Consolidated results as of 31 December 2020 – Slide commentary

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STRATEGY OVERVIEW

Slide 4 – Key messages

In the face of the greatest crisis in the post-war era caused by Covid-19, Generali achieved a record operating result for the second year in a row and a record capital generation, underscoring the resilience of our business model.

Our capital position remained excellent with a Solvency II Ratio at 224%, stable year on year, the strongest in our peer group.

Maintaining our commitment to our dividend plan for 2019-2021, we are pleased to propose to shareholders a 1.47 Euro dividend per share, split into two tranches of € 1.01 and € 0.46, respectively.

We are fully on track to deliver the Generali 2021 targets by year-end. We have put a new organizational structure in place to ensure the successful delivery of the plan, to prepare for the next strategic cycle and accelerate further the decision making process. We entered the final year of our plan with confidence and strength.

Slide 5 - 2020: Resilient business model validated by unprecedented scenario

A few key performance indicators demonstrate how Generali has and will continue to navigate the Covid-19 pandemic from a position of strength.

Our operating result reached a record 5.2 billion Euro (+0.3%), also thanks to the contribution of P&C and Asset Management. The related impact of Covid-19 was limited, estimated at -123 million Euro.

An excellent capital position, evidenced by our Solvency Ratio at 224% stable vs. year-end 2019, benefitting from record capital generation at 4 billion Euro in 2020.

Our adjusted net result stood at nearly 2.1 billion Euro, down by 12.7% from year-end 2019, excluding the expenses of the Extraordinary International Fund for Covid-19 and the liability management transaction.

Continued Technical Excellence, thanks to our best-in-class Combined Ratio of 89.1% and an excellent New Business Margin of 3.94%.

Slide 6 - Confirming our commitment to attractive dividends

We will propose to our shareholders a 1.47 Euro dividend per share, split into two tranches of € 1.01 and € 0.46, respectively. The first tranche, payable as from 26th May 2021, represents the ordinary pay-out from 2020 earnings; the second tranche, related to the second part of the 2019 retained dividend, will be payable as from 20th October 2021. This second tranche will be payable subject to the verification by the Board of Directors of the absence of impeding supervisory provisions or recommendations in force at that time. The proposal is subject to Shareholders' approval at our Annual General Meeting on April 29, 2021.

Our dividend pay-out is clear evidence of Generali's capital flexibility and ability to generate cash, and positions us in line with our Generali 2021 target of cumulative dividends of between 4.5 and 5 billion Euro over the course of the plan.

Slide 7 - Generali 2021: significant results already achieved for each pillar of the strategy

We continued to build on our three strategic pillars that serve as the foundation of Generali 2021, as well as on its three enablers of People, Brand and Sustainability.

Regarding the first pillar, Profitable Growth, we reinforced our leadership in Europe by purchasing AXA's Greek operations and completing the integration of Seguradoras Unidas and AdvanceCare in Portugal. We also are progressing in our strategic partnership with Cattolica, growing our integration in four areas of business: Asset Management, Internet of Things, Health and Reinsurance.

Secondly, in 2020 we continued to be successful in cash management and financial optimization. Overall capital generation stood at a record high of 4 billion Euro. Remittance to Holding reached a record of 4 billion Euro thanks to our ability to manage cash and capital effectively throughout the Group. We also surpassed our debt optimization targets with overall deleveraging of 1.9 billion Euro and reduction of gross interest expense by 200 million Euro expected in 2021 compared to the 2017 baseline.

In the third pillar, we moved forward with our innovation and digital transformation plans. Among the most significant achievements of the year, we signed a Joint Venture with Accenture to launch our new Group Operations Service Platform (GOSP), to accelerate digital transformation through cloud technologies and shared digital platforms.

We also posted the highest yearly increase among our peers in terms of Relationship Net Promoter Score: +6 points, for a total of 9 points progress since Q1 2019. This underlines our on-going commitment to customers throughout the pandemic and especially in its most critical phases and supports our ambition of Life-time Partner of our customers.

Slide 8 - Generali 2021 execution: on track

We are proudly on track to meet nearly all of our industrial KPIs as part of Generali 2021.

We are on-track for profitable growth targets across both our core European and high potential insurance markets as well as in asset management. Our serviced-based revenues have been impacted by Covid-19 with respect to travel assistance, however the outperformance of Jeniot is almost fully compensating it.

In debt management, we have already met or even surpassed the goal in terms of debt

reduction and gross interest expense reduction.
The target of 200 million Euro in expense reduction has been reached ahead of plan, thanks to disciplined execution of savings and transformation initiatives. At our Investor Day 2020, we committed to delivering additional 100 million Euro in savings, for a total expense reduction throughout the plan of 300 million Euro.
Looking at sustainability, between 2018 and 2020 we made 6 billion Euro of new green and sustainable investments, thus exceeding the original strategic target of 4.5 billion Euro by 2021 a year in advance.
Lastly, we also over-achieved on our target in terms of reskilled employees. While we were aiming to have 50% of our workforce reskilled by the end of 2021, at year-end 2020 we reached 52%. This testifies a strong commitment to investing in our people to ensure the success of our Group in the years to come.

