriting
6. Data and cyber security
7. Quality of the customer experience
8. Business innovation for the digital customer
9. Insurance solutions promoting sustainable and responsible behaviour
10. Attracting talent and development of human capital
11. Employee engagement and promotion of a common culture

In accordance with the choices made in the last Report and in line with the new strategy announced in November 2018, their disclosure is integrated with information on the following matters:







12. Prevention of corruption
13. Demographic and social change
14. Relations with distributors
15. Diversity, inclusion and equal opportunities



Glossary available at the end of this document

In line with European common enforcement priorities for 2018 annual financial reports, a document issued by ESMA¹, the matters mentioned above² are disclosed in this Report in a manner consistent with the strategic plan and business management of the Group. This means indicators monitored in the business management (e.g. indicators related to the strategic plan or monitored in the planning and control processes) are used, taking into account their currently applied scope, as described in the methodology document. Lastly, a comparison is offered with the previous period, where feasible.

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 254/2016 matters	Matters material to the Generali Group	Section of the Report	
environmental matters	1. Responsible business management 3. Climate change and natural disasters 4. Product and service development 5. Responsible investments and underwriting 9. Insurance solutions promoting sustainable and responsible behaviour	– Group highlights (p. 10) – The Generali 2021 strategy (p. 16-17 and p. 21-22) – Our rules for running business with integrity (p. 24) – Our purpose and the value creation (p. 26-27) – Challenges and opportunities of the market context (p. 32) – Our performance (p. 43 and p. 52)	
social matters	1. Responsible business management 4. Product and service development 6. Data and cyber security 7. Quality of the customer experience 8. Business innovation for the digital customer 9. Insurance solutions promoting sustainable and responsible behaviour 13. Demographic and social change 14. Relations with distributors	– Group highlights (p. 10-11) – The Generali 2021 strategy (p. 16-17 and p. 21-23) – Our purpose and the value creation (p. 26-27) – Challenges and opportunities of the market context (p. 29-33) – Our performance (p. 43, p. 52, p. 58 and p. 60)	 
employee-related matters	1. Responsible business management 2. Responsible remuneration and incentives 10. Attracting talent and development of human capital 11. Employee engagement and promotion of a common culture 15. Diversity, inclusion and equal opportunities	– Group highlights (p. 11) – The Generali 2021 strategy (p. 16-20) – Our purpose and the value creation (p. 26-27) – Our governance and remuneration policy (p. 38-39)	
respect for human rights	1. Responsible business management 5. Responsible investments and underwriting 13. Demographic and social change 15. Diversity, inclusion and equal opportunities	– Group highlights (p. 10) – The Generali 2021 strategy (p. 21) – Our rules for running business with integrity (p. 24) – Challenges and opportunities of the market context (p. 33) – Our governance and remuneration policy (p. 35) – Our performance (p. 52)	
anti-corruption and bribery matters	1. Responsible business management 5. Responsible investments and underwriting 11. Employee engagement and promotion of a common culture 12. Prevention of corruption	– Group highlights (p. 10) – The Generali 2021 strategy (p. 21) – Our rules for running business with integrity (p. 25) – Our performance (p. 52)	

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.

¹ www.esma.europa.eu.

² The following matters envisaged by leg. decree 254/2016, art. 3, paragraph 2 are not material: water use, air pollutant emissions and impact on health and safety.

Independent Auditor's Report



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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 n. 20267 of January 2018

(Translation from the original Italian text)

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

We have been engaged to perform 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 n. 20267/2018, on the consolidated disclosure of non-financial information of Assicurazioni Generali S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended 31 December 2018 in accordance with article 4 of the Decree presented in the specific section of the Annual Integrated Report and Consolidated Financial Statements 2018 approved by the Board of Directors on 13 March 2019 (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, with reference to selected GRI Standards, as illustrated in the Annual Integrated Report and Consolidated Financial Statements 2018 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 due to 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.



Independence and quality control

We are independent in accordance with 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 selected GRI Standards, as illustrated in the Annual Integrated Report and Consolidated Financial Statements 2018 section "Note to the Management Report". Our work has been performed in accordance with the "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 principle 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 Decree;
3. understanding of the following aspects:
 - o group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in article 3 of the Decree, results achieved and related key performance indicators;
 - o 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 4. 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.
- In particular, we have conducted interviews and discussions with the management of Assicurazioni Generali S.p.A. and with the personnel of the subsidiaries Generali Italia S.p.A., Generali Versicherung AG (Austria), Česká pojišť'ovna 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, for significant information, considering the Group's activities and characteristics:

- at Group level,
 - a) 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;
 - b) 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 (Austria), Česká pojišť'ovna 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 significance to the Group and to their Country, taking into consideration their activity and the contribution to the performance indicators, 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 2018 has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the Decree and the selected GRI Standards, as illustrated in the Annual Integrated Report and Consolidated Financial Statements 2018 section "Note to the Management Report".

