Investor Day

Company Participants

- Antonio Cano, Chief Operating Officer & Director
- Bart Karel De Smet, Chief Executive Officer & Executive Director
- Christophe Boizard, Chief Financial Officer & Executive Director
- Filip André Lodewijk Coremans, Chief Risk Officer & Executive Director

Other Participants

- Albert Ploegh, Analyst
- Ashik Musaddi, Analyst
- Benoît Pétrarque, Analyst
- Farooq Hanif, Analyst
- Farquhar C. Murray, Analyst
- Jason Kalamboussis, Analyst
- Johnny Vo, Analyst
- Matthias de Wit, Analyst
- Steven Haywood, Analyst
- William Hawkins, Analyst

MANAGEMENT DISCUSSION SECTION

Bart Karel De Smet {BIO 16272635 <GO>}

Good evening, ladies, few ladies and gentlemen, welcome for the Investor Day of Ageas. I'm joined by the colleagues of the executive committee, Christophe, Antonio and Filip, and also by the other members of the management committee, Hans, Gary Steven, Andy and Manu (00:00:10) and, of course, our Investor Relations team.

We will, in the next one hour-and-a-half, inform you about the new strategy of Ageas for the next three years that we called Connect21. Today, everything is about connecting. It's about connecting with our customers, connecting with our own employees, connecting with shareholders, with our partners, with technology, with what happens in the different countries. And so, we thought that this was a fair and a very good name for the next three-year period.

And if you look back to what we have achieved and, okay, we believe it's the right moment to do that after the very important settlement of the Fortis litigation that we have been able to close, let's say, on which we have had an agreement on the July 13 to look back over the past nine years. And we have had, at the first period, 2009-2012, which was the period of stabilization of the group, where we tried to regain confidence internally, externally.

We then launched in 2011 a program, Vision 2015, where we are first – the idea was to reposition the group more from a financial point of view and also to create our own identity to then move in 2015 to the Ambition 2018 plan, where we are still currently in, where we prepared for the future and try to prove that Ageas is a solid insurance company in Europe and Asia.

And if you then look at and not the intention to go to all these details, but you have them for your information, all the legacies that we inherited in 2009 after the breakup of Fortis and that have been solved. I believe we can say that this is a quite impressive list where we have been able to strongly reduce the risks and at the same time to recover quite some value that was hidden or even thought to be lost; and a nice example of that is for instance the result of the sale of Royal Park Investments which was considered as a €700 million lost investment in 2009 where we, in 2013, we're able to recover more than €1 billion. And of course, the top of this list is the recent settlement agreement that we agreed in July, and where we are now fully in the execution and expect by the end of the year to say, okay, this is now really finished.

The strategy I believe that we have, let's say, communicated in the past, there is Vision 2015 or Ambition 2018. Always has been I would say simple in its composition very let's say focused on delivery, and we always had the composition of, let's say, values strategic choices and financial targets. In Ambition 2018, we also added the stakeholders for who we do it. And that period of nine years has led to a double-digit growth in topline. So you see the CAGR over the period 2009 until now of 10% with of course, the growth engine in Asia but also important growth in Continental Europe mainly through a number of acquisitions like, okay, the Turkish actually got a joint venture but also the acquisition in Portugal with AXA Portugal and also in UK growth a bit lower the last two years. Thanks to decisions we've taken to, let's say, give priority on profitability above volumes.

And also the underlying net insurance profit for the same, we'd say, scheme and we doubled, more than doubled in the past nine years with the CAGR of 11% where you see that again, of course, Asia has been contributing but also Continental Europe, also UK and also Belgium notwithstanding the mature character of that business. So, I would say that the profit evolution has been quite in line with the evolution of the turnover.

We had a number of financial targets and, okay, the reports or the – and conclusion is that, out of the six targets we've got, on five we have been delivering on the promise be it the combined ratio, the margin in the Guaranteed Life business, Solvency ratio, the return on equity and then the dividend payout. The only way we have not been able to realize what the intention was the margin on Unit-Linked but remind that when we have set that target, we were still active in Hong Kong where margins on Unit-Linked are far above the ones we have in Belgium and in Portugal.

And over that period, we started with a market cap of €1.4 billion in 2009. We are now, okay, you know it's sometimes a bit futile, at €9.2 billion. The share price moved from less than €6 to about €44. In that same period, we paid €2.9 billion dividends and debt for €1.8 billion buybacks. So, you could say that the simple shareholder return has been 683% or 24% per year. And if we take into account, the effect of dividend so the total shareholder return has been a 1,232% or 29% percent CAGR, leading to a value creation that is 11 times what the value was 10 years ago.

So conclusion of the past period, I believe that we can be satisfied with the fact that most, almost all legacies have been addressed and solved; that we have always followed and maybe easy but clear strategy where we have given focus on our geographical presence in Europe and Asia and on delivery, delivery of the financial targets that we are sometimes seen as ambitious. And in that period, we increased the shareholder's value with a factor 11 times.

That's the past. We, of course, look to the future. When we started the process that has been less fully with internal resources, we have dedicated a group of 70 people. All ages, all let's say ethnical, all gender, all regional backgrounds to come up with all the knowledge we have in the group and of course with knowledge we get from outside specialists to look to how the future will look like.

And we have of course always this three-year period in mind but we also asked a separate group of 15 mostly highly talented and young people out of the of the company to put themselves in 2030 to try to create a view how the market will be, how the industry will be, how people will behave, how work forces will work in order to learn from that and put the priorities that we have to build in, in the next three years plans and other elements that we will follow up closely to be prepared for the future afterwards.

But instead of telling all these, let us look to a video explaining what this group has been doing.

[Video Presentation] (00:09:49-00:11:43)

So, this is, of course, important. It has been, to a large extent, be useful for the exercise of the three-year strategy. And as mentioned in the film, next to trying to deliver again in the next three years on what we promised, this think tank will have its continued life in order to be every moment ready to anticipate on changes that will come, also sometimes make the choices that we always have to make in a strategy, to do what you have to do of importance in short term, what you can do a bit more in the sideline preparing what will come within 5 to 10 years.

And the basic elements of our strategy start with the element of why we exist and why is Ageas as an insurer, why we have added value, and so, there we say, we believe that we have added value in order to be supportive of your life, for all the stakeholders we determined with our customers, of course, our employees, our partners, our shareholders but also society. I will say for each of these target groups, we have to help them not to do just to be a safety net but also to permit them to jump, to make a trampoline, to dare, to take some risks; and that's also what we've done expressing our values that were - before we had six values. That's amongst our people made clear that very difficult to have everybody managing the six values correctly. So, together with a large group of people in the company they came up with values that are much more aspirational, that are much easier to remind to understand and that you see here on the screen, it's about care, dare, deliver and share.

