

# IFRS implementation in the Generali Group

## Approach and key figures



London, 4<sup>th</sup> October 2005

- **Generali Group IFICC\* Project**
- **Reconciliation of IAS/IFRS vs local GAAP figures 2004**
- **Transition to IAS/IFRS: major impacts on core areas**
- **Future developments**

\* Information Flows for IAS Consolidation and Controlling

- **Generali Group IFICC Project**
- Reconciliation of IAS/IFRS vs local GAAP figures 2004
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*IFICC Project*

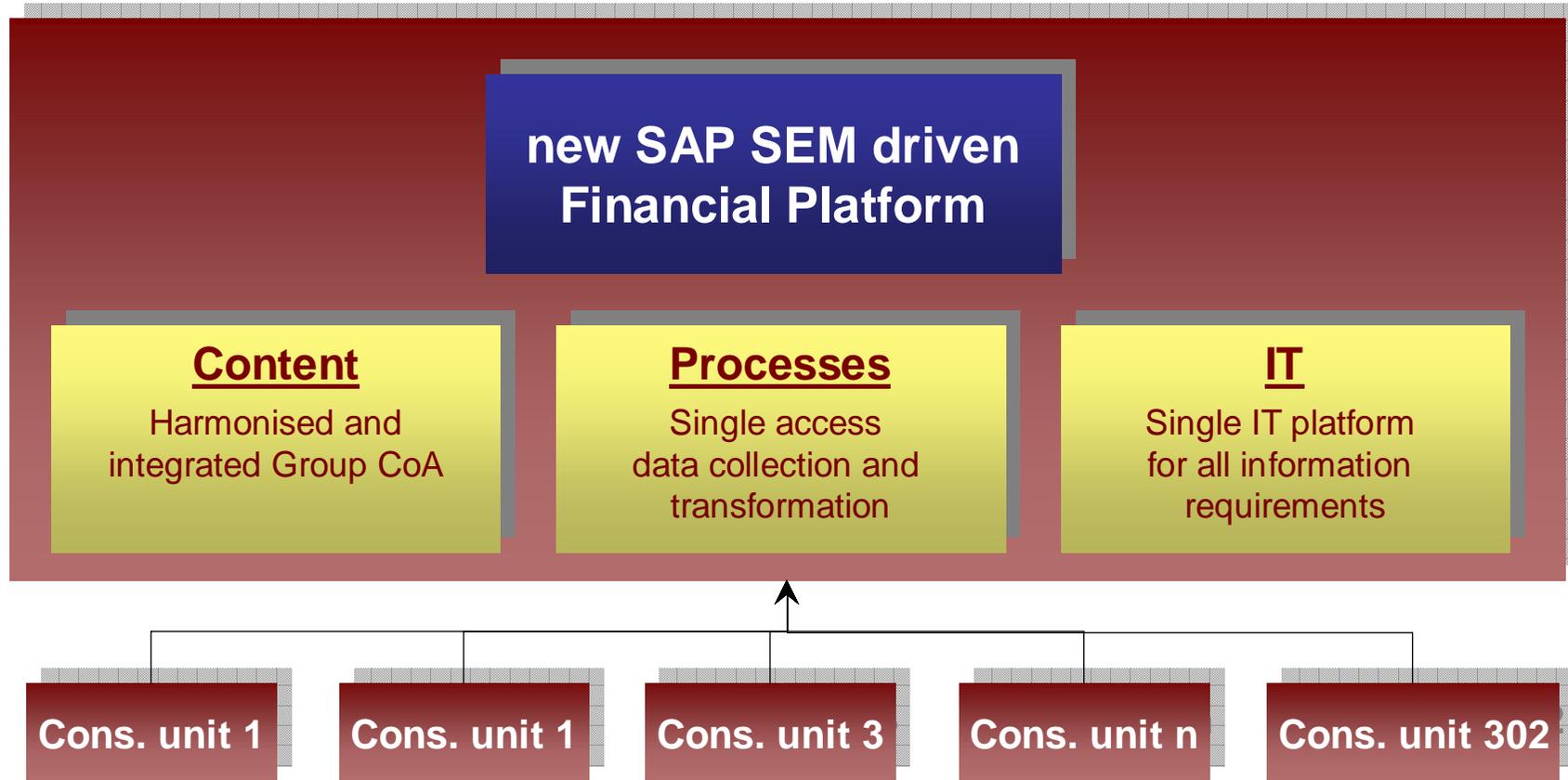
**Information Flows for IAS Consolidation and Controlling**

*„Building a common financial accounting and controlling platform to provide the necessary audited IAS figures to all internal and external stakeholders of Generali Group with fast, stable and quality focused processes and IT systems.“*

*Management Reporting*

*Group Consolidation*

*Group Controlling*



June 30, 2005



Integration of consolidation and controlling is driven by business targets:

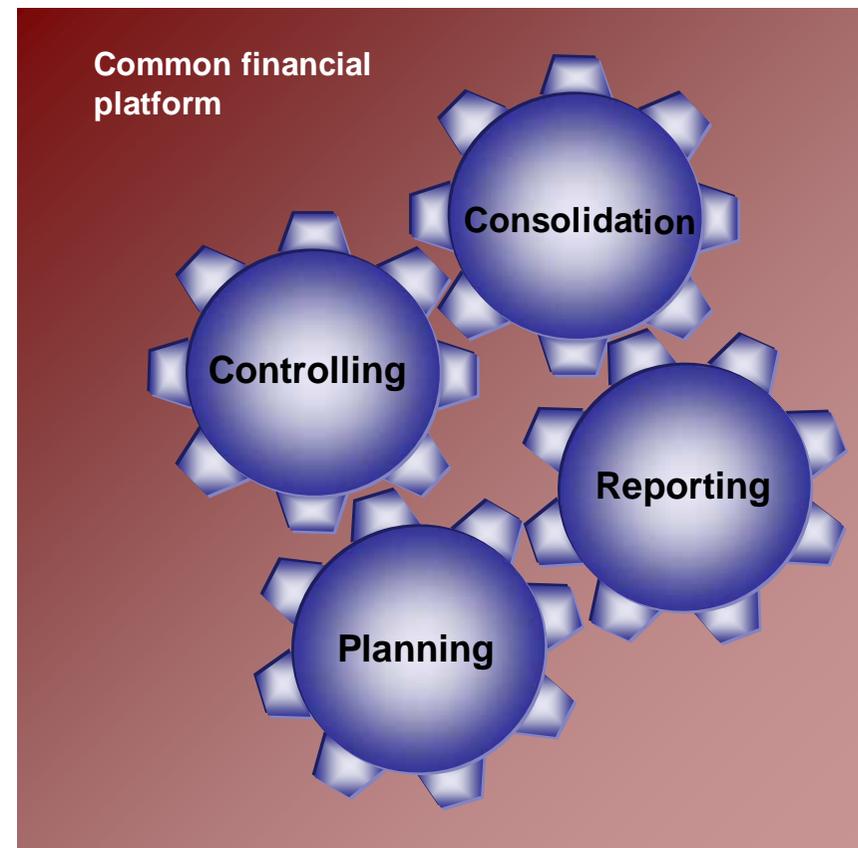
Structured validation checks on data uploads

Harmonisation of data entry structures and data transformation

Less reconciliation needs between consolidation and controlling

Consistent data reporting to all internal and external stakeholders

Consistent data interpretation and performance measurement throughout the company and the market



- Generali Group IFICC Project
- **Reconciliation of IAS/IFRS vs local GAAP figures 2004**
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# Reconciliation Assets - Liabilities local GAAP – IAS (1/2)

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## FY 2004 - Overview

### Assets

| € bln                | FY04         |               |
|----------------------|--------------|---------------|
|                      | IAS/<br>IFRS | Local<br>GAAP |
| Intangible assets    | 2,9          | 2,8           |
| Investments and cash | 278,6        | 254,2         |
| Other credits        | 8,8          | 8,1           |
| Tangible assets      | 3,5          | 2,2           |
| Other assets (*)     | 16,5         | 14,0          |
| <b>Total Assets</b>  | <b>310,3</b> | <b>281,3</b>  |

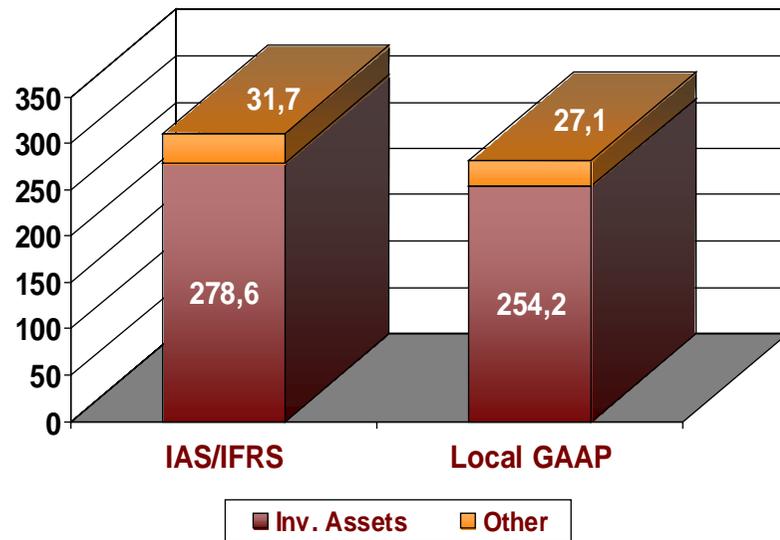
(\*) including reinsurance amounts of technical reserves

### Liabilities

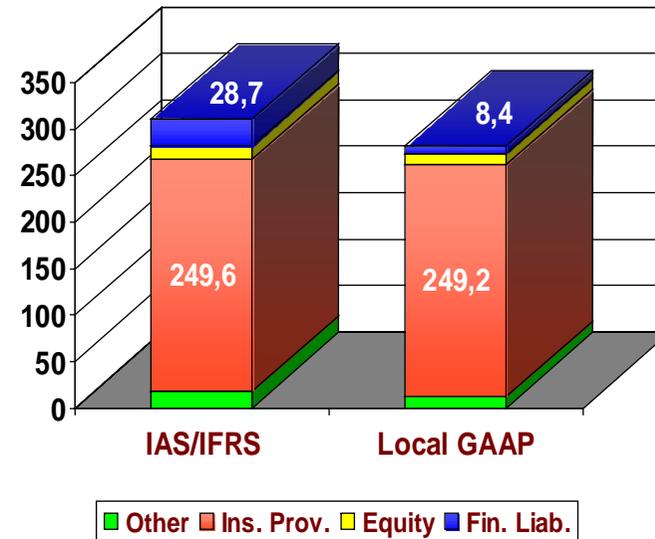
| € bln  | FY04         |               |
|--|--------------|---------------|
|  | IAS/<br>IFRS | Local<br>GAAP |
| Shārehōldērs Equity (Grōup shāre)                | 11,4         | 9,3           |
| Minorities interests                             | 3,2          | 2,5           |
| <b>Shareholders Equity</b>                       | <b>14,6</b>  | <b>11,8</b>   |
| Subordinated and financial liabilities           | 28,7         | 8,4           |
| Insurance provisions                             | 249,6        | 249,2         |
| Other debts and provisions                       | 10,3         | 8,6           |
| Other liabilities                                | 7,1          | 3,3           |
| <b>Total Liabilities and Shareholders Equity</b> | <b>310,3</b> | <b>281,3</b>  |

