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The Italian Insurance Market

(2014 figures+ 3M15 overview)

September 2015

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Agenda

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Italian insurance market snapshots

1

Italian insurance market

FY14 Key-data

Italian insurance market GWP
€143.3bn *(direct business), +21% vs. FY13*
o/w Life: €110.5bn (+29.8% vs. FY13)
Non-life: €32.8bn (-2.6% vs. FY13)

Largest Italian insurance companies:

- ***Life*: Poste Vita** *(market share equal to 13.6%)*
- ***Non-life*: UnipolSai Assicurazioni** *(market share equal to 21.5%)*

Largest Italian insurance groups:

- ***Life*: Generali Group** *(market share equal to 15.8%)*
- ***Non-life*: Unipol Group** *(market share equal to 27.1%)*

Key Messages

- In 2014 the Italian **GWP rose by 21%** to €143.3bn, representing 9% of the Italian GDP with a premium per capita of €1,954 (UK: €3,421)
- The 2014 **positive technical result** (€6,640m), decreased by 3%, can be ascribed to non-life business for 57% (or €3,757m) and life business for 43% (or €2,883m)
- Non-life profitability is slightly improving (+6%), despite premiums contraction, whilst life technical result is worsening (-13%) even though the significant premiums increase, offset by a higher change in technical reserves
- Insurance players continue to be **highly dependent on Italian sovereign debt** (51% of the total investment portfolio), though a switch to corporate bonds is likely in course with the aim to improve investment result in the current low interest rate environment
- The Italian insurance sector's **ROE rose to 9.3%** (8.2% in 2013) and is in line with the European average
- The number of deals recorded in 2014 confirms a revamped appetite for the Italian insurance business, primarily from international investors

2010/2014 Technical result

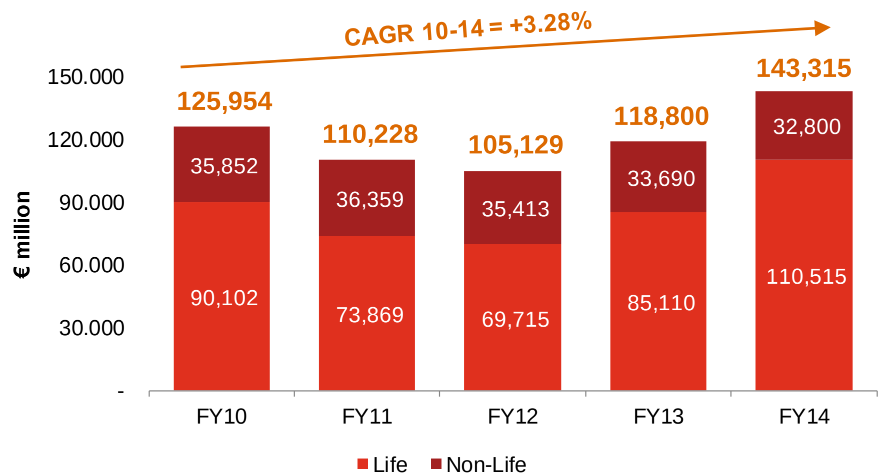
€ million	FY10	FY11	FY12	FY13	FY14
Written premiums	123,546	108,420	103,139	117,364	142,009
Changes in reserves	(32,825)	(3,106)	(9,631)	(29,512)	(59,993)
Investment income*	14,109	3,978	27,480	20,050	22,514
Other technical income	1,484	1,429	1,560	1,638	1,781
Incurred claims	(92,105)	(99,376)	(98,776)	(88,310)	(84,812)
Operating expenses	(12,540)	(12,283)	(11,539)	(11,726)	(12,118)
Other technical costs	(2,311)	(2,272)	(2,537)	(2,624)	(2,741)
Technical result	**(642)**	**(3,210)**	**9,696**	**6,880**	**6,640**

* Direct & indirect businesses, net of ceded premiums

Source: ANIA

Italian insurance market trend

2010/2014 Italian market GWP

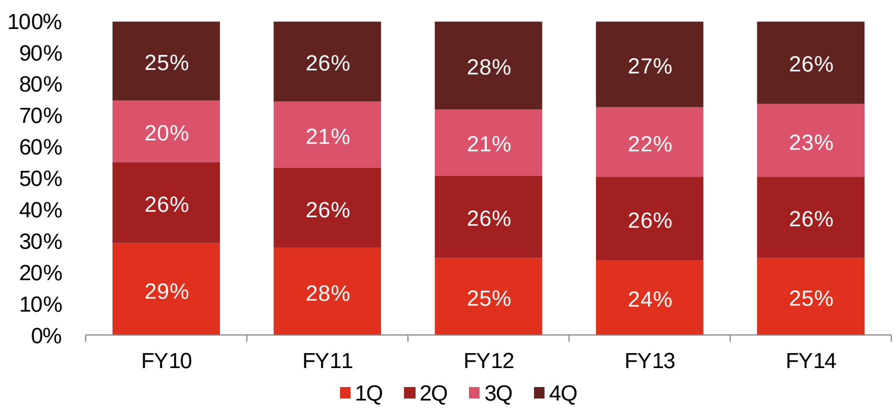


Total written premiums in 2014 rose by 21% to a total of €143bn (€119bn in 2013)

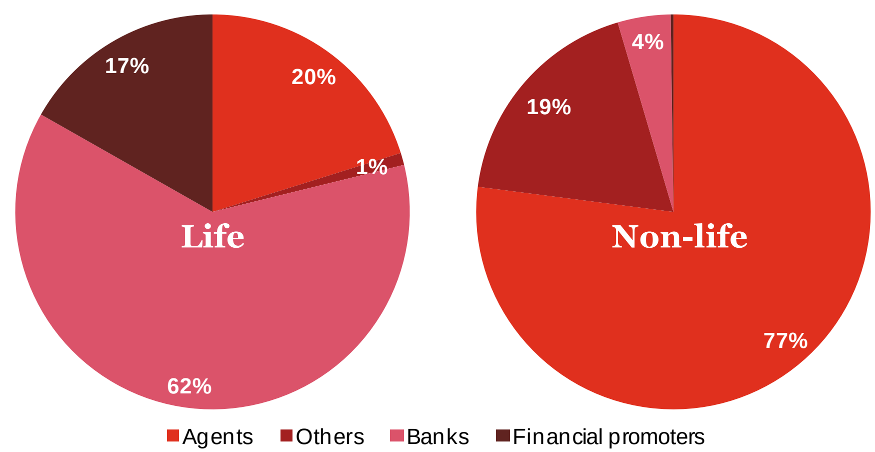
Life premiums achieved €110.5bn, registering the highest double digit growth in Europe (+30% vs. 2013). Italy is the second European life market by GWP, only after UK. In the same period, non-life premiums fell by 3% to €32.8bn (-5% in 2013)

The Italian market remains dominated by traditional distribution channels, such as the bancassurance model in the life segment (62% of total GWP) and agents network in non-life (77%)

2010/2014 Italian market GWP per quarter



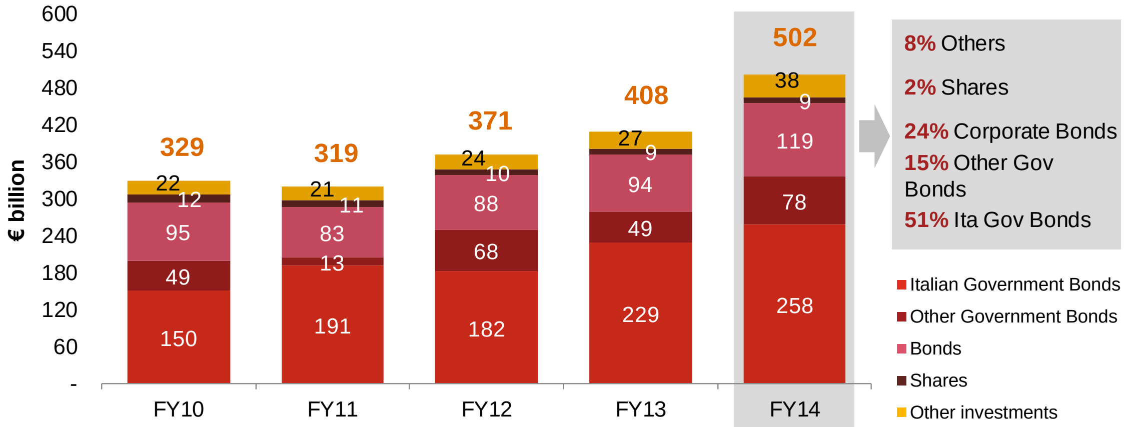
2014 Breakdown of distribution channel



Source: PwC analysis on IVASS data

Investments

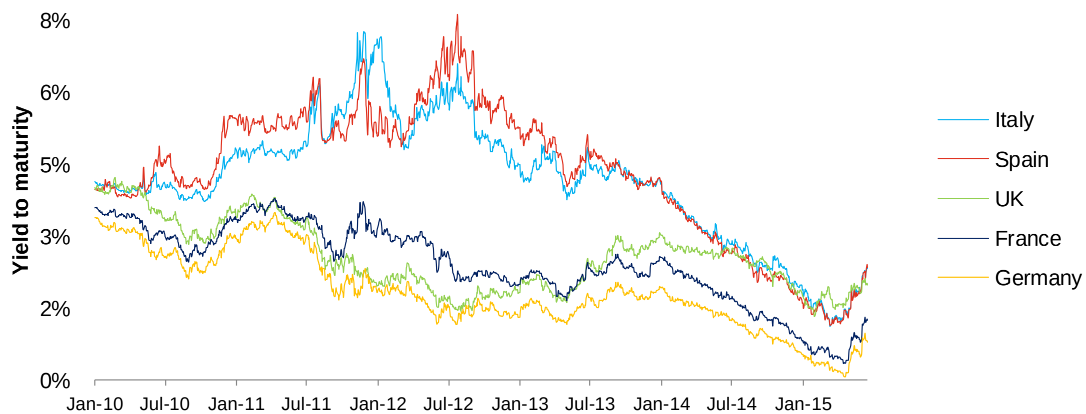
2010/2014 breakdown of investments (not related to investment contracts)



Source: PwC analysis on ANIA and BankIT data; excluding infra-group investments

- Insurance companies still invest mainly in Italian government bonds (51%)
- Investments in corporate bonds (24%) are expected to increase, to contrast the government bonds low interest rates
- In April 2015 the insurance sector's investment portfolio shows unrealised gains equal to €72bn, a strong improvement compared to €33bn deficit in November 2011
- 13.2% of the Italian families savings (€518bn) have been invested in insurance products, almost as in banks deposits (13.8%) and investment funds (9.7%)

2010/2014 main 5 European Government Bonds yield to maturity



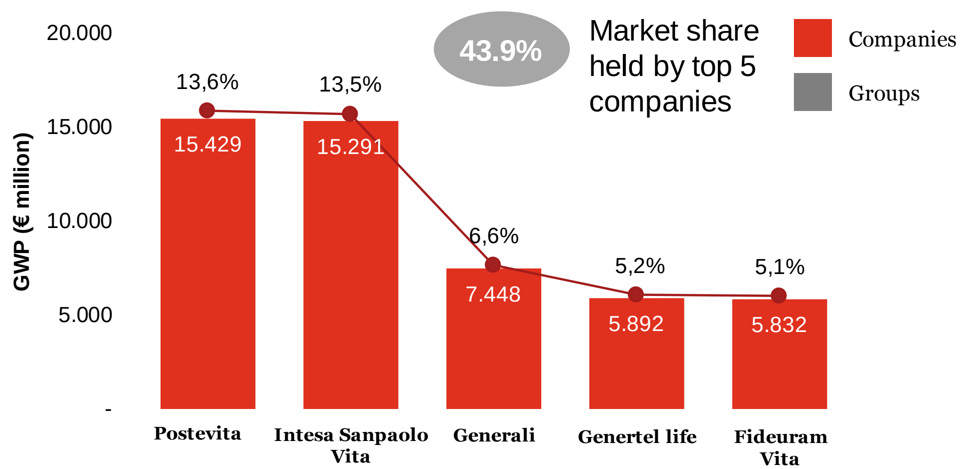
Source: Bloomberg

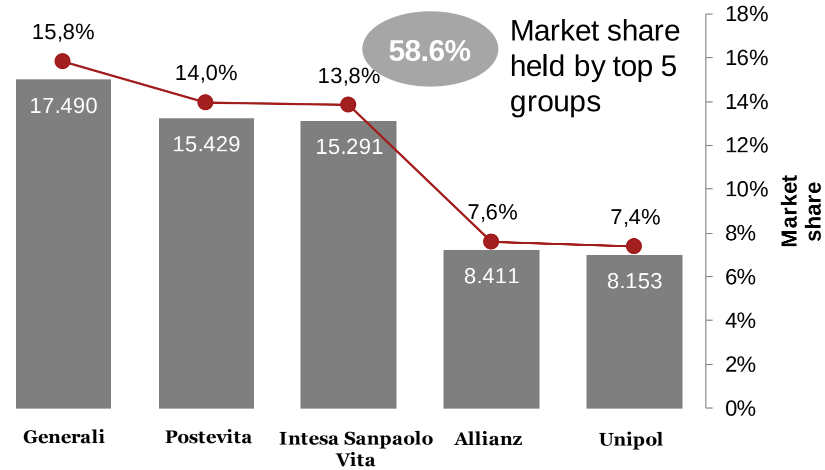
Lending, an investment opportunity

Since October 2014 the Italian insurance companies have been allowed by IVASS to lend money to SME. The Regulator has identified 4 different investment instruments that insurers could invest in: Mini-bonds (up to 3% of technical reserves), securatisations (up to 3% of technical reserves), direct funding (up to 5%-8% of technical reserves), and alternative funds (up to 10% of technical reserves)

