Balance sheet, cash and cost discipline

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GENERALI GROUP

LONDON, FOUR SEASONS HOTEL - JANUARY 14th, 2013

Key messages

Consistent financial discipline and oversight across activities

A new approach to finance in Generali, in order to introduce financial rigour and consistency in all the main group decisions:

1. **Strengthen capital and manage leverage ratios** to improve competitive position, ambition for “AA” level of capital strength
2. **Enhance long term sustainable profitability** with strict return criteria for business and capital deployment decisions, ex-ante product approval process, expense optimisation
3. **Invest** our assets in a disciplined and conservative way
4. **Improve cash-flows** from our business - crucial for healthy, sustainable dividends

Returning Generali to a value creation story

CFO organisation structure

Group CFO

Investor Relations
- Equity analysts & investors
- **Debt analysts & investors**
- Rating agency relations

Mergers & Acquisitions
- Deals valuation
- M&A process coordination

Treasury & Debt Management
- **Cash flow mgmt**
- Credit lines mgmt
- Debt mgmt

Tax Affairs (Italy & International)
- Tax planning
- Tax consulting

Capital & Value Management
- **Rating agency capital models**
- **Capital management**
- **Actuarial reserving (P&C)**
- **Embedded value**
- **ALM monitoring**
- **Insurance liability mgmt**

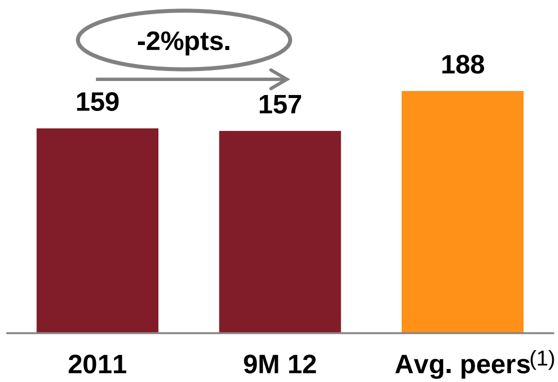
Group Strategic Planning and Control
- Planning and Control (3-year industrial plan, annual planning, performance measurement)
- Risk-adj. performance analysis & external benchmarking
- **Investments monitoring (incl. stable shareholdings)**
- Cost controlling, internal benchmarking and **new efficiency program monitoring**

Group Integrated Reporting
- Integrated financial reporting
- Corporate Center ICT Support

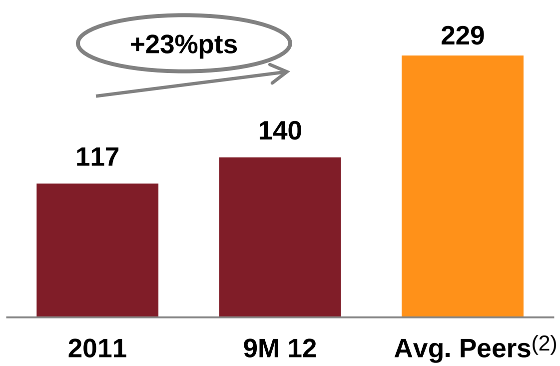
New responsibilities / areas of focus

Enhancing capital ratios is a key priority for Generali

Economic solvency (%)
(99.5% confidence level)



Solvency 1 (%)