## FY 2004 Snapshot

### ASSETS (in billion euro)

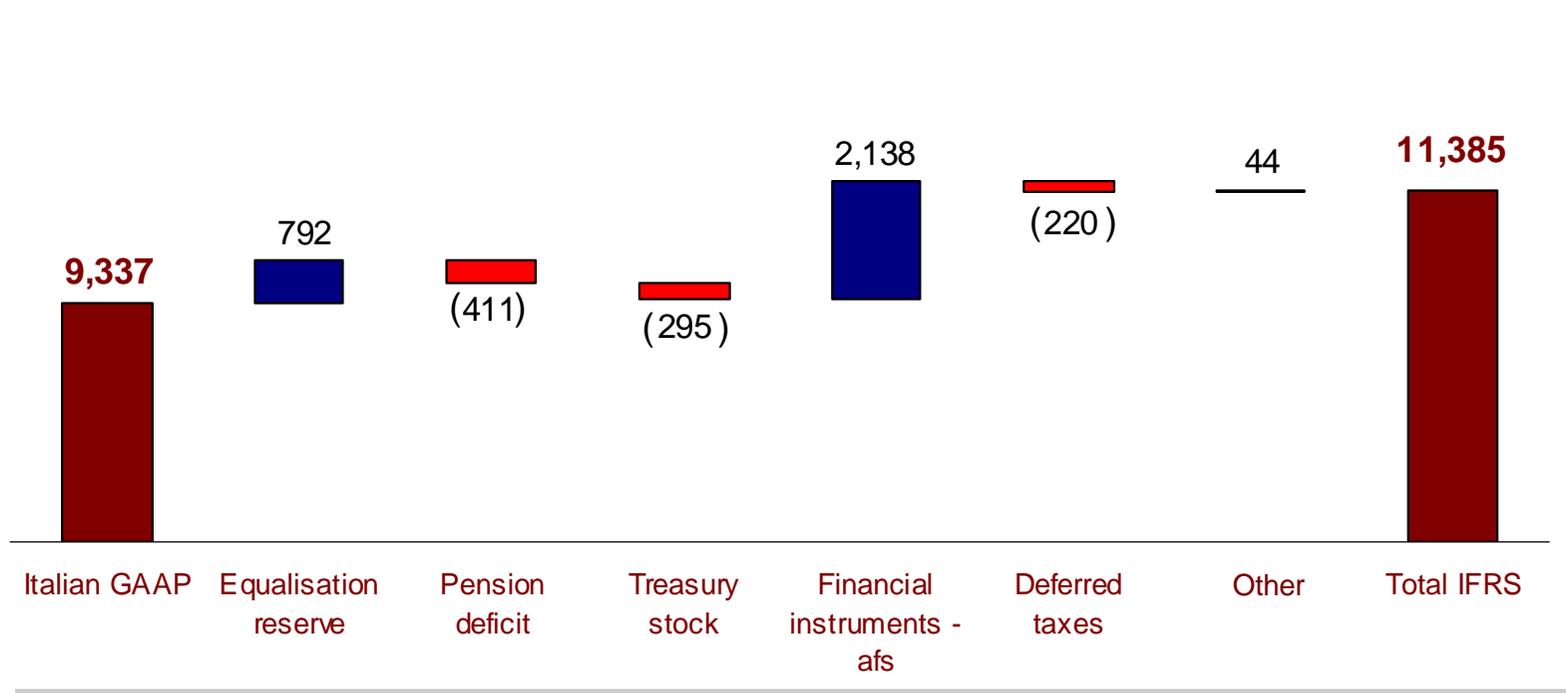


### LIABILITIES (in billion euro)

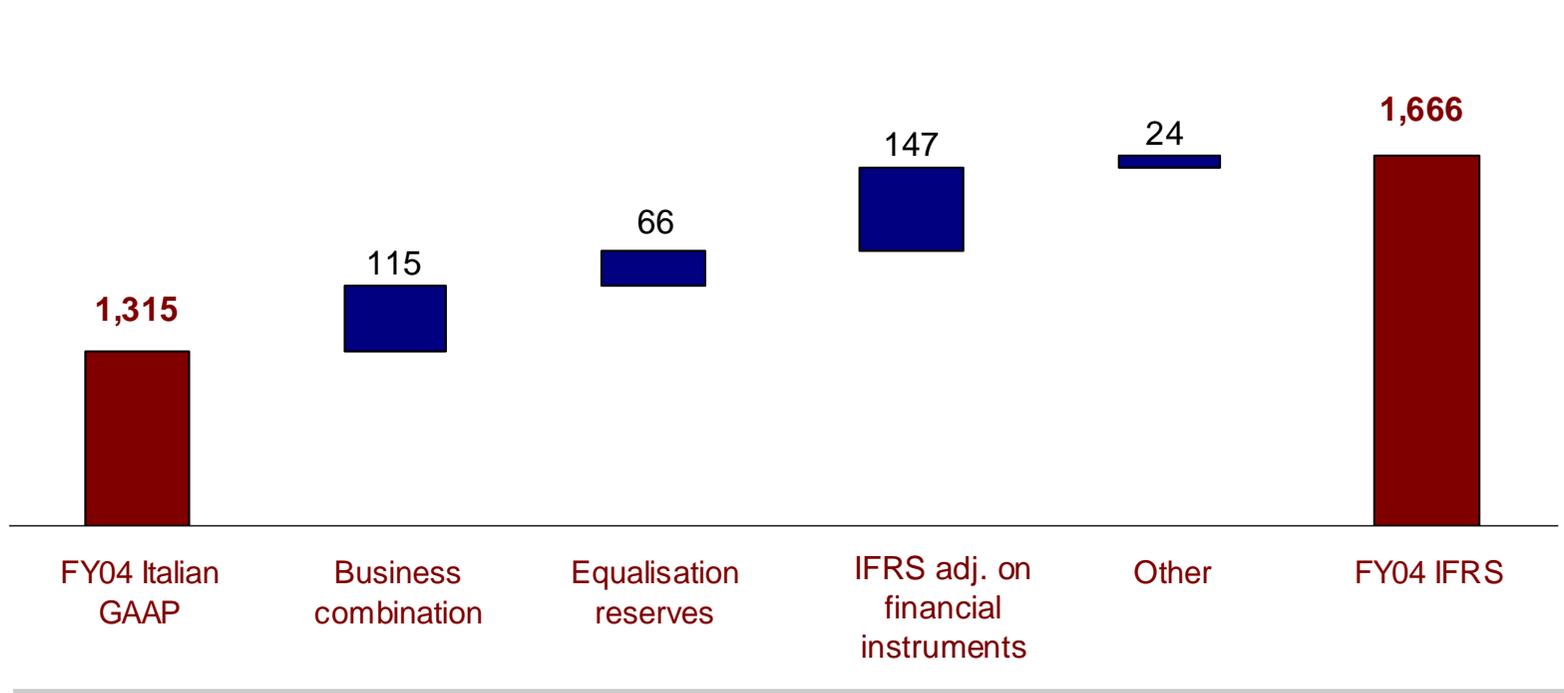


# Reconciliation Equity local GAAP - IAS

2004 shareholders' equity restatement (Euro mln)



## 2004 profit or loss restatement (Euro mln)



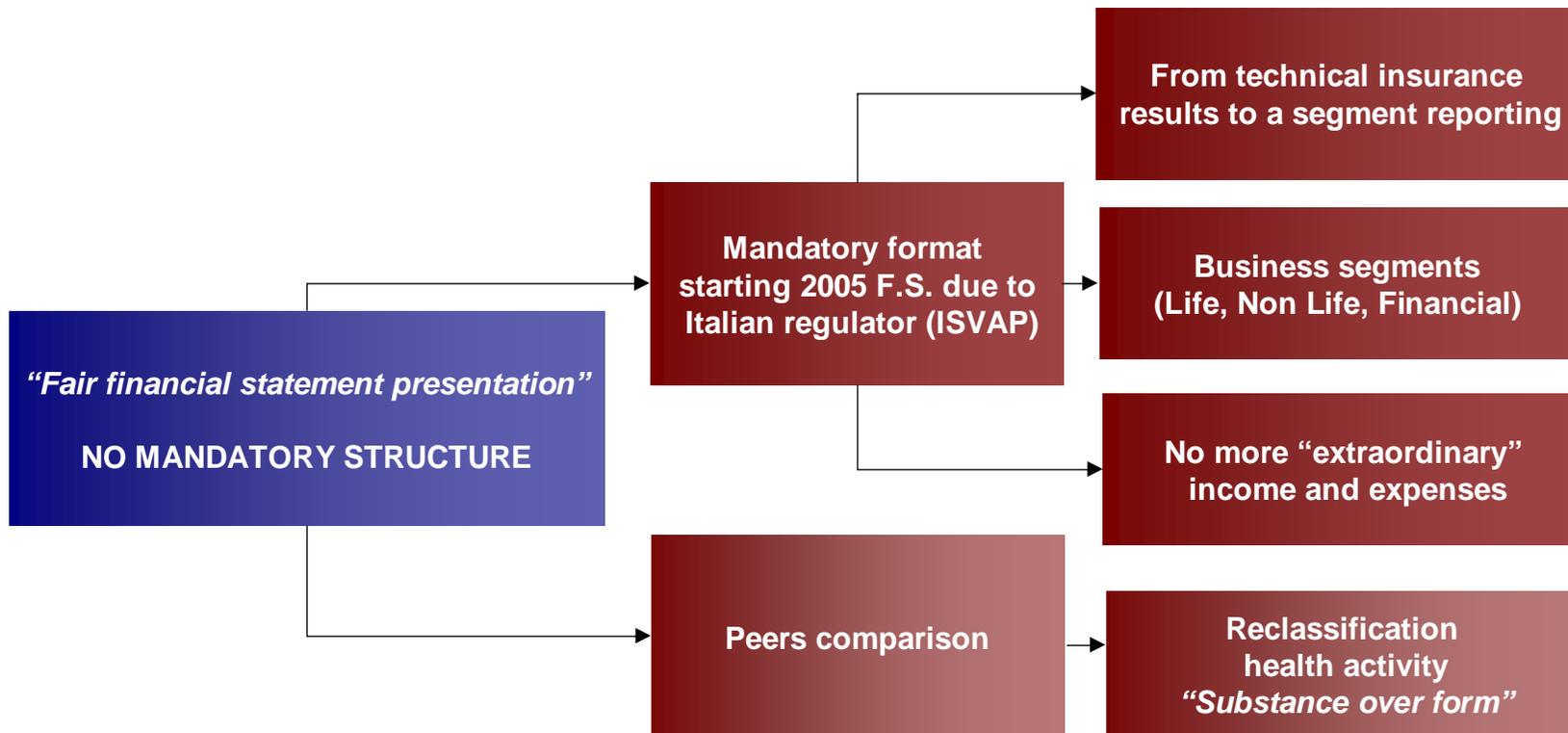
- Generali Group IFICC Project
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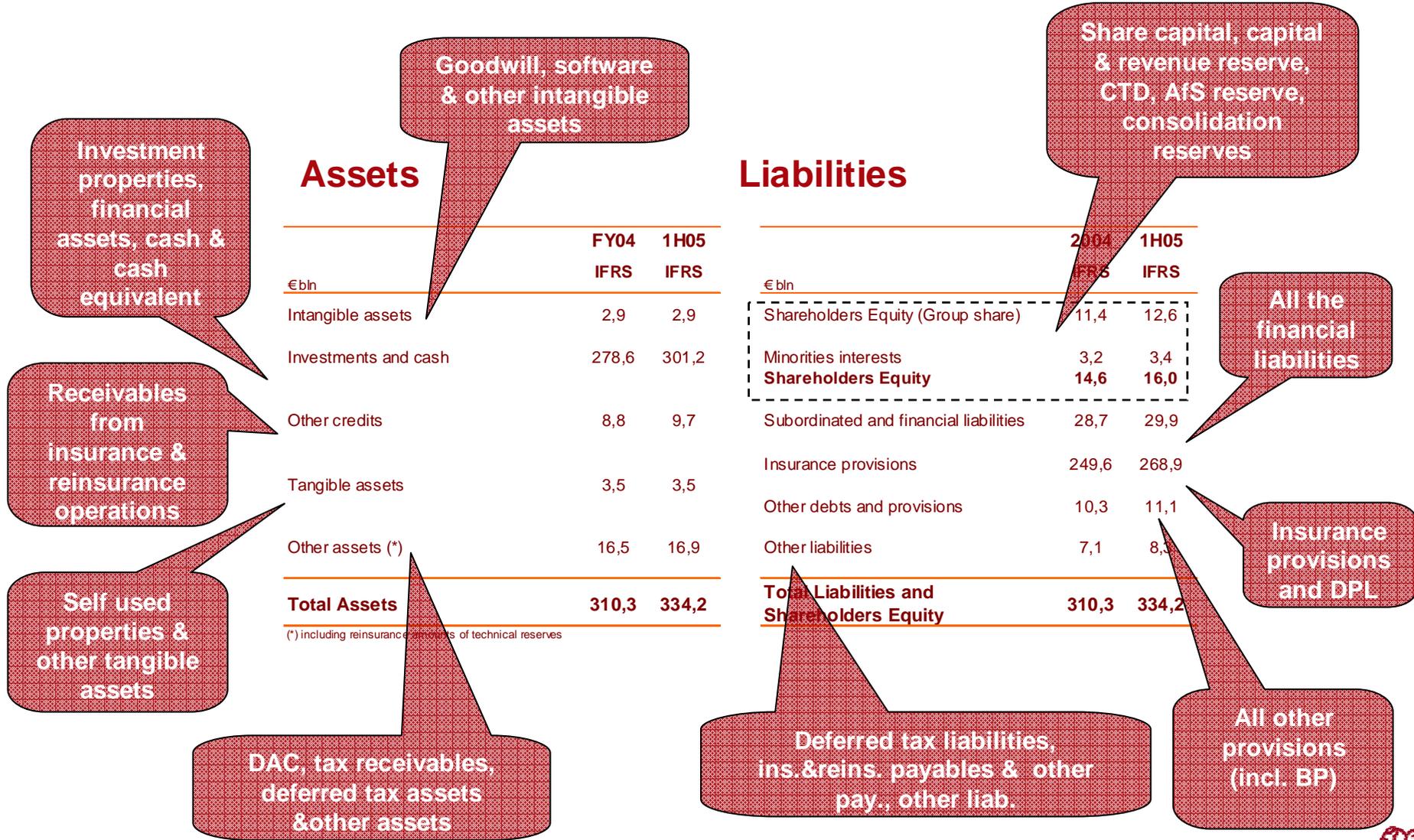