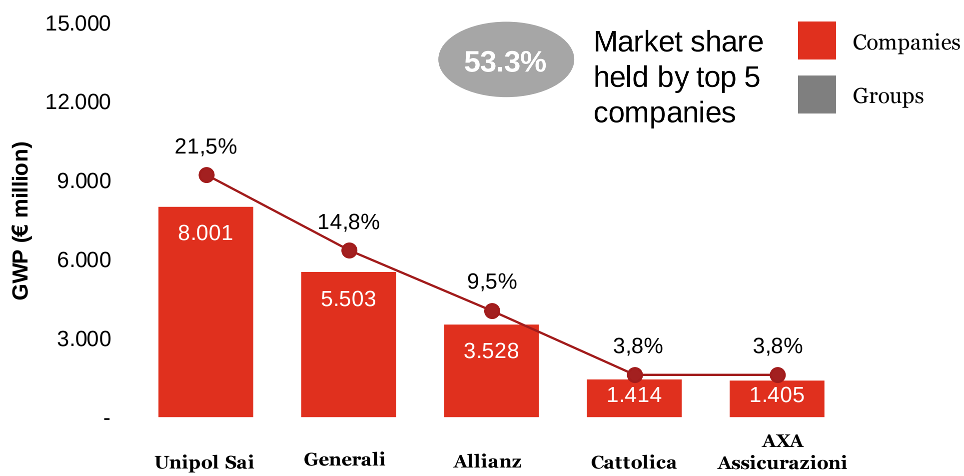
Top Italian insurance players

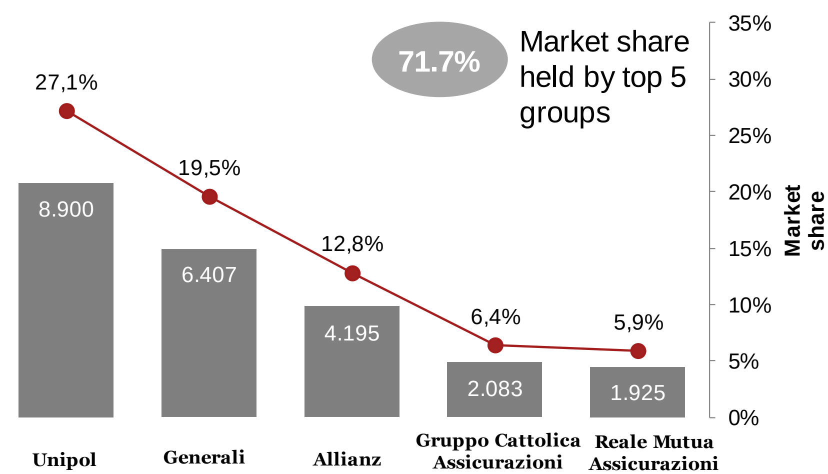
2014 top 5 ranking of life insurance companies and groups by GWP





2014 top 5 ranking of non-life insurance companies and groups by GWP

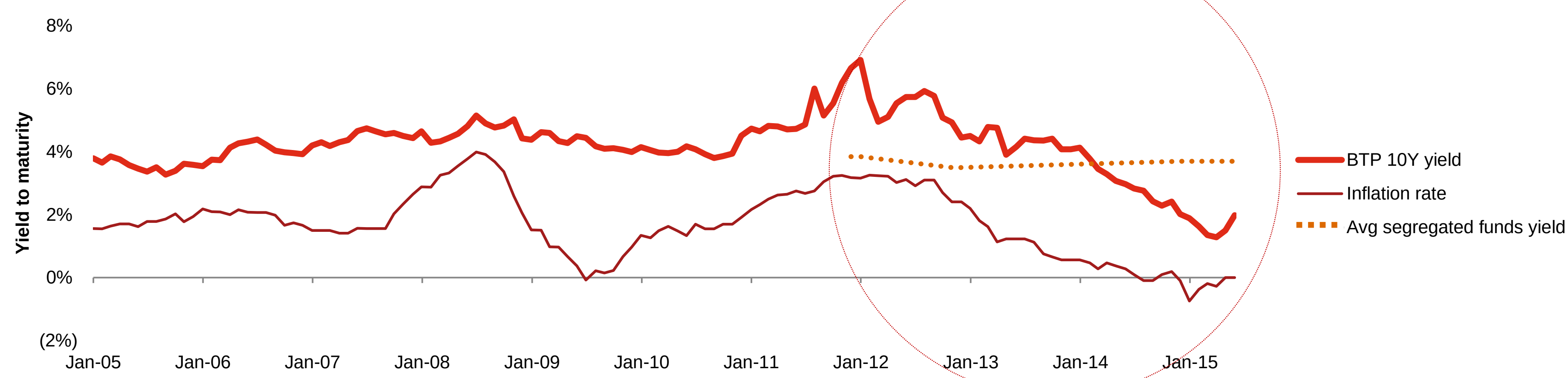




Source: PwC analysis on ANIA data

Low interest rates are the main issue life insurers must face onwards

2005/2015 Italian Government bonds and inflation evolution



Source: Bloomberg and ISTAT

Since 2014 the Italian segregated funds average return has been higher than the 10y Italian govies yield. This scenario is also happening both in other European countries - especially in Germany - and in Japan

The insurance companies have to **face a challenging situation**: On one side, they need to invest in more risky assets in order to ensure adequate returns for their clients, and on the other side they need to take into account the new strict capital requirements imposed by Solvency II

In order to overcome this situation, most of the insurance companies have already begun to undertake different strategies:

- Reducing the collection of traditional premiums switching to **new multiline (hybrid) products**, which combine the guarantee of traditional products with the higher returns of unit-link, while reducing capital absorption for insurance company;
- Improving **cost management**; and
- Investing in **convertible bonds** (which benefit from a lighter capital requirement by Solvency II)

Italian life insurance market

2

Italian life insurance market

FY14 Key-data

Italian life insurance market GWP

€110.5bn *(direct business), +30% vs. FY13*

Life products distributed mainly through banking channel *(62%)*

Largest life insurance company:

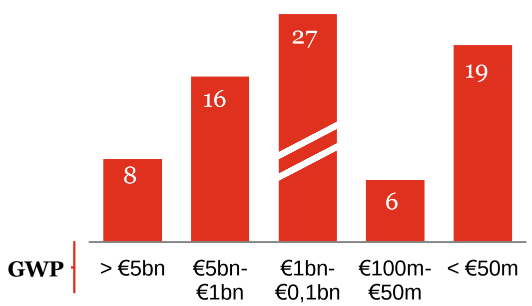
Poste Vita *(market share equal to 13.6%)*

Largest life insurance group:

Generali Group *(market share equal to 15.8%)*

76 insurance companies operating in the life business *(78 in 2013)*

2014 # of companies by GWP



Key Messages

- The Italian life insurance market showed a **30% increase in GWP**, the highest growth in Europe, resulting in a net cash flow of €46.4bn (€18.6bn in 2013)
- 2014 technical result is positive (€2,883m), however this is 13.4% lower than 2013 (€3,328m) as the change in technical reserves offset the above mentioned increase in written premiums
- **Italian families have invested €518bn** of their own savings in life insurance products (13.2% of total savings)
- The market sill shows a **strong predominance of traditional products** (75%). Low interest rates environment and the introduction of Solvency 2 are likely to boost investment products, as already proved by the steady growth (€12bn in 2014) of **multi-line contracts** (also so called *hybrid contracts*)
- Life premiums penetration in Italy is 6.8% (premiums/GDP), the second highest result in Europe after UK (8.5%)

2010/2014 Technical result

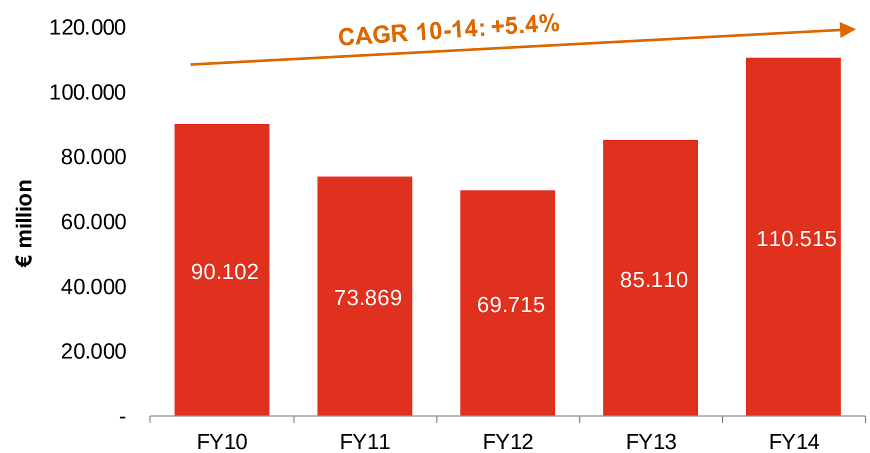
€ million	FY10	FY11	FY12	FY13	FY14
Written premiums*	90,592	74,368	70,376	85,756	110,963
Changes in technical provisions	(32,329)	(2,644)	(10,125)	(30,138)	(60,272)
Investment income	13,014	3,338	25,820	18,786	21,167
Other technical income	1,044	978	1,091	1,212	1,389
Incurred claims	(66,999)	(74,177)	(75,296)	(66,999)	(64,650)
Operating expenses	(4,399)	(3,961)	(3,521)	(3,685)	(3,883)
Other technical costs	(1,190)	(1,218)	(1,413)	(1,604)	(1,831)
Technical result	**(267)**	**(3,316)**	**6,932**	**3,328**	**2,883**

* Direct & indirect businesses, net of ceded premiums

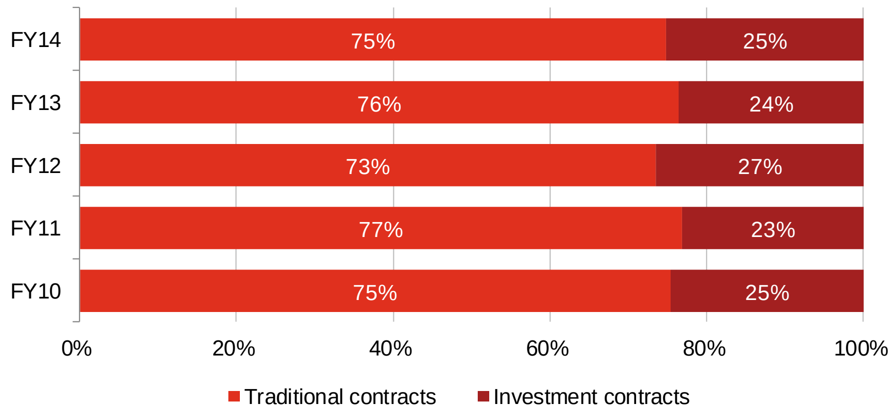
Source: ANIA

Italian life insurance market trend

2010/2014 Italian market life GWP



2010/2014 Split between traditional & investment contracts



Source: PwC analysis on IVASS data

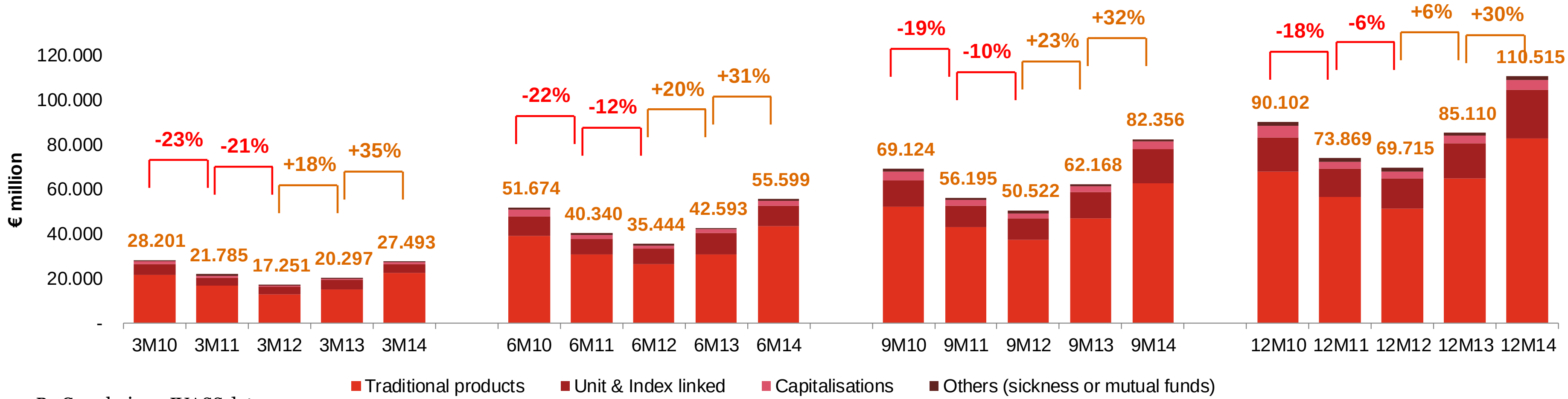
The rebound of the financial markets, combined with the regained confidence of policyholders to invest savings in insurance products, resulted in a significant GWP growth in 2014 (+29.8%). The growth is mainly driven by unit linked products, which link their returns to the performance of investment funds

As a consequence of the financial crisis that started in 2007-2008, the business mix of the Italian life insurance market shows a strong predominance of traditional products against investment products. Such trend is not expected to continue in the following years and investment products will gain significant market share also due to the steady growth of multi-line products (also called *hybrid* products). Such hybrid products combine returns offered by unit linked products with guarantees provided by traditional contracts

The shift towards investment products is mainly driven by the extremely low interest rates and the related low returns on government bonds and by regulatory evolutions in the insurance industry. Stringent regulatory requirements imposed by Solvency 2 are driving insurance companies' preferences towards unit linked products which absorb less capital as compared to traditional product

Breakdown by quarter of Italian life insurance market

2010/2014 GWP breakdown by quarter

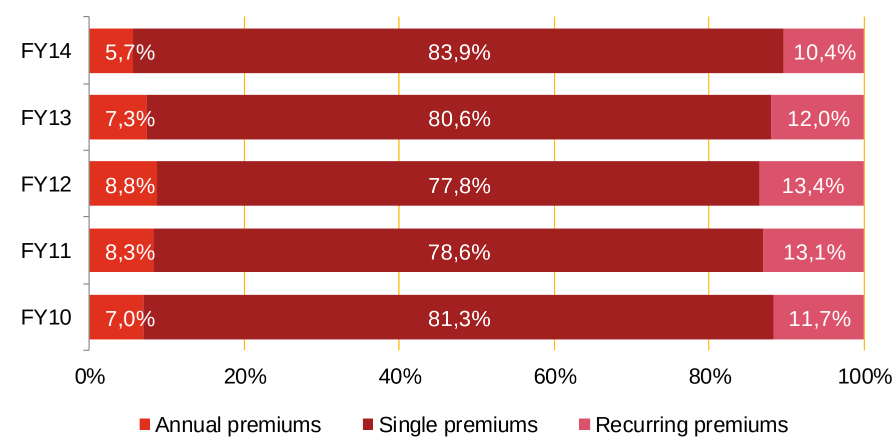


Source: PwC analysis on IVASS data

Sales continue to be dominated by single premium business, confirming the Italians attitude to invest a lump-sum instead of having annual/recurring premiums to pay

