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Trascrizione della presentazione video

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Good morning, everyone, and welcome to our 2017 results presentation.

We had a strong performance throughout 2017 thanks to the commitment of our over 70,000 people across the globe. We increased profitability in what is still a challenging environment for the insurance sector. We are executing our strategy with discipline and are confident we will meet our targets by the end of this year. I will provide you with an update in a few moments.
Before doing that, I would like to run through the key highlights that best characterize 2017 for us. Our overall business performance has been strong as you will see on the next slide. Luigi will then give you a more detailed analysis of the numbers. Thanks to our results and our confidence in the future, we have increased our dividend yet again. Our commitment to shareholder value creation remains strong. As I just mentioned in my introduction, we are on track to meet the industrial transformation objectives we set for ourselves in 2015 which will be reached by the end of 2018. And finally, we are going to present our new strategic plan in November of this year. This will take Generali into its next phase, now that we have effectively laid the foundation for future profitable growth.

Our Group is gaining momentum. All of our high-level KPIs show that our strategy is working. Let me take you through them. In full-year 2017, we posted 4.9 billion Euro of operating profit, a new record for our Group, and over 2.1 billion Euro of net income. Our dividend for 2017 is up 6% to 85 cents per share.
Our balance sheet remains solid: Our solvency has become even stronger, standing at 230% based on our full internal model, up by 36 points since the end of 2016. The growth of our solvency has been underpinned by the strength of our organic capital generation.

Every six months, I like to remind you of our strategic pillars and to give you an update as to where we currently stand. The first pillar is to optimize our international footprint. We want to continue to redirect our resources to reinforce the markets where we can further improve our performance and exit those where we do not believe we can deliver market-leading, risk-adjusted returns. Just recently, we announced our exit from the Netherlands and Ireland. We confirm our target of achieving at least 1 billion Euro of cash proceeds.
Second, our operating machine itself. We continue to streamline processes and to integrate platforms and entities. In this regard, we have made significant progress in our second largest market, Germany, over the course of 2017.
This will have a positive impact on our performance as well as on costs. The overall aim is to cut costs by a total of 200 million Euro in mature markets.
Third, we will further enhance our proven core insurance capabilities and our technical excellence. Our objective is to have the best Combined Ratio in the industry. In Life, we are improving the quality and profitability of our new business; we are bringing our guarantees down to zero percent and are prepared for the impact of a long-term, low-interest rate environment or any other unexpected adverse market conditions.
These three areas share the common goal of improving our overall operating performance. And, in order to secure longer term value creation, there are another three key areas in which we have already made progress.
First, the structure of our business portfolio. We are transforming it to become more resilient and to increase our growth potential. Our commitment is to lower the average portfolio guarantee by thirty basis points to 1.5 percent and to increase the share of capital light reserves by 6 percentage points, both by year-end 2018.
Regarding asset management, in 2017 we announced our new strategy under the stewardship of Tim Ryan. The new asset management business unit will become a greater profit centre going forward. We are leveraging our talent from within as well as partnering with the most expert professionals in the market. The objective is to add at least an additional 150 million Euro to the Group's bottom line by the year 2020. We are confident in

the potential of this business for Generali.
Second, customer and distributor innovation. We are experiencing a revolution in customer behaviour and technological development. We will continue to capitalize on these trends. We will become “simpler, smarter and faster” not only in our internal processes and operations, but also in the way we interact with customers and understand their needs. Over 2017, we have seen how our customer has evolved. Many want to conduct their transactions via their personal mobile device, with availability 7 days a week 24 hours a day. We are committed through our “Mobile Hub” to offering our clients unrivalled service because it is service that will distinguish us from our competitors. Further, we are a global leader in the “connected insurance” arena with for example, 1.5 million black boxes installed in cars in Europe, and we intend to strengthen this position. Our objective is to increase client retention overall by 2 percentage points.
And finally, our brand. We have a very strong brand, built on quality, excellence and heritage. We have yet to unleash the full potential of the lion of San Marco! We aim to grow the mature market brand preference as we increasingly shift from traditional marketing to digital. In some markets, such as Germany, we are aiming to consolidate our branding to take full advantage of the Generali brand equity.