## IAS/IFRS Principle

## Generali Approach

## Impact





# Change in presentation: profit and loss

| Euro million   | Gross earned premiums minus earned premiums ceded |                 | Change (%)   |
|--|---|-----------------|--------------|
|  | 30.06.04  | 30.06.05        |              |
| <b>Total Revenues</b>  | <b>35.121,7</b>                                   | <b>41.462,5</b> | <b>18,1%</b> |
| Net earned premiums  | 25.991,4  | 30.763,2        | 18,4%        |
| Income from group companies                                  | 96,0  | 44,8            | -53,3%       |
| Income from financial instruments & other investments        | 6.206,2   | 6.586,4         | 6,1%         |
| Net income from financial instruments at fair value thr. P&L | 1.603,4   | 2.774,2         | 73,0%        |
| Other income   | 1.224,7   | 1.293,9         | 5,6%         |
| <b>Total Costs</b>   | <b>33.642,5</b>                                   | <b>39.442,3</b> | <b>17,2%</b> |
| Claims incurred  | 28.290,3  | 31.987,6        | 21,5%        |
| Charges from group companies                                 | 31,7  | 146,0           | 363,7%       |
| Charges from financial instruments & other investments       | 1.385,9   | 1.224,6         | -11,6%       |
| Operating expenses   | 4.228,9   | 4.460,3         | 5,5%         |
| Other charges  | 1.705,7   | 1.673,7         | -1,9%        |
| <b>Pretax profit</b>   | <b>1.479,2</b>                                    | <b>2.020,2</b>  | <b>36,6%</b> |
| <b>Income taxes</b>  | <b>436,8</b>                                      | <b>631,0</b>    | <b>44,5%</b> |
| <b>Minority interests</b>                                    | <b>161,4</b>                                      | <b>249,9</b>    | <b>54,8%</b> |
| <b>Net Profit</b>  | <b>881,0</b>                                      | <b>1.139,4</b>  | <b>29,3%</b> |

Interest & oth. income, rev. imp. & real. gains on fin. inv. & inv. properties

Interest & oth. income, int. exp, real & unreal gains & losses on fin. assets & liab. at fv th P/L

Fee & commission income from fin.serv., gains on foreign currency, oth. income from other assets

Int. expenses, depreciation, impairment & real. losses on investments

Acquisition & administration costs

Fee & comm.exp, impairment of goodwill, depreciation, impairment & oth.expenses on other assets



## Change in presentation: P/L segment reporting

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### HY 2005

| Euro mln  | LIFE            | P&C            | FINANCIALS   | CONS ADJ.     | TOTAL           |
|---|-----------------|----------------|--------------|---------------|-----------------|
| <b>Total Revenues,</b>  | <b>31,907.5</b> | <b>9,795.0</b> | <b>715.6</b> | <b>-955.5</b> | <b>41,462.5</b> |
| Net earned premiums   | 23,076.8        | 7,691.0        | 0.0          | -4.6          | 30,763.2        |
| Income from subsidiaries,<br>associated companies and JV        | 121.0           | 267.4          | 5.9          | -349.4        | 44.8            |
| Income from financial instruments &<br>other investments        | 5,421.4         | 1,046.7        | 235.0        | -116.6        | 6,586.4         |
| Net income from financial<br>instruments at fair value thr. P&L | 2,636.8         | 90.8           | 46.6         | 0.0           | 2,774.2         |
| Other income  | 651.6           | 699.0          | 428.1        | -484.9        | 1,293.9         |
| <b>Total Costs</b>  | <b>30,479.5</b> | <b>9,075.3</b> | <b>558.3</b> | <b>-671.0</b> | <b>39,442.3</b> |
| Claims incurred   | 26,767.2        | 5,283.1        | 0.0          | -112.7        | 31,937.6        |
| Charges from subsidiaries,<br>associated companies and JV       | 103.0           | 73.5           | 8.2          | -38.8         | 146.0           |
| Charges from financial instruments &<br>other investments       | 689.8           | 450.7          | 148.7        | -64.6         | 1,224.6         |
| Operating expenses  | 2,092.6         | 2,162.4        | 210.1        | -4.7          | 4,460.3         |
| Other charges   | 827.0           | 1,105.6        | 191.4        | -450.2        | 1,673.7         |
| <b>Pretax profit</b>  | <b>1,428.0</b>  | <b>719.6</b>   | <b>157.3</b> | <b>-284.5</b> | <b>2,020.2</b>  |
| <b>Income taxes</b>   | <b>454.5</b>    | <b>138.8</b>   | <b>37.7</b>  | <b>0.0</b>    | <b>631.0</b>    |
| <b>Minority interests</b>                                       | <b>189.7</b>    | <b>15.6</b>    | <b>33.5</b>  | <b>11.1</b>   | <b>249.9</b>    |
| <b>Net Profit</b>   | <b>783.7</b>    | <b>565.2</b>   | <b>86.0</b>  | <b>-295.6</b> | <b>1,139.4</b>  |



## IAS/IFRS Principle

## Generali Approach

## Impact



# Summarized balance sheet - GOODWILL

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## Assets

|                      | FY04         | 1H05         |
|----------------------|--------------|--------------|
| € bln                | IFRS         | IFRS         |
| Intangible assets    | 2,9          | 2,9          |
| Investments and cash | 278,6        | 301,2        |
| Other credits        | 8,8          | 9,7          |
| Tangible assets      | 3,5          | 3,5          |
| Other assets (*)     | 16,5         | 16,9         |
| <b>Total Assets</b>  | <b>310,3</b> | <b>334,2</b> |

(\*) including reinsurance amounts of technical reserves

## Liabilities

|  | 2004         | 1H05         |
|--|--------------|--------------|
| € bln  | IFRS         | IFRS         |
| Shareholders Equity (Group share)                | 11,4         | 21,6         |
| Minorities interests                             | 3,2          | 3,4          |
| <b>Shareholders Equity</b>                       | <b>14,6</b>  | <b>16,0</b>  |
| Subordinated and financial liabilities           | 28,7         | 29,9         |
| Insurance provisions                             | 249,6        | 268,9        |
| Other debts and provisions                       | 10,3         | 11,1         |
| Other liabilities                                | 7,1          | 8,3          |
| <b>Total Liabilities and Shareholders Equity</b> | <b>310,3</b> | <b>334,2</b> |



| IAS/IFRS Principle  | Generali Approach                                      | Impact<br>(in million euro)<br>31/12/2004 |
|---|--|---|
| <i>No restatement of business combinations prior to January 1, 2004</i>             |  |   |
| <i>Elimination of goodwill amortisation</i>   | Elimination of goodwill amortisation                   | 115                                       |
| <i>Introduction of an impairment test, carried out on each Cash Generating Unit</i> | No material impairment risk for the foreseeable future | 2.080,9                                   |
| <i>Any impairment loss is recognised in P&amp;L and cannot be reversed</i>          |  |   |



# Summarized balance sheet – INVESTMENTS

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## Assets

|                             | FY04         | 1H05         |
|-----------------------------|--------------|--------------|
| € bln                       | IFRS         | IFRS         |
| Intangible assets           | 2,9          | 2,9          |
| <b>Investments and cash</b> | <b>278,6</b> | <b>301,2</b> |
| Other credits               | 8,8          | 9,7          |
| Tangible assets             | 3,5          | 3,5          |
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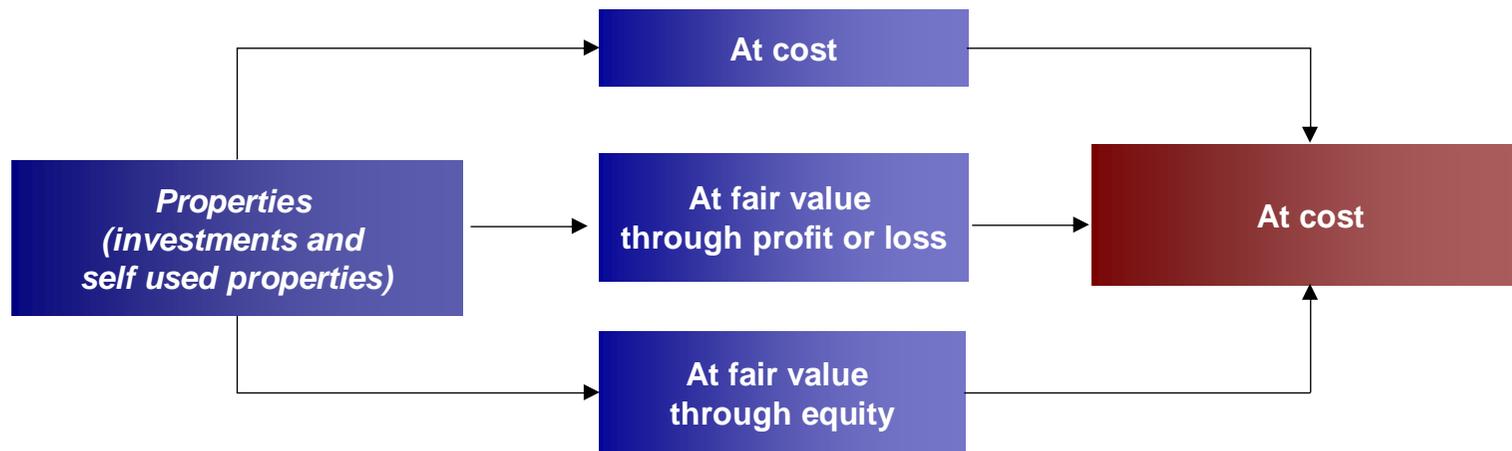
## Liabilities

|  | 2004         | 1H05         |
|--|--------------|--------------|
| € bln  | IFRS         | IFRS         |
| Shareholders Equity (Group share)                | 11,4         | 12,6         |
| Minorities interests                             | 3,2          | 3,4          |
| <b>Shareholders Equity</b>                       | <b>14,6</b>  | <b>16,0</b>  |
| Subordinated and financial liabilities           | 28,7         | 29,9         |
| Insurance provisions                             | 249,6        | 268,9        |
| Other debts and provisions                       | 10,3         | 11,1         |
| Other liabilities                                | 7,1          | 8,3          |
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**IAS/IFRS Principles:  
Classification & valuation**

