

Q3 2020 Earnings Call

Company Participants

- Cristiano Borean, Group Chief Financial Officer & Manager In charge of Preparing Financial Reports
- Frederic Marie de Courtois D'Arcollieres, General Manager
- Giulia Raffo, Head of Investor & Rating Agency relations
- Philippe Roger Donnet, Group Chief Executive Officer, Managing Director, Executive Director, Director in charge of the ICRMS

Other Participants

- Emanuele Musio
- Farooq Hanif
- Gianluca Ferrari
- Michael Igor Huttner
- Nick Holmes
- Peter Eliot
- William Hawkins

Presentation

Operator

Good afternoon. This is the Chorus Call conference operator. Welcome, and thank you for joining the Generali Group Nine Months 2020 Results Conference Call. As a reminder, all participants are in a listen-only mode. After the presentation, there will be an opportunity to ask questions. (Operator Instructions)

At this time, I would like to turn the conference over to Mr. Philippe Donnet, Group Chief Executive Officer. Please go ahead, sir.

Philippe Roger Donnet {BIO 4657671 <GO>}

Thank you. Good morning, everyone, and welcome to the presentation of Generali's 2020 nine-month results.

And before we open the Q&A, I would like to address an issue that is on everyone's mind. As you have seen from our press release based on the current decision of our Italian regulator to stop the payment of dividends for macroeconomic reasons, our board of directors yesterday had no choice, but deciding not to distribute the second trench of the full year 2019 dividend by the end of the year. At this stage, the Italian regulator does not

permit us to distribute the outstanding trench of the full year 2019 dividend. Specifically, we received a letter from our regulator a few days ago clarifying that the application of the SRB recommendation does not have room for case-by-case evaluation.

As a matter of fact, today our group is sound and solid, and our 2020 nine-month results are further proof of this fact. Even though Generali is strong and has achieved a very resilient results, of course, we have to comply with the regulator's decision. Nevertheless, we are very proud of our achievements in terms of maintaining a very strong balance sheet and delivering resilient operating profit in such a challenging environment.

Our operating results of over EUR4 billion is up by 2% year-on-year and last year was a record year for the group in terms of operating results. Even with the persistently low interest rate environment, our capital position is very strong with a solvency ratio at 203% at the end of September, the highest among our peers. It is important to note that this is after a deduction of the full 2019 dividend and the accrual of pro rata dividends for 2020.

Our liquidity position at the holding company has never been higher and our priority remains the execution of our strategy and making sure the group stays strong, resilient and focused to be able to fulfill the needs of all stakeholders, and in particular to reward shareholders with fair cash dividends as soon as we are allowed.

To that end, Generali's management remains committed to its dividend policy and in particular to fulfill its EUR4.5 billion to EUR5 billion arrange for cash dividend payments over 2019-2021, subject obviously to the easing of current regulatory decisions.

Please note that on this call, we will focus on the questions related to our 2020 nine-month figures and information in the press release we published today. We very much look forward to answering all your other questions on our Investor Day next week on the Wednesday, November 18th.

Thank you so much for your attention. And, Frederic, Cristiano and myself are now ready to take your questions. Thank you.

Questions And Answers

Operator

(Question And Answer)

Thank you. This is the conference operator. We will now begin the question-and-answer. (Operator Instructions). (Operator Instructions) The first question is from Michael Huttner with Berenberg Bank. Please go ahead, sir.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

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Good morning. I've got a few questions. One, which is really obvious -- maybe obvious. So the first one on the dividend. If I look at the screen right now I see positives up 3%, I see Generali is down 1% and delayed. So I'm not saying I mean, just that the screen and today and who knows what else is happening, but -- and clearly to my mind its -- paying a dividend Generali isn't and I was puzzled a little bit when you refer to first dividend when you're effectively kind of stretched out the dividend right through 2022, a table in 2022 by referring to this EUR4.5 billion to EUR5 billion range. So my question is really how likely do you think that the regulator will kind of say okay, 2020 dividends okay to pay 2021? And how likely is it that anything leftover even in your 2019 remaining dividend or kind of just pushing out and you can push out for '22 of them?

And then separate question and really simple one. Can you talk a little bit about the impact, are there any more such things your portfolio that you took in Q2? Thank you.

