Generali Group

Economic

Balance Sheet presentation

Milan, September 16th, 2008

Agenda

- I. Introduction
- II. Capital position YE07
- III. Economic Capital methodology
- IV. Economic Capital use
- V. Way ahead

I. Introduction

Purpose of the presentation

Economic Balance Sheet: value and risk

EBS and the four pillars of ERM within Generali Group

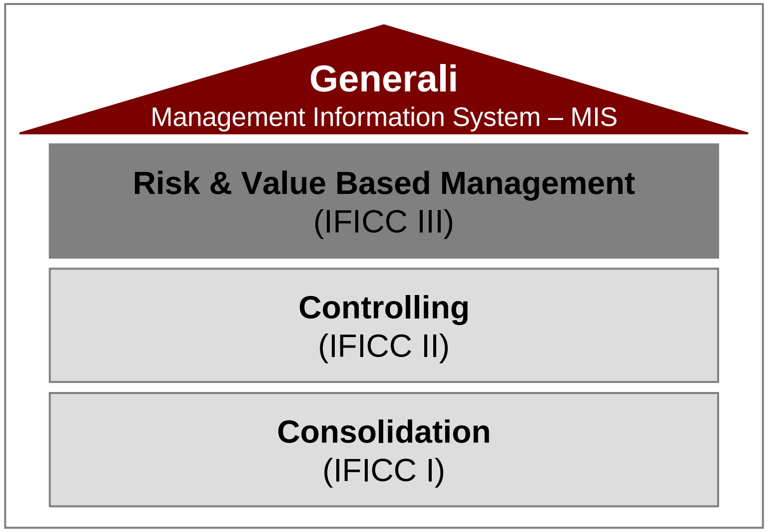
Purpose of the presentation

Make the link between ERM and Economic Balance Sheet	▪ Consistency of value and risk models ▪ Enterprise risk management: structure and model
Enhance explanation about capital position	▪ Restated Economic Capital and capital position at YE07 (EBS basis) ▪ Risk Capital, per risk factor and geography
Describe Generali's methodology	▪ Risk Capital: definition and models ▪ Available Capital and Economic Capital
Explain how we use Economic Capital	▪ ERM framework ▪ Capital management
Way ahead	▪ The external framework: Solvency II, rating agencies and IFRS Phase II ▪ Management and compliance

Vision: Integrated Risk & Value Based Management Reporting

A consistent and strong bottom-up measurement system for Risk and Value-Based Information

- **A value creation management tool:**
  - VBM performance (RoEV and RoEC)
  - Embedded Value
  - Capital allocation and Economic Capital
  - Solvency II
  - IFRS phase II and fair value
- **Based on common Group-wide Methodology aligned to CRO Forum principles**
- **A measurement system:**
  - Integrated into the Group Financial Reporting System (IFICC: Information Flows for IFRS Consolidation and Controlling)
  - Leveraging existing related Group projects, with synergies and consistency benefits
    - Embedded Value, Financial Risk Control, Reinsurance Efficiency Program, …
  - Based on bottom-up evaluations performed by entities
  - With local accountability: local responsibility on the results with strong central control

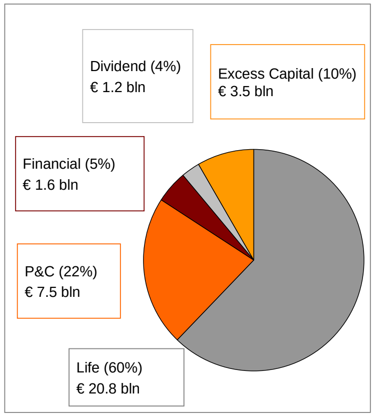


Economic Balance Sheet Approach

Economic Balance Sheet

Consistent and comprehensive basis to analyse value and risk

Capital Adequacy

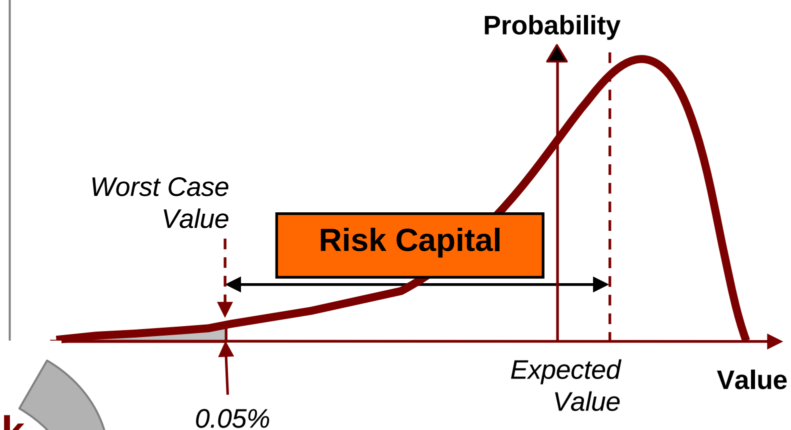


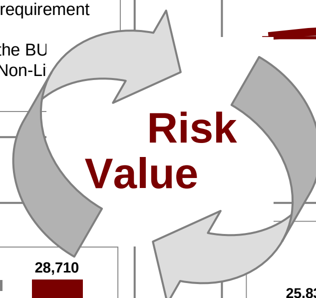
(Euro bln)	YE 2007
Embedded Value	28.7
Subordinated Debt	5.8
Available Capital	34.5
Economic Capital + proposed dividend	31.0
Excess Capital	3.5

Economic Capital

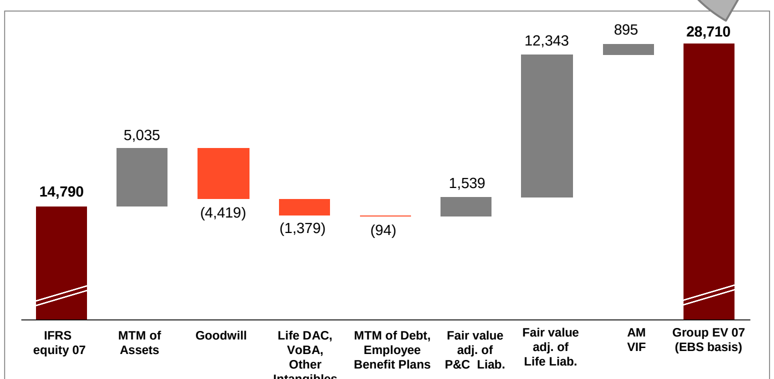
Capital allocated to the Business Units, allowing for risk and local regulatory requirements, corresponding to the sum of:
- maximum between solvency 1 requirement and risk capital
- other Available Capital held in the BU including Value of In-Force and Non-Li Value adjustment

Group Risk Capital: 1 year Value at Risk at 99.95%

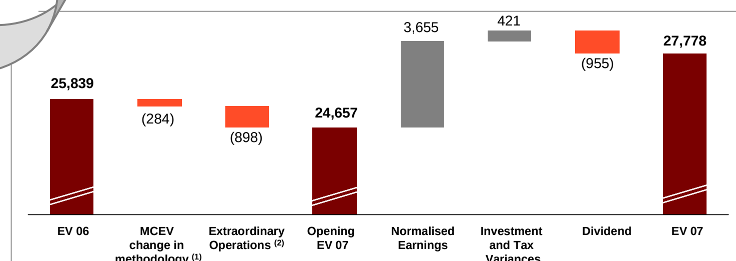




From IFRS to Economic Balance Sheet



Return on Embedded Value (*)



Embedded Value Earnings (Euro mln)

Embedded Value YE 2007	27,778	(€ 20.52 p.s.)
Opening Embedded Value	24,657	
Embedded Value Earnings[3]	4,076	

Return on Embedded Value

16.5%	RoEV [4]
14.8%	Normalised RoEV [4]

(*) before introduction of EBS

The Four Pillars of Enterprise Risk Management within Generali Group

Enterprise Risk Management…

…Group co-ordinated management of risk and reward

Pillars	Description
Risk mapping *Pillar I*	▪ Integrated market-consistent asset and liability view ▪ Capital adequacy (regulatory, rating and economic view) ▪ Value at Risk/Stress scenarios ▪ Internal capital model, bottom-up analysis of ALM/market and credit, insurance and operational risks
Risk governance *Pillar II*	▪ Group Risk Committee & local Risk Management Committees create framework for ERM implementation ▪ Incentivize local risk mitigation activities ▪ Internal audit oversight of process integrity
Risk reporting *Pillar III*	▪ EBS implementation within Group financial reporting ▪ Risk reports detailing risk processes, exposures and solvency ▪ Raising a culture of risk awareness and risk mitigation
Risk management *Plus One*	▪ Risk based approach to capital management & allocation, asset allocation, reinsurance & product pricing ▪ Standards for underwriting and new products ▪ Risk and VBM indicators e.g. RoEC, VaR, risk exposures

II. Capital position

Economic Capital and capital adequacy at YE2007

Breakdown of Risk Capital YE07

Capital adequacy from YE07 to HY08

Updated definitions

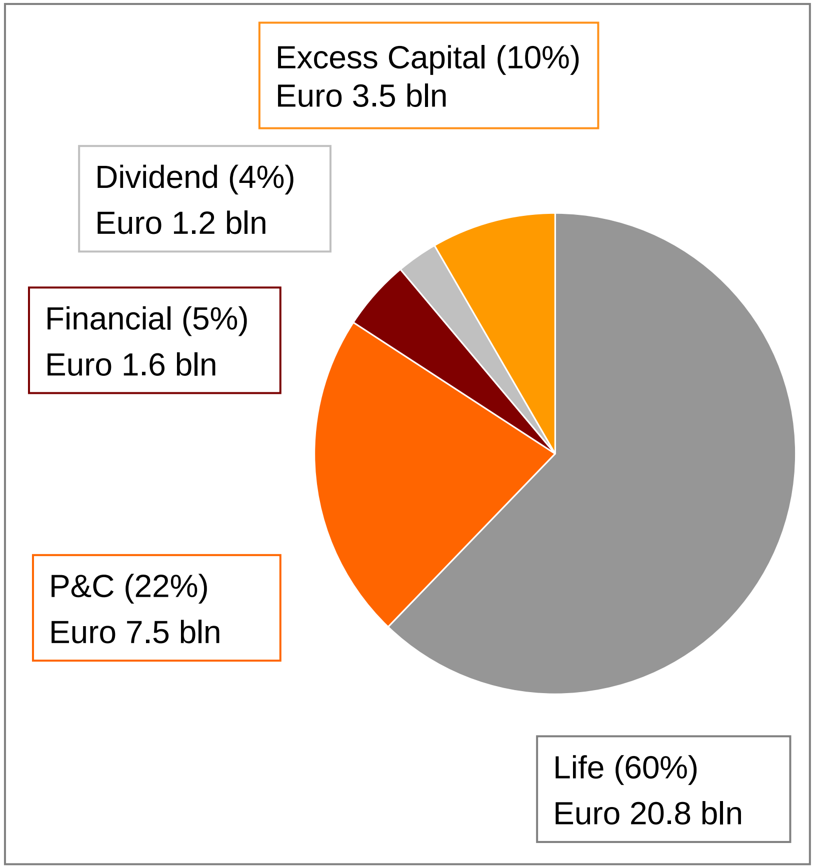
Available Capital	▪ AC net of minorities corresponds to Group Embedded Value plus Hybrid Capital ▪ After introduction of Group EV on EBS basis it also includes Fair Value adjustment of P&C liabilities and mark to market of Debt and Employee Benefit Plans
Risk Capital	▪ Solvency Capital Requirement at 99.95% confidence level over 1 year (VaR) according to internal bottom-up model aligned to Solvency II framework

