

# Annual General Meeting

Group CFO Speech

Cristiano Borean

Trieste –April 29, 2021



Thank you Philippe, thank you Chairman.

Dear shareholders, good morning.

I'm pleased to update you on some aspects of the performances of the Group and the Parent Company Assicurazioni Generali, whose Financial Statements we are submitting for your approval today.

As already anticipated by Philippe, 2020 was an unprecedented year for the whole world, with new challenges that we have successfully faced and overcome.

### **Main volume Group KPI**

Total gross written premiums reached 70.7 billion Euro, up by 0.5 percent, thanks to the dynamics of the Life segment premiums, driven by the growth of the unit-linked lines (+21.7 percent) and of protection premiums (+1.6 percent), which reflects the development in the main countries of operation of the Group. Non-Life premiums remained resilient (+0.1 percent) and profitable: the growth recorded in the various countries offsets the significant contraction of Europ Assistance (-30.2 percent), especially in the travel lines due to the crisis generated by Covid-19. In line with the objectives of the 'Generali 2021' strategy, the premiums from social and environmental products amounted to 16.9 billion Euro (+11.2 percent). Excluding the written premiums of the collective Life pension fund Cometa in Italy, of approximately 1.5 billion Euro, the total premiums of the Group would have recorded a decrease of 2.4 percent.

**Life net inflows** equal to 12.1 billion Euro were confirmed at excellent levels and concentrated for 93 percent in unit-linked and protection.

The decrease of the net inflows by 10.5 percent compared to 2019 was mainly due to the trend in the savings and pension line in France, which showed a reduction in premiums and higher surrenders, according to the Group's portfolio repositioning strategy.

**Life technical reserves** were up to 385 billion Euro (+4.2 percent) mainly thanks to the positive contribution of the net inflows.

As for **Total asset under management**, the Group reached 664 billion Euro.

### **Main Group KPI: profitability**

The Group's **operating result** was, for the second consecutive year, its best-ever performance, reaching 5,208 million Euro, up by 0.3 percent. In particular, the growth in the Non-Life and Asset Management segments - thanks also to the contribution of recent acquisitions - and in the Holding and other activities segment more than compensated for the lower contribution of the Life segment, which was mainly due to the acceleration of provisions for guarantees to policyholders in Switzerland.

The P&C **Combined Ratio** at 89.1 percent (-3.5 percentage points) was confirmed as the best and least volatile among peers, thanks to the improvement in the current year attritional loss ratio following also the effects of the lockdown in the main countries of operation of the Group. The impact of natural catastrophe claims was 1.5 percent (2 percent at year end 2019); the impact of large so-called man-made claims slightly rose. The contribution to the Combined Ratio deriving from prior years decreased to -3.7 percent, compared to -5.7 percent in 2019. The expense ratio improved, in particular the incidence of administration costs.

The **New Business Margin**, despite the financial context in 2020 characterised by very low interest rates, that were below 2019 levels, was confirmed at an excellent level, reaching 3.94 percent (+0.06 percentage points) thanks to the rebalancing of the business mix towards the most profitable lines of business and the ongoing recalibration of financial guarantees for savings products. Excluding the premiums of the collective pension fund Cometa, the margin would have been 4.08 percent (+0.19 percentage points).

In the **Asset Management** segment, the operating result amounted to 546 million Euro, up by 28.5 percent. The positive performance was largely due to increased operating revenues, that benefitted of the significant development of the performance fees, and to disciplined cost management, as the cost/income ratio decreased to 45 percent. The net profit of the

Asset Management segment increased to 386 million Euro (+38 percent).

Finally, the operating result of the **Holding and other activities** segment, which reached 130 million Euro, benefitted from the result of Banca Generali and higher income from private equity. The operating holding expenses remained substantially stable at -528 million Euro. The higher costs of the operating entities linked to the Group's strategic projects and those relating to the IT infrastructure and cyber security were offset by the cost savings measures implemented by the Group.