A - Giulia Raffo {BIO 21037091 <GO>}

My first is really would ask our Group CFO to answer about the dividend and to Cristiano to talk about Switzerland. Thank you.

A - Frederic Marie de Courtois D'Arcollieres

Hi, Mike. This is Frederic. Your question on the regulator is extremely tricky. And we believe we have as Philippe mentioned all the prerequisites to pay the dividends, solvency and liquidity, resilience of the operating result. Our regulator even asked this is not too low to pay dividend for macroeconomic reasons. We cannot say more than that. I mean I can, I think at this stage, you should speak directly to the regulators if I may say. So we but on our side, we are confident and we believe we have all the prerequisite to pay the dividends.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

The first question (inaudible) that's why which struck me a little bit.

A - Frederic Marie de Courtois D'Arcollieres

To be clear and the decision (inaudible) was decision for all the Italian market. So this is not a specific decision for Generali.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

Okay. Thank you.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

This is Philippe speaking and maybe I should add a word on this because obviously I had some interactions with the Italian regulator. Obviously, I told him that there was a bit surprise about the decision because as Frederic said, it's only based on the macroeconomic considerations. It has nothing to do with our position or capital and cash position which the recognize is absolutely excellent. But they also told me and that was

positive that they are not in favor of the same dividend restrictions for 2021. This is what they told media, a couple of couple of days ago.

As you know there are many regulators involved, local regulators, our European regulator that also as I mentioned ESRB. But definitely the Italian Regulators is not in favor of keeping these restrictions for 2021 and I think this is important and this is a hopeful message.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

Thank you.

A - Cristiano Borean {BIO 15246531 <GO>}

Hi, Michael. This is Cristiano. Regarding the second question related to the Switzerland impact in third quarter. I just reconfirming what is the expected trajectory or any mention in the healthiest presentation for the full 2020 to be broadly in the ballpark of EUR600 million rotation of the reserve. I just recall you that some of this rotation will be non-tax deductible, that's why you can get also this effect on the net.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

Okay. But if you could just name the figure for Q3 with it?

A - Cristiano Borean {BIO 15246531 <GO>}

Yes, we have running line and not far from in between CHF460 million and CHF500 million allocation.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

Brilliant. Thank you very much.

A - Giulia Raffo {BIO 21037091 <GO>}

Next question, please.

Operator

The next question is from Peter Eliot with Kepler Cheuvreux. Please go ahead.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much. The first one was just if you're able to give us again the numbers it is possible to have the expense ratio or if you're not -- once it sort of destroyed the number whether you give us about any indications of the expense savings or the direction that's going? That'd be great.

The second question was organic capital generation seems to have been about 6 percentage points in Q3 alone, the growth dividend. Obviously, a strong number just

wondering, if there's anything in particular but that is driving that to maybe a stronger than normal and stronger level than normal?

And then finally, I mean, I know it's not the study the right time to talk about it, but you've seen a bit of M&A activity recently, I'm just wondering what you're thinking maybe if there's some of the prospects to deploy some of the budget that you've brought? So any point, just wondering, if you can comment some briefly generically about the outlook, the environment there? Thank you very much.

A - Giulia Raffo {BIO 21037091 <GO>}

Okay. I will ask (inaudible) to answer to the first question. Our CFO (inaudible) and our Group CEO, Philippe. Thanks.

A - Frederic Marie de Courtois D'Arcollieres

So hi Peter on the expense ratios, so first in absolute terms are expenses decrease by a bit more than 2.5% and we believe that back to expense decrease which is due to the new way of working is here to stay for the for the long-term. If I look at the at the expense ratio, so the expense ratio is decreasing by 0.4 points, which was at the end of September last year to the 27.9 and it has moved to 27.5.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Cristiano on capital generation.

A - Cristiano Borean {BIO 15246531 <GO>}

Yes, Peter. Capital generation, you almost correctly pointed out, we are closer to this 5%, more than the 6% the driver are mainly a very good best estimate combined ratio in non-life and a 4.5% new business margin in the third quarter on Life, which is a very healthy capital generation production also respectively.

A - Giulia Raffo {BIO 21037091 <GO>}

Okay. Move to on the next.

