S1 2020 Earnings Call

Company Participants

- Annemiek van Melick, Chief Financial Officer
- Jos Baeten, Chief Executive Officer
- Michel Hulters, Head of Investor Relations

Other Participants

- Albert Ploegh
- Ashik Musaddi
- Benoit Petrarque
- Cor Kluis
- Farquhar Murray
- Fulin Liang
- Robin van den Broek
- Steven Haywood

Presentation

Operator

Good day and welcome to the ASR Nederland Half Year Results 2020 Conference Call. This call is being recorded. At this time, I would like to turn the conference over to Michel Hulters. Please go ahead, sir.

Michel Hulters {BIO 19111905 <GO>}

Thank you, operator. Good morning, ladies and gentlemen. Welcome to the ASR conference call on the half year 2020 results. On the call with me today are Jos Baeten, our CEO; and Annemiek van Melick, our CFO. Jos will in a minute kick off as customer with the highlights of our financial results and will discuss also the business performance. And then Annemiek will delve into the development of our capital and solvency position after that and then we'll open up for Q&A.

We have got scheduled till 12 o'clock sharply, but that leaves us ample time for any questions that you may have. And as usual, please do have a look at the disclaimer that we have in the back of our presentation for any forward-looking statements.

So having said that, Jos, the floor is yours.

Jos Baeten {BIO 2036695 <GO>}

Thank you, Michel, and good morning, everyone. Thank you for joining us on this call and I hope you and your beloved ones are all in good health in those challenging times. Let me start to say that I'm really proud of the way our company and our employees have continued serving our clients during the challenging COVID-19 times. As from day one of the lockdown, we were able to work from home without any disruption. It proves ASR's digital ability. The well-being of our employees and customers service has been top priority during the COVID-19 period and it still is today.

Despite these extraordinary and challenging times, ASR is consistently delivering against ambitious targets. Today, we present strong results over the 6 -- over the first six months of the year. Our diversified business portfolio has shown to be able to absorb the COVID-19 effects as it is reflected in our operating results and our robust solvency. We are executing our strategy diligently and the acquisition of the BND IORP fits well in this. And as we announced earlier, we are resuming dividend payments and a share buyback program offering an attractive capital return to our shareholders.

Without further ado, let's turn to the financial highlights on Slide number 2. As this dashboard shows, our performance in 2020 has been really strong. Operating result of EUR446 million is only EUR18 million lower than the record first half year of 2019, and this includes a negative impact of EUR3 million from COVID-19. Our solvency II ratio still based on the standard formula, further increased with 5 percentage points to a solid 199% after the 2020 interim dividend and the share buyback of EUR75 million. Before subtracting these capital returns, our ratio stood at 203%. As it was our full intention to make up for the postponed 2019 final dividend, we never added the amount back in our solvency, so the 199% is really after everything.

Organic capital creation amounted EUR298 million. Despite higher UFR drag due to lower interest rates, the strong performance of our business delivered a stable outcome compared to last year. Operating return at 14.8% is well above our target of between 12% and 14%. This number is somewhat depressed by the postponement of the final dividend. If we wouldn't have postponed in the first half year, the number would have been 15.1%. The combined ratio improved further to 92.9% ahead of our target of 94% to 96%. This includes a positive effect of corona impact of roughly 2 percentage points.

The operating expenses increased by EUR34 million, and this was mainly driven by acquisitions, holding costs and growth of our fee based business. Based on the strong performance and in line with our existing policy, we have set our regular interim dividend to EUR0.76 per share. So in sum, we have shown a strong result over the first half of 2020.

As mentioned, we resumed our share buyback and dividend payments. Since our IPO in 2016, we have built a strong record of returning capital to shareholders driven by higher operating results and supported by a robust balance sheet. During this period, ASR has returned over EUR1.4 billion of capital to our shareholders via dividends and share buybacks. This roughly equals 35% of our market cap as per half year.

As the graph shows, our solvency ratio has remained robust and safely above the return thresholds in any of the past years. Our dividend threshold at 140% solvency II and if above 180%, then there's room for additional capital returns. Also our dividend payout ratio has been on the lower end of the range of 45% to 55% of the net operating results attributable to shareholders. This provides some cushion to absorb potential volatility in results.

We will continue to allocate our capital rationally. If sufficient capital remains from the targeted OCC of EUR500 million in 2021, after investing in organic growth, inorganic growth and market risk and as long as we are above the thresholds, we will decide on capital returns to shareholders. As you might remember, we have the clear intention to buyback EUR75 million of our shares for the book years 2019, 2020 and 2021. This way, we can grow our business profitably and meanwhile offer an attractive capital return to our shareholders.

Now, let's turn to the next slide for our non-financial achievements. Our strategy will continue to focus on sustainable long-term value creation. We take our role as sustainable company in society very seriously. Our ongoing focus on customer service has led to an increase in the Net Promoter Score from 44 to 47 positive, already well above the medium-term target of 44. One of the drivers behind the increase was the more personal contact with customers during the COVID-19 outbreak.

Due to the lockdown, our employees worked from home and reached out to customers who were also working or staying at home. Being in the same situation really helped creating a positive experience between employees and customers. Moreover, our CO2 footprint has been measured for already 91% of our investment portfolio and with over EUR1.2 billion investing in impact investments, we have already met the target for 2021.

Due to the lockdown restrictions and social distressing rules, our employees have not been able to do any of the activities we typically do for society. As such, the employee contribution to local society has decreased with roughly 60% and is not expected to meet the target for 2020 this year.

So having said that, let's continue with the impact COVID-19 has on our employees, our customers and our business. In periods like this, our first and foremost attention goes to the health and well-being of our employees and customers. Starting with our customers, we continue to offer suitable solutions for customers who have been impacted by the COVID-19 crisis. For instance, we have received requests for temporary pause on premium payments, mortgage payments or rents.

So far, these numbers are relatively small, think about in total, less than 1000 requests on the total customer base of approximately 1.5 million customers. Hence, we were the first insurance company to have face-to-face contact again with intermediary, which was highly appreciated. This helped to continue to deliver on our organic growth targets.

In March, we instantaneously moved to fully working from home. This went very smooth. We are using a MoodMonitor to track the employee morale and we were very happy and proud with the outcomes. Our approach since 2012 to build one culture based on time and place independent working, proved to be a very strong foundation for managing the current crisis. In the meantime, our offices have been adjusted to the social distancing measures and make our office a safe working space for just a limited number of employees today.

On the financial side, we have observed a negative impact as said in the introduction of EUR3 million on our operating results so far. This consists of a negative effect in our disability business of roughly EUR50 million due to unfavorable claims experienced, limited possibility of visiting of our vocational experts and delay in the reintegration processes. In our P&C business, we have observed tailwinds up to roughly EUR70 million due to less traffic and less burglaries towards the end of the first half year. This trend by the way has been normalizing.