Slide 9 - Full commitment to Generali 2021 financial targets

We have built a solid track-record of delivery and effective execution. We are on track to meet our financial targets for the Generali 2021 plan.
In terms of Earnings per Share, we confirm the objective of a 2018-2021 compound annual growth between 6% and 8%.
We also confirm the 2019-2021 cumulative dividend payment of 4.5-5 billion Euro, subject to the recommendations of regulatory authorities.
Lastly, our average return on equity will be greater than 11.5% for this year as it was for 2019. In 2020, we did not hit the target due to the Covid-19 pandemic and the impact of certain one-offs.

Slide 10 - New organizational structure: boosting successful completion of Generali 2021 while preparing for next strategic cycle

With the view of ensuring successful delivery of Generali 2021 and preparing for the next strategic cycle, we have made some adjustments within our organization.
We have created two new positions: Group Chief Investments & Insurance Officer, integrating the insurance and asset management domains, and Group Chief Transformation Officer to oversee the Group's digital transformation. We also shifted the leadership focus within our Asset and Wealth Management Business Unit.
In particular, the creation of the Insurance & Investment Unit puts Generali at the forefront of the industry, establishing an integrated management of underwriting and investment capabilities.
Other positions such as Group CFO and Group Head of Mergers & Acquisitions will now report directly to the Group CEO, in an effort to shorten the decision chain and to accelerate execution.

Slide 11 - Sustainability integration brings tangible progress in all areas

In 2020, we made further progress in integrating sustainability at the core of everything we do and in all areas of our business.

Looking at the sustainability targets of the plan, I have already mentioned the over-achievement of our new green and sustainable investments target by 2021 a year in advance. We also collected over 16.9 billion Euro in gross written premiums from social and environmental products, an increase of 11.2% compared to 2019.

Actions such as the launch of Enterprize to award SMEs that have made sustainability part of their business model, or the rapid expansion of our global sustainable and social project The Human Safety Net, currently active in 22 countries, underline our commitment to building a more sustainable future for the communities in which we are present.

We also continued our on-going efforts in diversity and inclusion among our colleagues, as we strongly believe that a more diverse group of people is a more resilient group of people.

Slide 12 - Fenice 190: supporting the relaunch of the European economy, with sustainability at the core

Fenice 190 is our flagship investment program to celebrate Generali's 190th anniversary. Our plan is to invest a total of 3.5 billion Euro over the course of five years in sustainable projects to help relaunch the European economy after the pandemic. We will do this through a number of international investment funds focusing on infrastructure, innovation and digitalization, SMEs, green housing, health care facilities and education. We already deployed one billion Euro in 2020.

The program itself is clear evidence of Generali's commitment to being a corporate citizen. We are not only an insurance and asset management group but also a social innovator. It has been in our DNA over the past 190 years and will continue to be for the next 190 years to come.

GROUP FINANCIALS

Slide 14 - 2020 results at a glance

Overall the Group's top line recorded growth of 0.5 percent, year on year on a like-for-like basis notwithstanding the challenging environment. In Life, premiums were up 0.8 percent, with good momentum in the fourth quarter, up 1.8 percent. Life net inflows remained very strong at 12.1 billion Euro. The 10.5 percent decrease in Life net inflows compared to 2019, was entirely driven by Group' strategic mix repositioning in Savings. The P&C top-line was essentially flat on a like-for-like basis and up 0.3 percent in the fourth quarter.

The continued focus on technical results was demonstrated by an excellent combined ratio at 89.1 percent, that benefitted from strong improvement of underlying accident year profitability as well as the lockdown, and by a resilient Life new business margin, notwithstanding less favorable financial market assumptions.

The operating result marked a new record, even in such an unprecedented environment, at just over 5.2 billion Euro, benefitting from the Group's business diversification and resilience.

The net result was affected by several one-offs including the expenses for the Extraordinary Covid-19 Fund and other pandemic-related initiatives showing Generali's commitment to sustain its communities, customers, agents and employees, the cost resulting from the agreement reached with BTG Pactual ending the arbitration for the sale of BSI, the expense for the Liability Management transaction and asset impairments, which largely impacted 1H 2020. The net result therefore reached 1,744 million Euro, down 34.7 percent year on year. Please note that 2019 reflected one-off, positive gains of 479 million Euro related to the disposals of Generali Belgium and Generali Leben.