Trieste, 3 April 2019

EY S.p.A.

Paolo Ratti
(Partner)

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

Appendices to the Report

86	Note to the Report
90	Methodological note on alternative performance measures
94	Balance sheet
96	Income statement
97	Attestation to the Consolidated Financial Statements pursuant to art. 154-bis of legislative decree of 24 February 1998, no. 58 and art. 81-ter of Consob regulation of 14 May 1999, no. 11971 as amended

Note to the Report

The Group Annual Integrated Report 2018 is drafted in compliance with currently effective regulations and it applies the IAS/IFRS international accounting standards as well as the International <IR> Framework.



Consolidated Financial Statements, p. 154 for further details on basis of presentation and accounting principles

The Report is drawn up in euro, i.e. the functional currency used by the entity that prepares the Report. The amounts are shown in million and rounded to the first decimal, unless otherwise reported. Therefore, the sum of each rounded amounts may sometimes differ from the rounded total.

The details by geographical area highlighted in this document reflect the Group's managerial structure in place at the beginning of 2018 and effective for a large part of the year, made up of the business units of the three main markets - Italy, France and Germany - and four regional structures:

- ACEER: Austria, Central Eastern Europe (CEE) countries - Czech Republic, Poland, Hungary, Slovakia, Serbia/ Montenegro, Romania, Slovenia, Bulgaria and Croatia - and Russia;
- International, consisting of Spain, Switzerland, Americas and Southern Europe, Asia, Europ Assistance and Other companies (including, Generali Global Health and Generali Employee Benefits);
- Investments, Asset & Wealth Management, which includes the main Group entities operating in investment advisory, asset management and financial planning;
- Group holding 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 geographical areas.



Our reference market: positioning and performance, p. 58

At 31 December 2018, the consolidation area increased from 423 to 455 companies, of which 419 were consolidated line-by-line and 36 measured with the equity method.

Each chapter of the Report meets one or more **Content Elements** envisaged by the International <IR> Framework issued by the International Integrated Reporting Council (IIRC).



Group Annual Integrated Report



Content Elements

We, Generali

Group highlights	> Performance
2018 and 2019 key facts	> Organisational overview and external environment
The Generali 2021 strategy	> Strategy > Performance > Risks and opportunities
Our rules for running business with integrity	> Organisational overview and external environment > Risks and opportunities
Our purpose and the value creation	> Organisational overview and external environment
Challenges and opportunities in the market context	> Risks and opportunities
Our governance and remuneration policy	> Governance
Our performance	> Performance
Outlook	> Outlook

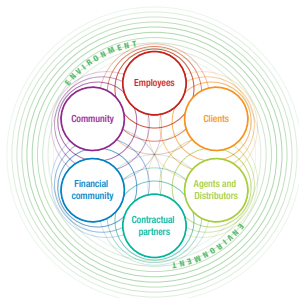
The Report also adopts the Guiding Principles of the International <IR> Framework.

The **Strategic focus and future orientation** principle is applied in the whole document. Indeed, our value creation is based on the strategy that includes the material aspects to the Group. The **Materiality** approach is presented in detail in the Consolidated Non-Financial Statement.



Consolidated Non-Financial Statement, p. 75

In accordance with the **Connectivity of information** principle, the report should represent the combination and inter-relatedness 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, that is coherent with the information included in other communication tools in accordance with the Core&More reporting approach. Other elements that improve the connectivity of information and the overall usefulness of the report are the cross-referencing, the graphic component and a Glossary at the end of this document to use in case of insurance sector's terminology.



Generali maintains **Stakeholder relationships** in order to understand and meet their needs, especially their information and dialogue needs.

We regularly engage with investors, analysts and rating agencies. We meet them every quarter following our results' presentation and in specific occasions, thus sharing the reporting required. We organise roadshows and we participate in sector conferences. Some of the main annual recurring occasions for interaction between the financial community and the Company's top management are the annual Shareholders' Meeting and the Investor Day. During the latter, in November 2018 we presented the new strategic plan. During the year we came into contact with more than 540 people - individual meetings and small group meetings - in the main financial centres of Europe and North America.

We regularly interact with regulators and the European and international 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 the Group's 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.

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



The Generali 2021 strategy, p. 18-23
Challenges and opportunities of the market context, p. 31



www.generali.com/our-responsibilities/responsible-business/stakeholder-engagement for different methods of dialogue with stakeholders

For some years we interact with students from the main Italian universities, providing them with specific sessions on the reporting approach adopted by Generali and its developments at a national and international level, while collecting their feedback and suggestions on the integrated report implementation through a specific survey. As from 2016, we have extended this experience to Group employees as well. Overall, we met more than 300 people in 2018.