A - Frederic Marie de Courtois D'Arcollieres

Okay. Talking about M&A I would said that the framework for our M&A activities still valid both in financial aid and strategy terms. We've been quite active actually in the M&A, not through a very big acquisition but I always said that priorities at the moment was small in medium acquisition. So this is what we've been doing for in line with our strategy in order to strengthen our market position in countries where we already are especially in Central and Eastern Europe. We've been applying Adriatic --. We've been acquiring in Poland, Concordia. We've been acquiring a Seguradoras Unidas in Portugal. And we are now the second player in Portugal. Before this, we are in the corner in Portugal.

So we completely changed the situation. We've been also quite active in the asset management with the acquisition of Sycomore, of Union Investment in Poland as well. So

we've been acting fully in our strategic and financial framework. We still have financial resources available for acquisition definitely. And I would say that this -- what is new is that COVID-19 crisis may create new opportunities for us. That would not have been possible before. So I think that the good news is we still have significant available resources for M&A. There will be new attractive opportunities for us, and we will continue being active, but we will continue being in the same time as I always said disciplined. So we will stick to our strategy and financial framework and in the same time, very opportunistic.

Q - Peter Eliot {BIO 7556214 <GO>}

That's great. Thank you very much.

A - Giulia Raffo {BIO 21037091 <GO>}

Next question, please.

Operator

The next question is from William Hawkins with KBW. Please go ahead.

Q - William Hawkins {BIO 1822411 <GO>}

Hello. Thank you very much. Top down question. First of all, when you're talking about your pre-tax operating results, you're up 2% at the nine months age. You're still talking about being down by the full year. So as I can feel most of the trials that you are actually still quite positive into the fourth quarter. So what I am missing this is going to be the big negative in the fourth quarter, the tax even being up to down, so volume is being pretty be conservative in your guidance?

And bottom up question that, slightly opposite to that. Your investment margin for life in the first half was just over EUR700 million. So that's about EUR350 million a quarter. Could you give us an indication of what happened to that figure in the third quarter? And again, just what you're feeling about the outlook for that number? Because clearly it's getting hurt by covered which we should think is one off but is also getting hurt by low yields, which may be more on enduring so I don't really know relative to the EUR700 million you did in the first half, is that a base from which we step up again, or is it grinding down and down from that place? Thank you.

A - Giulia Raffo {BIO 21037091 <GO>}

We'll ask our CFO to answer to the questions.

A - Cristiano Borean {BIO 15246531 <GO>}

Hi, William. So regarding the first question. Yes, we still give this guidance. I think we have been prudent in the volatile environment we are facing due to this second wave of the COVID part and we need to take also this into account in the technical analysis for the final year.

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Regarding the investment margin of Life, what is related is mainly explained by the investment margins effect on the third quarter, also impacted by the target allocation. We gave to the guarantee reserve for our (inaudible) operation. And this has been also coupled, don't forget to some also affect on our recurring investment portfolio, not notwithstanding also the fact that then don't forget that there is also the effect of the private equity results, which has now been allocated in the segment of private equity and but later can be and will be allocated with the internal dividend to the operating results contribution of life, and then consolidated netted out. So clearly, there is an equilibrium also of these factors. Hope, I gave you more clarity William?

Q - William Hawkins {BIO 1822411 <GO>}

Yes information follow up again with regards to the top-down guidance. Your combined ratio, is there any reason to assume that there's going to be any kind of true up volatility at the end of the year while given that it's been staying in a pretty safe level of the first nine months we take us through each year?

A - Cristiano Borean {BIO 15246531 <GO>}

William, we don't expect any significant impact on our combined ratio of the second phase of lockdown. It has had been excellent over the first nine months. And again, no other significant impact over the next two to three months.

Q - William Hawkins {BIO 1822411 <GO>}

Thank you very much.

A - Giulia Raffo {BIO 21037091 <GO>}

Next question please.

Operator

The next question is from Farooq Hanif with Credit Suisse. Please go ahead.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi , everybody. Hope you're keeping well. So firstly can you give us a bit more detail behind the really strong asset management result? You talk about disciplined approach leveraging multi-boutique, what's that mean? Is that revenue, doe that inorganic, is that some sort of costs?