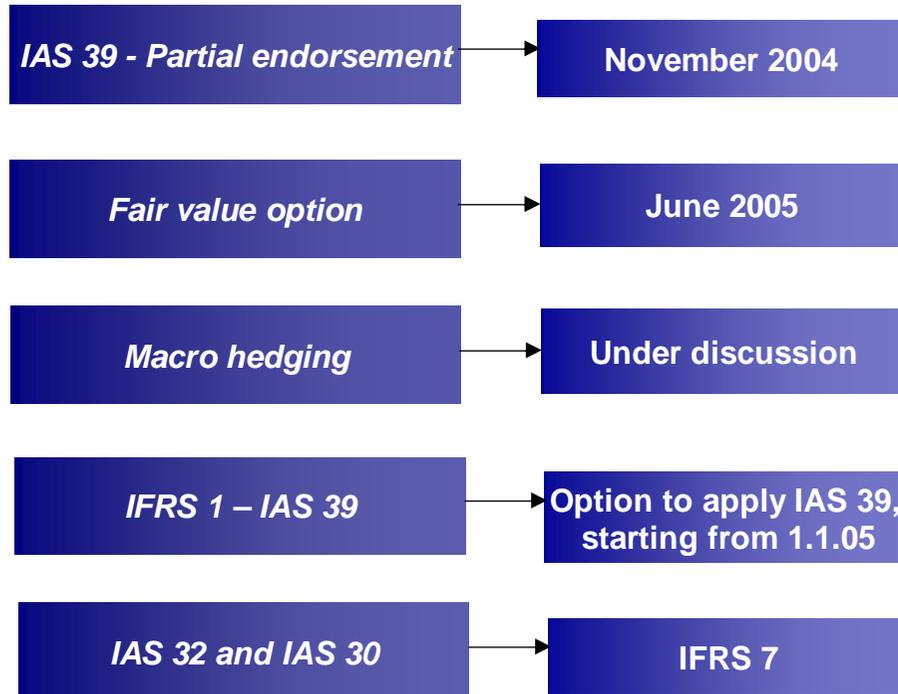


**Generali Approach**





## Generali Approach



Important changes in classification and valuation of financial investments and IT system.  
Nevertheless full application starting from January 1st, 2004



## IAS/IFRS

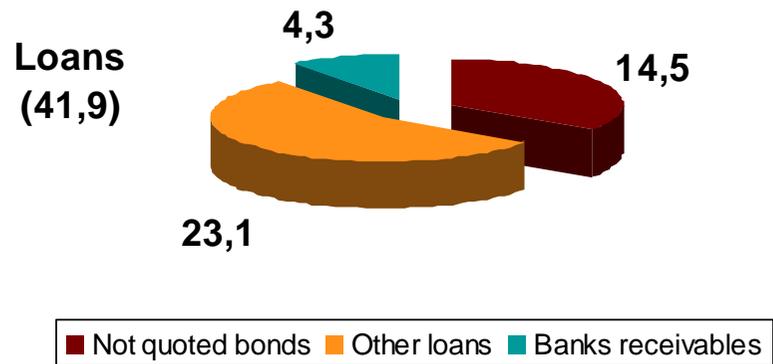
## LOCAL GAAP

|  |   |  |                                      |
|--|---|--|--------------------------------------|
| <i>Available for sale investments</i>                        | <i>At fair value through equity</i>         | Investments back to policies where the investment risk is borne by policyholders | At fair value through profit or loss |
| <i>Financial assets at fair value through profit or loss</i> | <i>At fair value through profit or loss</i> | Durable investments<br>- not listed/listed equities<br>- not listed/listed bonds | At amortised cost                    |
| <i>Loans</i>   | <i>At amortised cost</i>                    | Not durable investments<br>- not listed/listed equities<br>- listed/listed bonds | Lower of cost or market value        |
| <i>Held to maturity investments</i>                          |   |  |                                      |

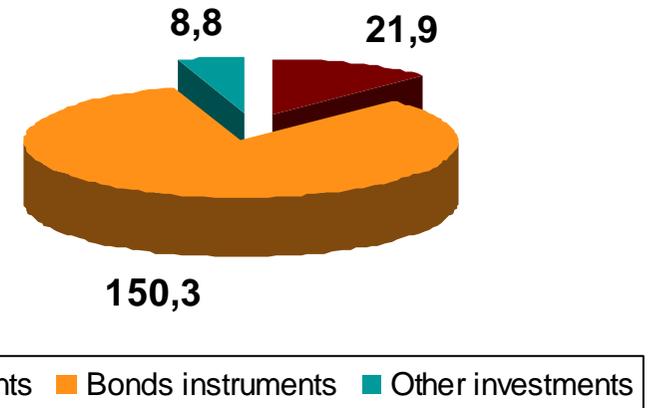
## Reclassification asset classes: local GAAP vs IAS

| IAS CATEGORIES  | LOCAL GAAP CATEGORIES   |             |   |
|---|---|-------------|---|
|   | Durable   | Not durable | Investments back to policies where the investment risk is borne by policy holders |
| Available for sale investments                        | Listed and not listed equities<br>Listed and not listed bonds |             | Not applicable  |
| Financial assets at fair value through profit or loss | Some selected cases (fair value option)                       |             | All the investments (fair value option)   |
| Loans   | Not listed bonds and other loans                              |             | Not applicable  |
| Held to maturity                                      | Not material  |             | Not applicable  |

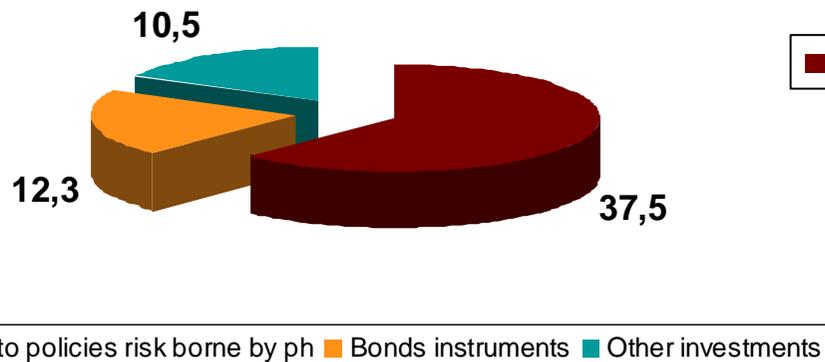
## Reclassification asset classes: breakdown asset classes (HY 2005) (bln euro)



**Available for sale (181,0)**



**F.A. at fair value through profit or loss (60,3)**



|                              |            |             | Bonds&Loans                    | Equity  | Property       |
|------------------------------|------------|-------------|--------------------------------|---|----------------|
| Impairment trigger/indicator | IAS/IFRS   |             | Credit event                   | Significant - prolonged unrealised losses (6 months; 20%) or qualitative indicators | Durable losses |
|                              | Local GAAP | Durable     | Durable losses                 |   |                |
|                              |            | Not durable | Market value < carrying amount |   | Not applicable |
| Impairment amount based on   | IAS/IFRS   |             | Market value                   | Market value  | Market value   |
|                              | Local GAAP | Durable     |                                | Recoverable amount or market value  |                |
|                              |            | Not durable |                                | Market value  |                |
| Reversal of impairment       | IAS/IFRS   |             | Yes                            | No  | Yes            |
|                              | Local GAAP | Durable     |                                | Yes   |                |
|                              |            | Not durable |                                |   |                |

# Summarized balance sheet – INSURANCE PROVISIONS

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## Assets

|                      | FY04         | 1H05         |
|----------------------|--------------|--------------|
| € bln                | IFRS         | IFRS         |
| Intangible assets    | 2,9          | 2,9          |
| Investments and cash | 278,6        | 301,2        |
| Other credits        | 8,8          | 9,7          |
| Tangible assets      | 3,5          | 3,5          |
| Other assets (*)     | 16,5         | 16,9         |
| <b>Total Assets</b>  | <b>310,3</b> | <b>334,2</b> |

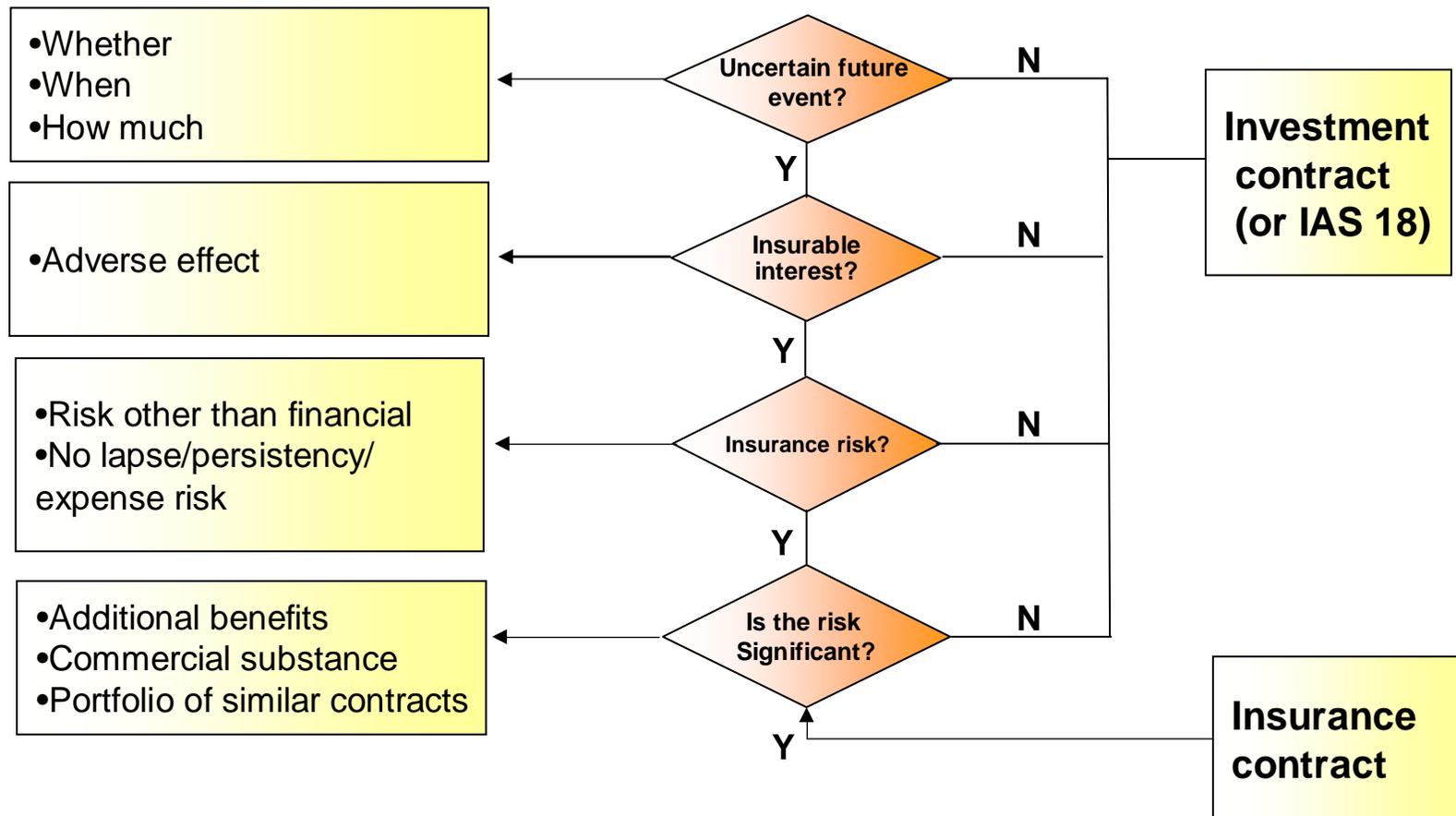
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## Liabilities

