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Consolidated results as of 30 June 2015

Video presentation transcript MARIO GRECO, Group CEO

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Key messages

Good morning everyone and welcome to Generali's first half results for 2015. I am pleased to report that we have had an excellent start to 2015, with double digit increases in both our operating result and net profit. This is a record half for Generali and reflects strong performances across our group. If you look back to 2011, we've grown net profit by 13% per annum over the period. More recently, the work of resolving the issues around so called strategic investments over the past two years means we are able to report a closing of the gap between operating result and net result. As a key pillar of the new strategy we announced in May was increasing cash generation these results are a right step in that direction.

The 21% increase in net profit and 11% increase in operating result in the first half has been achieved in the face of very strong headwinds. Growth in our core European markets is low, interest rates remain rock-bottom and regulatory pressures are challenging the way we run our business and the products and services we offer for our customers. Despite this, our business is performing well. We have a strong foundation to build on: excellent and varied distribution networks, a wide product mix and when it comes to the highly competitive P&C market, superior capabilities reflected in market leading combined operating ratios. Most of all we have a hunger to reach our goals and become the retail leader in Europe.

Key Messages (2)

As I said in May we have rebuilt the Group's capital position to a comfortable level where we can run the business in an unconstrained way. We did this organically, through non-core asset disposals and organic cash generation. On a Solvency 1 basis we are well placed.

Now in a Solvency 2 world we are equally in a solid position. Our internal model economic solvency ratio stood at 200% as at 30 June which is 14 points above the position at year end 2014. We are well in line with our peers but what is important to us is that we run our business for cash and dividends - we will not be entering into a race to the top. The Solvency 2 application process is continuing and we expect to obtain the approval from our regulators for our partial internal model effective from 1 January 2016.

Country highlights (Italy and Germany)

Looking at our main markets we have seen good improvements in many of our key financial indicators. On this slide you can see further details of the performance in Italy and Germany, our two biggest markets.

In Italy, our P&C segment continues to achieve excellent underwriting results. The combined ratio remains well below 90%, despite an increase of 1.6% points of natural catastrophes in the first semester. The non-motor line performed very well driven in particular by our SME business, reflecting the success of our re-pricing and pruning activities. In motor, we continue to be selective and we will give up volume for a better margin if necessary. Net inflows grew appreciably in Life insurance to 3.9 billion euros, led by unit linked products which almost quadrupled. This is consistent with our strategy to move away from traditional, guarantee-based business. Banca Generali, continues to go from strength to strength and it provides an increasingly meaningful contribution to our operating profit aided by a 37% increase in the bank's operating profit we've seen over the period. This has helped drive the value of our stake to €1.8bn, the vast majority of which I remind you is not on our balance sheet.

In Germany, despite the challenging economic environment of low interest rates, our life segment has delivered a resilient performance. The output is a 21% increase in the operating result to 200 million euros. Our P&C business continues to do well and we've



taken 1.2% off the combined ratio to bring it down to 92.5%. This is notwithstanding the heavier cost of natural catastrophes in the past six months.

Beyond the financial results is the speed and efficiency with which Giovanni Liverani and his team are progressing with the roll-out of the new strategic positioning. The discipline and focus we employed with our turnaround at group level and also the approach we took in Italy for simplifying our operations and structure are being well deployed here. The new management team is already in place and adapting the business for the new normal is underway. Our aim is to produce a new business model in Life insurance that will ensure long-term profitability and a stronger focus on distribution strengths through customer-centered operating units. Moreover, it will also include a more lean and modern operating platform. All these measures aim to successfully reposition Generali Deutschland and enable it to face the challenges ahead. A restructuring charge of 100 million euros associated with this work has already been booked in the second quarter.

Country Highlights (France and CEE)

In France the results have been very good, too. In the P&C segment in particular we see an improvement of the overall combined ratio to 99.2%. A meaningful contribution to this impressive performance has clearly been the absence of storms, heavy rain and hail in the first half. But we have also seen an improvement of more than 2 percentage points in the underlying combined ratio, which therefore starts to evidence the success of the turnaround actions which Eric Lombard and his team have taken over the last two years. Consequently, we are confident of delivering a sub-100% COR in 2016, even without counting on an absence of natural catastrophes, as we saw in this semester.

