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Risultati consolidati al 31 dicembre 2016

Trascrizione della presentazione video

PHILIPPE DONNET, GROUP CEO

Good morning everyone, and welcome to the presentation of our 2016 results.
There are 4 key messages that I would like you to take away today.
First. Generali delivered the highest operating result in its history despite the unfavorable market conditions.
Second. Thanks to our strong cash generation and solid capital position, we will propose to shareholders a dividend of 80 cents per share, up by 11 percent from the previous year.
Third. These results confirm that Generali is operationally among the best in class and that it is delivering improved performance across all the business units.
Finally, with our strengthened management team in place and our progress to date, we are in a position to deliver all our strategic levers and in particular to accelerate on the achievement of our cost reduction targets.

Media Relations
T +39.040.671577
media@generali.com

Investor & Rating Agency Relations
T +39.040.671202
+39.040.671347
ir@generali.com

www.generali.com

In 2016 Generali's operating result was the highest in the history of our company at more than 4.8 billion Euros. This excellent performance is driven by both Life and Non-Life, and has been achieved thanks to our continuing improvements in technical discipline and also to our success in driving down costs. The quality of our earnings has also improved. This is the result of conscious management decisions and the execution of our strategy. The evidence is that we achieved almost 2.1 billion euros net profit, but using significantly less capital gains. This excellent performance has been achieved despite unfavorable market conditions, with persistently low interest rates and high equity market volatility.

We have been successful in achieving the key goal of improving cash generation from operations. I am very pleased to see the Net Operating Cash grow significantly once again in 2016, from less than 1.7 to almost 1.9 billion Euros. We remain strongly capitalized. The Regulatory Solvency 2 Ratio has improved to 177 percent, reflecting the successful approval of the internal model for the French Life business. Our Economic Solvency Ratio is 194 percent, well within our comfort zone. The gap between the regulatory and economic solvency ratios is narrowing. Thanks to our strong cash generation and solid solvency position, we will propose to shareholders a dividend of 80 cents per share, up by 11 percent versus previous year.

We are well on track to deliver on our financial targets for 2018. The 3.5 billion Euro cumulative operating cash generated and 2.4 billion dividend proposed demonstrate that we are making strong progress to deliver our targets of 7 billion Euro operating cash and 5 billion Euro cumulative dividends between 2015 and 2018. We are confident and remain committed to achieving the remaining half of the targets by the end of 2018. Halfway through the plan we are at an average 13.8% Return on Equity, well above the 13% threshold we committed to.

Our performance is best in class among our peer group. Our management team is absolutely committed to improving performance across all our businesses. In 2016, Generali posted the highest Life net inflows in the peer group exceeding 12 billion Euros. We are very pleased with the quality of these inflows: 44% are unit-linked despite the tough market conditions at the start of the year. Protection and savings equally account for the rest. I'd like to point out that the savings portion registered a very low average guarantee. Therefore, the profitability of our Life business is very solid in terms of New Business Margin and among the best in the peer group.

In the Property and Casualty segment, the Combined Ratio is down by 0.7 percentage points, starting from the already excellent levels of last year, and is the best among our peers. The level of efficiency of our operations, measured by the P&C expense ratio and the Life administrative ratio, is – again – the best among peers.

At the Investor Day in November, we said that we aim to reach excellence EVERYWHERE, EVERYTIME and in EVERYTHING we do. We are not satisfied to be the best "on average". Generali is already doing well across all key metrics, but we WANT TO DO MORE by fully exploiting the potential in each of our markets. I am particularly proud to see how all our main business units posted improvements in 2016. Our CFO Luigi will deep dive into the numbers in a moment, but let me give the key high level points. In Life, the New Business Margin increased across all our geographies leading to an overall improvement of 4.8 percentage points. In Non-Life, the improvement of 0.7 percentage points in our Group Combined Ratio reflected a strong performance in all markets, and improving in many, especially in Germany, where it was down by 2.5 percentage points. In France, the Combined Ratio fell below the 100 percent threshold for the first time in recent years. This is an important achievement, but of course we are not satisfied and we think more can be done. In Italy, our strict underwriting discipline limited the negative impact of the market cycle, resulting in a 0.9 percentage points increase in combined ratio, which nevertheless remained at excellent levels, below 90 percent.

