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Consolidated results as of 30 June 2019

Video presentation transcript

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Good morning everyone,

And welcome to the presentation of Generali's first half 2019 results. I'm pleased to take you through the main business results before our CFO Cristiano provides you with a detailed P&L and balance sheet review.

P.4 Generali 2021 strategic pillars and financial targets

As you know, we presented our new strategic plan -Generali 2021- last November. The Generali 2021 strategy is built upon 3 pillars:

First, profitable growth in our insurance business as well as in asset management.

Second, capital management and financial optimization increasing capital generation and cash remittance and reducing both the amount of debt and cost.

And third, innovation and digital transformation of the distribution and operating model to ensure we become life-time partners to our customers.

Empowered people, a strong brand and commitment to sustainability serve as the 3 enablers of Generali 2021.

Generali set 3 new high-level financial targets that it aims to achieve by 2021.

First, earnings per share will increase by 6 to 8 percent per year on average.

Second, dividend will increase while preserving a 55 to 65 percent pay-out ratio and ensuring its sustainability in the long-term.

Third, higher returns for shareholders with a target Return on Equity above 11.5 percent on average.

Since November 2018, the management team has spent a considerable amount of time implementing this strategy with our employees, agents and partners. Everyone is fully dedicated to the execution of Generali 2021. We aim to become a life-time partner to our customers, offering innovative, personalized solutions thanks to our unmatched distribution network.

P.5 Key messages

Our results during the first half of 2019 mark a good start to our Generali 2021 strategy, with the group making progress on all its 3 key pillars of profitable growth, capital management and financial optimization and innovation and digital transformation.

Our technical excellence is reaffirmed by this set of results with a Property & Casualty combined ratio at best-in-class levels and life new business margin well above 4 percent. This is against the backdrop of more challenging market conditions impacting the life business mix and financial assumptions. Our effort on cost reductions has been effective and we are on track with our efficiency targets.

The growth of our insurance business with strong technical margins, coupled with the expansion of our asset management footprint and other activities, led to normalised net result growth of 6.4 percent, on track with our plan.
Last but not least, in spite of the pressure from lower rates across the world, our capital position remains strong with a Solvency 2 regulatory ratio at 209 percent. This is also thanks to an operating capital generation at the high end of the industry range.
Lower interest rates compared to 6 months ago are obviously a challenge for all insurance companies, but we consider their impact as manageable and confirm our Generali 2021 objectives.

P.6 Continued excellent technical performance & profitability

In the first half of 2019, Generali posted further improvements across most financial indicators. I would like to focus on a few high-level KPIs that highlight the Group's profitability in the first 6 months. Cristiano will then give you a more detailed overview of our financials.
The operating result increased by 7.6 percent to over 2.7 billion Euro.
The Group's normalised net result, adjusted for the impact of gains and losses from disposals, came at 1.3 billion Euro, a 6.4 percent increase compared to one year earlier.
Our technical performance remains excellent. Our Property & Casualty Combined Ratio improved by 0.2 percentage points to 91.8 percent with strong progress on the accident year attritional loss ratio and a very satisfactory top-line growth of nearly 4 percent. In the Life segment, our New Business Margin remained broadly stable at 4.4 percent.

P. 7 Life net inflows growing, mix impacted by financial markets

Let me now explain to you how our businesses performed in this semester, starting with life.
But before doing this, I would like to inform you that within our life premiums, net inflows and new business figures, a restatement between lines of business has been applied, to provide a more accurate representation of some products sold in Germany and Asia. Comparative figures have been reclassified accordingly. The overall picture remains nevertheless unchanged.
Net inflows grew strongly during the first half 2019, totalling 7.4 billion Euro, up 29.5 percent year-on-year. This performance has been mainly driven by our Asian business, thanks to reduced surrenders, which were particularly high last year, and due to higher volumes of new sales.
In terms of business mix, a dominant contribution of capital-light products such as Unit Linked and Protection has been confirmed. This is in spite of an increased weight of the Savings component that increased from 11 to 34 percent and a decreased weight of Unit Linked, down from 53 percent to 34 percent. But the quality of our net inflows remains at satisfactory levels. New business is represented by almost 90 percent capital light premiums, with the traditional part having very low guarantees, largely at 0 percent or even lower in some European countries. In addition, a large part of the traditional new business has a guarantee at maturity only, in particular in Italy.
In Italy, net inflows increased from 2.3 to 2.7 billion Euro, driven by an increased capital