The adjusted net result, net of gains and losses on disposals, stood at 1,926 million Euro, down 12.1 percent from the previous year. Excluding the expenses for the Extraordinary Covid-19 Fund (77 million Euro net of taxes) and the impact of our Liability Management transaction of July 2020 (73 million Euro net of taxes), the adjusted net profit was 2,076 million Euro, down 12.7 percent from FY 2019.

Despite the unprecedented pandemic scenario and related market volatility, the Group Solvency Ratio remained at an excellent level of 224 percent, flat versus end 2019. This resilience has been mainly driven by a record high operating capital generation and to a lesser extent by the extension of the internal model to include operational risk

As additional information, at February 26th, the Group Solvency position was estimated at around 228 percent after dividend accrual.

As said earlier, we will propose to our shareholders a 1.47 Euro dividend per share in two tranches, subject to Shareholders' approval at our Annual General Meeting on April 29, 2021.

Slide 15 - Estimated Covid-19 impact on results

The estimated Covid-19 impact on the 2020 operating result was -123 million Euro. The Life segment was the most impacted, with an estimated 307 million Euro pandemic-related negative impact. This arose largely from a lower investment result caused by financial markets and to a lesser extent from higher health claims linked to the pandemic in France. Conversely in P&C, both reduced claims frequency during lockdown and Covid-19 related charges and lower income, resulted in an estimated overall 120 million Euro benefit.

The non-operating result has been affected by Covid-19 related costs, including the creation of Generali's 100 million Euro Extraordinary Covid-19 Fund and 68 million Euro of further local initiatives aiming at supporting our clients, distributors and communities. Finally, the compulsory contribution to the public health system requested from health insurers in France amounted to 64 million Euro.

Slide 16 - Operating Result resiliency thanks to mix and diversification

The Operating Result reached a new record at just over 5.2 billion Euro, thanks to our business mix and diversification. We saw strong performances across most business lines, with increases in P&C (19.4 percent), Asset Management (28.5 percent) and Holding and Other businesses, more than offsetting a 16.1 percent decline in Life, which was affected by weak financial markets and accelerated strengthening of the guarantee reserve in our Swiss Unit Linked business.

Slide 17 - Life volumes and earnings

The development in Life premiums produced a 0.8 percent growth overall. Without the group contract in Italy associated to the pension mandate by Cometa, the development would have been 2.4 percent negative. This is a satisfactory result in a pandemic environment characterized by several months of lock-down and evidence of the professionalism and effectiveness of Generali's proprietary distribution networks.

In terms of business mix, Protection grew 1.6 percent, reflecting widespread growth in the main countries where the Group operates. Savings decreased by 10.6 percent, with a constant focus on capital light products. Unit Linked increased by 21.7 percent, also thanks to the contribution of Cometa, without which it would have grown by 7.1 percent.

Slide 18 - Strong technical margin in challenging times

The life operating result posted a 16.1 percent decrease to 2.6 billion Euro. It was affected by the volatile financial environment and particularly by the accelerated strengthening of the guarantee reserve in Switzerland linked to a Unit-Linked run-off book.

The 56 million Euro increase of the technical margin is mostly explained by the shift in our mix towards Protection and Unit Linked business.

Expenses remained almost flat, with higher acquisitions costs in Germany compensated by lower administrative costs across the Group.

With a decline of 553 million Euro, investments were the factor depressing the life operating result. The contraction was largely driven by the negative impact from financial markets also linked to the Covid-19 outbreak. In particular:

- lower current income;
- higher impairments;
- accelerated strengthening of guarantee reserve in Switzerland. To reflect even lower long term interest rates expectations and equity markets volatility in 1H 2020, more prudent assumptions were used to calculate the cumulative contribution. Additionally, following the agreement with the local regulator, an accelerated reserving pattern was adopted. This translated into a contribution to the guarantee reserve under Group IFRS accounting of around 0.6 billion Swiss Francs in 2020. As a reminder, at our Investor Day in November we indicated an expected contribution to the guarantee reserve of around 0.3 billion Swiss Francs in Group IFRS accounts for 2021. Please consider that local GAAP follow a different path from IFRS because there is a different revenue recognition eligibility for reserving at local level and there is also an implied prudency well above IFRS technical standards.

Slide 19 - Steering mix to our preferred lines of business

Life net inflows stood at 12.1 billion Euro, down 10.5% year on year, with a very strong outcome in terms of business mix as 93% of net inflows were concentrated in Protection and Unit Linked business.

An important contribution to net inflows came from the aforementioned Unit Linked group contract with Cometa worth 1.5 billion Euro in Italy. Without this, Group net inflows would have decreased by 21.5 percent. This would still have remained at a solid 10.6 billion Euro and evidencing the effectiveness of Generali's largely proprietary distribution networks, even in this challenging environment.

As mentioned, the quality of our business mix was very good, as the decline has been entirely concentrated in the Savings business. Unit Linked showed a 53.3 percent increase (20.8 percent if stripping out the Italian group contract). The dominant contribution of Unit Linked and Protection differentiates our current performance from previous macro slowdowns and financial turmoil. It is evidence of our strong focus and progress on steering the business mix towards the preferred lines.

