

Speech by Chairman
Antoine Bernheim

Ladies and gentlemen,

Today, I am chairing the Company's General Meeting for the last time. I apologise for speaking in French, but not having prepared a speech, it's easier for me to speak in French than Italian.

It's a rather emotional experience for me to attend my last General Meeting of Assicurazioni Generali. As you know, I have worked for Generali since 1973, and I will now tell you the story of my time with the Company.

When I joined the Company I was senior partner of Lazard Bank, which had good relations with Mediobanca, and I also became a friend of Enrico Cuccia. He was then the Chairman of Mediobanca, and was older than I am today. Now, at the age of 85, apparently I'm considered to be a doddering old fool, yet Enrico Cuccia was then 93 or 94, and still the head of Mediobanca.

Mediobanca was then the crossroads of Italian financial life, and dictated law in its shareholder banks; this was an incredible situation, entirely due to Enrico Cuccia's strong personality.

I do not expect to be reappointed to Generali's Board of Directors. However, I believe I have done a good job. During my life I have learned that when you do something well, you're always punished for it, and this is just one more proof of my theory: my age is certainly a pretext. I'm sure I have enemies, but I also have friends: I know my friends very well, but I prefer not to know my enemies.

I have spent 37 years with Generali. When I joined the Company, it had two main shareholders: Mediobanca and Montedison. Enrico Cuccia asked Lazard Bank to acquire Montedison's stake in Generali, so that the Lazard Group would become a shareholder in Generali on a par with Mediobanca. This is how I came to be appointed a Director of the Company.

I then held the position of Vice-Chairman of the Company for many years, until 1995, when I was asked to accept the position of Executive Chairman. This caused me quite a few problems, because I was a senior partner in the Lazard Group.

The truth is that the Company's major shareholders had realised that Generali was only making profits by selling off its real estate, not through its core business, namely insurance.

The profits were generated by selling off Generali's magnificent real estate portfolio. During my trips to Europe as Chairman of Generali, in Brussels, Genoa and elsewhere, I saw the wonderful buildings which used to be included in the Company's real estate portfolio. The local staff told me that those buildings once belonged to Generali, but had been sold to balance the books.

During meetings of the Board of Directors I realised that three-quarters of the time was spent on discussing real estate operations.

Real estate is certainly very important to an insurance company, because it represents security for the technical reserves.

I later became Executive Chairman of the Company and I am touched to see that many of my staff here today. They include the two Managing Directors. One of them is Giovanni Perissinotto, who was considered by Gianfranco Guty, the Managing Director at the time, as his assistant. I don't know how Sergio Balbinot, the other Managing Director here today, was regarded then.

During those four years I enabled Giovanni Perissinotto to move out of his subordinate role and become Managing Director.

At the time, such career moves were very unusual, because you had to be elderly to achieve professional growth. Promotions were then dictated by age. Nowadays, however, demotions are also possible, and I'm a good example of that.

Sergio Balbinot is a wonderful person. He has just one defect: he is so good and kind that he believes the rest of the human race is equally kind. As you know, he speaks numerous languages, and it's an excellent thing to have someone with those skills in the Company.

Some major acquisitions were made during my chairmanship: a very important acquisition was performed in China, where we have become the second-largest foreign company in the life sector.

I suspect that Sergio Balbinot is learning Chinese; he won't admit it, but I know he holds a lot of conferences in China, at some very important venues.

After becoming Managing Directors, Sergio Balbinot and Giovanni Perissinotto did some excellent work together. Together, we decided to relaunch the insurance business, and under our leadership this sector became profitable again, which was no easy task.

We then began to consider external growth operations, with a view to restoring the Company's worldwide prestige.

Next, I'm going to tell you a curious anecdote about the Company's history.

Generali was founded in Trieste by local families that you all know. The Company soon earned an excellent reputation, although it remained quite small for a long time.

When I joined Generali, I had no need to ask for data relating to the Fifties and Sixties because I already knew the figures, having been a member of the Board of Directors of Concorde, a French subsidiary of Generali, then headed by André Rosa, a very important and significant personality who many of you have met.

The consolidated turnover of Generali at worldwide level was not very high then, and the technical reserves were barely sufficient.