light, traditional Savings contribution. This more than compensated for the contraction of Unit Linked production, mainly caused by increased client risk aversion. This aversion is a response to the financial markets volatility witnessed in the last quarter of 2018, which translated into a more conservative initial allocation for hybrid products that will automatically revert over time.

France saw strong growth of net inflows, up by 46 percent, reaching 1.45 billion Euro. Also here the main driver was capital light traditional Savings business.

In Germany, there was a 5.5 percent increase, entirely due to a strong performance of Unit Linked net inflows.

In Austria, CEE and Russia, lower net inflows were mainly due to higher surrenders of Unit Linked policies in Poland and of Savings in Austria.

The International business experienced strong growth, up 800 million Euro, driven by Asia. This was primarily thanks to China's performance, as positive new business momentum was combined with a significantly lower level of surrenders versus last year.

P8 Good growth and solid life profitability

Moving on to new business, we saw increasing volumes, up by 5.4 percent in PVNBP terms, and still very sound margin at 4.4 percent down by 18 basis points on a like for like basis. The main driver of the slight decline in margins has been negative economic variances, due to lower reference rates. A negative impact also stemmed from a slightly changed country mix, with a lower weight of Italy, and increased weight of Germany and France. Better product features, such as lower minimum guarantees, had a positive counterbalancing effect.

Overall, a positive volume development coupled with a solid margin, notwithstanding lower interest rates. This led to a 1.3 percent new business value increase, on a like-for-like basis, which comes to 942 million Euro.

Germany and the Austria, CEE and Russia region have been driving this positive new business value trend.

In Germany, the integration of our agency salesforce into DVAG has now been fully implemented, contributing positively to strong new business sales that increased by almost 26 percent, in terms of PVNBP. This, combined with a 33 basis points improved margin also driven by lower minimum guarantees, led to a 41.6 percent NBV increase.

In the Austria, CEE and Russia region margin expansion thanks to a higher weight of protection products coupled with overall stable new business volumes led to 8 percent growth in new business value.

Italy experienced a modest NBV decrease, down 0.5 percent, due to a 1.5 percent volume decrease, entirely driven by the reduced Unit Linked component. In spite of the Unit Linked drop, Italy was able to preserve its very good level of profitability.

In France, new business sales grew by 3.6 percent thanks to the development in capital light savings products; in spite of the good volumes, the NBV declined by almost 22 percent, due to a 71 basis points contraction of the margin. This margin movement is explained by worsened economic and operating assumptions as well as by a lower weight of Unit Linked products albeit with a mild recovery in Q2.

Finally, in the International region we saw strong volumes growth coupled with a 91 basis points margin contraction thus driving a 4.3 percent NBV decline. The margin contraction was mainly caused by reduced profitability of the Chinese savings business, linked to worsened financial assumptions.

P.9 Strong growth in P&C volumes at even higher technical profitability

In P&C, the Group confirms robust profitable growth, with premiums up 3.9 percent. The positive trend was seen in both motor and non-motor.

Italy’s top line was up 2 percent, at 2.66 billion Euro. The main driver of this performance has been primary non-motor, which increased by 3.3 percent, thanks to a positive development of most business lines and, in particular, accident & health. Motor posted a positive development as well, with premiums up 0.3 percent.

In terms of profitability, Italy experienced a 1.6 percentage points combined ratio deterioration, mainly due to a higher incidence of nat cats. Also acquisition costs increased slightly, due to the continuous effort of developing profitable, non-motor business lines. The combined ratio still reached a comfortable 91.8 percent level.