Comments

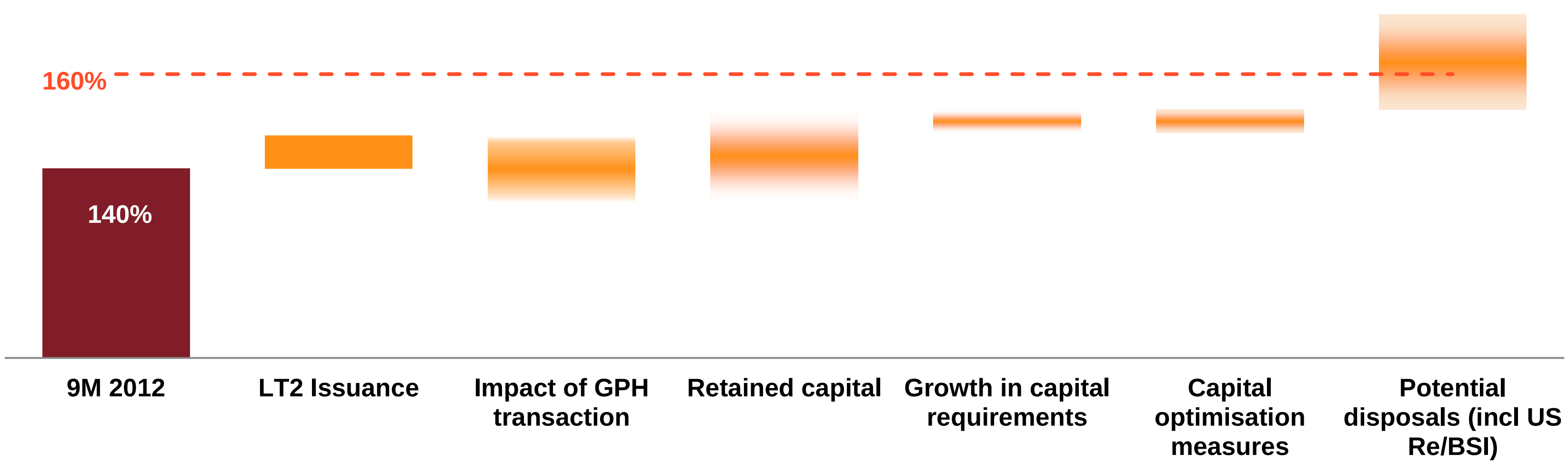
- Generali steers its business on an economic view, but carefully monitors the Solvency 1 position of the Group
- Our long term ambition is to run with capital ratios consistent with an "AA" credit rating
- Economic solvency allows limited comparability with peers, given different methodologies and models
- S1 ratio of Generali currently in line with historical levels, but impacted by volatile market conditions in the last 18 months
- Both measures are below the average level of our peers (though comparability again difficult)

We target at least 160% Solvency 1, with philosophy of "AA" strength on other measures

(1) AXA (99.5% confidence level, Jun-12), Allianz (99.5% confidence level, Sep-12), ZFS (99.0% TVaR, Jun-12)
(2) Allianz, AXA, Zurich