Now, I would like to give you an idea where we currently stand regarding the goals we set for each of the six pillars. On optimizing our footprint, I am pleased to say that we have already signed deals valued at more than half of our 1 billion Euro goal. We have started to receive the proceeds following the closing of the sale of our Dutch operations. We have decided to use some of these proceeds to repay the 250 million Euro of subordinated debt due in 2018. Capital and debt management at Generali will be one of the themes of our next Investor Day.
We have already cut some 200 million Euro from operating expenses by the end of last year. I am proud to say that thanks to our “Fit to Lead” program, we were able to reach this goal two full years ahead of the original schedule.
In terms of technical capabilities, we continue to hold a position of excellence in 2017. Our combined ratio was once again the best among our peers, standing at 92.8%. This confirms our strong pricing, underwriting and claims management capabilities. Further, our guarantees in Life have continued to fall to just 22 basis points, and we are poised to achieve our objective of 0% by year-end 2018.

As for the pillars aimed at long-term value creation, we are transforming our business portfolio so that we become more resilient and can increase our profitable growth potential. Our commitment is to lower the average portfolio guarantee by 30 basis points by year-end 2018. We have already seen a nearly 20 basis point reduction since 2015.
By the end of 2017, we had seen the reserve mix shift by 4.5 percentage points toward capital light reserves, well on target to reach our objective of 6 percentage points. And finally, we are beginning to see the first results of our recently-launched asset management business. Its overall stand-alone net result in Europe came to 152 million Euro at the end of 2017, up 81 percent compared to 2016.
In terms of customer and distributor innovation, we reaped the benefits of a number of initiatives such as the award-winning Net Promoter Score Program, now covering 90% of our client base with customer satisfaction metrics clearly improving. Also, we held the first Global Agent Excellence Contest involving over 80,000 of our agents and distributors. Both initiatives gave us great insight into what we are doing well and where we must do even better. We forecast achieving our customer retention targets on time.
Regarding mature market brand preference, we plan to strengthen it by 3 additional percentage points by year-end 2018. Here, we are progressing slowly and plan to take the necessary actions in branding initiatives during this year in order to meet the target.

Based on the results so far, we are confident and committed to delivering the financial targets announced in 2015:
1. We will achieve more than 7 billion Euro of net operating cash between 2015 and 2018 of which we already delivered 5.8 billion Euro by the end of 2017.
2. Cumulative dividends will reach at least 5 billion Euro between 2015 and 2018. And again, we are well on track; the 85 cents per share that we are proposing for 2017 will take us to 3.7 billion Euro.

3. The operating Return on Equity will be above 13 percent; as at the end of 2017, the average stood well above the target at 13.7 percent.

As we progress on our journey that commenced some 6 years ago, we are coming to the completion of the industrial turn-around. We have strengthened our capital position and reduced debt during our financial turnaround from 2012 until 2015. We have established six pillars to serve as the basis of our industrial turn-around that will be completed at the end of 2018 so that we can move onto the next phase of development: Transformation and Profitable Growth.
Please mark your calendars because on November 21 in Milan, we will present a roadmap that will illustrate the next part of our decade-long journey. We will outline our profitable growth trajectory and show you how we intend to build on our competitive advantages. We don't want to be the biggest insurance and asset management group, but we do strive to be the best! I look forward to seeing you there.

2017 was also a very important year for our Group beyond our balance sheet. Generali approved its “Charter of Sustainability Commitments” that includes a number of concrete actions that our Group will take which are key to our role in society and our responsibilities as a corporate citizen.
Moreover, Generali has announced its new climate change policy. We plan to take a series of meaningful steps that make us more responsible investors and underwriters. These include divesting from coal for approximately 2 billion Euro while at the same time upscaling investments in green sectors by some 3.5 billion Euro by 2020.
Finally, we launched Generali's first truly global sustainability program: The Human Safety Net. Headquartered in Piazza San Marco in Venice, this is an important new element of being a responsible corporate citizen on behalf of our Group. The movement of “people helping people” will be launched in every market where Generali is present, aiding those in need. The program is in harmony with our Group's overall vision: protecting and enhancing people's lives. The platform is open so that individuals as well as private and public entities may contribute. We have opened the program in markets such as Germany, France, Spain, Argentina and as far away as Indonesia. The Human Safety Net gives purpose to what we do, a purpose that goes beyond our day-to-day activity.
While it is important to analyse our numbers and our financial performance quarter by quarter, it is just as important for Generali to contribute to a healthier, more resilient society. We raised the bar on the way we report so that you can see not only our financial performance but also our accomplishments so far in our sustainability journey.