In France, the top line grew significantly, with premiums up 3.5 percent to almost 1.5 billion Euro. Motor grew 4.2 percent, thanks to the development of new commercial initiatives. Non-Motor performed positively with premiums up 2.6 percent. The overall combined ratio improved by 2.2 percentage points, reaching 96.7 percent. The result was mainly driven by a better current year loss ratio and by a reduced Nat-cat burden.

In Germany, premiums increased by 0.6 percent. This development was the result of a robust growth in non-motor, up 2.2 percent, while motor was down 1.5 percent, impacted by pruning activity of some non-profitable segments. The combined ratio experienced a 1.6 percentage points improvement, reaching an excellent 89.8 percent, thanks to a better current year loss ratio and to lower Nat-Cats. The expense ratio increased due to higher acquisition costs following the integration of the Generali network into DVAG.

Austria, CEE and Russia delivered a very strong performance once again, showing a 5.7 percent premium increase driven by CEE countries. The combined ratio was outstanding at 86.9 percent, 1.3 percentage points lower than the previous year.

The International region delivered strong growth at 6.4 percent to 2 billion Euro of premiums, mainly thanks to inflationary driven prices increases in Argentina and the growth in non motor predominantly in Spain and Asia. The overall combined ratio stood at 95.5 percent, down by 0.3 percentage points.

P.10 Asset Management Global: KPIs on track

In November 2018, we have presented three goals for our global ambition in Asset Management: contribution to revenues from external clients, operating margin and net result after taxes.

Let me provide an update on these three KPIs and on our revenues mix and 3rd party AUM development and Cristiano will add more details later on focusing on our enhanced disclosure based on a reclassified P&L.

The Asset Management net result before minorities reached 133 million Euro, up from 109 million in the same period of 2018. This growth trajectory is in line with our 400 million Euro target at the end of 2021, 350 million Euro of which organic.

The share of external clients' revenues increased from 13 percent to 30 percent, year on year. This strong improvement has been driven by the recapturing, via external mandates, of the asset management of the technical reserves sold with our Belgian activities and with Generali Leben, as well as the acquisitions carried out during 2018, namely Lumyna, KDSladi and Sycomore. I take this opportunity to remind you that the 2021 target is to reach 35 percent of revenues from external clients.

The Operating Margin remained healthy at 52 percent, down 3 percentage points year on year, which is above our 45 percent target for 2021.

p.11 Asset Management Global: focus on revenues contribution and external clients AuM

Our Asset Management revenues are fairly balanced across the different management styles. 36 percent of the operating revenues are generated by the insurance, liability driven business, while 37 percent are generated by high conviction strategies, both for insurance clients and third party retail and institutional clients. Real Assets business, including real estate, private debt and private equity, accounts for the remaining 26 percent of the revenues.

On the right side of the chart, we show the development of our third-party AUM business, that increased from 27.2 billion Euro at the end of 2018 to 101.9 billion Euro.

The main contributors have been 20.5 billion Euro of new assets coming from acquisitions and 51.9 billion Euro coming from our partnership after the sale of Generali Belgium and Generali Leben.

Finally, net inflows during 1H2019 totalled about 1.1 billion Euro, and market effects had a positive 1.2 billion Euro impact.