Our Life business in France remains dynamic with a more efficient mix of sales. It is very pleasing to see the significant increase in unit linked products. In addition, we have started to distribute new pension products with more favourable economics this month. Further initiatives to drive profitability in our life products will be released in the coming months. Overall life net inflows for the first half are 700 million euros, which is a remarkable improvement in contrasting to this time last year. Again, this is fuelled by unit linked flows, which more than doubled from last year, and accounted for 80% of the net total.

Finally, turning to our business in Central-Eastern Europe our results are just as promising: in our P&C segment we have seen another excellent performance. We have a P&C business which is well-run and profitable in markets which have greater growth potential than in the other more mature markets of Europe. I continue to be excited by our business here.

Overall, these are very promising results for the start of the next phase of our transformation. The main engines of Generali's core business in Europe are all running smoothly and we are travelling in the right direction.

Recap of our strategy

Let me finish with giving a recap of where Generali will be heading in the coming years. After accomplishing a deep financial turnaround of our group we have shifted our focus outwards and set clear, yet ambitious goals.

We want to become Europe's number one retail insurer. This is defined by becoming the first insurer that pops into a customer's mind in terms of service and products, not by our size. Generali's DNA is one of a European retail insurer and we want to build on this strength. One of the ways we'll achieve this is by enhancing our already powerful distribution capabilities and equipping them for the future. For example, by providing our agents with more efficient digital tools. It also includes better customer insights and transforming that into a brand that comes top of mind in terms of service. Put simply, we want to become more and more important to the customer and the best at serving them.

Secondly, we need to become a fast, lean and agile company, with a focus on generating cash. We've put in place a strong and effective governance and organisation which allows us to become more efficient in executing on our ongoing business transformation. Going forward we will continue to be rigorous in seeking out and taking advantage of Group synergies and economies of scale. The goal is to be lean and also agile with cutting edge technical capabilities.



Thirdly, we want to become simpler and smarter. By using data analytics we want our insurance solutions to be more relevant and appealing to our customers. Generali will be known for offering innovative, efficient and customer-friendly solutions, seeking to cut out the complexity and replacing it with ease and convenience.

And in order to make insurance solutions more smart and simple we will significantly leverage on technology and partnerships. We are very much aware of the importance of technology in our sector, like many others. In order to become a successful retail organisation we will need to leverage on that. We want to further develop simple and smart “connected insurance” such as Telematics, behaviour-based health solutions and domotics.

In addition, we'll leverage on partnerships with innovative providers. Some of this we'll also bring in-house such as our recent acquisition of MyDrive Solutions, which will become a UK-based hub for the whole Group in the field of data analytics aimed at offering tailor-made solutions for our customers.

Clear financial goals

Generali has clear financial goals. As I mentioned before, cash generation is our main focus. We seek to generate cumulative net free cash flow of more than 7 billion euros by 2018. Just to compare, last year our net free cash flow was 1.2 billion euros. This shows how seriously we are about generating cash for the next three years. We are also committing ourselves to pay more than 5 billion euros in dividends through 2018. Remunerating our shareholders and providing an attractive yield are priorities.

In addition to all this, we are committing ourselves to cutting costs at a pace of 250 million euros per year, and to reinvest a big part of the savings into innovations and business development. We remain committed to keeping our nominal cost base flat at the 2012 level of 6.3 billion euros. At less than 3.2 billion euros, our costs in the first half show us to be exactly in line with that. And finally, but no less importantly, we remain committed to generating a compelling operating return on common shareholders' equity in excess of 13% over the cycle. This is a highly attractive return in a world where yields on major European government bonds remain below 1%.

We have a very clear vision of how our Group should look by 2018. In order to realise these goals, we will continue to remain as focused and determined as we have been over the past three years. This will be a challenge. We do not plan for support from the market, and we expect resistance from our competitors. But these results provide evidence that we are headed on the right path and focused on delivery.

Thank you for listening.



Video presentation transcript

ALBERTO MINALI, Group CFO

Good morning, this is Alberto Minali, CFO of Generali. I am pleased to report to you this morning an encouraging set of first half 2015 results.

Key 1H 2015 financials at a glance

Let me start with a brief overview, while noting that, as before, prior year's figures have been restated throughout the whole presentation to reflect the current geographical perimeter of the Group.

The total operating result of the period reached almost 2.8 billion euro thanks to positive performances of all business segments.

The net result of the period is up 21.6 percent to 1.3 billion euro. It is fair to say that last year's result had been affected by the 190 million impairment of Ingosstrakh. This year's results have been nevertheless influenced by higher restructuring charges.