New business is made up of more than 90 percent of capital light premiums, with the remaining traditional business having very low guarantees. As further evidence of the Group's strict underwriting criteria, over 80 percent of new business premiums can be defined as ultra-light. This means business without guarantees or negative guarantees, being Protection with zero guarantee and Savings / Unit Linked products with zero guarantees at maturity. It also includes our focus for new production in Italy on whole life products with death guarantee only.

In Italy, net inflows increased from 6.1 to 6.8 billion Euro. Without the Cometa group contract, net inflows would have decreased by 11.9 percent due to a planned decline in the Savings segment (down 21.8 percent). Unit Linked net inflows contribution more than doubled, recording a growth of more than 10 percent without Cometa. Protection performed very well, up 16.8 percent. These results show the success of Generali Italia's proprietary networks in pursuing growth in our preferred business lines.

France saw strong decline in net inflows, down 2.2 billion Euro, to a negative 0.1 billion Euro. The driver was almost entirely the Savings component, after the decisive in-force and new business actions announced in late September 2019 to respond to lower interest rates, actions which translated into lower single premium business and higher surrenders. The Protection business also suffered in this environment, down 42.9 percent, while the Unit Linked business showed a strong performance, with net inflows up 40.7%.

In Germany, there was a 3 percent increase in net inflows, driven by Unit Linked, up 27.4 percent, which more than compensated for declining Savings business. Even in this unprecedented environment, Generali Deutschland's partner DVAG was able to guide and service existing and new customers effectively. The Protection business also proved its resilience with over 2 billion Euro of net inflows.

In Austria, CEE and Russia, net inflows decreased by 26.8 percent. This was driven by to increased net outflows, mainly in Unit Linked business, significantly impacting 4Q 2020, despite higher volumes.

The International business experienced a 1 percent decrease, with growth in Asia partially compensating for the decrease in Spain, Switzerland and Americas & Southern Europe.

At Group level surrenders slightly decreased across the life book during 2020.

Slide 20 - Net inflows drive strong growth in reserves

Thanks to a combination of strong positive net inflows and financial markets recovery in 4Q 2020 Life technical reserves increased by 4.2 percent to almost 385 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 more than 2 percentage points since the end of 2019, reaching 62.7 percent, also thanks to a tight control over the proprietary distribution networks.

Slide 21 - Healthy new business value generation

With regards to new business, we saw volumes up by 3.3 percent in terms of present value of new business premiums, with the margin up 6 basis points, on a like-for-like basis, to 3.94 percent, despite less favorable financial assumptions. Without the Italian group contract, new business volumes would have decreased by 2.6 percent, a good result given the environment.

The margins slightly increased, despite lower average reference rates, thanks to the rebalancing of the business mix towards the most profitable lines of business, improved product features and the ongoing recalibration of financial guarantees for Savings products. The lower margins than the portfolio average of the Cometa group contract underwritten in Italy also had a 14 basis points negative impact. The contract had a 45 million Euro positive contribution in terms of New Business Value.
A positive volume development coupled with an improved margin led to a 4.9 percent new business value increase, on a like-for-like basis, to reach 1,856 million Euro.

In terms of the business mix, Savings business volumes decreased by 12 percent, largely driven by our business refocusing strategy, particularly in France. In line with our strategy, almost 85 percent of FY 2020 Savings new business premiums are considered capital light given their product features and the weight of products offering guarantees in case of death only has increased from 13% in 2019 to 33% in 2020, mainly driven by Italy. Protection business volumes grew by 13.7 percent, with a positive development in all regions, but particularly evident in Italy and Germany. Unit Linked new business had a 25.1 percent growth, mainly thanks to France and to Cometa in Italy. Excluding the Cometa business, Unit Linked new business would have grown by 2.6 percent.

In terms of margins, Savings had an 8-basis points margin increase to 2.33 percent, as the increased weight of Savings products without guarantee in Italy more than compensated for lower reference rates. Protection experienced a margin decline, like-for-like, to 7.47 percent, still at exceptionally high levels. The margin on Unit Linked new business experienced a 9-basis points decline to 3.49 percent, affected by the lower than average profitability of the mentioned group contract in Italy.

Slide 22 - Solid growth in volumes at sound profitability reflecting focus on mix

Italy experienced a 6.4 percent increase in new business premiums, in PVNBP terms, driven by Unit Linked, thanks to the relevant contribution of Cometa. The lower than portfolio average margins of this contract and less favorable financial assumptions led to a new business margin drop of 25 basis points, albeit still at a very satisfactory 4.46 percent. New business value increased by 0.7 percent.
In Germany, strong distribution capabilities have continued to perform even in the current context, resulting in strong new business sales that increased by more than 13 percent, in terms of PVNBP. Combined with a slightly improved margin, this led to a 14.8 percent new business value increase.
In France, new business sales declined by 10 percent, driven by the Savings component, in line with our strategy. It is worth pointing out the strong development in Unit Linked sales, that increased by 10 percent. The increased weight of Unit Linked drove a margin improvement of 28 basis points and generated a 4.2 percent increase in new business value.

