Y 2017 Earnings Call

Company Participants

- Antonio Cano, Chief Operating Officer
- Bart De Smet, Chief Executive Officer
- Christophe Boizard, Chief Financial Officer
- Filip Coremans, Chief Risk Officer
- Frank Vandenborre, Group Head of Investor Relations & Corporate Performance Management

Other Participants

- Andy Hughes, Analyst
- Arjan van Veen, Analyst
- Ashik Musaddi, Analyst
- Bart Jooris, Analyst
- Benoit Petrarque, Analyst
- Farooq Hanif, Analyst
- Jason Kalamboussis, Analyst
- Johnny Vo, Analyst
- Nadine Van Der Meulen, Analyst
- Robin van den Broek, Analyst
- Steven Haywood, Analyst
- Vikram Gandhi, Analyst
- William Hawkins, Analyst

Presentation

Operator

Ladies and gentlemen, welcome to the conference call for the full year 2017. I am pleased to present Mr. Bart De Smet, Chief Executive Officer; Christophe Boizard, Chief Financial Officer; Filip Coremans, Chief Risk Officer, and Antonio Cano, Chief Operating Officer. For the first part of this call, let me remind you that all participants will remain on listen-only mode. And afterwards, there will be a Q&A session. Please also note that this conference is being recorded.

I would now like to hand over to Mr. Bart De Smet, CEO; Mr. Christophe Boizard, CFO; Mr. Filip Coremans, CRO, and Mr. Antonio Cano, COO. Gentlemen, please go ahead.

Bart De Smet {BIO 16272635 <GO>}

Okay. Thank you. Good morning, ladies and gentlemen. Thank you all for dialing into this conference call and for being with us for the presentation of the full year 2017 results of Ageas. As usual, I am joined in the room by my colleagues of the ex-co, Filip Coremans, Christophe Boizard, Antonio Cano, and our Investor Relations team is of course also present in the room.

Ladies and gentlemen, 2017 has been an outstanding year for Ageas and I am pleased to announce our strongest results ever with a record insurance result of EUR960 million, underpinned by a good fourth quarter. This performance was based on a solid operating performance both in our life and non-life activities, in Belgium, continental Europe and Asia, and we also noted encouraging progress in UK despite the residual impact of the Ogden discount rate review. Our inflows have continued to grow, reaching a record level of 34 billion at 100%, and Asia is, of course, again, the big driver of this growth.

You will also recall that in December, we successfully completed the sale of Cargeas, our non-life activities in Italy. This divestment generated a total net capital gain of 87 million, of which 77 million has been included in the insurance result and 10 million in the general account.

Given these excellent results, the Board will propose a gross cash dividend of EUR2.1 per share. This represents an increase of 24% compared to the 2016 dividend of EUR1.7 when we exclude the exceptional EUR0.4 that was related to the Hong Kong divestment. In this context, you will have seen in our full year presentation that the total dividend upstream from our operating companies increased to EUR516 million, covering more than our proposed dividend and the full year holding cost. And we are confident in our cash upstream capacities for the coming years and so the EUR2.1 per share can be considered as the reference level for the dividends in the future.

As you can see on slide seven, our operational free capital generation for 2017 amounted to EUR702 million for the consolidated entities. In line with our previous disclosure, this number includes a 77 million dividend upstream from Asia and 114 million one-off positive impact related to the stop loss cover in UK. If you adjust for both items, the underlying free capital generation would be 511 million, which is fully in line with the guidance given at the time of the nine-month 2017 results conference call. Adding the 360 million free capital generation generated by our Asian entities over the first nine months, we end up with a comfortable level of free capital generation of almost 900 million for the entire group, and I repeat that the fourth quarter contribution of the Asian entities is not included in this figure due to reporting delay for some of our Asian entities.

With respect to Ambition 2018, our three-year strategic plan, we have now entered the final year and we are pleased with the progress made. As you can see on slide eight, all but one of our targets have been exceeded. Our return on equity stands at 15%, and when we exclude the capital gain on Cargeas, at 14%. This is above our target of 11% to 13%. Despite the Ogden rate impact, we achieved an excellent combined ratio of 95.2, well below the 97% mark. Our insurance Solvency II ratio increased to 196%, comfortably above our 175% target. And lastly, our operating margin on guaranteed products amounted to 93 basis points, also above the target range.

The operating margin on unit-linked products is the only KPI, which remains below target, but it has been improving over the year. And in the meantime, we have already started work on the successive plan to Ambition 2018 and we aim to announce this in the second half of this year after the summer. More precise information will be shared soon.

With respect to the Fortis' settlement, slide nine, 2017 has again been a roller coaster year. You will recall that in the interim decision of mid-June, the Amsterdam Court of Appeal did not declare the settlement binding in its initial form, but in mid-December, we signed and announced an amended settlement agreement, which, in our view, responds to the main concerns of the court. As part of this, we also agreed on an additional effort of EUR100 million and 16 [ph] ConsumentenClaim, one of the most vocal opponents of the original agreement agreed to give its fullest support to this amended settlement.

As part of the procedure, public hearings have been scheduled for 16 and 27th of March. We expect a court decision before the summer and strongly believe that this settlement offers a fair solution for all those affected by the past events. So we hope that the court will declare it binding so that we can finally bring to an end this longstanding dispute in the interest of all parties concerned.

Christophe Boizard {BIO 15390084 <GO>}

Thank you, Bart, and good morning, ladies and gentlemen. I will first comment on the key figures on slide four of the presentation. As mentioned by Bart, we achieved this year a record insurance net result of 960 million compared to 721 million last year. We realized a good fourth quarter net result of 274 million, including a capital gain of 77 million from the sale of Cargeas. You will recall that last year's insurance result included 199 million coming from the divestment from our Hong Kong activities. This year's result was driven by a strong operating performance in Belgium, continental Europe and Asia, and an encouraging performance in the UK, taking into account the residual 46 million impact coming from the review of the Ogden discount rate.

In life, the operating margin on guaranteed products stood at 93 bps. The margin fell in the last quarter due to the absence of capital gains as already announced in Q3. Also, the unit-linked operating margin is still below target. It improved to 27 bps with a 32 bps margin in Q4 taken alone. While we saw a drop in guaranteed inflows as anticipated, sales of unit-linked products increased by almost 40% over the year and accounted for a third of the life inflows of our consolidated entities compared to 22% one year ago. In non-life, we realized an excellent combined ratio of 95.2%, thanks to the strong operating performance in Belgium and continental Europe, even with a 1.3% impact of the Ogden rate review.

The Group net result now. It totaled 623 million. It includes a net loss of 337 million in the general account that was largely due to the RPN(i) liability, which increased by 173 million and to the 100 million additional provision for the Fortis settlement taken in the third quarter. Finally, the general account result also included a EUR10 million capital gain from the sale of Cargeas in Italy. The staff and operating expenses amounted to 76 million, down by 19 million compared to last year, where we had exceptional costs mainly related to the Fortis litigations.

