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CNBC Europe

Interview with Group CEO, Mario Greco

Anchor: Generali has hiked its dividend despite reporting a 12.5% fall in net profit due to one-off charges. Let's get out to Julia, who joins us live now from Milan.

Reporter: Thanks very much Geoff. As you quite rightly said, and this is far as net profits were concerned, a €400 million charge taken by the company, both a write down on their Russia operations, in fact due to the rouble weakness that we saw in the final quarter and of course a provision as far as potential charges from U.S. Authorities regarding tax payments from their Swiss business also. So if we strip that out then we get an adjusted net profit better than expected, €2.1 billion and then the news gets much better: overall premium growth better than expected up 7.7%, that was a beat. If we look at the non-life aspect of the business, growth is pretty much flat, in line though with expectations. The measure profitability, the combined ratio though is again in line with expectations right now. Better than expected risk assessment as far as the business is concerned, this is the Solvency ratio, coming in far better than expected in 2015 versus their target, at 164 percent. So this was again a message from Generali saying "Look, we've either achieved or we're on track to achieve our 2015 targets, even at the final quarter of 2014". As far as they're concerned the turnaround of this business is complete and that also reflected in what we saw as far as the dividend rate is concerned. Just listen in to what the CEO Mario Greco had to say about the turnaround and the confidence that the dividend raise displays.

Mario Greco: We completed the turnaround of the financial results of the company. We cleaned the books, we wrote off or we sold all the assets that we did not want to have in books. This makes us confident for the future and this explains why we raised the dividend, because we see that the business is creating further profitability that we expect to deliver in the next years.

R: Is the dividend also a way to reinsure investors given the situation regarding your suspension of the S&P rating? If there were concerns about potential solvency issues, this is a message to say: "Look, we're very confident with the business right now".

MG: Not really. The S&P rating is a different story. S&P decided to rate us as Italy, and we decided that it is useless to pay for such a service that we can read in the newspapers. Rating agencies should rate us, not a country. The dividend is simply what is expected to reward our shareholders and reflect the fact that the business is producing increasing profitability.

R: The net profit result though is slightly lower than numbers were expecting right now, you've taken a €400 million charge, as BSI and also your Russian operations are concerned, too. Do you think we've seen the worst as far as Russia is concerned and that the market volatility that we've seen around it, the geopolitical risk?

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MG: I am sure that we have seen the worst for us, because we devalued our Ingosstrakh stake by more than €300 million this year. Today this stake is worth slightly above €200 million. We cannot be hit anymore in a sensitive way by whatever happens to the ruble or whatever happens in Russia: we de-risked our balance sheet from Russia completely. BSI is the same story. We wrote off everything, so we took charges for the U.S. fine, we took charges for the difference between the book value and the sale price. It is completely off our books now, we close and we turn now to a different story.