Economic Capital	▪ Capital allocated to the Business Units, allowing for risk and local regulatory requirements
	▪ Revision of the definition of Economic Capital under new framework:
	  ▪ from EC equal to Risk Capital plus Value In-Force
	  ▪ to maximum between Solvency I requirement and Risk Capital, plus VIF and Non-Life fair value adjustment

Excess Capital	▪ Excess Capital corresponds to Available Capital less dividend to be paid less Economic Capital

EBS Results: restated capital allocation and adequacy YE07

Capital Allocation: Available Capital Euro 34.5 bln



Excess Capital

Euro bln	YE 2007
Embedded Value	**28.7**
Subordinated Debt	**5.8**
Available Capital	**34.5**
Economic Capital + proposed dividend	**31.0**
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Economic Capital

Capital allocated to the Business Units, allowing for risk and local regulatory requirements, corresponding to the sum of:

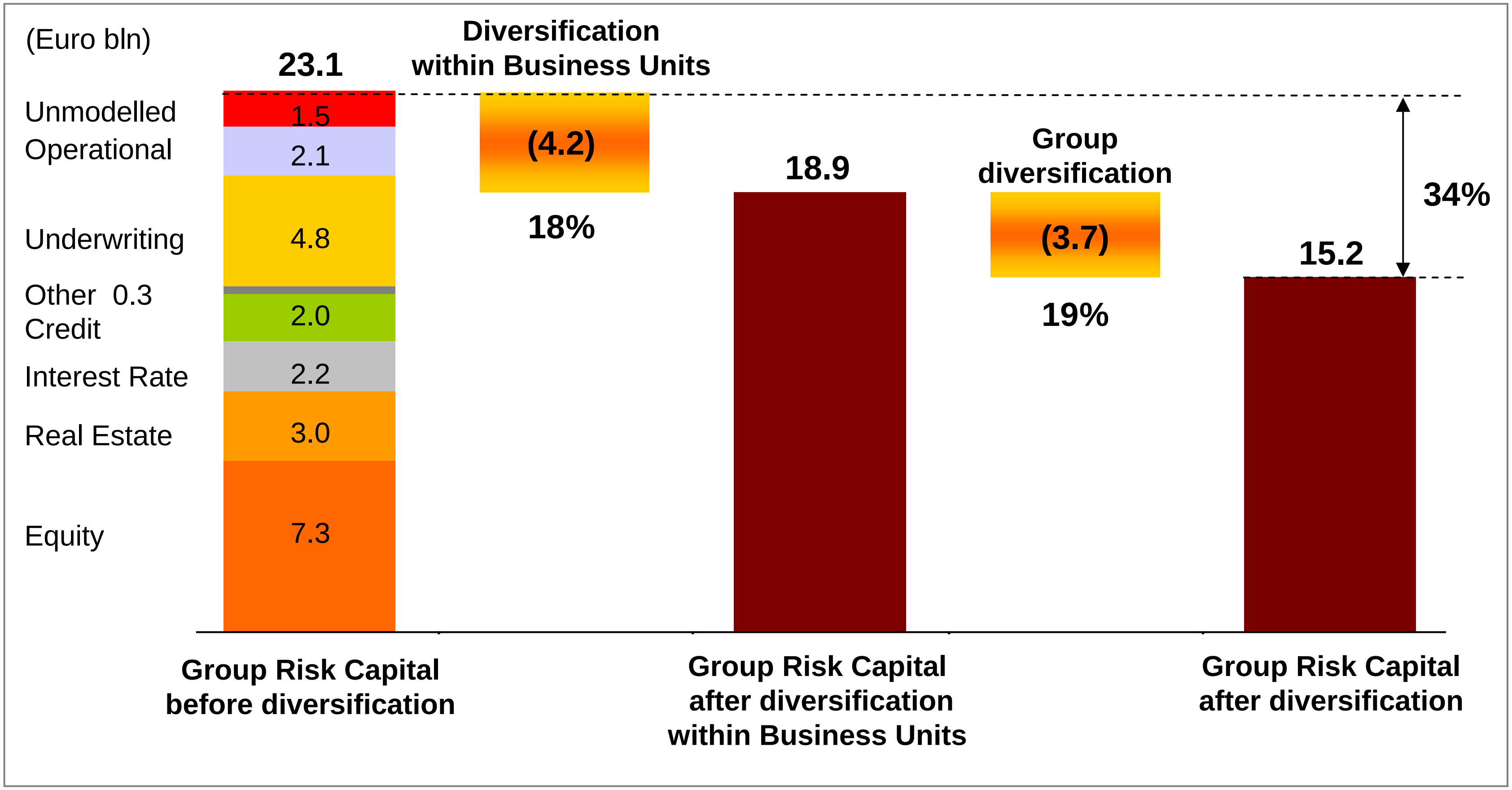
- maximum between solvency 1 requirement and risk capital
- other Available Capital held in the BU, including Value of In-Force and Non-Life Fair Value adjustment

Figures before JV with PPF and acquisition of Banca del Gottardo
(after these transactions the excess capital is 2.5 bln)

EBS Results: Risk Capital Diversification YE07

Diversification

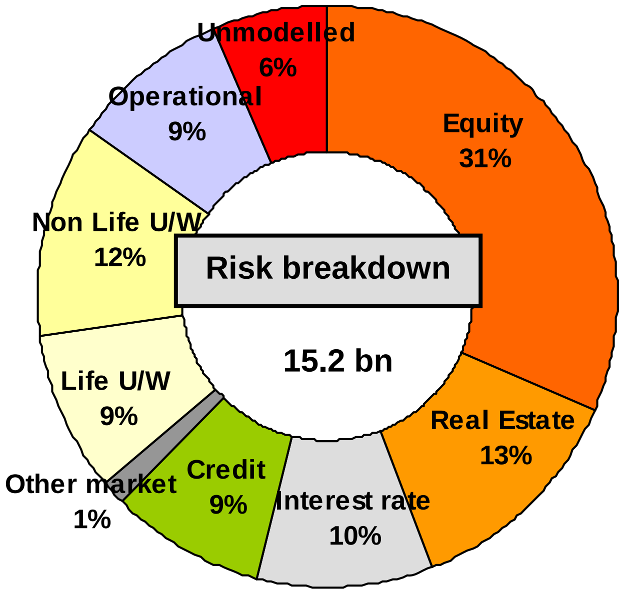
- **We are currently adopting a prudent approach to diversification**
- **Total diversification benefit at 34% considering both diversification within Business Units and Group diversification**



Unmodelled business refers to entities currently based on previous top-down model