We then have the third element next to the purpose and stakeholders. The how we will do it, the values you have and the choices. And there you see, let's say, seven choices. Well, the four first ones are the ones that we expect our operating companies to really work towards being a great customer experience where we want them to prevent, prepare, protect and assist these customers by leveraging technology with partners and through alliances. And then to make us as a group also relevant, it's clear that in that context we have to go for smart synergies where we empower the local autonomy and where we keep the focus, as in the past, on Europe and Asia. And I will go a bit more in detail on some of these elements and also give a number of concrete examples of what we are already doing in the group that is really a proof of our capability to make this work.

A great customer experience, we already added the closer to the customer ambition in the Ambition 2018 strategy, but we want to go still further. It's about creating wow effects for your customers, doing the things you probably is not always expecting because, again, having loyal customers is more and more of value. We all know that keeping customers is much more easy and even much more valuable than each time chasing for new customers.

To prevent, prepare, protect and assist, we have been traditionally strong in preparing for pensions, in protecting against the unforeseen, be it accidents or, let's say, events in the home or the car. And we see – and that is one of the main elements that came out of the also 2030 think tank that customers will want much more a full pledge experience from beginning to the end, where we believe we have an important role to play in the prevention to help people avoid, let's say, the accidents for which we, in principle, are ready to insure them. And also to assist them when the accident happened or something happens in life to be able to help our customers to have a good experience which is in most cases a part that's much more valued by customers than just paying out a claim. In order to do that, it's clear that technology can be of a very high importance and help in making that happen because it can help you to reduce, let's say, timing. It can help you to reduce cost making your offer to your customer more valuable. It can help also to more in a defensive way to be sure that you can keep your margins and it's clear that it opens new opportunities in terms of products offered to our customers.

And that with partners, what we already did before, we are a company that pretends (00:16:26) and I think also makes it concrete every day again that we are good partners for the companies with whom we are in joint ventures. But if you want to grow more in technology, where we will have to team up with other providers; also there we will have to copy a bit our partnership model and experience and attitude towards other players than for instance distributors like banks or brokers, but it will also be important to be in the same mindset with technology providers and telecom companies and others.

The synergies here, very important to mention and the examples I will give later on will show that we already share a lot of experience knowledge in the group. A lot of the evolutions we can make whether it's in Asia or Europe are based on good practices in one country that we then try to copy or at least use as an idea in the other countries that really works. But we believe that we can still do more and that notwithstanding the very high local autonomy we give to our people.

So what you hear today, Connect21, is a big framework where we, again, we give this purpose for who we do it, how we do it, what we want to do. You will see also financial targets that all of our operating companies have to contribute to, but to what customer, with what product and service, to what channel. We approach locally the customers that's fully in the hands of our local teams, high-skilled people, knowing the market and having the same mindset as all the others in the group.

And then finally, we believe that the choice we made in 2009 is still of high value, okay. The 2030 where think tank has for instance discovered or brought up that also a region like Africa could over time be of interest. But at this moment for the next three-year plan, we say okay, Europe and Asia is our focus. The nice combination between, let's say, mature dividend-paying companies, and on the other hand, Asia where we already have a number of dividend-paying companies but mainly the growth motor that we sometimes lack a bit in Europe.

And that all leads through normally higher customer experience, more loyalty, of course, more share of royalty (00:18:51) if we can extend to prevent and assist. And all these should make us - again, this is a unique company that combines high-dividend upstream with a growth profile.

We also mentioned society as a fifth stakeholder. This is not really new. I think we've always been committed to society in whatever we do. Our existence is an existence to support society in permitting people to take risk to live their lives. But okay, as we have seen that also internally employees, but also partners and investors give much more attention also to the real contribution to a number of these United Nations sustainable development goals. We have chosen some of them. The ones that are made a bit bigger, to all the actions we take, all the projects we launched, all the services we will develop to contribute to these goals where we are also convinced that it is not at all against the principle of making profits. So it's this concept of shared value where it's way from the pure missing out (00:20:03) giving money to, let's say, to be sleeping well. Now, we want to really impact society with the actions we undertake.

For example, the first one is from Thailand, Bao Wan. And Bao Wan is an - you see there is an health insurance for mainly focusing diabetics that in position are not insurable. It's a part you see it, the main (00:20:32) taken you could say is to prevent, prepare, protect and assist, because we start with prevention. We help people discover whether yes or no, they are, let's say, diagnostically, let's say, impacted by diabetics. There are information given how you can reduce the risk, and there is a kind of an incentive for these people to be really following guidance to improve the situation by starting from a higher premium on which they can have reductions depending on the programs they follow. This is an example of Thailand but also with Steven in Portugal, there is a very important diabetic initiative. And we will definitely look to other markets.

Second example is from Belgium, Be Home, where you could say this has not that much to make or to do in first instance with insurance. It's a solution where we will try to keep elderly people longer at home by taking a bit the controlling part of all services that these people need. Be it food, medical expertise, repair at home, financial advice. And then, of course, we do not only help the people, the elderly people, but also their children that are in many cases not able to coordinate all that. This is clearly in the prevent, prepare, protect, assist environment but you see all the other strategic choices are ticked in the boxes. And you also see, like with the previous and future examples, that we already have a number of United Nations as the year goes where these products or services support that.

Our third one is in the UK. You could say this is more technology-based; it's Tractable. Also a solution that we use in other countries in the group, other companies where we reduce the motor claims cycle through artificial intelligence. So, it's more a picture of a damaged car and the outcome tells you what you have to repair or replace. And in next phases, it will even permit us to have a list of those, let's say, parts of the car that have to be replaced also to be able to give an indication of what the price of the repair will be. So, this is definitely something in an area where the claims cost, and the speed of execution, and as a consequence, the satisfaction of the customer will increase.

And the last example is from Portugal, a joint venture with a pharmacy association, where we, first of all – again, it's with partners and through alliances. You could call it a kind of an ecosystem where our customers have advantages, but also noncustomers can make use of these services. So, it's a matter of having a number of tests in the pharmacies, blood pressure and things like that, but also being helped after let's say some infections (00:23:31). And at the same time, the pharmacies also serve a bit as an additional sales channel for the medical insurance products we distribute in Portugal through Medis.

So, four examples from four regions where it's a combination of technologies, combination of broadening our scope. Is it already a big success? Some of them are still in the piloting phase, so there is also each time an, let's say, challenge to find the right business model and the right pricing. But we are convinced that on top of the core business that we manage well where we use technology to further improve the customer experience and, let's say, the profitability that these are initiatives we have to take in order to be prepared for where the world and our industry will go to in the next 3 years to 10 years.