In conclusion, today's financials show that our strategy is the right one. We are delivering the results that we promised. We are confident that we will meet our stakeholders' expectations. We will continue to push forward to ensure that our operational performance on the one hand, and creation of long-term value for the Group, on the other, will continue.
I would like to take this opportunity to recognize the managerial talent that we have around the world that has made these results and this industrial turn-around a reality. We are all part of an on-going evolution in which we continuously strive for excellence in everything we do, every day, everywhere.
Again, I am very proud of the results we achieved. I would now like to pass the floor to Luigi who will give you more details on our full-year 2017 financials.

Thank you.

LUIGI LUBELLI, GROUP CFO

Good morning everyone,

This morning I have the pleasure of guiding you through the main figures of our 2017 full year results. As Philippe has already commented, we have a solid set of numbers, confirming the successful execution of our strategy.

Key 2017 financials at a glance

Before I dive into the details, I would like to give you a summary overview of our performance in 2017.

During this year, we continued to relentlessly execute our strategy, quarter by quarter. The figures for the year are a testimony to the outcome of our work.

Firstly, let's have a look at growth. Our Life net inflows reached 9.7 billion and are again at industry leading levels. Most importantly, they came entirely from our targeted unit-linked and protection products.

P&C premiums increased by quarter of a billion euros, growing in both Motor and Non-Motor throughout our international presence.

Assets under management grew to 542 billion, an increase of nearly 26 billion, 11 of which came from third parties.

Now, let's look at results. We recorded our largest operating result ever, at almost 4.9 billion euros, a 2.3 percent increase. This was achieved thanks to a robust technical approach, despite natural catastrophes, prudent investments, cost efficiencies and business diversification. The resulting operating return on equity stood at 13.4 percent, once more above our target rate.

Non-operating items reflect a few developments I will go deeper into in a few moments. I wish nonetheless to highlight a substantial drop in impairments, as well as some positive and negative items that resulted from our active execution of geographical footprint review, as well as to the management of our back book.

The net result of 2.1 billion Euros was up 1.4 percent from the previous year. When you evaluate its growth, I encourage you to bear in mind the various special items we booked this year, which will allow you to immediately appreciate that our underlying profit growth is developing at a very healthy rate.

Our distribution effectiveness and careful underwriting approach bore fruit again this year. On one hand, the strong improvement of the life new business margin you have been seeing in previous quarters was confirmed by a full-year figure at 4 percent on PVNBP, up almost 1 and a half percentage points from 2016. Likewise, our combined ratio remained at excellent levels, deteriorating slightly to 92.8% due to higher natural catastrophe losses, but nevertheless remaining at industry-leading levels.

These achievements took us to post once again very strong levels of internal capital generation, which stood at 3.6 billion normalised, up from 3.3 billion last year. This, coupled with our focus on capital-light business, a careful risk-based approach to investment selection and positive variances, led us to record a further strengthening in our Solvency II ratio, which reached 208 percent on the regulatory view and 230 percent based on our full internal model.

Lastly, I would like to draw your attention to our Net Operating Cash generation, which increased by a further 19%, also benefitting from capital management initiatives.

Let me now get into more detail, starting with the operating result by segment.

Operating result by segment

The 2.3 percent increase to 4.9 billion euro has been achieved primarily thanks to a good development of the Holding & Other Business line, driven by a strong performance from our Investments, Asset and Wealth management operations, along with an increased Life operating result.

The P&C operating result decreased by almost 5 percent, mainly due to the higher nat-cat burden.

I will review the segments in more detail in a moment.

From operating result to net profit

To move from operating result to net result, we start with the Non-operating investment income, which had an 86 million positive contribution, compared with a 213 million negative balance last year, thus leading to a positive swing of nearly 300 million euros. This very significant improvement reflects primarily an amount of impairments that was half the level for the previous year. On the other hand, realisation gains were lower than last year, while assets held at fair value through profit and loss had a slightly positive development, compared to a negative amount in 2016.