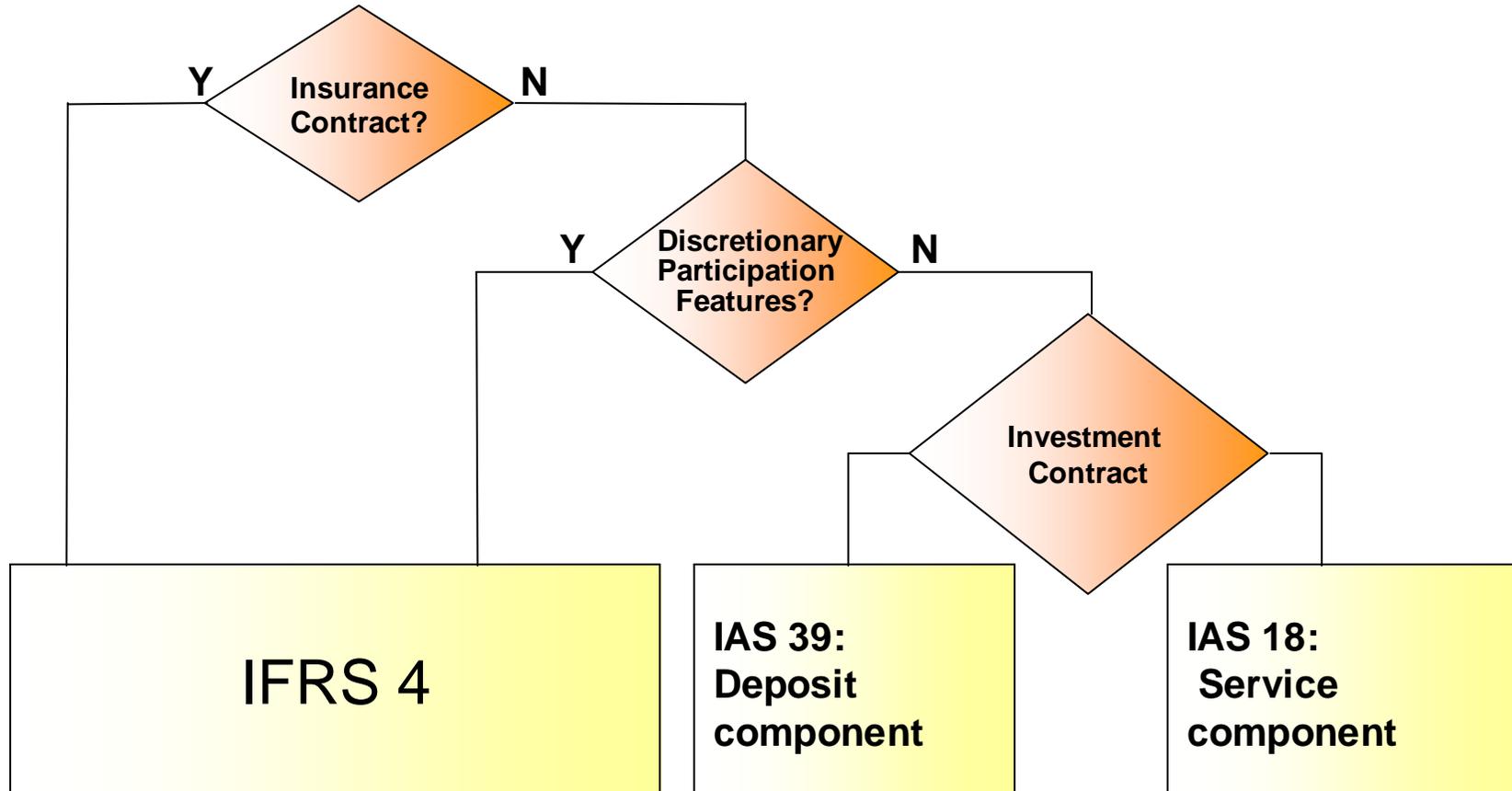
|  | 2004         | 1H05         |
|--|--------------|--------------|
| € bln  | IFRS         | IFRS         |
| Shareholders Equity (Group share)                | 11,4         | 12,6         |
| Minorities interests                             | 3,2          | 3,4          |
| <b>Shareholders Equity</b>                       | <b>14,6</b>  | <b>16,0</b>  |
| Subordinated and financial liabilities           | 28,7         | 29,9         |
| <b>Insurance provisions</b>                      | <b>249,6</b> | <b>268,9</b> |
| Other debts and provisions                       | 10,3         | 11,1         |
| Other liabilities                                | 7,1          | 8,3          |
| <b>Total Liabilities and Shareholders Equity</b> | <b>310,3</b> | <b>334,2</b> |

## Definition of insurance contract (1/2)

**Insurance contract:** a contract under which one party (the insurer) accepts **significant insurance risk** from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified **uncertain future event** (the insured event) **adversely affects** the policyholder or other beneficiary [Appendix A, IFRS4]



## Product classification



## Snapshot of Generali Group insurance provisions at Year 2004

| LOCAL GAAP environment                                  |              | IAS/IFRS environment  |              |                             |
|---|--------------|---|--------------|-----------------------------|
| P&C insurance liabilities<br>- of which Health business | 35,4<br>6,6  | <b>P&amp;C insurance liabilities</b>                                  | 27,1         | } IFRS 4                    |
| Life insurance liabilities                              | 213,8        | Life: insurance and DPF contracts                                     | 222,5        |                             |
|   |              | - of which Health business  | 6,6          | } IFRS 4: shadow accounting |
|   |              | - of which Deferred PH liabilities                                    | 7,5          |                             |
|   |              | <b>Total insurance liabilities according to IFRS 4</b>                | <b>249,6</b> |                             |
|   |              | Life financial liabilities related to investment contract w/o DPF     | 6,2          | IAS 39: deposit accounting  |
| <b>Total insurance liabilities</b>                      | <b>249,2</b> | <b>Total liabilities related to insurance and investment contract</b> | <b>255,8</b> |                             |

## Phase 1 for insurance contracts and contract with DPF

| Principles  | Generali approach   | Impact  |
|---|---|---|
| IFRS 1 exemption from the requirement to restate comparative information for IFRS 4 | 2004 Comparative information compliant with IFRS 4  |   |
| IFRS 4: Temporary exemption from IAS 8 for insurance contracts                      | Existing accounting policies maintained for insurance Liabilities, DAC, purchased insurance portfolios and revenues recognition | No impact   |
| IFRS 4: Modifications to existing accounting policies                               |   |   |
| Derecognition of P&C equalisation and catastrophe provisions                        | →   | Net positive impact on shareholder's equity of 792 mln euro |
| Liability adequacy test on insurance liabilities                                    | →   | Already applied in Local GAAP environment                   |
| Impairment test on reinsurance assets   | →   | Not material for Generali Group                             |

## Phase 1 for insurance contracts and contract with DPF

| Principles   | Generali approach   | Impact                                     |
|--|---|--|
| Focus on key allowed changes in existing accounting policies   |   |  |
| Shadow accounting  | Shadow accounting applied in participating contract to reflect policyholders' rights in IAS new value | Shadow adjustment to insurance liabilities |
| Measuring designated insurance liabilities to reflect current market interest rates with impact in P&L (IFRS 4 paragraph 34) | Not applied/measurement of liabilities based on Local GAAP  | No impact                                  |

## Principle

“An insurer is permitted – *but not required* – to change its accounting policies so that a recognised but unrealised gain or loss on an asset affects the measurement of its insurance liabilities” (IFRS 4 p.30)

When

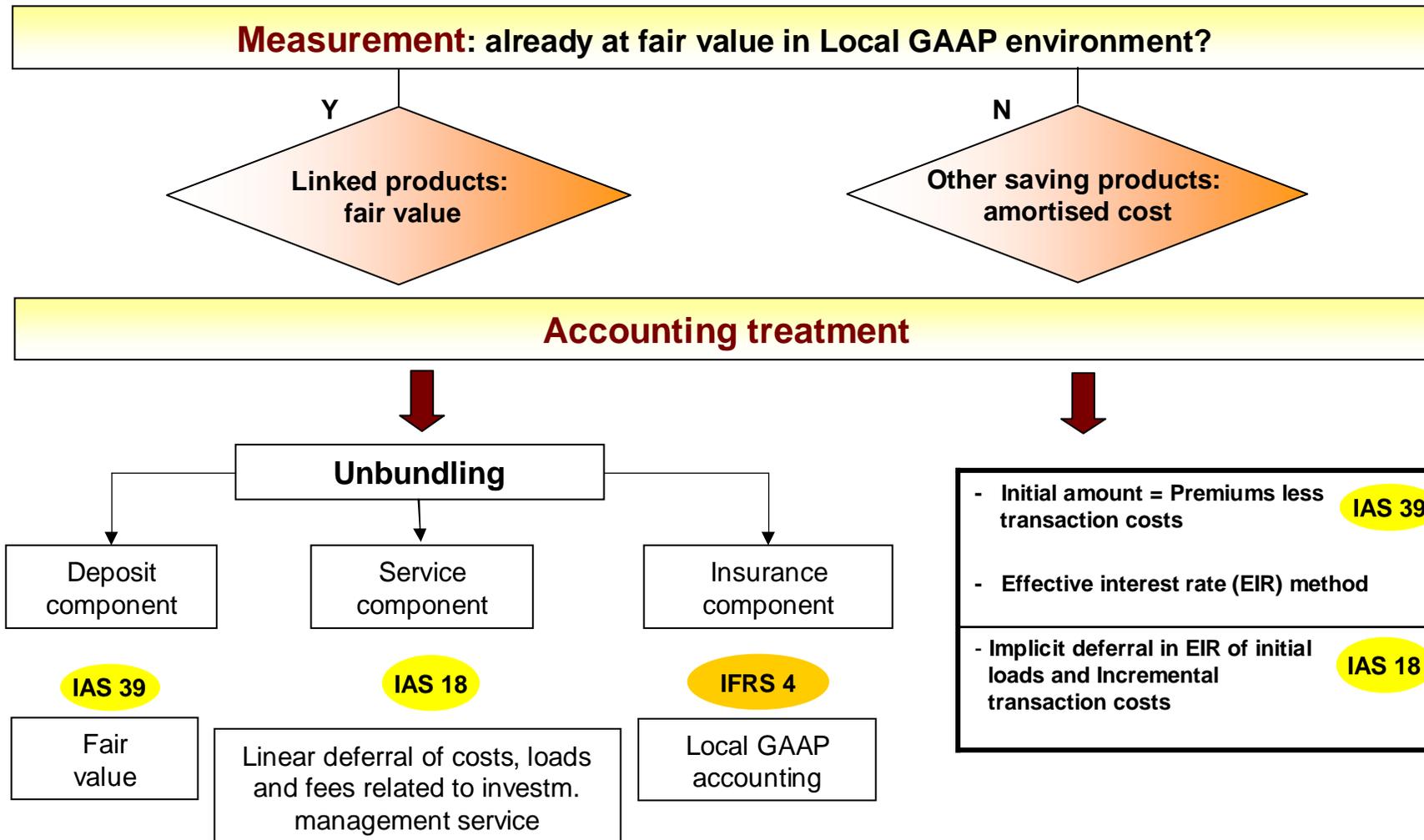
Shadow accounting is applicable when the insurance liabilities are driven by realised gains and losses on assets held

Impact

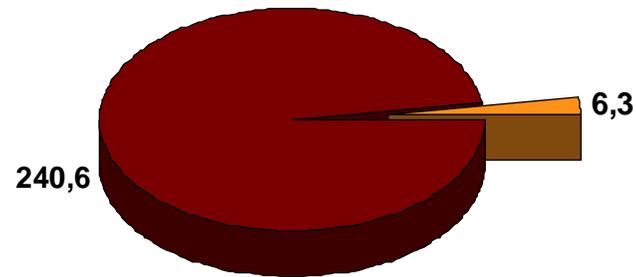
“If the UGL on assets are recognised in equity the resulting change in the carrying amount of the insurance liability is also recognised in equity” (IFRS 4 BC182)

## General approach

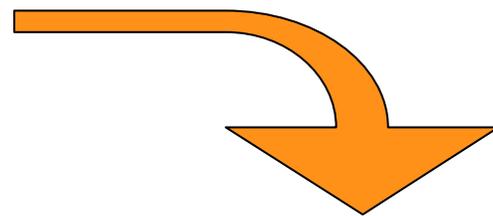
Policyholder’s participation rates used for shadow accounting are based on *best estimate*



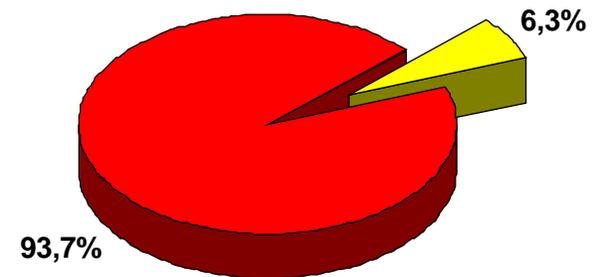
Life portfolio (in bln euro)



- Insurance contracts and investm. contracts with DPF
- Investment contracts w/o DPF



Life: investment contracts w/o DPF



- Fair value
- Amortised cost

# Summarized balance sheet - DAC

## Assets

|                         | FY04         | 1H05         |
|-------------------------|--------------|--------------|
| € bln                   | IFRS         | IFRS         |
| Intangible assets       | 2,9          | 2,9          |
| Investments and cash    | 278,6        | 301,2        |
| Other credits           | 8,8          | 9,7          |
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| <b>Total Assets</b>     | <b>310,3</b> | <b>334,2</b> |