And then, of course, after the purpose, the stakeholders, the values and the strategic choices, you would not expect us not to talk about financial targets. And for that part, I would try and like to give the words to Christophe. Christophe, welcome on the podium.

Christophe Boizard {BIO 15390084 <GO>}

Let's start with a review of the operational target and let's start with the first technical KPI, which is the combined ratio. On the slide, you can read what we have achieved in the past and what you can see here is a nice decreasing trend. We started the first plan Vision 2015 with the ambition to be below 100%. Then we updated this objective to being structurally below 75%. So, what is next is we propose a further decrease and we set the objective at 96%. So, why do we have this decreasing trend? Obviously, this is linked with the interest rates when you take Non-Life operation, when you want to achieve a given ROE. If you take into account the financial contribution and the financial component, you have to adjust the combined ratio so, the very low interest rate environment did (00:26:15) obliged us to adjust the combined ratio.

Then, why do we choose 96%? If we take a look on the recent achievements, we could have been even more ambitious and put 95% as an objective. So, we preferred to be slightly less severe on this one, why? To provide us with some room for growth. There is an obvious exchange between growth and combined ratio. You can easily decrease the combined ratio at the cost of the growth. If you want to maintain a growth trend, you have to relax a little bit the objective on the combined ratio. If you take all these into consideration, the necessary improvement due to the interest rate and the fact that we do want to maintain some room for maneuver for the growth, we thought that 96% was the right new objective. So, 96% for the combined ratio.

Let's go now to the second technical KPI and I am now on the Life business. So the guaranteed margin, the margin on the guaranteed business and here what you can read is that in the past we have been very stable. In the first plan we were already with a range between 85 bps to 90 bps then the second plan ambition 2018 we maintained the same range 85 bps to 90 bps. And then we said there is not much to do to change. We know that we have a very resilient margin, thanks to the ALM policy. So we want to be broadly in line with what we have achieved before and the proposal here is to be at 85 bps to 95 bps.

So, you should ask why did you change the upper part and why didn't you maintain the upper limit to 90 bps. The reason is the following: we took into consideration recent achievement where we have been for several quarters consistently above the 90 bps, and we don't want to give impression that we could take actions to lower the margin so that we fit into this range of 85 bps to 90 bps. So, the explanation for the 95 bps is more to encompass what we have done in the recent time and to give the idea that there is no intention to take action to lower the margin.

Next one, on Life again, so the margin on the Unit-Linked, so here the story is slightly different. We had to adjust the objective, and Bart already told you in his presentation that we had to take into account the fact that our Hong Kong operation left the scope of the group, scope of consolidation. And that in Hong Kong, the Unit-Linked business was a substantial part of the portfolio with very high margin. It's the only objective which we didn't manage to meet on the other previous plan, and this was the reason. The reason is that the scope was not homogeneous.

So, we took that into account and we adjust the range to 30 to 40 bps. So we adjusted it downward. But what I'd like to highlight here is that even with this reduced range, we can still achieve an ROE between 15% to 17%. So it is still very satisfactory and well within the range of what we want to achieve. So, that's the main difference in the review of the objectives of the Life margin guaranteed. Unit-Linked, we are just downward, still maintaining the whole.

Now, we are done with what I call the technical KPIs. Let's go to capital management and some related topics, and let's first review the target capital under Solvency II. First thing that I would like to highlight here is the change of scope. So far, our scope for the objective of 175% was the insurance scope. Insurance cope meaning excluding the general account and meaning, again, excluding the holding. We want to go back to more, I would say, normal behavior and normal communication and we'd like to back and to set the objective on at the group level.

So first thing the new objective is set on group capital position. The new objective even if the scope is changed is maintained at 175%. And why did we choose to maintain this figure knowing that if you look at competitors, peers, the trend is to have higher and higher solvency ratio, and you could have the impression that 200% could be kind of norm.

So, why did we choose to stay at 175%? And I think here, we have to make one step backward and to come back on our methodology because the 175% is not set like this. There is a rationale behind, and I like to remind you the rationale here. And here what you can read on the slide is the kind of tiering of the own fund.

Let's start by reminding that all these different consideration are backed by our Ageas/Pillar II approach. That's the first thing. Second thing is starting from the bottom. We define what we call the minimum acceptable capital and we set the minimum acceptable capital at the level of the SCR Ageas. So, that's the starting point. And then, the science and the methodology is coming now with the risk appetite.

So, what we want to be protected from is the stress scenario or the adverse scenario with a written period of 30 years and this define the second layer, what we call the risk appetite, and what is above is the free capital. It happens that after this actuarial calculation, the one – the scenario with written period of 30 years, we end up with a target capital corresponding to 175% of the SCR which is not far and which correspond to 40% of own fund.

In recent past, we had a solvency in the range of 190%. If you apply 40% to 190%, you end up with something around 75%. So, these things fit one with the other. And we have this final review where starting from the minimum acceptable capital corresponding to the SCR. We have this risk appetite defined as 40% percent of own fund leading to the 175%, and the rest is free capital. So, there is a method behind the 175%.

So, you should ask me, why are we below the others? And here, I'd like to make present here that the risk profile of the group is slightly different from the one other peers have. We are mainly involved in personal lines. We don't have a large corporate business. We don't do reinsurance. We don't have international program. So, level of volatility is less. So, it shouldn't be a surprise that our required capital to, I would say, safely operate is lower than the one required by peers having a different profile. And this is good. Why this is good? Because it means that we have a lot of free capital above the 175%.

Having defined all this and what you will - on the next slide, you will find something new that we have not really discussed so far is what is the way? How can we use this concept to manage the capital at a group level now, being at a group. So, first, let's start on the upper part, the free capital. That's pretty obvious. What can we do with free capital? With free capital, free capital is by definition, free for strategic investment, M&A. We can do share buyback. We obviously apply the dividend policy and that's it. So, no, nothing really - no striking element here.

But maybe, what is really new is what happened below. And if we go below 175%, we have defined some tiering with this and let's start with the first tranche which start from 175% and with the lower limit at 90% of 175% which means as you can read here 157%. Here, we are obviously below the target capital but want to make present here that the dividend policy still will be applied. Ongoing share buyback maintained but for new share buyback, we would decide to discontinue this long 00:38:19 of share buyback and we wouldn't announce a new one.

One remark here, the 175% that's the objective and I'd like to really stress the fact that an objective is not a floor. So it means that if it happens that we are slightly below one year so in that range, 175%-157% we still apply the dividend policy. We maintained the share buyback so we are not at all in a distressed situation.