We are in line with our strategy of building the top 5 Multi-boutique asset management platform and on achieving our 2021 targets on external clients revenues, operating margin and net result.

p.12 Portugal

Finally, I would like to spend few words on our recently announced acquisitions in Portugal. These transactions represent an important step in the execution of the Group's three-year strategy which aims to strengthen Generali's leadership in Europe and confirms our disciplined and focused approach towards M&A. This was a unique opportunity to optimise our strategic positioning in Portugal, a market where we lacked scale, to become the second largest non-life group in the country with a market share of 18.7 percent and the third largest player in the whole market. The transaction will enable us to capture future growth opportunities, to achieve significant cost synergies through the integration of Generali Portugal and Seguradoras Unidas and to ensure the operational solidity of Europ Assistance in the Portuguese market. The acquisition of AdvanceCare, a service platform leader in the management of medical service outsourcing, which has a diversified institutional customer base, will also help the Group to acquire strong know-how and a scalable platform to develop in other countries. The total consideration for the 2 businesses stands at 600 million Euro; for 2021 we anticipate a net income contribution in the range of 60 million Euro with greater benefits in years to come as we fully realise synergies and develop the business forward.

Today’s financials show that our performance trajectory is healthy and robust and that we are making good progress on the execution of our plan.
Thank you for your attention. Cristiano will now provide more details on our financials and a capital review.

CRISTIANO BOREAN, GROUP CFO

Good morning to all,

Frédéric has already provided you with our key strategic and industrial achievements. I will now present our first half 2019 financial results both from a P&L and capital perspective.

P. 14 2019 First Half at a glance: delivering profitable growth

I will begin with an overview of our performance so far in 2019.

Without repeating what Frédéric has already explained to you from an industrial perspective, I will make a few remarks.

Our top line is growing at a very satisfactory pace. P&C posted a strong 3.9 percent growth. In Life, premiums are up 0.9 percent. However removing a positive 2018 one-off, stemming from an in-force management exercise executed in Italy last year, the growth would have been of 6.2 percent. More importantly, life net inflows and technical reserves are developing positively, growing 29.5 percent and 4.3 percent respectively.

We are also maintaining our disciplined underwriting approach, with a continued focus on technical results, as demonstrated by our excellent combined ratio and life new business margin.

All of this led to an operating result that increased by 7.6 percent to 2.7 billion Euro. I would like to remind you, that the redeployment of disposals related proceeds into higher-yielding investments has just started and will progressively contribute to the growth in the Group's results going forward. Our recent acquisitions in Portugal just discussed by Frederic have been a further step on this journey.

The net result of 1.8 billion Euro was up 34.6 percent on the previous year, reflecting the continuous enhancement of our operating machine and the gains from the disposals of Belgium and Generali Leben. The adjusted net result, net of the gains related to these two disposals, stood at 1.3 billion Euro, up 6.4 percent from the previous year.

Our regulatory solvency ratio reached a solid 209 percent at the end of June, down 8 percentage points from year-end 2018 mainly because of regulatory changes, recovering 2 percentage points during the second quarter of 2019. I will explain later on the related drivers.

P.15 Operating Result improved across all business lines

The Operating Result was above 2.7 billion Euro, with a 7.6 percent increase delivered thanks to positive performances across all business lines as you can see in the chart. We will now look at divisional performance in greater details.

P.16 Growth in Life volumes and earnings

Let us look first at the performance of the Life business segment.

On this slide, I would like to guide you through the development in premiums, which went up by 0.9 percent. In terms of business mix, Protection performed very well, posting a 9.3 percent growth, while Savings was stable and Unit Linked decreased by 8.7 percent. This reduction in Unit-Linked volumes has been mainly driven by the development of our Italian business. Here the financial markets volatility during the last quarter of 2018 translated into a temporary increased client risk aversion. This impacted the initial allocation of inflows to new hybrid products.

The growth rate on overall life premiums was affected, as I mentioned earlier, by in-force management actions on group business in Italy that inflated the 1H2018 comparative base. The underlying trend would have been a 6.2 percent increase, primarily driven by France, Germany and Asia.

P.17 Improved technical profitability and investment result

Our life operating result increased by 4.0 percent to 1.6 billion Euro.

This was mostly driven by a good technical result performance, up by 208 million Euro. This increase can be mostly explained by a good performance of Germany, on the back of growth in Unit Linked and Protection, as well as higher technical margins in France, and growing Protection in Italy.

The investment result increased by 40 million Euro, thanks to higher realised gains and lower impairments net of policyholder participation.