Our total liquid assets amounted to 1.8 billion at year-end, of which 0.9 billion is ring-fenced for the settlement. This figure includes 178 million from the sale of Cargeas that we received shortly before the end of the year. As already mentioned by Bart, the total dividend upstream from our operational companies increased to 516 million. You can find more detailed info on slide six.

Now I would like to jump to slide 52 and 53 to give you more details on our solvency position. Both our Solvency II insurance ratio and Group ratio stood at 196%. The insurance ratio improved from 191% at the end of 2016, and as you can see on slide 53, the increase generated by the operational impact of the insurance activities, plus 17 percentage point, more than funded the outflow of the proposed dividend, minus 10 percentage point, negative impact related to the share buyback for 6 percentage point, and exceptional items of 2 percentage point were partly compensated by market movements, which had a positive impact of 7 percentage point. As announced, the sale of Cargeas had a positive impact of around 5 percentage point included in the above-mentioned exceptional items.

I would now like to go to slide 59 to repeat and emphasize what Bart already explained that with an underlying free capital generation for the full year 2017 of 511 million and the contribution of the non-European NCPs already 360 million for the -- only the first nine months of the year, we are very well within the guidance of 750 million to 850 million given at Q3.

On slide 60, you can find the full breakdown of the operational impact by segment. Bart also mentioned the one-off positive impact related to the stop loss cover in the UK. With respect to the UK, we also want to flag that the Q4 and thus the full year free capital generation was positively impacted by a change in product mix and a new reinsurance cover taken up in the fourth quarter.

The operational free capital generation in Belgium at 100% amounted to 580 million, including a negative 52 million related to assumption changes and recorded in the fourth quarter. And lastly, for continental Europe, compared to our nine-month disclosure, the contributions from Italy from Cargeas has been removed from the free capital generation because of the sale. And since, as you know, we want to give a prospective view on the dividend capacity, so it is fair to remove entity which leave the consolidation scope. The impact of this removal is 13 million.

Looking at the different segments, let me share a few highlights review on the IFRS results. In Belgium, and I am back on slide 10 of the presentation, the net result increased by 12% to 438 million, underpinned by a record performance in non-life and continued solid result in life. The combined ratio stood at 91%, thanks to an excellent operational performance and benign weather conditions.

In the UK, slide 11, the net result amounted to 29 million, including EUR46 million exceptional residual negative impact from Ogden over the year. In the fourth quarter, the impact was 5 million. The various actions we took over the year, the capital injection, the stop loss insurance cover, and the derisking of investment portfolio, enabled us to mitigate the effect from Ogden on our solvency ratio, which amounted at the end of 2017 at 147%.

In continental Europe, slide 12, the net result amounted to 193 million. Excluding the capital gain from Cargeas, it would have been 115 million, supported by an excellent performance in all countries and the effect of the turnaround of Ageas Seguros in Portugal. The net result of Cargeas amounted to 16 million and the 16 million are included in the IFRS results.

Lastly, in Asia, I am now on slide 13 of the presentation, the Group achieved an excellent result, thanks to the shift towards more profitable regular premium business and the strong investment result. The result in the fourth quarter also benefited from capital gains, the review of some reserve assumptions, lower cost and lower startup losses.

Before handing back to Frank, I come back to the Investor Day of last June where we announced our plans to prepare additional disclosures on our Asian partnerships. As you know, some of our partners are listed companies, which limits -- this limits the amount of data we can provide and also adds some time constraints. Bearing this in mind, some additional data are now provided, but with a quarter delay. The new disclosures are available on Ageas website together with other full year related disclosures. I hope this will help improve your understanding of our joint ventures in the Asian region and we will further improve the disclosures going forward.

That's the end of my presentation and I will now hand over to Frank.

Frank Vandenborre {BIO 15168443 <GO>}

Thank you, Christophe. Ladies and gentlemen, this concludes the introduction and we can now open the line for your questions. May we ask you, as usual, to limit yourself to three questions and go back in the queue if you would have more questions. Thank you.

Questions And Answers

Operator

Ladies and gentlemen, we are ready to take your question. (Operator Instructions) We have a first question from Mr. Ashik Musaddi from J.P. Morgan. Sir, please go ahead.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Good morning, Bart. Just a few questions I have. Number one would be, can we get some sense about your -- I mean, the dividend has gone up by 24%. How confident are you, I mean, and can you relate that to your expectation about dividend upstreaming as well on that? The second question is about earnings outlook. Last year, you gave clear guidance of 750 million to 850 million. Can we get some sense about how should we think about earnings for 2018? The reason I am asking this is because there were a lot of moving parts in 2017, I mean, some very strong combined ratios, some capital gains, some disposal gains et cetera. So there were a lot of moving parts in 2017. So how should we think about a clean number for 2018? And thirdly, it would be great if you can give some color on this BNP put option, where we are on that discussion on the put option and the distribution agreement for Belgium. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. Thank you, Ashik, for three very good and interesting questions. The first one, if you look, we have a different policy where we say that we have a payout between 40% and 50%, but next to that, if you look to our history and that's what you can see on slide five in the presentation. Next to this payout ratio that we try to expect -- respect and that we each year respect is we also have a history of not decreasing the dividend in absolute terms. So you could interfere [ph] the fact that we moved from 1.7 to 2.1, and that's also what I referred to in my speech as guiding to a 2.1 dividend this year, that is for us, the starting point for the future. So it is not our intention to not try to increase the dividend. We'll stay stable or increase the dividend in the coming years. Of course, this is always notwithstanding very exceptional events that might happen, but take this 2.1 million as really the starting point for the future where we will do everything not to decrease it.

The second point, the guidance result, 750 million, 850 million, I think if you would take out of the result of this year insurance result, the cap gain for Cargeas, we -- you have 883 million. So it's outside of this range. So I think we in any case stay confident that this range 750 million, 850 million is the range in which we normal years should be. Of course, an exceptional year like last year where mainly the weather events were very beneficial is indicating that we will do everything to get above this range. Also don't forget that for 2017, where you can say there are some higher cap gains than the year before, but you also still had the negative impact of something like 40 million in UK that we also do not expect to come back. So you can say that we stick to this guidance, we don't give outlooks, you know, but the 750 million, 850 million is the range in which we normally always should be, and in times where we have exceptional good external events, we should exceed.