We delivered these results due to the extremely high attention we pay to the execution of our strategy. We are very vigilant in terms of performance monitoring and we are strongly focused on executing at pace and with discipline. In March 2016, as soon as I was appointed, we started accelerating the execution and in November at the Investor Day we presented the strategic initiatives with measurable KPIs.

Today, we can already see the positive impacts of our accelerated strategy execution: “Simpler, Smarter and Faster”.
First, regarding the optimization of our geographical footprint, we have activated the processes on each of the main components of our disposal program, targeting at least 1 billion Euro of proceeds.
Second, on the rationalization of our operating machine, we have brought the cost level down by 70 million Euros in absolute terms.
Third, we have further consolidated our leading position in terms of operational and technical performance among peers - with our focus on technical excellence we have improved the Combined Ratio by 0.7 percentage points. In life we brought down the guarantee levels of new business by 7 basis points reaching now 0.4% on average. Let me remind how guaranteed business represents an ever smaller portion of our overall life business
Fourth, our average guarantee on existing business has also fallen by 7 basis points, and we expect this pace of decline to accelerate as we implement the measures to manage our inforce portfolio. Let me point out that overall our average guarantee is lower than peers. As a result, our capital-light reserves increased by 2 percentage points.
Finally, as a very retail focused organization, we are pleased by our improving client retention - which is key to achieve better profitability - where we have recorded a 1.2 percentage points increase and an improvement of 0.5 percentage points in brand preference. These are real achievements early on in our plan execution. They are driven by specific and focused decisions defined by our CEOs around the world with the support of all our people. You have seen that we have made a series of changes in our top management team to make sure that we have the right people in the right positions to drive change.
Our stronger team and more dynamic governance, and the quality of the execution and implementation of our strategy …
…allow us to be more ambitious and accelerate further on the costs.

So it is just 4 months since we announced our strategic plan and we are in good shape across the board. Given the positive momentum we already achieved we feel confident that we can deliver the cost reduction target by 2018, a year ahead of what originally planned. Of course, we will not stop there. We are continuously looking for opportunities to accelerate and do more across all strategic levers, and we will of course update you when we see such opportunities.

Before concluding, let me quickly reiterate the 4 key points that compose our investment thesis.
First, Generali is an international Group uniquely positioned in Europe, the largest profit pool in the world. Our franchise is particularly distinguished by our scale, with top 5 positions in 10 markets out of 20.
Second, control over distribution and real customer relationships are key; we have an excellent distribution model with 150 thousand dedicated agents and salespeople around the world. This network ensures the best relationship with clients based on trust, expertise and understanding.
Third, Generali consistently delivers best-in-class operating performance coupled with a

strong balance sheet... and with clear plans and determination to improve our profitability further.
Fourth, we have fully embraced the developing technologies in a concrete way with a focus on connected insurance. For example, we have the largest connected insurance platform among peers with 1.3 million “connected cars”, and a product range that spans from home to health.
Last but not least, Generali has a streamlined governance and a focus on execution that allows its CEOs around the world to be truly empowered to deliver on the strategy in an effective way.

So these are very strong results on an absolute and relative basis. Our new team is on board and we are very excited by what we can do with Generali, first in delivering this plan, but also beyond that. I want to underline that the very positive results we are presenting today are just the starting point of our journey. We have a clear program that aims at excellence and at making Generali the preferred insurance company for its clients, agents and distributors, employees and for its shareholders. I will now hand it over to Luigi Lubelli, who we welcomed recently to our management committee as our new Group CFO. He will go more in detail through the numbers.

LUIGI LUBELLI, GROUP CFO

Good morning everyone, and let me begin by saying that I am greatly honoured and pleased to be able to present to you Generali's 2016 financial results, my first results presentation to you after my appointment as Group CFO in January of this year.

Key messages

As Philippe has just explained, 2016 has been a great year for the Group, in which we have made strong progress in implementing our strategic initiatives, in spite of a challenging operating environment.