DAC:  
0,9 (Y'04)  
and 0,8  
(HY'05)

(\*) including reinsurance amounts of technical reserves

## Liabilities

|  | 2004         | 1H05         |
|--|--------------|--------------|
| € bln  | IFRS         | IFRS         |
| Shareholders Equity (Group share)                | 11,4         | 12,6         |
| Minorities interests                             | 3,2          | 3,4          |
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| Other liabilities                                | 7,1          | 8,3          |
| <b>Total Liabilities and Shareholders Equity</b> | <b>310,3</b> | <b>334,2</b> |

# Summarized balance sheet – SHAREHOLDERS EQUITY

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## Assets

|                      | FY04         | 1H05         |
|----------------------|--------------|--------------|
| € bln                | IFRS         | IFRS         |
| Intangible assets    | 2,9          | 2,9          |
| Investments and cash | 278,6        | 301,2        |
| Other credits        | 8,8          | 9,7          |
| Tangible assets      | 3,5          | 3,5          |
| Other assets (*)     | 16,5         | 16,9         |
| <b>Total Assets</b>  | <b>310,3</b> | <b>334,2</b> |

(\*) including reinsurance amounts of technical reserves

## Liabilities

|  | 2004         | 1H05         |
|--|--------------|--------------|
| € bln  | IFRS         | IFRS         |
| Shareholders Equity (Group share)                | 11,4         | 12,6         |
| Minorities interests                             | 3,2          | 3,4          |
| <b>Shareholders Equity</b>                       | <b>14,6</b>  | <b>16,0</b>  |
| Subordinated and financial liabilities           | 28,7         | 29,9         |
| Insurance provisions                             | 249,6        | 268,9        |
| Other debts and provisions                       | 10,3         | 11,1         |
| Other liabilities                                | 7,1          | 8,3          |
| <b>Total Liabilities and Shareholders Equity</b> | <b>310,3</b> | <b>334,2</b> |

| (Euro billion)   | FY04        | 1H05        |
|--|-------------|-------------|
| <b>Share capital</b>                                       | 1,3         | 1,3         |
| <b>Capital and revenue reserve</b>                         | 6,6         | 7,8         |
| <b>Treasury shares</b>                                     | -0,3        | -0,3        |
| <b>Reserve for unrealised gains and losses on inv. AfS</b> | 2,1         | 2,7         |
| <b>Result of the period</b>                                | 1,7         | 1,1         |
| <b>Total shareholders equity grp share</b>                 | <b>11,4</b> | <b>12,6</b> |
| <b>Reserves</b>  | 2,3         | 2,6         |
| <b>Reserve for unrealised gains and losses on inv. AfS</b> | 0,4         | 0,5         |
| <b>Result of the period</b>                                | 0,5         | 0,3         |
| <b>Total minority interests</b>                            | <b>3,2</b>  | <b>3,4</b>  |
| <b>Total shareholders equity</b>                           | <b>14,6</b> | <b>16,0</b> |

# Summarized balance sheet – FINANCIAL LIABILITIES

39

## Assets

|                      | FY04         | 1H05         |
|----------------------|--------------|--------------|
| € bln                | IFRS         | IFRS         |
| Intangible assets    | 2,9          | 2,9          |
| Investments and cash | 278,6        | 301,2        |
| Other credits        | 8,8          | 9,7          |
| Tangible assets      | 3,5          | 3,5          |
| Other assets (*)     | 16,5         | 16,9         |
| <b>Total Assets</b>  | <b>310,3</b> | <b>334,2</b> |

(\*) including reinsurance amounts of technical reserves

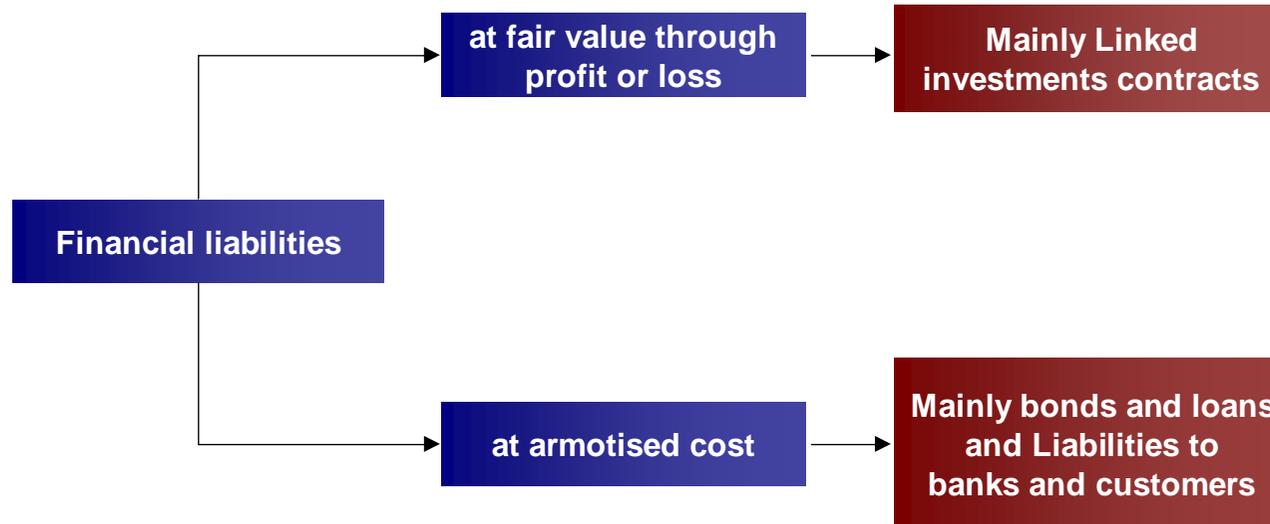
## Liabilities

|  | 2004         | 1H05         |
|--|--------------|--------------|
| € bln  | IFRS         | IFRS         |
| Shareholders Equity (Group share)                | 11,4         | 12,6         |
| Minorities interests                             | 3,2          | 3,4          |
| <b>Shareholders Equity</b>                       | <b>14,6</b>  | <b>16,0</b>  |
| Subordinated and financial liabilities           | 28,7         | 29,9         |
| Insurance provisions                             | 249,6        | 268,9        |
| Other debts and provisions                       | 10,3         | 11,1         |
| Other liabilities                                | 7,1          | 8,3          |
| <b>Total Liabilities and Shareholders Equity</b> | <b>310,3</b> | <b>334,2</b> |

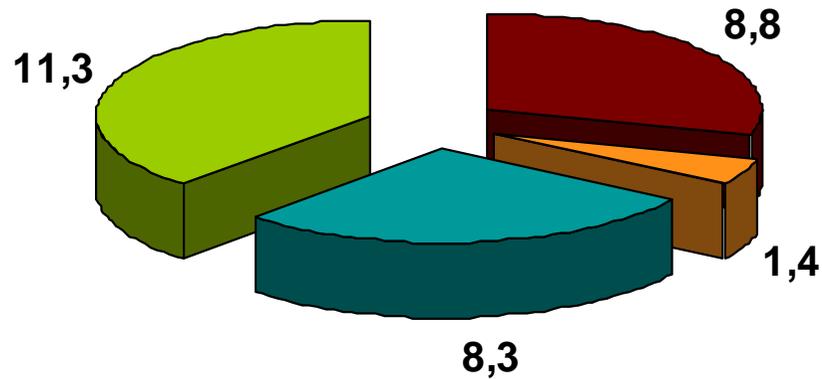


## IAS/IFRS Principles: Classification & valuation

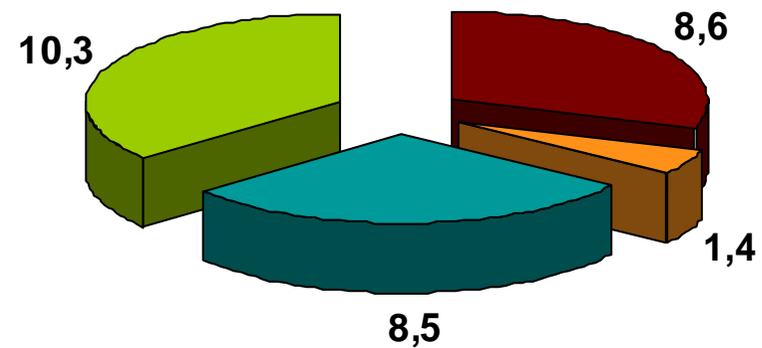
## Generali Approach



**30.06.2005** (in billion euro)



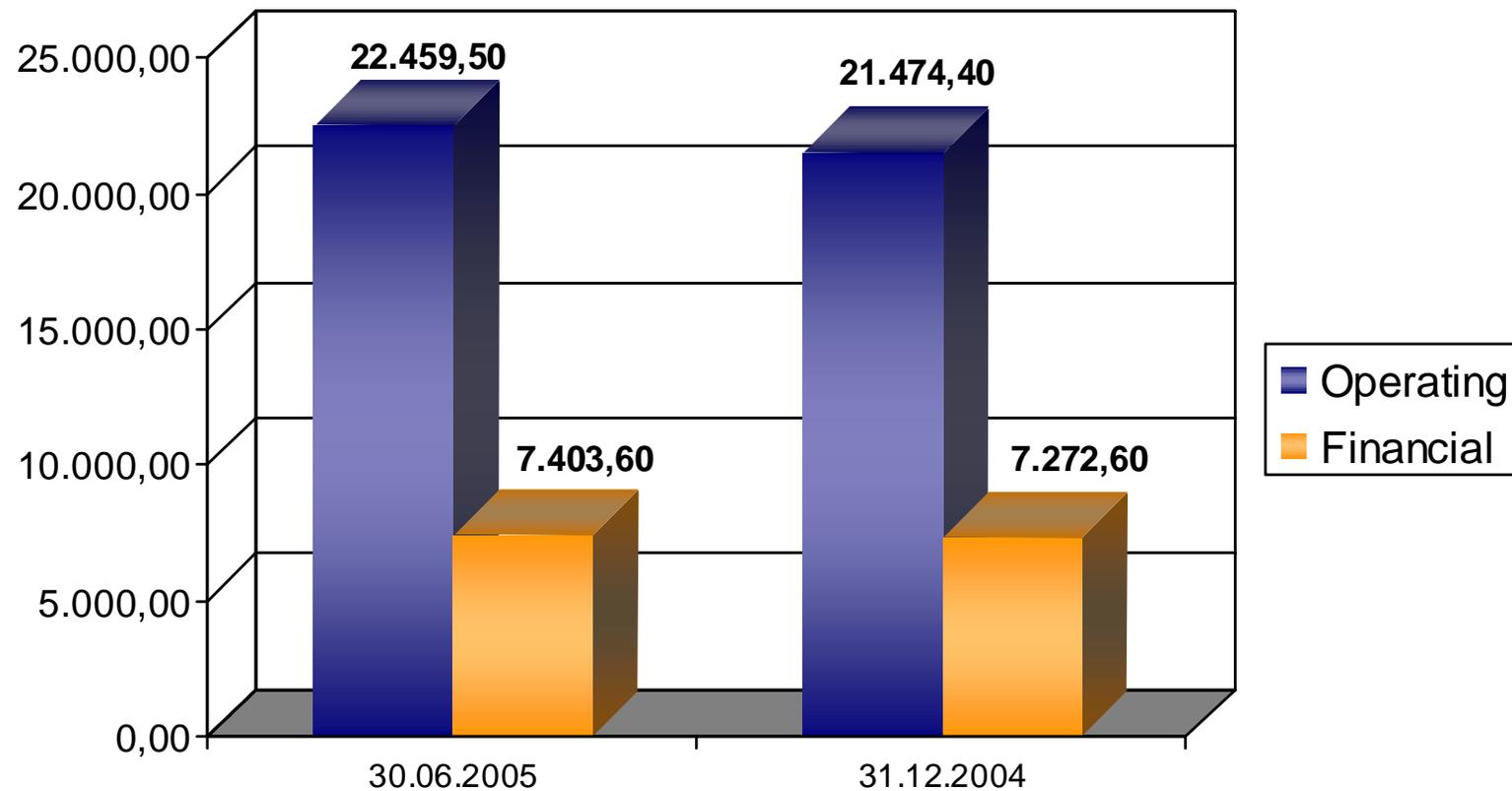
**31.12.2004** (in billion euro)