The third one, the put option, as you know, the option expires by the end of June. So we do not necessarily expect a clear view knowing that the BNP is in the lead before the end date. With respect to distribution agreement, as we mentioned in the past, this is -- distribution agreement could have been canceled as of the beginning of this year. We are still in full collaboration mode and there are no indications so far that this distribution agreement will not be continued. But again, we have different options that we also explained at the Investor Day. We believe that the highest probability is the one that the distribution will be continued and the option not exercised, but the one that distribution agreement continues with the exercise of the option or no continuation of distribution agreement and exercise of the option, those two possibilities have not [ph] the probability zero, but we -- okay, we will be able to tell more by the end of Q2.

Q - Ashik Musaddi {BIO 15847584 <GO>}

That's very clear. Thanks a lot, Bart.

Operator

Next question from Mr. Arjan van Veen from UBS. Sir, please go ahead.

Q - Arjan van Veen {BIO 5197778 <GO>}

Yes. Thank you. Just can you clarify the one-offs in Asia to give us a bit of a feel what the underlying number is for 4Q? And secondly, just on the capital generation, that was a bit weaker in -- so the underlying capital generation was 1 point in 4Q versus 17 for the year. So this is the one, can you give us a bit of color as to why it was weaker in 4Q because it was also a bit weaker in 3Q? And on a go-forward basis, would you expect that to be a bit more even by quarter or again do we see seasonality in that going forward? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. For the first question, so we had a good Q4, but indeed, as you indicate by your question, there were a number of maybe more than expected amounts mainly in Asia and the very good result in Asia in Q4 is a combination of three elements. First of all, there is capital gains where a year before in Q4 there was something like close to 20 million capital losses, so in balance, that makes quite a difference. The second element was a change, a positive adjustment of the reserves in Asia and the last one is lower cost than in the previous quarters also because the campaign for, let's say, new sales in the beginning of the year has had lower cost in China than what we had a year ago. So these are a bit the main elements, but underlying, you could say that Q4 looks a bit weaker, but this is also linked to a number of specifics like in Belgium where some capital losses have been taken in order to improve the quality of the portfolio going forward.

Q - Arjan van Veen {BIO 5197778 <GO>}

But can you give a number of what would be a sort of underlying number for 4Q, if you adjust --

A - Bart De Smet {BIO 16272635 <GO>}

I think it's -- first of all, if I go region by region and that counts for the full year, right, you can -- you have the lower than what your normally underlying -- would have result in the UK because we still had a normal --

Q - Arjan van Veen {BIO 5197778 <GO>}

I am not -- purely Asia, purely Asia, just trying to try and get a bit of a baseline for Asia, what's kind of a normal number to sort forecast, (Multiple Speakers)

A - Bart De Smet {BIO 16272635 <GO>}

I would say that for Asia you may be -- can look to something like a 30 million, 35 million.

Q - Arjan van Veen {BIO 5197778 <GO>}

Okay, thanks.

A - Bart De Smet {BIO 16272635 <GO>}

Less than what you have now in the result, the underlying.

Q - Arjan van Veen {BIO 5197778 <GO>}

Yeah, yeah. Okay.

A - Bart De Smet {BIO 16272635 <GO>}

But that's on last quarter. If you would take it over the full year, it's -- we believe that the underlying result in Asia is not that far from the real underlying, maybe take some 30 million, 40 million for the full year, less than the 290 million that we have realized in -- over the full year.

Q - Arjan van Veen {BIO 5197778 <GO>}

Okay. Okay. Okay, that's good. Thanks.

A - Bart De Smet {BIO 16272635 <GO>}

You take the second question, Christophe.

A - Christophe Boizard {BIO 15390084 <GO>}

Yes. I will answer to the free capital generation question. So let's take the precise figures. So if we take what we call the underlying part of the free capital generation, which is -- and of which -- of the what we call the operating impact, the figure at the end of the year is 511 million, and I think when you qualify the performance as weak on the fourth quarter, you compare with what we disclosed at the end of Q3, which was 444 million, so something like 67 million. So 67 million is below the expectations of the run rate, which was in the range of 130 million.

We have two main explanations to explain the difference. First, as I said in my speech, you don't have Cargeas anymore, and because this has been excluded at start in the (inaudible) M&A operation and this accounts for 13 million, and then we had -- if we take all the different segments, this upper-end weakness comes from Belgium, but in Belgium, in Q4, some assumptions review took place mainly around the costs and this accounts for 52 million. This is a figure I gave in the presentation as well.

So now if we start from the 67 million and we restate by the 13 million of Cargeas and the 52 million of AG, we are above the 130 million, which is perfectly in line with the "run rate" we were discussing at the end of Q3. So we are back on this range of 130 million. But please, for the future, take to account that Cargeas is gone forever. So we have to readjust the 130 million by this 13 million forever.

So this is the explanation. Having said that, I repeat once again that when you take the figures, we are very, very well within the announced guidance for the annual free capital generation including Asia. If you add up the 360 million, we are very well and above indeed the 750 million and 850 million. So no concern at this stage on the free capital generation.

Q - Arjan van Veen {BIO 5197778 <GO>}

Thank you.

Operator

Next question from Andy Hughes from Macquarie Research. Sir, please go ahead.

Q - Andy Hughes {BIO 15036395 <GO>}

Hi, thanks very much. A couple of questions if I could. The first one is on the Asia and the kind of cash generation. Obviously a few things have been disclosed, I guess, in China, which -- so if look at your JV information sheet in the numbers, is that the new format of the additional disclosure for Asia, or am I missing something? Because some of these items here, I think, they were actually already disclosed. So for example, the new business premiums and things, don't they disclose that anywhere on a monthly basis in China? And I guess what I was looking forward to is the cash flows from China. So if I think about the change in business mix, we can see in January from the sales in China, there is sort of a lot less of the bancassurance product, which is obviously the capital intensive things. So I was just wondering given the interest rate dynamics in China and also the reduction in the capital intensive product, whether you thought that the kind of surplus generation that you are showing from Asia would actually increase in the coming quarters and maybe what that means in terms of where you think the capital repatriation might change at some point. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

First of all on the disclosure, the information you referred to is indeed information we'll disclose. The delay we have is not necessary only linked to China. We are in multiple countries and so we try to have all the information from all the JVs at the moment we disclose and that's the reason for the quarter delay.

With respect to, let's say, cash coming from Asia, as you can see on page six, this has been consistently, over the last three years, provided by Malaysia, Thailand very stable and then China with an increasing part. If you combine the growth of the business with the solvency ratio in China, that also has been stable over time, you can see that the dividend payment is such that at the same time, our capital position remains strong. So you have a combination of part of the earnings that are retained to further support this growth. And besides that, there is a dividend payout that, related to our result, was last year in the area between 30% and 40%. So we will see going forward whether a change in product mix change that profile or not, but at this moment, I would say that the cash coming from Asia is growing and that's what we expect and that's also the reason why we are confident with this EUR2.1 a share. It's -- I think it should be seen as a sign in the belief of not only, let's say, sustainability of our result, but also the capacity continue to upstream (Technical Difficulty) group to pay the dividend and to manage [ph] the corporate costs.