The Operating RoE has improved by 110 basis points, from 7.2 percent to 8.3 percent, year on year, on a basis which is not annualised.

Shareholders' equity remained substantially flat from year end 2014, decreasing in the second quarter of the year due to rising interest rates.

Our strong pro-forma internal model economic capital ratio further improved by 14 percentage points from the end of 2014, reaching the 200% threshold.

Operating result by segment

Overall operating result increased by 11.3 percent. Looking at the segments in more detail:

The Life operating result posted a strong 13.2 percent increase to 1.7 billion euro;

Property & Casualty showed a 2.3 percent increase, reversing the negative performance of the first quarter;

The segment Holding & Other Businesses increased 7.9 percent to 71 million euro profits, driven again by a very strong result of Banca Generali.

From operating result to net profit

Let's then see the journey from operating result to the bottom line:

Non-operating investment income reached 351 million euro, thanks to higher net realised gains and lower impairments, again reflecting the impairment of Ingosstrakh last year.

Non-operating holding expenses decreased by 10.3 percent to 367 million euro, thanks to 41 million lower interest costs.

Other non-operating expenses increased by 298 million euro versus the same period last year. Let me explain this movement, which is mainly one off. Firstly, we have 134 million higher restructuring costs. This item is exceptionally high in the second quarter, mainly due to the specific issue of Germany, where the restructuring program is moving ahead, and in fact we have booked the full restructuring charges there much earlier than originally expected. In addition, in Germany and in Italy, we have strengthened some other provisions against specific items, explaining the remaining delta. These will also not be recurring.

Therefore, I would expect the Other non-operating expenses to be very much lower in the second half of the year, compared to the exceptionally high level seen in the first half.

Despite this, net of taxes at a similar rate to last year, the overall net result increased by 21.6 percent.

Shareholders' equity

Let us now turn to look at the balance sheet. Shareholders' equity remained broadly stable at the year end level.

The 1.3 billion euro positive contribution of net profits has been almost entirely counterbalanced by the negative evolution of available for sale assets and, in particular, of bond investments in the second quarter.

The dividend payment in May has reduced shareholders' equity for further 934 million euro, while other items were 932 million positive mainly as a positive effect on pension liabilities deriving from increased interest rates and of positive currency movements, in particular due to the appreciation of the Swiss Franc towards the Euro.



Solvency I

Our Solvency I ratio remained overall stable at 156%, or 164% pro-forma for the sale of BSI. On the positive side, the net result contributed for 8 percentage points.

On the negative one, we had an increase of our required margin, driven by the underlying growth of our life business and by exchange rate effects, with 6 percentage points negative impact on the ratio. Financial markets and other had an additional 1 percentage points negative impact, with negative effects from higher interest rates offsetting the associated positive impact in our available capital from the afore mentioned reduced pension liabilities and foreign exchange movement.

Economic solvency

The pro-forma view of economic solvency, using our new internal model, further increased in the first half, to 200% from 186% at year end 2014. In addition to the organic creation of capital, financial market effects – and especially the improved level of reference rates – contributed to both an increase in own funds, and a reduction in the SCR.

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

Life key financial indicators

Overall life premiums increased strongly by 10.6 percent to 26.9 billion euro, driven by a positive trend of all business lines. Worth mentioning is the continuing growth of unit linked production that posted a 25.7 percent increase, with a particularly strong contribution of Italy and France.

Life net inflows also continued their strongly positive trend growing 38.5 percent year on year and reaching 8.2 billion euro.

The life operating result went up 13.2 percent.

New business value was down 29.2 percent at 474 million euro, due to a 8.5 percentage points margin contraction. This is the consequence of the rather extreme economic scenario at the end of March, as I will explain to you in a moment.

Life Operating result by driver

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

The Technical Margin posted a robust 6.1 percent increase thanks to higher risk results in Germany and increased unit linked fees in Italy and France.

The Investment result increased by 284 million euro, partially due to the growth of the invested asset base, but also thanks to higher net realised gains. I would add that part of these profits have been used to increase our policyholders reserves, such as the strengthening of the PPE in France by 170 million euro or the ZZR in Germany by 58 million euro, net of policyholders' participation.

Expenses increased by 11% mainly due to increased acquisition costs, as a consequence of the growth in volumes, but the overall life expense ratio declined 0.2 percentage points to 9.4 percent.