Secondly, can you give us a bit more detail about the private equity dividend in the holding result? And how we should think about private equity dividends going forward?

And then lastly, what can you tell us so far? What are you willing to tell us today? So far about the extra arrangements you will have with Cattolica or have with Cattolica beyond just the share in the stock, so I'm talking here about the reinsurance, I am talking also about Asset Management? Thank you.

A - Giulia Raffo {BIO 21037091 <GO>}

I'll ask our GM to answer to the first question. Our CFO to the second and our CEO, answer third. Thank you.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Hi, Farooq. So on asset management, so you are right that the result is really good. And by the way, we confirm our target for 2021. I think, if the needs of various factors. First, the inflows on third party money have again been good over the quarters. So we have more than close to EUR4.5 billion inflow of new money from third-party asset management, but more than that, we have two important factors. The first one is that we have extremely low cost and this is something with we've already disclosed. So much lower cost than other than our peers globally. So we have excellent margins, under asset management business.

And the second factor is that we've been successful in doing what we had planned, which is moving more of our European business to our internal funds and this is something that we had planned and this is something we've realized and we are close to our target in fees. So the addition of (inaudible) and especially the low cost, lead to very good margins.

A - Cristiano Borean {BIO 15246531 <GO>}

Farooq, this is Cristiano. For private equity let me guide you a little bit on how you should think, because this is a very spotted on point in my opinion and thanks for asking. Because private equity our portfolio has been managed since many years in a fully centralized way, which allowed us to have a very good selection, and by the way for your information, this is the portfolio which has a 13% IRR, which is delivering a good result constantly. Clearly, there is some seasonality and volatility around this because of the nature of the private equity.

What is important to know is that we have different vintages and seasoning as soon as private equity investment comes to an end, and there is a realization of the gain, you see the impact in the park of the holding another in the private equity and this is the allocation. Then, as soon as the investor, which is the company, these either holding per se or a life of more like company having the share of this investment, receives a dividend from this results, then we have the effect of the dividend payment which is accounted and helps in life to support the investment margin in your life to get to the investment result and this is netted out through of consolidation adjustment.

Going forward due to the fact that our strategy to redeploying in real assets among which very private equity is paying-off and will pay-off in the long-term. You should expect more effect of dividend payments, hence consolidation adjustment related risk, but also a growing result coming from private equity because of the nature and the seasoning of those investments. Hope, I gave you a little bit more clarity.

Q - Farooq Hanif {BIO 4780978 <GO>}

Sorry just to be also very clear on that point. So some of these PE dividend in the consolidation and the share with life does go to the policy holder as well?

A - Cristiano Borean {BIO 15246531 <GO>}

Yeah. And when we present you the result, it is already accounted for this because when we calculate the full impact on the operating and net result, it is already shown after the proposed deferral policy of the liability, which means that the figure we are already presenting is already netted out. The only effect would be the netting of the dividend in the consolidation, but the result presented already today accounts already for these effects. Hope, I was clear.

Q - Farooq Hanif {BIO 4780978 <GO>}

Yes clear. Thank you.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

On Cattolica. This is Philippe speaking. Well, Cattolica is a very good financial and strategic deal. We have now completed the capital increase dedicated to do to Generali. So we all know, 24.46% of Cattolica and we have an industrial and strategic partnership on asset management, Internet of Things, health insurance and reinsurance. And through this partnership, will create significant value for -- I would say for both partners. So once again, it's a good financial and strategic deal. And then the according to this agreement, the strategic agreement, we are also open to look at the future together with them.

Q - Farooq Hanif {BIO 4780978 <GO>}

May I just come back just quickly on Asset Management. When you're getting life insurance customers to move into the boutique funds, how much of that is justified by the performance?

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Which of that, I didn't get the question, how much of that?

Q - Farooq Hanif {BIO 4780978 <GO>}

Sorry. When you're getting people to move into your own boutique funds, in unit linked in life, which is helping rather magic results as well. How much of that is justified by the fact that these funds are performing a lot better?