Q - Andy Hughes {BIO 15036395 <GO>}

Thank you very much.

Operator

Next question from Mr. William Hawkins from KBW. Sir, please go ahead.

Q - William Hawkins {BIO 1822411 <GO>}

Hello. Thank you very much. Just on slide 47, your general account liquid assets, if I ex out the ring-fenced Fortis settlement and what you flagged for the buyback, I think the pro forma figure is about 800 million. Can you just give us an indication of what your intention is for that figure? Is that a figure that you would be comfortable continuing to drain down? Or would you be seeking to build it up again to any particular target level? I suppose at the back of my mind to be blunt, should I be concerned that we've got good news about the ordinary dividend today, but that actually increases the risk on the sustainability of your buyback in the future? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

We -- as you indicate, out of the 1.8 billion, you can say half of it has to be ring-fenced for the settlement because a certain part of the agreed amount already has been paid to the foundation that will take care of the payments once we have a binding agreement. So you will say there is something like 900 million left. First of all, we stick to our policy with respect to the use of this amount, is that, first of all, we look to potential M&A files that have a strategic and financial interest for the Group. If not, we keep our sense and we say we will give it back to shareholders and buybacks are means for that.

Also don't forget that already this year -- the previous years, there is a delta between the cash we receive in upstream from the operating companies and what we pay as dividend and what we have as costs at the corporate center. You have seen also Christophe mention that the corporate center costs have been reduced compared to last year. So I think you could line there [ph] more on the figure what we also announced in the past, something like 70 million on a yearly base. So the cash position in general account will also be further, let's say, strengthened by excess dividend that's in that we do not need for the pure dividend and the corporate costs, and that can be all used to, as mentioned, for M&A or for buybacks, if we don't see M&A possibilities. We don't have any formal minimum cash position that we want to keep at the level of the holding board. That doesn't mean that we don't have a figure in mind, but we do not communicate that we at least want X million cash. That's not really an element of importance in that discussion.

Q - William Hawkins {BIO 1822411 <GO>}

Thank you.

Operator

Next question from Mr. Vikram Gandhi from Societe Generale. Sir, please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hi, morning everybody. Vikram Gandhi from SocGen. I've got three questions. First of all, would be great if you can shed some light on what's happening with your Indian JV. Would you willing to sell your stake in the JV?

Secondly, in terms of the operational capital generation, you mentioned Belgium was negatively impacted by 52 million from assumption changes. And on the IFRS numbers, you also mentioned that there was some additional reserving for future profit participation. So I was just trying to square these two things together, and what do all of these imply for the margin on the guaranteed business going forward? So those are my two questions really. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. With respect to the Indian JV, as you know, we have a 26% stake in a joint venture with IDBI and Federal Bank. We have -- okay, there was an option to move to 49%. There is also -- and that's market news, that's not a secret that there is a process running to see whether there are candidates to buy that company, but for us, all options are open and we still see India as an interesting market, but we cannot comment, of course, more in detail about the running process.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay.

A - Christophe Boizard {BIO 15390084 <GO>}

On the free capital generation, your second question, the negative impact from assumption changes, I said that it was related to AG. When you take the breakdown by entity, it is Belgium which gives the weaker additional contribution during Q4, and I said, it is related to cost, the cost expectation in the future. So that was the negative impact, which is kind of one-off. Then on IFRS, you said additional reserving for profit sharing, but this is, I would say, more a normal process, the additional reserving. We do -- we put profit sharing all over the year. So I didn't flag this as striking and something to be highlighted for the explanation of the weak contribution in Q4 of AG, but it is true that if you take the IFRS result on Q4 alone, which is the instant picture, there was some, let's say, additional small reserving profit sharing in AG, but I would say that's business as usual more. That's an adjustment considering the amount of capital gain and the good investment result we booked during 2017.

A - Bart De Smet {BIO 16272635 <GO>}

So I maybe propose to pass also to Antonio to give some future views on the operating margin in Belgium. Antonio?

A - Antonio Cano {BIO 16483724 <GO>}

Yes. Hello, good morning. I think on the operating margin for Belgium, as you see, we have this 85 basis points and we're still very confident that going forward that margin will continue at that level at a minimum. On the profit sharing, maybe some color. It is a special kind of profit sharing and this is probably because we share that also in the Belgium market. We've actually set aside an amount in our provision for future profit sharing for our Group life contracts where we kind of give an implicit guarantee that there will be a profit sharing for 2019 and '20 towards our Group life contracts because those companies that have these pension obligations need a certain return so that it's -- that's like an implicit guarantee we announce. But bear in mind, suppose that the results for whatever reason would be under pressure in the coming years, that amount that is in the future profit sharing fund is not yet allocated to the contract. So it is kind of a buffer of future profit sharing. So that is where it comes from. So it's actually profit sharing for the future. I hope that helps as a bit of a context.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay. And just to come back on that, so would I be right to understand that although it's an implicit guarantee, you kind of reserve for meeting that implicit guarantee, but if the investment result turns out to be a little weaker in the future years, you can kind of -- because it's not explicit, you can -- you have the comfort of not meeting that explicit guarantee.

A - Antonio Cano {BIO 16483724 <GO>}

So it would mean that indeed we will still be able to keep our operating margin and have this implicit guarantee funded by this fund for future profit sharing. So it's a kind of -- it's a buffer that allows us a bit more comfort also on future margins because we would not have to dovetail [ph] to that provision through P&L. We could use that provision.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay. Yeah. That's very helpful. Thank you.

Operator

Next question from Nadine Van Der Meulen from Morgan Stanley. Madam, please go ahead.

Q - Nadine Van Der Meulen {BIO 15200446 <GO>}

Yes, good morning. Thanks for taking my question. Looking at -- or you were talking about the liquidity position or the cash position. And I was wondering, I think perhaps another source of use of cash could be the CASHES, and I was looking -- perhaps I am wrong, but I thought the number of shares related to the CASHES is unchanged versus the year before. Is there a plan for BNP to buy back CASHES? And I think in the past you've said that in terms of a cash impact, the maximum amount payable to BNP was EUR300 million in case that all the CASHES were bought back by BNP. Just wondering if you could comment around that and to what extent you have -- you can influence this. Oh, and a second question on litigation. You mentioned that the judgment expected mid-2018. What is your confidence level that the additional 100 million charge that you took is sufficient? Thank you very much.