1 Strengthen capital: the journey to reach our S1 capital target

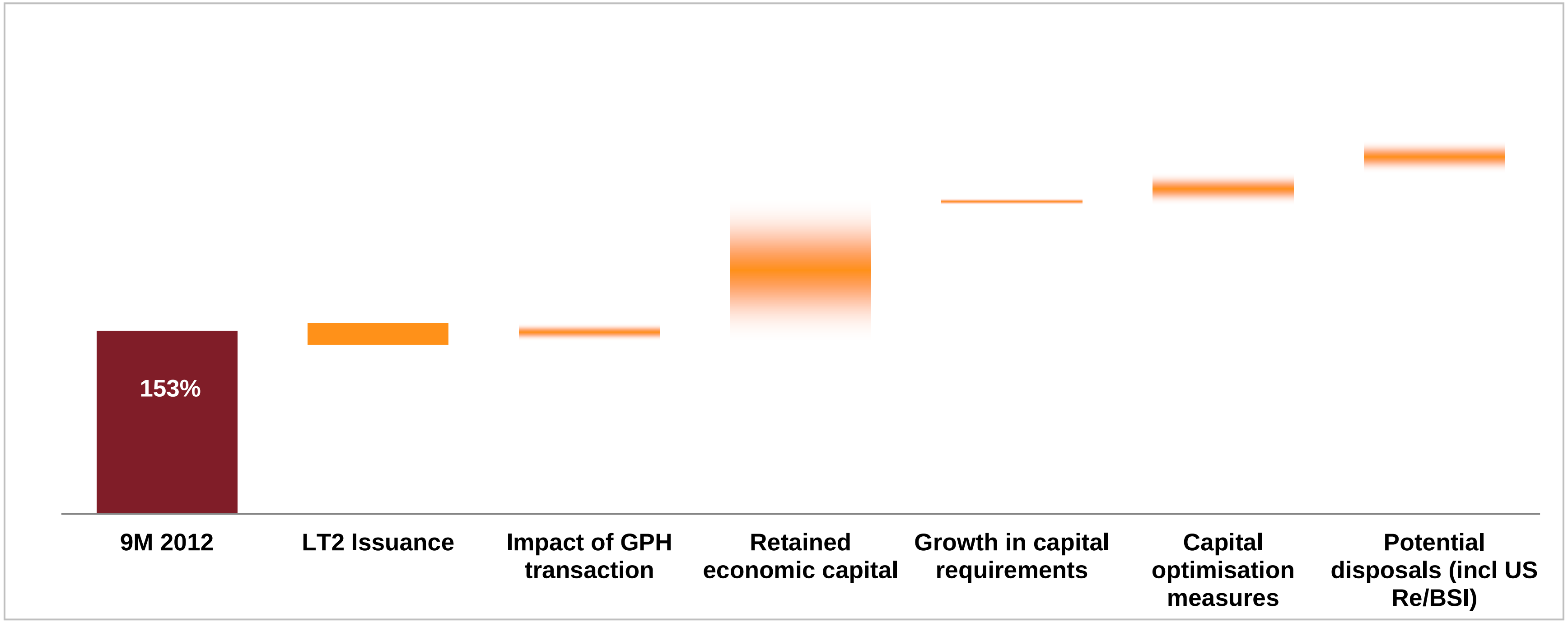
Solvency 1 ratio: indicative walk to 2015



- The chart does not anticipate mark to market impacts post Q3, which if they remain, will be positive
- We have significant flexibility around disposals (chart = indicative only)
- Working assumption of 40% pay out ratio

Strengthen capital: economic solvency development

Economic solvency: indicative walk to 2015



- The chart does not anticipate mark to market impacts post Q3, which if they remain, will be positive
- More significant impact of retained capital due to VIF accretion
- More than 2x covered (against 99.5% VaR requirement) on these assumptions by 2015

Strengthen capital: example capital management actions / levers

1	**Business / capital optimisation measures**	**Financial operations** § Portfolio de-risking § Optimise debt structure § VIF monetisation **Products** § Optimise product offering, by reducing guaranteed products § Enhance diversification ü Business mix shift towards P&C ü Diversify earnings streams in Life **Risk management** § Enhance use of reinsurance § Hedging
2	**Improve technical performance**	§ Focus on technical margins and risk capital consumption § Manage policyholders' profit participation
3	**Cost reduction**	§ Cost efficiency programme targeting savings of Euro 600 m
4	**Exit from non core businesses**	§ Exit from US Re, BSI. Other disposals to be considered

Strengthen capital: rating agency views

Key priorities

- Short term, achieve resolution of various credit watches / reviews
- Longer term, enhance our capital structure (quantity and quality) to be consistent with AA / equivalent rating
- Continue to develop Enterprise Risk Management framework

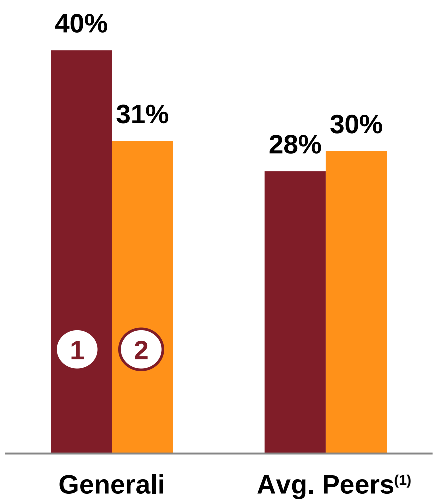
Focus on Italian restructuring

- We will engineer the Group restructuring in order to prevent negative impact from a ratings perspective
- Limited weight of the holding insurance operations on the total holding cash flow
- Restructuring will be done in such a way as to not prejudice holding company cash flow position