The Italian attitude to single premium products can be explained by the fact that the life insurance policies are sold more for their saving characteristics than protection

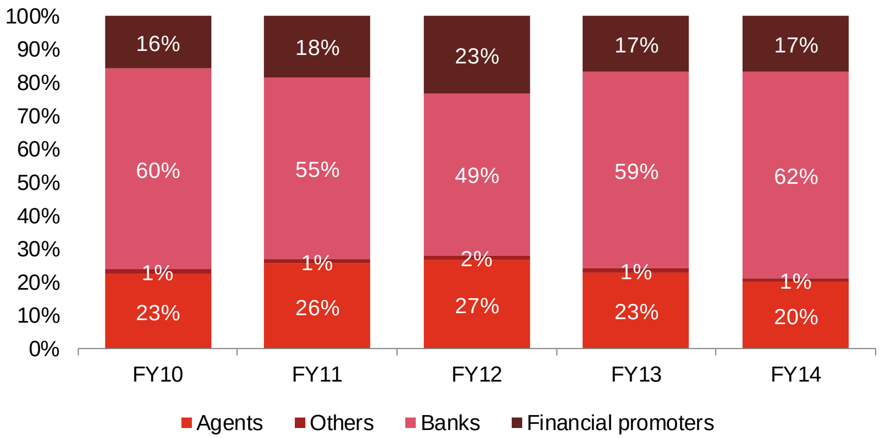
2010/2014 Annual, single and recurring premiums



Source: PwC analysis on IVASS data

Distribution channel and investments overview

2010/2014 GWP by sales channel

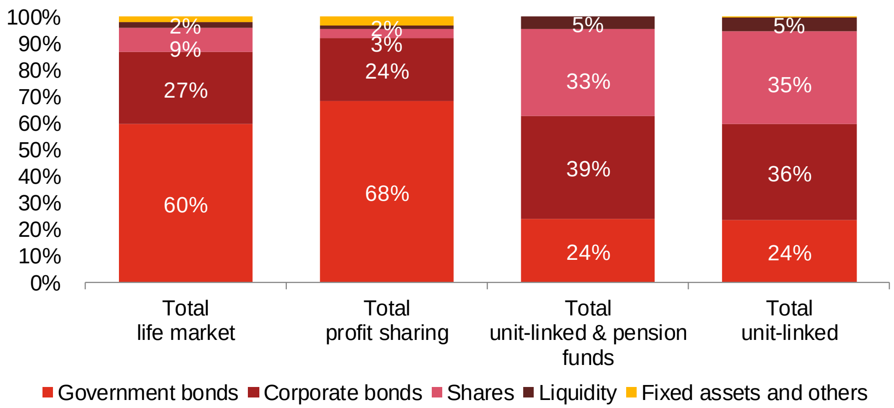


Source: PwC analysis on IVASS data

In line with other EU countries, such as France and Spain, banks represent the most significant distribution channel in the life insurance market (c. 62% of total premiums)

The Italian bancassurance model quiet changed over the last decade: In 2014 the model was characterised by a preponderance of captive companies (60% vs. 37% in 2002) and JVs (29% vs. 51 % in 2002), whereas third party distribution agreements remained stable representing almost the residual 11%

2014 Asset allocation of life products



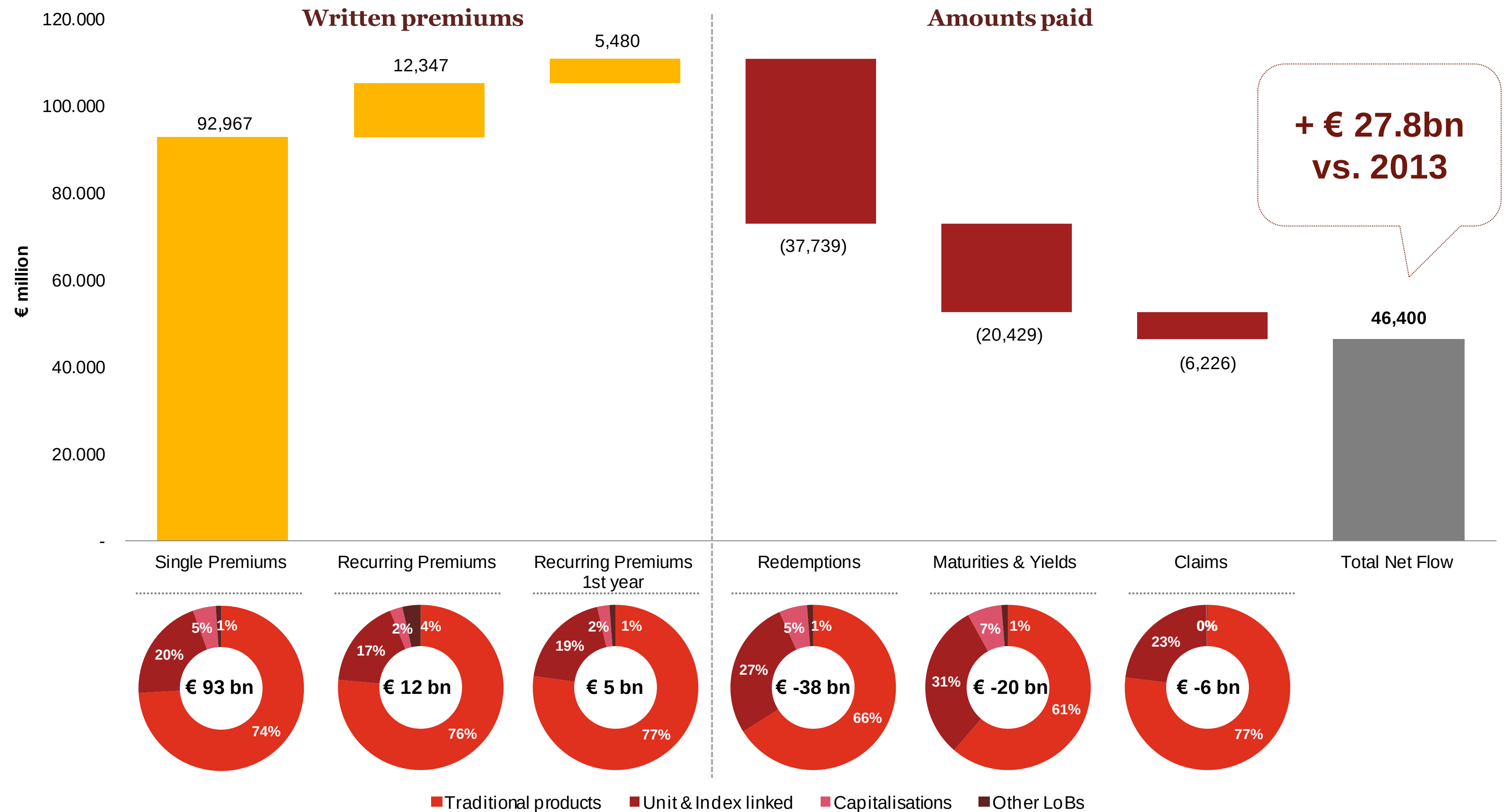
Source: PwC analysis on ANIA data

The investment strategy of Italian life insurance companies is conservative, with the portfolio being primarily invested in fixed-income assets. Italian insurers used to match their profit sharing products liabilities with government bonds, leading to a high level of exposure investment in Italian government debt

Unit linked and pension fund portfolios - though limited in their overall size - show a different asset allocation, where equities and corporate bonds are more significant than bonds

Breakdown of net flow

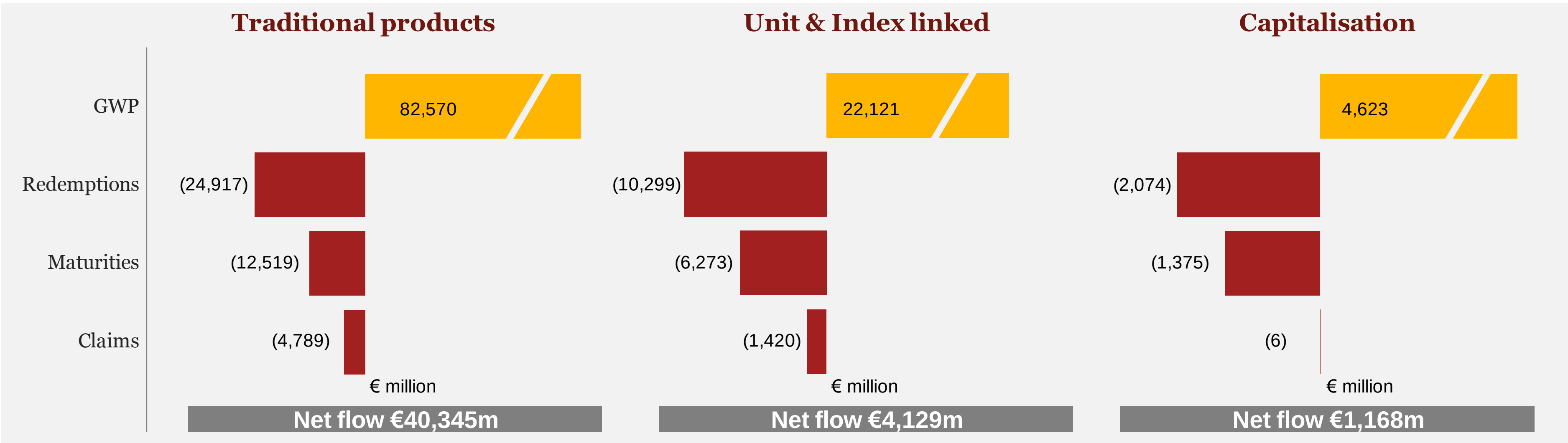
2014 Breakdown of net flow

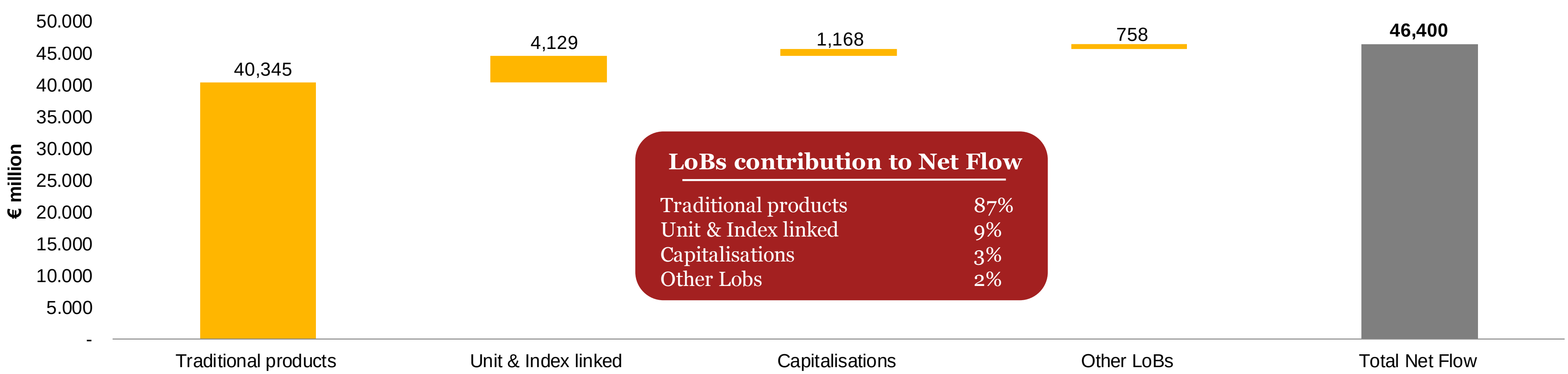


Source: PwC analysis on ANIA data

Breakdown of net flow by LoB

2014 Breakdown of net flow per LoB

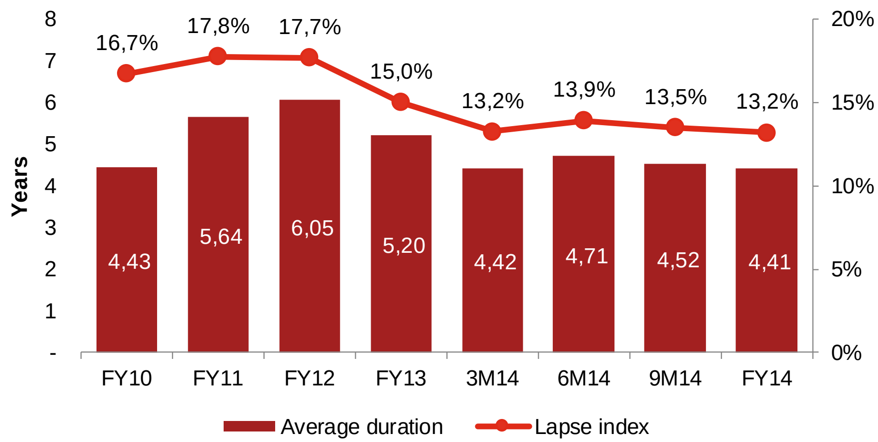




Source: PwC analysis on ANIA data

Portfolio lapse index and average duration

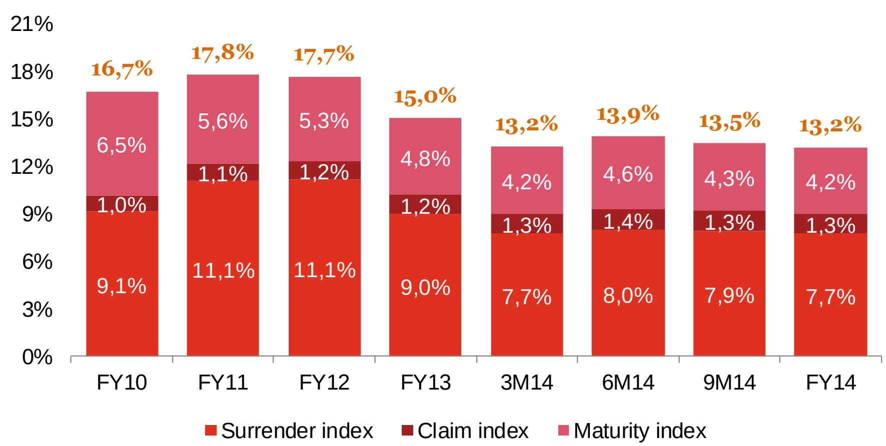
2010/2014 Portfolio lapse index and average duration