EBS Results: Risk Capital YE07

Group Risk Capital amounts to Euro 15.2 bln

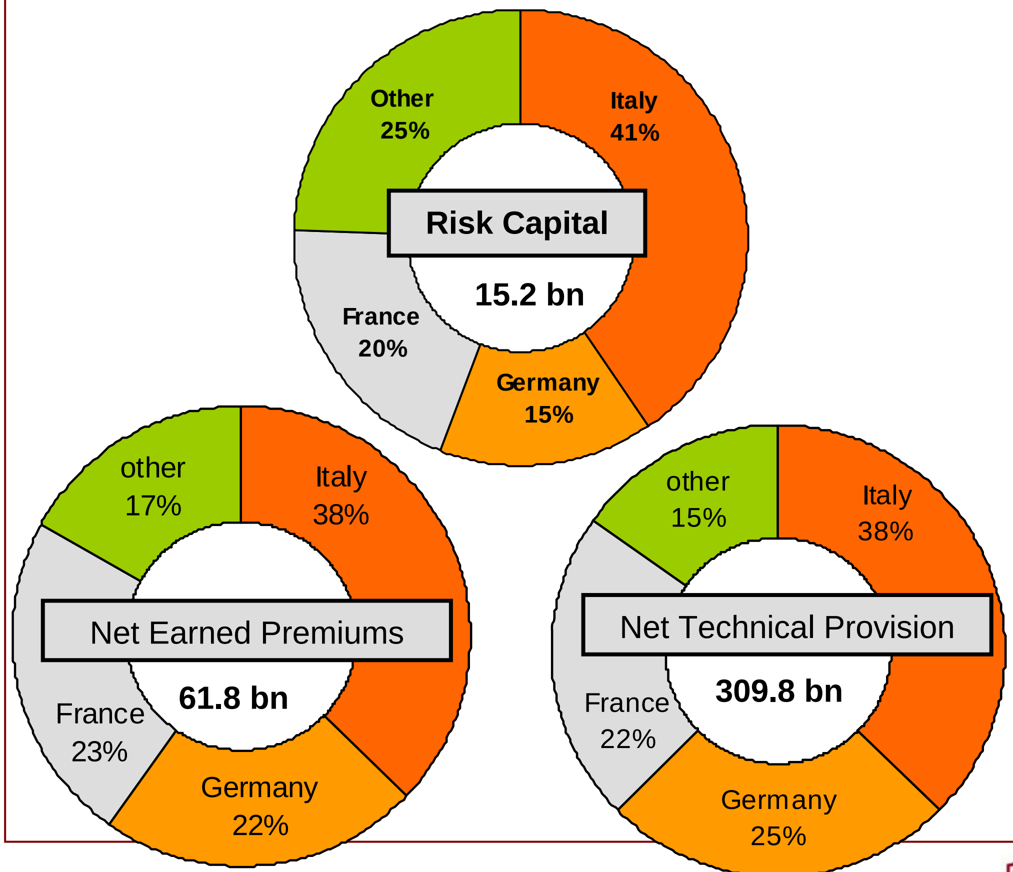


Property & Casualty: Risk Capital results at 34.2% of Net Earned Premiums

Life & Health: Risk Capital results at 3.6% of Net Technical Provisions

Financial: Basel II based, Risk Capital results at 1.3% of AuM

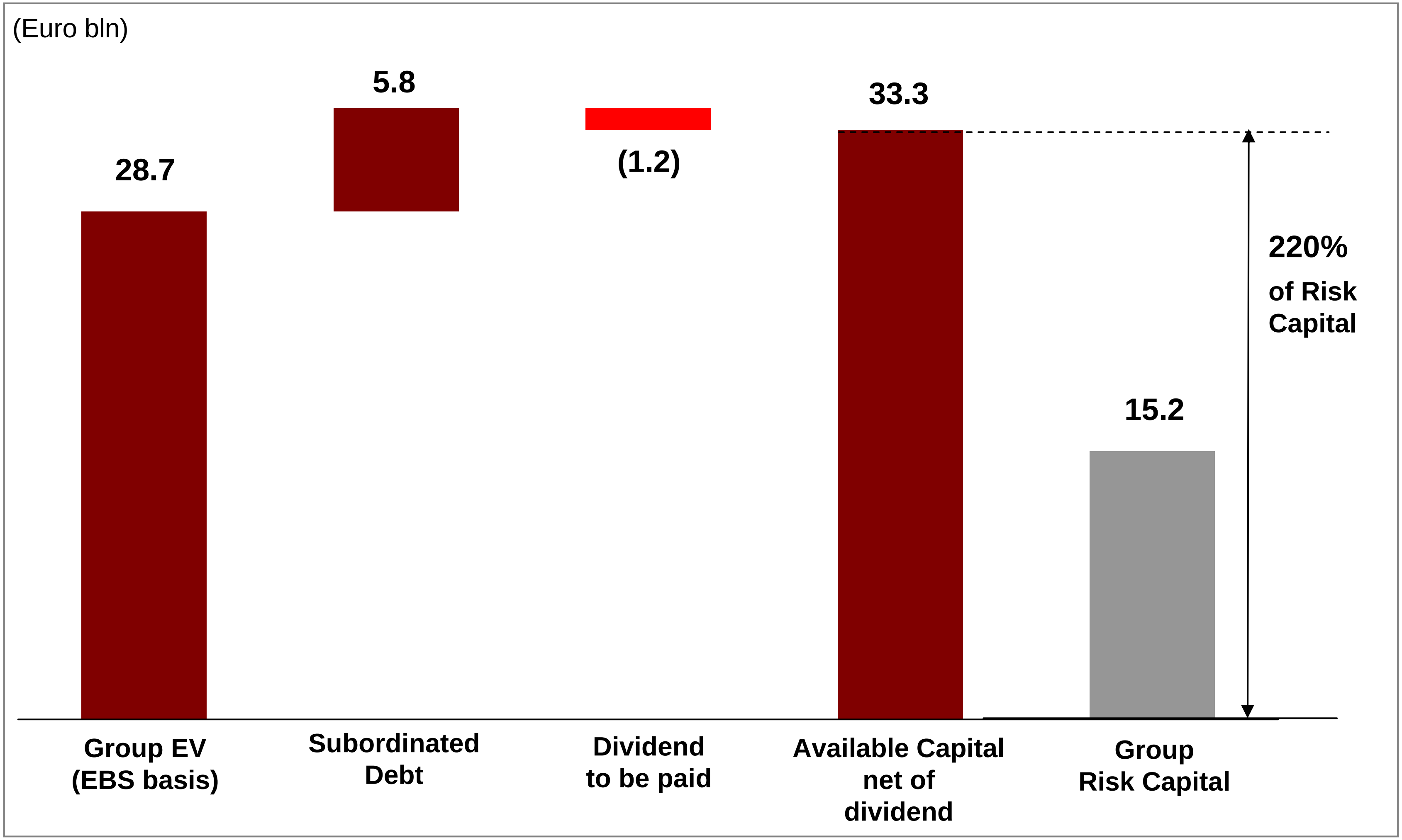
Geographic breakdown



Unmodelled business refers to entities currently based on previous top-down model

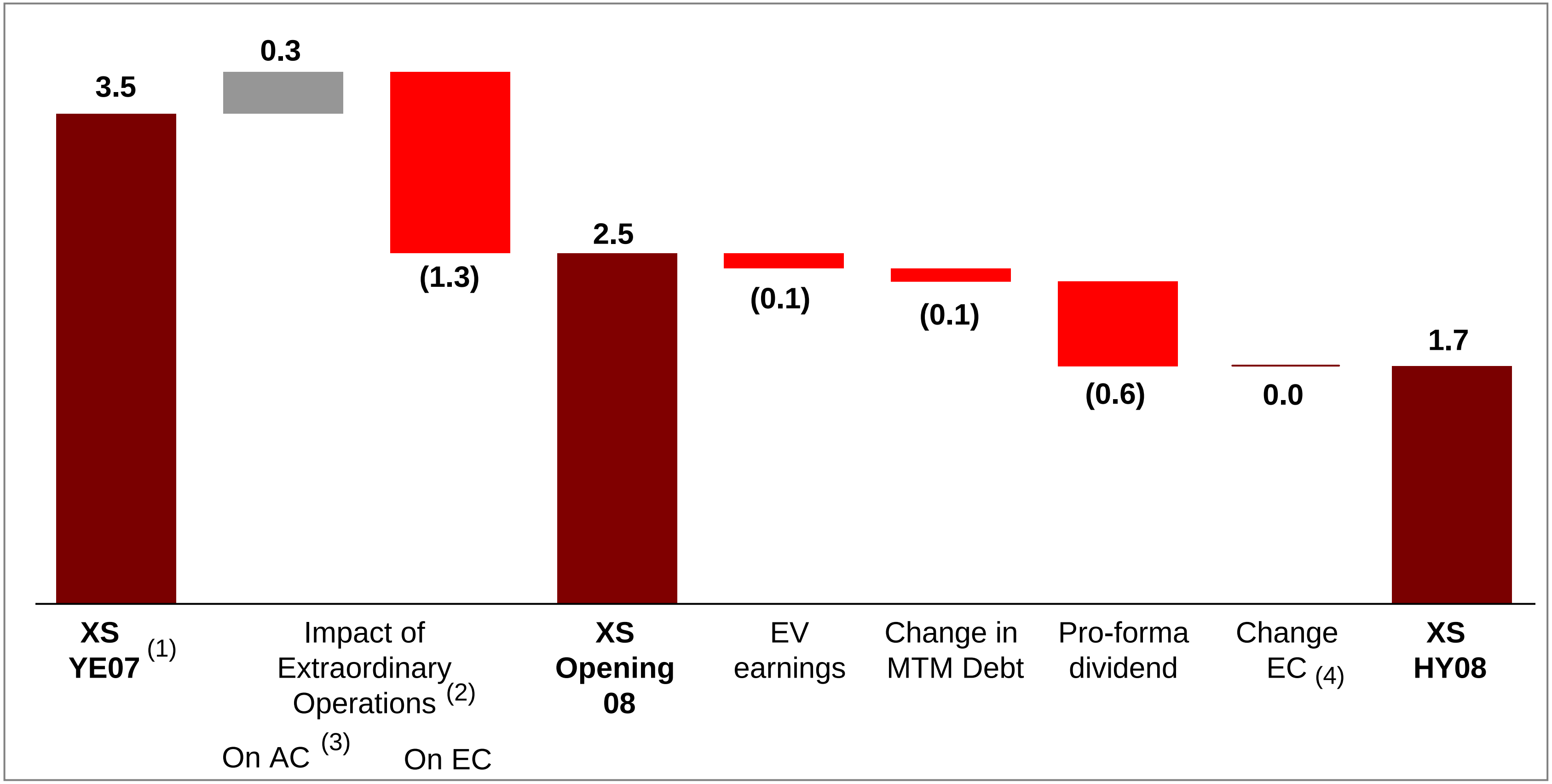
EBS Results: Economic Solvency ratio YE07

Economic Solvency Coverage at 220%



Excess Capital movement HY08

(Euro bln)



(1) Excess Capital YE07 was 3.2 bn, restated at 3.5 bn after Economic Capital methodology change (EBS basis)

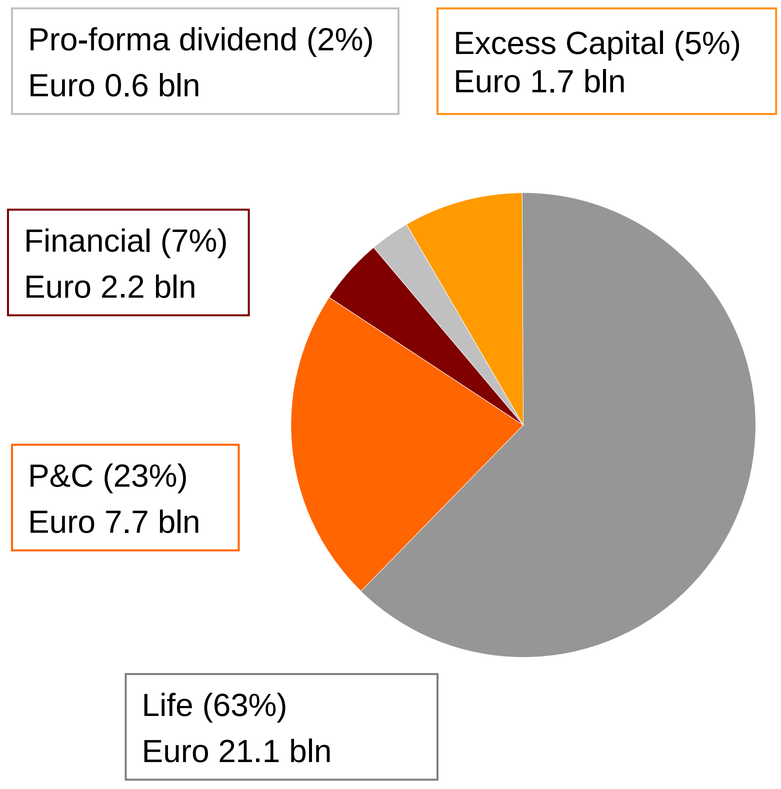
(2) Extraordinary Operations: JV with PPF, Banca del Gottardo, other changes in minorities

(3) Impact on AC corresponds to 1 bn change in Hybrid Capital net of 0.7 bn negative impact on Group EV

(4) HY change in EC: increase in volumes offset by equity de-risking

Capital allocation and adequacy at 1H08

Capital Allocation:
Available Capital Euro 33.4 bln



Excess Capital

(Euro bln)	1H 2008
Embedded Value	**26.7**
Subordinated Debt(1)	**6.7**
Available Capital	**33.4**
Economic Capital(2) + dividend to be paid(3)	**31.7**
Excess Capital	**1.7**

Economic Solvency

- Economic solvency ratio 1H08 at 210% (from FY07 at 220%)
- Calculated as Available Capital (net of dividend to be paid) divided by Risk Capital (Euro 15.6 bln) according to our internal model aligned to Solvency II framework

(1) Already allowing for taking out, through hybrid, of Euro 1 bln bridge loan financing acquisition of Banca del Gottardo

(2) Economic capital and risk capital based on FY07 full bottom-up calculations (Economic Balance Sheet), updated to reflect new market conditions and assets/liabilities development

(3) Pro-forma dividend to be paid (Euro 0.6 bln) assumed equal to half of dividend paid in 2008