The **Conciseness** principle is met through the issue of the Group Annual Integrated Report. The diagram below shows the shift from the Annual Integrated Report, drafted in accordance with the Materiality principle, to the Annual Integrated Report and Consolidated Financial Statements, compliant with regulations.



As for **Reliability and completeness**, the Report is supported by a structured information system, processing financial and non-financial information while ensuring their homogeneity and reliability. The performance indicators are used in the business management in line with the strategic plan. They refer to the whole 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

The standard adopted in this Report for the disclosure of the material matters identified by the Group, including those non-financial matters envisaged by leg. decree 254/2016, 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. 75

In accordance with the provision of GRI 101: Foundation, paragraph 3, references are made to the following GRI Sustainability Reporting Standards, in addition to GRI 103: Management Approach:

- GRI 102: General Disclosures 2016 - Disclosure 102-9 Supply chain for the material matter Relations with distributors;
- GRI 102: General Disclosures 2016 - Disclosure 102-16 Values, principles, standards, and norms of behavior for the material matter Responsible business management;
- GRI 102: General Disclosures 2016 - Disclosure 102-35 Remuneration policies for the material matter Responsible remuneration and incentives;
- GRI 102: General Disclosures 2016 - Disclosure 102-43 Approach to stakeholder engagement for the material matter Quality of the customer experience;
- GRI 205: Anti-corruption 2016 - Topic-specific disclosure 205-2 (e - aggregated data) Communication and training about anti-corruption policies and procedures for the material matter Prevention of corruption;
- 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, 305-3 (b, e, g) Other indirect (Scope 3) GHG emissions, and 305-5 Reduction of GHG emissions for the material matter Climate change and natural disasters;
- GRI 404: Training and Education 2016 - Topic-specific disclosure 404-1 (a - aggregated data) Average hours of training per year per employees, e 404-3 (a - aggregated data) Percentage of employees receiving regular performance and career development reviews for the material matters Attracting talent and development of human capital and Employee engagement and promotion of a common culture;
- GRI 405: Diversity and Equal Opportunities 2016 - Topic-specific disclosure 405-1 (a) Diversity of governance bodies and employees for the material matter Diversity, inclusion and equal opportunities;

² The reduction of total emissions amounted to t 17,262 CO₂e 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: CO₂, CH₄ e N₂O. The methodology adopted is the WRI GHG Corporate Standard Protocol, location-based method.

- GRI 413: Local Communities 2016 for the material matter Demographic and social change;
- GRI 418: Customer Privacy 2016 for the material matter Data and cyber security.

The following indicators of the GRI G4 Financial Services Sector Disclosures are also reported:

- FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose for the material matters Product and service development and Insurance solutions promoting sustainable and responsible behaviour;

- FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose for the material matters Product and service development and Insurance solutions promoting sustainable and responsible behaviour;

- FS11 Percentage of assets subject to positive and negative environmental or social screening for the material matter Responsible investments and underwriting.

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

NFS

Changes in the presentation of the performance indicators of the Group

All the comparative economic and performance indicators included in the Report were restated in line with the current consolidation scope and the review of the disclosure by geographical area as indicated above.

Changes presented in the document are also at constant scope, with the exclusion of discontinued or disposed operations at 31 December 2018 mentioned above from the comparative data.

As reported above, segment information is also enriched with the Asset Management segment as from the end of 2018.

The comparative KPIs included in this Report were restated as follows:

(€ million)	31/12/2017 as previously published	Change	31/12/2017 restated
Gross written premiums	68,537	-4,156	64,381
Life	47,788	-3,956	43,832
Property & Casualty	20,749	-201	20,548
Life net cash inflows	9,718	1,159	10,877
Operating result	4,895	-182	4,713
Life	3,141	-159	2,982
Property & Casualty	1,972	-28	1,944
Asset Management	-	261	261
Holding and other businesses	59	-222	-163
Consolidation adjustments	-278	-33	-311
Non operating result	-1,102	2,211	1,109
Asset under Management	541,976	-55,361	486,615
Group debt	42,316	-4,301	38,015

Methodological note on alternative performance measures

In order to help the assessment of the quality and sustainability of the net result of the Generali Group in the various business segments and territorial areas, the Management Report includes the following alternative performance measures.

Operating result

Under CESR Recommendations on alternative performance measures (CESR/05 – 178b), the operating result cannot replace earnings before taxes calculated in accordance with IAS/IFRS. In addition, it should be read with the financial information and related notes on the accounts which are included in the audited financial statements.