In the Austria, CEE and Russia region a 1.7 percent PVNBP decline coupled with a 7-basis points margin contraction led to a 2.7 percent new business value decrease.
Finally, in the International region we saw volumes up 1.2 percent, with margins improving by 90 basis points, bringing the new business value up by 14.9 percent mainly thanks to a higher share of more profitable protection business.

Slide 23 - Life investment return reflecting pandemic context

General account investments reached 358 billion Euro, up 6.5 percent from year-end 2019.
In terms of asset mix, the allocation remained substantially in line with year-end 2019, with a decrease of corporate bonds and equity, partially compensated by a slight increase of government bonds. Cash amount has temporarily increased due to de-risking and ALM activities.
Our exposure to Italian government bonds amounted to 61 billion Euro at year-end 2020, 1.8 billion Euro below year-end 2019. Almost the entire exposure is based in Italy and mostly within our Life books.
Current income in absolute terms decreased by 444 million Euro gross of policyholder share, with current investment returns decreasing by 28 basis points to 2.6 percent. This decrease is explained by lower return from bonds and real estate, and lower dividends from equities. Please note that current returns are calculated on investments at IFRS book value.
The new money reinvestment rate in the Life fixed income portfolio decreased to around 1.3 percent, on a 12 months basis, compared to 2 percent during the same period of last year.

Slide 24 - Further decrease of in-force and new business guarantees

In order to provide a more accurate representation of the relationship between asset returns and minimum guarantees, the life current investment returns on investments is calculated at amortized cost. During 2020, the decline in asset returns, also due to Covid-19 related impacts, was too pronounced to be fully compensated, despite our continued effort to further reduce in-force guarantees. This led to a lower corridor between current returns and existing portfolio guarantees, although still standing at a very healthy 163 basis points.
Looking at the flows of new money, we can see that the average guarantee on new business products was down from a positive 2 basis points to a negative 12 basis points at the end of 2020. Similarly to what was observed for the portfolio, whist the progress on product steering was noticeable, it only partially compensated for the drop in available reinvestment returns. Please note that Savings death only guaranteed products, weighting for one third of total Savings new business, are not included in this calculation.

Slide 25 - Stable P&C volumes, excellent technical profitability

Gross written premiums remained almost flat at 22.1 billion Euro on a like-for-like basis. Not considering the like-for-like basis, growth would have reached 2.9 percent mainly thanks to the consolidation of Seguradoras Unidas in Portugal. Primary motor premiums grew 0.7 percent, and in 4Q 2020 they were up 3.4 percent, thanks to ACEER, France and Argentina. Primary Non-Motor premiums were up 0.2 percent, despite strong contraction in Europ Assistance, reflecting widespread growth in various countries, in particular Italy and France.

Slide 26 - Strong technical profitability drives the growth

The P&C operating result improvement was entirely driven by the technical result, reflecting better underwriting margins. There was a net benefit on claims from the lockdown, as the decline in frequency more than compensated for direct claims. However, technical progress also reflected a strong improvement in underlying profitability and the positive contribution of the newly acquired Portuguese operations which contributed with around 4 percentage points to the growth in P&C operating result.

The investment result registered a 13 percent decrease, due to lower current income from bonds and equity investments.

Lastly, the result from “Other” decreased mainly due to increased costs in Germany linked to the re-organized footprint and lower service revenues for Europ Assistance.

Slide 27 - Resilient volumes with consistent CoR improvement across the Group

Italy’s top line was up 0.9 percent, at 5.6 billion Euro. The driver of this performance was primarily Non-Motor, which increased by 3.3 percent, thanks to good performances of the Retail and Employee Benefits lines. Motor saw a 3 percent premium decrease, due to increasing price pressure and new cars registration drop caused by the lockdown situation.

In France, the top line grew significantly, particularly considering the environment, with premiums up 1.7 percent to 2.9 billion Euro. Motor grew 1.8 percent, thanks to the development of new partnerships. Non-Motor also performed well, up 2.3 percent, thanks to Industrial, Multi-Risk, and Accident & Health businesses.

In Germany, volumes were slightly up by 0.2 percent. A positive development of Non-Motor lines, up 0.8 offset for a 0.3 percent decrease in Motor.

Austria, CEE and Russia delivered a good performance once again, showing a 2.8 percent premium increase, with Motor up 4.2 percent driven by Czech Republic, Poland and Austria, and Non-Motor up 1.9 percent, driven by Poland and Slovenia.