III. Economic Capital methodology

Risk Capital definition

Mark to model of insurance liabilities

Risks, aggregation and diversification

Business Units Available Capital and Economic Capital

Calculations, systems and information flows

Risk Capital

Total balance sheet	▪ Integrated asset and liability view ▪ Higher the risk higher the capital
Mark-to-market rules	▪ Market values apply if available, mark-to-model otherwise ▪ Contractual profit sharing, options and guarantees modelled ▪ Management discretion and policyholder behaviour modelled
Risks and aggregation	▪ Market risk, credit and counterparty risk, underwriting risk and operational risk ▪ Risk capital for each risk is calculated via appropriate shocks ▪ Risk capital of single risks are aggregated via correlation matrices ▪ Non linearity adjustment via big bang scenario (all risks take place together)
Diversification	▪ Diversification underpins insurance proposition ▪ Diversification discount credited back to operating companies
Risk threshold	▪ Risk appetite set to maintain AA target rating ▪ Group’s confidence level (VaR) 99.95% over 1 year

Definitions

Total balance sheet approach

Market value of assets

Hybrid Capital

Economic Equity

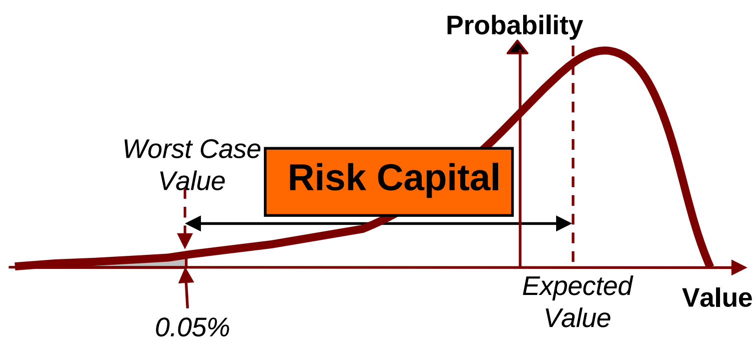
Market Value Margin

Best Estimate of Liabilities

Available Capital

Fair Value of Liabilities

- Insurance:
  best estimate + MVM
- Employee Benefit
- Senior Debt
- Deferred Taxes
- Other



- **Group Risk Capital: 1 year VAR at 99.95%** implies that the market value of assets is not sufficient to cover fair value of liabilities only once in 2,000 years
- **99.95% confidence level is consistent with AA target rating**
- In line with Solvency II framework

Mark to model of insurance liabilities

Methodology	▪ Developed by Central ERM, in line with Solvency II and CRO Forum framework	▪ Implementation supported by Central Life and Non-Life dept.s
Single platform (IFICC)	▪ Economic Balance Sheet ▪ Consistent and comprehensive basis to analyse value and risk	▪ Also used for strategic planning, asset allocation, product design, reinsurance structuring
Economic Scenarios	▪ Market consistent risk neutral scenarios	▪ Internal management of external proprietary software by Central Finance dept.
Stochastic models	▪ Local bottom-up calculations, supported by Central Life and Non-Life Technical dept.s	▪ To capture optionality structure of Life with profit products, management discretion and policyholder behaviour

Results	▪ Local ownership of results
	▪ Control by Central Life and Non-Life dept.s
		▪ Actuarial evaluations subject to independent external review based on:
		  ▪ Life MCEV review
		  ▪ Audit of Non Life claim reserves adequacy under most local GAAP/IFRS requirements

- **Single platform guarantees overall consistency**
- **Decentralised approach: widespread risk and value management culture**

Risk Classification

Strategic Risks

- Profitable growth
- Capital efficiency
- Governance alignment
- Risk tolerance
- External growth / divestitures
- Credit ratings

Market Risk

ALM

- Equity
- Equity volatility
- Interest rate
- Interest rate volatility
- Real Estate
- Currency
- Concentration

Credit

- Investments
- Reinsurance

Liquidity

- Liquidity Risk

Underwriting Risk

Life

- Mortality and longevity
- Catastrophe
- Lapse
- Expense
- Morbidity and disability

Non Life

- Pricing
- Catastrophe
- Reserving

Operational Risks

- Strategy execution
- Business process
- Reputation / brand
- Human capital
- Regulatory compliance
- Fraud
- IT security & continuity
- Distribution channel franchise

Disclosure Risks

- External Reporting integrity
- Solvency
- Reserve adequacy
- Risk aggregations
- Management information adequacy

Quantitative

Factor driven

Qualitative

Risks and aggregation

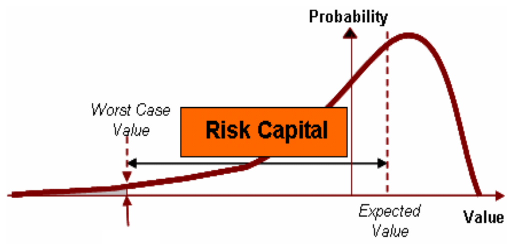
ALM / Market Risk	▪ Equity and equity volatility ▪ Interest rate and interest rate volatility ▪ Real estate ▪ Currency ▪ Concentration	▪ Market observed volatilities and correlations ▪ Profit sharing, options and guarantees modelled ▪ Management discretion (also to lower profit share) considered along with lapses linked to market conditions
Credit and counterparty Risk	▪ Investments ▪ Reinsurance balances	▪ Merton's Credit Risk Model ▪ S&P rating credit risk charge
Underwriting Risk	▪ Non-Life: pricing and reserving	▪ Portfolio observed frequency and severity distributions, volatilities and correlations ▪ Separate analysis for attritional, large claims and natural catastrophe losses ▪ Catastrophe models (e.g. EQE, RMS) used as support ▪ Impact of reinsurance replicated ▪ Bootstrap or Mack model for reserving risk
	▪ Life and Health	▪ Mortality, longevity, CAT, morbidity, lapse and expense via sensitivity analysis
Operational Risk	▪ System and human failure	▪ Factor driven (for the time being) ▪ Percentage of premiums, reserves

Aggregation via correlations + Non-linearity adjustment

Risks and aggregation: illustrative example (1)

Economic Balance Sheet
Available Capital before stress

Assets	Liabilities
Equities 200	Available Capital 250
Real Estate 100	Other Liab. 50
Bonds 1,000	Fair Value Insurance Liabilities 1,000



Considering a stress of a 40% fall in equities

Economic Balance Sheet
Available Capital after stress

Assets	Liabilities
Equities 120	Available Capital 206
Real Estate 100	Other Liab. 50
Bonds 1,000	Fair Value Insurance Liabilities 964

Risk Capital Charge

The corresponding Risk Factor Capital Charge is equal to

- **Available Capital before stress less Available Capital after stress**

  250 – 206 = 44

Risks and aggregation: illustrative example (2)

Economic Balance Sheet risk charges by risk factor

Risk Factor Capital Charge	
Equity	44
Real estate	9
Interest rate	5
Equity Implied Volatility	7
Interest Rate Implied Volatility	2
Credit	14
Concentration	-
Currency	-
Underwriting	12
Operational	7
Sum	**100**

The aggregation of the risk factor capital charges is calculated using a variance-covariance approach adjusted for non-linearity, so that:

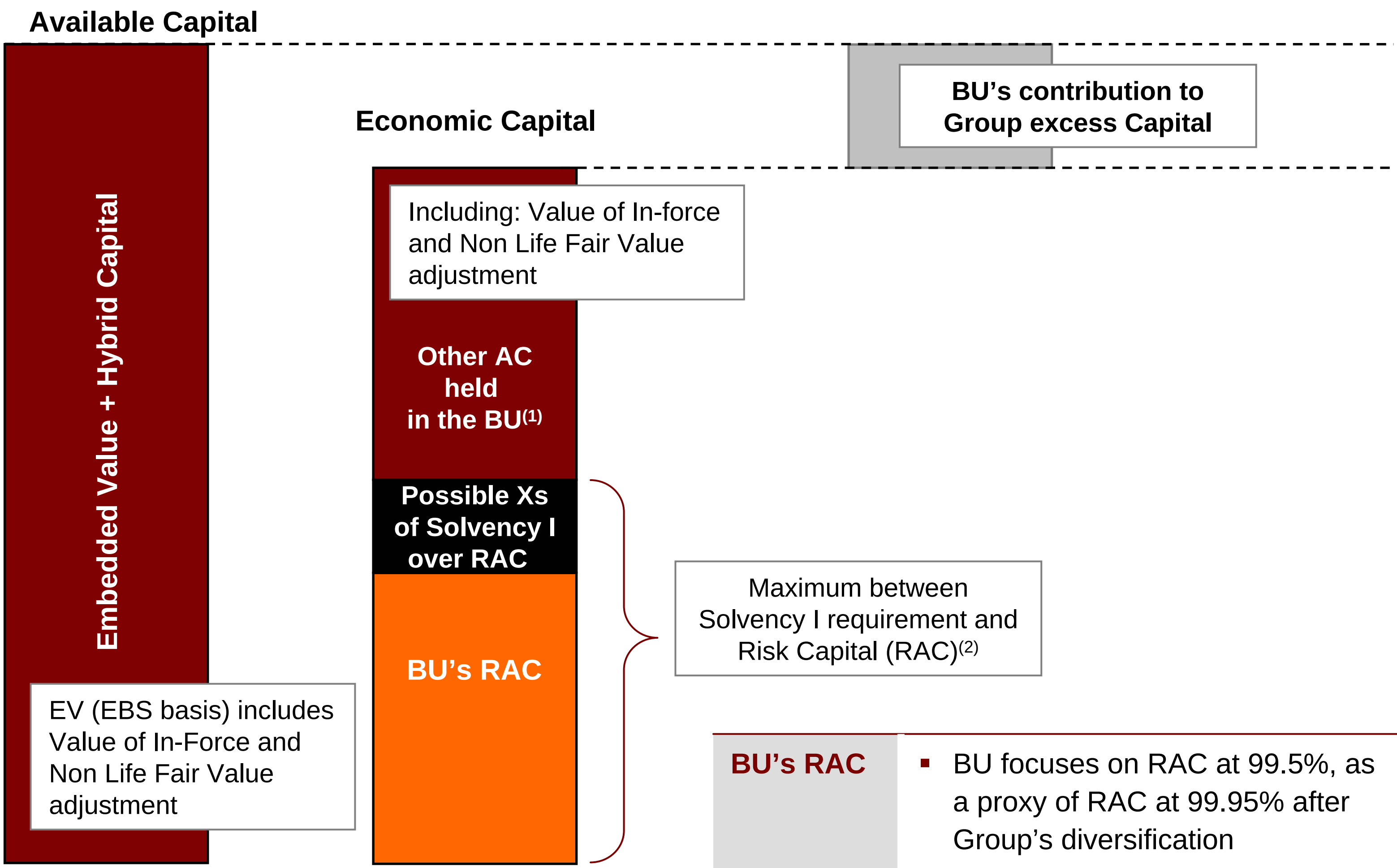
$$\sqrt{\sum A_i^2 + \sum \rho_{ij} A_i A_j} \text{ x non-linearity factor}$$