In our Life business, market conditions have lowered dividend and rental income and increased UL provision, leading to a roughly negative effect on our operating result of EUR25 million. And finally, our IFRS net result is significantly lower primarily due to the decrease in indirect investment income and a goodwill impairment in Life, both due to financial markets impact of COVID-19. Please note that the decline in the net IFRS result, which we report today is not fully driven by COVID-19. In last year's number, we also reported a purchase gain of EUR88 million on the acquisition of Loyalis, which is of course a non-recurring item.

Let's move to Slide number 6 and talk a bit about the business strategy and how we're doing. Some business developments I would like to highlight there. Earlier this year, we announced the intention to bring the reintegration activities of Keerpunt to ASR, of which we already owned 50%. This expands our expertise in the field of reintegration and sustainable employability and creates additional value for our customers.

In the Life Department, we delivered on creating synergies by reducing the number of applications. Also, we have successfully migrated part of the Loyalis portfolio. The remaining part will be migrated in the third quarter of 2020, also advantage of scale is created by the acquisition of VvAA Life, which will be integrated before the end of the year. Our fee based business are doing very well. Third-party assets under management have increased EUR0.5 billion to EUR21.2

billion and was mainly driven by growth in the mortgage funds. With a strong mortgage pipeline, mortgage origination is expected to exceed the target of EUR5 million for 2020.

Today, we also announced the acquisition of the Brand New Day IORP. This acquisition contributes to the growth in the DC pension market and gives ASR a #2 position in the Institutional Occupational Retirement provisioning, I'm only going to say that once during this presentation market. Including the Brand New Day IORP DC assets under management increased over time to EUR2.5 billion. And lastly, we have transferred the remaining accounts of the divested ASR Bank to Van Lanschot Kempen. This means the recently announced obligation of including banks in the solvency II ratio of an insurer will not affect ASR at all.

Now, let's move to Slide 7 and elaborate a little bit on the acquisition of the Brand New Day IORP. We are very pleased with this acquisition because it fits in our strategy nicely. The acquisition of the remaining 50% stake in Brand New Day raises our DC market share to 15%, adding almost 6,000 employers as a customer. The Brand New Day IORP is originated in 2011, and has already 145,000 active participants and employs 52 employees.

Roughly EUR1 billion of DC assets under management are added to our portfolio in 2022. The transaction fulfills the strict requirements ASR has on acquisitions and delivers over 12% return on investment after integration. This is calculated over the total investment of EUR55 million, which represents the cash outlay of EUR52 million and the estimated EUR3 million of integration costs. The transaction will have no meaningful impact on our solvency II ratio.

We expect migration to take place from 2021 to 2023, and we are planning to transfer the asset management activities in 2022. The expected net operating result after costs and synergies and OCC equal EUR8 million as from 2024 with more potential in the years thereafter. This acquisition confirms our strategy to grow in DC pensions and increase the third-party assets under management. Closing is expected in the beginning of 2021.

So let's now turn to Slide 8 and talk about the group operating results. For the last couple of years, our strategy has been focused on managing our Life books as efficient and stable as possible, whilst pursuing organic and inorganic growth in our Non-life and Asset Management and Distribution businesses with a goal to both mitigate the runoff in Life and further diversify ASR. By doing so, we increased the operating result of our Non-life business from EUR62 million in half year 2016 to EUR124 million this year, and that of our Asset Management and Distribution business, i.e., our fee business from EUR12 million in 2016 to EUR28 million in the first half of this year. This further diversification helped us mitigating the aggregate impact of COVID-19 in H1 to a negative of only EUR3 million so far.

Within the various business lines, we see different impacts of COVID-19, the already mentioned EUR25 million negative in Life and an aggregate positive effect of EUR23 million in Non-life existing of minus of EUR50 million in disability and a positive effect of roughly EUR70 million in P&C. Excluding the COVID-19 impact, our operating results decreased by EUR15 million, largely related to the increased holding costs for higher current net service costs for our own pension scheme and additional interest expenses related to the EUR500 million Tier 2 placed in April of last year.

We obviously also benefited from an additional EUR20 million contribution from Loyalis, which was only included for two months in H1 2019. However, this EUR20 million was offset by Ciara and Dennis storms for roughly EUR11 million and some reserve strengthening for P&C related to an industry-wide lowering of the actuarial interest for the bodily injuries due to court rulings, which amounted roughly to EUR8 million. Underlying our business showed strong operating performance with improved efficiency levels in both Life and Non-life.

Let's talk a bit more about Non-life. A solid performance in Non-life including COVID-19 effects with operating results remaining stable at EUR124 million. Overall, in the first six months of this year, COVID-19 had a positive impact on Non-life aggregate of EUR23 million. This includes the already mentioned headwinds in our disability business and tailwinds in our P&C business.

In our disability business, vocational experts could not visiting clients due to the lockdown restrictions and reintegration processes were delayed. However, the negative effect observed in disability does not only include COVID-19 effects in our sickness leave portfolio. We also observed an unfavorable claims experience like the whole market has. As said, this seems to be a market phenomenon. We expect further price increase later this year. Also the application of lower interest rates and strengthening of provisions had a negative impact on the performance of this business.

Within P&C, we observed a positive effect compared to last year's H1, mainly due to COVID-19 impacts, less claims in motor and fire due to fewer accidents and burglaries, and this is absorbing the claims from Ciara and the impact of lowering the actuarial interest rates for personal injury. This leads to a combined ratio of 99 -- 92.9% for both P&C and disability together, beating the target of 94% to 96%. If we would adjust for the COVID-19 effects, the combined ratio would move towards the middle of the range of the 92% to 94%. The cost ratio by the way decreased, which is driven by a higher gross written premium whilst realizing at the same time cost synergies from the Generali Netherlands IT migration. So all in all, we became more efficient.

Organic growth in gross written premium for disability and P&C amounted to 6.9%, exceeding our target of 3% to 5% per annum. We would expect to normalize this a little bit in the second half of the year. The acquisition of Loyalis and Veherex have increased our disability gross written premium with over EUR160 million. At last, the increase in health gross written premium reflects the strong interest of customers in the new benefit in kind insurance product.

Let's move to Slide 10 and talk a little bit about Life. Some highlights to mention here. Operating result of Life segment decreased by only EUR9 million to EUR361 million despite the EUR25 million negative impact from COVID-19. If you relate this to the total operating result, we believe this is a benign impact. The EUR6 million higher investment margin despite EUR20 million hit in direct income due to COVID-19 and the EUR5 million positive result on costs were more than offset by EUR5 million increase in UL provisions compared to last year due to the COVID-19, various other smaller non-recurring incidentals and high mortality results in the first half year of 2019. This explains the EUR20 million increase you see on the slide under technical and other.