I will dive into the details in a moment, but let me recap the main financial highlights:
The operating result was the highest since the introduction of this metric back in 2007, exceeding 4.8 billion euros. Our net result also improved, to reach almost 2.1 billion. I must note that both of these results have been achieved with significantly lower capital gains.
Net operating cash generation has been very strong, reaching almost 1.9 billion euros, and supporting an 11 percent increase of our dividend. This positions us on a good trajectory for meeting our cumulated cash and dividend targets. On Solvency II, our regulatory capital position has benefitted from the approval to apply the internal model to our Life business in France, and as a consequence, the gap between the regulatory and internal model views of capital has almost halved. Both ratios remain at very comfortable levels, and are supported by the high level of organic capital generation of the business. Let me get straight into the detail, starting with a look at the operating result by segment.

Operating result by segment

Our relentless management focus on technical excellence and cost efficiency offset the impact of declining investment results, translating into growing operating profits in both Life and Non-life. And, as you will see, the improvements were consistent across markets.
The segment Holding & Other Businesses had a negative performance with 91 million euro losses, compared to a 59 million euro profit of last year. This was mainly due to lower performance fees of Banca Generali in 2016, compared to a very strong previous year, and some gains on private equity and real estate funds in 2015, which were not repeated to the same extent this year.

From operating result to net profit

Moving from operating result to net profit: in line with what was observed in the first half, we can see that non-operating investment items have swung from a positive contribution of 159 million last year to a 217 million negative result this year, reflecting a 336 million reduction in realised gains, which were little more than half the prior year level. Impairments amounted to 543 million euros, 40 million above the previous year, despite the impairment charge for BTG being in the comparative. In 2016, and especially in the fourth quarter, we have taken action to conservatively value our exposures to the Italian banking industry. This includes both our investment in the Atlante fund, to which we applied a 52 percent haircut, leading to a 37 million euro non-operating impact, as well as to other holdings in a number of Italian banks which affected the non-operating investment income for an additional 141 million euros. Our overall exposure to Italian banks remains modest at 4.2 billion euros, mainly in the Life segment.
Non-operating holding expenses increased to 794 million euros, due to 39 million higher interest costs on our financial debt. This increase of interest expenses is temporary, and relates to the pre-financing of two bonds with call dates respectively in June 2016 and February 2017. Without this double counting effect, which amounted to 53 million euros, overall interest expenses would have decreased by 14 million euros, broadly in line with the underlying decrease in this line.

Other non-operating expenses decreased by almost 200 million euros. I wish to highlight a 93 million reduction in restructuring expenses, which were especially large in Germany in 2015, and due to some exceptional provisions in the prior year number which did not recur.
The overall income statement effective tax rate was 29.1 percent. The decrease with respect to 2015 is mainly due to lower corporate rates in France and Spain, as well as to recoveries from previous years in Germany.
Minority interests were 71 million euros lower, due to a smaller contribution from Banca Generali, as previously mentioned, and the presence of realised gains on equity investments in China in 2015, which did not recur this year.

Cash generation & dividends (1/2)
Let me turn to cash generation.
On this slide, we show you the dividends coming from the main operating entities of the group.
The overall gross amounts remitted by our subsidiaries increased over 20% to 2.4 billion euros year on year, which is a very positive development. To repeat what Philippe has said, I think the striking feature of the chart on the right is that the increased remittances are coming from all of the main regions of the Group, and this is testament to the consistent approach we have had to implementing strategic actions to improve cash generation.

Cash generation & dividends (2/2)
Let me turn to the second slide on cash. To get to our Net Operating Cash metric, we add the following items at parent company level: the operating earnings of reinsurance activities, less overhead expenses and interest costs paid, net of a normalised tax rate. This results in almost 1.9 billion euros of Net Operating Cash generation, and that positions us well on our track to achieve our cumulated 7 billion euros Net Operating Cash and our cumulated 5 billion euros dividend targets by the end of 2018.

Shareholders' equity
Let us now turn to look at the balance sheet. Shareholders' equity increased by 4.2 percent, reaching 24.5 billion euros. The increase of 1 billion euros is primarily the straightforward result of the net income achieved of 2.1 billion, less the 1.1 billion dividends we paid in the second quarter. Apart from this, two lesser effects offset each other: the mark to market of available for sale fixed income and equity instruments, which resulted in a small 252 million euro positive effect; and other items, whose net balance was 230 million negative, deriving mainly from the effect of declining interest rates on our pension liabilities.