The operating result was drawn up by reclassifying items of earnings before taxes for each segment on the basis of the management characteristics of each segment and taking into consideration the recurring holding expenses. Specifically, the operating result represents earnings before taxes, gross of interest expense on liabilities linked to financing activities, specific net income from investments and non-recurring income and expenses.

Starting from this report, the Group has reviewed the portrayal of its operating segments through the introduction of a new Asset Management segment, to provide a disclosure more closely aligned with the new Group organizational structure, in addition to ensure an improved economic representation of the performance of the individual business and geographical segments.

In the **Life segment**, all profit and loss accounts are considered as operating items, except for the following which are represented in the non-operating result:

- net realized gains and net impairment losses on investments that do not affect the formation of the local technical reserves, but only the calculation of the deferred liabilities towards policyholders for the amount not attributable to the policyholders, and on those of the free assets;
- net other non-operating expenses that mainly include the results of the run-off activities, company restructuring charges, depreciation of the value of the portfolios acquired directly or through acquisition of control of insurance companies (value of business acquired or VOBA) and other net non-recurring expenses. In particular, with respect to the calculation method of the policyholders' profit sharing based on the net result

of the period, the life non-operating result in Germany and Austria was entirely calculated net of the estimated amount attributable to the policyholders. Furthermore, where a new fiscal law materially affects the operating result of the countries where the policyholders' profit sharing is based on the net result of the period, the estimated non-recurring effect on the income taxes attributable to the policyholders has been accounted for in the operating result.

In the **Property & Casualty segment**, all profit and loss accounts are considered as operating items, except for the following which are represented in the non-operating result:

- realized gains and losses, unrealized gains and losses, net impairment losses on investments, including gains and losses on foreign currencies;
- net other non-operating expenses, principally including the results of real estate development activities, run-off activities, the impairment losses on property held for own use, company restructuring charges and amortization of the value of the portfolios acquired directly or through the acquisition of control of insurance companies (value of business acquired or VOBA) and other net non-recurring expenses.

In the **Asset Management segment**, all profit and loss accounts are considered as operating items, except for the following which are represented in the non-operating result:

- net other non-operating expenses, principally including project costs, including consulting, and severances.

The **Holding and other businesses segment** includes the activities in the banking and asset management sectors, the costs incurred for the direction, coordination and financing activities, as well as all the other operations that the Group considers to be ancillary to the core insurance business.

All profit and loss accounts are considered as operating items, except for the following which are represented in the non-operating result:

- non-recurring realized gains and losses and net impairment losses;
- net other non-operating expenses that mainly include the results of the run-off activities, company restructuring charges, depreciation of the value of the portfolios acquired directly or through acquisition of control of companies operating in the banking and asset management sectors (value of business acquired or VOBA) and other net non-recurring expenses.

With reference to holding costs, the general expenses incurred for management and coordination are considered as operating, by the Parent Company and territorial sub-holdings.

In addition, non-operating holding expenses include:

- interest expenses on financial debt³,
- restructuring charges and other non-recurring expenses incurred in the management and coordination activities,
- costs arising from the assignment of stock options and stock grants by the Group.

The operating result and non-operating result of the Group are equivalent to the sum of the operating result and the non-operating result of the abovementioned segments and related consolidation adjustments.

In accordance with the approach described above, the Generali Group also provided the operating result in the main countries where it operates for the Life and Property & Casualty segments and the consolidated figures. In or-

der to provide a management view of the operating result by geographical area, the review of the key performance indicators by business segment and geographical area allows measurement of the result of each geographical area from a country viewpoint instead of as a contribution to the Group's results.

Within the context of the life and Property & Casualty operating result of each country, reinsurance operations between Group companies in different countries were considered by the same standards as transactions concluded with external reinsurers. This representation of the life and Property & Casualty operating result by territory makes this performance indicator more consistent with both the risk management policies implemented by each company and the other indicators measuring the technical profitability of the Group's companies.

The following table reconciles the operating and non-operating result with the corresponding income statement items:

Operating and non-operating result	Profit and loss account
Net earned premiums	1.1
Net insurance benefits and claims	2.1
Acquisition and administration costs	2.5.1 - 2.5.3
Net fee and commission income and net income from financial service activities	1.2 - 2.2
Net operating income from financial instruments at fair value through profit or loss	1.3 - 1.4 - 1.5 - 2.3 - 2.4 - 2.5.2
Net operating income from other financial instruments	1.3 - 1.4 - 1.5 - 2.3 - 2.4 - 2.5.2
Net non-operating income from financial instruments at fair value through profit or loss	1.3 - 1.4 - 1.5 - 2.3 - 2.4 - 2.5.2
Net non-operating income from investments	1.3 - 1.4 - 1.5 - 2.3 - 2.4 - 2.5.2
Net other and holding operating expenses	1.6 - 2.6
Net other and holding non-operating expenses	1.6 - 2.6

³ For further details on the definition of financial debt, please refer to the paragraph Debt in the chapter Group's financial position of the Management Report.