During my four-year chairmanship, my colleagues and I doubled the Company's worldwide consolidated turnover and quadrupled its stock market capitalisation.

Next, we turned our attention to external growth operations.

The first, entirely arranged with the highly respected Argentinian Werthein family, involved taking over an Argentinian insurance company that had been nationalised and then reprivatised. It is now the leading company on the Argentinian market, where Generali is very strong.

Another very interesting area, where we held a good position, was Brazil, although my predecessors did not agree with me.

Many other operations were also conducted, including one in the Middle East. We were minority shareholders in a very important Israeli insurance company, Migdal. One day I was visited by the Chairman of the Leumi Bank, the majority shareholder of that insurance company, who informed me that as a result of new legislation which was about to come into force, he was prohibited from owning a shareholding in the insurance industry.

I persuaded my friends to buy this holding, certain that peace would soon reign in the Middle East in view of the peace negotiations then under way between Rabin and Arafat. Migdal subsequently expanded greatly in Israel, Palestine and other Middle Eastern countries.

The Company's total premium income in 1999 amounted to € 38 billion, and its technical reserves to € 139 billion. At the time, the management team was appointed annually.

In 1999, it was decided that my appointment should not be renewed. This amounted to an abuse of power, because I represented Mediobanca and held an important position both at Generali and at Lazard.

However, I had already spent a lot of time in Italy, and Lazard had no objection to my returning to their Group, because they felt that I spent too much time in Italy.

In any event my chairmanship of Generali was not renewed, and even then, my age came into play. But the real reason why I was not reappointed, as I discovered later, is a very odd story. The General Manager of Mediobanca at the time was Gerardo Braggiotti, a valuable Mediobanca employee, who unfortunately had a difficult relationship with the then Managing Director, Vincenzo Maranghi. Vincenzo Maranghi, whose memory I honour, was a very fair person, but was hard to get along with, as is often the case with eminent personalities, one exception being Sergio Balbinot, who is both eminent and angelic.

At the time I am talking about, Enrico Cuccia considered Vincenzo Maranghi as his heir apparent. He therefore decided to dismiss Gerardo Braggiotti, who found himself looking for a job. He received offers from Rothschild and Paribas in France, and I got the idea of hiring him to work for Lazard. And so it was to be.

However, Vincenzo Maranghi had a rather complex personality, and believed that I had entered into a secret agreement with Gerardo Braggiotti to lure away all Mediobanca's customers to Lazard.

Such an idea had never even crossed my mind.

Not long afterwards, Enrico Cuccia and Vincenzo Maranghi came to see me while I was on holiday in the mountains, in order to apologise. I eventually accepted their apologies, though reluctantly, as I had already been humiliated once. However, one gets used to such humiliations, so I didn't make too much fuss this time.

So my appointment wasn't renewed then; however, I was informed later that they would get me reappointed as soon as the opportunity arose. Some odd things happen in life, because not long afterwards there was a change in Lazard's share ownership, with the arrival of someone who was perhaps very talented, but who I did not get on very well with

I did not hold an important post for about three months, and as a friend remarked, my telephone didn't ring very often.

Lazard then decided to sell its holding in Generali, and it was I who persuaded Lazard to sell this holding to Mediobanca, which was very pleased.

I don't know if I did the right thing, but that's what I did. Later, in order to return to the Board of Directors, Enrico Cuccia told me I would have to buy Mediobanca shares.

My loyal friend Vincent Bolloré came to my assistance, because I didn't have sufficient funds to perform the operation.

Vincent Bolloré thus became a Mediobanca shareholder.

To begin with, Vincenzo Maranghi said he was delighted, but he later began to think that although he had consolidated the bank's share ownership position, he might be criticised for selling Mediobanca to the French. He was therefore not so pleased.

As far as I am concerned, my chairmanship of Generali was renewed partly due to the strong support and friendship of Vincent Bolloré, to whom I shall always be grateful. And you all know what I think about gratitude.

So that's how I became Chairman of Assicurazioni Generali once again.

Some time later, a banking syndicate was organised to make a hostile bid for Generali. This operation was discovered thanks to Giovanni Perissinotto who, when studying the market, noticed that some strange transactions were afoot. Generali was buying Unicredito shares to defend itself, and Unicredito was doing exactly the same. This made it clear that the syndicate had been set up to take control of Generali and force Vincenzo Maranghi out of office, and me too.