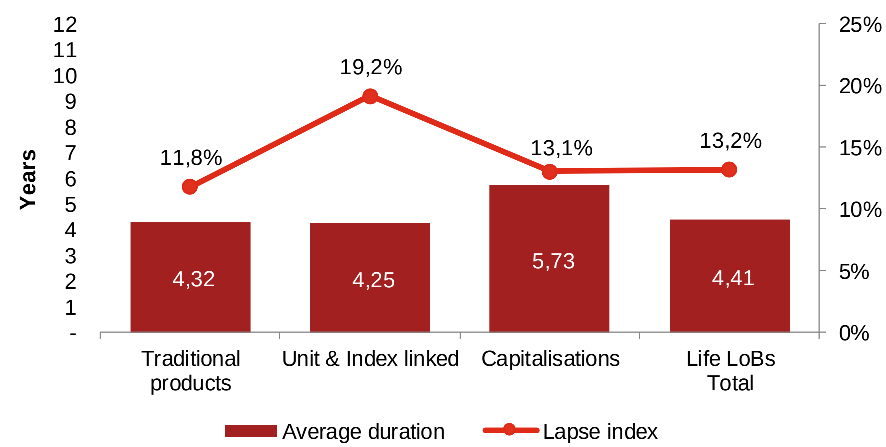
At the end of 2014 the lapse index confirmed the prior year decreasing trend, with a ratio (*calculated as total claims on technical reserves*) equal to 13.2% (15% in 2013), confirming the 'U-turn' after the significant increase recorded during the financial crisis period as a result of high levels of surrenders

In 2014 the additional reduction of the spread between Italian and the German government bonds allowed portfolio managers to continue the ALM strategy review resulting in a decrease of the average duration to 4.41 years (5.20 years in 2013). This appears to confirm that the investment portfolio strategy is heading back to a shorter duration, in line with 2010 and 2009 (approx. 4.5 years)

2010/2014 Portfolio lapse index composition



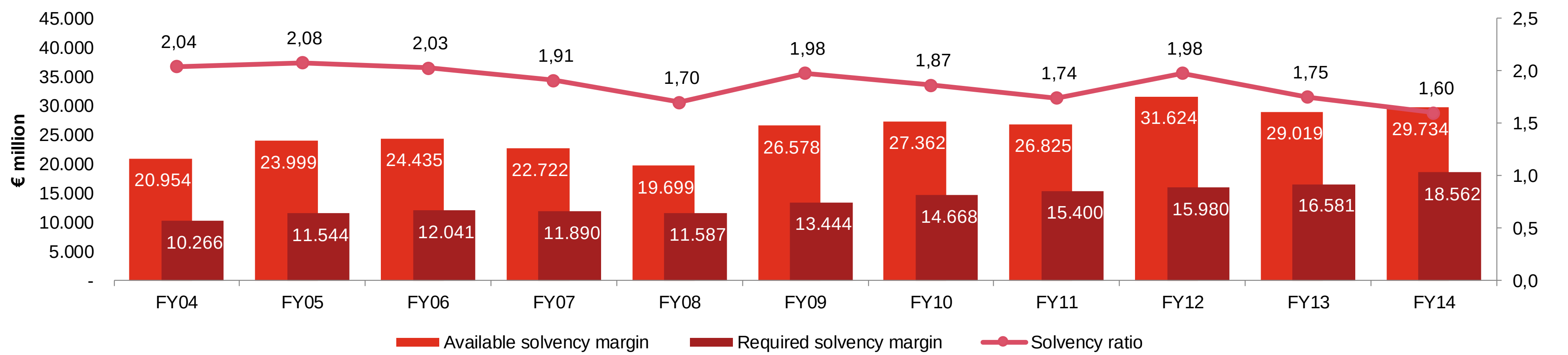
2014 Portfolio lapse index and average duration per LoB



Source: PwC analysis on ANIA data

Solvency

2004/2014 Life solvency margin



Source: ANIA

At the end of 2014 Italian insurance companies showed an overall (life and non-life) available solvency margin equal to €46.7bn, which is almost double of the required margin (€24.7bn)

The solvency ratio of the life insurance industry was 1.60x (1.75x in 2013), with a surplus of €11.1bn (€12.4bn in 2013)

Italian insurance companies are still reporting their available solvency margin under Solvency I. However, they are approaching Solvency II based on specific rules issued by IVASS during the first half 2014

Solvency II implementation date has been confirmed and the new rules on capital requirement will apply starting from January 1st, 2016

Solvency II represents a fundamental review of capital adequacy and risk management for the European insurance industry. The new rules for calculating solvency require the insurance companies to review their capital structure and risk management approach, with a significant impact on technical provisions, governance and disclosure of information to their shareholders and stakeholders

Italian non-life insurance market

3

Italian non-life insurance market

FY14 Key-data

Italian insurance market GWP

€32.8bn *(direct business), -2.6% vs FY13*

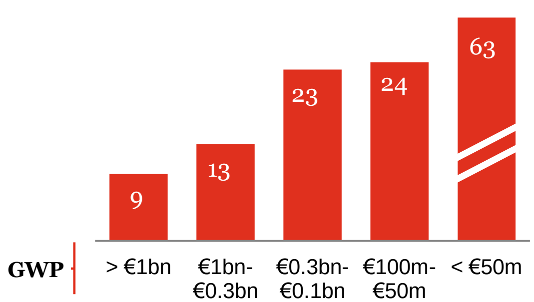
Non-life products distributed mainly through agents *(77%)*

Largest non-life insurance company: UnipolSai Assicurazioni *(market share equal to 21.5%)*

Largest non-life insurance group: Unipol Group *(market share equal to 27.1%)*

132 insurance companies operating in the non-life business *(136 in 2013)*

2014 # of companies by GWP



Key Messages

- 2.6% decrease in direct GWP (€32.8bn vs. €33.7bn in 2013) is driven by the motor business (-5.8%). However, in 2014 the number of insured vehicles increased (+0.6%) after several years negative trend (-5.1% over the period 2010-2013)
- The non-life sector achieved in 2014 a €3,757m positive technical result driven by the claims costs reduction, though the negative trend of GWP (-2.6%) has been confirmed. The underwriting result was 12.1% (FY13: 11.2%) of total non-life written premiums
- Motor business represents almost 54% of the overall non-life business
- Decrease in claims occurred over the period 2011 – 2014 (-6.8%, -9.2%, and -5.4%, respectively), resulting in policy price reductions
- Lack of penetration and development of non-motor lines of business compared to other European countries

2010/2014 Technical result

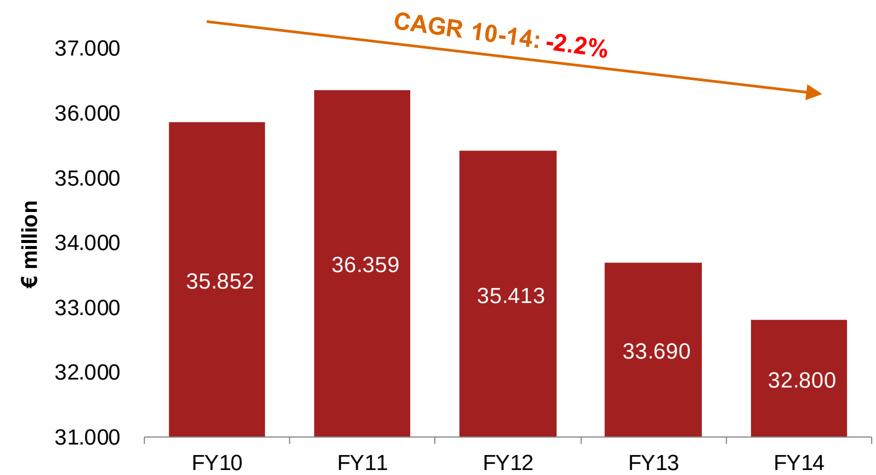
€ million	FY10	FY11	FY12	FY13	FY14
Written premiums*	32,954	34,052	32,763	31,608	31,046
Changes in premiums reserves	(496)	(462)	494	626	279
Investment income	1,095	640	1,660	1,264	1,347
Other technical income	440	451	469	426	392
Incurred claims	(25,106)	(25,199)	(23,480)	(21,311)	(20,162)
Operating expenses	(8,141)	(8,322)	(8,018)	(8,041)	(8,235)
Other technical costs	(1,121)	(1,054)	(1,124)	(1,020)	(910)
Technical result	**(375)**	**106**	**2,764**	**3,552**	**3,757**

* Direct & indirect businesses, net of ceded premiums

Source: ANIA

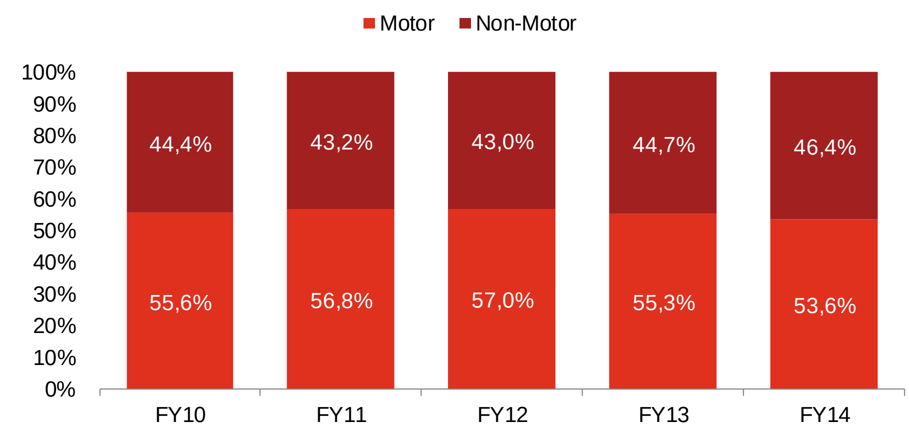
Italian non-life insurance market trend

2010/2014 Italian market non-life GWP



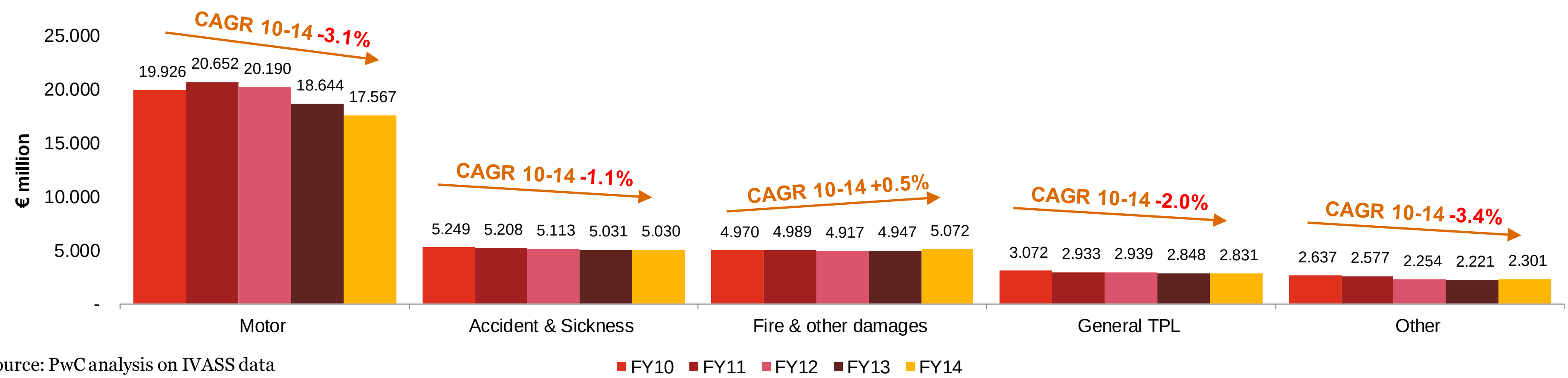
Source: PwC analysis on IVASS data

2010/2014 Split between motor and non-motor LoB



Source: PwC analysis on IVASS data

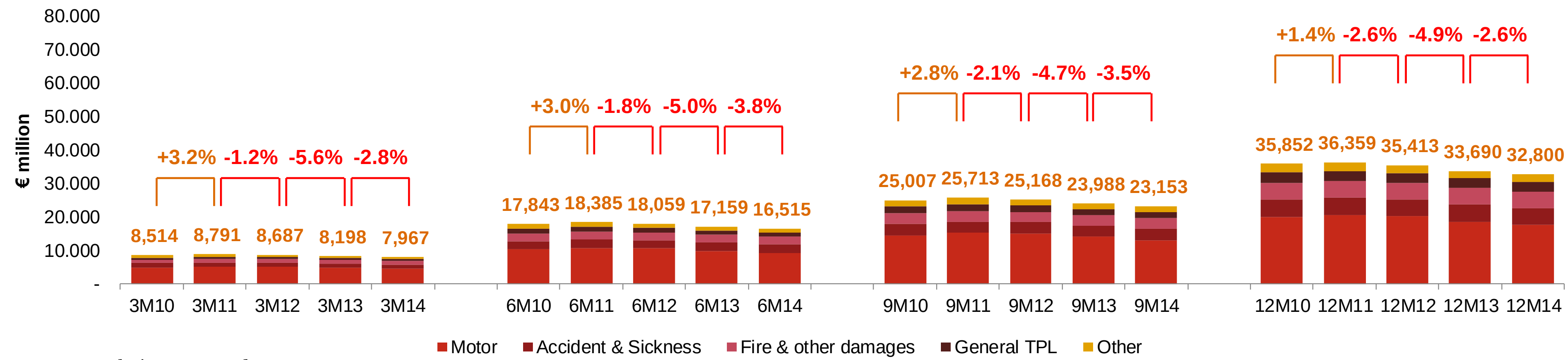
2010/2014 Breakdown of GWP by LoBs



Source: PwC analysis on IVASS data

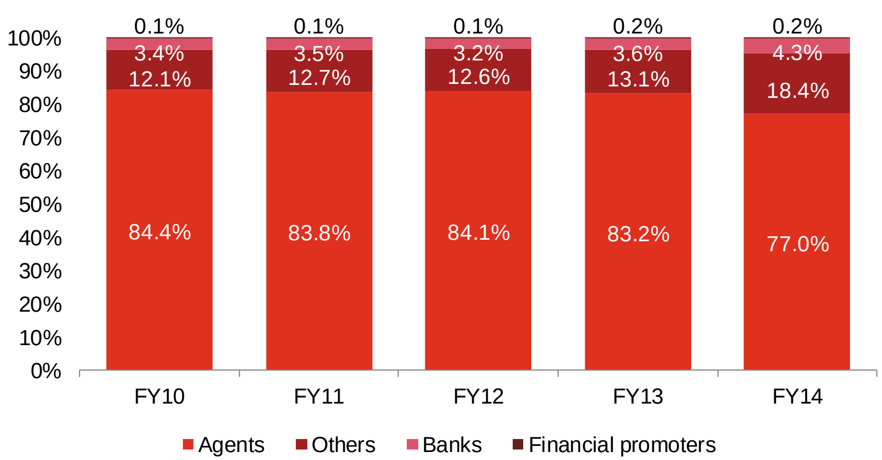
Breakdown of non-life market and distribution channels