A - Christophe Boizard {BIO 15390084 <GO>}

So I take the question on the CASHES. So it is true that we did some operation in the past, but when the CASHES price was much lower, we were in the range of 60, now we are in the 90s, which is -- which would mean a much more expensive operation for us because you remember how it works. The only way to do something on the CASHES is that BNP Paribas buys back the CASHES, exerts the conversion option, realize a loss in the conversion, and then we have an agreement with them to compensate for the loss, which at the end means that we settle the RPN(i) and obviously we try to do it at discounted conditions. That's basically the scheme.

But when the CASHES price is very high, it means that the RPN(i) is very high as by the way it is the case at the end of the year. So it means that for us, the settlement price goes up very quickly and becomes completely uneconomical. For us, the CASHES is visible in our balance sheet through the RPN(i) , but the RPN(i) is a liability without any call date, without any liquidity commitment, and we only pay interest rate and interest rate at a very convenient level because it is Euribor plus 90 and Euribor plus 90 for something which can be seen as permanent funding is extremely cheap. So we don't -- we are not ready to pay high amounts to settle this liability. So the short answer to your question is that nothing is economically viable at the present conditions. So the CASHES will stay and no operation can be anticipated in the near future as long as we are at this level of price.

Q - Nadine Van Der Meulen {BIO 15200446 <GO>}

Right. So just to clarify, so it's totally at your discretion whether these CASHES are sold.

A - Christophe Boizard {BIO 15390084 <GO>}

No, no. The operation has to be done together with BNP Paribas. It's an agreement. We used to have agreement. That agreement lapsed and it was not renewed. So there is nothing underway at this moment and no agreement.

Q - Nadine Van Der Meulen {BIO 15200446 <GO>}

Right. Okay. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. Regarding your question on the settlement, let it be clear that we cannot look in the head of the judges, but all indication is that even more so than last time all affected claimants and claimant organizations have rallied behind this proposal. We do 100 million, which we put final on the table, because we really feel that we have now reached the boundaries of reasonability from what we can contribute to that settlement and that has been clearly stated.

We accommodated actually 75%, over 80% of all the concerns that the court had. We eliminated mostly the discrimination what they called it between active and non-active claimants, we instigated the -- or we created solidarity between the two types of shareholders and we ring-fenced, to some extent, the interest of buyers, which the court considered important. The only component where we did not adjust is the compensation to the claimant organizations. If you think about it, what we try to achieve is to say, okay, in the revised proposal, there are no losers in comparison to the previous proposal. Every party, every single party in the revised proposal actually has a better deal than before, but we also feel that this is now our final deal.

Some proof of the fact that we have even gained more confidence, let it be clear that we were confident last time already, is that now also the main opposing party and there were two or three, but one main, which was ConsumentenClaim who actually was mostly, how should I say, the opposing party pointing at discrimination, solidarity aspect for the (inaudible) buyers has after seen -- having seen this proposal now also is going to be supporting it. So I can only reconfirm that from our perspective, yes, our proposal is final. We did everything we think is reasonable and necessary to accommodate the main concerns of the court and we've got an additional support by claimant organizations. So the in-going position for the hearing on the 16th and the 27th is definitely look -- stronger than our previous one, although last time we were also confident. It remains now to be seen how the court proceedings rule. And -- but in any case, from our perspective, we really feel that we are properly provided, budgeted and put enough money on the table for this settlement.

Q - Nadine Van Der Meulen {BIO 15200446 <GO>}

Thank you very much.

Operator

Next question from Steven Haywood from HSBC. Sir, please go ahead.

Q - Steven Haywood {BIO 15743259 <GO>}

Good morning. Thank you. I just wanted to follow up from Williams' question earlier on your holding company cash level, the general account cash. From the 1.8 billion and you take that down with the ring-fencing, 0.9 billion for Fortis settlement, and then you take off the 125 million for the remaining share buyback, you get down to around 750 million. And then it seems that you've got another dividend of 400 million to pay. So you're down to 350 million of holding company cash. If you are upstreaming about 500 million a year, paying down about 400 million for dividends and regional and head office costs combined of 100 million per annum, then you are net-net about zero So this 350 million, I'm just wondering whether you're comfortable at this level and whether you're actually willing to take the sort of buffer down to zero at the general account. And then a second question. On the Ogden rate in the UK, there was a slight negative impact in the Q4. Now, are all the negative impacts finished? Have they worked themselves through your reserves here? Thank you.

A - Christophe Boizard {BIO 15390084 <GO>}

Let's -- if you make your -- first of all, I repeat that the 900 million cash, consider it like that, you can say, okay, there will be still a further decrease for the running buyback program, but we also have looked to the figures last year, we had an upstream above 500 million. You see that the result of AG Insurance in Belgium last year was 438 million. Already the upstream out of AG is more than sufficient to pay the dividend. On top of that, we will have dividend as foreseen from the continental European countries, from the Asian countries. So we are quite convinced that the upstream from the operating companies after deduction of the dividend and the corporate costs creates an additional cash surplus that will be year-after-year added to this cash position in the general account.

So next to that, as I mentioned, we don't have a kind of a minimal buffer in cash that we want to have at the holding company. So as far as I am concerned, if one day, it would move to close to zero, it would be the case, but we are confident that the upstream from the operating companies will, in normal years, always exceed more than the dividend to be paid and the corporate costs that we run.

And maybe -- yeah, last point on Ogden, and then I pass to Filip. Ogden impact was, I think, 5 million, 6 million in Q4 and that's the last one. So we are now -- you could say we are done. The only thing that could have an impact in the coming year or years is that there might be a review of Ogden rate upwards, we expect, that could create a release of part of the reserve that have been created, but we don't anticipate that and we wait and see how the judges and the politicians in the UK will deal with that review.

Filip?

A - Filip Coremans {BIO 17614100 <GO>}

Maybe in addition to the dividend upstream capacity, I would like to draw the attention again to page 52 to the solvency ratio development. They are across the board very strong and have improved quite significantly in all regions, maybe not in Belgium, but there are specific reasons that remain extremely solid. So we had already 100% dividend commitment on the profit coming out of Belgium, but you can see of course that the UK has moved up dramatically from 100% to 147%. And if that trend is confirmed, this will mean that out of the UK, we can see dividends being added to the upstream.

Continental Europe, there were also some restrictions early last year related to dividends coming out of Portugal, but the ratio of solvency, which actually on the slide is not exactly correct because it's the Q3 number, has moved up to over 200% by now on continental Europe in the wake of the re-rating of Portugal, and you know we made this significant investment there, but that means that dividend can be expected at significant amounts also coming out of our Portuguese operations looking forward to elements or to regions where we are limited in the contribution to the upstream.

So that together with the continued strong solvency in the non-controlled participations, and you look at slide 52, I'm saying, the SCR there of the non-controlled participations went up with 15, almost 20%, despite they paid 77 million dividend out of there and they continue to run at a solvency ratio of 261%. That means that also the dividend upstream out of Ageas [ph], if not sustainable has also the potential to grow further because they actually are not burning the capital that they generate to grow the business even at a higher rate of growth. So we are looking forward to positive developments in the dividend upstream across almost all regions in the year to come.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay, thank you. Appreciate the detail. Could I just follow up quickly on the Portuguese and the (inaudible) that ratio has increased to above 200% now on Solvency II? What has driven this?