We did not see a significant effect of COVID-19 on mortality results, whereby we observed excess mortality at the beginning of the outbreak, which was offset by lower mortality than normal towards the end of the second quarter. At this moment in time, mortality in our portfolio seems to be roughly equal to 2018, where we had a bit more of flu in the beginning of the year. The higher investment margin was driven by higher direct investment income from acquired portfolios and income from the derivatives portfolio. This was partially offset by lower dividends on equities and this was all COVID-19 related.

The amortized realized gains are lower due to a swap recouponing program in H2 2019. And this is offset within direct investment income. The required interest showed a decrease of EUR8 million due to the slightly run-off of the individual Life portfolio. Gross written premiums grow with 18.8%, the additional contribution from Loyalis were EUR59 million and the pension DC portfolio growth of 42% exceeded the decrease of the existing DB Pension portfolio.

At the same time, we continue to focus on our cost levels. Life operating expenses expressed in basis points of the basic life provision improved to 47 basis points, last year we ended with 53 basis points. And this is in line with our target of 45 to 55 basis points targeted to be reached latest in 2021.

Let's now turn to the other segments of ASR which are also gaining traction and this is on Slide number 11. Operating results of the two fee generating segments Asset Management and

Distribution and Services combined amounts to EUR28 million, up from EUR23 million in our record first half year of 2019. This confirms that we are running ahead of the medium-term target.

Asset Management showed a strong increase to EUR15 million driven by higher fees from continued strong inflows and positive revaluations. Also external mandates contributed mainly driven by our recently announced mortgage funds. The operating result of the Distribution and the Services segment increased to EUR13 million, mainly due to small acquisitions and combined with organic growth.

To finalize, before I hand over to Annemiek, operating result of the Holding amounted to a minus of EUR67 million. The decrease is mainly driven by higher net service costs for our pension plan due to lower interest rates and the increase in interest expenses of EUR6 million from the EUR500 million Tier 2 subordinated liability as placed in 20 -- in April 2019.

And with that, Annemiek, I hand over to you.

Annemiek van Melick {BIO 20317450 <GO>}

Thank you, Jos. Well quite a few things happened since the last Analyst Call in February. But I'll try to be brief and take you through the highlights of those developments within our balance sheet, solvency figures and spend some time on our -- on the composition of our investment portfolio.

If we start with Slide 13, which is the stock slide on solvency. It's good to point out that our solvency remained resilient. Despite the impact of COVID-19, we ended up at 199%, up 5% versus where we ended at year end '19. All of that is based on standard model obviously. Now within the 199%, we absorbed a further UFR decline of 3.75% and UFR 3.75% reflecting 3.5 solvency points, and we also observed obviously the restarted capital returns of 4.5% points.

In addition, there were some minor impact of the VvAA and Veherex acquisitions, which we closed in January representing 1% solvency point. Our eligible own funds grew EUR365 million to close to EUR8.2 billion, including an increase of EUR347 million of unrestricted Tier 1. If you would exclude the EUR121 million of UFR reduction and the EUR180 million of capital return, we would have had over EUR650 million of own funds, which was really mainly driven by business capital generation and market developments. Our unrestricted Tier 1 capital represents 149% of the SCR and 75% of total loan funds. We didn't issue any hybrids in H1.

In terms of the required capital development, our SCR rose by EUR83 million, which was mainly driven by the increase in insurance risk, largely for Life and mainly due obviously to the effect of lower interest rates on Life, some premium growth within Non-life and obviously the acquisitions of Veherex and VvAA.

Market risk remained stable, as the increased SCR for interest rate risk due to lower interest rates was mitigated by lower SCR for equities driven by share price developments and the lower SCR for real estate driven by some derisking there. Now, we did optimize our portfolio including some rerisking and less liquid assets, I think about EUR1.5 billion of which we did around EUR500 million in credits and around EUR1 billion in additional mortgages and some minor component into equities. However, that optimization or rerisking didn't really lead to an increase in market risk or in counterparty risk as far as the mortgages are concerned.

We also monitor our solvency on a more economic scenario, which uses UFR of 2.4% and our solvency ratio based on that UFR of 2.4% actually remained solid and increased further from 153% at year end to 159%. It's good to point out that we still have ample room -- ample headroom within our solvency II framework, it is actually growing, where we could still add EUR1 billion of unrestricted Tier 1 and over EUR500 million of Tier 2/Tier 3 headroom. All in all, our solvency level of 199% post, and if you use a pre-dividend and share buyback figure, 203% based on standard model with ample tiering headroom represents a strong figure to go out with.

Now, if we turn to the next slide and talk a bit about the flow that we've seen. You can see that starting at the 194% level at full year, the acquisition of VvAA and Veherex, as I said, had a negative impact of 1% point. We added over 7% points in solvency due to the OCC generation, and we also had a positive contribution of 3% for market development and other effects. We subtracted -- we are about to subtract the EUR180 million capital obviously related to the regular interim dividend and the buyback and that EUR180 million capital is absorbed in our solvency ratio, it's around 4.5 solvency points.

Now, if you really look at the OCC to get a feel of ASR's own capital generation, it's good to point out that it's relatively flat versus the last year. It's EUR298 million now versus EUR299 million last year, whilst actually absorbing an increased UFR drag of EUR38 million. And that's basically absorbed by an increased business capital generation and to a lesser extent some increased release of capital.

Within the business capital generation, i.e., the capital, ASR has really generated itself by running the business or underwriting results, investments, results and fee income that increased by EUR32 million to EUR283 million. It's -- there're kind of three main reasons for that. It's largely driven by a higher technical result and non-economic variance. It's also driven by higher investment returns, and there is also additional fee income of our business compared to last year.

The release of net capital also increased, as lower interest rates led to a higher SCR release and risk margins. In terms of technical movements, those are almost fully driven by the UFR drag, which decreased our OCC by EUR96 million. The UFR drag actually increased by EUR38 million year-on-year which includes an echo from last year of EUR18 million and EUR20 million additional UFR decline -- drag due to rates movement since December '19. All in all, it's a solid OCC, where we were able to cover the increased UFR drag.

We also benefited from a positive contribution of 3% from markets and other developments and despite a 3.5 percentage point negative impact of the further UFR reduction, that a 3% increase more than compensated -- actually was driven by an increase in the VA, which more than compensated the negative income from the further UFR reduction. If you look at the EUR298 million that we generated in OCC for the first half year, it's good to bear in mind that, that OCC shows some seasonality and specifically within the net capital release bucket due to the typical Q4 sales season for part of our disability business. And to bring back a memory of the EUR501 million OCC we generated last year, EUR299 million was generated in the first half of that year.