2010/2014 GWP breakdown by quarter



Source: PwC analysis on IVASS data

2010/2014 Trend of sales channel



Source: PwC analysis on IVASS data

The negative GWP trend of the non-life insurance market is mainly attributable to Motor TPL (-6.5% or -€1,051m vs. 2013)

Sales of non-life insurance remain dominated by agents, which hold a market share of 77.0% (83.2% in 2013) and brokers 18.4% (13.1% in 2013). Agents represent the dominant distribution channel in all LoBs, with the exception of ships, railways, goods in transit and aircrafts dominated by brokers. Bancassurance leads the sale of credit and miscellaneous financial loss covers

Direct sales keep on growing

In 2014 sales through internet and telephone channels represented 4.7% of total non-life GWP (8.3% if limited to motor only)

Direct companies accounted GWP equal to €1,922m, of which €1,720m (or 89.5%) related to motor business

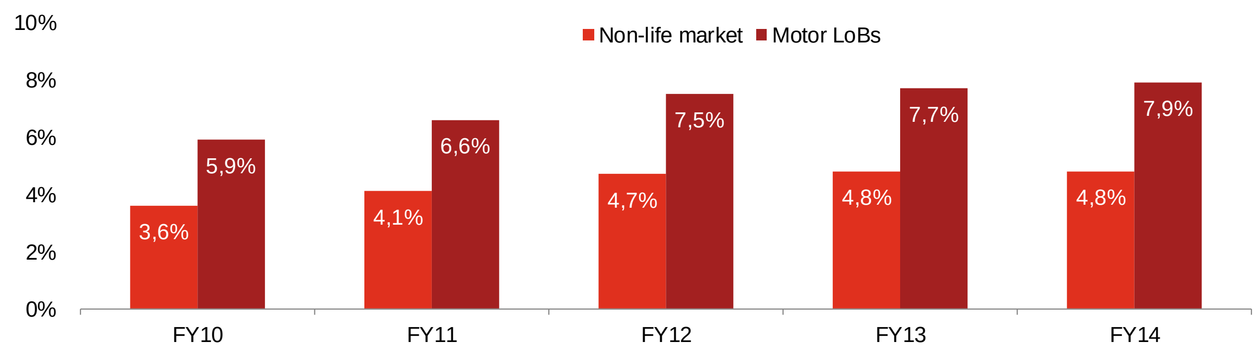
Direct companies operating in the Italian market are usually part of leading insurance groups, except for Direct Line, being part of the Mapfre Group

In the Italian non-life insurers ranking, Genialloyd, Direct Line, and Genertel are ranked #10, #13 and #15 respectively

2014 Non-life GWP from direct sales

€ million	Genialloyd	Direct Line	Genertel	Linear	Zurich Connect	Quixa	Dialogo	**Total by LoB**
MTPL	442.8	295.4	347.7	142.8	107.9	101.9	17.5	**1456.0**
Other Motor	66.4	121.9	36.0	14.6	16.9	7.5	0.9	**264.2**
Accident & Sickness	18.3	31.4	25.1	8.5	4.7	2.9	0.6	**91.5**
Fire & other damages	3.1	0.7	7.3	0.2	0.1	0	0	**11.4**
GTPL	2.0	0.2	3.5	0.2	0.1	0	0	**6.0**
Other	33.0	8.9	32.5	8.9	5.2	3.7	0.6	**92.8**
Total by company	**565.6**	**458.5**	**452.1**	**175.2**	**134.9**	**116.0**	**19.6**	**1921.9**
Ranking non-life insurance market	*# 10*	*# 13*	*# 15*	*# 35*	*# 41*	*# 42*	*# 91*	

2010/2014 Trend of direct sales



Source: PwC analysis

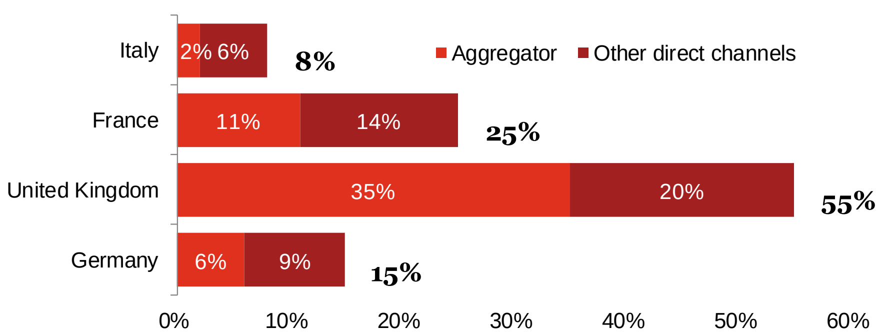
Six main players are active in the Italian insurance aggregator market

	facile.it	segugio.it *	supermoney	6sicuro	chiarezza.it	Comparameglio.it
Setting-up	2008**	2008**	2008	2000	2010	2011
Ownership	Real Web, Grupo Imoveis, others	MutuiOnline	Founder, FILAS, others	Assiteca, management, Principia, Insec	Blackfin Capital Partners	Daina Finance
Services provided	Insurance Loans Bank accounts Utilities Mobile phone	Insurance Loans Bank accounts Utilities Travel	Insurance Loans Bank accounts Utilities Mobile phone	Insurance ADSL Utilities	Insurance Loans Utilities Travel	Insurance Loans Utilities
Revenues from insurance business	30,909	20,568	3,222	1,645	n.a.	n.a.
EBITDA	4,022	2,955	1367	(1,372)	n.a.	n.a.

* Figures refer to the brokerage business unit of MutuiOnline; ** With the brands "Assicurazione.it" and "Cercassicurazioni"; *** 2014 figures for SuperMoney, and 2013 for other players.

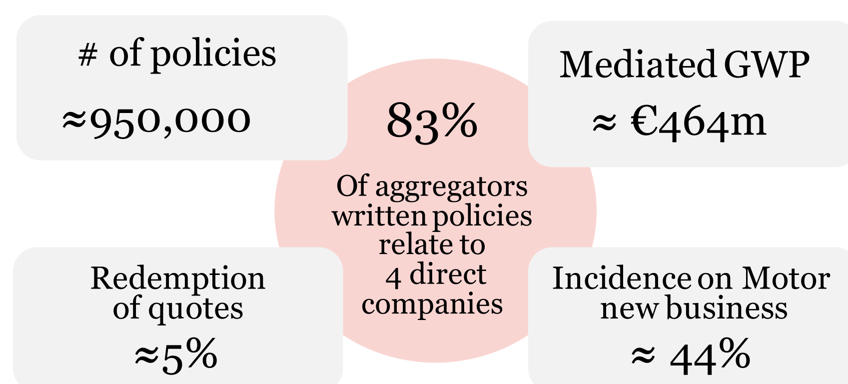
Source: PwC analysis of companies' financial statements, public information

Aggregator penetration in the motor direct insurance business



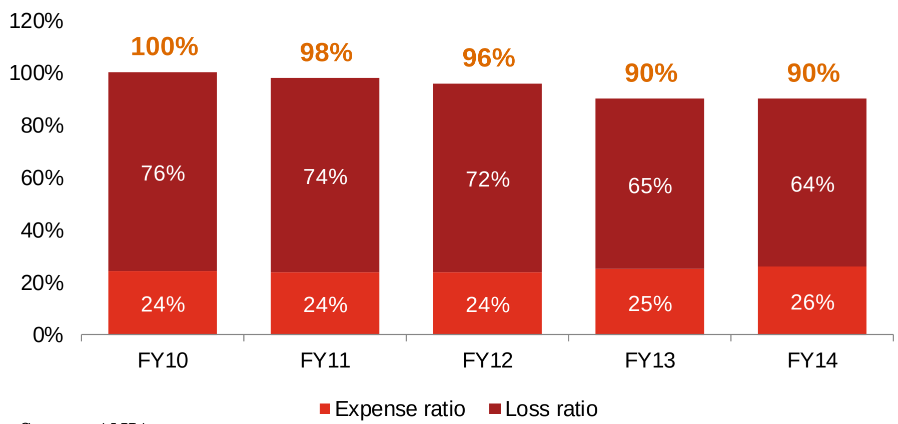
Source: PwC analysis, interviews and press release

The Italian aggregator market



Expense, loss and combined ratios

2010/2014 Combined ratio



Source: ANIA

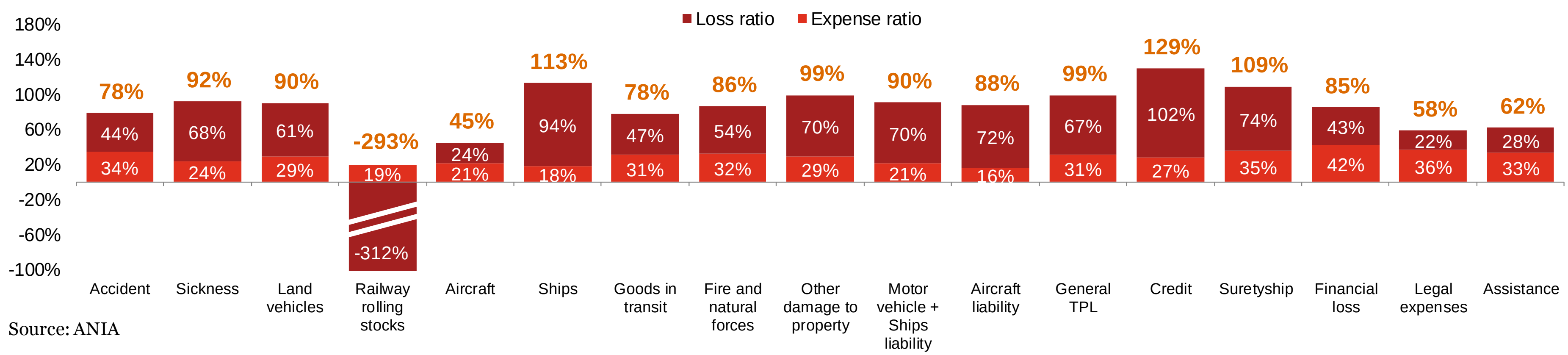
Despite administrative costs in 2014 remained stable, the **expense ratio** rose by 1.2% to **26.2%** (25.0% in 2013) as a consequence of the reduction of the volume of premiums collected

The 5.4% claims costs decline reported in 2014 (€20.2bn vs. €21.3bn in 2013), resulted in a **loss ratio of 63.9%** (65.0% in 2013).

Combined ratio was stable to 90% confirming the halt of the decreasing trend started in 2009, when combined ratio was 103.7%

General TPL recorded in 2014 its first positive result since almost two decades, stating a combined ratio of 99%

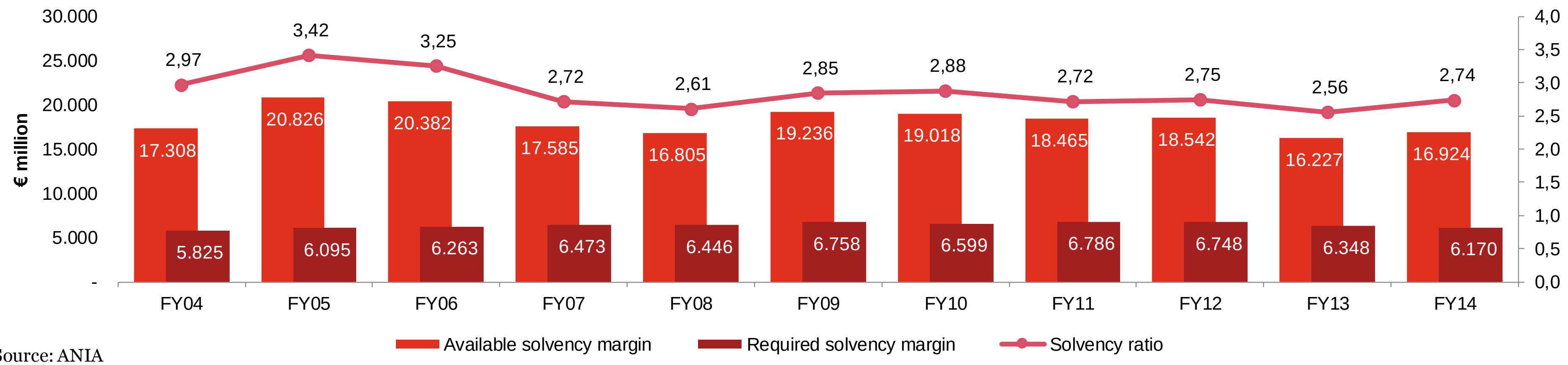
2014 Expense, loss and combined ratios by LoB



Source: ANIA

Non-life solvency margin

2004/2014 Non-life solvency margin



Source: ANIA

The solvency ratio of the non-life insurance industry was 2.74x (2.56x in 2013), with a surplus of €10.8bn

Currently, the solvency requirement is determined as the greater of (plus other adjustments for high risk premiums):