Where A_i and A_j are the single risk factor capital charges and ρ_{ij} the correlations between the corresponding risk factors

Risk Capital	▪ Assuming an aggregation of the risk factor capital charges equal to 72 ▪ Assuming a non-linearity factor equal to 104% ▪ Risk Capital = 72 x 104% = 75
Diversification	▪ Equal to the difference between the sum of the risk factor capital charges and the risk capital ▪ Diversification = 100 – 75 = 25

Business Unit's Available and Economic Capital

Business Unit level

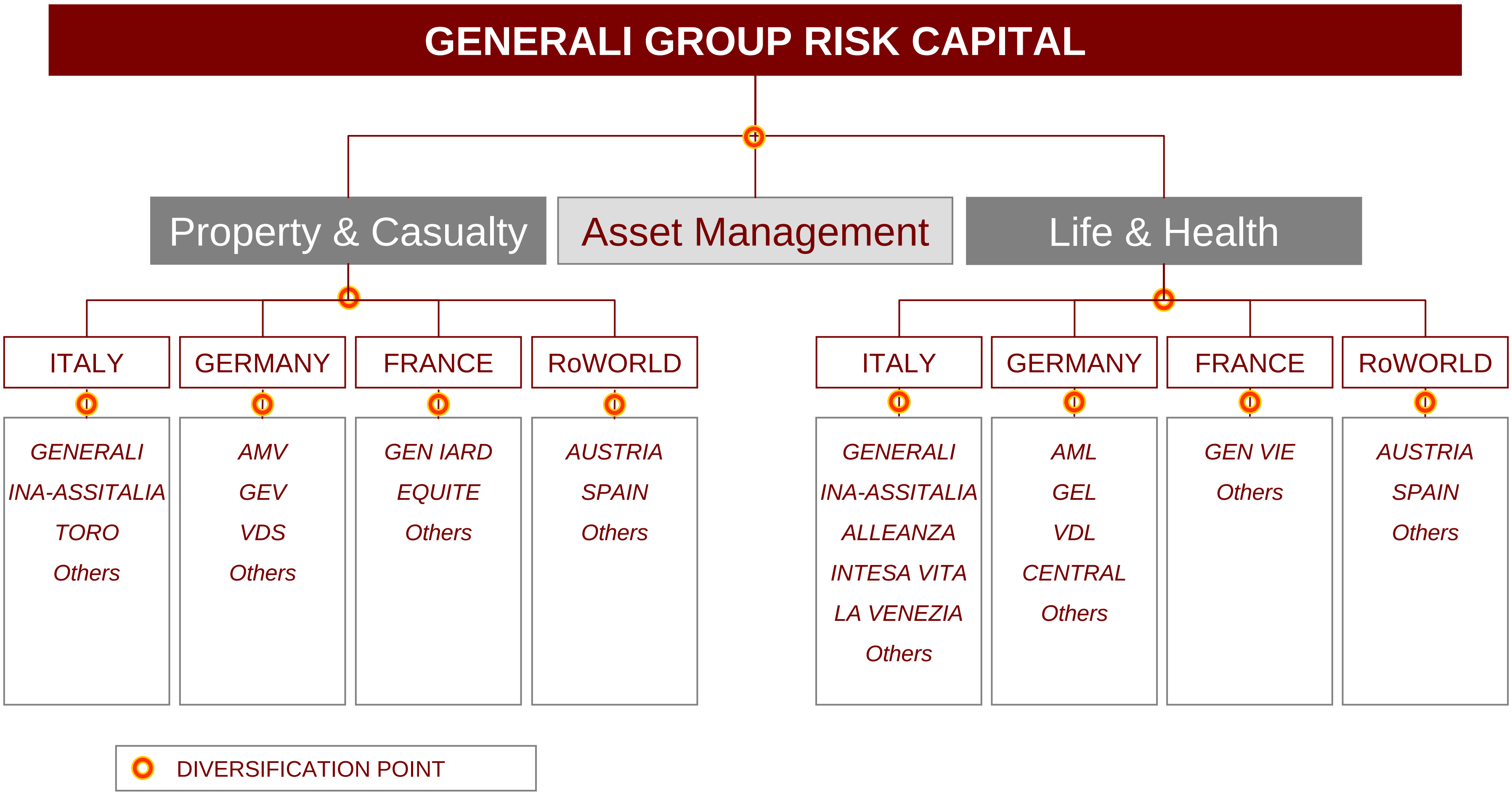


BU's RAC	▪ BU focuses on RAC at 99.5%, as a proxy of RAC at 99.95% after Group's diversification

(1) "Other AC held in the BU" reflects current local regulatory transferability constraints. On the other hand part of the "Other AC held in the BU" is considered as admissible coverage for the RAC, subject to internally defined limits.

(2) Solvency I and RAC are net of admitted coverage not included in Available Capital and/or included in "Other AC held in the BU".

Organizational structure and coverage of internal model



The bottom-up internal model covers approx 90% of our insurance activity

Risk Capital calculations

Basic run of full bottom-up model	▪ Annually	▪ By Business Units ▪ Subject to Corporate Centre technical control ▪ Subject to external review
Stability and sensitivity testing analysis	▪ Annually	▪ By Business Units ▪ Subject to Corporate Centre technical control ▪ Subject to external review
Updating procedure for interim reporting	▪ Interim reporting	▪ By Business Units and/or Corporate Centre ▪ Based on sensitivity testing analysis
Other runs	▪ ALM analysis ▪ Ad-hoc analysis	▪ By Business Units and/or Corporate Centre

Annual update of:

- methodology and models
- operating assumptions
- operating assumptions stresses
- dependency structure

Regular update of:

- Assets
- Liabilities
- Economic scenarios
- Economic stress calibrations

IT systems and Information flows

Business Units

- Economic scenarios: Barrie & Hibbert
- Merton's Credit Risk Model internal software
- Life: external proprietary actuarial software (ALS, Moses) and internal software
- Non Life: external proprietary actuarial software (IGLOO, ResQ)

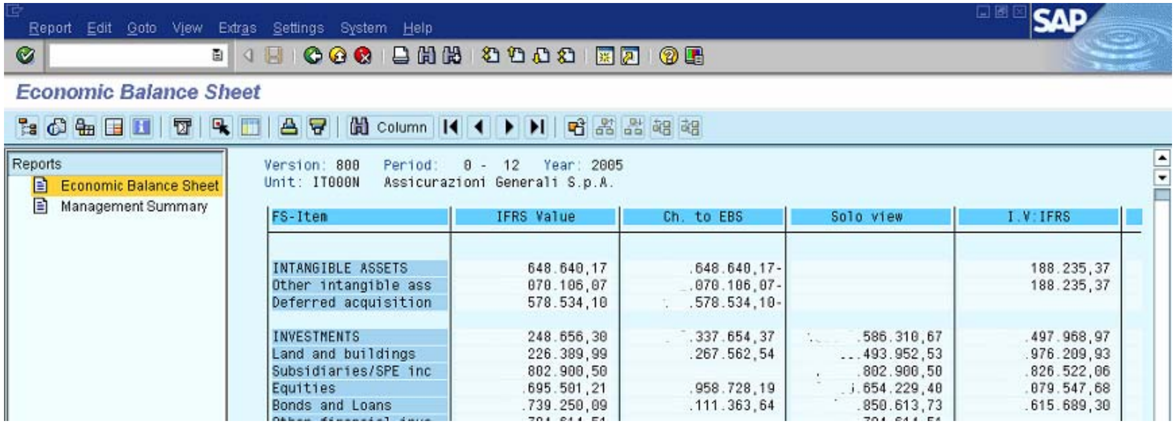
- Regular updates (Controlled by Head Office Technical Dept.s):
  - from external software producers
  - internal software maintenance service
- Regular high level checks from external reviewer

Information flow

SAP based information flows:

- Part of Information Flow for IFRS Consolidation and Controlling (IFICC)

- Dedicated area of Group Chart of Accounts
- Automatic preliminary validation checks



Group aggregation

- Internal software

- Subject to external review

GENERALI GROUP

IV. Economic Capital use

Overview of integrated risk, capital and value management

Operational impact of Economic Balance Sheet approach

Economic Balance Sheet is a value management tool

Group strategic management	▪ Provides a capital management framework to support strategic planning, capital allocation and performance evaluation
Operational management	▪ Provides a mark-to-market risk adjusted view of the risk return trade-off, consistent across geographies, businesses, assets and liabilities
Solvency & Accounting reporting	▪ Provides a platform for the implementation of future Solvency II and IFRS Phase II reporting requirements
Rating Agencies	▪ Provides an internal assessment of solvency and risk capital supporting the rating agencies view of capital adequacy and overall risk management
Risk governance	▪ Provides a common group-wide risk assessment platform to support a value orientated risk governance system

Strategic Use of Economic Balance Sheet

Strategic planning	▪ Group financial planning based on target RoEC by business unit and line of business. M&A opportunities evaluated by risk based approach to impact on solvency, financial returns and RoEC
Capital management	▪ Optimal balance sheet capital structure assessed by a risk based approach to capital requirements and solvency targets
Performance measurement	▪ Management performance based on RoEV, $RoEV_N$ and RoEC. Derived from KPIs: Life new business value, P&C combined ratio, actual investment return, normalised investment return
Variable remuneration	▪ Management incentivization and reward based on value creation metrics and share price performance

Operational Use of Economic Balance Sheet

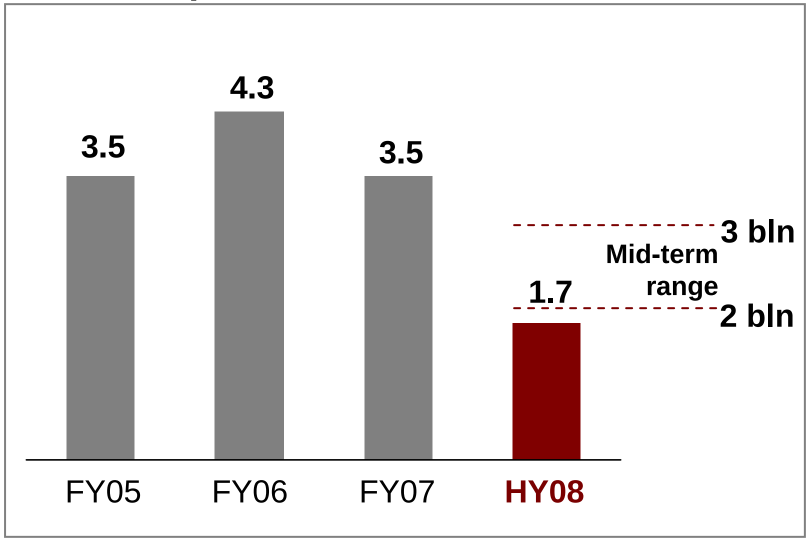
Operating limits	▪ Risk taking limits set with reference to risk tolerance and earnings volatility
Asset allocation	▪ Strategic Asset Allocation decisions on equity, credit, interest rate and concentration exposures based on risk vs return profile
Product development	▪ Risk based approach to pricing under development. Recent success in restructuring Life financial guarantees and variable annuity pricing
Reinsurance	▪ Optimal reinsurance structure and limits assessed by comparing market cost with technical result and value of economic capital relief