Let's turn to the investment portfolio on the next slide. Given all the direct and indirect impact of the COVID on various asset classes, we thought it would be good to give you a brief overview of our entire investment portfolio. Of the EUR52 billion that we have invested, close to EUR70 billion is actually fixed income. Now of that EUR35 million fixed income portfolio, within that we run a sovereign book which has an average credit rating of AAA, AA. We run a corporate and financials book which has an average credit rating of A.

And if you look at the exposures that we have within our corporate books, we have very limited exposure to sectors that are currently under pressure, such as oil and gas, transportation or if you think about COVID letter, the letter are actually non-existent in terms of investments. It's fair to say that we haven't seen any defaults here in H1 and only a very negligible amount of downgrades were observed. To give you an indication of the rating migration risk, if 20% of the entire corporate and financial credit portfolio would experience a full added downgrade, i.e., 3 notches. This would result in approximately 4% point impacts on our solvency II ratio.

Now moving from the fixed-income part of our portfolio to the real estate part. Our real estate portfolio constitutes EUR4.2 billion which is around 8% of our total investment portfolio. Now of that EUR4.2 billion, 1.6% is actually invested in rural real estate representing 3.2% of our total investment portfolio. We have around EUR800 million or 1.6% of our total investment portfolio invested in retail. That retail exposure is kind of twofold, slightly over EUR600 million is indirect exposure via ASR Dutch Prime Retail Fund in which we currently have a stake of 43% and the remainder of that EUR800 million minus EUR 625 million exposure is actually some direct exposure that we still have ourselves.

Our Dutch Prime Retail Fund invests for roughly one-third in food-related district shopping centers, i.e., supermarket related centers and for two-third in high-quality retail shops industries in the larger cities. Obviously that supermarket part is less sensitive to the COVID-19 situation, while we do obviously see some impact on the high-street retail part. Having said that, the EUR800 million total retail portfolio is only 1.6% of the total investment portfolio that we have.

We also have a mortgage book which currently equals around EUR9.7 billion or 19% of the total portfolio. And that mortgage book is 38% NHG covered and has an average LTV of 74%. In general, we've not seen any significant increase in arrears due to COVID so far. Arrears maintained at about 5 bps, which is the level equal to where it was at full year end '19, nor have we seen actual rise in credit losses. And Dutch mortgage market in general has shown quite some resilience. During the last financial crisis, credit losses remained the lowest within Europe and whilst house prices came down over 30% and so far, we're relatively comfortable with the mortgage position as we currently are and we may actually extend that a bit further into H2.

Our total market risk is about 43% of our total risk pre-diversification, a level which we are comfortable with and also below our threshold of 50% pre-diversification benefits. Risky assets as a function of unrestricted Tier 1 decreased to 94% as both equities and real estate value declined, while unrestricted Tier 1 grew as I indicated before.

Our asset portfolio is as far as we're concerned robust against the financial uncertainty and it also offers some further room for asset optimization. As said, we did some rerisking into credits and mortgages and for H2 we are contemplating a bit of further optimization of the portfolio and potentially some further rerisking into mortgages as well.

A couple of words then on the balance sheet. You are familiar with it. Not a lot has happened here. So, I'll be short there. We continue to have ample tiering flexibility, headroom actually increased further EUR1 billion Tier 1 and EUR500 million Tier 2, Tier 3. Our financial leverage decreased further to 28.4%, it's well below our maximum of 35% and if you would actually adjust there for some shadow accounting and capital gaining resource, which is more in line with what the industry does, you can subtract another 5% there.

Double leverage decreased to close to 99% and our interest ratio dropped. Our interest ratio is based on our IFRS net result and it actually took a COVID crisis to get that within our targeted range between 8% and 4%, obviously we're still happy with that figure. Solvency ratio for the group remained strong. Ratios for Non-life and Life entities are 158% and 186% which is well above the respective targets that we have there of 150% and 160%, respectively.

A quick word on our liquidity position, before I hand back to Jos. Holding liquidity at the end of the period is EUR608 million, which is up from last year, mainly due to the postponing of the EUR160 million final dividend and the EUR24 million of buyback. The position is aligned with our policy, which basically is to keep the cash at work in the operating companies and only upstream the cash to moving expenses, coupons and dividend, i.e., we don't remit more than we actually need at the holding.

We have an unused RCF of EUR350 million within -- still at our availability. We did upstream cash from Life and from other entities, Life was around EUR290 million, other entities around EUR8 million. There was no need to upstream more. As I said, it is in line with our policy. Debt maturity profile, as you can see, is very robust and the next maturity date is not until 2024.

And with that, I'd like to hand it back to Jos for final wrap up.

Jos Baeten {BIO 2036695 <GO>}

Thank you, Annemiek. Well done. And let me summarize briefly and conclude that ASR is a very strong position and we delivered again a very solid performance. During the COVID-19 pandemic, the well-being of our employees and the quality of our customer service has been top priority. As a result of this focus, our business -- all of our businesses are running very well. Looking ahead, we are positive about the commercial and operational outlook for ASR. We are very pleased to continue dividend payments with 9% EPS growth and we also showed solid progress in executing our strategy and demonstrating financial discipline.

Today, we announced the acquisition of Brand New Day IORP and remain interested in growth through small and medium-sized acquisitions. Our strong capital position provides sufficient scope for this.

Looking forward, acknowledging that our performance in 2020 H1 was only slightly lower than in our record first half year of 2019, we expect our 2020 results to be slightly north of the mid range of 2019, 2020 results. Thus, we have become somewhat more positive on the full year than we were after the Q1 update.

Having said that, I hand over to the host and we're willing to take any questions you might have.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) We can now take our first question from Cor Kluis. Please, go ahead.

Q - Cor Kluis {BIO 3515446 <GO>}

Hello. Good morning. Cor Kluis, ABN AMRO. I've couple of questions. First of all on the good OCC figures. Could you split out what the positive experience variance was? You said some positive noneconomic variance, and of course, that's the Non-life. I am especially interested in the Life positive experience that we saw then and group traffic in the presentation. But could you comment on that? You said on IFRS, there was not much impact of COVID-19 in Life but maybe on the OCC, it might be. So that's one.

Second question is on the UFR strain on Slide 14. You mentioned of course that the technical movement is EUR96 million negative in the first half. If the rates would remain as they are as of today, what would be this figure or the technical movements of the UFR strain in the second half of this year? So this figure would be a little bit higher?

And third question is about what do you see currently in the Dutch market and disability and P&C claim development? That's a little bit more people on the road now, so maybe on the P&C, if there's some adverse effects? And in disability, when -- or do you already see some improvements on the claims there? Or what is required for getting that improvement?