Solvency II: Internal Model View & Regulatory view
Turning now to our solvency ratio we can see that it remains strong. Actually, if we were to exclude the impact of regulatory changes, it has strengthened over the year.
A relevant and welcome development compared to 2015 has been the approval to extend the scope of our partial internal model, to include the French Life business within the regulatory ratio. The gap between this ratio and the view under our full internal model has therefore narrowed materially to 17 percentage points from 31 percentage points last year.
Looking at the full internal model view, the ratio decreased modestly to 194 percent, mainly due to the implementation of the new EIOPA portfolio for the calculation of the volatility adjuster and negative economic variances, although I would point out that these variances turned positive in the second half of the year.

On this slide you can also see the sensitivity of the ratio to various financial markets movements, which have remained broadly unchanged compared to the previous year, save for a slight widening with respect to interest rates and a narrowing with respect to equity markets and corporate credit spreads.

Solvency II: Internal Model View – capital generation

Looking into more detail at the roll-forward of the internal model ratio we can see that, starting from the opening position of 202 percent we disclosed last year, we have negative 10 points coming from regulatory and other model changes. By far the biggest driver here is the modified calculation of the volatility adjuster to take account of the EIOPA reference portfolio, as we highlighted in our third quarter results call.

Normalised capital generation remains robust, adding back 17 points to the ratio, reflecting the very strong underlying technical profitability of the business and the improved economics of the new contracts we are writing. Financial variances and other movements were 9 percentage points negative, driven primarily by interest rates and spread movements.

Finally, the 2016 proposed dividend, recognised in the 2016 full year ratio during the fourth quarter, will absorb 6 points of solvency, leaving the final ratio at 194 percent.

So, in short on the solvency ratio, I think what is clear here is that our strategic focus on technical and cost excellence is benefitting not only the bottom line, but also our ability to generate solvency capital: even after dividends, the underlying increase of our solvency ratio was over 10 percentage points in 2016, before financial market movements and regulatory changes.

Tiering of Own Funds

We also enjoy a strong quality of capital and I would like to devote a few words to it.
Firstly, on this slide you can see the tiering of our solvency capital under the regulatory view. Total Economic Own Funds are only 500 million euros lower under this view compared to the full internal model view, primarily because of the higher risk margin deriving from the higher SCR. As you can see, the vast majority of our capital is unrestricted Tier 1, the highest quality form of capital under Solvency II. And, in fact, this source of capital alone already covers our capital requirements by 1.4 times. I believe our quality of capital is strong and compares well with our direct peers in the industry.
Another way to look at the quality of capital is to see how close we are to the various limits that exist under the Solvency II framework. And as you can see once again, our picture looks very comfortable indeed. We are at less than half the limit for restricted Tier 1 and for non-Tier 1 capital. Furthermore, we have almost no Tier 3 capital, reflecting the fact that deferred tax assets on our Solvency II balance sheet are not material.
We therefore have a headroom of approximately 10 billion euros as compared to the maximum limits under Solvency II, providing us with significant financial flexibility.
So, I trust you will share my view that Generali is in a very comfortable position with respect to its own funds, both in terms of level and quality.

Operating Expenses (1/2)

With that encouraging conclusion on the balance sheet, I will now turn to look at the operational performance of the Group. But before discussing the individual segments, I would like to address the issue of our overall cost base. And first of all, I would like to take you back to our 2013 Investor day, where we made two commitments to be achieved by 2016: Firstly, that we would generate 1 billion euros of gross cost savings. And secondly, that we would keep the overall nominal cost base flat in constant currencies as compared to the 2012 baseline. In other words, having used the 1 billion gross savings to fund inflation and to invest in business transformation initiatives.
I am happy to confirm that we have delivered also on these commitments: The 1bn euros of savings have been achieved, and indeed, the overall cost base is almost exactly at the same level of 2012. This underpins our expense ratio performance, which ranks among the best in our peer group.

Operating Expenses (2/2)

But what should you expect in the future? I remind you of what we committed to more recently, in our November 2016 Investor Day. Then we communicated that we wanted to shift our focus away from gross cost savings and instead concentrate on the net nominal expense base of the Group. Therefore, we will not refer anymore to gross savings numbers in the future.