Life inflows and technical reserves

Life net inflows started with a very positive trend, reaching 8.2 billion euro in the first half of the year. Our continuing focus on increasing the share of more capital efficient products enabled us to have once again the majority coming from unit linked business, which accounted for 52 percent of total net inflows.

Looking on a country basis:

In Italy, we have a particularly strong increase of net inflows at 3.9 billion euro, up 78% year on year. The growth has once again been driven by unit linked business thanks to the success of our hybrid products.

In France we see an acceleration of the recovery trend started in the second half of 2014, with 721 million positive net inflows, driven by strong unit linked premiums, up 46 percent, and reduced surrenders.

Also in Germany, after the planned reduction of single premium savings business in 2014, net inflows continue their recovery showing a 23 percent increase, driven by the unit linked



component.

Lastly, the decrease in EMEA is mainly explained by a contraction in the sale of wealth protection products in Europe through our platform in Ireland, and by increased maturities in Austria.

These strong net inflows contributed to an overall 5.2 percent increase of life technical reserves over the first six months, to 365 billion euro. It is worth highlighting the particular positive development of Unit Linked reserves, up 13.4 percent, to 76.5 billion euro.

Life investment performance

Life general account investments remained overall flat at 322 billion euro, compared to the end of 2014.

Total Life current returns are down 10 basis points to 170 basis points for the first half. As always, this is not an annualised figure. In absolute terms, current income increased 2.6 percent, reaching 5.5 billion euro.

Fixed income current returns in particular had the same development as total life ones. Also here, current income increased by 233 million euro, or 5 percent.

In the first half of the year, we invested pre-existing cash, net inflows, bond redemptions and coupons, at an average yield of 2.4 percent in the life segment, mainly in financial and non-financial corporate bonds and government bonds.

Life new business analysis

Turning to new business, APE is up 5.4 percent, like for like, to 2.7 billion euro, driven by strong performances of unit linked and protection, up 35 and 21 percent respectively, while savings business posted an almost 8 percent decline. Unit Linked production weighted for 26.7 percent on APE, versus 20.7 percent in the first half of 2014. Protection business increased its share to 16.6 percent, from 14.1 percent year on year. As you can see, the relentless effort to redirect our production towards more capital efficient products, is continuing.

Looking at our main countries:

In Italy APEs decreased by 1.6 percent due to a positive group business one off during the first half of last year. Net of this one off, APEs would have increased by 13.9%. In terms of business mix, we see a continuing strong performance of Unit Linked production, whose weight on APE strongly increased from 8.7 percent to 22 percent, thanks again to the continuing success of hybrid products. At the same time guaranteed savings business declined by 16.3 percent.

We saw a strong development in France where APEs increased 27 percent. The biggest contributions came from Unit Linked, up 54 percent and protection business, up 46 percent. Germany grew by 5.1 percent, driven by a 38 percent increase of Unit Linked production. Traditional savings business decreased, on the other hand, by 8 percent, in line with our strategic decision to continuously decrease the weight of pure guaranteed savings products. The new business margin experienced a sharp decrease, down 8.5 percentage points, to 17.5 percent. The positive impact on the margin of the change in business mix, as well as reduced minimum guarantees, was much more than offset by a worsened financial scenario. I remind you that the new business value of the second quarter of the year is calculated using financial assumptions as at the end of March, which were characterised by reference rates at the lowest level ever, and by very high volatilities. At the end of June these assumptions have improved substantially, and it is these assumptions which will be relevant for the NBV calculation in the third quarter. All other things being equal, you should therefore expect to see a significant recovery when we report our nine month results.

As a consequence of this profitability contraction, the new business value decreased by 29 percent, like for like, to 474 million euro.

Now let's turn to look at P&C.

P&C key financial indicators

Gross written premiums are overall stable, on a like for like basis, at 11.3 billion euro.

Looking at business lines: Primary Motor posted a 1.7 percent decline, mainly driven by Italy and France, as I will explain later, but with an improving trend in the second quarter of the year. Primary non motor increased by 0.9 percent.

The combined ratio improved by 0.2 percentage points, notwithstanding a slightly increased



nat. cat burden.

The operating result improved by 2.3 percent.

P&C Operating result by driver

Looking at the components of this operating profit increase, we can see a technical result at 644 million euro, down 0.7 percent, a positive development of the investment result, as a result of a slightly decreasing current income, more than compensated by reduced interest expenses on operational debt and investment related expenses, and an improving residual other items line that increased by 7 million euro.

P&C gross written premiums trends

Let's look now at gross written premium developments within our core countries.