A - Christophe Boizard {BIO 15390084 <GO>}

That is, in continental Europe, the exact figure, because the 171 there is actually the Q3 figure, this is a typo. The exact figure there is 207% by now. So that is a move up over the year of 80% in the solvency ratio on the continental European region and almost 48% of that is due to market movements mainly related to collapse of spread in southern Europe, 2% spread collapse on Portugal, and on top of that, the return of Portugal to investment grade. So just keep in mind that when we did our investment there and acquired the business there, that picture was quite different. So we have really a benign capital situation evolving in Portugal.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. Thanks very much.

Operator

Next question from Jason Kalamboussis from KBC. Sir, please go ahead.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Yes, hi. Just want to -- had a follow-up question on what Nadine was raising on the CASHES. You said that the agreement laps with BNP, is it something that you can put in place back on? What prevents you? And can you put a conditional agreement? That means where you say that at the end of the day, it depends on the price of the CASHES. And the other question, please, just on BNP. Could you just -- I mean, I assume that you are in discussions with them currently. So could you give us just a little bit more color on that front?

A - Christophe Boizard {BIO 15390084 <GO>}

Yeah. So when we had the agreement with BNP Paribas, we had the range. So you can already qualify this as a conditional agreement. We had min, max and scale to -- for the indemnification for the conversion loss. But as I said, we were in the range in the 60s. Now that we are in the '90s, it is simply out of the -- out of any acceptable range. So a conditional agreement is -- cannot be envisaged now. We are too far from what I call an operating zone. So no worries. There is nothing. If the CASHES would significantly go down, we could reconsider, but at this stage, frankly we are so far. There is nothing that we can complete.

A - Bart De Smet {BIO 16272635 <GO>}

Also to your second question, so I think we have a very good relationship with BNP certainly in Belgium where they are one of our big distributors. Also with our -- the colleagues in Paris, there are regular discussions, and if one day there might be again an economic rationale to look at CASHES, it's quickly (Technical Difficulty) and so that's not something that would take a lot of time, but as Christophe said, there is no reason to even think about it today.

Our discussions with BNP, I can imagine that you can understand that even if we -- whether we would have them or whether we don't have them, in any case, we cannot disclose the content of the discussions, and I think I indicated in the beginning that on the question of Ashik that we are more of the opinion that the continuation of distribution agreement is not really at stake. There has been a possibility as of the 1st of January to change that. It did not happen and that with respect to the put, the key is fully in hands of BNP, and we give the highest probability to a continuation of the situation a bit more like it has been for the past 10 years. But okay, you never know, and once the decision will be final and clear, we will of course inform the market.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Great. Thank you.

Operator

Next question from Mr. Farooq Hanif from Credit Suisse. Sir, please go ahead.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, there. Thank you very much and good morning. I just wanted to focus on the number that you gave for the Asian capital generation that's not included in your 702 million. It's a big increase compared to last year, which was closer to 100 million-ish. What's driving that? And in terms of the fact that this is now a self-funding business in China, what is your expectation for closing the gap between the dividend and the capital generation, so that the timing effect? That's question one.

Question two, could you talk about household pricing in the UK? There has been some talk that this may start to improve given recent claims experience. So have you been seeing this? And lastly, could you just quickly comment on the reason for the 4% decline in UK in local currency terms in the premiums and inflows? Thank you very much.

A - Bart De Smet {BIO 16272635 <GO>}

Yeah. So I take the question on the free capital generation on Asia. So you are right that we are faced with big numbers, but before entering into more detail, I'd like to highlight something. This is not completely homogeneous with the figures we have in Europe. In Europe, we are in a Solvency II environment. For the NCPs, we are in, I would say, a mixed environment where we aggregate the free capital generation of the different countries, each country having its own solvency framework. So it means that the free capital generation depends on the rule and how the solvency framework is framed.

When you take the 360 million end of September, which is a high figure, you will easily guess that a good proportion of this comes from China. And here we have to recognize the fact that the C-ROSS, which is the local framework, is slightly more flexible than Solvency II and it is -- I would say, even qualify this as a shareholder-friendly in term of free capital generation, which gives a potential for dividend. So conclusion of my first point, we cannot directly compare the two things. Things are high [ph], this is a good sign, which means that in Asia, which is a fast growing country with capital needs, we still generate all this free capital.

Then on the precise question, how to bridge the gap with what we can see as dividends and the free capital generation, I think that the gap should reduce in the future, but I cannot give you a precise time schedule about this. What we can see -- what we can say is that the free capital generation, as you know, is -- gives some kind of forward-looking view, so its potential. And if we take dividend, we are on a rising trend, if you take Asia. So I cannot tell you how quickly the gap will reduce, but my expectation is that it will reduce over time. The trend is extremely promising. If you take Malaysia and Thailand, they have always better dividend. The increase should come from China, but we have seen with what was paid in 2017, with what was paid the year before that there is this concern of the Taiping management to increase the payout ratio. Don't -- keep in mind that TPL is part of the TPG Group listed in Hong Kong. They have to observe the financial discipline, they have to deliver dividends. So I think the trend is there, but then I cannot tell you with which speed the gap will reduce.

A - Antonio Cano {BIO 16483724 <GO>}

So on the UK, to your questions, the price evolution for household, well, it depends a bit on which source you look at. The ABI has something around 1%, 1.5%, say it's between 0% and 2%, what the price -- the rate evolution is for households in the UK. We ourselves are very much in that range. So you could say that corrected for inflation, the real prices remain constant.

The other question was on the lower inflow in UK also corrected for currency effect. It's a combination of things. Remember that we were probably amongst the first to react when the Ogden rate adjustment was announced, the drop in the rate. So we increased our rates, probably, as I said, amongst the first. And we saw that that had an impact on our panel's share of some of our main brokers. So there was a drop of policy count in motor with that -- through the Ogden rate impact. And then the second reason is that, as we said, we are trying to really improve the underlying result of the business, meaning that we stopped some partnerships with certain MGAs that were loss making and also in our affinity business, we have down-scaled some of these accounts and that explains basically the drop in inflow.

Q - Farooq Hanif {BIO 4780978 <GO>}

May I ask just one follow-up question? Is that possible? Just, did you quantify the size of the reserve release in Asia in Q4?

A - Christophe Boizard {BIO 15390084 <GO>}

In Asia you mean?

Q - Farooq Hanif {BIO 4780978 <GO>}

Yes. Yeah. You mentioned in Q4 obviously high realized gains in Asia, but also there was a technical reserve release. Did you disclose the amount of that reserve release?