Non-operating holding expenses decreased by 38 million to 756 million euros, driven by interest expenses on our financial debt, which decreased by 50 million, mainly due to a double counting effect we had last year due to pre-financing. This was partially offset by an increase in other costs including some non-recurring expenses related to the rationalisation of our geographic footprint.

Net other non-operating expenses decreased by 87 million euros year on year. In the second part of the year we had two main one offs in this line, affecting particularly the last quarter.

Firstly, we provided for restructuring costs related to the strategic repositioning of our German operations, which we announced in September, amounting to 174 million before tax. Secondly, in December we announced an agreement to sell the Non-Life run-off portfolio of our UK branch. This transaction resulted in a gain of 196 million euros. The net effect of these two is therefore a small positive amount of 22 million before tax, but because of the differing tax rates, particularly the lower rate of tax applying to the UK disposal, the impact on the bottom line of these two items is around 60 million after tax.

The overall effective tax rate of the Group was 31.8 percent, 2.4 percentage points higher compared to last year. This increase is mainly explained by two negative one-offs in France and in the US.

In France, we experienced a 40 million euro negative impact from the extraordinary tax add-on the government introduced for 2017, while in the United States we had an additional 52 million tax burden stemming from the so called “repatriation tax” on undistributed foreign earnings.

In the discontinued operations line we have a loss of 217 million, mainly resulting from the sale of our Dutch operations as booked in our nine month results, mitigated by a small profit contribution of the Irish business, the sale of which we announced in December.

Minority interests were 27 million euros higher, primarily linked to the good performance of Banca Generali.

This takes us to a net income for the year of 2.11 billion euro. For clarity let me recap for you the special items we have seen in 2017 between the operating result and the net result. In the fourth quarter, in the other non-operating line, we had the offsetting effects of the German restructuring provisions, and the gain on sale of the UK run-off portfolio, with the total net positive impact of 60 million euros after tax. Also in the fourth quarter, we had 92 million euros negative one-offs from tax effects in the US and France. Finally, we booked a negative 217 million of discontinued operations overall in 2017, mainly impacting the third quarter.

Total remittance from operations

Let me turn to cash generation.

On this slide, we show you the gross remittance coming from the main operating entities of the group which increased by 8 percent year on year, to 2.6 billion euros. Remittance ratios are similar to last year, with the positive exception of France, where we also executed an excess capital upstream exercise of approximately 0.2 billion euros. This operation underscores our capital management approach, which focuses on maintaining our

subsidiaries appropriately capitalised at healthy levels, upstreaming, when feasible, any resources that are not required according to their risk profile. This will be an area of increasing focus in the future.

Net Operating Cash Generation

To move from dividends received to our Net Operating Cash metric, first we add the after tax operating earnings of reinsurance activities, which had a recovering result compared to last year, primarily due to lower man-made losses, which more than offset the higher nat cat effect. We then deduct overhead and interest expenses, again net of a normalised tax rate. This results in 2.2 billion euros of Net Operating Cash generation, 19% higher than the previous year, and positioning us well on track towards our goal of 7 billion euros for the four years ending in 2018. By the end of 2017, we have achieved a cumulative 5.8 billion euros, more than 80% of our end target.

Shareholders' equity

Let us now turn to look at the balance sheet. Shareholders' equity increased by 2.2 percent, to 25.1 billion euros. The positive contribution from the net result has been partially offset by the 2016 dividend paid in May and by 0.3 billion euros of other movements, which comprise a number of individually small effects, with foreign exchange being the largest at 0.2 billion. The movement in AFS reserves was negligible on balance.

Solvency II: Regulatory View & Internal Model View

I will turn now to Solvency. Before getting to the numbers, I would like to explain two changes in the presentation. As we undertook, we have now delivered a more granular analysis as I am about to show you. Moreover, while we continue to disclose both internal model and regulatory ratios, we are focussing more on the regulatory view, so as to have a better alignment with the regulatory SFCR documents, which we published for the first time last summer. We maintain our plans to expand the scope of internal model approval, and we continue to expect the regulatory solvency ratio to converge up towards the internal model ratio over time, as such expansion will receive, as we trust, the relevant approvals.
Now, returning to the numbers, it is immediately clear that we have seen a strongly positive development, with the preliminary regulatory view reaching 208% and the full internal model view reaching 230%.