Secondly, while it is critical to maintain vigilance on costs everywhere, we shall focus our attention on mature markets, where cost efficiencies can drop more directly to the bottom line. In growing markets, stable or even increasing expenses may be more tolerable as long as they deliver a net positive contribution to the earnings. Strict discipline remains just as important, of course, and we shall be absolutely convinced of these returns before allowing any increase in cost. The target we set out at the last Investor Day was to reduce nominal expenses in mature markets by 200 million, to 5.3 billion by 2019. But as Philippe has said, actually we are making better progress than we expected. We therefore feel confident to bring our ambition forward and to deliver the nominal cost reduction by next year.
Let us now turn to segment performance, starting with Life.

Life Key financial indicators

The overall picture of our Life segment shows the effectiveness of the management initiatives we have undertaken. We have continued to take actions to improve our product mix, limiting or ending sales of products not meeting our risk-adjusted profitability requirements. Therefore, while volumes look generally somewhat weaker, also driven by the volatility in financial markets at the beginning of the year, the new business margin has been significantly positively affected by our actions, by far outweighing the negative volume trend and contributing to an overall 14.6 percent increase in new business value. This is a consequence of our very deliberate strategy and is directly benefitting the quality of earnings and our solvency position.I would also highlight the resilience of our Life operating margin on investments that remained stable at 74 basis points, notwithstanding the low yield environment.

Life Operating result by driver

Let me dive first of all into the drivers of the 5.5 percent increase in the Life operating result. The Technical Margin posted a 118 million euro increase, mainly thanks to improved technical profits as a consequence of actions taken within our Technical Excellence program in core markets. This was particularly notable in France, where management fees have been restructured and the business mix shifted into higher fee products. Also Asia registered a strong improvement, following the growth trend in volumes. The Investment result decreased by 175 million euros. Current income was stable, but we booked almost 700 million lower net realised gains, as well as 371 million higher impairments, both gross of policyholders share. This was in contrast to the prior year where we had unusually high levels of gains. Expenses decreased by 218 million euros, driven by reduced acquisition costs in Italy and Germany, offsetting the increase in Asia, which again reflected the increased volumes.

Life inflows and technical reserves

Our net inflows closed the year at over 12 billion euros, a figure we are particularly satisfied with as it is both above the levels achieved by our main peers, as well as above our own average over the last five years. This was achieved despite our decision to actively cap or cease sales of some products given the interest rate environment, with a particularly notable effect in the second half. In terms of mix, Unit Linked amounted to 44 percent of total net inflows, slightly lower than last year, but up from 37 percent at June 2016, that is recovering in the second half, thanks to the introduction of volatility controlled funds and less erratic markets, and the lower sales of traditional savings products in line with our strategy as I mentioned. Looking at the main countries, in Italy net inflows decreased modestly from 7.6

billion to 7.2 billion euros reflecting the difficult situation of the Italian equity market especially in the first half, but remaining at a high level. In our other main markets in Europe, we see a consistent theme repeating: Strongly positive net inflows in unit linked and protection business, offset by an increasing rate of outflows in traditional savings business. This is the case in France, Germany and EMEA, and is a consequence of the management actions taken in line with our strategy. Lastly, in Asia we experienced a strong increase in net inflows, which are mainly coming from China, thanks to larger sales of single premium savings business through bancassurance channels. Overall, these strong net inflows contributed 3.2 percentage points of the total 4.5 percent increase of Life technical reserves to 386 billion euros.

Life new business analysis

Turning specifically to look at the new business, we see similar trends. APE is down 6.6 percent to 4.8 billion euros, driven by the drop of both savings and unit linked new production, but with a strong recovery of the latter particularly in Italy during the last quarter of the year.

On the other hand, if we turn to look at new business profitability at the Group level, we see the margin improving 4.8 percentage points to 25.9 percent.

This margin expansion has been entirely driven by active management actions on business mix, minimum guarantees and product design, with an overall 8 percentage points positive impact, which has been partially offset by 3.2 percentage points negative economic variances.

The overall margin improvement more than offset the negative APE trend, allowing our new business value to grow by 14.6 percent, up to almost 1.3 billion euros.