A - Frederic Marie de Courtois D'Arcollieres

Farooq, I can answer in two ways. First, I can tell you that the performance of our boutique over the past few months has been excellent. And the second way to answer is that we were very and this is something we had already discussed in various road shows. In terms of percentage of our internal funds in a uniquely, we will very much below market standards. So we keep in an open architecture model for unit linked of course. But we have increased the share of our funds and we are close to market center now, but again I insist on the fact that the performance of our boutiques has been excellent.

Q - Farooq Hanif {BIO 4780978 <GO>}

Thank you.

A - Giulia Raffo {BIO 21037091 <GO>}

Next question, please.

Operator

The next question is from Nick Holmes with Societe Generale. Please go ahead.

Q - Nick Holmes {BIO 3387435 <GO>}

Hi, guys. Thanks very much. Two questions please. Firstly, sorry to come back on the regulator. But do you think that more needs to be done to establish on level playing field because across Europe. Because we're seeing such different regulatory behavior between different countries, I think that's kind of more of a problem. It's of -- if you and a sort of pan-European if you and I wondered if you could comment on that?

And then secondly at the operating level, wondered with recent rebates, are you concerned that there could be more regulatory and political pressure to make rebates to customers' who aren't driving due to locks down, is that something you might be worried about? Thank you very much.

A - Giulia Raffo {BIO 21037091 <GO>}

I would ask to our General Manager to answer both the questions. Thank you.

A - Frederic Marie de Courtois D'Arcollieres

Well, thank you. Thank you, Nick. Well, obviously the European regulators and they would say both Europe and the local insurance regulators were not able to guarantee the level of playing field and this is definitely an important issue and the industry has been talking about this with regulators, I have been talking about out this to the Italian regulator and this is not acceptable. This is not acceptable because this is no longer fair competition, unlike the ECB, which is able to guarantee the level playing field for all European banks.

The situation is very different in the insurance industry. First of all, I don't agree with the dividend ban for the insurance industry. We are not in the situation of the banks, we didn't get any benefit from any kind of capital relief, we didn't get any benefit for any kind of state guarantee for our products. Europe per has always confirmed that the insurance industry is very well capitalized, and especially the large international groups, and specially Generali. So there is no reason for this dividend ban for the insurance industry and on top of these, as you said and I fully agree on this that there is no longer a level playing field. So we've been strong on this, we've been talking about this in a strong way to regulators, that's why I'm pretty confident that the situation in 2021 will improve significantly on regulatory basis.

Yes, there is political -- sorry?

Q - Nick Holmes {BIO 3387435 <GO>}

Sorry. I was just very, very quickly going to ask, do you anticipate any sort of change on the part of the commission in looking at the level playing fields in 2021?

A - Frederic Marie de Courtois D'Arcollieres

Well, as you can imagine we have been very proactive and very talkative on this and I think that everybody in Europe is aware of the situation that has been created and the issue has to be addressed and will be addressed. As I said before in the interaction -- in the last interaction, I have a couple of days ago with the Italian regulator. I was positively impressed by the fact that they told me, we do not support the continuation of the kind of situation for 2021.

Okay. So this is what I would be told me a couple of days ago you were, as I also said their decision in Italy is based on microeconomic considerations. So it can change in a couple of weeks or long time, I don't know what time. I'm much more confident for '20 or '21, definitely. On the political pressure, on rebates to customers, there is some pressure and it depends on the country that we have the same, we have to face pressure in all the countries. Having said that, this pressure according to me doesn't make any sense. Okay, because of course, we know that the claims frequency during the lockdown is much lower than the usual for obvious reasons, but in the same time, we have to also to face claims that we didn't have to face without courage so you cannot ask the insurance companies to give rebates that when the frequency -- the motor insurance frequency goes down and prevent insurance companies to increase the prices when they suffer more losses because of the COVID or when they suffer the pressure of lower interest rate.

I mean, the insurance business in the whole, you need to look at the overall, I you should not look at a single business flying and you need to look at it also on the longer-term. So this is the insurance business. If not -- if should -- if we're supposed to grant rebate because of two months of lower claims frequency. It means that there is no more benefits from diversification and it would not make sense. So this kind of pressure on rebates which is limited to some business lines and to a very short period of time, doesn't make any sense and it's not consistent with the insurance business.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

If I may add on the rebates, I think we've managed it in the right way. In other words, we've not adopted in Generali the kind of general measures that some of our peers have adopted like two months free for everybody. What we've done is to make to have a case-by-case approach with the some discounts for some customers, and I think at the end, we had the better impact on customer satisfaction and on profitability. So I think we've managed it in the right way. And it also guarantees the fact that the mid to long-term, the impact on the average premium will be -- will not be significant. So again, we stick to this approach. Yes. There is some moral suasion from regulators but we stick with this approach. And again, this was well appreciated by clients.