The expense result worsened by 186 million Euro, due to increased acquisition costs mainly in Germany and France to support our new production.

P.18 Life New Business: profitability remains solid

Moving to Life new business, let me first remind you that new business figures include the contributions of entities disposed until the moment of sale coherently with the Solvency II framework. Year on year changes have, however, been normalised thereby neutralising the impacts of the entities sold until 1H 2019.

Please also note that, as we did for life premiums and net inflows, a restatement between lines of business has also been applied for new business. This, in order to provide a more accurate representation of some products in Germany and in Asia coherently with their characteristics.

Within this framework, the overall Present Value of New Business Premiums increased by 5.4 percent to 21.4 billion Euro.

In terms of business mix, Savings business increased by 12.1 percent, driven by Germany, France and Italy. Almost 85 percent of 1H2019 Savings new business premiums are considered capital light given their product features, in line with our strategy, compared with 75 percent at 1H2018. Protection had a good performance, growing 17.7 percent, mainly in Italy, Germany and International. The Unit Linked new business decline was driven primarily by Italy, down 27 percent in this business line, affected by the financial markets volatility during the last quarter of 2018 consistently with what I explained for the life gross written premium development. France also experienced a 9 percent drop, but with a recovery trend in the second quarter of the year. In contrast, Germany was able to grow also Unit Linked, with an increase of 16 percent. This is a proof of the effectiveness of the new distribution setup.

The new business margin stood at an excellent 4.4 percent, experiencing only an 18 basis points drop year on year, on a like for like basis. As already explained by Frédéric, lower reference rates led to negative economic variances that explain a good part of this drop, together with a different country and product mix.

In terms of business lines, margins of savings and protection remained fairly stable. This was also due to continuous product enhancements, such as lower minimum guarantees decreasing by 6 bps on the savings part. The margin on unit linked new business experienced a decline, to 3.4 percent. This was mainly due to higher expenses and lower premiums.

Overall, new business premiums growth, combined with a solid margin, led to a 1.3 percent new business value increase.

P.19 Reserves mix: shift to capital light continues

Thanks to a combination of financial markets development and strong positive net inflows, our Life technical reserves increased by 4.3 percent to over 358 billion Euro.

We continue to steer the mix of liabilities in line with our strategy: capital light business has increased its proportion of total reserves by 1.8 percentage points since the end of 2018, reaching 58.8 percent.

P.20 Life investment and returns reflecting our strategic asset allocation

Let’s now look at the Life investment portfolio: General account investments reached 327 billion Euro, up 8.6 percent from year end 2018.

In terms of asset mix, the allocation remained substantially in line with year-end. Our exposure to Italian government bonds amounted to 61 billion Euro, slightly increasing compared to year end 2018, only due to market value movements.

Current investment returns marginally decreased to 1.5 percent, on a not annualised basis, with a current income in absolute terms declining by 88 million Euro gross of policyholder share.

The new money reinvestment rate in fixed income in Life amounted to 2.1 percent, compared to 2 percent for the whole 2018.

P.21 Strong growth in P&C volumes at excellent technical profitability

Let us now turn to P&C. On this slide, I would like to focus on gross written premiums, which increased by 3.9 percent to 11.4 billion Euro. Trends were positive in both Motor and Non-Motor insurance, with the main drivers being Austria CEE & Russia, France and Europe Assistance.

We have continued to achieve profitable growth, without sacrificing sound underwriting.

P.22 P&C Operating result improving thanks to better underwriting profitability

The operating result showed a 1.4 percent increase, entirely driven by an improving technical result, up by 59 million Euro.

The investment result decreased by 29 million Euro due to lower net current returns.

Lastly, the result from “Other” decreased by 14 million Euro, mainly due to costs linked to the reorganisation of German operations.

P.23 Combined Ratio improving thanks to better CY loss ratio, stable nat cat impact

The combined ratio improved slightly, by 0.2 percentage points, reaching an outstanding 91.8 percent.

