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Consolidated results as of 30 September 2015

Video presentation transcript
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Good morning, this is Alberto Minali, CFO of Generali. I am pleased to report to you this morning our 9 months 2015 results.

Key 9M 2015 financials at a glance
Generali has continued to perform strongly. Looking at the headline figures:
The net result of the period is up 8.7 percent to 1.7 billion euro, already surpassing the full year 2014, and the rolling annualised Operating RoE has improved by 90 basis points to 13.9 percent, well above our target level.
The total operating result of the period increased 4.7 percent to 3.8 billion euro thanks to the positive performances of both the Life and Property and Casualty segments.
Shareholders' equity decreased 1.9 percent from year end 2014, mainly due to a widening of credit spreads and to a 623 million euro negative impact deriving from the final closing of the BSI transaction.
Our strong internal model economic solvency ratio improved further from year end, by 10 percentage points to 196 percent.

Operating result by segment
Let's now dig into some details, starting with the operating profit by segment.
The Life operating result posted a 3.9 percent increase to over 2.3 billion euro, despite the less benign financial markets in Q3. As I will come back to in a moment, we also have very strong inflows, particularly in unit linked, and a strong rebound in the new business margin in the third quarter.
Property & Casualty showed a 4.8 percent increase, confirming a good technical momentum. Underwriting profitability has continued to show a positive development, much more than offsetting the obvious headwind on investment income. And this, despite heavier losses from natural catastrophes and still very competitive markets.
The segment Holding & Other Businesses decreased by 32 million euro to 56 million euro in profits, mainly due to higher operating holding expenses, needed to finance our reinforced head-office functions and regional platforms.

From operating result to net profit
Let's then see the walk from operating result to the bottom line:
Non-operating investment income was positive 247 million euro, although around 100 million lower than at the end of last quarter. This difference is mainly attributable to some additional impairments on available for sale assets, and in addition, given the market conditions in Q3, we considered it wise to realise a lower level of gains.
Non-operating holding expenses decreased by 8.6 percent to 554 million euro, thanks to 51 million lower interest costs.
Other non-operating expenses increased by 259 million euro versus the same period lasts year. This increase was, as you remember, in fact a feature of the second quarter, and linked to the good progression of the German restructuring program, where we already recorded the expected restructuring charges, in addition to some other provisions. As expected, in the third quarter, we did not have these exceptional charges and these other non-operating charges fell back to a much lower level.
Net of taxes at a similar rate to last year, the overall net result increased by 8.7 percent to 1.7 billion Euro.

Shareholders' equity
Turning now to the balance sheet: Shareholders' equity decreased 1.9 percent from the year end level.
The 1.7 billion euro positive contribution of net profits has been more than counterbalanced by the negative evolution of available for sale assets and, in particular, of bond investments in the second quarter and of equity investments during the third quarter.
The dividend payment in May has reduced shareholders' equity by 934 million euro, while other items were 174 million negative. This negative amount was the result of offsetting items: on the positive side, the development of pension liabilities deriving from increased

interest rates and of currency movements, in particular due to the appreciation of the Swiss Franc towards the Euro. On the negative side, the closing of the BSI transaction led to a reduction in shareholder's equity of 623 million Euro.

Solvency I

Our Solvency I ratio increased by 10 percentage points, mainly driven by the 8 percentage points positive contribution deriving by the closing of the BSI transaction.

The remaining 2 percentage points of growth are the result of a 10 percentage points positive contribution from the consolidated result, partially compensated by a number of items, and in particular, the underlying growth of our life business and financial market effects.

Economic Capital

The pro-forma view of economic solvency similarly increased, to 196% from 186% at year end 2014. From the end of June, the ratio was relatively resilient considering the deterioration of financial markets, declining by just 4 percentage points.

Let me focus now on our business segments, starting with Life.

Life key financial indicators

To summarise our performance: Overall life premiums increased strongly by 7 percent to 38.4 billion euro, driven by a positive trend of all business lines, especially unit linked.

Life net inflows also continued their strongly positive trend growing 21 percent and with more than half in unit linked.

The life operating result went up 3.9 percent, reflecting better technical and investment margins.

New business value was down 21 percent to 757 million euro, due to a 5.6 percentage points margin contraction, although we have seen a much better margin if we look at Q3 in isolation. I will return to this in a moment.

Life Operating result by driver

Let me first dive into the single drivers of the life operating result.

The Technical Margin posted a robust 8 percent increase thanks to higher risk results in Germany and increased unit linked fees in Italy and France. This is a result of our constant effort to gradually shift the life business mix towards unit linked and protection lines.

The Investment result increased 6.2 percent, mainly thanks to the growth of the invested asset base. The contribution from net realised gains was marginally lower than during the corresponding period of 2014, and especially in the third quarter. As I mentioned before, this was linked to our tactical decisions in the market conditions which we observed.