Solvency II: Regulatory View roll forward

Let me explain this movement. To do so, as mentioned, I will focus on the regulatory solvency ratio, although the drivers are similar for the internal model view, for which you can find an analysis in the backup.
Normalised capital generation was once again strong at 3.6 billion euros, adding 16 points to the regulatory ratio. I will come back to this in a moment.
This year we also have a relatively large amount of positive variances, totalling 3.8 billion euros. Own Funds drive 3 billion of this. Economic variances were the main effect at 1.8 billion, driven by the positive performance of the equity and real estate asset classes, higher interest rates and lower volatilities, with a small negative impact from foreign exchange.
The remainder is explained by positive operating variances and assumption changes of 1.7 billion, offset by 0.5 billion of non-recurring expenses, for example restructuring costs. In P&C, it includes positive claims settlement as compared to best estimate – which we do not include in the definition of "normalised" capital generation – and to a revision of best estimate assumptions in some cases.
In addition to own funds, variances also drove the SCR lower by 0.8 billion. Of this, 0.4 billion is explained by the same positive financial market developments which created the variance in Own Funds. The remainder is driven by a combination of effects, including the benefit of some specific strategic asset allocation optimisations performed during the year and the impact of the sale of the UK run-off portfolio at the end of 2017."
Lastly, we deduct the proposed dividend of 1.3 billion euro, worth 6 percentage points of solvency.

Focus on normalised capital generation

Let me come back to the normalised capital generation of 3.6 billion, and on this slide we show it for the first time broken down by business segment, as well as by Own Funds and

SCR.
Starting with Life, we had normalised capital generation of 3.5 billion euros, mainly reflecting the own funds generated of 3.2 billion, which splits evenly between new business and in force. The new business value of 1.6 billion is slightly different to the MCEV number of 1.8bn and this is due to differences in scope and methodology between the two approaches, like the calculation of risk margin and cost of capital.
The in force generation is then simply the unwinding of the discount and the release of risk margins, time value of guarantees and the prudence in financial assumptions embedded in the market consistent approach.
For the SCR, you can see that writing new business consumed 1.3 billion of Solvency II capital, but this was more than offset by 1.5 billion released from the run off of the in-force portfolio, leading to a small net benefit of 0.2 billion. As I will return to shortly, we are growing our book of life business, and what these numbers confirm is the high capital efficiency of the business we are writing: we are growing volumes, but with less capital needed to support them.
In P&C, own funds generation was 1 billion, and here the drivers are different to IFRS. The technical result is based on a best estimate view, but changes in best estimate assumptions are taken as operating variances and not in normalised capital generation. On the investment side, the picture is also different to IFRS, because in this view, for the assets backing liabilities, we have only the real world spread earned and not the full return as in IFRS. The earnings of risk free rates on the asset portfolio are offset by the unwinding of reserves, which are discounted under Solvency II. For assets not backing liabilities, real world returns are assumed. The SCR basically does not vary for P&C and that is consistent with the fairly modest changes in volume.
Holding and other contributed a negative 0.9 billion, which reflects the interest costs paid and holding expenses. Any changes in the value of entities outside of the Solvency II regulatory scope are included in variances.

High quality capital mix
Lastly, I would like to highlight the tiering of capital under Solvency II. The strong creation of solvency capital this year has come from the generation of economic value, and consequently, the 5 billion euro increase in Own Funds is primarily Unrestricted Tier 1, with other tiers of capital relatively stable. Consequently, not only the magnitude but also the quality of our capital according to Solvency II tiering has improved. Our Solvency II capital requirement is now covered 1.7 times by unrestricted tier one capital alone, and we are far away from any binding limits in terms of capital quality according to the Solvency II regulations.

Life Key financial indicators
Now I will turn to look at the performance of the individual business segments during the year, starting with Life.
And here our story is consistent: the strategic actions executed have translated into a strong margin improvement, which by far outweighed a slight decrease in volumes, with overall new business value up by more than 50 percent from last year.
Net inflows remain at consistently high levels as compared to our international peers, and the operating result increased by 1.8%.

