Q3 2016 Earnings Call

Company Participants

- Francesco Caio, Chief Executive Officer, Director & General Manager
- Luigi Ferraris, Chief Financial Officer
- Unverified Participant

Other Participants

- Fulin Liang, Analyst
- Giovanni Razzoli, Analyst
- Martin Leitgeb, Analyst
- Michael van Wegen, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good day, and welcome to the Poste Italiane 2016 Nine Months Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Mr. Luigi Ferraris, CFO. Please go ahead, sir.

Luigi Ferraris {BIO 7424315 <GO>}

Good evening, ladies and gentlemen. We are pleased to report a solid set of numbers for the first nine months of 2016. As you already know, these results have been impacted in the first half by the positive one-off related to the Visa Europe disposal for €121 million. The expected underlying trends confirm progress of execution as per our plans for each of our businesses.

More specifically, revenues for the period were up 8% at €25.7 billion. EBIT has grown 29% to €1.2 billion. Net profit has grown 30% to €807 million, consolidating the growth already recorded in the first half. More specifically, during Q3, we are starting to benefit from our key results, coming from managerial actions in terms of efficiencies and cost savings and their implementation.

This solid set of figures have generated funds from operation of €134 million that I will further detail in the following charts. Please bear in mind that we will account for our usual accruals on voluntary personnel reduction incentives schemes only in the final quarter of the year.

Moving on to slide number 3. Here you have an overview of our key numbers. Consolidated revenues and profits were up, respectively by about 8% and 30% over the period. This is mainly due to the following: Financial Services operating profit increased by more than 5% from €670 million to €704 million. This is mainly attributable to higher capital gains realized from active management of BancoPosta's asset portfolio of about €43 million. The disposal to Visa Incorporated of our stake in Visa Europe for €121 million, fully corresponding to the already indicated capital gain booked in the first half of 2016. Lower cost of goods sold by 11%. Furthermore all of this has been partially compensated by higher management charges from the mail and parcels business unit of about €162 million as a direct consequence of the already commented revenues growth.

Insurance and asset management, revenues increased by more than 10% from €17 billion to €18.7 billion and operating profit maintained a robust 18% growth year-on-year. This is mainly due to the ongoing positive performance of life gross written premium, asset management products, as well as an initial contribution of non-life products.

Mail and parcels, revenues were equal to €2.728 billion, down 3.6% from 2015. More specifically, nine months revenues reduction is mainly due to lower traditional postal revenues, partially offset by higher contribution from parcels. EBIT has been positively impacted by both higher recharges to the financial division, and operating cost efficiency with a remarkable impact in Q3, which I will further detail in the following charts.

Before moving in to each specific business units, let's have a look at our clients' asset breakdown on slide number 4. Volumes increased by almost 4%, bringing total assets to €493 billion versus €476 billion in full year 2015. The mix continues to remain well balanced with a clear resilience of postal savings collection and containing (05:08) a material increase for about €4 billion in our current account deposits. The strength and thrust of our brands, the proximity to our customer base, as well as offer range (05:22) of simple and safe products continue to deliver an increasing asset base and profitability for the group.

Let's now move in to each specific business unit results, starting with our Financial Services revenues evolution on slide number 5. Revenues have grown from €3.949 billion to €4.107 billion. Excluding the Visa Europe effect the increase is mainly a consequence of the realized capital gains on the active portfolio management, as well as the remarkable increase in financing products distribution. This has been partially offset by the lower postal savings collection, registered in first half and payment cards distribution fees. I can confirm that for the full year 2016, we expect to generate returns of current account deposits in the region of €2 billion as a combination of capital gains and portfolio yield.

In more detail, slide number 6 provides you with a breakdown of the Financial Services business units revenues. The major key points here are the following. First, returns on current account deposits, higher revenues are mainly due to an improved active management of BancoPosta asset portfolio. Second, fees from postal savings collection. The reduction is attributable to lower fees as a consequence of lower recognized communication marketing costs recorded in the first half of 2016. For full year 2016, we expect total postal savings collections slightly lower than €1.6 billion.

Third, fees from transaction banking, the 1.7% increase is attributable to higher revenues from payment slips and tax return forms, despite the decrease posted in the first half, which was mainly related to the public broadcasters' decision to adopt a new payment system for license fees.

Fourth, distribution fees. We continue to register a very strong growth in personal loans and other personal financing products. Let me underline that this represents an area of strategic growth, which is mainly based on the recently renewed offer range supported by an important communication campaign.