Expenses increased by 9.8 percent mainly due to increased acquisition costs, as a consequence of the growth in volumes, but the overall life expense ratio remained stable at 9.7 percent.

If we think about the future development of the Life operating result, it is closely tied to the amount of assets we have under management. It is therefore important to see that we gathered a substantial amount of new assets, totalling Euro 11 billion net in the first 9 months. We have spent acquisition costs to generate the new volumes supporting this number, but in the coming quarters, the return on this investment will be visible as operating profits. And with more than three quarters of the new assets in Unit Linked and Protection business, those profits will be of a higher quality than the ones generated by the exiting book, which is more skewed towards guaranteed savings business.

Life inflows and technical reserves

Lets look at this 11 billion of inflows in more detail. The growth trend has continued, with inflows up from Euro 9 billion in the previous year. As I mentioned before, our continuing focus on increasing the share of capital efficient products is important, and I especially highlight unit linked, which accounted for 53 percent of the total.

Looking on a country basis:

In Italy, we have a particularly strong increase of net inflows to 5 billion euro, up 37% year on year. The growth has once again been driven by unit linked business thanks to the

success of our hybrid products that provide us with good margins in this low interest rate environment. In July we also launched a new version of our hybrid product dedicated to the agency network, called "Valore Futuro Evolution", where the unit linked component can be increased up to 70 percent depending on the client profile. In addition, a biometric risk cover has been added.
In France we reached almost 1 billion positive net inflows, driven by strong unit linked premiums, up 37 percent, and reduced surrenders.

Also in Germany, after the planned reduction of single premium savings business in 2014, net inflows continue their recovery showing a 23.5 percent increase, driven in particular by the unit linked component.
Lastly, the decrease in EMEA is mainly explained by a contraction in the sale of wealth protection products in Europe through our platform in Ireland, and by increased maturities in Austria.
These strong net inflows contributed to an overall 4.7 percent increase of life technical reserves over the first nine months, to 363 billion euro. It is worth highlighting the positive development of Unit Linked reserves, up 7.4 percent, to 72.5 billion euro.

Life investment performance
Life general account investments increased slightly to 328 billion euro, compared to the end of 2014.
Total Life current returns are down 20 basis points to 250 basis points for the 9 months. As always, this is not an annualised figure. In absolute terms, current income increased by 117 million euro, reaching 8.2 billion euro.
Cash, net inflows, bond redemptions and coupons have been reinvested during the first 9 month of 2015 at an average yield of 2.5 percent in the life segment, mainly in financial and non-financial corporate bonds and government bonds.

Life new business analysis
Turning to new business, APE is up 1.7 percent to 3.8 billion euro, driven by strong performances of unit linked and protection, up 24 and 21 percent respectively, while savings business posted a 10 percent decline. This is good evidence of the success of our efforts to redirect our production towards more capital efficient products.

Looking at our main countries:
In Italy APEs decreased by 5.1 percent due to a positive group business one off in 2014. Net of this one off, APEs would have increased by 10%. In terms of business mix, we see a continuing strong performance of Unit Linked production, whose weight on APE strongly increased from 10.1 percent to 21 percent, thanks again to the continuing success of hybrid products. At the same time guaranteed savings business declined by 17 percent.
We saw a strong development in France where APEs increased 17 percent. The biggest contribution came from Unit Linked, up 43 percent and protection business, up 40 percent.
Germany grew by 2.1 percent, driven by a 30 percent increase of Unit Linked production. Traditional savings business decreased by 13 percent, again in line with our strategic decision to continuously decrease the weight of pure guaranteed savings products.
Focusing on profitability: The new business margin experienced a 5.6 percentage points decrease, to 20 percent. The positive impact on the margin of the change in business mix, as well as further reduced minimum guarantees, was much more than offset by a worsened financial scenario.
As you remember, this was particularly an issue in the second quarter. Looking at the third quarter on a standalone basis, with a more normalised financial scenario at the end of June, we can see a much improved 26.2 percent new business margin.
Overall, I am very satisfied with the development of the new business and the quality of the mix in the first nine months, and this bodes well for future results: The numbers show that the embedded profitability of the new business being written today, is close to double that of the existing book.
Now let's turn to look at P&C

P&C key financial Indicators
Gross written premiums are up 0.8 percent, on a like for like basis, at 15.8 billion euro, but with an accelerating trend in the third quarter, which is 2.4 percent above the same quarter last year.
Primary Motor posted a 0.9 percent decline year to date, mainly driven by Italy and France,

as I will explain later, but with a 1.1 percentage increase in the third quarter of the year. Primary non motor increased by 1.7 percent.
The combined ratio improved by 0.8 percentage points, notwithstanding a 0.4 percentage points increased nat. cat burden. The operating result overall increased by 4.8 percent.

P&C Operating result by driver
Looking at the components of this operating profit increase, we can see that the technical result is up strongly at 981 million euro, 11.8 percent above the prior year level. This much more than offset a 2.6 percent decline in the investment result, as a result of course of the low interest rate environment, and a residual other items line that decreased by 9 million euro.