The International region delivered strong growth at 3.3 percent, mainly thanks to inflationary driven price increases in Argentina, more significant in Motor, and the growth in Non-Motor predominantly in Spain.

Group Holding and other experienced a 19.2 percent drop, reflecting the pandemic scenario impact on Europ Assistance, which was down 30.2 percent, with travel insurance the most affected business line.

In terms of profitability, almost all geographies experienced combined ratio improvements, in part linked to the reduced level of activity during the lockdown period, benefitting in particular the Motor business, but also supported by stronger underlying profitability, lower level of nat cats and an improved cost ratio.

Europ Assistance, which was most significantly affected by the Covid-19 pandemic, showed a small increase in combined ratio, due to the previously mentioned negative premium development, although with a recovery in 4Q 2020.

Slide 28 - Excellent P&C technical profitability

The combined ratio improved by 3.5 percentage points to 89.1 percent.

This reduction derived primarily from an improving loss ratio, down 3.2 percentage points and driven by a 4.7 percentage points lower current year loss ratio excluding nat cat. The impact from man-made losses was 1.3 percent, versus 1.1 percent last year. The attritional current year loss ratio, excluding man-made losses, has improved by almost 5 percentage points.

The nat cat burden decreased by 0.5 percentage points to 1.5 percent. The positive contribution from prior years' development decreased to 3.7 percent, compared to 5.7 percent last year. This drop is not related to a change in the strength of Generali's reserving position, but the prudency in claims management processes in the current Covid-19 environment.

The expense ratio improved by 0.3 percentage points, thanks to the positive development of costs in the Motor segment; costs remain stable for Non-Motor.

We estimate the 2020 combined ratio excluding Covid-19 impacts to be at 90.9%.

Slide 29 - P&C lower investment return mainly from debt and equity

P&C investments increased 1.7 percent to 40.3 billion Euro.

In terms of asset mix, there has been a slight increase in the weight of corporate bonds and government bonds. This was mitigated by a decrease in the weight of equity and real estate investments. Finally, we can observe a temporary increase of cash instruments also linked to de-risking activities.

Total P&C current investment returns decreased by 41 basis points, to 2.6 percent, on investments at IFRS book value. This decrease is explained by lower return from bonds and real estate, and lower dividends from equities.

The average reinvestment rate in P&C was 1.2 percent during 2020, down 53 basis points from the previous year.

Slide 30 - Asset Management Global: KPIs on track

On the revenue mix, the contribution from external customers stood at 30 percent, slightly below the 33 percent registered a year ago. 2019 benefitted by around 23 million Euro from a one-off Liability-Driven-Investors (LDI) mandate that positively impacted the share of external customers revenues by 3 percentage points.

The Operating Margin was at 55 percent, up from 52 percent a year ago, well above our over-the-cycle target of 45%. This result stems from the strong revenues growth, supported by the increase in performance fees, against almost flat non-compensation costs, thus resulting in positive operating leverage.

Consequently, the net result before minorities reached 386 million Euro for Asset Management, up by 38% percent compared to the same period of 2019, and almost reaching our 2021 target of 400 million Euro.

Slide 31 - Asset Management Global: growth is on track

2020 operating revenues increased by 22.2 percent to 993 million Euro, driven by a combination of growing management fees in higher margin products and a more significant contribution from performance fees.

Operating expenses have increased by 15.3 percent, largely driven by variable bonuses linked to performance fees.

If we consider the cost / income ratio excluding performance fees and related costs, in FY 2020 it would have been 46.5% vs. 48.1% in FY 2019.

Overall, the operating result grew by 28.5 percent to 546 million Euro. The impact of a higher performance fees contribution to the growth of the operating result is estimated at around 70 million Euro.

The net result, after non-operating items and taxes, increased by 38 percent on a year-on-year basis to 386 million Euro.

In terms of geographical breakdown, Europe has grown to 336 million Euro, more than surpassing the ambition of reaching a net result of 300 million Euro by the end of 2020, as per goals communicated in May 2017.

The Rest of the World is also showing increasing profits, driven by the good performance of our Chinese JVs.

Assets under management increased by 5.7 percent, reaching 561 billion Euro. This was driven by good market performance in the second part of the year and positive Net Flows from the insurance business and from 3rd party business excluding LDI mandates linked to the Belgian and German disposals.

Slide 32 - Asset Management Global: focus on revenues contribution and external clients AuM

Starting from the left side chart: 35.9 percent of the operating revenues are generated by the insurance, LDI business. This has proven highly resilient during the Covid-19 crisis, supported by the Fixed Income investment component.

41.2 percent of the revenues are generated by high conviction strategies, driven mostly by the external Third-Party Retail and Institutional Client business.

The Real Assets business, including real estate, private debt and private equity, accounts for the remaining 22.9 percent of the revenues.