Looking at the individual countries:

In Italy APEs declined by 8.3 percent, as the result of a decreasing production of both traditional and hybrid products. In the first case, as a consequence of the deliberate management action aimed at limiting the amount of non-capital light products being sold. The 2016 new production of hybrid products, however, also suffered due to the volatility of capital markets in the first part of the year. The share of Unit Linked on total APEs therefore dropped from 18 percent last year, to 16 percent in 2016, but I would add it was in the region of 20 percent in the second half of the year when market conditions were calmer. I would also add that even on the savings portion, guarantees have continued to fall sharply, down to only 26 basis points weighted by APE, from 42 basis points the year before. This helped contribute to increased margins, up from 25.4 percent to 27.2 percent.

In France we had an almost flat APE development, as the result of opposite trends. Protection business increased strongly by almost 22 percent, thanks to the new ANI regulation, counterbalanced by declining savings business, down 11.8 percent, and Unit Linked business, decreasing 5.9 percent, but with a reverting trend in the last quarter of the year. Actions taken to improve product pricing and reduce guarantees – even to below zero net of fees – have significantly helped to improve the new business margin, and overall new business value rose 37 percent.

In Germany we saw a 14.2 percent APE reduction, driven by a fall of almost 35 percent in the savings component due to the cessation of the sales of certain guaranteed products, in line with our strategy. The weight of traditional savings is now less than 30 percent, and correspondingly, unit linked and protection sales have increased their weight reaching 70 percent of the total. This shift in mix had a strongly positive impact on margins.

In EMEA, APE fell by 15.4 percent due also to product steering away from traditional savings products, especially in Austria and Switzerland. Again, these actions resulted in a strong improvement in new business margin, rising from 27.0 percent to 39.0 percent, thereby generating a 23.3 percent increase in new business value, despite the lower headline volumes.

Lastly, in Americas and Asia, we have seen good growth in APEs, up 32.8 percent, with the largest contributor being China. New business margins in this region were stable.

Life investment performance

Let's look now to the Life investment portfolio: Life general account investments reached 349 billion euros, up 5.1 percent from the year end 2015. A higher balance of investments more than counteracted the decreased investment returns, which fell from 3.4 to 3.2 percent, driven primarily by fixed income investments which make up the vast majority of the portfolio. Current returns on equity instruments showed a substantial increase thanks to dividends from private equity funds, compared to an exceptionally low number in 2015.
Net of these effects, current income was overall broadly stable.
The new money reinvestment rate in Life amounted to 2.0 percent and has been relatively stable between the first and second half.

Update on guarantees

If we turn to look at these numbers more closely in the context of guarantees, we can see that the picture remains quite healthy. Guarantees on our existing reserves have also continued to drop to 173 basis points, down 7 bps year on year, a pace that we expect to accelerate as we implement the additional initiatives that were presented at our recent Investor Day. A good margin between this and the current yield on the investment portfolio remains.

If we think about flows of new money, as I mentioned before, average guarantees on new business premiums continue to come down. We can see that on those policies which carry a guarantee, the average has fallen to 44 basis points, down from 51 basis points at the end of last year when measured by new business premiums, with a spread of 158 basis points compared to 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:
Gross written premiums increased by 2.1 percent, on a like for like basis, to 20.8 billion euros. This recovery trend is particularly evident in the Motor business, as I will return to in a moment. The combined ratio improved by 0.7 percentage points.

P&C Operating result by driver

Looking more in detail at the components of the operating profit, we can see a particularly strong technical result at almost 1.4 billion euros, up 15 percent year on year, significantly outpacing the declining investment result driven by lower yields. The residual other items line worsened by 55 million euros mainly due to a one-off release of provisions in 2015 which did not repeat, as you already saw in our first half numbers.