Italy is down 3.5 percent, at 2.9 billion euro, still driven by the highly competitive environment of motor. Primary motor decreased by 9 percent, consistent with the trend observed in the first quarter, mainly due to reduced average premiums. Primary Non Motor is slightly positive, with a slightly declining health business compensated by growing personal lines.

France declined by 2.5 percent to 1 billion 380 million euro due to the competitive market environment and the continuation of strict underwriting guidelines and pruning activities. Primary motor continued its negative trend with a 5.5 percent decrease driven by an ongoing pruning of unprofitable fleet and garage related contracts and by a still soft retail market, but with continuing positive signs in terms of number of contracts in the retail segment. Non motor is down 1.5 percent, mainly due to contract cancellations in the commercial construction and general liability businesses. It is worth pointing out that the rate of decline of both lines has moderated since the first quarter, which is an encouraging sign for the future.

In Germany premiums went up 0.6 percent. The reason for this slow growth rate is that the motor business, up 0.7 percent, is also this year affected by the ongoing shift from the main renewal date from January to other months of the year, that in June affects policies with semi-annual payments. As in 2014, we expect that this effect will be levelled during the rest of the year, benefitting also from relatively good market conditions with average portfolio premiums still rising. Non motor went up 0.6 percent.

Combined ratio analysis

Moving to the profitability analysis, the combined ratio improved by 0.2 percentage points year on year to 92.6 percent, in presence of 0.1 percentage points higher nat cats. The Main nat cat events were Storm Mike/Niklas, affecting mainly Germany, and also winter storm Anton, which caused losses in Italy.

Looking at the single drivers, the loss ratio improved by 0.7 percentage points, thanks to an improving current year result, down 0.3 percentage points, and higher prior years releases. The expense ratio increased by 0.5 percentage points, mainly driven by higher acquisition costs.

Combined ratio by country

Looking at the combined ratio in our main countries:

In Italy our combined ratio deteriorated slightly, but still at an excellent 88.7 percent, and should be seen in the light of nat cat losses that were worse by 1.6 percentage points.

In France the combined ratio improved significantly, by 5.9 percentage points to 99.2 percent, thanks to a 6.4 percentage points lower loss ratio, helped by the absence of nat cats that last year weighed for 3.6 percentage points, as well as by better current year results, reflecting the first signs of success of our turnaround efforts.

In Germany the combined ratio decreased by 1.2 percentage points, despite 0.7 percentage points higher nat cats.

CEE confirms its outstanding profitability levels with a 85.4 percent combined ratio.

P&C investment performance

Overall P&C investments remained stable at 39 billion euro, with respect to year end 2014.

In terms of investment returns, total P&C not annualized current returns declined by 10 basis points to 170 basis points.

Also fixed income current returns decreased by 10 basis points, partially compensated by



increased current returns on real estate and equity investments.
The average reinvestment rate in P&C during the first half of the year has been 2.1 percent.

Focus on Holding & other business segment

Let me finally turn to our "Holding & other businesses segment", whose overall contribution to the group operating result increased from 66 million Euro, to 71 million Euro.

This improvement has been entirely driven by the positive contribution of Financial businesses that posted a 45 million euro improvement, and in particular of Banca Generali, which yet again posted an excellent performance.

Operating holding expenses increased from 197 million euro to 251 million euro year on year. This is reflecting the reinforcement of the Group Head Office structures started in 2013 and further developed in 2014, including the transition to the new Solvency II regime, as well as the development of Regional Offices aimed at leading, coordinating and controlling the key business areas for growth prospects, as in the case of Asia.

Other businesses have increased their positive contribution from 62 to 77 million euro.

Final remarks

Overall, we are very pleased with the progress made in the first semester of the year, in challenging market conditions. We have seen profitability improvements across the business lines, backed up by strong volumes and improving mix in the Life segment, and our underwriting focus leading to the best ever combined ratio for a semester in P&C. We are well placed for the transition to Solvency II, with a pro-forma internal model economic capital ratio which has further strengthened to 200%. Overall, as Mario has said, this is an excellent foundation from which to execute our new strategy.

Thank you for your attention.

THE GENERALI GROUP

The Generali Group is one of the largest global insurance providers with 2014 total premium income of more than € 70 billion. With 78,000 employees worldwide serving 72 million insured persons in more than 60 countries, the Group occupies a leadership position on West European markets and an increasingly important place on markets in Central Eastern Europe and Asia.