And last question, this was just a semantic question. On solvency II ratio, you said you're -- in your introduction, our solvency II ratio is still based on the standard formula. Is there an intention to call it still based or are you looking to an internal model or not? So those are my questions.

A - Jos Baeten {BIO 2036695 <GO>}

Well, let me start with the claims development and then Annemiek will talk about the other questions. What we currently see and I at least try to mention it, in the first half, we have seen less claims in burglary in car and in the second half. It actually turned back to normal with maybe a bit different splits in bodily injuries. In normal years, bodily injuries are mostly caused by accidents between cars and we have seen an increased number of bodily injuries due to accidents where bikes are involved. Obviously, Dutch people were already a lot on bikes, but that increased further during the crisis. So we see an increase of bodily injury due to bike accidents. Not yet up to the level where it used to be in normal years, but -- actually we're close to normal now. Same for burglary claims.

So actually, in P&C we expect the second half a more or less normal year. In disability, we have observed increased claims over the first months. The number of new incoming claims have normalized as well in the individual disability business, as in the group business and sickness leave business. However, we are still not yet at the level of dealing with the already filed claims in the first part of the COVID-19 crisis. It just takes more time to reach out to people to have discussions with people. So we expect that the second half of 2020 in disability will be a bit better than the first half but we definitely will not be back at the levels we're used to.

So I think that would answer your third question and Annemiek is happy to take the other two and a half questions.

A - Annemiek van Melick {BIO 20317450 <GO>}

Hi, Cor. Your question related to the non-economic variance and technical result. Let me help out there a little bit. If you look at the increase in business capital generation, which is the EUR283 million which actually was an increase of EUR32 million versus last year. It's fair to say that the majority of that is through our additional excess returns, that's around EUR80 million. We've also added some more fee income from net or operating entities, which already gets you to over EUR20 million of that EUR32 million. Now the remaining part is either within technical reserves or non-economic variance. Within that non-economic variance, we don't have any Life impact. This was mostly related to Non-life, or actually only related to Non-life.

And I recognized the comments you made that some other insurers have maybe refer to it, but we have not seen -- we don't have within our OCC any non-economic variance on Life related to longevity, IDR or whatsoever. In terms of the UFR drag, the drag that we currently show here of EUR96 million, it's fair to -- if interest rates would remain at the levels where they currently are, you could actually double that in terms of product for the next half year.

And then the comment that Jos made on, our solvency is still being based on a standard model, it's more related to point out and I guess we don't need to do that for you guys, because you're well aware that we're at a standard model that we are at a standard model. And having said that capital optimization is something we will always be looking at. There are various things we could do ranging from longevity trades to -- for the stuff on hybrid or actually moving towards an internal model. This point in time, there is no specific need to do so, but be assured it's always on our mind to review.

Q - Cor Kluis {BIO 3515446 <GO>}

Okay. Thank you. Thank you very much.

Operator

We can now take our next question from Albert Ploegh. Please go ahead.

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes, sir. Good morning. The question also on the seasonality effect from the disability book, and also when looking at your full-year presentation on the 501 million OCC at the time, there was a new business strain of around EUR120 million. Now the strain at least on the disability part is skewed towards Q4 with the renewals. Is this still your working thesis that it will be around that level or you have indications that it could be materially different than the EUR120 million? And just for completeness sake, what was the absolute level of new business strain in the first half?

And the second question is on the disability also on the self-employed side, maybe you can give -- or, remind us again how big that part is for total premiums?

And then what kind of behavior do you see at some of the clients? Are they potentially lapsing policies? As for most it is a potentially an expensive policies or some savings? Or yes, but what kind of behavior do you see, let's say, on the client side and maybe also on the group disability as well? Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

Yes, let me first go into the second question. Before we acquired Loyalis, it was roughly 50-50, the gross written premium in individual business and in more group oriented business. Since we acquired Loyalis, that number shifted a little bit and today roughly 40% is in the individual business and 60% is in more group oriented business. The behavior of customers in individual looks a bit like what we have seen in the group portfolio in sickness leave that at the beginning of the crisis, we had more claims filed also from individuals. We've dealt with that since we were able to visit clients again. Today, the inflow of new claims from individual -- from the individual portfolio is at a normal level. But we're still dealing with the inflow of claims that we had during the first half year.

So as from today, we don't expect any adverse additional claims in the individual portfolio, assuming that there will not be any further lockdowns, et cetera, which hopefully will not happen. So I think that, that's the answer to your question, Albert. And the first question on OCC, will be taken care of by Annemiek.

A - Annemiek van Melick {BIO 20317450 <GO>}

Yes, Albert. In terms of new business strain, you kind of have to see that on an aggregate level. Obviously, It's the release of capital, new business strain you kind of communicated, right. You add new business, the new business strain has a negative impact on SCR and kind of it flows out through the rest of the year. What we saw last year was actually a net capital release of around the EUR100 million in H1 and it actually reveals around flattish in H2, total of net capital release, i.e., corresponding, will be current EUR111 million that we have disclosed now.

We haven't seen any deviating patterns on the new business writing capability of our disability business line so far. So the GWP generation hasn't really been affected yet by COVID. There could be some impact on it in H2, but by and large, we have no reason to currently estimate a completely different impact of the business range and impact therefore on net capital release for H2.

Q - Albert Ploegh {BIO 3151309 <GO>}

Thank you very much.

Operator

We can now go to our next question from Robin van den Broek. Please go ahead.

Q - Robin van den Broek {BIO 17002948 <GO>}

Yes, sir. Good morning, everybody. Thank you for taking my question. Sorry to come back to OCC, but I was just looking to get an answer on H2 versus H1. I think you're indicating that the seasonality in D&A is probably around EUR100 million negative H2 versus H1. You compare it to last year H1 versus H1 was roughly flat, just slightly down. So I was just wondering how you're looking at this for H2. Do you think you can also get close to that EUR200 million? Or will there be some negatives coming in? I guess your excess spread will be lower in H2 and maybe the net from Non-life where P&C normalizes a little bit quicker than D&A might also be a net negative. So your thoughts there would be very helpful.

Secondly, on capital return, it's good to see the Dutch Central Bank made a U-turn there. I was just wondering if you can comment on how they look at capital return. I think to give an example, I think from your IPO, you've always seemed to indicate that your level of capital generation is sort of the maximum you can do. Is that still the best way of looking at it? Or are there other thresholds to take into account going forward?

And lastly, I just wanted to ask you on your M&A pipeline. Good to see more substantial deal come through today. Just wondering if you see more opportunities at the moment. Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

Well, let me start with the question on how we think DNB looks at capital return. I think from a DNB perspective, it is very important that every company has its own way of looking at capital hurdles, et cetera. So we have set our capital return hurdle for dividend, for example, at the EUR 140 milllion for additional capital returns, the EUR 180 million in share buybacks, what is important from the DNB perspective is that you stick to your own criteria.