Some time, you have the impression, reading some comment and listening to some comment that as soon as you are 1 point below the objective, you have to take immediate and stringent actions. No, the objective is an objective. Not to be - we shouldn't make the confusion with the floor. Then when things become more serious and starting with this level of 157% and 80% of the objective of 175% which means 140% here we have to take actions.

Actions means that we have to reduce risk either on the liability side. We take actions from the portfolio or on the asset side because you know that a large portion of the risk is borne by the asset portfolio. So in that case, we take actions. We reduce the dividend. We still maintain the share buyback but as we would do for the tranche just above new, no new share buyback will be announced. Then if we fall below 140%, we have to reduce the dividend. Even the ongoing share buyback would be suspended. And then we increase the reduction in risk and we take actions on the business.

Next slide and this is something new as well and this has to do with flexibility, fungibility of capital. And if you remember, during the last call during the Q2 result release, we indicated that we would announce some things around the capital and capital flexibility. So that's the purpose of this slide, regarding flexibility first.

In the past, we had very limited financial flexibility for historical reason. Obviously, because of the litigation, we run (41:16) risk of bankruptcy. At one point and the rating was really a constraint although the holding was at BBB, meaning that it was almost practically impossible to issue any debt if you take into account the discount of two notches. When you issue subdebt, you end up with non-investment grade instrument, which is almost a no go, and then the bankruptcy risk makes any issuance impossible.

So, what we did is we issued subdebt out of the strongest entity which is AG. So that on average the group look good but it was rather strange. We reinforce the strongest so that the average be at a decent level. The proceedings being stuck by the fact that we have a non-control interest and we have a minority shareholder. So, it was not possible to on-lend anything. So, financial flexibility was extremely poor, but with the fact that the litigation risk is seen as virtually removed with the (42:36) of the proposal settlement, we think that the holding can make a huge comeback and play again its role of holding.

So, with the removal all of the litigation risk, rating agencies indicated us that we could gain at least one notch, so we would be a BBB+. So, with the removal of the bankruptcy risk plus the one notch, if you deduct the two notches, you are theoretically in a position to issue subdebt with an investment-grade instrument. But we thought that it was not sufficient. Why? investment-grade instrument. But we thought that it was not sufficient. Why? Because the cost of the subdebt would be higher than the one we have, having AG with its rating A being the issuer. So, we want to - we have the ambition for the holding to reach the same rating as AG which is one of the core entities of the group, meaning an A rating and you will appreciate the big jump from BBB to a full A.

How can we do this? There is only one way. One way is to have the holding being declared core to the group. And you can get this core status if and only if you have access to operational cash flow. So, you have to run an insurance business. And what we decided to do is to achieve this through reinsurance. Reinsurance, meaning - and that we want to accept risk coming for the controlled entity. We ask for reinsurance license. The reinsurance license was granted in June by the Belgian regulators. So, Ageas SA/NV is reinsurer today.

And if we attract sufficient business, there is a good file to get this core status. And I think it is not a dream but something really that we can achieve because Standard & Poor's, to make an example, released a press release, so issued a press release clearly mentioning that with what they have as information coming from the group, they can see a potential upgrade up to three notches in the coming six to nine months. It's an official press release. We read it with a lot of pleasure.

But it means that it is not a dream. It is something we can achieve. So, the clear goal in the coming months is to get this qualification of core entity to get A rating and to issue that out of the holding, regaining by fiscal the financial flexibility of the group being able to own land to where it is needed.

I'd like to spend some time on free capital generation, our favorite topic. And on this, we have spent some time about this question, should we put an objective or not? And the result was that it may be too early to set objectives, so we prefer to confirm the guidance we have been using so far. In the recent result release, we frequently mention the "run rate" of €130 million, €135 million corresponding to what you can read here, €500 million to €540 million on a yearly basis. So that's what we want to maintain. So a guidance, not an objective, a guidance of €500 million to €540 million corresponding to what I have just indicated on a quarterly basis.

But this is based on the Solvency II scope and we have to elaborate a little bit more on the Asian part. And Asian part, you have two ways to take into account the Asian contribution. The easy and I would say the wrong way of doing it is to simply add the dividend. It is easy because this is tangible cash, but we are not adding homogenous thing. If we had free capital generation with cash, we are mixing concept. But I can understand that this is something tangible that we can see and that we have booked and that we received in the General Account. So this has to be kept in mind.

So if we take into account potential dividend in the range of €100 million, so we end up for the group with something between €600 million and €640 million. But my preferred approach is the second one. The second one is if we take into account the free capital generation generated by the non-controlled participation. And if you remember in Portugal when we explained the methodology, we said that despite the fact that they are not under our Solvency II, you can perfectly apply the free capital generation as soon as there is regulatory capital and regulatory minimum requirements.

So we have tried. We have spent quite a lot of time in putting that in place with some difficulties and getting access to data. But now, what we can say is that the expectation coming from Asia is in the range of €250 million and this is, I think, the right metrics. It is to add this €250 million to €500 million on controlling on the Solvency II entity, putting aside obviously the dividend received by the General Account otherwise there would be a kind of double accounting and we end up with these range of €750 million to €800 million and that's the metric I prefer. I think that's the best one. So, in conclusion, some guidance on free capital generation. We are still gaining confidence, but objective will come later maybe in the next plan.

A quick update on the way we present the figures. And here on the screen, you can read what we presented in August, and this is the Q2 result and the free capital generation as presented last time. And even if we didn't get any comment, I would like to come back one second on this strange box on the right-hand side of the slide, which is called the free capital not recognized under Solvency II for a very significant amount in excess of €600 million, so that's not something indifferent and I'd like to comment a little bit on this.

With the end of the put option, which took place end of June, we had to change the way we calculate the free capital generation, why? Because up to June, we had everything was at 100%. The regulator imposed that AG be taken at 100%. And you remember that our definition of the free capital was, at this stage, very simple. It was eligible own fund minus 175% of SCR. And we provided you with the roll forward eligible own fund, roll forward SCR and with this simple calculation, we had corresponding free capital generation.

It is becoming more complicated with the end of the put option because we have to recognize that we are not at 100% anymore and we have to take into account the non-controlled interest. And here, Solvency II makes some strange calculation through this notion – this concept of non-transferable, but the way the non-transferable are calculated induce some distortion. And if you keep on making the same calculation eligible own fund that you have deducted the non-transferable, minus 100%, 175% of SCR which is the SCR of the whole entity, it is as though we have to cover the, I would say, risk appetite of the third party which is conceptually wrong. And we think that this should be released. And that's exactly what we have here with the €600 million.