## Financial Liabilities (IAS 39) – Management classification

42

(in million euro)



# Summarized balance sheet - PROVISIONS

43

## Assets

|                      | FY04         | 1H05         |
|----------------------|--------------|--------------|
| € bln                | IFRS         | IFRS         |
| Intangible assets    | 2,9          | 2,9          |
| Investments and cash | 278,6        | 301,2        |
| Other credits        | 8,8          | 9,7          |
| Tangible assets      | 3,5          | 3,5          |
| Other assets (*)     | 16,5         | 16,9         |
| <b>Total Assets</b>  | <b>310,3</b> | <b>334,2</b> |

(\*) including reinsurance amounts of technical reserves

## Liabilities

|  | 2004         | 1H05         |
|--|--------------|--------------|
| € bln  | IFRS         | IFRS         |
| Shareholders Equity (Group share)                | 11,4         | 12,6         |
| Minorities interests                             | 3,2          | 3,4          |
| <b>Shareholders Equity</b>                       | <b>14,6</b>  | <b>16,0</b>  |
| Subordinated and financial liabilities           | 28,7         | 29,9         |
| Insurance provisions                             | 249,6        | 268,9        |
| Other debts and provisions                       | 10,3         | 11,1         |
| Other liabilities                                | 7,1          | 8,3          |
| <b>Total Liabilities and Shareholders Equity</b> | <b>310,3</b> | <b>334,2</b> |

**Principle**  
IAS 19



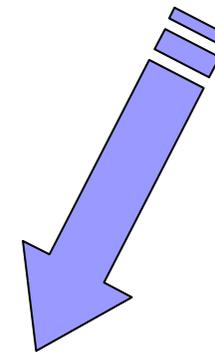
Defined benefit plans:  
investment and actuarial risks fall  
on the company

Defined contribution plans:  
only a contribution required

**Generali approach**  
Past actuarial gains and losses charged  
in the opening balance (IFRS 1  
exemption)

Generali applied the "Corridor methods"  
in recognising actuarial gains and losses  
after the date of transition

**Impact**  
Net negative impact on IFRS  
shareholder's equity:  
**411 million euro**



**Mainly in Germany, Austria and France**

**Principle**  
IFRS 2

**Generali approach**  
Generali Group applied IFRS 1 exemption to the equity settled plans granted before Nov. 7, 2002

**Impact**  
Limited impact on HY 2005 financial statements

Option pricing based on binomial model taking into account expected early exercise, market conditions, selling restrictions

Impact on P&L:  
Fair value at grant date accrued during the vesting period

No impact on Shareholder's equity since the expense is matched by the increase in the equity.

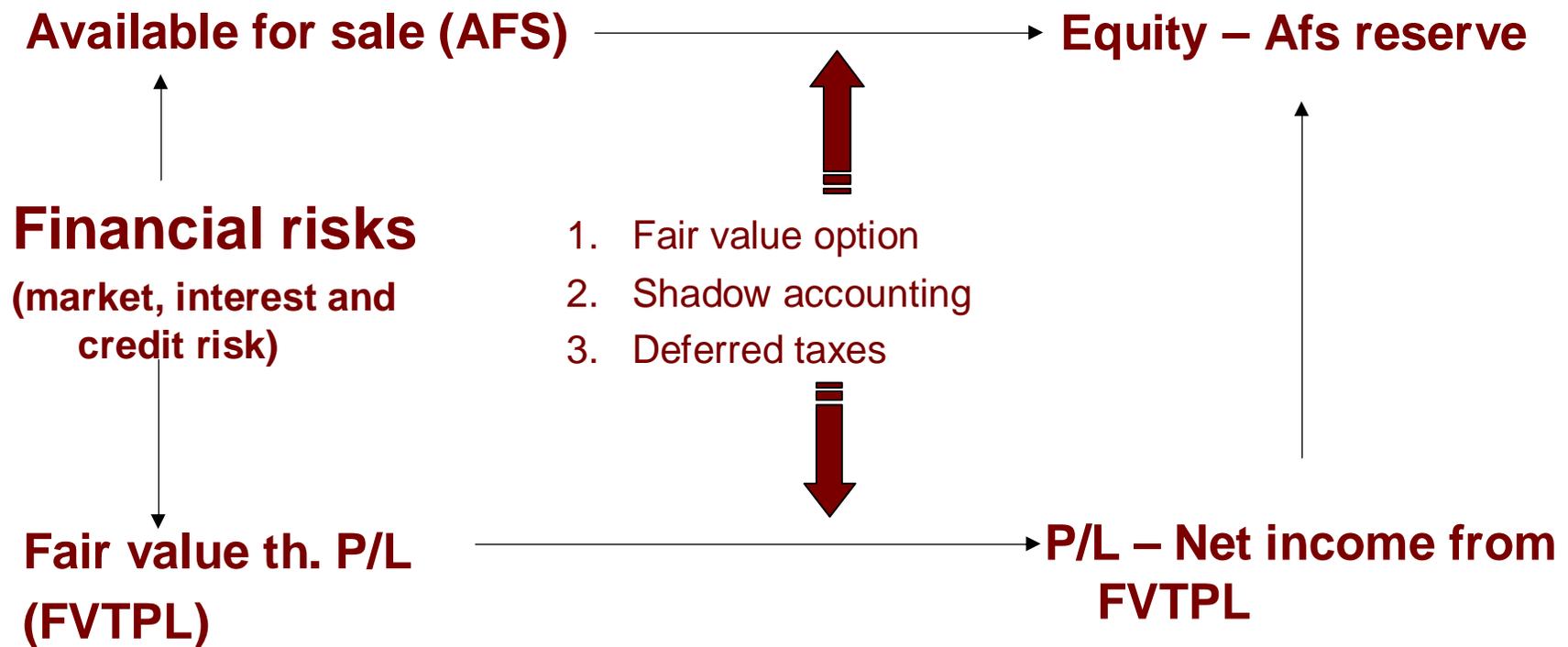
## Assets

|                      | FY04         | 1H05         |
|----------------------|--------------|--------------|
| € bln                | IFRS         | IFRS         |
| Intangible assets    | 2,9          | 2,9          |
| Investments and cash | 278,6        | 301,2        |
| Other credits        | 8,8          | 9,7          |
| Tangible assets      | 3,5          | 3,5          |
| Other assets (*)     | 16,5         | 16,9         |
| <b>Total Assets</b>  | <b>310,3</b> | <b>334,2</b> |

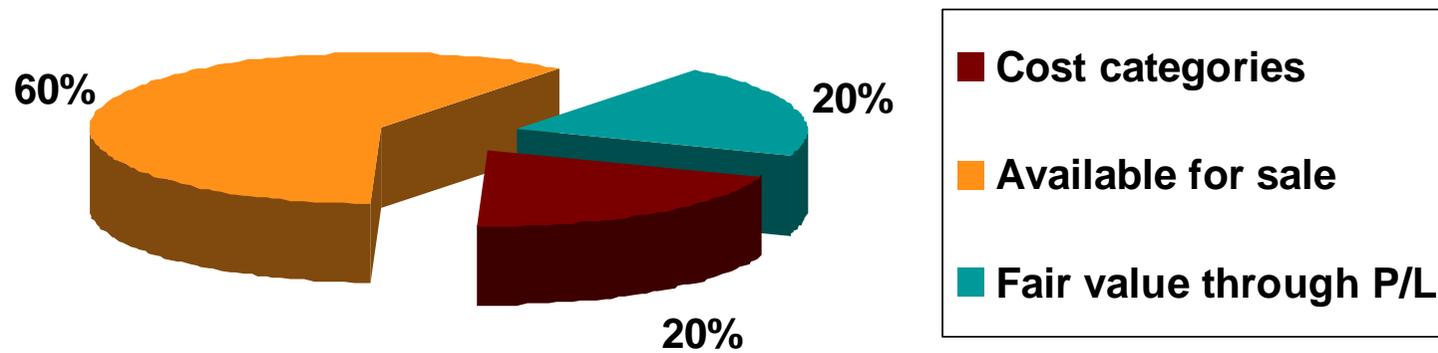
(\*) including reinsurance amounts of technical reserves

## Liabilities

|  | 2004         | 1H05         |
|--|--------------|--------------|
| € bln  | IFRS         | IFRS         |
| Shareholders Equity (Group share)                | 11,4         | 12,6         |
| Minorities interests                             | 3,2          | 3,4          |
| <b>Shareholders Equity</b>                       | <b>14,6</b>  | <b>16,0</b>  |
| Subordinated and financial liabilities           | 28,7         | 29,9         |
| Insurance provisions                             | 249,6        | 268,9        |
| Other debts and provisions                       | 10,3         | 11,1         |
| Other liabilities                                | 7,1          | 8,3          |
| <b>Total Liabilities and Shareholders Equity</b> | <b>310,3</b> | <b>334,2</b> |

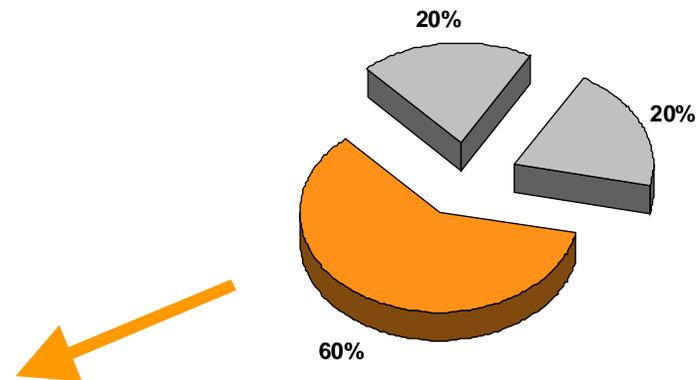


## Investment & cash (30.06.2005)



## Volatility in the B/S: main potential sources

49

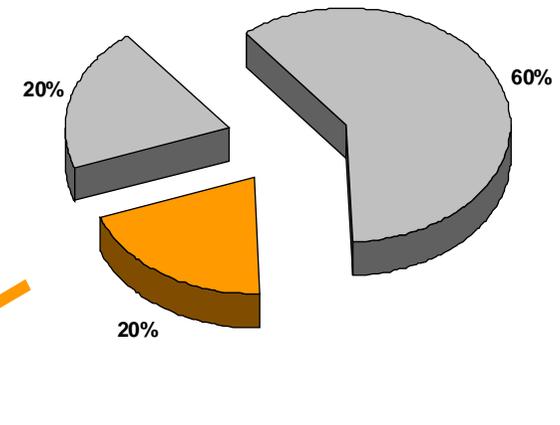


(30.06.2005)

| (Euro billion)            | Life  | P&C  | Financial | Cons. adj. | Total |
|---------------------------|-------|------|-----------|------------|-------|
| <b>Available for sale</b> | 160,4 | 18,6 | 2,3       | -0,2       | 181,1 |
| <b>Equity instruments</b> | 16,6  | 5,1  | 0,2       | 0,0        | 21,9  |
| <b>Bond instruments</b>   | 136,0 | 12,8 | 1,8       | -0,2       | 150,3 |
| <b>Other investments</b>  | 7,8   | 0,7  | 0,3       | 0,0        | 8,9   |

## Volatility in the B/S: main potential sources

50



(30.06.2005)

| (Euro billion)                               | Life | P&C | Financial | Cons. adj. | Total |
|--|------|-----|-----------|------------|-------|
| <b>Fin. instr. at fair value th. P&amp;L</b> | 56,4 | 1,4 | 2,5       | 0,0        | 60,3  |
| <b>Inv.back to policies risk borne by ph</b> | 37,5 | 0,0 | 0,0       | 0,0        | 37,5  |
| <b>Bonds instruments</b>                     | 10,1 | 0,6 | 1,6       | 0,0        | 12,3  |
| <b>Other investments</b>                     | 8,8  | 0,8 | 0,9       | 0,0        | 10,5  |