- 18% of *premiums* written up to €50m + 16% of premiums above €50m; and
- 26% of *claims* up to €35m + 23% of claims above €35m

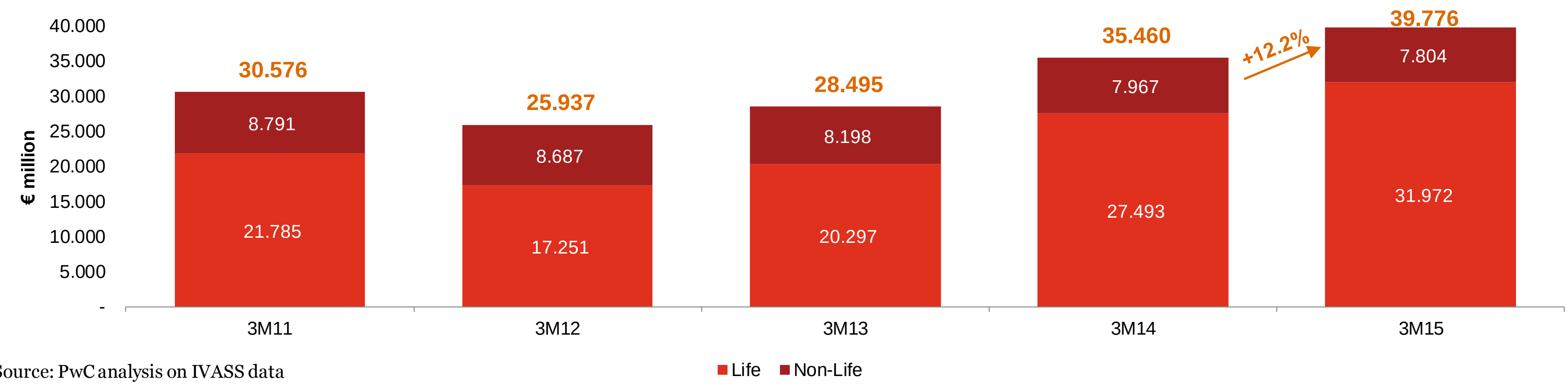
The impact expected on the non-life business capital absorption is challenging, more than the equivalent for life

3M15 overview & industry outlook

4

3M15: Insurance market trend update

3M11/3M15 Italian market GWP



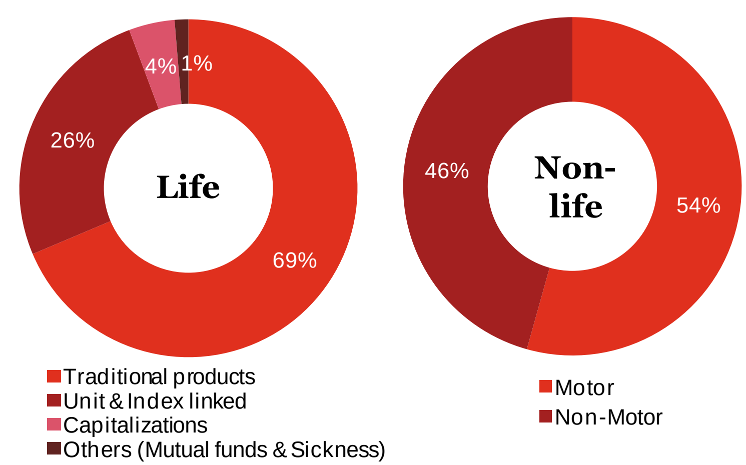
Source: PwC analysis on IVASS data

3M15 total GWP (life and non-life) show an increase of €4,316m (from €35,460m in 3M14 to €39,776m in 3M15, equal to +12.2%). The volume of GWP collected in the first quarter of 2015 confirms the positive performance recorded in 3M14 with respect to 3M13

3M15 life GWP increased by 16.3% in comparison with 3M14, mainly due to the significant growth of unit & index linked products (+112.9% or +€4,352m)

The 2% non-life GWP decrease recorded during the first quarter 2015 was mainly due to the reduction of motor vehicle liabilities (-5.5%)

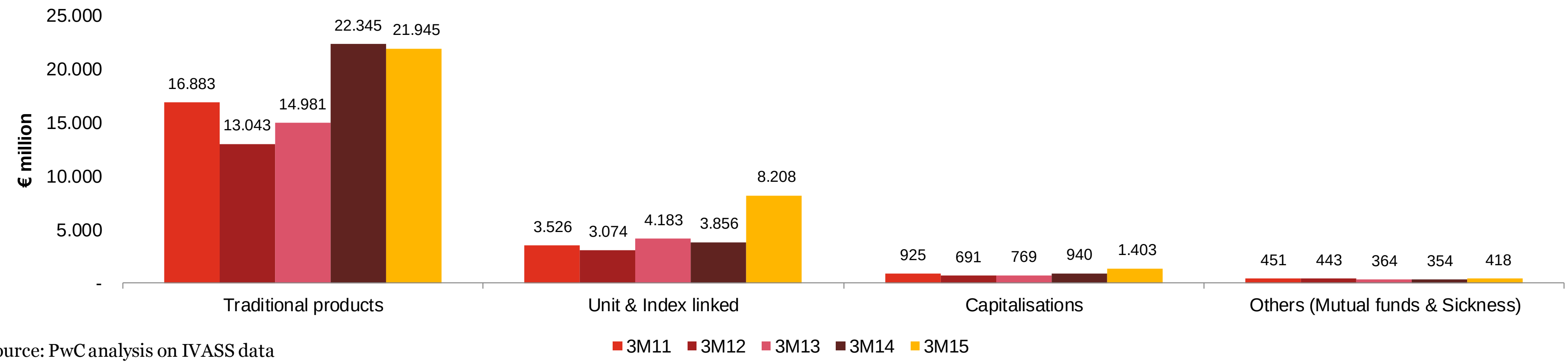
3M15 Italian Life & non-Life GWP breakdown per LoB



Source: PwC analysis on IVASS data

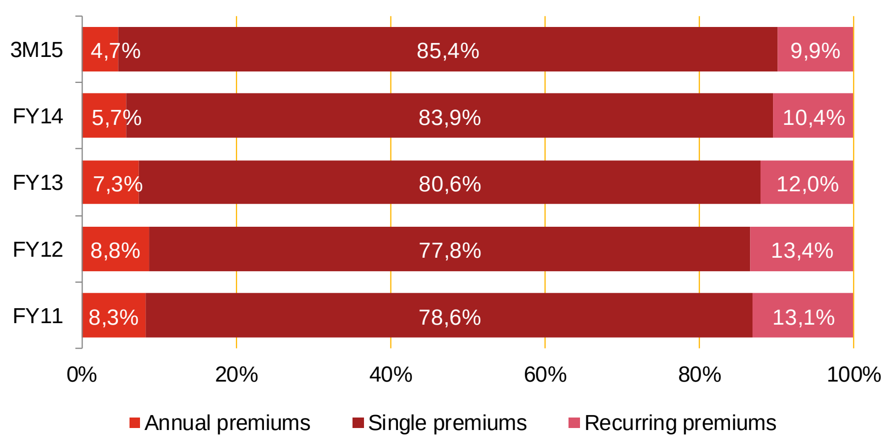
3M15: Italian life insurance market update

3M11/3M15 Life GWP quarter breakdown per LoB

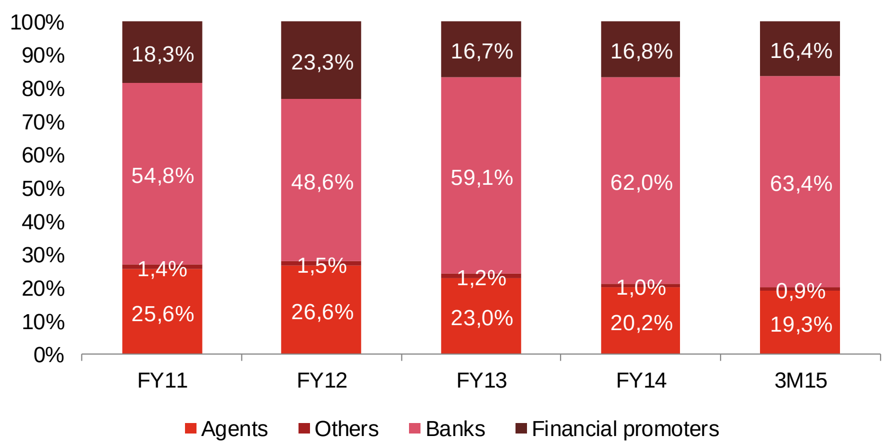


Source: PwC analysis on IVASS data

2011/3M15 Breakdown per premium



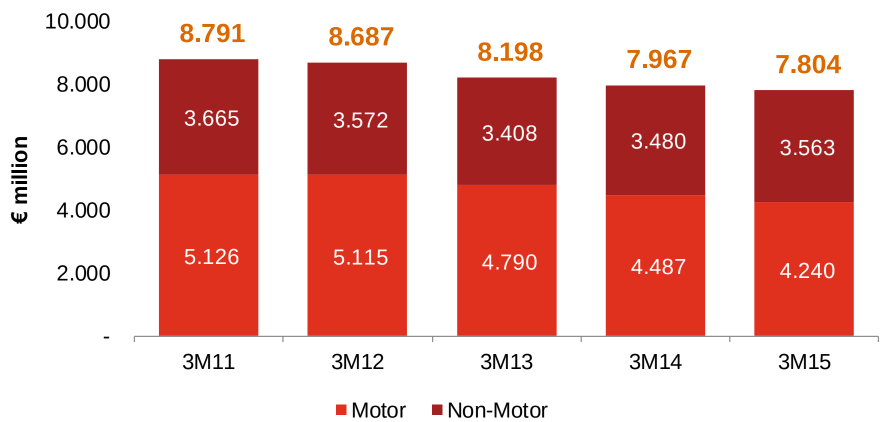
2011/3M15 Breakdown per channel



Source: PwC analysis on IVASS data

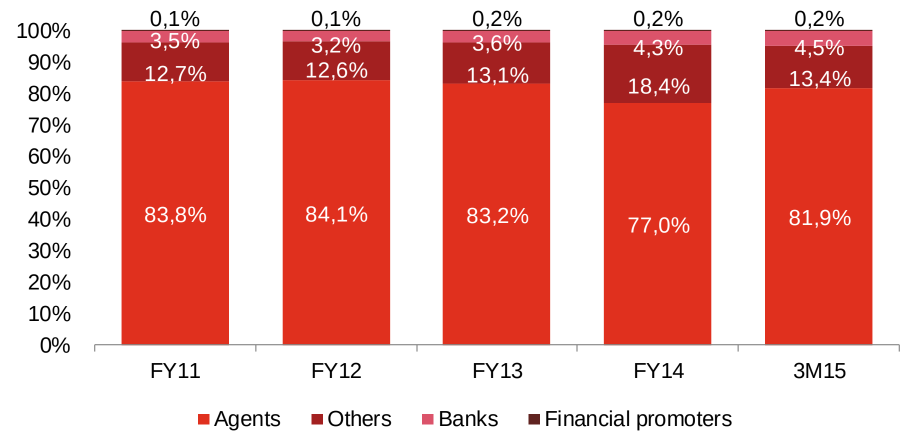
3M15: Italian non-life insurance market update

3M11/3M15 GWP breakdown per motor and non-motor



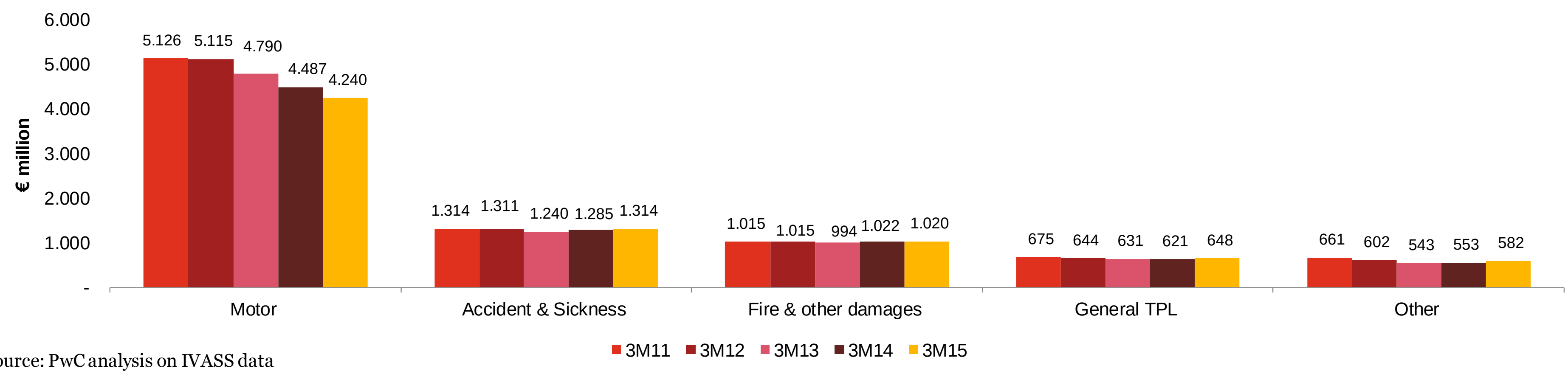
Source: PwC analysis on IVASS data

2011/3M15 Breakdown per distribution channel



Source: PwC analysis on IVASS data

3M11/3M15 GWP breakdown per main LoB



Source: PwC analysis on IVASS data

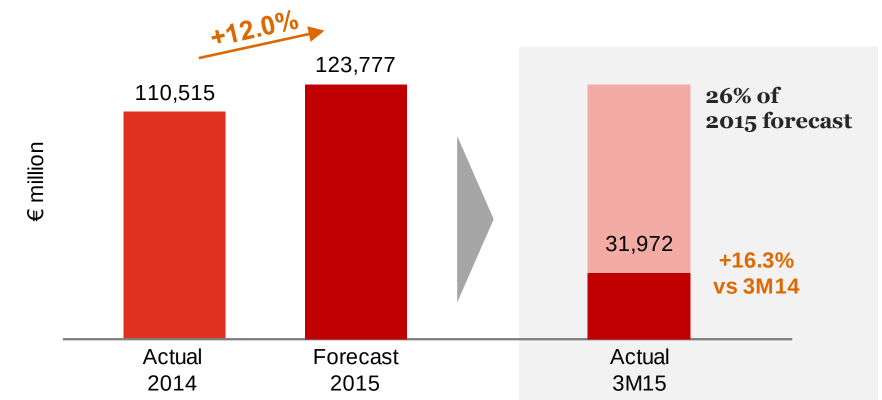
Industry outlook

The Organization for Security and Co-operation in Europe (OCSE) and the International Monetary Fund (IMF), estimate that, after few years of recession, Italian GDP in 2015 should increase by 0.6% and 0.5%, respectively