Moving to the chart on the right side, we look at the development in external client assets. Flows were negative by 4.3 billion Euro. This number comprised 5.7 billion Euro outflows from LDI mandates shifting away from low yield products, and positive inflows of 1.4 billion Euro in high conviction strategies. Overall market effects had a positive impact on third party AuM of 2.6 billion Euro.

Slide 33 - Strong contribution from Banca Generali and Other Businesses

The overall contribution from the Holding and Other segment to the Group operating result improved from 8 million Euro last year to 130 million Euro in 2020.

This positive development was boosted by from the good operating performance of Banca Generali, up 7.9 percent. This was thanks to higher fees and commission income. Additionally, there was a strong improvement from “Other businesses”, up 45.3 percent, supported by the strong performance of our growing Private Equity business.

Operating holding expenses remained flat, with the reduction of operating expenses at Head Office more than compensating local strategic projects on IT security and infrastructure.

Slide 34 - From operating to net result

Non-operating investment income made a 595 million Euro negative contribution, including 530 million Euro of impairments, primarily related to the performance of financial markets in 1H 2020 and only marginally mitigated by net realized gains worth 32 million Euro, that include also the expense of 94 million Euro related to the Liability Management transaction of 2020. The impairments include 93 million Euro goodwill write-offs relating to our Swiss life subsidiary, booked in 1H 2020.

Non-operating holding expenses decreased to 579 million Euro, mainly driven by 112 million Euro 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. Interest expenses will continue their decreasing trajectory during 2021, based on the transactions carried out in 2020. As a reminder, we did not refinance 1.25 billion Euro of senior debt which matured in January 2020. In addition, the buyback of 600 million Euro of subordinated bonds callable in 2022 was successfully concluded in July 2020, issuing a corresponding amount of green bonds, at a significantly lower coupon. As mentioned before, this transaction entailed a pre-tax one-off loss of 94 million Euro. In 2021 the gross interest expense will be almost 200 million Euro lower, compared to the 2017 baseline, thus suggesting a further reduction of around 20 million Euro versus 2020.

Net Other non-operating expenses increased to 674 million Euro. The components are: the VOBA amortization, equal to 126 million Euro; restructuring costs of 126 million Euro linked to restructuring projects in Italy; and Net Other Non-operating Expenses, with main items the contribution to the Covid-19 Fund worth 100 million Euro, other pandemic-related initiatives

worth 68 million Euro, the compulsory contribution to the public health system requested from health insurers in France amounted to 64 million Euro and CTAs related to local projects.
The overall effective tax rate for the Group was 34.7 percent, exceptionally high due to the increased weight of non tax-deductible cost items, namely a large portion of the impairments and the accelerated strengthening in the Swiss guarantee reserve.
In the discontinued operations line, we had a 183 million loss related to the agreement Generali reached with BTG Pactual, thereby ending the arbitration related to the disposal of BSI. Please note that 2019 reflected positive gains of 479 million Euro related to the disposals of Generali Belgium and Generali Leben.
Minority interests were slightly up to 289 million Euro.
All the above took us to a net result for 2020 of 1,774 million Euro, down 34.7 percent year on year.
The adjusted net result, net of gains and losses on disposals, stood at 1,926 million Euro, down 12.1 percent from the previous year. Excluding the expenses for the Extraordinary Covid-19 Fund (77 million Euro net of taxes) and the impact of our Liability Management transaction of July 2020 (73 million Euro net of taxes), the adjusted net profit was 2,076 million Euro, down 12.7 percent from FY 2019.

Slide 35 - Strong remittances reflecting cash & capital framework implementation

On the left-hand side of the slide we show the remittances paid by the main business units of the Group in 2020 and the total remittance, which represents the total net cash upstreamed to the Parent company.
There was an increase in remittances of 37.9 percent year on year to 4.0 billion Euro, reflecting the effective implementation of our Cash and Capital framework. Remittances remain well diversified across countries, with a reduced contribution from Italy in relative terms, in line with the Group's strategy. All business units contributed to the increase.
The remittance ratio on distributable business units' IFRS net result grew to around 135 percent. This was also thanks to a strong contribution of around 40 percentage points from Capital Management initiatives mainly in ACEER and Italy, a modest portion of which can be considered recurring given natural misalignment between local GAAP distributable profits and underlying remittance capacity. Our subsidiaries are strongly capitalized. In accordance with the target to maximize cash and capital centralization, the aim for subsidiaries is to keep an appropriate solvency level commensurate to their risk profile and profitable growth targets and transferring excess capital to the Parent Company.
"International" includes both mature markets like Spain and growing markets like Asia, which explains the lower contribution of the area compared to the others.
Finally, the item "Other" includes remittance from the Business Unit Investment, Assets and Wealth Management and the consolidation effects on dividends reflecting our Group structure.