And further on, they expect you to take into account not only a view on the regulatory solvency, but also a view on what is underlying economically really happening. That's why we've been always clear that if you would more look at an economic basis on our solvency, that we don't calculate with the UFR, but that we have lower debt towards what we expect to be the normal returns on -- the normal long-term returns on our investment portfolio. And currently, we assume that, that will be 2.4%. So that's why we also look at economic solvency.

And as long as you are within your own policy combined with an economic view, DNB is willing to take any discussion on capital returns. But from their perspective, the most important is that you stick to your own way of looking at capital and your own policies. And that's why we of course had discussions with DNB on the capital -- on the recent capital return, but those discussions were not different from discussions we had in 2019, 2018, 2017, 2016, et cetera. So, I think there is acknowledgement for the strong balance sheet of ASR and the way we run the company and capital.

(Multiple Speakers)

To your first question -- yes, go on.

Q - Robin van den Broek {BIO 17002948 <GO>}

So from that perspective, you don't see any risk basically to continue to deliver on your capital return promises you made earlier in the year?

A - Jos Baeten {BIO 2036695 <GO>}

Well, we've always said if and when our capital remains strong and above EUR 180 million, and we will judge that in February next year when we present our full-year numbers 2020. We still have the intention to come up with a second buyback of again EUR75 million like we announced at the full-year numbers last year. So from that perspective you never can predict whether you're going to face any issues, but based on everything we know today and our view of today, the answer to this question is no, we don't expect any severe issues in that. And there will be always discussions and I think that's good.

On your second question, M&A. Like you, we were happy to announce this transaction and to use a part of the OCC generated in -- for inorganic growth. We never comment on what might be next, but we're still hopeful that over the next couple of years, we now and then will be able to do smaller M&A or medium-sized M&A. We still see opportunities. There might be some opportunities still in Life, hopefully over time also in Non-life business. So we're optimistic and at the same time our focus remains on delivering on organic growth because that is what we can see directly today.

So the first question was again on OCC and I hand over to Annemiek for that.

A - Annemiek van Melick {BIO 20317450 <GO>}

Hi, Robin and I guess you're basically asking whether we will make the EUR500 million again next year -- or this year in total. And listen there are a couple of uncertainties there. I mean first half year, in line with last year, we see where we absorbed the additional UFR direct. Looking forward to the second half, unsure ultimately what the UFR drag will be because interest rates can still move. It will be largely driven by the way our excess returns will continue to develop, we did some rerisking and we'll reap some of the benefits of that. But obviously it is very depending on how spreads will move within the buckets, the market observable spreads that we use there.

And in addition on the disability and on the new business strain there or in total in the net capital release, it is really up to what the disability business and the impact of COVID there will be on the second half of the year, and that's whether it's for operating results or whether it's for the implications for net capital results in OCC, that's among the hardest thing to actually assess at this point in time. Will companies maintain the same level of employees that they currently have? Will they actually seek for collective visibility? How will the individuals continue to look for disability products? So they're both in terms of volume, but also in terms of value because we did do some repricing there. It's -- the jury is still out to see how that will develop in the second half year.

So we're not pessimistic there at this point in time, but it really depends on where interest rates will move, how market observables spreads will go and what will actually happen with the both volume and pricing of the disability business in the second half of the year.

Q - Robin van den Broek {BIO 17002948 <GO>}

But based on the market standings for Q2 or today, you wouldn't dismiss the feasibility of that EUR500 million basically, is that a short summary of the question? Or -- okay, again it's difficult to be precise with all the moving parts with it. Okay. Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

You have always says we are not pessimistic. You should draw your own conclusions.

A - Annemiek van Melick {BIO 20317450 <GO>}

Yes. It just remains a very lumpy thing to predict these, specifically due to the disability business. That's why we have a little bit mindful here.

Q - Robin van den Broek {BIO 17002948 <GO>}

Thank you again.

Operator

We can now take our next question from Benoit Petrarque. Please go ahead.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Yes. Good morning. It's Benoit Petrarque from Kepler Cheuvreux. Yes, a few questions on my side just to maybe to come back on the UFR drag. Could you repeat the kind of drag into H2 at current rates or the doubling of the effect? But I think it was EUR96 million, which kind of doubling will make it a bit too negative. So could you help us to quantify that one?

Could you also maybe comment a bit more on the market observable spreads at the end of H1? And what do you see currently to just help us to model the OCC again towards -- for the rest of the year?

The third one was on maybe on a business we don't talk about much, but the health business which contributed really on the growth return premium on Non-life, which were I think 9% organic, mainly due to the health segment. Kind of this new business, which was quite impressive in H1, kind of how much combined ratio do you expect to generate on this new business, just to get an idea on whether that will be a profitable business or not?

And then sorry to come back on disability. Maybe speaking more about 2021 and not just H2, where -- I mean you do see a bit of normalization there, I understand. But not just talking about an environment where macro will be more difficult, while some corporates might go bankrupt as well at some point in the cycle. How do you see the disability combined ratio moving on an underlying basis more in 2021? Thank you very much.

A - Jos Baeten {BIO 2036695 <GO>}

The questions on the OCC and the market observable spreads within that, will be taken by Annemiek. On health, yes, we have seen growth there. The targeted combined ratio in health since the IPO has been 99% and a business we've currently written will -- as far as we can judge it today deliver within that target. We had significant growth in the health portfolio. Overall the quality of that growth seems to be good enough or even be better than what we had in our portfolio to deliver on that target. So yes, it is profitable.

On your disability question. Actually, the answer is maybe not as clear as you would hope for. It's all going to depend on how many companies will be bankrupt in the remaining part of the year and the current year. We're a bit more positive than we were at the end of Q1. And also CPB has been a bit more positive. We have up until now used the two scenario of CPB that are most forceful, CPB 3 and 4. Recently, they have said that they expect to come more close to the light scenario to CPB 2. If that's going to happen, then there is reason for some optimism next year. But to be honest, it's going to depend on how economically the Netherlands will do going further. Up until now, I think there's reason for more optimism, but it's going to depend on how we as citizens behave and whether the government or cities think it's going to be necessary to have further closedowns going forward.

For the first two questions, Annemiek, I hand it over to you.

A - Annemiek van Melick {BIO 20317450 <GO>}

Ben, your question on the UFR drag, we didn't mean double in a way that it would be EUR119 million in H2, but I think you can just extrapolate the EUR96 million, so add another EUR96 million for H2, if rates are to stay at the current level.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Right.