## Volatility: effect in the P/L

51

| Euro million  | 30.06.04        | 30.06.05        | Change (%)   |
|---|-----------------|-----------------|--------------|
| <b>Total Revenues</b>   | <b>35.121,7</b> | <b>41.462,5</b> | <b>18,1%</b> |
| Net earned premiums   | 25.991,4        | 30.763,2        | 18,4%        |
| Income from group companies                                     | 96,0            | 44,8            | -53,3%       |
| Income from financial instruments<br>& other investments        | 6.206,2         | 6.586,4         | 6,1%         |
| Net income from financial<br>instruments at fair value thr. P&L | 1.603,4         | 2.774,2         | 73,0%        |
| Other income  | 1.224,7         | 1.293,9         | 5,6%         |
| <b>Total Costs</b>  | <b>33.642,5</b> | <b>39.442,3</b> | <b>17,2%</b> |
| Claims incurred   | 26.290,3        | 31.937,6        | 21,5%        |
| Charges from group companies                                    | 31,7            | 146,0           |              |
| Charges from financial instruments<br>& other investments       | 1.385,9         | 1.224,6         | -11,6%       |
| Operating expenses  | 4.228,9         | 4.460,3         | 5,5%         |
| Other charges   | 1.705,7         | 1.673,7         | -1,9%        |
| <b>Pretax profit</b>  | <b>1.479,2</b>  | <b>2.020,2</b>  | <b>36,6%</b> |
| <b>Income taxes</b>   | <b>436,8</b>    | <b>631,0</b>    | <b>44,5%</b> |
| <b>Minority interests</b>                                       | <b>161,4</b>    | <b>249,9</b>    | <b>54,8%</b> |
| <b>Net Profit</b>   | <b>881,0</b>    | <b>1.139,4</b>  | <b>29,3%</b> |

## Net income from financial investments at fair value through profit or loss

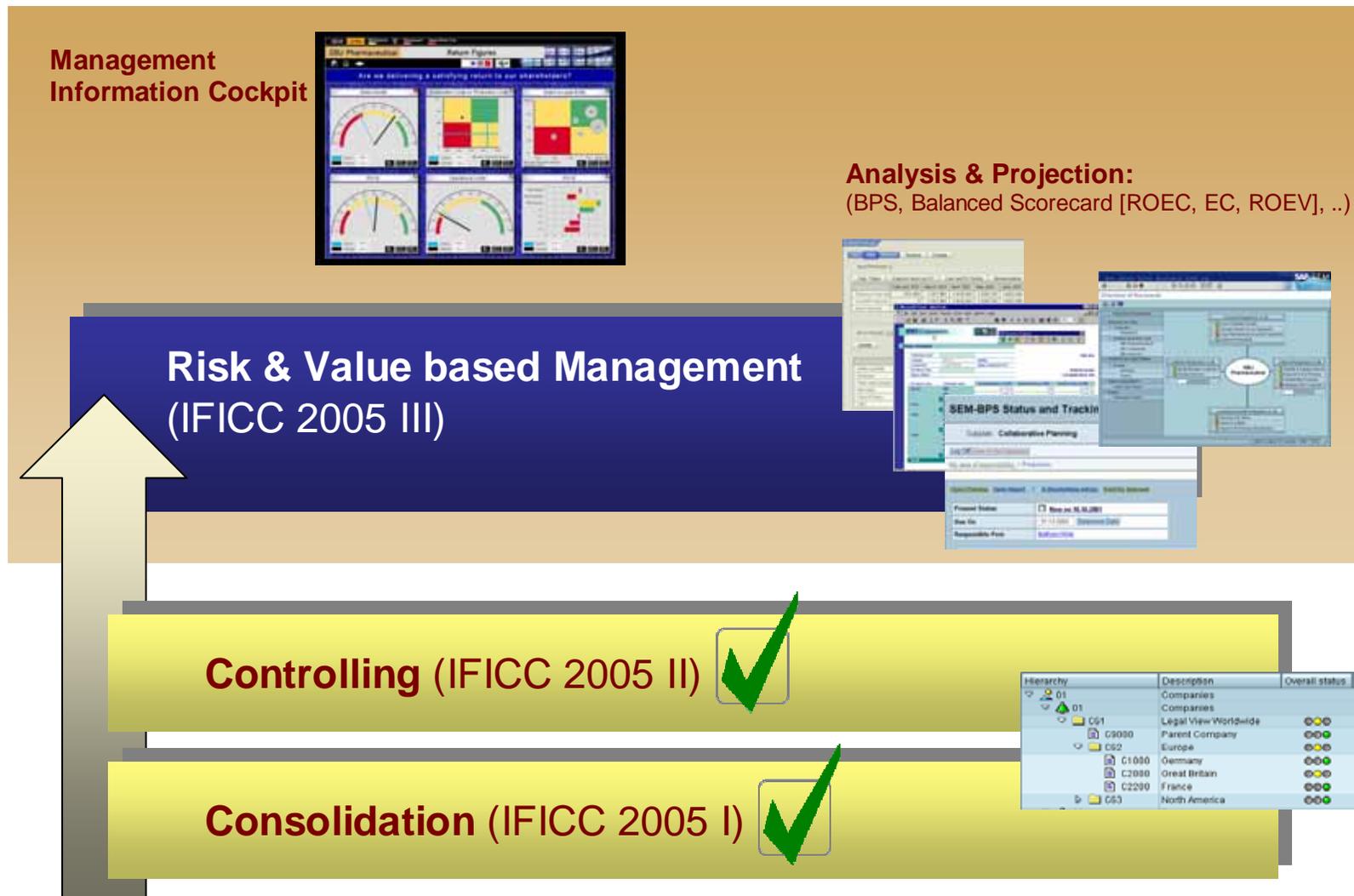
(Interests & oth.income, int. expenses, unrealised & realised gains & losses on financial assets & liabilities at fair value through profit or loss)

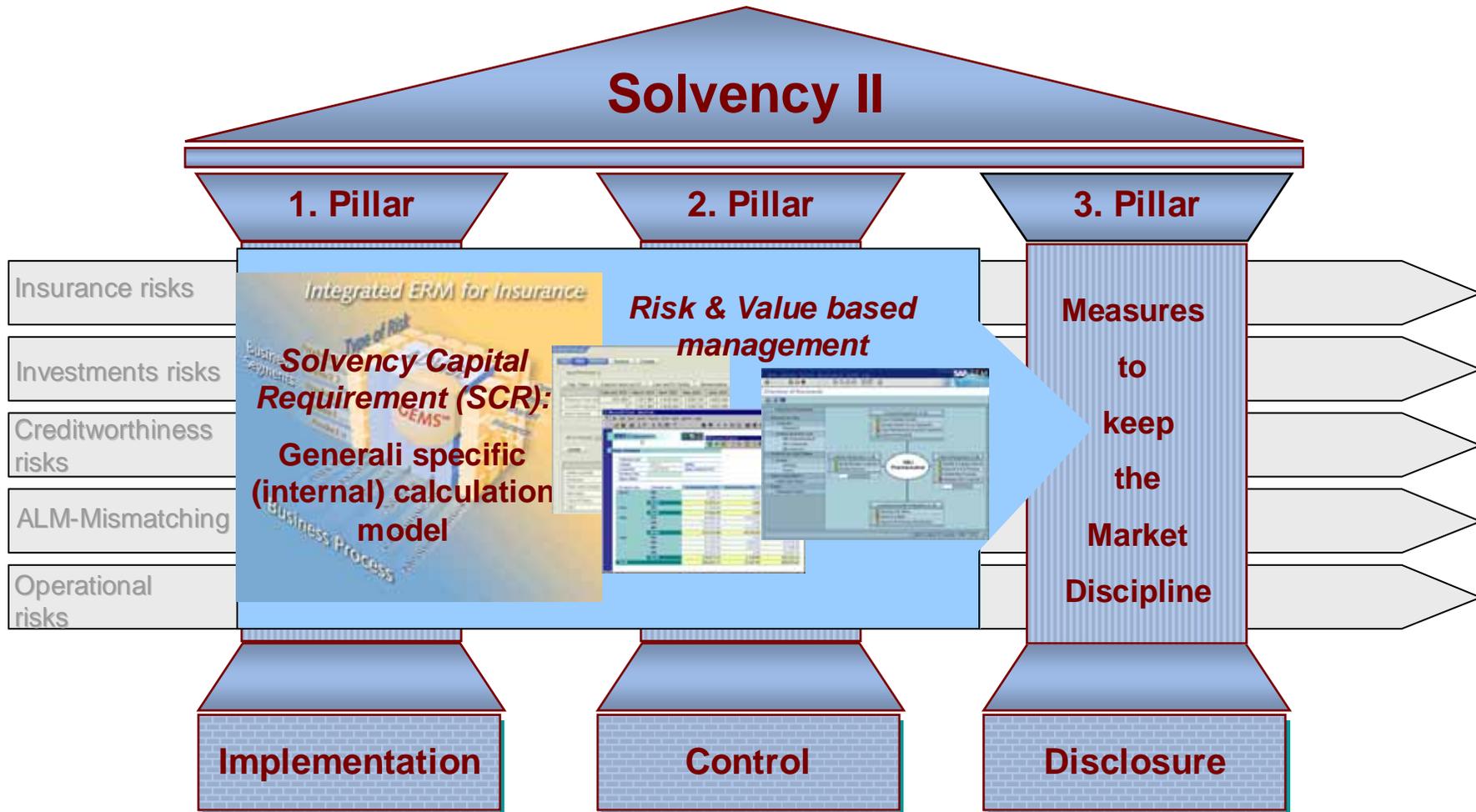
| (Euro billion)  | FY04       | %            | 1H05       | %            |
|---|------------|--------------|------------|--------------|
| <b>Total net income from financial assets at fair value through P/L</b>     | <b>3,4</b> | <b>100,0</b> | <b>2,8</b> | <b>100,0</b> |
| <b>Net income from inv.back to policies inv.risk borne by policyholders</b> | 1,8        | 52,9         | 1,9        | 67,9         |
| <b>Others</b>   | 1,6        | 47,1         | 0,9        | 32,1         |
| Interests & other income  | 0,9        | 26,5         | 0,5        | 17,9         |
| Unrealised gains & losses   | 0,5        | 14,7         | 0,3        | 10,7         |
| Realised gains & losses   | 0,2        | 5,9          | 0,1        | 3,6          |

100% matched by change in insurance provision and fin. Liabilities

Almost entirely neutralized by shadow accounting for life and health companies

- Generali Group IFICC Project
- Reconciliation of IAS/IFRS vs local GAAP figures 2004
- Transition to IAS/IFRS: major impacts on core areas
- **Future developments**





## 1) Model for Insurance Contract Measurement

- A Profit should be recognised in line with the release from risk.
- B The liability should be based on the present value of all future cash flows with allowance for the inherent risk and uncertainty. The cash flows should reflect management's best estimate of the future.

## Other Key features for Insurance Contract Measurement

- C **Unit of Account:** Measurement should be based on a portfolio basis.
- D **Policyholder Behaviour:** Policyholder behaviour including renewals & lapses should be reflected in the measurement of liabilities. Renewal options or provisions that obligate the insurer to continue to provide coverage should be recognised to the extent they are included in the contract.
- E **Options and Guarantees:** E Liabilities should reflect the value of the financial options and guarantees.
- F **Own Credit Risk:** The credit standing of an insurance contract should not be considered in the valuation of insurance liabilities.
- G **Participating contracts:** A principles based approach to participating plans should be adopted reflecting the different models of discretionary participation in different territories.

## 2) Asset and Liability Consistency

- H Assets and liabilities should be measured on a consistent basis reflecting the way that companies manage risk.

## 3) Value-based Reporting

- I Value-based measures may be disclosed as supplementary information. The basis of the value based measure should be disclosed.

\* CFO Forum Principles

- **No surprises**
- **Better comparability with other European insurance companies**
- **Robust basis for future developments**

- **AFS: Available for Sale**
- **ALM: Asset – Liability Management**
- **B.P: Benefit Plans**
- **CoA: Chart of Account**
- **CTD: Currency Traslation Differences**
- **DAC: Deferred Acquisition Costs**
- **DPF: Discretionary Participation Feature**
- **DPL: Deferred Policyholder Liabilities**
- **FV: Fair Value**
- **FVTRL: Fair Value Thourgh Profit or Loss**
- **IASB: International Accounting Standards Board**
- **IFRS: International Financial Reporting Standards**
- **P&C: Property and Casualty**
- **PH: Policyholders**
- **UGL: Unrealised Gains and Losses**

## Questions and answers



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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