So, now, what we would like to adopt in the future release is this presentation where we take this additional capital and we put it as free capital. And we don't isolate it anymore. And we have, we think, the real view on the free capital which came from €1.5 billion before the end of the put option to €2 billion. So I think this is the right metric. We can say that the free capital after deduction of expected dividend amounts to roughly €2 billion. And that's the right metric.

One last word to conclude on the free capital generation, we have studied even further changes, and we were wondering if it was really adequate to maintain this definition of free capital being what is above the target capital. Because what you can see on the market is that a lot of companies do some kind of free capital but more under the definition of resurplus, not taking the target capital as a reference but the SCR alone.

But we think that it is conceptually better. It is the right approach to consider that the real free capital is what is above objective. You are not free to do what you want with what the part of the eligible own fund being between a SCR and the target capital. So, for this plan we will stick to our official definition. Free capital is what is above the target capital, the target capital being at 175%.

That's all. So after all these operational objectives, I will leave the floor to Bart for some more consideration on cash and some things for shareholders.

Bart Karel De Smet {BIO 16272635 <GO>}

Okay. Thank you, Christophe. So, if we look to the cash we have in General Account, this cash is, let's say, fitted with net profit that is upstream. Then where we use upstream dividends from the operating companies in the first place to pay the dividend to shareholders to cover the corporate costs and to have, if the amount is higher than some of those two elements, add extra cash to the General Account. And the cash in the General Account, we have said this in the beginning is, in the first place, we try to use it to invest in business according to our, let's say, choices. And if we don't see sufficient opportunities to invest in business, we have committed to give it back to shareholders by buybacks, and that's what we continue to do.

If you have a look back, and this is maybe a slide that needs some explanations, what you see is the lowest dotted line is the line that is reflecting the dividend we paid to shareholders. So, last year or this year over 2017, €408 million. The other, upper dotted line is the dividend paid plus the cost of the corporate center being, on average, something like €70 million. And that's why you see that we have last year, for this year over last year, a total cost of €478 million.

And then the full line is what has been upstreamed. And there, you can see that since 2013, we upstream dividends from the operating companies more than the dividend we pay, more, plus some of the corporate costs. And so, the orange part is the extra cash that has been year-after-year added to the cash pool in General Account. For this year, you see that the delta is something like €140 million. So, it means that we received €140 million more than what we need for dividend and corporate costs.

And if you then look to the cash pool overview since 2011, you see that in 2011, we had something a bit less than €700 million and that's the year where we launched the first buyback and that over time of course, money came in, money went out, you see the last three years we have - each time ringfenced an amount for the Fortis settlement but that let's say last year this year our cash pool is something like €900 million.

And so this is the way it goes where we then say, okay, the dividend we've been paying in the past was always based on the insurance result for the obvious reasons that the volatility of the General Account was unpredictable and we've always been in line also delivering here on the promise to distribute 40% to 50% of the insurance results. You see an average maybe something like 45%. But as we now move to group view as Christophe said for solvency but also for other let's say for instance dividend target, we say we will no longer have a dividend payout ratio on the insurance result. We take it on the total group result with one exception is that we take out the RPNI impact because that is still noncash and quite difficult to predict. And we will go for a dividend payout ratio of minimum 50%.

You see on this graph what that would have been in the past where you see that we've never been at 50% in the previous years but - so as of 2019 over the result of 2018, shareholders, investors can expect us to pay minimum 50% of the group result corrected for RPNI as a dividend. Our goal is of course, also to keep the dividend at least at the stable level with by preference to increase it so you would say that it's not a solid target but you know that that is one of the objectives of the board and management.

And next to that, you see our history in buybacks. And so in order to be very transparent on that and to avoid that we every time have to repeat clear buyback if and maybe or not, we commit to go for a recurring buyback over the next period of at minimum €150 million as long as we don't have what we call sizable M&A. So if you look also back to the past seven, eight buybacks we have done some M&A files in that period. You know their importance, right? It was once €150 million, €200 million. Notwithstanding these M&A files, we launched buybacks. So when we say except if M&A, we refer to sizable M&A files.

So the combination of money upstreamed from the operating companies that permit us to pay the dividend, to pay the corporate cost, to create on top of that extra cash where the past has been, let's say, approved makes us more than confident combined with what Christophe said about operational free capital generation, between €600 million and €800 million, that this, let's say, about €400 million dividend, €70 million corporate cost, €150 million minimum buyback which is in that range that we can really generate that while staying with a, let's say, considerable cash buffer that then, again, will be primarily used if we see the opportunities to invest in the business.

Permit me to go a bit deeper on that. So we have this cash pool, €900 million. Next to that, we still have capacity to issue debt. And when we stay within the Solvency II regulation, you can see it's a bit, let's say, busy slide but we give this to permit you to check all the elements. But the conclusion of this slide is that next to the €900 million cash we have something like €1 billion additional debt capacity staying within the Solvency II regulation. So you could say a total amount available of a bit less than €2 billion to do sizable acquisitions.

We stay in line with the principles we used since the beginning I would say in a quite disciplined way, that we look to M&A targets of critical size, that have a meaningful contribution which is more how we express it in net profit contribution to the group in the medium-term, and that the return on equity is in excess of our cost of equity while we take into account local specificities, the type of business we're investing in. So these main principles stay on board.

And if you then look to where we are today, you could say that we are in Europe mainly in three home markets - Belgium, UK, and Portugal - where we have important market shares; a high control - Portugal, UK almost 100%. We have Tesco which is a joint venture in Portugal. We still have the joint venture in Life with BCP. In Belgium we have 75%, so high control; high profitability; high cash upstream. Next to that we have smaller operations in Luxembourg and France. And we have, let's say, somewhere in between Europe and Asia our Turkish operation that is growing very strongly but at this moment, as you can imagine, there is of course a negative impact of FX.

Then in China where we tend to say this is a growth engine, definitely it is. But let's not forget that we have also already in China three well-established entities - in China, in Thailand, and in Malaysia - so I refer to Ageas, sorry, not only China - where we see those three entities are in fast-growing markets. We have strong local market positions: number 4 in China; number 2 in Thailand; number, let's say, 3, 4 in Malaysia. The partnerships are almost 15 years or longer so they are very solid. And we do not only realize nice profits but they also pay already, since a number of years, dividends. You've seen the figure in the slide Christophe commented, something like €100 million last year. And next to those three main established growth engines in Asia, we are in a number of markets where we are in the early stage of growth - India, Philippines, and Vietnam. And these has the examples you see there, fast-growing markets, okay market positions where we can reasonably be ambitious and where we fully exploit our DNA of being a strong partnership-based company.