A - Annemiek van Melick {BIO 20317450 <GO>}

And in terms of spread and spread movements, what we've seen there at the end of the quarter, obviously for excess return we use the fixed spreads for shares and for real estate. What we've seen there for corporates, would be anything around 130, 140 bps sovereign noncore around 20 bps. That's probably the figure to work with there.

Q - Benoit Petrarque {BIO 15997668 <GO>}

And on the mortgages?

A - Annemiek van Melick {BIO 20317450 <GO>}

On mortgages, we are currently at around EUR 150 million.

Q - Benoit Petrarque {BIO 15997668 <GO>}

EUR 150 million?

A - Annemiek van Melick {BIO 20317450 <GO>}

EUR 150 million.

Q - Benoit Petrarque {BIO 15997668 <GO>}

EUR 150 million, yes, okay. Cool. Thanks. Thank you very much. (Multiple Speakers) I know this is a bit of margin pressure of it.

A - Annemiek van Melick {BIO 20317450 <GO>}

Not that much. Thank God.

Operator

We can now take our next question from Fulin Liang. Please go ahead.

Q - Fulin Liang {BIO 21126177 <GO>}

Hi. Thanks, and good morning, everyone. That's very good results. I have a couple of questions. So the first one is that on the Page 32 of the slides, I noticed that the credit loss of your H1 is actually just 1 bps, which is unusually lower than the -- than just a normal average year. So I wonder could you actually give some color on that. And is that -- if we expect, say for example, even where we're going to experience just normal average year credit loss, will that actually drag your second half OCC? So that's question one.

And then second one is your -- in your asset portfolio, you disclosed the components, but the large part of them is actually derivatives. Could you have -- give some more color on the risk exposure of these derivative assets? Was it exposed to high interest rate, lower interest rate, higher credit spread or lower credit spread? So some color on that would be great. And that's it. Thank you.

A - Annemiek van Melick {BIO 20317450 <GO>}

Yes, the 1 basis point credit loss is indeed extremely low, but we just really have not seen any foreclosures in the first half year. Now could that increase in the second half? Yes, it could. Do we currently have signs within our mortgage portfolio that arrears are really ramping up and that clients have contacted us and that we feel we have to go to foreclosure on certain situations or have a pipeline of foreclosures ready there? Not as of yet. So that continues to be quite well and it also continues to show a trend of declining arrears over the last three years and also a decline in credit losses.

And obviously hard to predict now what unemployment will do and whether there will be a significant impact in H2 or whether it will be more of an impact in '21 coming. But as of yet, we don't expect any massive impact there in the second half. In terms of derivatives, that's really -- the entire derivatives portfolio is mainly the portfolio we use for interest rate hedging, and more or less all very common swaps and swaptions in there.

Q - Fulin Liang {BIO 21126177 <GO>}

Okay. Thank you very much. Sorry. Sorry, just a follow-up question on the spread. If I understand correctly, so your OCC would reflect the actual credit loss on the mortgage, right? If the credit loss goes up, it will be reflected on the OCC right away?

A - Annemiek van Melick {BIO 20317450 <GO>}

Yes. The spreads that we use for mortgages are market observable, so to the extent of that will be then reflected into the market observable spreads, it will go directly into the excess return.

Q - Fulin Liang {BIO 21126177 <GO>}

Okay. Thank you.

Operator

(Operator Instructions) We can now take our next question from Ashik Musaddi. Please go ahead.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes, hi. Good morning everyone. Just a couple of questions I have is first of all on solvency. Now, if I look at the group solvency, it had gone up versus full year, but if I look at the Life and P&C, both of those divisions' solvency ratio has gone down. And my focus is especially on P&C. I mean, you haven't taken out the dividend and yet the solvency ratio has declined in P&C. So can you give us some color on that? And do you expect like capital upstreaming in second half from P&C? And are you comfortable with that basically? So that's the first one.

And secondly, if I look at your dividend of 9% growth, I mean it looks like you've just used 40% of last year's dividend, but how should we think about the dividend given that your capital is still strong, capital generation is still pretty robust, the cash remittances are still good. I mean, so should we be thinking more about mid-range payout as well rather than sticking with the low end of the payout ratio? Thank you.

A - Annemiek van Melick {BIO 20317450 <GO>}

All right. Let me start with your first question actually Ashik. In terms of solvency movement -- I'm trying to get that page actually that you refer to where we have those figures. The group level solvency is higher obviously than we have at the Life and Non-life also due to the diversification benefits that we actually see at that level. And also if you look at the Non-life figure, it's a small decrease, it's 162% to 158%, which is also largely driven by the new business that we've been doing there. And in terms of upstreaming, we now upstreamed the EUR290 million out of Life and we actually would expect for the second half of the year to continue upstreaming out of the Life business and out of the other non-operating businesses, and probably not from Non-life.

If you look at the upstreaming that we did last year, the EUR501 million, the majority there also came from Life. So that was around EUR360 million from Life and that was around EUR65 million from other, and only EUR80 million from Non-life. And I think it's fair to say, we look at upstreaming for the second half of the year, we would probably look more towards Life than some of the other operating entities not being Non-life.

A - Jos Baeten {BIO 2036695 <GO>}

Ashik, on your second question, on the dividend. Yes, we are now for the interim at 40%, because that is the number that we use within our normal policy. We've been always clear, everything being equal and no strange thing happens that we would love to show a slightly growing dividend over time. And in the introduction, the message was we do still have room between the 45% and 55% to move up if and when operational results would be lower than the year before. So we do have room to stick up to our promise and it's too early to comment on whether we would move to the midpoint or to the higher end or stick to the lower end. We do have a cushion and if necessary, and it's good for the company for the long term, we are willing to use that cushion.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. That's very clear. Thank you.

Operator

We can now take our next question from Farquhar Murray. Please go ahead.

Q - Farquhar Murray {BIO 15345435 <GO>}

Good morning all. I've just two questions, if I may. Firstly on Non-life and the organic premium growth in disability and P&C is put about 6.9% year-on-year. Could you possibly split that between volumes and tariff trends? And just more generally, are you seeing any competitive pressures or regulatory pressures to hand back the frequency benefits we've seen at all?

And then secondly on the real estate portfolio. You mentioned reductions in rents. I just wondered if you could explain what's happening there, because I'd have thought their contracts are probably relatively long term, so a bit surprised to see something material coming from rent reductions. And then equally on the COVID side, are there any material magnitudes for rent deferral or rent forgiveness in terms of ASR as a landlord? Thanks.

A - Jos Baeten {BIO 2036695 <GO>}

Well, on your volume question in P&C and disability, roughly one-third of the increase comes from increased premiums. Last year, we increased the sickness leave premiums, that has been helpful. And also in car and fire, we had some slight increases last year, so that has been helpful. But most of the growth is real organic growth and new customers in that business.