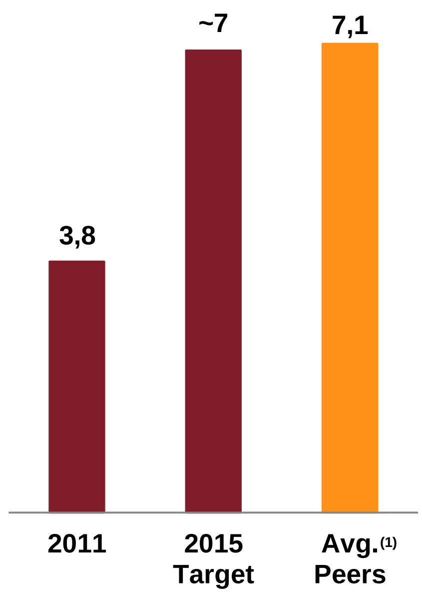
Carefully manage debt levels (1/2)

Generali's leverage position vs. peers

Leverage ratio (2011)



Interest coverage (x) [2]



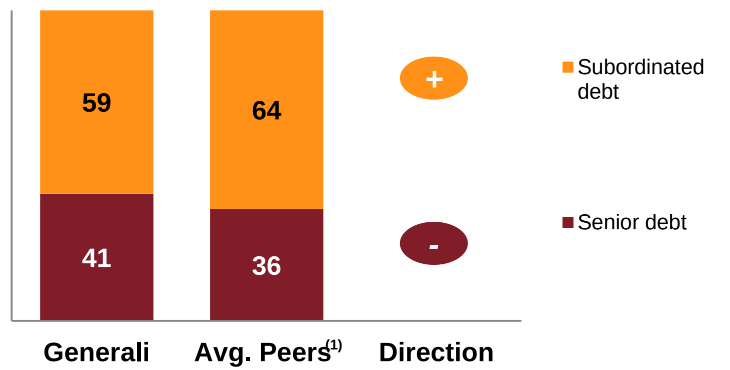
- Generali's leverage ratio is high compared to peers on a book value basis, though more in line with peers based on rating agency metrics (e.g. Moody's)
- The interest coverage ratio is lower than we would like
- **We aim to improve leverage ratios, and increase interest cover to ~7x**
- **We will manage debt ratios to be consistent with our "AA" capitalisation ambition**

1. Leverage ratio: Financial debt / [Financial debt + Book value (gross of minorities)]
2. Adjusted Leverage ratio: Moody's Adjusted Financial Leverage

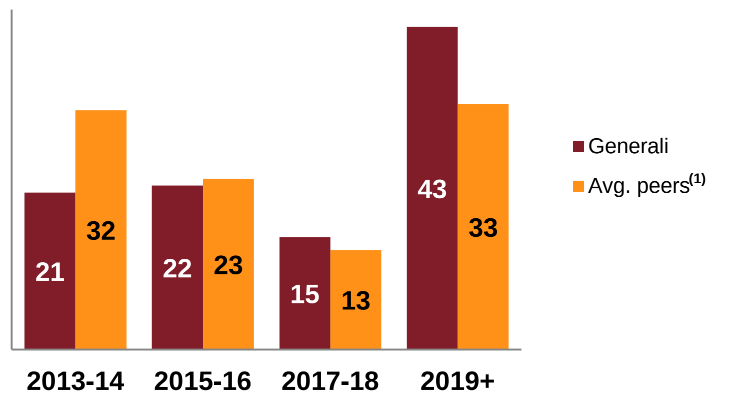
(1) AXA, Allianz, ZFS, 2011
(2) Calculated as EBIT/interest expenses on financial debt