What do we now look at in the future for M&A? Also there it's, let's say, in continuity with the past. We, first of all, believe - being a strong believer of the local aspect of insurance when we talk about the retail customers, small and medium enterprises, and the local champions, that being strong in a number of markets is of much higher value than being average in 25 markets. So where we can strengthen our position in existing markets we will look at it, always taking into account of course the main principles we announced just before. We have a clear preference for the obvious reasons in Europe for Non-Life, knowing the low interest rate environment, and expansion in Life is on a case-by-case basis like we did in the past two years in Philippines and Vietnam where we see a huge, let's say, opportunity in that kind of business. We further look at the expansion in fast-growing markets and (01:05:07), let's say, call it a free way out for opportunities where we believe that our expertise can be very helpful to create new value-creating entities.

It means that our strategy looks, first of all, is different for the whole markets compared to the growth markets. And we also added a third category which is more in line with this ambition to go beyond purely, prepare, and protect but also go into the prevent and assist. So in the whole markets, Belgium and Portugal, it's very clear. We want to be market consolidators. We are in both markets very strong in Life with market shares of 25% or above. We are still not at the same level of market share in Non-Life so opportunities in Belgium, in Portugal where we might increase our market share in Non-Life will definitely be looked at in detail. In the UK where, by the way, I think after two difficult years this year is really evolving according to plan, the volumes have been reduced but, to a large extent, in the less profitable areas also partnerships that we wanted to exit. We see an increased capability to regain growth in the direct business. And most important, that was the objective for this year, the promise we made to go to an end result between €60 million and €70 million net profit. We are definitely on track to reach that. So this also means that for the time being we do not expect our colleagues from the UK to look to acquisitions. We want them to focus what they have been doing over the past quarters fully on, let's say, the delivery on the promises we made with respect to the profitability on that entity.

And then with the availabilities we've got, we talked about the cash and the debt capacity. Okay, if we would see an opportunity to enter into a fourth what you could call home market that has the characteristics of the home markets we're in – Belgium, Portugal, and UK – where it would be a cash-generative entity that really could help increase the upstream dividends and where we feel comfortable and can already immediately say don't expect us to look to France or Germany to become a major player. I think for those countries, we would not need other means than the ones we have at our disposal.

Second category, the growth markets. So we, of course, continue to work hard in the entities that are dividend-contributing. And if there the partners want local consolidation, we will, in any case, be supportive and look together with them. We also look to early-stage growth markets. For a number of years, it's even a bit boring for me always to repeat it, that Indonesia is one of the countries on our list. But I can also there assure you that we have seen opportunities but we did not jump into this for the reasons that the opportunity did not match our criteria, our expectations. And of course, we can proactive look to selected markets where we are not today, where we believe it might be interesting to add them to our portfolio of growth markets.

And then the third category, but there to assure you immediately, this in principle will mostly go about completely different amounts. It's where we might team up or in partnership or in joint venture or even sometimes by acquiring what we have also already done in the past, for example in Belgium we have a repair company that is fully owned by us in domain of what we call beyond insurance, but it will always be beyond insurance but some are related to insurance. So where we can in that value chain from prevent, prepare, protect, and assist have more control over the total value chain, end-to-end, where we try to create these great customer experiences.

So you could say that Connect21 next to this purpose, stakeholders, values, operational – sorry – choices is a set of adjusted operational targets. Christophe explained them that, on the other side, we also try to explicitly show that we want volume growth, be it in Asia, with the growth models we've got and we will find, in Europe by expanding our activities to go beyond insurance, do that in a sustainable way and do that while we clearly promise a very high attention and priority to the way we deal with our cash throughout our shareholders through a dividend and share buyback policy that I would say is more challenging maybe, also more explicit than it was in the past with this clear commitment on dividends above 50% and on share buyback of minimum €150 million if we don't have sizable M&A for us.

And that makes us bring to a next target that we have. So we have three operational ones. You have then Solvency and you have the one on dividend and buyback. And the last one is an earnings per share CAGR target where we say, okay, we want in the next three years to have an annual earnings per share growth of 5% to 7%. And there we start – you see it on the slide – at a value of €4 per share. And this is based, you will remember, on guidance that we have given at the half year results where we indicated our expectations that we would close the year in the upper side of the range of €750 million to €850 million profit that we normally make in insurance, of course always excluding potential unforeseen events. So that's a bit a starting point. We commit for 5% to 7% earnings per share growth year-after-year in those three years which is something corresponding to the 11% to 13% ROE but now on a group level. So this is, I would say, a new target that expresses on the one side the return on equity expectation and at the same time also a growth ambition that was absent in the previous set of targets that we launched in Ambition 2018.

So in conclusion, after the period, first three years stabilization, financial repositioning, preparing for the future, we believe we are now in a period of insurance and beyond with Connect 21, continued focus on long-term sustainable growth, having attention and priority for all our stakeholders, moving more into additional services and products, and increasing the leverage of technology. Be sure that in all our operation companies we are today experimenting, and sometimes this goes beyond experiment be it in, let's say, with robotics or artificial intelligence, we are in the international, let's say, test case of B3i on block chain. So all these technologies are closely followed but each time with in mind that it should be helpful for the end customer, otherwise we've seen they will not buy it.

So this is total overview summarizing all of the elements. But I think it's now a right moment to ask my colleagues Filip, Antonio, and Christophe on the podium to go to Q&A. I can in any case end my intervention by saying that we have had two days with the top 200 or 180 of the group. We have presented this plan to them. This is the framework out of which they will start now to develop the local plans, multi-year budget. And the only thing we can say is that they are all extremely committed as they have been in the past nine years to, again, deliver on the promises, and I'm sure that you will appreciate that. Thank you very much.

Q&A

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

Okay. I'll play a bit the animator and give as much as possible questions to my colleagues.

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

You wait for me.

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

Filip had a little accident. We are supportive of the life of our employees but this is not our fault, Filip.

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

No.

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

Okay. Who kicks off with the first question? There are two people with mics over there.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hi. Good evening everyone. Ashik Musaddi from JPMorgan. Interesting plan. I have three questions, if I may. So first of all, how would you classify your 5% to 7% EPS growth target? I mean, it looks not that ambitious to me if I look at a third of your earnings is coming from Asia which should be growing at least 10%, I mean, based on what other Asian companies are doing in China and Hong Kong, etcetera. Then you have buyback, €150 million, that adds around 1.5%. Then you have Portuguese restructuring is still not completed yet. And on top of that, your improving combined ratio target and Life margin guidance as well. So how should we think about this 5% to 7%? Would you say it's a bit conservative or is it a stretch? That's one.