On your second question regarding pressure from the regulatory or the political side on giving back premiums to customers, I think one should realize that in some countries there has been a complete lockdown. In the Netherlands, we never had a full lockdown. People were allowed to travel, et cetera, so everybody realizes that the potential pluses in car insurance and in fire insurance are very temporary and that this is not a structural trend. And I think the industry has been clear that if and when this would be a structural trend and a long-lasting development, then you have to adopt lower risk profile into your premiums. But given the fact that traffic in the Netherlands is close to normal compared to the last few years because people don't want to travel with buses and trains, et cetera, but take their own cars and bikes. There is no pressure at all to give back premium.

Sometimes, there are news articles popping up, but I think everybody realizes that this is not a structural trend and like a big storm, if we had a big storm, we don't start raising -- increasing premiums the day thereafter, we wait before the full year is over and then make a fair judgment whether this is a structural development and you need to increase premiums. But that's not the case yet.

A - Annemiek van Melick {BIO 20317450 <GO>}

And then your question related to real estate and rents, didn't -- we did indeed see specifically at the start of the lockdown and through the lockdown period, which in the Netherlands lasted for a couple of weeks starting from March, we did see some rent deferrals there within the retail space. We've mostly engaged with those clients and have made arrangements, whereby the rent is being postponed. And whereby if necessary during that lockdown phase our clients would get depending a little bit on what type of client that is, if it's a large company, if it's a smaller company, we've tailor-made that a little bit. But on balance, we've given some of the retailers the opportunity to postpone the interest -- the rent that they had to pay.

What we're currently seeing is a catching up there and out of the around EUR5 million or something that we missed in terms of rental payments -- the postponement on a cumulative basis of which we've actually provisioned for more than half of it. We still expect to see most of that actually coming back and we now see people actually starting to repay again. And we've mostly changed the contracts or made some special arrangements, so that the missed payments, they will have to repay them as additional payments over the next couple of months.

Obviously whether they will be able to actually or we will be able to recoup that and to get the missed payments back in full, really depends also on whether there will be a second wave and whether there will be a true lockdown again. It's not the case in the Netherlands as of yet. If that will happen, there will be an impact. And within retail and I remind you that the retail fund that we have also contains one-third of supermarket related distribute -- regional shopping centers, and those really weren't affected by COVID. So yes, we've seen deferrals, we haven't yet seen any full stop cancellations. We do see people starting to repay, but obviously, it's really up to the second half to see if they were managed to repay that.

In terms of vacancy, we started the year with around 3.5% vacancies in the retail space and we're now at 3.7%.

Q - Farquhar Murray {BIO 15345435 <GO>}

Okay. Just to clarify then, when you talk of to rent reductions, is that the provision you are making for kind of postponement?

A - Annemiek van Melick {BIO 20317450 <GO>}

I think that the total postponement that we've granted was around EUR5 million, and the provision we made for that was close to EUR3 million. So we've provisioned for more than half of the postponements and still expect to get quite a jump back of that.

Q - Farquhar Murray {BIO 15345435 <GO>}

Yes. But then, is that the reduction in rents that you're talking about in the P&L that we're seeing?

A - Annemiek van Melick {BIO 20317450 <GO>}

Correct. Yes.

Q - Farquhar Murray {BIO 15345435 <GO>}

Okay. All right. Thanks so much.

Operator

We can now take our next question from Steven Haywood. Please go ahead.

Q - Steven Haywood {BIO 15743259 <GO>}

Thanks very much. You've obviously spoken about guidance for the full-year 2020 operating profit between the midpoint of full-year '18 and full-year '19. And now you're saying slight north of this.

Are you specifically talking north of EUR800 million? If you can be more clear, that would be very helpful for me.

Secondly, on the goodwill impairment you saw in your Life business. Can you tell me what this was specifically for and whether you think there's going to be any further impairments in the second half? And then finally on the 3% to 5% gross written premium target that you're exceeding in P&C and disability. Is there any specific source of customers here, any specific source of distribution or any specific competitor, which is losing business to you? Thank you.

A - Annemiek van Melick {BIO 20317450 <GO>}

Can I start with the impairment question? We did actually -- we did see some impairments coming through. I think we've even disclosed in our press release that, that was on total a difference versus last year of EUR32 million and there's impairments predominantly related to the equity portfolio, where we obviously have to follow the IFRS rules and if it's a large drop, you have to take it immediately. If it's a prolonged lower drop in share prices, you will have to take it over time. So I guess the immediate impairment that you have to take if there is a large drop that we've had in Q2. Obviously depends on what will happen in the remainder of the year, but if we will not see such a huge decreases in share prices as we've seen in Q2, that (inaudible) much of that. Having said that, it was also an IFRS rule that we (inaudible) smaller share price movements and there we may see some additional impairments on equities come through.

A - Jos Baeten {BIO 2036695 <GO>}

Thank you, Annemiek. Well, Steven, as you might know, I have a legal background and I assume you've been better in math than I was at school. So I think the guidance on the full year is pretty clear. If you would take the number which we ended on in 2018, you would add it up in 2019 divided by 2 and then pick a number just north of that, then I think you will be pretty close. So I think more -- I'm sorry, but more clearer than that we can't be.

On your second question, where do we gain market share? Overall, we are gaining market share in almost every area of business in the pension DB -- pension DC business, in the business of P&C, but also in the disability business. I think the main driver behind that is still in the intermediary business. We see that intermediary is gaining traction and they're still the -- a large part of the business in the Netherlands. And I think, where are we taking market share? I think in general the pie didn't grow that fast, but the number of competitors in the market has decreased, for example, Delta Lloyd disappeared. VIVAT Non-life is going to be integrated in the NN business.

So the number of intermediary addicted insurance companies has decreased and therefore, I think we're gaining especially more business from the companies that over time are disappearing, but mainly through the distribution of intermediaries.

And I think, to Michel, this was also the last question and we're nearing 12 o'clock. So thanks for joining us. I think we don't need to repeat the key messages. Having said that, we as a Board of ASR are quite happy with how our people delivered during those challenging times. How they remained serving our customers, how intermediary remained loyal to ASR and we were able to grow the business organically, but also inorganically with the recent announced acquisition of the IORP or Brand New Day. So I wish you all the best.

Normally, Annemiek and I would now go to the airport to take a plane and meet you all in person. So we regret that, that is not able this year, but hopefully some smart person in the world will find a solution for COVID-19 and hopefully having present at the full-year results, we are able to meet again in person. I wish you all the best and stay healthy.

Operator

Thank you. That concludes today's conference. Thank you for your participation. Ladies and gentlemen, you may now disconnect.