Q - Nick Holmes {BIO 3387435 <GO>}

That's very clear. Thank you very much.

A - Giulia Raffo {BIO 21037091 <GO>}

Next question, please.

Operator

The next question is from Gianluca Ferrari with Mediobanca. Please go ahead.

Q - Gianluca Ferrari {BIO 15042989 <GO>}

Yes. Good morning, everyone. The first one is on the capital gain on the private equity fund. Probably I mean (inaudible) reiterate what was the impact in the nine months? The second one is again, and sorry to go back to the great -- the astonishing I would say the result of the asset management segment but I mean on a year-on-year basis, the operating result has gone up by EUR74 million, but if I look at Banca Generali, the operating profit was up only EUR20 million. So I was wondering, how we can reconcile that what he is explaining this additional EUR50 million increase nine months '20 verses nine months '19?

The third one is again on consolidate cash, there is the second tranche of the capital injection to take place in January, this is what the company told us yesterday. I was wondering if you are interested in acquiring some unsubscribed chips, and if you have already asked EVAs, a way where the mandatory term that offer in the case you are interested in acquiring those rights? Thank you.

A - Giulia Raffo {BIO 21037091 <GO>}

Okay. I'd ask our CFO to answer to your first question and the second one (inaudible) Thank you.

A - Cristiano Borean {BIO 15246531 <GO>}

So first question, the answer is EUR70 million net impact in the third quarter.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

On your second one, but Cristiano will help me, Banca Generali in upholding and other, Cristiano, can you say more on the reconciliation?

A - Cristiano Borean {BIO 15246531 <GO>}

Absolutely. And so first point as Frederic was correctly pointing out we account for Banca Generali in the holding another segment. So if I look at the first nine months, the increase in Banca Generali and the contribution to operating result is on the ballpark of the EUR20 million. When I look at the delta of EUR73 million coming from the asset management, you need to be aware that there are growth coming both from the boutique strategy, especially because of the fact that we increased our offer and we were also able to over perform the benchmark. So there are also revenues coming from the so-called performance fees, which are slightly higher in the third quarter compared to the -- in the first nine months compared to also today last year. There is also the contribution coming

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from the total revenues and this is basically splitted the revenues of the asset management segment comes up in the ballpark of 60% on what is created by the group and 40% from the third party.

Q - Gianluca Ferrari {BIO 15042989 <GO>}

That's very clear. Can we have also the amount of performance fees, cash fee in the Q3 on the booking platform?

A - Cristiano Borean {BIO 15246531 <GO>}

It is -- it is a likely has very low double-digit effect. So, okay, so it's not that --

Q - Gianluca Ferrari {BIO 15042989 <GO>}

Okay. Not that material. Thank you.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Yes so on Cattolica, there is not that much to do to comment, we definitely impact. Definitely we -- the mandatory offer is not on the table. We are definitely not considering this situation and the interrupted shares, we are considering what option, we're going to choose on this, but we can do whatever we decide to do, we have no commitment of any kind.

Q - Gianluca Ferrari {BIO 15042989 <GO>}

Okay. Thank you very much. Thank you.

A - Giulia Raffo {BIO 21037091 <GO>}

Next question, please.

Operator

The next question is a follow-up from Michael Huttner with Berenberg Bank. Please go ahead.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

Thank you so much. On (inaudible) you can remind us, what is the normal run rate for additions to this low interest rate reserve? And then in your opening remarks, you said that liquidity was never been higher at the group level. So I just wondered, if you can give us a figure here? And then last question is any potential -- so you did see lovely deal on Generali less than two years ago, so is there any potential for more such back book deals to kind of optimize your capital figure? Thank you.