Secondly is you mentioned 175% at the group level and then you have a hurdle of 157% and 140% on Solvency. So under what scenarios do you think that you will breach that 175% except Belgium going into default? Except that scenario, can you give us any thoughts, like what scenario do you see that you will breach that 175% Solvency? And the third thing is you clearly have ambitions to do M&A with the new thing that came up, what is it, you wanted to build something called fourth market, fourth home market. What does that mean? And what I'm trying to get here is is there a risk that you'll end up doing a big M&A where your returns might not be attractive today for the next two, three years? It might look great five years down the line, but today it might not be 11% to 13% already. So what's the risk of that kind of M&A? Any thoughts on that would be great. Thank you.

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

Okay. Thank you, Ashik. I propose that Christophe take the first question on the 5% to 7%, and Filip the second, and Antonio the third.

A - Christophe Boizard {BIO 15390084 <GO>}

So on the earning per share, 5% to 7%, first, you have to appreciate the fact that it is the first time we put that in place. If you take the history, and on the slide you have the different figures, 5% to 7% could be seen as already slightly stretched (01:16:56) past. Then I agree with you that we have some, let's say, favorable outlook coming from Asia.

But let's be honest. Even if Asia is a growth story, you have some market where the growth is not as huge as it is in China. China stands out with this very big growth. But if you take Thailand or Malaysia, the level of growth is not as high as it is in China. So we have to be careful about the qualification on Asia. But to give a simple answer, I think it is very achievable, the 5% to 7%.

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

Maybe one point to add. You've seen we start from the €4 per share which is as we mentioned in the half year results, at the high end of the range of profit that we announced in the Investor Day. So we could say we could have started from a lower base and maybe put something else. The impact of the buyback is something like 2%, so without buyback it's 3% to 5%. Filip?

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

Yeah?

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

The stress test?

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

I think, well, partly your right. But it's not really a default of Belgium. So it's major European crisis, started 2011, leading to effective downgrades in rating on sovereign exposures we have in our portfolio. You know that. So the question is that a likely scenario to pop again in the future and what is our margin. Our margin and our risk management practices have been adapted to that type of scenarios. And it's also the reason actually behind the fact why we said, yes, we are very confident to stay at 175% level and we don't feel the need to push it up. Certainly not because we did in our Solvency II Ageas, we have implemented the expected loss model, so let's say the one-off effect of just rating volatility – no, spread volatility is not immediately impacting our Solvency view because we have this longer-term view embedded in there. But that is what it is. It would be a major European crisis leading to a specific downgrade on material positions in our portfolio.

With (01:19:17) in combination with at the same time, let's say, severe crashes on equity markets, equity markets we are not that sensitive to except, to some extent, in Asia. But that wouldn't lead to Solvency II implications because that is out of scope. But in Belgium our equity positions and exposures are actually moderate. So we are not very exposed to equity volatility at least not in Solvency ratio. And our other main exposure would be property. So combinations of a real property market crash in combination with a eurozone crisis could bring us in danger zone and then of course things that I cannot think of.

A - Antonio Cano {BIO 16483724 <GO>}

Yeah. I mean, on your question on the fourth market, so it is like we're not really closing the door to enter into a fourth market. It is not like we must and we shall that we've been very public about our desire to get into a market like Indonesia. But I've also seen that we've been quite disciplined. There have been options that we have not chosen for. So any of these deals involving a fourth market should obviously also meet the financial criteria, so having a meaningful contribution, definitely meet the return targets, and be sizeable. So it might happen; it might not happen. And as Bart always say, it's very difficult to see entering in a market like, say, Germany, like a big European market that will actually meet those criteria.

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

Where are the mics? Here in the second row.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, there. Thank you very much. It's Farooq Hanif from Credit Suisse. I wanted to ask about the 1 in a 30-year (01:21:16) scenario with respect to the general accounts. So you've talked about Solvency in terms of liquidity and cash. Given the point you made about that flexibility improving given the ability to move cash around the group is getting easier with reinsurance, are you now willing to go to zero cash for the general account? That's question one.

Question two is when you're investing in these new propositions, these new beyond insurance ideas, how much of the investment is shared with your partners? So are there aspects where you can build together with partners? So who's spending the money and who's reaping the benefits. And lastly, very quickly, can you talk about the likelihood that you see in operational capital generation because the dividend from NCP is moving up to that theoretical number because you talked about higher payout ratios specifically from China in the past? So what's your sense? Thanks.

A - Christophe Boizard {BIO 15390084 <GO>}

I can start with this one maybe. And the last one – so we are in a special situation in Asia because we have to fund the growth. And if I take the example of China, I think that from my perspective I consider that we are in front of a miracle from a capital perspective. We have exploding growth, increasing dividend, no cash need, and very high Solvency; that's really something outstanding. But having said that, you cannot claim that the payout ratio will increase to the 100% we can have in AG for instance which is in a very mature market. So, we have this potential and the potential is rightly measured by the free capital generation. So this is valuable info, but frankly in the near future we have to be patient. We have to fund the growth. So in Asia we cannot consider that the free capital generation, which is a potential, will be transforming cash.

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

Okay. The first question is I would say what we try to show is that the dividend plus the corporate center cost plus, let's say, the €150 million buyback is something that can be fully supported by upstream dividends, so it means we don't have to touch the cash pool for that. Unless we decide the dividend like last year of €200 million, then you would take out €50 million from this €900 million pool. So it means that the concern about will that cash pool not dry up is absent. Of course, you can have M&A and then it will reduce and that also should then lead to investment in entities that increase the profit and, depending where it is in the stage of evolution, also dividend capacity. And so then you turn around and you can probably have higher dividends and with lower buybacks in the further future.

A - Christophe Boizard {BIO 15390084 <GO>}

If I may on the cash level. The intention is not to bring the cash to zero. In the past the holding was not able to play its whole of strong shareholder. The holding was very weak as a shareholder with very limited financial flexibility. What I told you is that I want the holding to regain the financial flexibility to be able to play its whole of strong shareholder. You cannot be a strong shareholder if you have zero cash. You can argue that there is €1 billion of extra margin and you can raise debt. But in case markets are not favorable or markets are closed you cannot tell your subsidiary being in need of a capital increase sorry, I cannot help you. So we have to be able to be always present to back our subsidiaries so the level of cash wouldn't be zero.