The following reclassifications were made in the calculation of the operating result with respect to the corresponding items of the income statement:

- the investment management and investment property management expenses in the operating result were reclassified from acquisition and administration costs to net operating income from other financial instruments, more specifically into other expenses from financial instruments and land and buildings (investment properties);
- income and expenses related to real estate development activities in the operating result were classified as other non-operating income and expenses, in accordance with the management model adopted that provides for sale at completion;
- gains and losses on foreign currencies in the operating result were reclassified in the Life and Holding and other business from net operating income to net operating income from financial instruments at fair value through profit or loss. In the Property & Casualty segment, gains and losses on foreign currencies in the operating result were reclassified from net operating income to net non-operating income from financial instruments at fair value through profit or loss. The classification for each segment is consistent with the related classification of the derivative transaction drawn up in order to hedge the Group's equity exposure to the changes in the main currencies of operations. The net operating and non-operating income from other financial instruments are therefore not subject to financial market volatility;
- in net operating income from financial instruments, interest expenses on deposits and current accounts under reinsurance business are not included among interest expenses related to liabilities linked to operating activities but are deducted from the related interest income. Moreover, the interest expenses related to the abovementioned real estate development activities are not included in interest expenses related to liabilities linked to operating activities, but are classified under other non-operating income and expenses in accordance with the management model adopted that provides for sale at completion;
- the net other operating expenses in the operating result were adjusted for operating taxes and for non-recurring taxes that significantly affect the operating income of the countries where policyholders' stakes are determined by taking the taxes for the period into account. These adjustments were included in the calculation of operating income and are excluded from the income taxes item.

Operating result by margins

The operating result of the various segments was also shown in accordance with a **margin-based layout** which shows the operating trends of the changes that occurred in each segment performance more clearly.

The operating result of the **Life segment** comprises a technical margin including insurance costs, a net investment result and a component that includes acquisition and administration costs related to the insurance business and other net operating expenses. The technical margin includes the loadings and the risk and profit from the surrender results for the period.

The net investment result comprises operating income from investments, net of the portion attributable to the policyholders. Finally, the insurance management and other operating components are indicated separately.

The operating result for the **Property & Casualty segment** comprises the technical result, the financial result and other operating items. The technical result is equivalent to the insurance activity result, i.e. the difference between premiums and claims, acquisition and administration costs and other net technical income. The investment result comprises current income from investments and other operating net financial expenses, like expenses on investment management and interest expenses on operating debt. Finally, other operating items mainly include acquisition and administration costs related to the insurance business, depreciation of tangible assets and amortization of long-term costs, provisions for recurring risks and other taxes.

Operating return on equity

The operating return on equity indicates the return on capital in terms of the Group operating result. It is calculated through the relationship between:

- consolidated operating result as described above adjusted to include:
 - interest on financial debt;
 - income taxes based on a mid-term expected tax rate;
 - minority interests;
- average Group shareholders' equity at the beginning and end of each period of valuation, adjusted to exclude other gains and losses booked directly to equity included in Other Comprehensive Income OCI such as gains and losses on AFS investments, foreign currency translation differences, net unrealized gains and losses on hedging derivatives.

Return on investments

The indicators for the return on investments are presented, obtained as the relationship:

- for the **net current return** between 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 and the average investments (calculated on book value);
- for the **harvesting rate** between 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) and the average investments (calculated on book value).

The **profit and loss return** is equal to the current return plus the harvesting rate net of investment management expenses.

The **average investments** (calculated on book value) included land and buildings (investment properties), investments in subsidiaries, associated companies and joint ventures, loans and receivables, available for sale financial assets, financial assets at fair value through profit or loss less financial assets and liabilities related to linked contracts, derivatives classified in financial liabilities at fair value through profit or loss and cash and cash equivalents. Total investments are adjusted for derivative instruments classified as financial liabilities at fair value through profit of loss and REPOs classified as other

financial liabilities. The average is calculated on the average asset base of each quarter of the reporting period.

The indicators for the return on investments described above were presented for Life and Property & Casualty segments as well as for the Group.

Consolidated investments

With regard to the presentation of consolidated investments, the following variations, with respect to the corresponding balance sheet items have been implemented, in order to provide the figures consistently with those used to calculate the relative profitability:

- Investment Fund Units were split by nature between equity, bond and investment property portfolios;
- derivatives are presented on a net basis, and therefore also including derivative liabilities. Moreover, hedging derivatives are classified in the respective asset class hedged;
- reverse REPOs were reclassified, in accordance with their nature of short-term liquidity commitments, from Other fixed income instruments to Cash and cash equivalents; and
- REPOs classified as liabilities are presented in Cash and cash equivalents.