Two banks acted differently from the others; two bankers, in particular, and I'd like to mention one of them: Rainer Masera, then the Chairman of San Paolo IMI. He refused to join the syndicate; while Cesare Geronzi, your future chairman, tried to calm things down and suggested they should wait and evaluate the management's actions before taking any decision.

The management consequently decided to draw up an exceptionally ambitious business plan, and Cesare Geronzi was told that if the targets of the plan were met, it would be impossible to change the management team.

The targets of the business plan were not only met, but easily surpassed.

My chairmanship was therefore renewed for another year, and some particularly significant growth operations began to be performed.

In the meantime the Company's Articles of Association were amended, and my term of office was increased to three years.

After a rather serious period of crisis like the present one, I realise that opportunities for growth are few and far between; however, one of them is definitely Asia, with very strong potential growth, while another, perhaps to a lesser extent, is Brazil.

In Asia, in particular, we have gained an extremely good position in China, which we are continuing to develop.

I believe that it may be difficult for the future directors of Generali to find out whether the Chinese will allow foreign companies operating in their country to grow larger. In any event, the Chinese are not likely to make a decision in the short term.

A joint venture was also entered into with a retail distribution chain in India, and that agreement is beginning to work quite well.

Sergio Balbinot also managed to obtain a licence to operate in Vietnam, and that venture has got off to a good start.

A merger was then negotiated with Czech insurance company Ceska, with a view to regaining the market position held by Generali in Central Europe before the Second World War.

At that time, Assicurazioni Generali held a dominant position in Eastern Europe, which it lost at the end of the war. It is always difficult to operate in the countries formerly occupied by Communist regimes, because their economic situation is still rather fragile, and it is hard to envisage possibilities for growth in countries like Romania, Bulgaria or even Hungary.

However, we should not be discouraged, and I am sure that Generali will succeed in its aims. When the operation was negotiated with Ceska, contacts also began with the oligarch Oleg Deripaska, the leading Russian insurer. At the start of those negotiations Mr. Deripaska, a very wealthy man, was in a rather critical economic situation, but was slowly rebuilding his fortune.

The richer Mr. Deripaska grew, the more difficult the negotiations became, and so far, they have come to nothing. I believe it is in Generali's interests to be present in Russia. I will no longer be at the helm, but even if I were, I would not have gone there myself.

In Russia, for example, there is no such thing as life insurance, which is a particularly useful system for the human race, because while Generali certainly sells insurance policies as such, many private individuals invest their savings in insurance companies rather than some banks. It is therefore advisable to persevere and try to regain this business in order to promote external growth.

I see that Wilhelm Winterstein is here today. I should mention, with reference to the successful operations we have conducted, that Generali is the second-largest company on the German market.

All this was made possible by the takeover bid for AGF (Assurances Générales de France); however, the operation was rejected for reasons that are still unclear (I had discussed it with the French Minister,

Dominique Strauss-Kahn, but did not inform him in advance). I warned Mr. Strauss-Kahn that, if the operation were not concluded by the Generali Group, the Germans from Allianz would soon be along, and that's what happened.

Other agreements were subsequently made with Allianz. Negotiations were later conducted which led to the sale of three or four insurance companies, the AMB Group.

We then continued with the merger operations and reconstitution of the company, and Generali thus acquired second position on the German market.

I know that Wilhelm Winterstein is no longer on the Board of Directors of the German company. These things happen, and they will also happen to others in future.

As regards the results obtained, the consolidated worldwide turnover of the Generali Group currently amounts to € 70 billion, and the technical reserves to €320 billion.

When I joined the Company some 40 years ago, its consolidated worldwide turnover was € 1 billion, and the technical reserves € 2 or 3 billion. These results confirm that we have done a good job.

I am sometimes criticised today for talking about a rights issue for the Company. There has been a very serious crisis, followed by a major financial crisis. Economic crises are cyclical, and cannot be avoided; in this case there was also a financial crisis, caused by the unprofessionalism or incompetence of young bankers who invented structured products, and then securitisation.

As a result of this conduct, various toxic securities were placed on the market, and have jeopardised the economy of the whole world. However, Generali, in its wisdom, under the leadership of the doddering old fool talking to you now, has never bought any shares of that kind.