Payment card fees, in Q3 revenues, are in line with last year, with a continued increase in Postepay Evolution cards, compensated by lower subscription fees, applied to debt and prepaid cards, due to accounting in the interchange fees decided by the European Union.

Let's now move to slide number 7. Regarding our active portfolio management, let me point out the following major items. Average deposits of BancoPosta accounts grow to €49 billion from €45 billion in 2015, up almost 9%. Our realized gains amount to €4.3 billion, vis-à-vis €4.9 billion of the previous year, as a consequence of lower interest rates despite higher vis-à-vis to booked (09:08) spreads recorded over the period.

Let's now move to BancoPosta's regulatory framework and capital position on slide number 8. Inasmuch as BancoPosta capital adequacy is concerned, let me stress four major key points. First, BancoPosta regulatory framework continues to be fully aligned to European standards. Second, nine-month Tier 1 ratio closed to 16%, substantially doubling the minimal regulatory requirements. Third, nine-month leverage ratio 3% as a consequence of higher total assets. Should the growth of BancoPosta asset be confirmed in Q4, we are, in any case, prepared to recapitalize BancoPosta with no expected impact on our dividend policy. Fourth, nine-month profitability recorded a remarkable 34% return on equity versus 30% for the full year 2015. Without considering the already mentioned Visa effect, the return on equity is 32%. All of this, coupled with a zero lending risk profile, makes BancoPosta a unique, superior returns fee-based revenues player in the Italian financial industry.

Let's now move to insurance and asset management on slide number 9. Gross written premium increased by 6%, driven primarily by the continued increase of our life business, as well as the successful launch in April of our unit-linked product, which recorded inflows of about €200 million (10:59) in the period. Moreover, we have also benefited from double-digit growth, even if from a small base in our non-life premiums, whose results will become more and more material going forward.

Inasmuch as asset management operations are concerned, let me underline that asset under management increased by close to 30%, reaching €7 billion, confirming this area as one of our key strategic growth pillars. This also confirms the success of cooperation with (11:35), which delivers relevant material results in terms of asset management collection.

With regards to our investment portfolio breakdown, let me highlight the increase of investment in multi-asset funds, which moved from 11% in 2015 to 13% in 2016, confirming our diversification strategy towards a more adequate risk to return profile. This continues to be fully aligned with our capital requirements.

Let's now move to slide number 10, on the mail and parcel business units. From volumes, let me highlight here, on the one hand, traditional mail volumes fell 10% year-on-year, while revenues decreased about 4% as a consequence of the underlying positive pricing effect as a result of the new regulatory framework in place since October 1, 2015. Let me also underline that from the beginning of this year Poste has decided to drop the services for unaddressed mail, which is characterized by high volumes, but very low tariffs.

As a result of this, in order to correctly represent the structural decline in traditional mail volumes unaddressed mail has to be neutralized. Net of these effects 2016 volumes showed an approximately 5% decline vis-à-vis 2015. On the other hand, parcels volumes increased by 14% year-on-year, confirming the positive momentum mainly driven by the growing e-commerce penetration (13:18). Revenues increased about 7% mainly thanks to the improvement of our offering range, which partially counterbalanced the ongoing pricing pressure within the industry.

Moving to slide number 11, before talking about cost evolution, let me remind you once again that the mail and parcel business unit also includes our distribution network operations. Infrasegment revenues increased by approximately 5%, mainly due to higher revenues driven by capital gains and the Visa disposal effects recorded by the Financial Service business unit as well as higher gross written premium collection.

At the same time, operating costs have decreased, thanks to our continued cost management actions. Specifically, mail and parcel operating costs have been further reduced by €108 million over the period, mainly as a result of lower cost of goods sold which decreased almost 3%, primarily due to lower IT operational (14:23) expenses to lower cost on vehicle and logistics.

I will comment on overall labor cost dynamics in the following charts. Let me now move to slide number 12 to discuss group operating costs. Focusing on our cost structure and consolidated level, overall group operating cost reduced by 1.3% over the period, as a consequence of the already indicated efficiency actions, whose results became material starting from Q3. Please note that this reduction takes into account higher D&A related through previous year CapEx.

Moving to slide number 13, labor costs show a reduction close to 1%. As you are fully aware of we've launched a voluntary pre-retirement plan, according to which about 4,800 people have already signed at the end of September vis-à-vis the original target of 5,000 expected for the full year. This confirms the strong acceleration put in place specifically in the third quarter. Please bear in mind also that we are in the process of finalizing the renegotiation of our National Labor Conference (15:41).