The segment investments were presented in accordance with the methods described in the chapter Segment reporting of the Notes.

Balance sheet

Assets

References:	(€ million)	31/12/2018	31/12/2017
	1 INTANGIBLE ASSETS	8,745	8,784
4	1.1 Goodwill	6,680	6,679
19	1.2 Other intangible assets	2,065	2,105
	2 TANGIBLE ASSETS	3,768	4,075
20	2.1 Land and buildings (self used)	2,505	2,606
20	2.2 Other tangible assets	1,263	1,469
14	3 AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS	4,009	4,294
39, 40, 41, 42	4 INVESTMENTS	412,228	471,233
11	4.1 Land and buildings (investment properties)	13,650	12,993
3	4.2 Investments in subsidiaries, associated companies and joint ventures	1,320	1,171
7	4.3 Held to maturity investments	2,171	2,267
8	4.4 Loans and receivables	31,815	40,262
9	4.5 Available for sale financial assets	283,773	320,641
10	4.6 Financial assets at fair value through profit or loss	79,500	93,897
	of which financial assets where the investment risk is borne by the policyholders and related to pension funds	65,789	75,372
21	5 RECEIVABLES	11,127	11,686
	5.1 Receivables arising out of direct insurance operations	7,130	7,238
	5.2 Receivables arising out of reinsurance operations	1,481	1,441
	5.3 Other receivables	2,515	3,007
22	6 OTHER ASSETS	69,253	30,170
	6.1 Non-current assets or disposal groups classified as held for sale	55,914	16,146
15	6.2 Deferred acquisition costs	2,143	2,119
	6.3 Deferred tax assets	2,345	2,091
	6.4 Tax receivables	3,021	2,961
	6.5 Other assets	5,830	6,853
12	7 CASH AND CASH EQUIVALENTS	6,697	6,849
	TOTAL ASSETS	515,827	537,091

Equity and liabilities

References:	(€ million)	31/12/2018	31/12/2017
16	1 SHAREHOLDERS' EQUITY	24,643	26,177
	1.1 Shareholders' equity attributable to the Group	23,601	25,079
	1.1.1 Share capital	1,565	1,562
	1.1.2 Other equity instruments	0	0
	1.1.3 Capital reserves	7,107	7,098
	1.1.4 Revenue reserves and other reserves	10,035	9,209
	1.1.5 (Own shares)	-7	-8
	1.1.6 Reserve for currency translation differences	-146	-115
	1.1.7 Reserve for unrealized gains and losses on available for sale financial assets	3,454	6,279
	1.1.8 Reserve for other unrealized gains and losses through equity	-716	-1,055
	1.1.9 Result of the period attributable to the Group	2,309	2,110
	1.2 Shareholders' equity attributable to minority interests	1,042	1,098
	1.2.1 Share capital and reserves	904	915
	1.2.2 Reserve for unrealized gains and losses through equity	-50	-3
	1.2.3 Result of the period attributable to minority interests	189	185
23	2 OTHER PROVISIONS	1,816	1,950
13	3 INSURANCE PROVISIONS	377,828	430,489
	of which insurance provisions for policies where the investment risk is borne by the policyholders and related to pension funds	63,149	67,997
	4 FINANCIAL LIABILITIES	38,540	42,326
17	4.1 Financial liabilities at fair value through profit or loss	4,159	8,935
	of which financial liabilities where the investment risk is borne by the policyholders and related to pension funds	2,754	7,360
18	4.2 Other financial liabilities	34,382	33,391
	of which subordinated liabilities	8,124	8,379
24	5 PAYABLES	9,287	10,494
	5.1 Payables arising out of direct insurance operations	3,424	3,602
	5.2 Payables arising out of reinsurance operations	658	848
	5.3 Other payables	5,205	6,043
25	6 OTHER LIABILITIES	63,713	25,653
	6.1 Liabilities directly associated with non-current assets and disposal groups classified as held for sale	54,883	15,745
	6.2 Deferred tax liabilities	1,789	2,642
	6.3 Tax payables	1,728	1,487
	6.4 Other liabilities	5,313	5,779
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	515,827	537,091