Life Operating result by driver
The main driver of the operating result has been the investment result, which increased by over 6 percent, benefitting from a lower level of operating impairments, realised gains triggered by the sale of some assets aimed at de-risking the portfolio, particularly corporate bonds, and from a better financial margin in France, where crediting rates have fallen in response to lower investment yields.
The Technical Margin recorded a 28 million euro decrease, mainly due to two specific items. The first, which I had already referred to in the first semester, relates to unusually high technical profits we had in the first half of 2016 on some Group Life contracts in Italy. The technical result in Italy was consequently 56 million lower in 2017, which affected entirely the first half. The second effect relates to a change in French legislation that withdrew state participation features on a specific line of annuity business, with a negative impact of 43 million in the second half of the year.

The expense result decreased by 45 million euros, largely driven by the development of our Asian businesses, including the opening of new branches in China, as I referred to in previous quarters, and partially by higher IT related amortisation costs in Italy. The strong and successful push into Unit linked and Protection products in France also had a negative impact on the absolute expense result due to acquisition costs, but with a much more profitable business mix as a result.

Life business mix rapidly shifting 1

Our net inflows closed the year at 9.7 billion euros, 2.1 billion lower than last year, but still at industry high levels and, most importantly, with a much better mix. We will continue to build new and innovative concepts for unit-linked, and further increase the Group's focus on protection and health. In fact, all the net inflows we have generated this year are unit-linked and protection, while savings and pension business saw outflows.

In Italy, net inflows decreased from 7.2 billion to 5.7 billion, with product sales now entirely comprising hybrid products. In the underlying composition of this production, the contribution of the traditional savings component is half the prior year level, while the Unit linked component has grown strongly. Germany and France both showed increasing net inflows, with strong unit linked and protection, which offset traditional savings and pension flows, which remain negative in both countries.

The decline in our International businesses is explained by the lower guaranteed savings business in Asia and EMEA. In Asia, I remind you that this reflects the strong but lower margin banc assurance production we experienced in China during the first quarter of last year, which was subsequently stopped and replaced with higher margin products.

Life business mix rapidly shifting 2

Due to the strongly positive net inflows, our Life technical reserves increased by 4.2 percent to 389 billion euros, with a particularly good development of the Unit Linked component, up 12.1 percent.

We are steering the mix of liabilities as planned: Capital light reserves have increased their weight on total reserves by 4.5 percentage points since the baseline of year-end 2015, on track for the 6-percentage point shift we promised to deliver over the three years from then until 2018.

Life New Business: Analysis by line of business

Moving to new business, the overall Present Value of New Business Premiums declined by 2.3 percent to 45.4 billion euro, but again with the most notable development being the strong movement in mix: We had a 19 percent drop in the savings component, mostly counterbalanced by a strong rise of Unit Linked, up 29 percent, and protection, up 3 percent. The margin increased very strongly to 401 basis points, up 146 basis points due to our strategic actions. Overall, new business value consequently passed 1.8 billion euro, up by 54% year on year. Each business line had a positive development from a value perspective, even in the savings component, where the margin expansion, driven by lower guarantees and better product terms, significantly overcompensated the strong reduction in volumes.

Life New Business: Analysis by geographical area

By country, we see a significant margin expansion in all territories, with the exception of Germany, where the margin has remained substantially flat at a good level. I think that this underlines the consistency of execution around the world. Conversely, the development in volumes was more muted due to our disciplined underwriting approach.

In Italy, for example, we had a 3.3 percent reduction in PVNBP, driven by a decline of 19% in the savings business. However, protection and unit linked rose respectively 28 and 71 percent. The consequent 1.8 percentage points margin improvement led to a 56 percent increase in new business value.

The volume reduction of our International businesses is driven by EMEA countries, while Asia recovered the production gap after the refocusing of our Chinese operation towards new and more profitable products. Due the actions executed in both regions, the improvement in profitability has been notable, with over 200 basis points of margin expansion and a 65 percent growth of new business value.