Let's now run through our profit and loss evolution before the EBIT line on slide number 14. Net income for the period equaled €807 million, recorded an increase of about 30% from €622 million recorded in the nine months 2015. On top of the already commented positive EBIT evolution, this performance is also related to net financial income of €21 million. Taxes for a total consideration of €410 million corresponding to a tax rate of about 34% in further reduction versus 2015. For the full year 2016, we expect normalized tax rate of around 40%.

Let's move on to slide number 15 commenting on CapEx. The majority of investment are mainly related to information technology and digital platforms and the balance is related to a selected upgrade of facilities, construction of data center buildings and postal logistic operations.

Looking at net financial position on slide number 16. First, let me highlight the positive contribution of our funds from operation as a result of capital gain dynamics and the commented performance of the mail and parcel business units. On the other hand, the reduction in working capital is mainly due to a delay in the cash in (17:13) some regulatory items, which we expect to be clear by yearend.

On the dividend and equity movement front, the €176 million inflow is the result of €620 million coming from our BancoPosta ring-fenced capital and dividends from participation, partially compensated by the payment of the dividend to our shareholders for an amount equal to €444 million.

Thank you for your attention, and let me hand over to the CEO, Francesco Caio, for some closing remarks.

Francesco Caio {BIO 1516226 <GO>}

Thank you very much, Luigi. Good evening. Just a couple of comments in the last two slides. I think it's a good discipline to go back to a year ago when we went to the market with our IPO and go back to in a way the equity story, the convergence (18:06) of the equity story, we had highlighted the notion of the creation of values through combination of transformation and growth and I'm sure you remember we are keeping (18:19) deep drivers of value for each of our businesses. And I think it's good opportunity, one year after the listing to go back and see how the numbers are in a way, lining up based on what we've had indicated as our priorities.

You remember that in Financial Services, we were highlighting our focus on profitability and superior returns and, as you can see, the return on equity in Financial Services for the first nine months of this year is well above 30% with 34%. But I think – and even more interesting, we begin to see some growth coming from distribution products whilst the active management of our portfolio continues to yield well in the direction of the €2 billion a year. So Financial Services return and yields.

On Insurance and Asset Managements, we highlighted growth as a driver of value, and I am pleased to report that this growth was across the board here from the 6% nine months in life insurance versus last year to much more robust 55% albeit off a smaller base, in non life, is a testimony of our efforts in broadening the portfolio of our services that we set to our customers.

And very important, as you know, Asset Management moving from more traditional instruments to fund, we recorded a 30% growth versus last year. Again it's a relatively small base but very encouraging to see how the metric of our offices is reacting very well to the trading, the new systems, the new offer we're deploying.

And finally, mail and parcels we really said that it was a combination of the turnaround in mail and the growth in parcels. And again, you see from the numbers, we've begin to see traction in the deployment of the alternate day deliveries where we have more than 400 centers that have adopted this new delivery process that are liberating resources and freeing up resources that we are – either redeploying or let go through our early retirement program.

And interestingly on the rebalancing mix, we now see parcels representing about 17% of our revenue versus 15.2% for the same period last year. So kind of we're firing on all cylinders here in terms of delivering the equity story that we say. And on that base, on what we look at, as increasingly robust platform for organic growth, we have begun to explore opportunity in the most strategic options that we have seen in the third quarter.

The acquisition, I'm now talking page 18, slide 18, the acquisition of about 15% stake in SIA, which as you know is a (21:17) financial Italian base but international player in digital transaction and payment, for a cash-out of €278 million. It really consisted with our drive to strengthen our position in payment, particularly digital payments. But also a first step towards a more international approach in areas where we think we can create value for our shareholders. Obviously this is the beginning of a journey because there would be an opportunity to elaborate in the coming quarters on how we see synergies evolving and being captured in the relationship between SIA and BancoPosta

So first nine months as Luigi said, very robust set of results, well geared to execute the plan for the year and committed to continue to deliver against the promises of the plan that we presented to you at the IPO.

With that, I think I would leave Luca (22:26) to handle the Q&A session.

Q&A

A - Operator

Thank you very much. We are now ready to start the Q&A and I understand that the first question in line, is coming from Mr. Michael van Wegen, Bank of America Merrill Lynch. So, please Michael, go ahead.

Thank you. Now, we'll take the question from Michael van Wegen from Bank of America. Please go ahead. Your line is open.