Giovanni Perissinotto and Raffaele Agrusti can also take some of the credit for this operation. As you will recall, at the General Meeting two years ago I was attacked by shareholder Davide Serra, who criticised the Company for not having sufficiently dynamic financial management.

I must emphasise that Generali has not invested in subprime securities, and has not caught the disease they spread.

The problem is that insurance companies have a particularly important asset, represented by their technical reserves, which serve to pay both claims and pensions.

Wisely, the Generali Group invested the majority of these technical reserves in Treasury Bonds. However, interest rates are very low at present, and consequently, Treasury Bonds pay nothing at all.

Out of a total of € 300 billion of technical reserves, only 7% is invested in shares, which have fallen by 50% as a result of the crisis.

Moreover, the IFRS force us to enter in the accounts losses which have not actually occurred, because securities have to be entered at the daily price listings, and we have not sold any yet; however that may be, we have had to charge these losses partly to the Profit and Loss Account, and to a larger extent to net equity.

The net equity has been particularly affected by the crisis, although the situation is now improving. Two eventualities are possible: one favourable and one unfavourable. Firstly, there are the Solvency II rules, which oblige us to increase the net equity although the situation has not completely stabilised. These new regulations are not immediately applicable.

Generali must also continue to plan its growth operations, because a company that doesn't develop has one foot in the grave. However we don't have the room for manoeuvre to do it, although we could have done.

I'd like to give you an example that pre-dates the recession. With my great friend Tarak Ben Ammar we could have arranged for Libyan capital to enter the Company, by means of a reserved rights issue. The shares were then worth € 20 each, and we had reached an agreement to sell them at € 25 each. However, a shareholder whose name I'd rather not disclose objected; he proposed € 29 per share, with the result that the Libyan deal fell through.

However, despite the serious crisis on the market, there's a great deal of liquidity in circulation.

I must say that during my chairmanship of Generali I've always thought of it as an Italian company; although I'm French, as you know I've always

defended the Company's Italian identity, which contributes to the prestige of Italy in Europe and the world.

I've always said that the Company's interests are greater than those of any shareholder, however deserving.

In any event, the rights issue did not take place. JPMorgan informed me that it had planned the financing operation in such a way as to enable the Prudential to buy back some of AIG's Asian businesses. I was told that they had raised \$ 30 billion without any great difficulty, in view of the liquidity on the market.

I had planned these operations, especially for Asia and Brazil. Brazil certainly represents a major growth area, because it has benefited from an outstanding Chairman in recent years. At present, there's no further contact, so the situation has reached a stalemate.

I'm firmly convinced that it's necessary to consider the Company's growth by means of this kind of operation.

I must also emphasise the importance of another subject that relates to our countries: pensions.

I used to go to the conferences organised by Studio Ambrosetti at Villa d'Este, and two years ago, two American scientists, one of them a Nobel prize winner, said that the children born today will live for a hundred years. I immediately wondered who's going to pay all these people's pensions.

The solution is certainly not a reform which just adds on a year or two of additional contributions.

I'm not suggesting that pension age should be increased to the age of 85, but to 75 at least. Insurance companies have an important role to play to make up for the deficiencies of the state pension system in Italy, France and other countries.

I should now like to say goodbye to all Generali's staff. The other day I had a meeting with all the Senior Executives in Trieste, and some of them asked me what their future will be when my term as Chairman ends.

I see that Vincenzo Cirasola, Chairman of the Generali Agents' Association, is here today.

The Generali agents' network is the best in the world, with some exceptionally professional agents. The present situation will be particularly difficult for them too, because there are other distribution procedures for insurance products today, including the Internet.

I have greatly appreciated the input of the Generali agents, who are present even at times of difficulty, and always ready to support me.

I should now like to recall an Italian operation that I omitted to mention earlier, namely the merger between Toro and Alleanza. This all-Italian operation, which was very difficult to implement, has proved extremely promising.

At the end of the operation the Alleanza network will sell Non-life products, and the Toro network will sell Life products. It is a very significant growth operation, which was performed in Italy.

I should now like to say goodbye to all the staff of the Company, and also the members of the European Works Committee (CAE). For the last four months the press has been reporting nothing but my age, but I've also had the pleasure of achieving some very satisfying results.