P&C gross written premiums trends

Let's look now at gross written premium developments within our core countries.
Italy is down 4.1 percent, at 5.7 billion euros. Primary Motor decreased by 5.2 percent, still affected by the decline in average premium, but also due to the cancellation of some large fleet contracts. Without this latter effect, the drop in Motor would have been 3.3 percent. Therefore, on an underlying basis, the trend is improving compared to 2015. Primary Non-Motor is down 3.6 percent, reflecting the overall weak economic environment.
France declined by 0.9 percent to 2.5 billion euros. Motor was slightly negative, at minus 0.6 percent, mainly due to the continuing pruning activities on the fleet business, but also as a consequence of decreasing average premiums. Primary Non-Motor decreased by 0.4 percent, due to the competitive market environment in commercial business and the continuation of strict underwriting guidelines and pruning activities.
In Germany premiums increased by 1.2 percent, driven by the 2.3 percent growth in the Motor business, thanks the continued rise in average premiums. The Non-Motor portfolio posted a more modest 0.6 percent growth, still affected by the pruning the activities in the

broker channel and in non-performing agencies, but with an improving trend compared to the first half of the year.
CEE accelerated, showing 3.8 percent growth, while EMEA confirmed a positive trend of 3.4 percent.

Combined ratio by country
Technical profitability is absolutely key for us and matters more than volumes. By looking at the combined ratio, it is evident that there is positive news everywhere.
Italy confirmed its excellent profitability levels, with an 89.9 percent combined ratio, even if showing a 90 basis points deterioration compared to 2015. This was mainly due to higher acquisition expenses linked to specific actions aimed at increasing the penetration of the Non-Motor business in our retail and SME client base. We continue to see pressure on the combined ratio in Motor, but with the excellent profitability of Non-Motor mitigating it.
In France the combined ratio improved by 80 basis points to 99.4 percent, so finally returning to a position of underwriting profitability for a financial year, and providing further evidence of the actions we are taking to restore adequate returns.
Germany recorded an excellent 90 percent combined ratio, down 2.5 percentage points, driven by an improving current year loss ratio, as well as by a falling cost base, showing the benefits of the ambitious restructuring program being implemented.
In CEE, our combined ratio decreased by 0.6 percentage points, back below 90 percent. This was despite a worsening loss ratio, still negatively affected by the regulatory changes in the Polish Motor market, whose effect was more than compensated by actions taken to reduce the cost base.
In Americas, our combined ratio has improved by 3.5 percentage points, mainly thanks to the strong actions we have taken to restore profitability in Brazil.

Combined ratio analysis
All of this translates into an overall 92.5 percent combined ratio, down 70 basis points compared to the previous year. Looking at the drivers, the loss ratio improved by 0.8 percentage points to 65.1 percent. This reduction was driven by a 110 basis points higher prior years' development. I want to be clear on one point: our higher than usual run-off result is the consequence of the favourable claims developments we are seeing, and our technical excellence initiatives. I can confirm that we remain very prudently reserved and we will continue to be so. Our group reserving ratio, which increased from 154 to 155 percent, provides some evidence of this. The expense ratio remained overall stable, showing a declining trend in administrative expenses throughout the year.

P&C investment performance
P&C investments decreased slightly to 39 billion euros, down 0.4 percent from the end of 2015. In terms of asset allocation, the weight of fixed income instruments increased by 6.5 percentage points, especially in government bonds, at the expense of cash balances, in order to reduce the impact of negative yields, and, to a lesser degree, equities and real estate investments, to reduce volatility. Total P&C current returns decreased by 20 basis points year on year to 300 basis points, mainly driven by fixed income returns. The average reinvestment rate in P&C during 2016 was 1.4 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 a profit of 59 million euros in 2015, to a 91 million euro loss this year. As I mentioned before, this decline has been mostly driven by the lower profitability of Banca Generali, which was particularly strong last year. In addition to that, in 2015 the "Other businesses line" benefitted from gains on private equity and real estate investments that are not present to the same extent this year.

Conclusion

To wrap up, we are very pleased with the results of 2016, which show with clarity the benefits of the strategy we are pursuing and the actions we are taking on the technical profitability of the Group. This resulted in a record operating profit of over 4.8 billion euros, despite the reduction of 245 million in the investment result in Life and P&C. Cash generation also reached new highs, driven by the substantial increase in dividends at all of our major subsidiaries, benefitting here, too, from the implementation of our strategy. That allows us to increase once again the dividend distributed to our shareholders. Our solvency position remains very strong and our regulatory solvency ratio has been boosted by our successful application to have the French Life business brought into the scope of our approved internal model. Overall, these numbers confirm that our strategy is the right one. We will continue to push hard, even accelerating where we can, and we are comfortably on track to achieve all of our financial targets.

Thank you for your attention.