Carefully manage debt levels

Debt structure (2011, %)



Distribution of bonds by maturity/call date (%)



(1) Allianz, AXA, Zurich

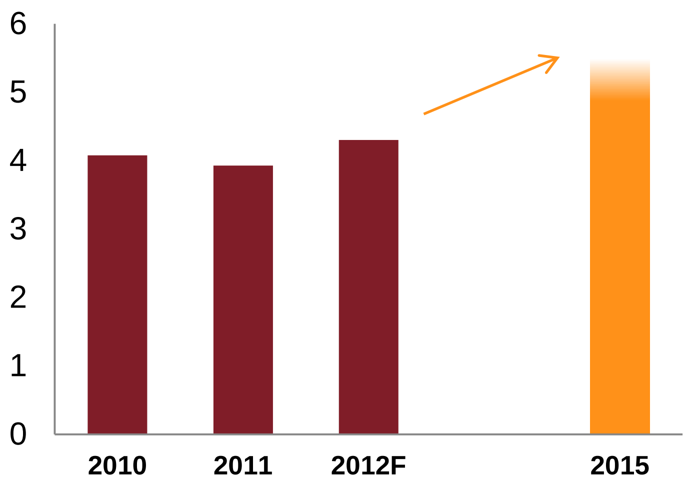
- **Generali has more senior debt relative to peers**
  - Reduce the weight of senior debt
- **We will seek to diversify sources of funding**
  - Look at retail in addition to institutional
  - Look at US$ / SG$ markets in addition to €/£
- **Disposal proceeds might also be used partially to repay debt**

Operating RoE target > 13% over the cycle

Profitability ambitions

- We will manage the business to achieve operating RoE [1] of at least 13% over the cycle
- Translates into operating profit of more than Euro 5 bn

Operating profit (Euro bn)



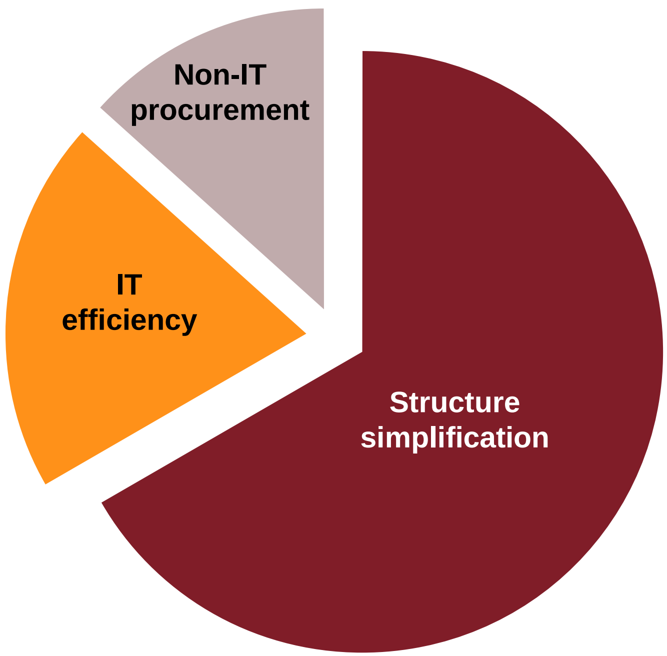
Key Levers

- **Emphasis on P&C**
  - Strong and resilient earnings
  - Further focus on technical excellence
  - Shift of group business mix to P&C
- **Strict profit focus in Life**
  - We will give up premium volume for profitability if necessary
  - Ex-ante product approval and post-approval monitoring
- **Cost control**
  - Exercise constant vigilance on costs
  - Euro 600 m of savings indentified by 2015

(1) Operating profit after interest expense, tax and minorities / average shareholders equity excl. AFS reserves. Over the cycle target.