Income statement

Income statement

References:	(€ million)	31/12/2018	31/12/2017
26	1.1 Net earned premiums	63,405	61,137
	1.1.1 Gross earned premiums	65,192	62,876
	1.1.2 Earned premiums ceded	-1,786	-1,739
27	1.2 Fee and commission income and income from financial service activities	1,028	1,002
28	1.3 Net income from financial instruments at fair value through profit or loss	-6,008	4,826
	of which net income from financial instruments where the investment risk is borne by the policyholders and related to pension funds	-5,835	3,849
29	1.4 Income from subsidiaries, associated companies and joint ventures	166	134
30	1.5 Income from other financial instruments and land and buildings (investment properties)	12,712	13,155
	1.5.1 Interest income	8,158	8,453
	1.5.2 Other income	2,250	2,065
	1.5.3 Realized gains	2,146	2,421
	1.5.4 Unrealized gains and reversal of impairment losses	157	216
31	1.6 Other income	3,397	3,164
	1 TOTAL INCOME	74,699	83,418
32	2.1 Net insurance benefits and claims	-52,032	-60,853
	2.1.1 Claims paid and change in insurance provisions	-53,239	-62,472
	2.1.2 Reinsurers' share	1,207	1,619
33	2.2 Fee and commission expenses and expenses from financial service activities	-576	-565
34	2.3 Expenses from subsidiaries, associated companies and joint ventures	-16	-17
35	2.4 Expenses from other financial instruments and land and buildings (investment properties)	-3,467	-2,667
	2.4.1 Interest expense	-1,010	-1,020
	2.4.2 Other expenses	-355	-337
	2.4.3 Realized losses	-680	-560
	2.4.4 Unrealized losses and impairment losses	-1,423	-750
36	2.5 Acquisition and administration costs	-10,682	-10,473
	2.5.1 Commissions and other acquisition costs	-8,015	-7,903
	2.5.2 Investment management expenses	-228	-150
	2.5.3 Other administration costs	-2,438	-2,420
37	2.6 Other expenses	-4,477	-5,332
	2 TOTAL EXPENSES	-71,250	-79,908
	EARNINGS BEFORE TAXES	3,450	3,511
38	3 Income taxes	-1,126	-1,147
	EARNINGS AFTER TAXES	2,324	2,364
	4 RESULT OF DISCONTINUED OPERATIONS	173	-68
	CONSOLIDATED RESULT OF THE PERIOD	2,497	2,295
	Result of the period attributable to the Group	2,309	2,110
	Result of the period attributable to minority interests	189	185
16	EARNING PER SHARE		
	Basic earning per share (€)	1.48	1.35
	From continuing operations	1.37	1.40
	Diluted earning per share (€)	1.46	1.33
	From continuing operations	1.35	1.38

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 24 February, 1998 and art. 81-*ter* of Consob regulation of 14 May 1999, no. 11971 as amended

1. The undersigned, Philippe Donnet, in his capacity as Managing Director and Group CEO, and Cristiano Borean, 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 implementationof 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 2018.
2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements as at 31 December 2018 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 2018:
 - 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, 13 March 2019

Philippe Donnet
Managing Director and Group CEO

ASSICURAZIONI GENERALI S.p.A.



Cristiano Borean
*Manager in charge of preparing
the Company's financial reports and Group CFO*

ASSICURAZIONI GENERALI S.p.A.



Glossary

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

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.

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.

Business innovation for the digital customer: the spread of internet and mobile technology are constantly growing and consumption habits are changing. Changes in customer behavior during the pre-purchase, signing and post-sale phases of the policy require companies to adopt a multi-channel communication strategy, to implement technological systems capable of meeting needs and guaranteeing security in the management of purchasing data.

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.

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.

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.

Cor, combined ratio: it is a technical performance indicator of Property & Casualty segment, calculated as the ratio of net insurance benefits and claims as well as administration and acquisition costs to net earned premiums. In other words, it is the sum of loss ratio and expense ratio.

Current year loss ratio: it is a further detail of combined ratio calculated as the ratio of:

- current year incurred claims + related claims management costs net of recoveries and reinsurance; to
- net earned premiums.

Customer: either a physical person or a legal entity that holds at least one active insurance policy and pays a premium to Generali accordingly, a banking product or a pension fund product (the policy/the product is either with Generali, or 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 aim to provide an outstanding customer experience.

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 computerized 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.

Distribution NPS (Net Promoter System): NPS approach to get a systematic feedback from distributors (including brokers and banks). This approach is like 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 approach, detractor distributors are systematically called back 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 aim to provide an outstanding service to our distributors.

Distributor: sales force within traditional distribution networks (exclusive agents, non-exclusive agents and employed sales force permanently involved in the activities of promoting and distributing Generali products).

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 behavior to prevent inequalities.

Earnings per share: it is equal to the ratio of Group net result and to weighted average number of ordinary shares outstanding.

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.

Environmental products:

- 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.

Equity investments: direct investments in quoted and unquoted equity instruments, as well as investment funds that are mainly exposed to equity investments, including private equity and hedge funds.

Equivalent consolidation area: constant consolidation scope.

Equivalent terms: constant exchange rates and consolidation scope.