Increasing New Business Value driven primarily by increased future cash profitability

Let me also give you some greater insight on what the new business value means and how it has been delivered.
The first comment to make on this slide is that most of the margin expansion comes from management actions, reflecting the focus we have put on product steering and design. Financial market effects also had a positive influence, but with a much lower magnitude.
Here we also decompose the new business margin into the present value of future cash flows on the one hand, and on the other, the elements of prudent buffers, that is, the various cost of capital and risk allowances that exist under the EV methodology. What this shows is that there has been a modest improvement in margins driven by the lower cost of guarantees, but the main driver is the increase in future expected cash flows.

Improved mix drives future expected cash profits significantly higher
This slide shows you how our 1.8 billion of new business value can be translated into future cash.
Firstly, if we take that 1.8 billion and remove the Embedded Value buffers for non-cash items, for example the cost of guarantees and cost of capital, to turn it into a pure cash number, we would reach 2.3 billion. However, this figure is a so-called certainty-equivalent present value, meaning that it is discounted, and, following MCEV principles, it assumes asset returns at the risk free rate. If we remove the discounting effect and calculate cash flows on modest real-world investment return assumptions, we arrive at 3.4 billion. So, 3.4 billion is the total amount of after-tax cash flows that should accrue to shareholders over the life of the new contracts we have written in 2017. The chart on the top right shows you the profile of these cashflows over time. It is evident that, as compared to 2016, we receive much more cash and we receive it faster. Ultimately, the total amount of post-tax cash expected to be received from new business written in 2017 is 900 million euro higher than the business written in 2016, a strong increase of 37%.
Lastly, we show you the same number, grossed up for tax and minorities, at 5.3 billion euros.

Life investment breakdown and performance
Let's look now to the Life investment portfolio: General account investments increased by 14.5 percent, reaching 351 billion euros.
In terms of asset mix, in this context of very tight spreads, we saw fit to continue our de-risking activity, marginally reducing the weight of corporate bonds.
Current investment returns slightly decreased, by 10 basis points, from 3.2 to 3.1 percent. In absolute terms, the equity returns in 2016 included some private equity income which was not repeated this year
The new money reinvestment rate in Life amounted to 1.8%, against 2.0% in 2016.

Guarantees
These returns remain healthy in the context of our liabilities, since guarantees on our existing reserves have also continued to drop by 12 basis points to 161 basis points. And so, the gap is widening slightly and a good margin between yields and guarantees remains.

If we think about flows of new money, we can see that the guarantee on those policies which carry one has fallen to 22 basis points, down from 45 basis points at the end of last year, and closer to our target of zero on retail business in Europe. The spread on new production remains stable at 158 basis points over the fixed income reinvestment rate, and therefore still wider than the spread on our existing portfolio.

P&C key financial Indicators
Turning to property and casualty:
In summary, gross written premiums increased by 1.7 percent to 20.7 billion euros, with a strong performance of motor lines. The combined ratio worsened slightly to 92.8 percent, due mainly to the higher impact from nat-cats, which were also the main driver of a 5 percent reduction in the operating result.

P&C Operating result by driver
Looking in more detail at its components, we see the technical result has fallen by 106 million euros, explained by the 50 basis point higher combined ratio, which I will return to in

a moment.
The investment result decreased by 28 million euros, because of the lower current returns on fixed income instruments.
Finally, the result from “Other” improved by 33 million euros, mainly thanks to a lower allocation to risk provisions.

P&C gross written premiums and combined ratio by country
Let’s look now at premium and combined ratio developments by geography.
Italy’s top line is down 2.9 percent, at 5.5 billion euros, but nevertheless we observe the pace of contraction is slowing. Motor decreased by 4.5 percent, still affected by a soft market, but also by a reduction in the number of policies, due to our strict underwriting criteria. Primary Non-Motor is down 1.8 percent, particularly driven by the evolution of Global Corporate & Commercial business and especially by lower writing of casualty business, but with a recovery in the last quarter of the year. In terms of profitability, Italy again confirmed its outstanding levels, with a stable 90 percent combined ratio.
In France premiums were up marginally by 0.2 percent to 2.5 billion euros. Motor grew 2.6 percent, thanks to tariff increases and the development of new partnerships. Primary Non-Motor decreased by 2 percent, due to the competitive market environment in commercial business and the continuation of strict underwriting discipline.
The combined ratio in France improved once again, by 1 percentage point to 98.4 percent, driven by improved loss and expense ratios. Nat Cats were stable at 1.8 percentage points.
In Germany, premiums increased by 1.6 percent. This was driven by the Motor business, which rose 4.2 percent, still benefitting from a stable pricing environment. Primary Non-Motor had a marginally negative premium development. The combined ratio experienced a 2.6 percentage point deterioration, mainly driven by a higher frequency of both individual large claims and weather-related losses.
CEE continued its growth path, showing a 3.4 percent premium increase with positive developments across all main countries in the region. The only exception to this was Poland, where tariff increases and pruning activities were ongoing. The combined ratio was once again outstanding at 87.8 percent.
Our International businesses delivered strong growth of 5.7 percent on a like for like basis, reaching almost 6.8 billion of premiums. The overall combined ratio here stood at 96.2 percent, up 1.3 percentage points year on year.