A - Christophe Boizard {BIO 15390084 <GO>}

No. It's not really a reserve release. It was a change in underlying assumptions. I am not sure you can call that a reserve release.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. All right. Thank you very much.

Operator

Next question from Bart Jooris from Degroof Petercam. Sir, please go ahead.

Q - Bart Jooris {BIO 3470300 <GO>}

Yes, good morning. Thank you for taking my two questions. First of all, again on UK, if we look at your full-year results and the Ogden impact, if we put those two together, we are on EUR75 million. Is that a good starting point to look at for 2018? You also just mentioned stopping some loss making partnerships. So should we look at upside potential from that level?

And then my second question is, you reached almost all your targets of Ambition 2018. So excuse me to focus on the one that has not reached the guaranteed operating margin. Could you give us an indication on how close you would get to that target?

A - Bart De Smet {BIO 16272635 <GO>}

First question with UK. So a fair comparison starting from 29 million profit, it is actually at indeed a 45 million growth of the impact, but we also realize in the beginning of the year some 10 million capital gains in order to restore partly -- partly restore the solvency ratio. So we see that underwriting result for 2017 for the UK more close to 60 million, which is also the amount we have given at the Investor Day where we said, okay, going forward, the UK is an entity that should move slightly up from the 60 million to 80 million, 90 million area in the coming three years.

The margin -- the operating margin, that's not been reaching Ambition 2018, it's not guaranteed, which is the most important part.

Q - Bart Jooris {BIO 3470300 <GO>}

No, sorry. Unit-linked. Yeah, sorry.

A - Bart De Smet {BIO 16272635 <GO>}

That we are above the 85 is unit-linked margin. Remind that when we might have a margin of 40 to 45 basis point in unit-linked, that will give a return on equity on that basis of more than 20%. So we are now somewhere below still, but -- remember that until a year ago, this margin was in Portugal 6%, 7%; it now moved up. So we are improving, and even if it would be around 30% -- 30 basis points, we would have a return on equity on these products above 15%. So the 40 to 45 is, in the current environment, quite challenging to achieve. We believe we will not be that far from it in Belgium. Portugal will take a bit more time.

Q - Bart Jooris {BIO 3470300 <GO>}

Okay. That's very clear. Thank you.

Operator

Next question from Mr. Johnny Vo from Goldman Sachs. Sir, please go ahead.

Q - Johnny Vo {BIO 5509843 <GO>}

Hi. Just a couple of quick questions, if I may. I just -- on the potential distribution agreement with BNP, if it was structured, would it be structured as an upfront payment or would it be structured via commission? If you could talk about that. And also like, is capital generation a better way to guide us on dividend sustainability rather than cash upstream, which is a bit hit or miss? Could you just give us some comment on that? And finally, just in terms of the spreads in Portugal, obviously that's given you a boost in terms of stock of capital. How does that affect capital generation going forward? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. On distribution agreement with BNP, first of all, we have a running distribution agreement there. So it is -- it can be canceled with a notice period of two years. We, in any case, would never pay an upfront payment for a continuation of a distribution agreement in the banking sector. So it's also not at all used in European context to pay upfront payments. So what could be maybe happening one day is that we review the agreement on commissions, but there are products on which you probably would be willing to pay more, but there are definitely also others where the commission to be paid might be less than what you paid in the past because also the circumstances in the market have changed quite seriously. But no upfront payment at all.

Q - Johnny Vo {BIO 5509843 <GO>}

Yeah.

A - Christophe Boizard {BIO 15390084 <GO>}

So on the second question, the answer is yes, to be -- for me. The free capital generation is a better guidance for the dividend capacity, so the sustainability of the dividend, but what we explained in June in our Investor Day when we presented our, let's say, new methodology on free capital generation. But the two things are relevant; the dividend upstream, but I would say the picture, the short-term view, is it covered, and then with the free capital generation, you have some forward-looking view, thanks to all the forward-looking aspect of Solvency II, the calculation of own fund. And it is better related to what is really free because it takes into account the evolution of own fund and the evolution of capital requirement through the SCR and the target capital. So for us, the answer is definitely yes. Free capital generation is a good proxy, but then, as I said in June, this is backed by the Solvency II framework, which is not a value framework. So it is a prudent approach to dividend capacity, the free capital generation, but for me, that's the best tool. Having said that, the -- covering the dividend with incoming dividend from the subsidiary is a key aspect as well from the picture, the instant view, and it's the reason why we also provided this view in a dedicated slide of our presentation.

Q - Johnny Vo {BIO 5509843 <GO>}

Okay. Thanks.

Operator

Next question from Mr. Robin van den Broek from Mediobanca. Sir, please go ahead.

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

Yes. So good morning, everybody. Just one -- maybe two questions remaining. The first one still related to the HoldCo cash target. I think in the call, you mentioned first that there is a target internally which you do not want to disclose, and later on, you mentioned that it could go to zero. That seems a bit inconsistent. So maybe you can clarify that a little bit.

And secondly, I was thinking Belgium is consistently well above 200% Solvency II ratio. I was wondering how quick could you extract any special dividends from there in the medium term also considering the fact that BNP of course still owns 25% of AG. And maybe thirdly, can you talk a little bit about the influence you can export in China to distribute capital to shareholders. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

First question, to be clear, we have no internal target with respect to cash. It could be zero. We could even go for additional debt. So no minimal cash position that we have as a internal target, but we also do not disclose anything about it more than saying what I say now. Belgium, Filip?

A - Filip Coremans {BIO 17614100 <GO>}

Maybe two aspects. Yes, the solvency ratio in Belgium is strong. We till further notice -- in any case, you gave to some extent the answer that we want to keep it strong. Let's keep in mind that Belgium is our flagship, is our capital generator, is also the basis of the rating appreciation by the market of our Group, and we do have a 100% dividend upstream there. So I think we are tapering the solvency ratio, but not materially bringing it down. And that being understood that indeed we are not 100% owner of Belgium, that we have there a partnership with BNP that we have to respect in that context. And a lot more, we cannot say. In the medium term, I would say, in the defined medium term, as we say, the next year or six months, we will certainly not see material capital upstreams coming out of Belgium other than 100% of their profit.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. You also had a question on capital distribution with China. If I read it as also whether there can be increase in dividends or a reduction of the capital position that's close to 250%, if I remember well. So I think you have to keep in mind that the Chinese operations have still a growth of something like 15% to 18% year-on-year, and that notwithstanding this growth, which is of course requiring additional capital, there is a dividend payout that linked to our profits and our profit is based on the IFRS standards. We received something like 35% dividend over the last two years. So the combination of very high growth with a quite strong dividend payout is, I think, confirmation of the good choice we made when we entered in China with that partner. Of course, as we said before, when the growth will reduce because you always start from a higher base, it might be acceptable to believe that the distribution of dividend will increase in the future, and that's also, as we expect, in Asia, growth of the profits. We of course also expect from Asia growth of dividends over time.