Q - Michael van Wegen {BIO 6435238 <GO>}

Okay. Thank you. Hi. Good evening, guys. So starting with the mail and parcel business. If I look at the volumes development, H1 versus nine months, volume developments are basically stable minus 10% from mail and plus 14% for parcels. However, if I look at the revenues, there's a clear negative development in that it went from minus 2.5% to about minus 3.6% which is just at the average price in Q3, deteriorated versus the first half. Can you talk a little bit about what's driving that and how you see that developing going forward? That's question one.

Question two is, can you quantify the level of capital gains in Financial Services for either nine months or Q3? And finally, Mr. Caio, at the end of the presentation, you referred to inorganic growth and obviously, you're being associated with a particular asset manager. Can you talk a little bit, about how you see your capacity to finance potential M&A going forward without affecting the dividend? That was the last question. Thank you.

A - Luigi Ferraris {BIO 7424315 <GO>}

So, let's start with the second question and then we go to the other. The second question, I mean in the first nine months, we have included a capital gain for a total consideration of €473 million versus €426 million of last year. I'm talking about the capital gain of our portfolio management. These are not taken into account, the other Visa capital gains that I mentioned for a total consideration of €121 million.

When it comes to the dynamics for the third quarters, the comparison that you made in terms of volumes and revenues – well, we had a slight decline in terms of unitary price in particular in the parcel portion of the business, in which as you have seen, we have registered an increase of about 14% in terms of volume. So, higher than the growth of the markets but in terms of unitary price, we have seen a reduction. Of course, in the long run, we are working in order to rebalance and to have an improvement also in the unitary price by rediscuss, revisiting some long-term contract with big volumes that are on the screening and under rediscussion now (26:03).

When it comes to the third question, Francesco, I don't know...

A - Francesco Caio {BIO 1516226 <GO>}

I think in general terms, we have adopted and we will continue to adopt a very disciplined approach to non-organic growth. And when you do that, obviously the (26:19) component can be found. To the extent that I said that we'd keep very tight discipline on the hurdle rate and the return (26:30) to shareholders.

Q - Michael van Wegen {BIO 6435238 <GO>}

And can you remind us what the target hurdle rate for any M&A could be? And secondly, I guess there are balance sheet constraints, if you don't want to affect your dividend and assuming that you wouldn't want to raise equity. Can you remind us what kind of balance sheet constraints you see for yourself?

A - Luigi Ferraris {BIO 7424315 <GO>}

Well, first, as you know, we have just reported at the end of September a cash position. So, we do not have debt, we are on a (27:09) cash side. Therefore, we have margin to leverage our balance sheet. This is the first consideration. (27:20) to where we increase in that direction. We said also during the IPO process that we have margin (27:26) to fund and to serve our growth through that.

When it comes to the expected return, what I can tell you that for the most recent acquisition in the (27:42) the portion of equity that we bought in SIA, but generally speaking, we normally look for (27:49) to 9% or something like that, which is higher 200 basis points, 300 basis points at least of our cost of capital.

Q - Michael van Wegen {BIO 6435238 <GO>}

Okay. Thank you.

A - Luigi Ferraris {BIO 7424315 <GO>}

...since we are present in different business, we expect equity return could change according to the different business.

Q - Michael van Wegen {BIO 6435238 <GO>}

Thank you.

A - Operator

Thank you very much. Thank you. Next question is coming from Martin Leitgeb of Goldman Sachs.

Q - Martin Leitgeb {BIO 17568539 <GO>}

Yes, hello, good afternoon. I have the two questions and actually both of them are focused on the cost side, which at least seems to me coming as a bit of a surprise in this Q3. So, if I calculate it correctly, the decline in the cost in Q3 was around 3.5% on the people and 6.5% on the non-people cost. Can you elaborate a little bit more what has changed, why is this such an acceleration in Q3, and whether or not should we assume – let's say this type of declines are the new run rate, so to say.

And then secondly just a clarification, could you repeat again the number of people that have signed up to the new retirement as of end of September and how much of the increase since the last time we spoke so at the end of June? Thank you.

A - Luigi Ferraris {BIO 7424315 <GO>}

Well. Martin, when it comes to the number of people that already signed at the end of September, we are talking about 4,800 people.

Q - Martin Leitgeb {BIO 17568539 <GO>}

Okay.