Enhance profitability: cost control

Identified actions to reduce expenses* by Euro 600 m in 2015

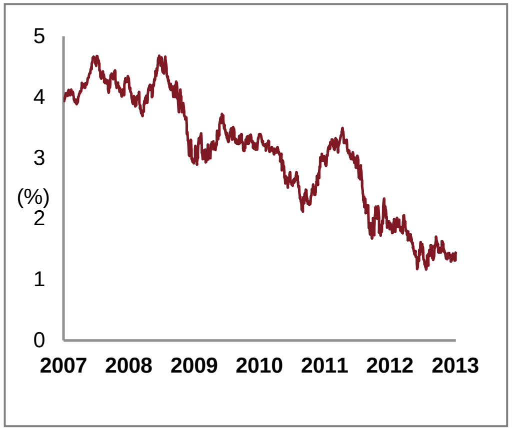


Main drivers

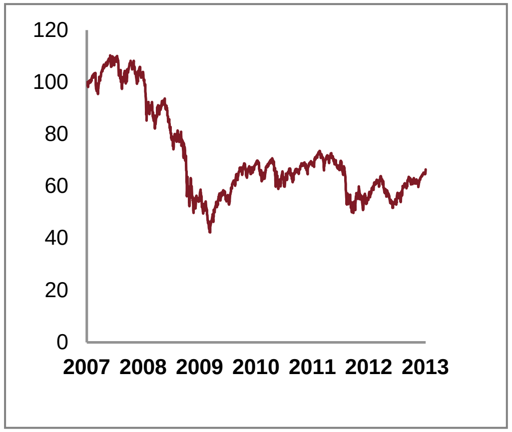
Structure simplification	§ Simplification of processes § Removal of duplication § Merger of entities § Optimisation of sales networks
IT efficiency	§ Centralised procurement of IT hardware, software § More efficient / centralised data warehousing solutions § Telecommunication costs
Non-IT procurement	§ Creation of centralised Group procurement function

* Administrative expenses and non commission related acquisition costs

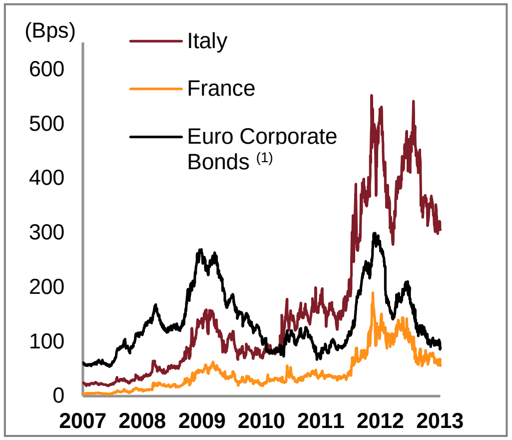
German bund, 10 years



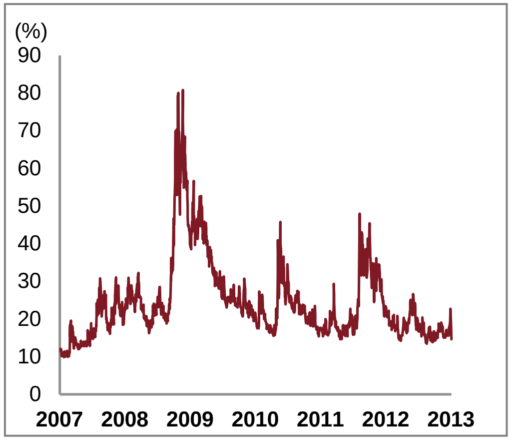
European equities
(MSCI EMU Index TR, 2007=100)