Using less capital

Earning a higher risk-adjusted return

Optimised capital structure

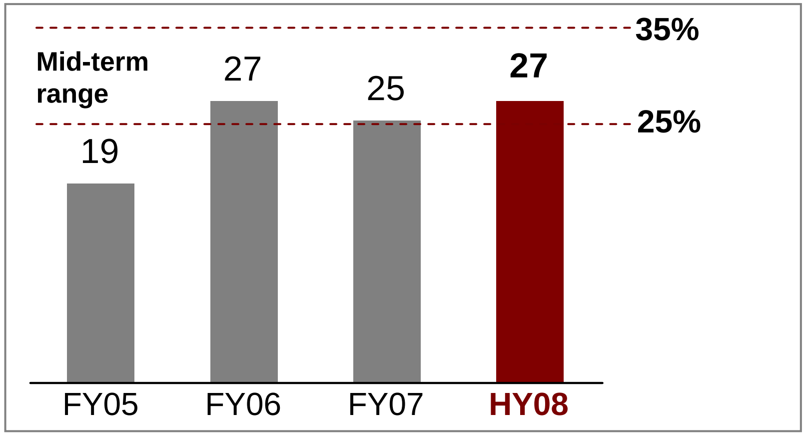
Excess Capital (Euro bn)



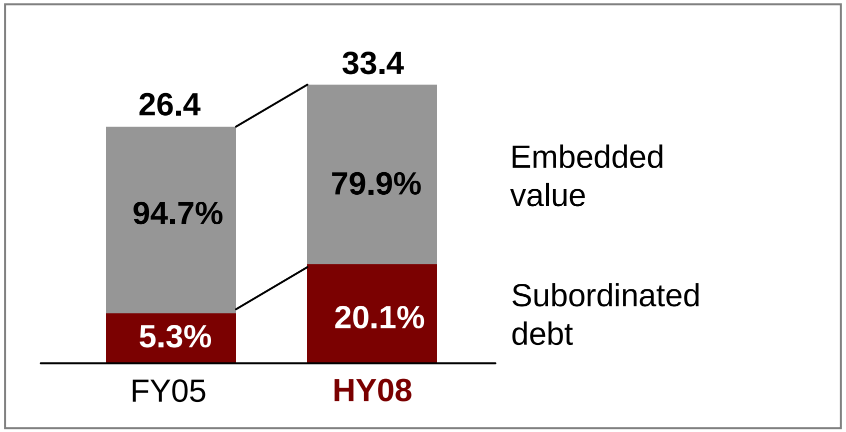
Initiatives 2006 – 2007

- M&A value accretive transactions
- Minorities buy-outs
- Hybrid debt issuance of Euro 4.8 bln
- Buy-back program for Euro 1.5 bln
- New capital management policy
- Leverage Ratio comfortably within the target mid – term range

Leverage ratio(1) (%)



Available capital (Euro bln)



(1) Leverage ratio is defined as:
[Total Financial Debt] / [Total Financial Debt + Embedded Value including Minorities]

Key Performance Indicators: RoEC and RoEV

Net of taxes and minorities (Euro mln)

	FY 2007 Returns	**HY 2008 Returns**	FY07 Earnings	HY08 Earnings
Property & Casualty	21.7%	22.6%	1,438	833
Life & Health	12.7%	12.1%	2,550	1,285
Asset Management (Third Party)	14.8%	10.9%	168	116
Corporate segment			-179	-103
Return on Economic Capital	**14.3%**	**13.8%**	**3,976**	**2,131**
Excess Capital	4.2%	4.7%	105	54
Senior Debt			-189	-105
Subordinated Debt	3.6%	3.7%	-237	-127
Normalised Return on Group EV	**14.8%**	**14.0%**	**3,655**	**1,953**
Investment and Tax variances	1.7%	-14.4%	421	-2,008
Total Return on Group Embedded Value	**16.5%**	**-0.4%**	**4,076**	**-55**
of which Life & Health RoEV	13.4%	n.a.	2,910	n.a.

Comments

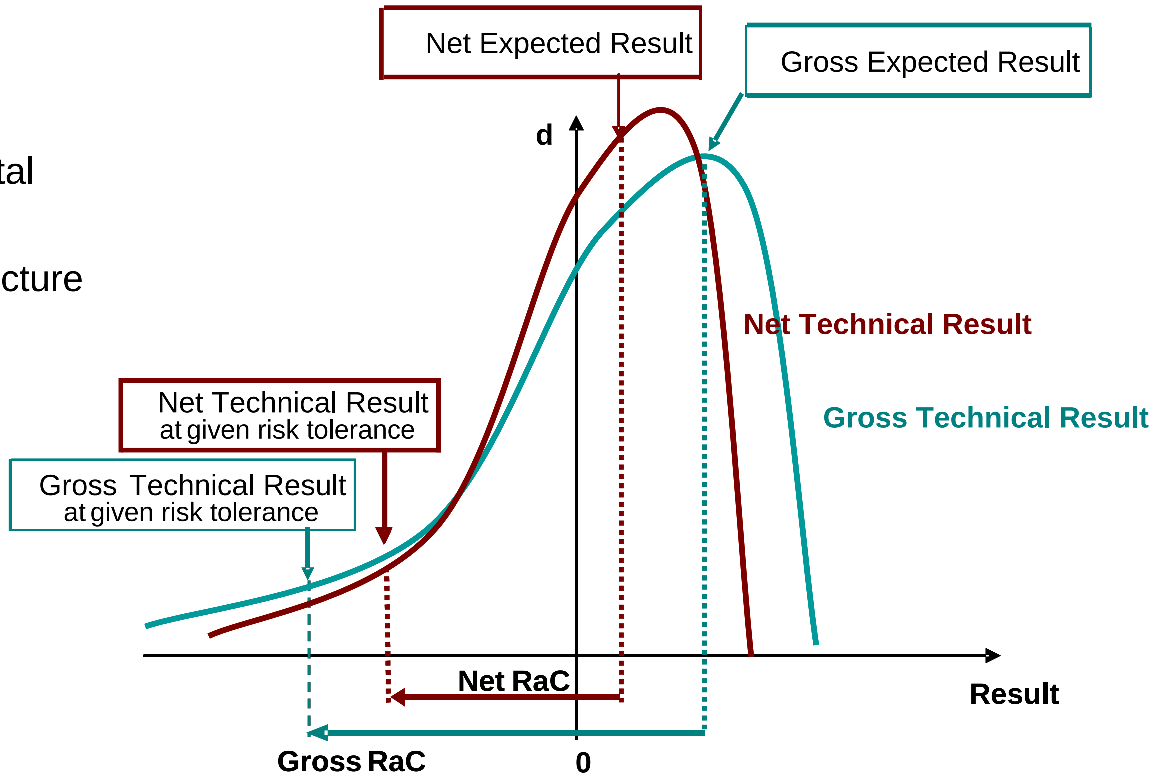
- From FY07 separate identification of corporate costs (corresponding to relevant IFRS Operating Result net of taxes and minorities)
- No changes in HY earnings methodology
- From YE08 Life and Health RoEC and MCEV disclosure will be enhanced following EBS implementation as far as measurement of Required Capital, related cost and non-financial risk are concerned

Reinsurance (1)

Reinsurance structure efficiency and strategy is evaluated on the basis of our internal models

Risk Capital Assessment
(RAC = Risk Capital):

- Gross of reinsurance capital requirement assessment
- Impact of reinsurance structure evaluation
- Diversification



- Attritional, large and catastrophe losses are modelled separately, based on loss experience and exposures, and then simulated throughout related loss probability distributions
- The optimal level of reinsurance protection is then selected according to the results of the simulation

Reinsurance (2)

Measuring the efficiency of reinsurance programmes

- Ceded Premium
+/- Commissions
+ Loss Recovery
- Financial Return Lost

= **Combined RI Result**
+/- Income Taxes
+ Capital Cost Saving

= **Value Creation / Destruction**

Financial Return Lost: Assets ceded to reinsurer x Risk Free Rate

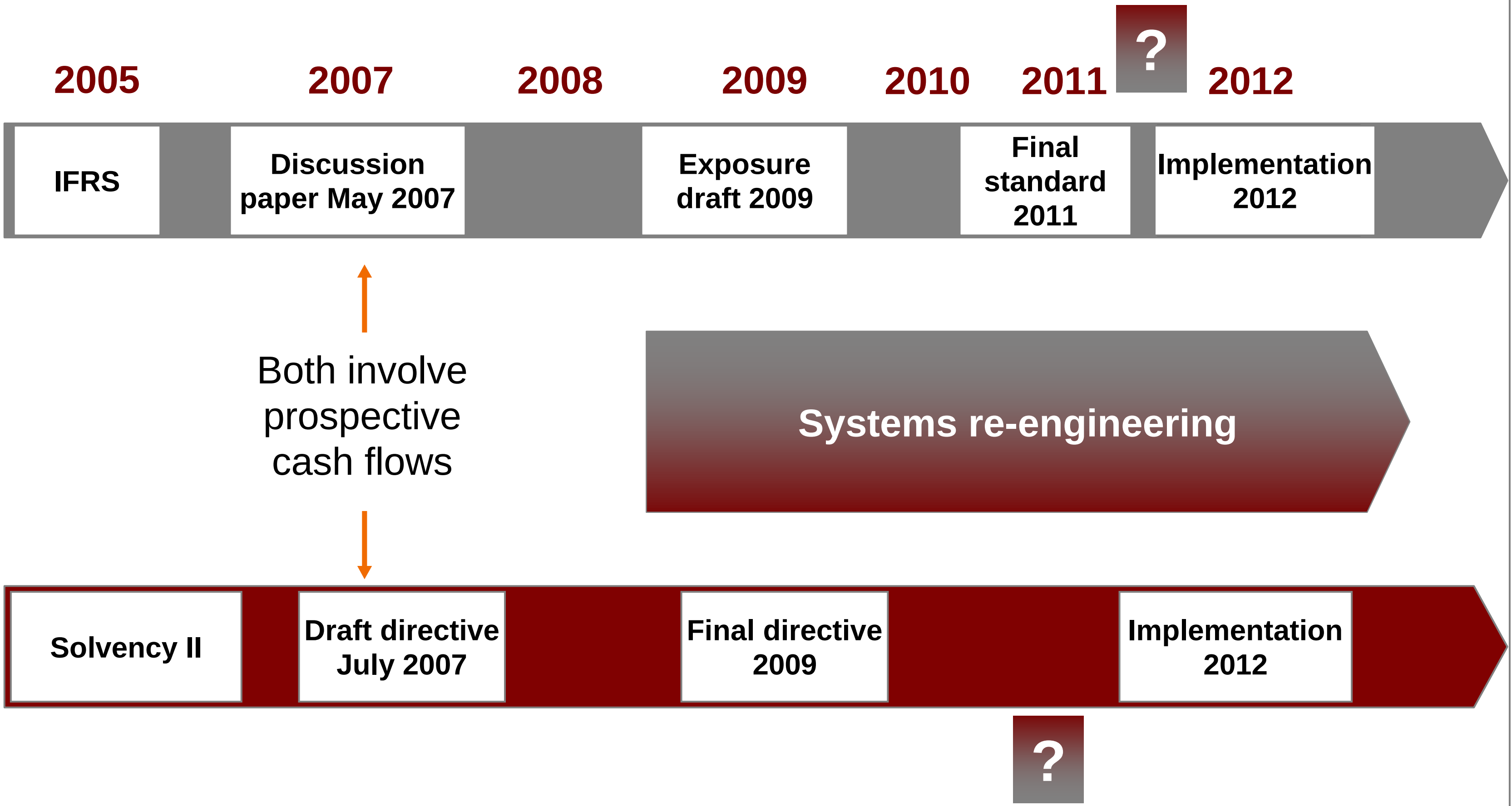
Capital Cost Saving: **Capital saved** (=Gross RaC - Net RaC) x **Spread** (=Cost of Capital – Risk Free rate)