A - Luigi Ferraris {BIO 7424315 <GO>}

We said that we have a target of about 5,000. I think we should be not only (29:22), but probably doing some investment. Second, in Q3, I don't think we have a specific acceleration in the quarter. I think we are running in a regular path (29:35), so we have been able to basically increase the number in the third quarter for one-third or something like that.

Let's talk a little bit about the cost structure now. Two (29:50) consideration. When it comes to the personnel cost, to the cost of personnel specifically, we start seeing the impact of the managerial action instigated the end of last year and beginning of this year. We had net 1,000 people exit in terms of – let me put in this way – volumes therefore you start seeing impact on our total cost of personnel. As we said at the beginning of the year the vast majority of the positive impact on the cost of personnel will be next year. But in the meantime, we also have to finalize a renegotiation with the – the negotiation of our labor costs (30:35), so I don't think it will be prudent to assume that all that volume effect will fall into our profit and loss. Anyway, I think, we are on track to start delivering improvement on this area. And the same can be said when it comes to the other costs. We have launched an internal project aimed at optimizing our external cost structure. We start seeing the positive effect and we do expect that next year will be even better. So this year we have just some (31:12), next year it should grow better.

A - Francesco Caio {BIO 1516226 <GO>}

I think more in general the way you want to think about this is that, as last year, we engineered the transformation that we communicated to the market. This year we really started the execution. And the deployment of the alternate day delivery is a key element. It's obviously not just the only one, but as we get deeper into the rationalization of that structure or infrastructure, we can see the opportunity to continue to go in that direction.

I also remind you that our P&L discounts every year, we're going to be doing that this year as well as Luigi mentioned in Q4, a pretty material amount of money that goes to fund between €300 million and €400 million year-over-year, going to fund the early retirement programs.

So (32:14) for you to bear in mind because we're doing this cost reduction in the most friendly and orderly manner to preserve quality of service and our relationship with key constituencies (32:25) and yet we're pleased to see that we're now beginning to benefit from the initiatives we stated.

Q - Martin Leitgeb {BIO 17568539 <GO>}

Okay. Yes, very clear. So the alternative day delivery started from Q2, right, if I'm not mistaken? And so we're starting to see that impact as well?

A - Francesco Caio {BIO 1516226 <GO>}

Yes. Correct.

Q - Martin Leitgeb {BIO 17568539 <GO>}

Yeah. Okay, okay. Thank you very much. Very clear.

A - Operator

Thank you. The next question is coming from (32:54)

Yes. Hi, everybody. I have a few questions from my side. First one regarding the insurance premiums. Will you give us a bit of color regarding the seasonality of the premiums collection and is there reason behind that? Second question regards to the SIA acquisition. Is it fair to assume that, if there is the occasion going forward that Poste is willing to increase its stake in the company?

And finally regarding the real estate business, the real estate assets, we read some rumors regarding your will to spin off the real estate assets that if I understand correctly has a book value of around €1.7 billion and it would be useful to have a breakdown of these assets between – the instrumentals ones and the ones that you think that are disposable and if possible also, maybe, it would be useful to have the fair value of these assets? Thank you.

A - Francesco Caio {BIO 1516226 <GO>}

Let me start from the SIA side, I guess, I think it is an important step into a real player at European level. We are not commenting on any further development of us being there (34:28), but what we can comment, and we commented that, we have not taken that as a financial participation for (34:38). We didn't that in the beginning of a journey to create a viable, long-term, sustainable position of growing shares and influences the digital payments that as you know is becoming more and more volume gain (34:51).

And we can bring policies to that party (34:55), because of our cost of acquisition, because of our traditional payment (34:58) position. So a bit too early to say in terms of development but we're working on a mid-term plan together with SIA to see how we can build a stronger position in payment.

A - Luigi Ferraris {BIO 7424315 <GO>}

When it comes to the first question related to the seasonality of our gross written premium work. First of all, let me stress once again that we are still performing better than the market. And if you look at the dynamics of our premium collection in the different quarters, first quarter €6 billion, second quarter €4.4 billion, third quarter €4.8 billion but I think the fourth quarter should be slightly below the number but for sure we confirm this very positive trend.

When it comes to the real estates, potential spin-off, we have lost internally a fortune now (35:53), and we are assuming to start working full time on this project at the beginning of next year. And that of course is part of our long-term plan to optimize our space and to value our assets in order also to improve our efficiency on one hand, on the other hand, improve our financial position should that be necessary.

A - Operator

Thank you.

Thank you.

The next question is coming from Giovanni Razzoli, Equita SIM.