Spreads over 10 year bund

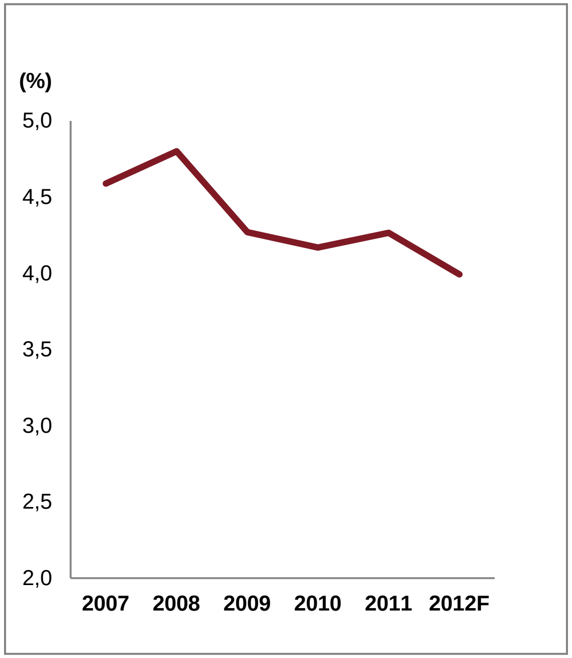


Market volatility[2]



Source: Bloomberg as at 03.01.2013

Generali's current yield on investments



(1) Based on FTSE Euro Corporate Bonds 7 to 10 years average yield
(2) VIX Index

…requires a disciplined approach to investments

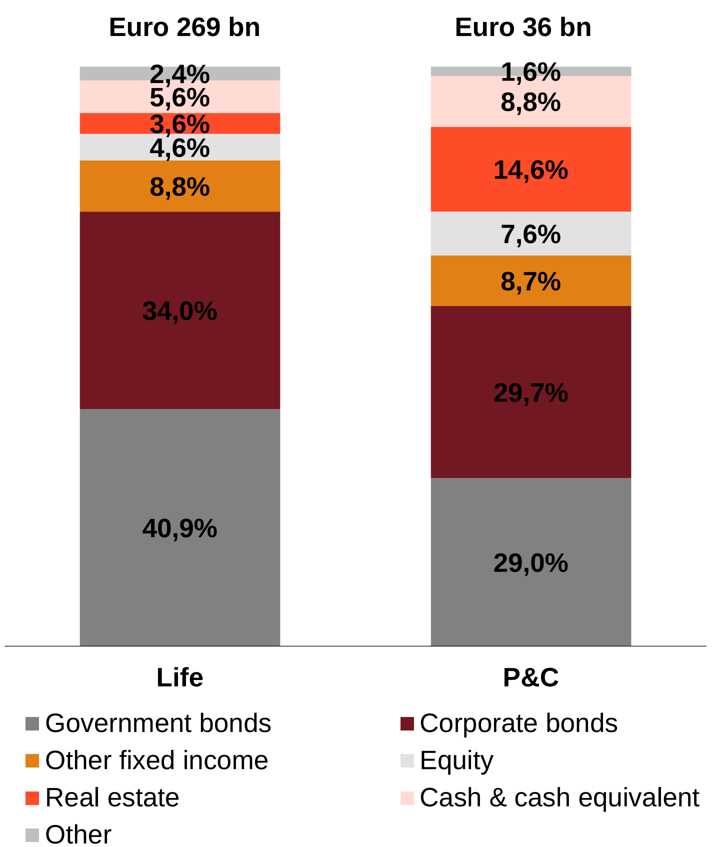
Our investment approach

Strict discipline is key

- New Group investment policy guidelines to be implemented
- Risk budgets at portfolio level
- Risk capital constraints at entity level
- Active ALM (with new Group monitoring function)
- Very high hurdle rates for complex / illiquid assets

3 What we have implemented so far

Investment structure (9M 2012)