Slide 36 - Net holding cash flows ahead of targets

We derive Net Holding Cash Flows from the Remittance from subsidiaries presented in the previous slide and then adding the Result of reinsurance on a cash basis and Interests and holding expenses. The increase in 2020 was significant at around 70 percent, reaching almost 3.7 billion Euro. This was mainly driven by higher dividends received from subsidiaries, some one-off effective capital management actions in ACEER and Italy, lower recurring interest expenses and some favorable one-off tax impacts at the Holding level. Our strong achievement in Net Holding Cash Flows significantly supports our dividend proposal. The proposed dividend of 2.3 billion Euros, comprising a Dividend per Share of 1.01 Euro for 2020 and a catch-up on the suspended second tranche of the 2019 dividend, is covered 1.6 times by Net Holding Cash Flow. Excluding the catch-up on the 2019 unpaid dividend, the coverage ratio would be 2.3 times.

Slide 37 - Shareholders' equity up thanks to net result and AFS reserve

Shareholders' equity increased by 5.9 percent compared to year-end 2019, reaching 30 billion Euro.

The main positive drivers were the mark to market of fixed income investments reflecting lower interest rates and narrower spreads as well as the contribution from the net result. Negative drivers were the 785 million Euro dividend paid in May 2020 and 595 million Euro of "Other", mainly linked to the development of the exchange rates reserve.

Slide 38 - Solvency II ratio stable vs. 2019

The preliminary Solvency Ratio stood at the same level as the previous year at 224 percent. The mentioned dividend proposal for 2.3 billion Euro is deducted as usual from the ratio.

The strong recovery compared to 9M 2020 (203 percent) was mainly thanks to the positive impact deriving from the extension of the internal model to operational risks, the upswing in financial markets (due to the recovery of equity markets and the narrowing of spreads on sovereign bonds), and the very positive contribution of normalized capital generation (mainly linked to the P&C segment).

On the right-hand side of the slide, you can see our updated sensitivities. Here it is possible to see the result of the de-risking and asset-liability management actions taken during 2020, which drive the lower impact on our solvency, compared to last year, to a possible drop of interest rates or in the equity market.

As additional information, at February 26th, the Group Solvency position was estimated at around 228 percent. Capital generation, net of accrued dividend, and positive economic variances, linked to the recent increase of interest rates, more than compensated regulatory changes related to Ultimate Forward Rate regulatory decrease and the update of EIOPA portfolio for Volatility Adjustment calculation.

Slide 39 - Strong positive contribution from normalized capital generation

The upswing in financial markets (due to the recovery of equity markets and the narrowing of spreads on sovereign bonds) in the last quarter of 2020 partially compensated the negative movements of previous quarters, leading to negative market variances impacting for overall 14 percentage points.

The very positive contribution of normalised capital generation (mainly linked to the P&C segment) amounted to 21 percentage points to the Solvency Ratio pre-dividend accrual, reflecting the strength of our leading technical profitability.

The extension of the internal model for operational risks more than offset the reduction of the Ultimate Forward Rate used in the valuation of liabilities and a further haircut on IORP pension business unrealized gains, both occurred in the first quarter of 2020, with an overall positive impact of 8 percentage points from regulatory changes.

The closing of our acquisitions in Portugal and of a minority stake in Cattolica had a negative impact of 6 percentage points.

Slide 40 - 2020 capital generation totaling € 4.0 bn

On this slide, capital generation is broken down by business segment, as well as by Own Funds and Solvency Capital Requirements.

Starting with Life, we had normalized capital generation of 2.8 billion Euro, mainly reflecting the own funds generating 2.7 billion Euro, with the usual significant contribution of the value of new business at 1.4 billion Euro.

The in-force generation, worth 1.3 billion Euro, is then basically the expected release of risk margin and the prudence in financial assumptions embedded in the market consistent approach, plus the unwinding.

For the Solvency Capital Requirement, you can see that writing new business consumed 1.2 billion Euro of Solvency II capital, but this was more than offset by 1.3 billion Euro released from the run off of the in-force portfolio, leading to a net benefit of 0.1 billion Euro.

In P&C, own funds generation was 1.7 billion Euro, mainly stemming from the outstanding IFRS technical result of the current year generation, further adjusted to reflect best estimate reserving assumptions.

Holding and Other contributed with a negative amount of 0.4 billion Euro, which reflects the lower interest costs paid and holding expenses, offset partially by the strong result of financial and asset management entities which follow their sectoral regulatory regimes.

Slide 41 - High quality capital mix: Tier 1 capital 86% of total

In terms of tiering of capital under Solvency II, Generali’s capital structure remains at an excellent standard. Notwithstanding adverse economic variances and a growing dividend, Generali continued to have an 86 percent weight of Tier 1 capital over total own funds. Consequently, our Solvency II capital requirement is covered 1.8 times by unrestricted Tier 1 capital alone, far above any binding limits in terms of capital quality according to the Solvency II regulations.