V. Way ahead

Solvency II and IFRS Phase II, IFRS7

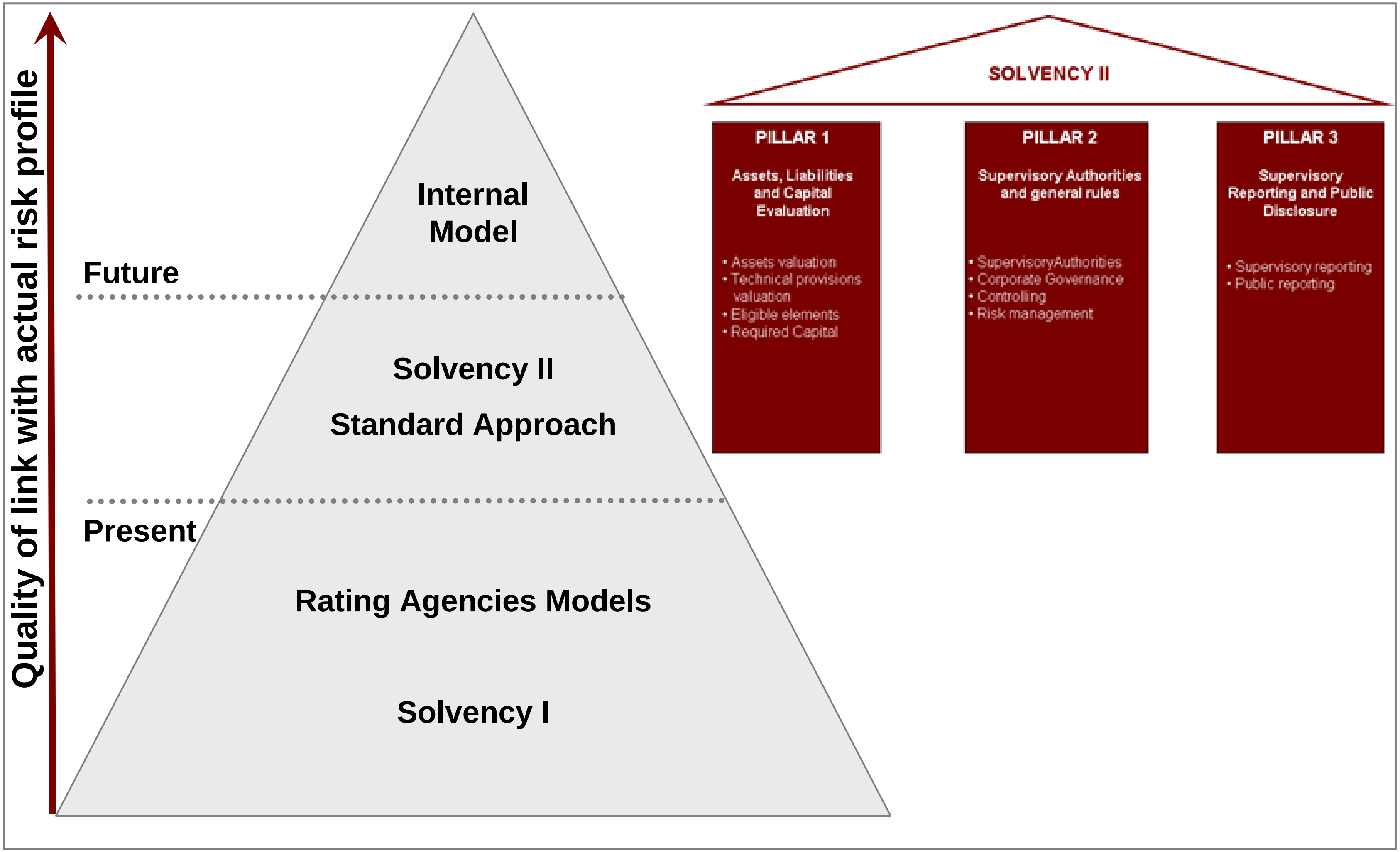
Management and compliance

Solvency II and IFRS Phase II



- IFRS7 implementation (2007) added further link between Accounting and Risk Management
- Risk Capital disclosure under IFRS7 is an option

Solvency II: present and future approaches



Conclusion

A sound capital position confirmed by bottom up internal model

Economic Balance Sheet implementation as a

key management tool to enhance Value Creation

We are ready to face future regulatory and market challenges

Backup

Risk Management and Internal Control Governance Structure

Additional EBS YE07 disclosure

Additional information on methodology

Risk Management and Internal Control Governance Structure

BOARD OF DIRECTORS

ensures that the risk management and internal control system identifies, evaluates and controls the major risks, both at Company and Group level. The BoD is also responsible for the definition of Company risk appetite.

Internal Audit Committee

Formed by non-executive independent Directors with investigative and advisory functions. This Committee is appointed internally to the BoD and it supports the BoD in the risk management and internal control functions.

Top Management (CEOs, CFO, General Managers):

Responsible for the maintenance and monitoring of the risk management and internal control system in compliance with BoD directives

Group Risk Committee (CEOs, CFO, General Managers, CRO, Head of Insurance Technical Area, Head of Reporting and Control, Head of M&A):

Supports the CEOs in defining Company and Group risk profile within the risk appetite; monitors the risk profile; supports the CEOs in defining corrective strategies

CRO (Chief Risk Officer):

Responsible for implementing the risk management system; monitors compliance with operating limits; proposes strategies to optimise allocation of capital

Risk Management and Internal Control Governance Structure

Cross Enterprise Risk Functions

Risk Owners	Direct responsibility for risk assumption, management and control. The Risk Owner supports the Top Management in defining policies, methods and tools for risk management and control
Risk Observers	Responsible for risk measurement and risk analysis; provide risk management recommendations. The Risk Observers do not directly take risk management decisions
Risk Takers	Originate risk for the Group, by trading with the markets. Risk Takers are required to operate within defined empowerment limits

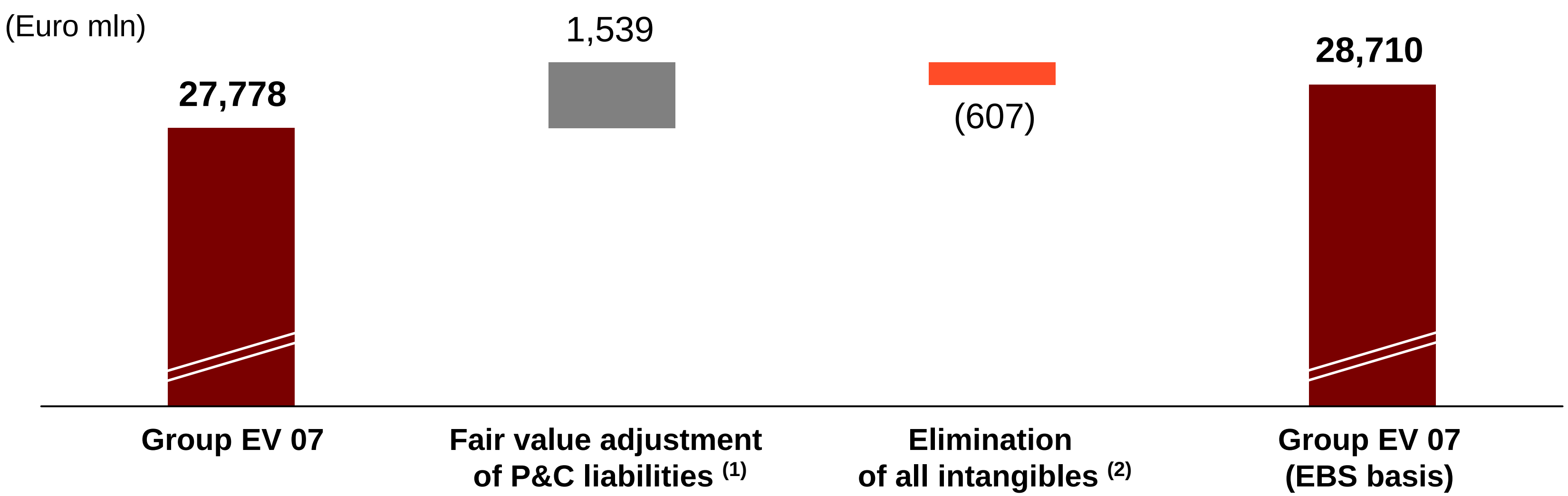
Independent Functions

Internal Audit	Responsible for the independent valuation of the effectiveness of the internal control system and its correct implementation considering the risk appetite
Independent Risk Control	Responsible for controlling the identification and evaluation of risk activities requested by ISVAP Regulation 20, article 21

From Group EV to Economic Balance Sheet Approach (YE07)

Enhanced Approach to Group Embedded Value

- Based on bottom-up implementation of Group Economic Balance Sheet
- Measurement of Assets and Liabilities at fair value
- Available Capital in line with Solvency II framework
- Rationale:
  - Fair value adjustments of liabilities would be recognized as hard capital under Solvency II
  - Group EBS is the basis for a consistent measurement of value and risk capital