Looking at the components, we can see that this reduction derived from an improving loss ratio, down 0.9 percentage points to 63.2 percent. The driver of this has been a 1.5 percentage points better current year loss ratio. Excluding a 0.3 percentage points higher impact from man-made losses, the attritional current year ratio would have improved by 1.8 percentage points.

The nat cat burden remained stable at 1.4 percentage points, while the positive contribution from prior years' development decreased from 4.8 to 4.1 percentage points.

The expense ratio worsened by 0.7 percentage points, mainly linked to higher acquisition costs supporting the profitable growth of our Non Motor business.

P. 24 Stable P&C investment return reflecting proactive asset allocation shift

P&C investments increased 9.7 percent to 41.5 billion Euro, compared to the end of 2018.

In terms of asset mix, there has been a 3.5 percentage points reduction in the weight of corporate bonds and 1.4 percentage points reduction for government bonds. This was counterbalanced by increasing weight of other fixed income, up 1.9 percentage points, mainly driven by loans, together with a higher weight of equity and cash instruments.

Total P&C current returns remained broadly stable, at around 1.6 percent. I remind you that this is not an annualised number.

The average reinvestment rate in P&C was 1.8 percent during the first half of 2019, compared to 1.7 percent during whole 2018.

P.25 Asset Management Global: growth is on track

Moving to Asset Management, we are presenting to you a new disclosure based on a reclassified P&L. As you can see, during the first half of 2019 operating revenues increased by 25 percent to 360 million Euro, driven by growing management fees. Around 60 percent of this increase is linked to acquisitions, while around 40 percent is organic growth.

Operating expenses increased by 35 percent. This was driven by M&A activities and by investments into start-up boutiques, like Aperture, Generali Global Infrastructure and Axis Retail Partners. An additional contribution to costs came from the strengthening of central control functions.

Consequently, the operating result grew by 17 percent to 186 million Euro.

The net result, after non-operating items and taxes, increased by 22 percent, also thanks to a one off effect decreasing tax rate.

In terms of geographical breakdown of the net result, Europe has grown from 89 million to 123 million Euro, which is in line with the European Strategy presented in May 2017. The Rest of the World, which includes China and United States, shows decreasing profits, driven by lower results achieved by our Chinese JVs and by the set up cost of Aperture, our first boutique in the US.

The cost / income ratio stands at a healthy 48 percent, even if this is 3 percentage points higher, year on year.

Assets under management increased by 12 percent, reaching 519 billion Euro, caused around one third by acquisitions and the remaining two thirds by market movements and net inflows.

As Frederic mentioned before, it was overall a good first half for our asset management.

P.26 Holding and other improving thanks to fee businesses and private equity

Let me now turn to our new “Holding & other businesses” segment which, from the end of last year, no longer includes the asset management business.

The overall contribution to the Group operating result improved, from an operating loss of 56 million Euro last year, to a positive contribution of 21 million Euro.

This positive development came from the good operating performance of Banca Generali, up 30.8 percent thanks to higher performance fees and from the line “Other businesses”. The latter was a result of good proceeds from the growth of our private equity investments and also of our pension fund business in Chile.

Operating holding expenses increased by 7.4 percent mainly due to higher costs in our German subholding.

P. 27 From operating result to net profit

To move from operating result to net result, we start with the Non-operating investment income, which made a 66 million Euro negative contribution, compared with a 20 million Euro positive contribution last year. This was mainly due to lower realised gains that, in the first half of 2018, included a 113 million Euro gain on the disposal of the stake in Italo – Nuovo Trasporto Viaggiatori.

Non-operating holding expenses decreased by 17 million to 371 million Euro, thanks to lower interest expenses on our financial debt, in line with our strategic goal and actions to reduce both the amount and cost of our debt.