Combined ratio analysis
Let me provide you now a closer look to the drivers of the combined ratio movement at Group level.
The loss ratio remained stable, notwithstanding a 0.6 percentage points higher impact of nat-cats at 2.1 percentage points. A counterbalancing improvement came from the current year result, down 0.8 percentage points. The contribution from prior year development was slightly lower at 5.6 percentage points. Here, we simply continue to see the effects of our prudent and careful approach to setting reserves, which makes itself evident as claims settle. Our reserve adequacy remains very strong, at levels comparable to those of 2016, and our triangles continue to show a positive run-off, as we have witnessed consistently over the last decade.
The expense ratio increased by 0.5 percentage points, due to the higher acquisition expenses linked to actions aimed at increasing the penetration of Non-Motor business in our retail and SME client base. This was true particularly in Italy as I mentioned also with the half year results. The administrative expense ratio improved by 30 basis points compared to last year.

P&C investment breakdown and performance
P&C investments remained stable, compared to the end of last year, at 39 billion euros.
As in the Life business, there has been a slight decrease in corporate bonds and other fixed income, with an almost corresponding increase of government bonds.
Total P&C current returns marginally declined, by 10 basis points to 3 percent, driven by a similar trend in fixed income investments, only partially counterbalanced by an increased contribution from equity.
The average reinvestment rate in P&C during 2017 was 1.6 percent, slightly above the 1.4 percent achieved last year.

Holding & Other businesses segment
Let me finally turn to our “Holding & other businesses segment”, whose overall contribution to the Group operating result improved from a 74 million euros loss in 2016, to a 59 million euro profit this year.

This result has been driven by the good performances of Asset Management Europe and Banca Generali, which increased their contributions respectively by 88 and 51 million euro.

Focus on Asset Management
In Asset Management Europe, which was the focus of the strategy we presented in May last year, financial performance has been very strong, despite us being in the early stages of our plan. The increase in our profitability reflects asset growth, which stood at 8 billion euros net of market effects, as well as the review of fee schemes on real asset portfolios. Larger revenues drove our cost income ratio down by 10 percentage points to 61%. These positive developments drove the 81% increase in the standalone net result. While we still have much to do, progress in the first year of our new strategy has been very encouraging.
To give you the overall picture, I also show here the total asset management scope, which includes our operations in Asia, but of course Europe is the largest component.

Final remarks
In conclusion, we have delivered record operating results, increased net profit and delivered strong cash generation. Once again, Generali has also proven itself as a leader in terms of its technical capabilities in the industry. We are continuing to implement actions to ensure the successful completion of our industrial turn-around and are confident that we will meet our financial objectives by year-end. The underlying positive fundamentals of our business allow us to propose a 6% increase in the dividend to 85 cents per share for 2017.

Thank you for your attention.

IL GRUPPO GENERALI

Generali è un Gruppo assicurativo indipendente, italiano e con una forte presenza internazionale. Nato nel 1831, è tra i maggiori player globali ed è presente in oltre 60 Paesi con una raccolta premi complessiva superiore a € 68 miliardi nel 2017. Con quasi 71 mila dipendenti nel mondo e 57 milioni di clienti, il Gruppo vanta una posizione di leadership nei Paesi dell’Europa Occidentale ed una presenza sempre più significativa nei mercati dell’Europa Centro-orientale ed in quelli asiatici. Nel 2017 il Corporate Knights ranking ha incluso il Gruppo Generali tra le compagnie più sostenibili al mondo.