Comments

§ **Concluded asset de-risking**

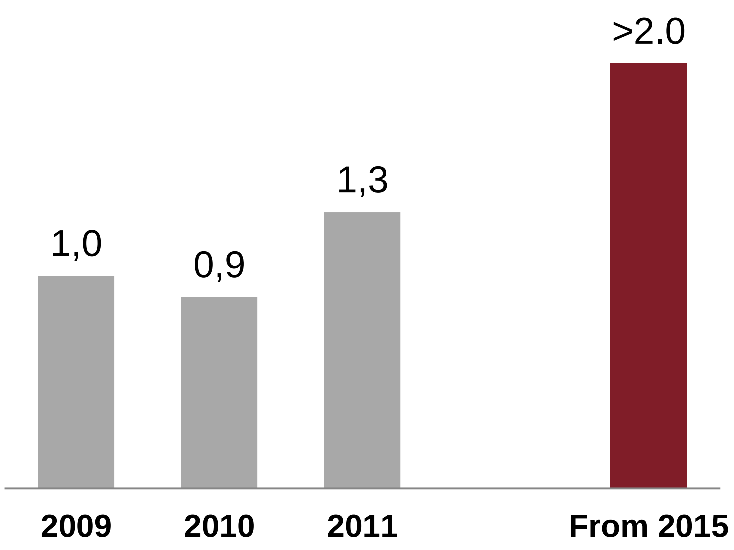
- ü Group cross-border exposure to peripheral European Sovereign debt reduced
- ü Excess cash to be invested in coming months

§ **Comprehensive portfolio review**

- ü Detailed review of all alternative asset investments
- ü Detailed review of top 60 equity positions
- ü Detailed review of real estate portfolio
- ü Review of other balance sheet positions
- ü Process ongoing - we will conclude with the full year results in March

4 Improve cash flow from own business

Free cash flow before dividend (Euro bn)



Comments

- Enhanced expected cash flow generation driven by:
  - Earnings mix shift towards P&C, more cash generative
  - Careful management of profit sharing
  - Incorporation of payback periods within new Life ex-ante product approval process
  - Centralised purchasing of reinsurance
- Increased focus on remittance
  - Setting up centralised treasury function

Focus on GPH transaction: key terms

Acquisition of 49% in GPH	n 25% participation in GPH (the “First Tranche”) transferred to Generali on 28-Mar-2013 n 24% participation in GPH (the “Second Tranche”) transferred to Generali on or about end of 2014 n First Tranche transferred at a price of Euro 1,286 m; use of proceeds by PPF ü Payment of ~51% of the principal (Euro 2,099 m) ü Netting of ~51% of the principal under the Euro 400 m bonds issued by PPF and subscribed to by Generali (the “Bonds”) n Second Tranche transferred at a price of Euro 1,235 m; use of proceeds by PPF ü Payment of all outstanding claims under the Facility and ü Netted against all outstanding claims under the Bonds n Generali will gain full managerial control of GPH following the transfer of the First Tranche n Required regulatory and antitrust authorisations
Swap between Ingosstrakh Stake and PPF Partners	n Acquisition of 51% economic participation and 100% voting participation in PPF Beta (which controls a 38.5% stake in Ingosstrakh) n Transfer of LP interests in PPF Partners 1 Fund and 27.5% stake in PPF Partners to vehicles indirectly connected to the PPF Group shareholders and PPF Investments

Indicative impact on capital of the transaction (before bond issue)

ACTIONS	TIMING	SOLVENCY I	ECONOMIC SOLVENCY
GPH – acquisition of tranche 1	March 2013	- 7 %pts	- 3 %pts.
GPH – acquisition of tranche 2	End 2014	- 7 %pts	- 3 %pts.
Overall impact		**- 14 %pts**	**-6 %pts.**

The above figures exclude the subordinated debt issue in December (approx. 7%pts positive impact on both measures).
Expected impacts based on balance sheet as at 9M 2012

Key take-aways

1. **Strengthen capital and leverage ratios:** > 160% Solvency 1 target, with long term “AA” philosophy

2. **Enhance profitability:** >13% Operating RoE over the cycle

3. **Disciplined and conservative approach to investments**

4. **Focus on cash flow generation:** > Euro 2 bn cash flow from 2015