The CAE represents some 90,000 people, and they have voted to support the Company's top management. I have never seen a union defend the management before in my life, and I'm sorry that this episode hasn't been reported by the press. However I should emphasise that the results achieved through the CAE are extremely good. I have had the pleasure of meeting their representative, Alberto Correnti, have attended every single meeting of the CAE, and have always had their support, as demonstrated by the many letters I receive.

I would now like to say goodbye to all my staff and thank all of you for your kind applause, although I'm no film star. It has been suggested that I might be appointed Honorary Chairman of the Group. I don't know exactly what the honorary chairmanship entails; however, it includes the word chairman, which means that if something goes wrong, I'll be held responsible.

However, after 40 years, I won't be a member of the Board of Directors. What's worse, the Board of Directors will also lose Claude Tendil, Chairman of Generali France, and the best professional to be found on the insurance market.

In France, Mr. Tendil has helped to transform a very disorganised conglomerate of about 40 companies into a single company, the second-largest insurance company on the French market, which has overtaken AGF and is positioned immediately after Axa.

In view of these results, I cannot understand why the people with the best skills in the Company's core business have not been reappointed to the Board of Directors.

I honestly have no idea of the precise functions of an honorary chairman; however, after working for the Company for forty years, I'd like to retain a link with it, so if the position of Honorary Chairman were offered to me, I'd probably accept.

I'd like to add that if anyone should need me, I'm at their disposal. I'm ready to help my friends, such as Messrs. Perissinotto, Balbinot, Agrusti and others. All I ask is that they continue to work successfully.

I'd also like to say goodbye to the Statutory Auditors and the Chairman of their Board, Eugenio Colucci; I had an hour-long meeting with him yesterday, and he's a very dynamic person. I'm well aware that the job of the Statutory Auditors is a very difficult one.

At this point I'd also like to mention the departure from the Board of Directors of former ambassador Loïc Hennekinne, who has worked on various committees, including the Internal Control Committee, which entails enormous responsibility.

These are aspects I know very well, because I was a banker for a long time. I'm often remembered nowadays more as a banker than as an insurer, although there are numerous links between banks and insurance companies.

During my career I've also been a member of the Internal Control Committee of LVMH, and helped to promote the career of Bernard Arnault.

I consequently know the difficulties facing the members of the Internal Control Committee.

I hope that Generali will continue to have a brilliant future. I don't know whether we'll meet again, but I'd like to say that I've always done my best to help all my staff and colleagues.

As you see, my speech has been fairly low-key. I'm obviously rather bitter, but I haven't dwelt on it; I believe in keeping the peace with friend and foe alike.

Anyway, I'm very sad to be leaving the Company in which I've spent 40 years of my life. I hope that even without me, the Company will continue to develop magnificently, and that everything that exists today will continue.

The task of a Chairman, or at least the work I've done, is very difficult. I spent a lot of time on planes, and travelling to various European countries. I don't know if it was useful, but that's what I did, and as I said, I attended all the CAE meetings.

In my case it was a full-time job, and I hope that my successor will have the same skills and enthusiasm: I wish him every success, as I do to all the directors appointed.

I have decided to resign from the Board of Santander, where I represented Generali. Banco Santander is the best bank in the world. Their Chairman is a genius, who has always taken the best decisions. His daughter is here today; she has always defended me at Board meetings, and in 20 or 30 years' time, if I'm still here and her succession to the chairmanship of Santander is being discussed, I'll support Ana Patricia Botín, because I'd like Emilio Botín to be succeeded by his daughter.

She's a wonderful woman, and I'm talking about her today because a curious thing happened during my first chairmanship of Generali. The Chairman of Banco Central Hispano, José María Amusategui De la Cierva, entered into bancassurance agreements with Generali.

During a meeting he told me that he envisaged a merger between Banco Central Hispano and Banco Santander, but I told him that mergers between equals were non-existent. In fact, a few months later, Emilio Botín had become the Chairman and CEO of the new bank.

However, for reasons I am unaware of, Ana Patricia later left the bank, having set up a fund. She and I have both worked hard, with the result that she was able to return to Banco Santander, whereas I've been forced out of Generali.

So that's what's happened, and on that note, I'll take my leave of you all.