P&C gross written premiums trends
Lets deep dive into the gross written premium developments within our core countries.
Italy is down 2.9 percent, at 4 billion euro, still driven by the highly competitive environment of motor. Primary motor decreased by 8.4 percent, mainly due to reduced average premiums. However, as you know, the non-motor segment has a bigger weight than the motor one for Generali in Italy. In non-motor, premiums are up 1.1 percent, driven in particular by the Employee Benefit segment.
France declined slightly, by 0.9 percent to 2 billion euro due to the competitive market environment and the continuation of strict underwriting guidelines and pruning activities. Primary motor continued its negative trend with a 5 percent decrease driven by an ongoing pruning of unprofitable fleet and garage related contracts and by a still soft retail market, but with continuing positive signs in terms of number of contracts in the retail segment. Non motor reverted the trend growing 1.5 percent, continuing the recovery in personal lines and the relaunching, on a technically sound basis, of some commercial lines.
In Germany premiums grew by 1 percent. The growth rate of motor business, up 1.3 percent, is still distorted by the ongoing shift from the main renewal date from January to other months of the year and should improve in the last quarter of the year, benefitting also from relatively good market conditions with average portfolio premiums still rising. Non motor rose by 0.8 percent.

Combined ratio analysis
Moving to the profitability analysis, the combined ratio improved by 0.8 percentage points year on year to 92.7 percent, despite 0.4 percentage points higher nat cats. The Main nat cat events were Storm Mike/Niklas, affecting mainly Germany, and storm Anton, which caused losses in Italy between March and April, and the storm Siegfried-Thompson that affected continental Europe in July.
Looking at the single drivers, the loss ratio improved by 1 percentage point, driven by an improved current year result. Slightly higher prior year run-off results counterbalanced the increased nat cat burden.
The expense ratio increased by 0.2 percentage points.

Combined ratio by country
In Italy our combined ratio deteriorated slightly, but still is at an excellent 89.4 percent. I think this is a very good result in the light of nat cat losses that were worse by 1.3 percentage points, and of course, the still very competitive motor market. Here, we see that the improving combined ratio in the non-motor business is continuing to compensate for the margin erosion we have seen during the year in motor.
In France the combined ratio improved significantly, by 6.1 percentage points to 99.3 percent. Of this, 3.2 percentage points is due to the improvement of the combined ratio excluding natural catastrophes, and reflects the first signs of success of our turnaround efforts. In addition, natural catastrophe costs were 2.9 percentage points lower than in the previous year.
In Germany the combined ratio decreased by 1.9 percentage points, despite 1.6 percentage points higher nat cats, thanks to an improved current year loss ratio.
CEE confirms its outstanding profitability levels with a 86.5 percent combined ratio, despite nat cats weighting for 1.3 percentage points.

P&C investment performance
Overall P&C investments remained stable at 39 billion euro, with respect to year end 2014.
Total P&C not annualized current returns declined by 20 basis points to 250 basis points.
The average reinvestment rate in P&C during the first nine months of the year has been 2.1 percent.

Focus on Holding & other business segment
Let me finally turn to our "Holding & other businesses segment", whose overall contribution to the group operating result decreased from 87 million Euro, to 56 million Euro.
The positive contributions of Financial businesses that posted a 27 million euro improvement, in particular from Banca Generali, and of Other businesses, up 8 million Euro, have been more than compensated by increased operating holding expenses, which increased from 290 million euro to 358 million euro year on year. This is reflecting the reinforcement of the Group Head Office structures started in 2013 and further developed in 2014, including the transition to the new Solvency II regime, as well as the development of Regional Offices aimed at leading, coordinating and controlling the key business areas for growth prospects, as in the case of Asia.

Final remarks
So let me summarise: Generali has continued to perform well in the nine months. The strategic reshaping of the Group that we have executed in the past, to refocus the business on our core insurance roots, and to restructure and strengthen our balance sheet, are having tangible benefits today. Indeed, it is in this context that we see as entirely logical the Financial Stability Board's decision to remove Generali from the list of Global Systemically Important Insurers.

Our life insurance business continues to grow operating profits, despite the weaker financial markets, and our sales and new business margins reflect the success of our efforts to refocus product mix, which will benefit the future profitability.

Our P&C combined ratio remains excellent, and has even further improved. It is stable or improving in all of the group's major regions, and has much more than compensated the impact of low interest rates.

Consequently, our net profit amounted to euro 1.7 billion at the nine months, already surpassing the level we made in full year 2014. We therefore expect significant year on year improvement for full year 2015, barring any exceptionally large natural catastrophe or financial market event.

And all of this is on a solid base of capitalisation, with our internal model economic solvency ratio growing by 10 percentage points from year end, to 196 percent at the end of September.

Thank you for your attention.