According to the Italian Association of Insurance Companies (ANIA), the Italian insurance market will benefit from the path traced by the general economy. The **2015 forecast** overall **8.8% growth** continues to be fuelled by the **life business**, whose premiums, after the strong growth achieved in 2014 (+29.9%), are estimated to further increase (**+12.0%**) in 2015. The first quarter 2015 result confirms such forecast, as written premiums were +16.3%

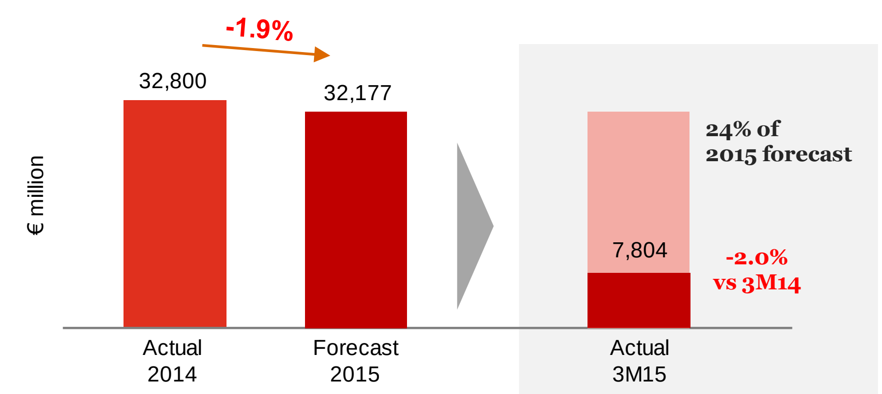
Despite the positive signs coming from the general economy, Italian **non-life** GWP are expected to **decrease by 1.9%** in 2015, as motor TPL business will experience a 6.5% reduction due to the additional reduction in the tariffs 2015. Other non-life LoBs, on the other hand, are expected to benefit from the positive economic outlook and record an increase in GWP (+2.1%)

2015 Life GWP outlook



Source: PwC analysis on ANIA data

2015 Non-life GWP outlook



Source: PwC analysis on ANIA data

M&A activity

5

M&A Transactions

Life market - Recent transactions

#	Year	Target	Bidder	Stake %	Deal Size (€m)
1	2014	Carige Vita Nuova	Apollo Global Management	100.0%	170
2	2013	Eurovita Assicurazioni	JC Flowers	79.6%	47
3	2012	Chiara Vita	Helvetia Holding AG	30.0%	23
4	2011	Bipiemme Vita SpA	Covea	81.0%	243
5	2011	BNL Vita SpA	Cardif Assicurazioni SpA	51.0%	325
6	2010	Aviva Life SpA	Aviva Italia Holding SpA	50.0%	30
7	2010	Arca Vita	Unipol	60.0%	270
8	2010	Bipiemme Vita SpA	Banca Popolare di Milano Scarl	51.0%	113
9	2008	Ergo Previdenza	Munich Re	29.7%	117
10	2009	BCC Vita	Cattolica Assicurazioni	51.0%	44

Non-life market - Recent transactions

#	Year	Target	Bidder	Stake %	Deal Size (€m)
1	2014	Carige Assicurazioni	Apollo Global Management	100.0%	140
2	2014	RSA (Italian branches)	ITAS Mutua	100.0%	24
3	2014	Direct Line (Italy & Germany)	Mapfre	100.0%	550
4	2014	Cargeas Assicurazioni SpA	Ageas NV/BNP Paribas Cardif SA	50% -1	75
5	2014	Milano Assicurazioni SpA	Allianz	N/A*	440
6	2013	Fata Assicurazioni Danni	Cattolica Assicurazioni	100.0%	179
7	2012	Fondiaria-SAI Group	Unipol	42.0%	954
8	2012	Chiara Assicurazioni	Helvetia Holding AG	51.0%	17
9	2011	Fondiaria-SAI SpA	Unicredit Group	6.6%	170
10	2010	Arca Assicurazioni	Unipol	67.4%	101

* renewal rights on an insurance portfolio + 729 agencies

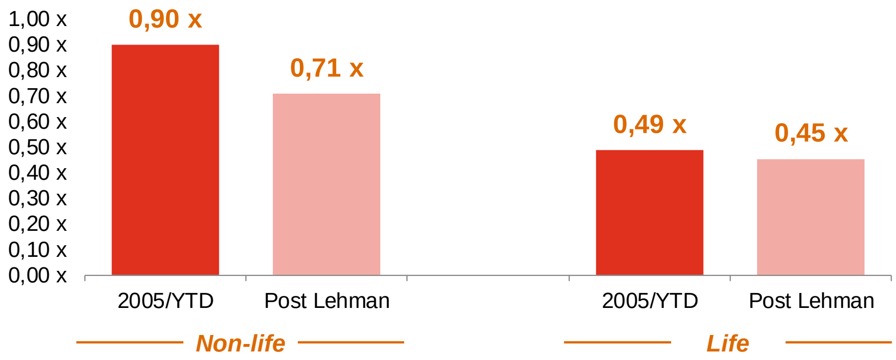
Source: PwC analysis on Mergermarket data

Main deals in 2014

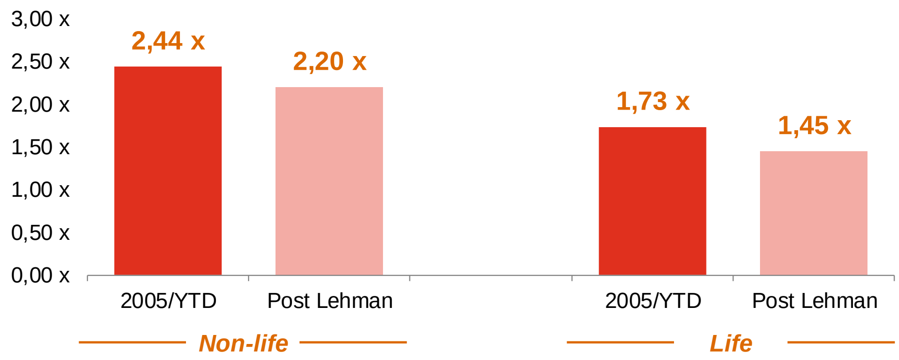
- ✓ March 2014: Allianz acquired €1.1bn of GWP, 729 agencies and 500 employees of Milano Assicurazioni from UnipolSai for a consideration of €440m
- ✓ August 2014: Ageas NV and BNP Paribas Cardif SA acquired 50% -1 share in UBI Assicurazioni (now Cargeas Assicurazioni SpA) from UBI Banca Scpa for a consideration of €75m
- ✓ September 2014: Mapfre acquired the Italian and German operation businesses of Direct Line Insurance Group for a cash consideration of €550m. The consideration represents 1.9 times 2013 net asset value of €283.9m
- ✓ October 2014: ITAS Mutua acquired the Italian business of RSA Insurance Group. ITAS Mutua acquired insurance liabilities for £434m, along with associated assets, and paid a goodwill payment of £19m
- ✓ October 2014: Apollo Global Management acquired Carige Assicurazioni and Carige Vita Nuova from Banca Carige for a total cash consideration of €310m

M&A multiples - Italy

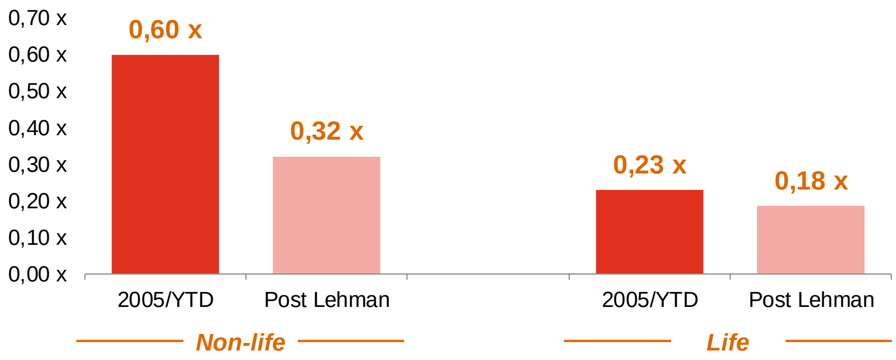
Deal value / GWP



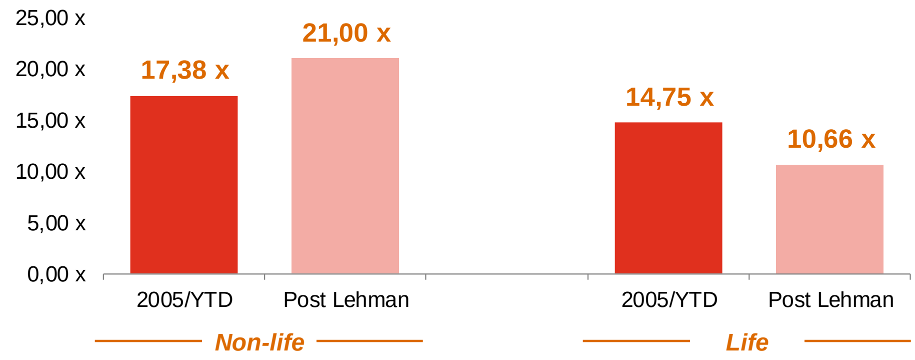
Deal value / Net equity



Goodwill / GWP



Deal value / Net result



Source: PwC analysis on Mergermarket data

The Italian insurance market in the European context

6

The Italian insurance market in the European context

*FY13 European key-data**

European insurance market GWP
€1,117bn
o/w Life: €666.6bn
Non-life: €450bn

Western European insurance market average expenditure €2,650
o/w Life: €1,602
Non-life: €1,048

Italian insurance market average expenditure €1,990
o/w Life: €1,426
Non-life: €564

Italian insurance market GWP
***10.6%** of European Insurance market*
(life insurance 12.8%; non-life insurance 7.5%)

Italian insurance market penetration (as GWP on GDP) 7.7%
(vs. 6.7% in FY12)
o/w Life: 5.5% (vs. 4.4% in FY12)
Non-life:2.2% (vs. 2.3% in FY12)

* 2013 figures, which are the latest available data at the issuance of our report

Key Messages

Strengths

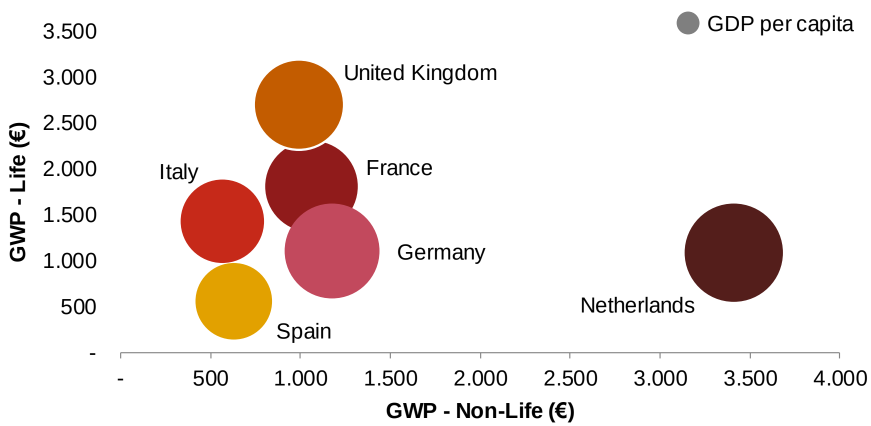
- One of the top four European Insurance Markets by GWP
- An improved macroeconomic environment and less market volatility, recession is forecast to halt in 2015 (+0.5% GDP growth)
- Strong liquidity position of Italian insurers compared to other European competitors. In 2014, the available solvency margin was almost double of the regulatory requirement
- Strong demand for traditional products, though hybrid products are likely to gain market share
- Italian life insurance market is expected to over perform also in 2015, confirming the rebound achieved in 2013 and 2014 after the negative performances recorded in 2011 and 2012

Challenges

- Italian non-life market performance is still driven by the negative motor TPL trend, which is not forecast to improve during 2015 (-6.5%)
- Average tax rate on premiums (26%) is higher than the European benchmark (19%)
- The reduction in claims costs occurred over the past years is forecast to perform a "U-turn" in 2015, with a negative impact in terms of profitability
- Aggregators have been gaining an increasingly wider distribution role in the European insurance market, mainly in the motor business. Given a market share of just 2% in Italy, significantly lower than the penetration within the other main European countries, potential upsides are foreseen

European insurance market

2013 Life and non-life GWP and GDP per capita



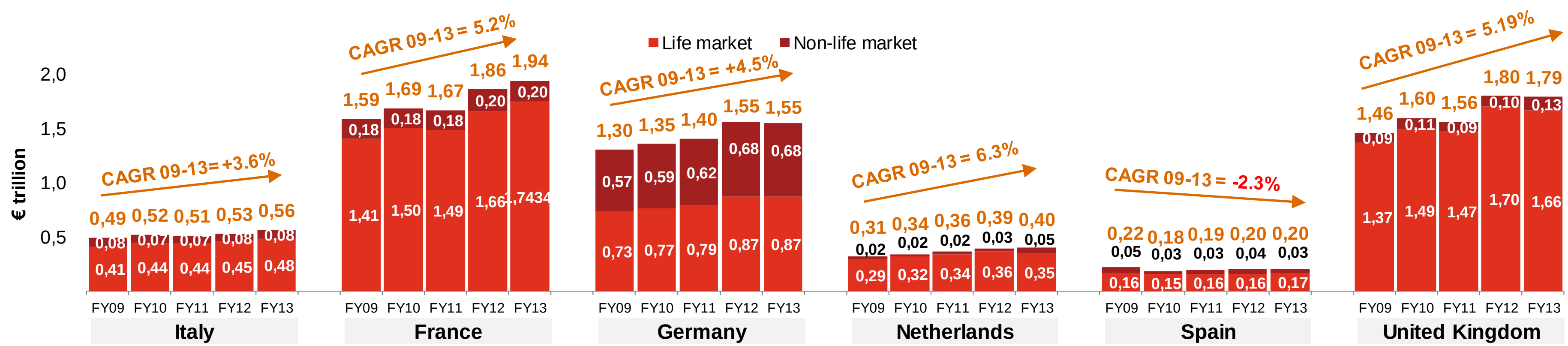
Source: PwC analysis on Insurance Europe data