Q - Giovanni Razzoli {BIO 7269718 <GO>}

Good afternoon to everybody. A couple of questions. The first one, can you provide us with an up-to-date the value of the realized gains on your trading portfolio as of today. So to understand what has been the sensitivity to the widening of sovereign spread after the end of the Q3?

The second question with regard to the cost structure. I was wondering whether the increased flexibility on early retirement that is being discussed by the government may provide you with additional tools to accelerate in the future, (37:04) compared with what you have already planned in your business plan.

And the last question regarding the strategic options on the asset management if any, I was wondering, what is the rationale of buying or expanding in the asset management business in terms of product factories. Is it the mission of (37:27) cost cutting of expanding the product category to other asset classes, or what could be the rationale of these moves if any? Thank you.

A - Luigi Ferraris {BIO 7424315 <GO>}

Well, let me cover the first two questions, then I leave to Francesco the last one. Updates on our realized gains, at the end of October, we have realized gain in the region of €3 billion. So, we had a reduction of about €1.3 billion versus the end of September when the spread was more less, I don't want to say like with today but not very far. So I think in the proxy could be in that region.

When it comes to the change in the retirement regulatory timeframe, well, we are not planning or we are not forecasting any significant change, in our long term plan, on our long-term pre-retirement program. So we're going to expect that this is going to impact the next few years. It could be positive in the long run but not for now. Francesco, do you want to just cover the last points, with regard to the...

A - Francesco Caio {BIO 1516226 <GO>}

Well, in general, we certainly (38:49) we want to grow in Asset Management because we see a fundamental traction (38:56) shift from traditional instrument of selling into (39:01) fund and asset management.

Now we are strong and possible (39:08) distribution network, increasing the keen (39:10) to control the quality of what we had on our shelves. And depending on the opportunities that come our way, to the extent that they are value accretive and they respond to the criteria that we have, we might look at them.

Q - Giovanni Razzoli {BIO 7269718 <GO>}

Thank you.

A - Operator

Thank you. The next question coming comes from Fulin Liang, Morgan Stanley.

Q - Fulin Liang {BIO 21126177 <GO>}

Hello. I have two questions, please. The first of all is also still the gross written premium. If my calculation is right actually, I think, if on a year-on-year basis, your quarterly gross written premium has been lower than the last year, the same quarter last year for two consecutive quarters. So is that the same, as you are seeing across the markets? So basically, the whole market is actually coming down? So that's my first question.

My second one is regarding your assets portfolio on the insurance side, where you are from what I can see your multi-asset fund proportion has been increased while your investments on the government bond has decreased. Is that because of the launch of the new product where – because unit-linked presumably probably mostly invested in the multi-asset fund. Is it because of your change of investment strategy where you're trying to just shift the investment portfolio to kind of more higher yields asset? That's my two questions. Thank you.

A - Luigi Ferraris {BIO 7424315 <GO>}

Let me start with the first one. Well, you're right. If we compare the performance of the last two quarters in terms of premium collection versus last year, we are slightly below, I would say. For instance, Q2 of this year €4.4 billion versus €4.5 billion last year. But we had the first quarter with €6.1 billion versus €4.9 billion.

All in all, we are exceeding the market evolution. So we are better than the market. We are seeing a slight decrease versus last year, but I don't think it's too much, because bottom line, we are fully in line or slightly better than our original margin (41:50). So there might have been a different distribution across the different quarter. But for now, I think the growth will continue to be there also in the third quarter. So, with respect to full year better than the last year all-in-all, slightly better, but still better, which means confirming very, very relevant important (42:12) performance.

When it comes to the breakdown of the assets, and therefore to the asset portfolio strategy in our insurance business, there are no major – first I want to say that this change is due to the specific launch of different products. Here is the results of a diversification strategy, which they seem to account this during the interest (42:43) scenario. And frankly, we continue to have more than 70% of our total portfolio related to Gavis (42:52). And therefore, we have increased our allocation into corporate bonds and the multi-asset funds. There is no specific product. There is more a diversification product (43:05). And by the way, all-in-all by substantially maintaining stable or with a slight decrease above a Solvency II ratio level.

Q - Fulin Liang {BIO 21126177 <GO>}

Okay. Thank you.

A - Unverified Participant

Thank you very much. I understand there are no more questions in the pipeline. So I think the Investor Relations department will remain available for any further requirement and in the mean time let me thank for (43:36) and have a good night. Thank you. Bye-bye.

Operator

This will conclude today's conference. Thank you all for your participation. You may now disconnect.