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

Yes, but how does the decision process look like? I mean, you have a 25% stake in Taiping Life. So how can you influence that decision? Is this common for you there or maybe a little bit more about the influence there?

A - Bart De Smet {BIO 16272635 <GO>}

I would say a bit as in Belgium where we have 75% and BNP has 25%. In Belgium, we steer the dividend distribution, but we talk about it of course with our partner BNP in China. It is also a decision taken by the boards where we are represented. The local partner who has the majority makes a proposal and we approve or we ask whether it can be less or more. We will never ask for less. So it's a similar process. Of course, the main shareholder is, like we are where we are controlling the entity, in the lead. But as mentioned by Christophe, Taiping Life is part of Taiping Group, listed entity. They also need funding for the growth of their operations. So they are as well as we are expecting interesting dividends. So our interests are there fully aligned with it.

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

Okay, that's very clear. Thank you very much.

Operator

Next question from Mr. Benoit Petrarque from Kepler Cheuvreux. Sir, please go ahead.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Hi. I mean, the first one will be on the tax rate in Belgium Life in the fourth quarter. I think the effective tax rate is around 3%. So what was the kind of tax benefit in the fourth quarter? Could you quantify that? Also coming back on the reserve -- or the review of the reserves assumptions in Asia, could you quantify as well the amount for the fourth quarter? And also what was the impact of the new reinsurance cover in the UK on -- impact on capital in the fourth quarter? Could you also maybe quantify that?

And then to come back on the CASHES, I remember almost 10 years ago, we talked that -- about this thing already and I think the main risk you saw at that time was that kind of interest rate will start to increase. So is that not kind of from an economical rational perspective, low your rewards [ph] not attractive now because if rates will go up, obviously that will become a more expensive liability for you. Thank you.

A - Filip Coremans {BIO 17614100 <GO>}

Yeah. Maybe a comment on the low tax rate for Q4 in Belgium. You are probably aware that there was a change in the tax legislation in Belgium. What has had the most press coverage is the reduction of the corporate tax rate, but there were also a few other changes in that law. And actually the one that had the largest positive impact on our tax base was actually the elimination of withholding tax on dividends, and in our case, inter-company dividends, which meant that there was a deferred tax liability that was released and that liability was sitting in various of our subsidiaries in Belgium, subsidiaries mainly related to real estate, Interparking et cetera. So that is the one-off. Going forward, obviously we'll profit from the lower corporate tax rate, but bear in mind, DTAs is not an issue in Belgium, so we had no negative impact on that. Hope that is clear.

Q - Benoit Petrarque {BIO 15997668 <GO>}

How much was the one-off this quarter on this?

A - Filip Coremans {BIO 17614100 <GO>}

I think the impact of this withholding tax was about 30 million, three-zero. But remember that last year, there was also, and I think it was in Q4, an exceptional tax benefit and that was related to DTAs, if I remember well.

A - Christophe Boizard {BIO 15390084 <GO>}

So on the CASHES, the cost -- the interest we pay at this moment, the interest are very low. We are paying 2 million to 3 million a year, but your question was more about what will happen if the rates go up. So to answer, the first one is that we can take some actions. We are at variable rates, with a very small spread, 90 bps, as I said. We can swap for fixed rate, if we can see the risk of increasing rate. But the second answer is that we have some kind of natural hedge, we are a financial institution, if the rates go up, it's true that on the liability side, we pay more, but on the asset side, we expect more from the investment portfolio. So I would say I am not really concerned about rising rates. Overall rising rates are good for us despite the cost of the RPN(i). We are not paying the CASHES with a spread of 200 million. This is on the balance sheet of BNP Paribas. We only pay 90 bps of spread on the RPN(i). So we are not concerned at this moment.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. The question with the reserves assumptions in Asia, so over the full year, because there have been negative impact, charges in the previous quarters, positive in Q4, but over the full year, the reserve assumption changes have a positive impact of something like 40 million in the total reserve -- result of 293 million for Asia. We cannot disclose more on this because our partner, a big part of it is of course in China, as Taiping Group is listed, they will give more color on that when they announce their results in the course of the month of March.

And then the reinsurance?

A - Antonio Cano {BIO 16483724 <GO>}

Yeah, I'll take that. That'll -- put it a bit more in perspective. So in the UK, just to give you a bit more transparency or clarity at least on the evolution of the solvency ratio, year-to-date, it moved up from 100% in the beginning of the year to 147% end of year, and over the last quarter, from 134 to 147. The operational component in there for the year-to-date is 38%. Of that 38% improvement, 20%, as earlier announced, came from the stop loss. And then indeed, as Christophe mentioned, there is also a positive impact in there from a reduction related to two components in the SCR. We have less exposure to natural catastrophe in the mix, and indeed in Tesco Underwriting, we took a more conservative quota share reinsurance cover on top of what we had before. The impact of top notch exposure reduction and the quota share in Tesco is about each 3% on the solvency ratio. And then the rest of the increase from 100 to 147 is because of the capital increase we did in the beginning of the year.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Okay, great. Thank you much.

Operator

Thank you very much. We don't have any more question at the moment. (Operator Instructions) We have one follow-up question from Mr. Andy Hughes from Macquarie Research. Sir, please go ahead.

Q - Andy Hughes {BIO 15036395 <GO>}

Hi, sorry. A very quick question on India. I think you mentioned you have the option to increase your stake. Presumably that's market value. There isn't that kind of fixed-priced agreement regarding the increase in stake in India. Thanks.

A - Bart De Smet {BIO 16272635 <GO>}

It's -- okay. It's on a market value approach. Yeah.

Q - Andy Hughes {BIO 15036395 <GO>}

Okay. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. Ladies and gentlemen, maybe close here the Q&A. Thank you for your questions. I would like to summarize the main conclusions to end this call. First of all, 2017 was an outstanding year for Ageas, in which we achieved a strong operational performance in both life and non-life and in Belgium, continental Europe and Asia. We continue to monitor the situation closely in UK where 2017 was still really a transitional year.

Given these excellent results, the Board will propose a dividend of EUR2.1 per share, underscoring the Group's confidence in its capacity to continue to deliver strong results and to generate cash. And finally, most of our financial targets for 2018 have now been reached and it is exceeded and we are working on our next strategic plan that will be disclosed in the second half of the year.

With this, I would like to bring this call to an end. Don't hesitate to contact our Investor Relations team, should you have outstanding questions. Thanks for your time and I would like to wish you a very nice day. Goodbye.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you all for attending. You may now disconnect your line.