A - Frederic Marie de Courtois D'Arcollieres

Hi, Michael, so regarding Switzerland, I would like to give you more detail during next week in Investor Day also to answer on this point and for what regard the position of

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liquidity. Clearly is higher than the half year result and we will speak to the highest level. At the end of the year, we will not pay the dividends. Clearly, we have this additional EUR720 million on what we were forecasting but we consider them to be -- engaged to our shareholders. So I want to tell you, we are at a very healthy and solid level which allows us to pursue the full strategy. And even there, I will give you a little bit forward details during the investor day so that you will understand the full levers and the situation on how we are there. So, please let me give you with some suspense a little bit one week more.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

Excellent. Of course.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

And Michael on bank book, we're always active on this because we consider this is the way to optimize our return on equity. And there is always potential to do more.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

That sound very, very helpful. That's okay. And would, is this also something you talk about next week?

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Yes, next week, we can discuss it more in depth on the midterm perspective.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

Well done. Thank you very much.

A - Giulia Raffo {BIO 21037091 <GO>}

Operator, are there other questions?

Operator

There is out of question from Emanuele Musio with Morgan Stanley. Please go ahead.

Q - Emanuele Musio {BIO 19781440 <GO>}

Hello. Hi. Thanks for taking my question. Is quick one on the non-life business, so far (inaudible) reported more modest prior year developments. So I was wondering, actually if you can remind me, please why you decided to take this more conservative stance and whether we can expect stronger releases when maybe these uncertainties are gone? So on Phase 1. So, yes, we have lower previous year release compared to last year and the answer is simple is that we made a cautious closing.

A - Giulia Raffo {BIO 21037091 <GO>}

And if I can integrate, I recall you again the strong capital generation coming from the non-life, which is proving the point (inaudible)

Q - Emanuele Musio {BIO 19781440 <GO>}

Okay. Thanks.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Any other questions, please?

Operator

There's a follow-up question from Michael Huttner with Berenberg. Please go ahead.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

I'm sorry. I seem to be holding the line (inaudible) and so your full year plans, 2021. Just wondered if you can, I know with the nine months 2020, but if you can say, anything today about the targets, particularly EPS target for them?

And then second question is much more kind of granular. In your combined ratio, that's roughly 89.7%. Can you give a feel for how you've treated the runoffs just as a background. I spoke with one of your competitors yesterday, and they'd been very conservative on one offs, they think there may be a spike in accidents next year when people start driving again? Just wanted to how you'd look at this?

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Yes. On the first one on EPS targets, I'm afraid that you will have to wait until November 18th to get the answer, but we'll be happy to answer you on this next week on combined ratio.

A - Frederic Marie de Courtois D'Arcollieres

Yes, Michael. So on the combined ratio, as I said, we've treated it in a closest way. Why did we do it like this because again, and we have excellent technical result and we could afford to be cautious, easy to cover potential future losses and something else. The basic answer is no, as I said, we expect negligible impact for us of the similar lockdown. Midterm, I am now more reassured on the fact that I don't know but we see that we would not see a spike in the plans over 2021. But again we have to see because this is -- we have to see what we have because we are in unknown territories, but in any case, we've not added to the reserves because we thought that we would have additional claims. I mean, we've done it because we already had an excellent technical reserve committee.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

Okay. May I just ask a very quick and it's just numbers (inaudible)

A - Frederic Marie de Courtois D'Arcollieres

Michael, It is less than 2 percentage points the capital increase we made in Cattolica, by the way, if you want to know that solvency as of November 9th which already embed this

impact is at 207%. With that thing, all the dividend discussion we had the pro rata for 2020 expected plus the second half of the 2019 which we already discussed fully.

Q - Michael Igor Huttner {BIO 21454754 <GO>}

Congratulations. Okay. Thank you.

A - Giulia Raffo {BIO 21037091 <GO>}

Are there other questions on the queue.

Operator

Mr.Raffo, there are no more question registered at this time.

A - Giulia Raffo {BIO 21037091 <GO>}

Okay. Thank you. So I say thank you very much to all view for following us in this call. The Investor Relations team is fully available for you and we look forward to hosting our future Investor Day in next week. Thank you very much.

Operator

Ladies and gentlemen, thank you for joining. The conference is now over. You may disconnect your telephone.

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