By a comparison with the average European figures, the Italian insurance market shows high growth potential as a result of:

(*i*) Low premium rate per capita both in life (€1.4k) and non-life (€0.6k) business

(*ii*) Historical low penetration rate of life insurance sector despite the high saving rate of Italian citizens (9.4% in 2013)

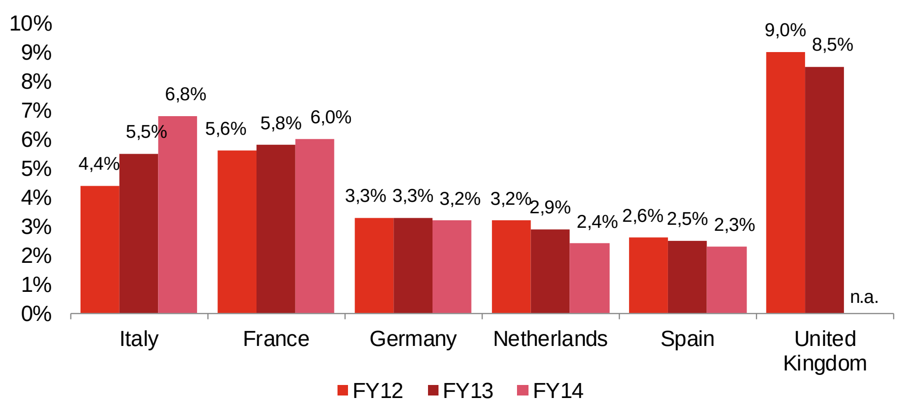
2009/2013 Life and non-life direct GWP



Source: PwC analysis on Insurance Europe data

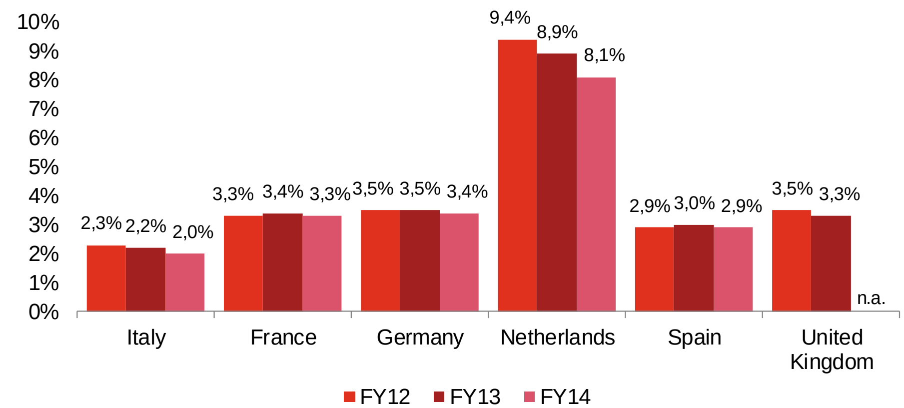
European insurance premiums penetration

2012/2014 Ratio of life premiums to GDP



Source: PwC analysis on Insurance Europe data – 2014 data (and 2013 UK) estimated by Ania

2012/2014 Ratio of non-life premiums to GDP



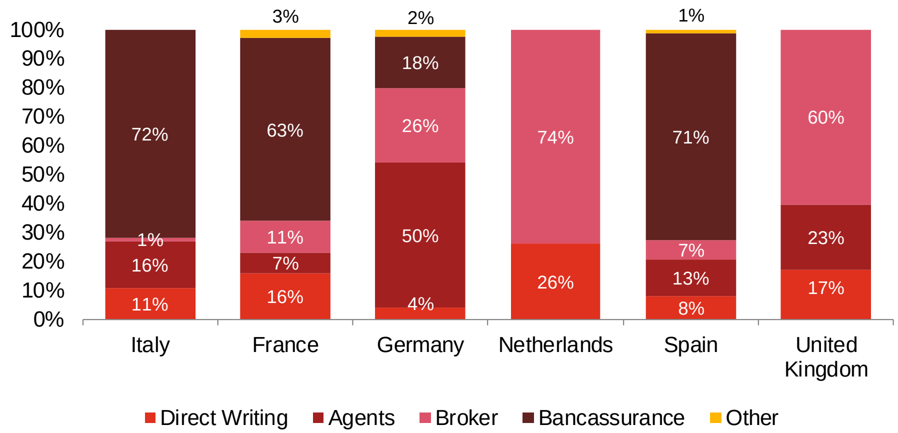
If compared to the main European countries, Italy is the 2014 best performer analysing the life premiums penetration, calculated as total premiums on GDP

The negative trend related to countries such as The Netherlands, and Spain is mainly due to the decrease of life premiums volume, whereas the negative trend of Germany is related to a higher GDP growth

The negative trend of the non-life premium penetration ratio is common between the main European countries. The Netherlands and Italy show the worst performance, from 8.9% to 8.1% and from 2.2% to 2.0% respectively

Distribution channels

2012 Breakdown of life GWP by distribution channel



Source: PwC analysis on Insurance Europe data

The Italian, French and Spanish life business markets remain dominated by traditional distribution channels, such as bancassurance

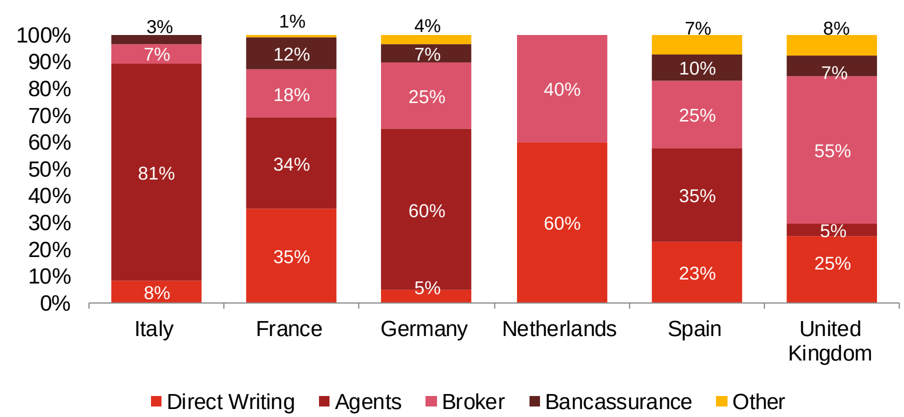
Agents network led the distribution model in Germany with brokers playing a prominent role in the United Kingdom and the Netherlands

In Italy, unique country in Europe, the agents network collects c. 81% of total non-life premiums. Only the German insurance distribution model is quiet comparable to the Italian one with agent network representing c. 60%

Direct writing is the main channel in the Netherlands, whilst in France 60% of total GWP were equally distributed by agents and direct writing (c. 35% for direct writing and 34% for agents)

The UK distribution model is led by brokers

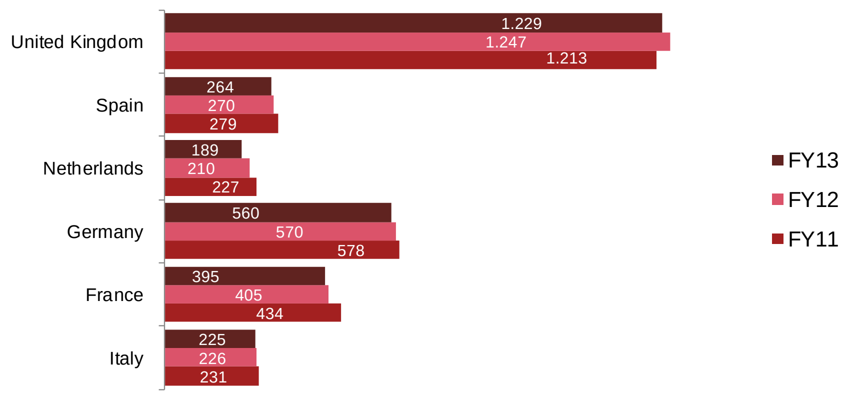
2012 Breakdown of non-life GWP by distribution channel



Source: PwC analysis on Insurance Europe data

Average GWP per insurance company

2011/2013 Number of insurance companies

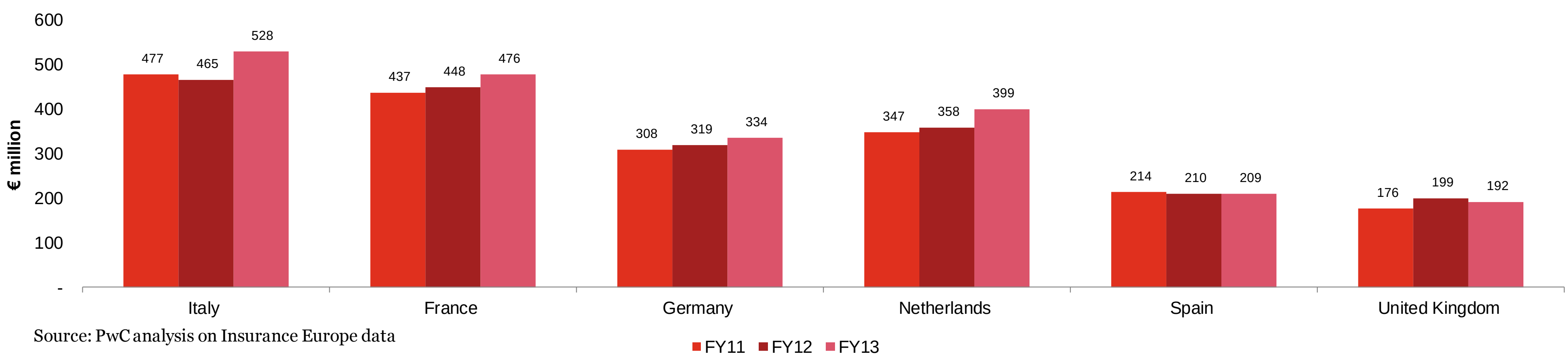


Italy ranks first among Top 6 European countries with **average GWP per company** of €528m, due to a highly concentrated domestic market (225 companies in 2013)

On the other hand the UK is the most diluted market in Europe with 1,229 companies sharing c. €236bn of GWP (avg. of €192m GWP per company)

Source: PwC analysis on Insurance Europe data

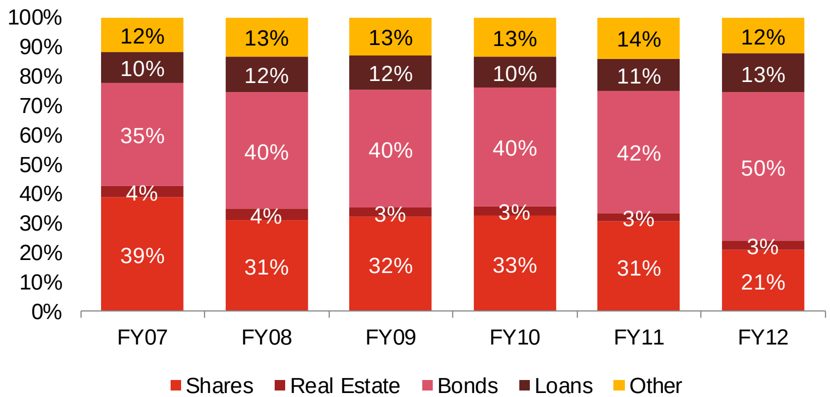
2011/2013 Average GWP per insurance company



Source: PwC analysis on Insurance Europe data

Investments portfolio

2008/2013 Breakdown of investments

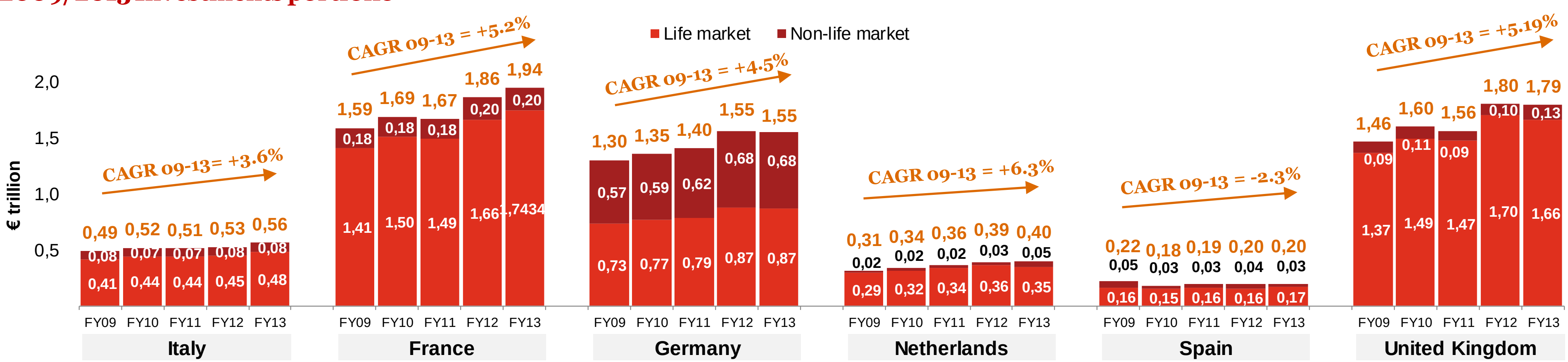


Source: PwC analysis on Insurance Europe data

While the weight of investments in real estate and loans have remained stable over the 2007-2011 period, European insurance companies have shifted part of their investments from shares to bonds (30.5% and 41.6% respectively in 2010 vs. 38.9% and 35.2% in 2007)

France, with a CAGR09-13 of 5.2% ranks first for growth in its investments portfolio (€1.94tn in 2012), closely followed by UK (€1.79tn) and Germany (€1.55tn), while Italy, highly detached from the other top 3 Countries, accounts €0.56tn of investments

2009/2013 Investments portfolio



Source: PwC analysis on Insurance Europe data

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