Financial asset: any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - 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
 - 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: any liability that is:

- a contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or

- a contract that will or may be settled in the entity's own equity instruments and is:
 - 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
 - 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.

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. This asset class also includes investments funds that are mainly exposed to investments or risks similar to direct investments presented within this asset class.

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.

Green and sustainable investments: investments that support green and/or social projects, with the explicit aim of creating a positive impact and contributing to the United Nations Sustainable Development Goals.

Gross direct written premiums: gross written premiums of direct business.

Gross written premiums (GWP): gross written premiums of direct business and accepted by third parties.

Insurance solutions that encourage sustainable and responsible behavior: private sector initiatives integrate and promote public policies to support a healthier and more sustainable way of life. Raising awareness among people and promoting the adoption of behaviors that prevent risks or reduce the intensity of damage produce shared value for all the stakeholders involved.

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.

Investments back to unit- and index-linked policies: various types of investments backing insurance liabilities related to unit and index-linked policies.

Investment contracts: contracts that have the legal form of insurance contracts but, as they do not substantially expose the insurer to significant insurance risk (e.g. the mortality risk or similar insurance risks), cannot be classified as insurance contracts. In accordance with the definitions of IFRS 4 and IAS 39 these contracts are recognized as financial liabilities.

Investments properties: direct investments in properties held in order to receive rent or to achieve targets for capital appreciation, or for both reasons. This asset class also includes investments funds that are mainly exposed to real-estate investments.

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.

London Benchmarking Group (LBG): it is an international standard for companies to report their activities in the community. It is internationally recognized and follows an Inputs-Outputs-Impact (IOI) logic, assessing community initiatives in terms of the resources committed (inputs) and the results achieved (outputs) and impacts.

Mathematical provisions: it is the amount that shall be set aside by the insurance company to meet its future obligations to policyholders.

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.

Net operating cash: it measures the cash generation of the Parent Company. It results from the sum of dividends paid by Group subsidiaries, net result of Group reinsurance activities, administrative costs, interest expenses paid and net balance relating to taxes.

NBM, new business margin: it is a performance indicator of the new business of the Life segment, equal to the ratio of NBV to PVNBP.

NBV, new business value: it is an indicator of value created by the 'new business' of the 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 margin on PVNBP is intended as a prospective ratio between profits and premiums.

Operating earnings per share: it is the ratio of:

- total operating result net of interest on liabilities linked to financing activities, taxes and third-party interests (as defined in the Methodological note on alternative performance measures); to
- the weighted average number of ordinary shares outstanding.

Operating result: result of the period before taxes, before interest expense on liabilities linked to financing activities, certain net financial income as well as non-recurring costs and revenues. For further information, please refer to the Methodological note on alternative performance measures in the Annual Integrated Report and Consolidated Financial Statements 2018.

Operating return on investments: it is an alternative performance measure of both the Life and Property & Casualty segments, calculated as the ratio of the operating result to the average investments at IAS/IFRS book value, as described in the Methodological note on alternative performance measures.

Operating RoE (Return on Equity): it is an indicator of return on capital in terms of the Group operating result. It is calculated as the ratio of adjusted consolidated operating result to adjusted average Group shareholders' equity. For further information, please refer to the Methodological note on alternative performance measures in the Annual Integrated Report and Consolidated Financial Statements 2018.

Other investments: it includes participations in non-consolidated companies, associated companies and joint ventures, derivative investments and receivables from banks and customers, the latter mainly related to banking activities by some Group companies.

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

P&L return on investments: it is the sum of the current return and the harvesting rate net of investment management expenses. For further information, please refer to the Methodological note on alternative performance measures.

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.

Prior year loss ratio: it is a further detail of combined ratio calculated as the ratio of:

- previous year incurred claims + related claims management costs net of recoveries and reinsurance; to
- net earned premiums.

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.

Provisions arising from policies where the investment risk is borne by the policyholders and from pension funds: they comprise 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.

Provision for outstanding claims: it comprises 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 the Life segment in order to cover the overall amounts required to meet the payment of the capitals and annuities accrued, surrenders and claims outstanding.

Provision 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.

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.

Regulatory Solvency Ratio: it is the ratio of the Eligible Own Funds to 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 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.

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.

Responsible business management: it refers to policies, guidelines and procedures defining the internal system of rules which enables accountability and transparency.

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.

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.

Social products:

- 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 health-care or other virtuous behaviors 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.

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.

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.

Sustainable Development Goal (SDG): 17 objectives contained in the 2030 Agenda for sustainable development, launched by the United Nations.

Weighted average cost of debt: it is the annualized cost of financial debt considering the nominal amounts at the reporting date and the related transactions of currency and interest rate hedging.

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