The Group's **non-operating results** was -1,848 million Euro, affected by the impairments on investments classified as available for sale deriving from the performance of the financial markets, in particular in the first semester of the 2020, and by the goodwill impairment relating to the Life business of the company in Switzerland equal to 93 million Euro. It was also affected by some one-off effects such as 100 million Euro for the Extraordinary International Fund for Covid-19, the allocation of 68 million Euro for additional local initiatives in the main operating countries aimed at responding to the Covid-19 emergency, the expenses of 94 million Euro deriving from the liability management transaction and, in France, a mandatory extraordinary contribution to the national healthcare system requested to the insurance sector, for 64 million Euro. The lower incidence of interest expense on financial debt was positive, thanks to the debt optimisation strategy, which continued in 2020.

The **net result** amounted to 1,744 million Euro (-34.7 percent) reflecting, in addition to the trends in the operating and non-operating results commented above, also the impact of the result from discontinued operations (amounting to -183 million Euro for the settlement agreement with BTG Pactual to end the arbitration for the BSI disposal) and the higher tax rate, which rose from 31.3 percent to 34.7 percent, mainly due to the higher impact of non-deductible expenses.

The adjusted net profit, defined as the net result without the impact of gains and losses related to disposals, excluding the expenses of Extraordinary International Fund for Covid-19 and the liability management transaction, amounted to 2,076 million Euro (-12.7 percent).

## **Main Group KPI: Capital position and equity**

The Group confirmed an excellent capital position, with the **Solvency Ratio** stable at 224 percent, thanks to the very positive contribution of normalised capital generation, to the positive impact deriving from regulatory changes that include the extension of the internal model for operational risks and to the de-risking and asset liability management actions undertaken during the year, which compensated the negative impacts of the performance of the financial markets, of the M&A transactions and of the foreseeable dividend of the period.

## **Main financial indicators of the Parent Company**

Let me now illustrate the main financial indicators of the **Parent Company**.

Gross written premiums amounted to 3,203 million Euro, down by 12.6 percent. In the Life segment, the contraction of 9.8 percent mostly regards the reinsurance acceptances from some subsidiaries, while the decrease in the P&C segment by 15 percent is mainly linked to the transfer from the London Branch to Generali Italia of the new business of the Global Corporate & Commercial portfolio accepted coming from other Companies of the Group.

The net result of the period, equal to 2,970 million Euro, almost doubled compared to the previous year, mainly thanks to the positive effect of higher dividends from the subsidiaries and, to a lesser extent, to the increased contribution of the underwriting result.

## **Parent Company: main asset KPI**

The shareholders' equity overcome 17 billion Euro, up by 14 percent thanks to higher dividends collected from the subsidiaries.

Consequently, the total assets increased by 5.2 percent to 47.8 billion Euro.

As Philippe already mentioned, the dividend we propose to your approval is equal to 1 Euro and 47 cents per share, split into two tranches, the first of 1

Euro and 1 cent and the second of 46 cents, respectively. The first tranche, payable as from 26 May 2021, represents the ordinary pay-out from 2020 earnings. The second tranche, instead, related to the second part of the 2019 retained dividend, will be payable as from 20 October 2021: such 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.

### **Final comments**

Even in an unprecedented context determined by the pandemic, in 2020 Generali confirmed:

- the profitable growth with excellent technical margins
- the excellent capital position thanks to the solid Solvency ratio at 224 percent which also benefits from a record normalised capital generation of 4 billion Euro
- the cumulated dividends and remittances in line with targets
- which allow us to confirm our full commitment to achieving the financial targets of 'Generali 2021'.

Finally, I also want to thank all our employees, the sales network, the partners for the resilience, commitment and dedication shown in 2020. At this particular time, I express my personal gratitude to all of them and their families who are the true strength of our Lion.

Thank you for your attention, I will now hand the floor back to the Chairman to perform the assembly procedures.