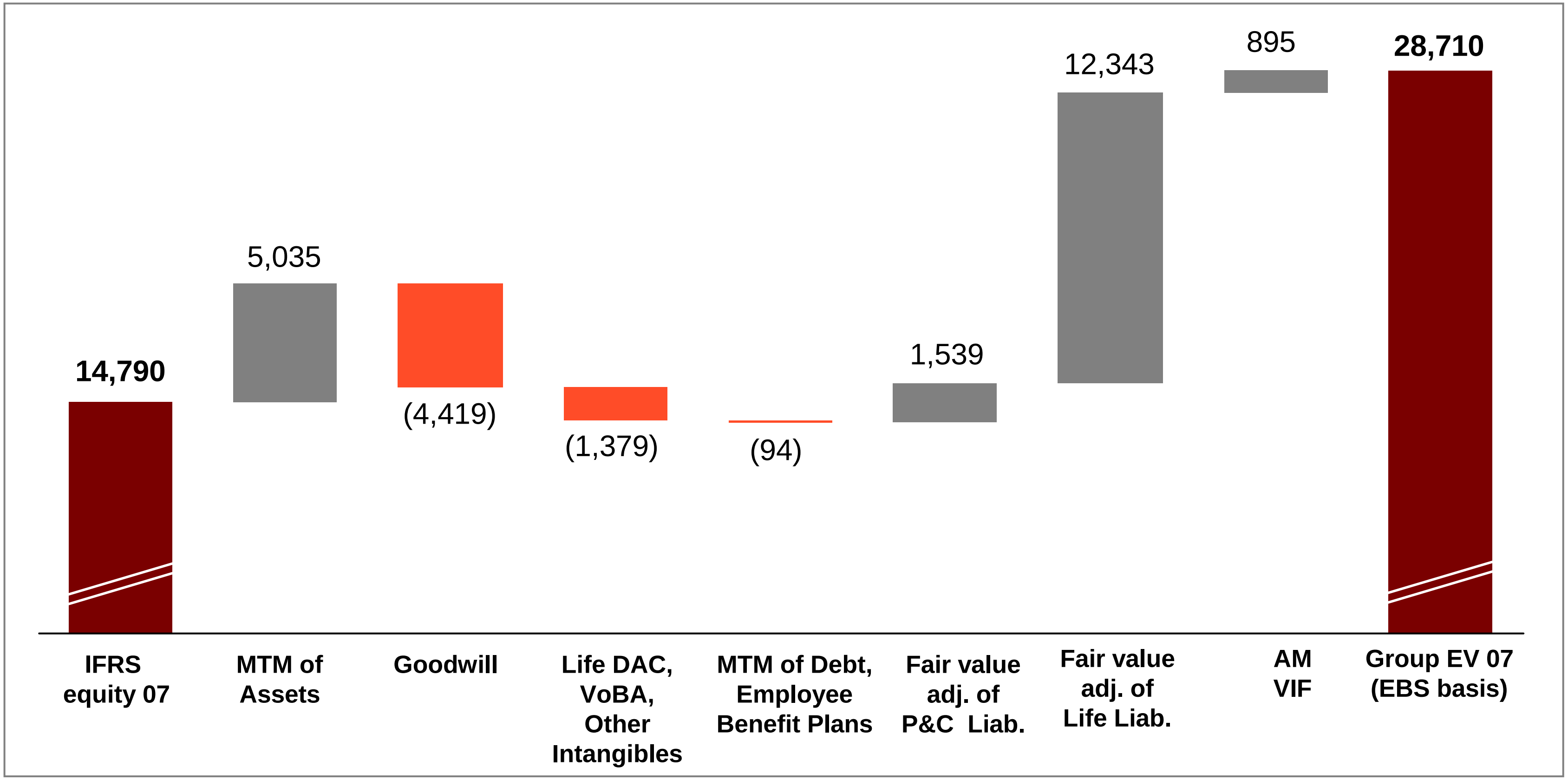


(1) Impact of discounting of best estimate claims liabilities net of Market Value Margin. It does not consider any future new business/renewals.

(2) Of which: -310 mln of software, -230 mln IFRS Non Life Value of Business Acquired

From IFRS Equity to Economic Balance Sheet: New Group EV components

YE 2007 (Euro mln)



- Enhanced disclosure of Group EV components (adjustments are net of taxes only)
- Fair value adj. of P&C Liabilities: discounting of best estimate claim liabilities, net of market value margin (it does not consider any future new business/renewals)
- Fair value adj. of Life Liabilities: Life Value In-Force (13.9 bln, already reduced by cost of required capital), net of double counting with IFRS equity / off balance sheet adjustments (-1.6 bln)

YE07 reconciliation of Life & Health MCEV with Group EV (EBS basis)

YE 2007

(Euro m)	Life & Health MCEV	Other	GROUP
IFRS equity	9.658	5.131	**14.790**
MTM of Assets	1.923	3.112	**5.035**
Goodwill	(191)	(4.228)	**(4.419)**
Life DAC, VoBA and other adjustments	(648)	(731)	**(1.379)**
MTM of Debt and Employee Benefit Plans	(45)	(49)	**(94)**
Fair Value adj. of P&C Liabilities	-	1.539	**1.539**
Unrealised Gains included in L&H VIF	(1.571)	-	**(1.571)**
Adjusted Net Asset Value	**9.126**	**4.774**	**13.901**
In-force value (Life & AuM)	13.915	895	**14.810**
Embedded Value (EBS basis)	**23.041**	**5.669**	**28.710**

EBS core assumptions

Operating assumptions	▪ Annual update according to latest available internal/market experience
	▪ Centralised data gathering and monitoring of Group's mortality experience
	▪ Life MCEV movement analysis
	  ▪ Backtesting via analysis of change
	  ▪ Monitoring via attribution analysis
	▪ Life MCEV sensitivities:
	  ▪ Stability analysis via sensitivity testing
	▪ Non Life BEL monitoring
	  ▪ Backtesting via analysis of change
		▪ By Business Units
		▪ Subject to Corporate Centre technical control of analysis of change
		▪ Subject to external review

Economic assumptions	▪ Regular update, e.g.:
	  ▪ interest rate with reference to current swap curves
	  ▪ equity, property and interest rates volatility and correlations derived from current available market instruments
	  ▪ credit assumptions with reference to publicly available spreads, transition matrices and recovery rates
		▪ Stochastic calculations based on risk neutral economic scenarios
		▪ Economic scenarios generated by Corporate Centre via external proprietary software
		▪ Economic scenario validation via martingale tests

EBS stress calibrations

Operating assumptions	▪ Annual validation check/update against possible new internal/market experience and/or external benchmarking ▪ Stability analysis via sensitivity testing ▪ Non Life pricing and reserving assumptions via goodness of fit tests on underlying distributions	▪ Standard group levels proposed by Corporate Centre, to be approved by the Group Risk Committee ▪ Challenge/review by Business Units to be approved by Corporate Centre ▪ Subject to external review
Economic assumptions	▪ Ad-hoc update mainly on historic data, e.g.: ▪ Equity Euro area: MSCI EMU total return, monthly dataset from 1995 ▪ Property: entity specific total return, annual dataset ▪ Interest rate Euro area: European Govt. Bond index, monthly dataset from 1995 ▪ Currency: monthly dataset from 1999 ▪ Credit: publicly available spreads, correlation and transition matrices, recovery rates ▪ Judgemental areas checked against external benchmarking	▪ By Corporate Centre ▪ To be approved by the Group Risk Committee ▪ Subject to external review
Dependencies	▪ Annual validation check/update against possible new internal/market experience and/or external benchmarking ▪ Impact of change in dependency assumptions is to be calculated ▪ Subsequent adjustment for non-linearity	▪ Standard group levels proposed by Corporate Centre, to be approved by the Group Risk Committee ▪ Challenge/review by Business Units to be approved by Corporate Centre ▪ Subject to external review

Credit Risk Model: structure

Correlation Matrix of Equity Indexes returns

Monte Carlo Simulation

N scenarios of correlated normal Indexes returns in t + 1y

Issuer R^2 (systematic and idiosyncratic risk)

N scenarios of issuer equities returns in t + 1y

Matrix of Transition Probabilities for all rating classes

N scenarios of rating in t + 1y for each position

Expected Recovery rates (for "issuer default" scenarios)

ASW spreads for each currency, sector and rating

N scenarios of market value in t + 1y for each position

N scenarios of portfolio's value in t + 1y, distribution of portfolio's outcome

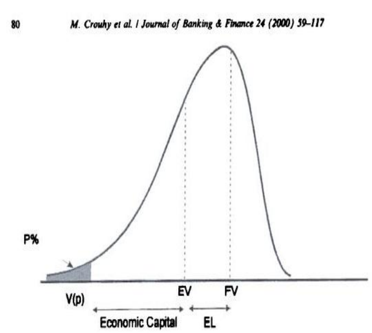


Fig. 10. Credit-VaR and calculation of economic capital.

Credit VaR, Risk Capital, iVaR, Shortfall, ….

Credit Risk Model: features

Model Output	▪ The model produces a stochastic distribution of portfolio value at time horizon (1 year for the EBS) through MC simulation of jointly rating migrations and defaults of portfolio's obligors. ▪ At each simulation an estimate of change in value for all position is produced, given credit spreads and recovery rates (in case of default), in order to obtain the new portfolio's value. ▪ Statistics are extracted from the simulated portfolio value distribution (Expected Value, Credit VaR at any confidence level, Shortfalls, …) Stress test can be performed (level of spreads, correlation, …)
Parameters & Assumptions	▪ Estimation of correlations between each combination of country and sector index returns using a two-years time series (from Morgan Stanley All Country Sector Indices) - transferred to each obligor via mapping scheme (Global Industry Classification Standard) ▪ Issuer's simulated returns are obtained through calculation of R-square with the related sector/country index returns and adding a white noise, to consider the idiosyncratic risk. ▪ Transitions and defaults probabilities from Moody's Transition Matrices for Sovereign, Corporate and Structured Finance debt ▪ Expected Recovery Rates from Moody's ▪ Spread data for GICS sectors (and different maturities) from some Bond Indexes.

Market Value Margin: cost of capital methodology

Rationale

- In the worst case scenario a third party takes over the portfolio into run-off
- The third party needs to hold Risk Capital for non-hedgeable risks during the run-off period
- MVM compensates for the cost of holding this capital
- Full diversification benefit within all non-hedgeable risk types is considered
- No compensation for hedgeable risk is assumed

Calculation

Run-off period	Risk Capital		Cost of Capital		Capital Charge		Discount factor
1	RC_1_{NHNF}	*	CoC %	=	Charge_1	*	Discount_1
2	RC_2_{NHNF}	*	CoC %	=	Charge_2	*	Discount_2
3	RC_3_{NHNF}	*	CoC %	=	Charge_3	*	Discount_3
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
n	RC_n_{NHNF}	*	CoC %	=	Charge_n	*	Discount_n

Risk Capital

non-hedgeable non-financial risks

Risk premium

non-hedgeable non-financial risks

MVM

=

Sum of discounted (risk free) capital charges over the run-off period of the portfolio

Disclaimer

Certain of the statements contained herein are statements of future expectations and other forward-looking statements.

These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties.

The user of such information should recognise that actual results, performance or events may differ materially from such expectations because they relate to future events and circumstances which are beyond our control including, among other things, general economic and sector conditions.

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Generali Group

Economic

Balance Sheet presentation

Milan, September 16th, 2008