Net other non-operating expenses decreased by 19 million to 152 million Euro, benefitting from lower restructuring costs, now 14 million Euro compared to 68 million Euro at first half 2018. Among the negative items there is the recurrent amortisation of intangible assets, equal to 56 million Euro, slightly increasing due to the recent acquisitions of Sycomore, Lumyna and Adriatic Slovenica and the Other net non-operating items. In the latter, there are other non-recurrent items such as expenses linked to the disposal of Generali Leben in Germany, local IT investments and the cost related to the application of IAS 29 hyperinflationary accounting to our Argentinian businesses which was not triggered in 1H2018. Let me remind you that the comparative 1H2018 amount included a realised gain from the disposal of our Panama operations.

The overall effective tax rate of the Group was 31.5 percent, slightly below the previous year on the back of higher deductible costs in China.

In the discontinued operations line, we have a 475 million profit, which includes a 352 million Euro gain from the sale of Generali Leben in Germany and a 128 million gain on the disposal of our operations in Belgium.

Minority interests increased by 27 million Euro, thanks to the good performances of Banca Generali and of our Asian operations.
This takes us to a net result for the first half of 2019 of 1 billion 789 million Euro, up 34.6 percent year on year.

P.28 Shareholders' equity up thanks to net result and market developments

Let us now turn the attention to the balance sheet. Shareholders' equity increased compared to year end 2018 by 14.7 percent, to 27.1 billion Euro. Main positive drivers have been the mark to market of fixed income investments and the contribution from the net result. On the negative side, we have the 1.4 billion Euro dividend paid in May and 423 million Euro of "Other", mainly represented by a negative effect on defined benefit plans in Germany, linked to reduced interest rates used to discount these liabilities.

P. 29 Solid solvency ratio thanks to strong normalised capital generation

Our regulatory solvency position was confirmed as very robust, reaching 209 percent at the end of June 2019, 2 percentage points up compared to the closing at the end of March, and 8 points down compared to the year-end 2018.

Let me now explain the movement of our solvency ratio during 2019.
I remind you that the implementation of regulatory changes, namely the EIOPA changes on the Ultimate Forward Rate and reference portfolio, as well as the treatment of the IORP business in France accounted for 7 negative percentage points and together with some opening adjustments, had a total 8 percentage points negative impact from year end 2018. Both own funds and solvency capital requirements were impacted.

Normalized capital generation was once again strong at 1.8 billion Euros. This was mainly supported by our Life business and the profitable new business written during the first half of 2019, adding 9 points to the regulatory ratio.

We also had a relative large impact from negative variances, totalling 0.9 billion Euros, affecting both Own Funds and SCR. Economic variances were the main cause, largely driven by the major drop in reference rates.

M&A activity had an overall 3 percentage points positive impact. This is the result of the positive effect from the disposals of our activities in Belgium, Guernsey and of Generali Leben and of the negative impact of our acquisitions in CEE and of multi-boutiques.

The redemption of 250 million Euro of subordinated bonds had a 1 percentage point negative impact on our solvency.

Lastly, we deduct the foreseeable accrued dividend, worth 4 percentage points of solvency.

P.30 Final remarks

In conclusion, we have had a good start to our Generali 2021 strategy, with the group delivering profitable growth at excellent technical margins. Our balance sheet has proven its resilience despite the challenge coming from the lower rates environment. Our focus on managing the life business though liabilities, shifting towards more profitable and less capital-intensive business, is demonstrated by these numbers and will accelerate going forward. And on P&C and asset management we will continue to pursue our actions in line with the strategy.

With this in mind, I am confident that we will deliver on our commitments within the Generali 2021 strategic plan.

Thank you for your attention.

THE GENERALI GROUP

Generali is an independent Italian insurance group, with a strong international presence. Established in 1831, it is one of the largest global insurance providers, present in 50 countries and with 2018 total premium income of more than € 66 billion. With nearly 71,000 employees serving 61 million customers, the Group has a leading position in Western Europe and an increasingly significant presence in the markets of Central and Eastern Europe as well as in Asia.