A - Antonio Cano {BIO 16483724 <GO>}

Then on the second question, so these initiatives when you say the beyond insurance space, it can be many things. It can be a commercial agreement, either preferred or exclusive. It can also be setting up joint ventures with partners that are actually more active in that space we want to get into. There are few examples of that in, say, the health insurance space in Portugal. In that case, we set up a joint venture and each of the partners investing the joint venture in the proportional amount; and by the way, these are never big amounts. It could also be that our joint venture partner, and I'm thinking about Thailand for example, sets up such an activity and it can also partner up with local partners so that also our investment is like a proportional stake in the partnership. So it can take various forms. There is always, say, skin in the game of the partner and there are not huge amounts involved.

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

There are some questions at the end there. Yeah?

Q - Farquhar C. Murray {BIO 15345435 <GO>}

Hello. Farguhar Murray from Autonomous Research. Just two questions, if I may. Following up again on the NCPs, I mean, you mentioned there the kind of strength and capital generation within those Asian entities, €250 million. And then you're kind of saying look, actually we need to fund growth. But, I mean, within the €250 million as I understand it, that would include some kind of loading for growth. So I presume you're saying is that that €250 million just simply isn't fungible. And can you then explain what's making it non-fungible? Is that a distinction between the capital framework and the stat earnings framework and that's why you can't remit up the €250 million?

A - Christophe Boizard {BIO 15390084 <GO>}

We have a simplified approach on the NCP so there is no fungibility. We only add up the local free capital generation knowing that each and every country has its own regulatory framework. So we take Thailand, we take the regulatory framework, and we isolate what the free capital can be or what it is under our simple definition. We add up with China, with Malaysia but it is where we end up with the €250 million. But there is obviously no fungibility here. We are in a minority position so it's a simple aggregation here. We don't apply kind of diversification fungibility that we have under the Solvency II framework. So it's a simple aggregation.

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

But if I may add something because let's not forget our partners. And as we are most of the time aligned on the fact that we want to see the cash flow out of this operated company stream to the shareholders. There is no misalignment there. But one thing you have to keep in mind and it's building a bit on what Christophe has said, the solvency regimes in Asia are under development. And so, virtually every year, one of them is sharpened or is tightened. So, if you see ratios over 300% and 400% in some of the entities like, for instance, in Thailand, this is because all these companies are very well aware that the regulator in Thailand is going to sharpen the regime which is now a 1 in 30 type of solvency level, bringing it up to a 1 in 200 over time. The same is happening in China. So, there is some conservatism and some reluctance to go to solvency levels that we are used to and upstream all the cash in Asia region.

I think you have to recognize the reality that these markets are developing. But indeed, we can see and it's actually what we also see happening in reality, dividend payout ratios in Asia are moving up. So, long gone is the time that we could not rely on dividends coming out of Asia. The payout ratio that we see on the Asian joint ventures is now around 30% already. That was zero, five, six years ago. It's up to 30%. We're looking at 35% sometimes. So, that is moving up. That cash is coming closer to the capital generation. But you have to allow that market to catch up with the type of capital and solvency standards that we have now already implemented in Europe and that will take a few more years. And I think there is nothing wrong with that.

(01:30:20).

Q - Johnny Vo {BIO 5509843 <GO>}

It's Johnny Vo from Goldman Sachs. Just a couple of questions. Just the first question is in relation to the fungible capital and capital generation. I mean, if we look at the – on page 39, the capital generation at the lower end of €600 million plus the fungible cash from the Asian business of €700 million and looking at your dividend of €500 million to €540 million plus €150 million of buybacks, it looks like everything that is fungible is consumed. So, if you can respond to that because, also, if I look at the solvency of 211 at the half-year stage, if I deduct the dividend and I deduct the buyback, then solvency hasn't moved almost for three years. So, if you can just respond to that.

The second thing is just in relation to the cash at the holding company. And if you put an internal reinsurance vehicle in there, how much of the cash gets absorbed by the capital required for your IRV (01:31:21) and what happens there? And the third question, just in relation to rating agency debt constraints, in the past, you had said you had about €600 million of capacity under rating agency. So, can you update us with that number? Thank you.

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

So maybe I can give you an answer on the consequences of the quota share at group level. So, first, a little bit of history. So, in the past and due to the bankruptcy risk I indicated, the policy was to put maximum means and capital within the subsidiary and the minimum at the holding level. With the quota share, you are right that there is a need to have some capital to support this business. But if you put in place quota share, normal calculation tells you that the local SCR goes down.

So, the next step is to review the level of capital of the ceding (01:32:25) entities and review the capital means that you should observe some transfer to other holding. So, I would say this is internal rearrangement, but I don't see putting in place quota share as putting pressure on the capital of the general account. We will have to adjust the capital of the ceding (01:32:48) entities so that what is transferred is backed by transferred capital.

Q - Johnny Vo {BIO 5509843 <GO>}

Is there any constraints in terms of getting money out of the subsidiary once that quota share arrangement is in place? So, do you have other constraints – local gap constraints, any other constraints that would affect your ability to remove excess capital from your subsidiary? Thanks.

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

So, you do have constraints. But the starting point is the level of solvency you want to have in the different entities. As I said, you should observe a decreased need and a decreased SCR. So, the potential is there. Then, you are faced with the – is it actionable? So you have to restructure the balance sheet being in local gap and you have to see what you can do. You have the normal means and you can do exceptional dividends. Some time, you are limited by distributable reserves. In that case, you can go to capital reduction. You can contemplate a lot of ideas. But this has to be done. This is the second step.

The first step is to put in place the quota share. The holding has sufficient capital to back this activity. But then, you are right, we will come to a point where internal restructuring will take place, but it is not urgent. This will be done in the second step.

I'll try to take one of your two other questions where you made the link between the operating free capital generation, €600 million to €800 million, and then the sum of dividend, corporate cost and buyback. Let's not forget that operation or capital generation is not cash generation. To give a simple example, if you have a life contract with a margin of 80 basis points from 10 years, P&L wise, you will have from the first year your profits. Capital generation-wise, you will have a negative impact in the first year. So, some of these capital generation elements are not cash and are more – if you would stop doing life business, it would have a positive boost our capital generation.

So, you cannot make the complete link. The message we want to give is that when we look to the operation of capital generation also over time, what we believe the guidance Christophe gave, we see the potential of upstream of dividends. Those elements give us more than confidence that the promise of a 50%-plus dividend payout, a buyback of minimum €150 million a year, is more than achievable. We are confident with that looking to the profile of the group.

And then, I – your first question?

Q - Johnny Vo {BIO 5509843 <GO>}

(01:35:47-01:35:50)

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

The debt capacity of €1 billion in the rating agencies, was that – what the reaction will be from the rating agencies...

If we raise the €1 billion, so it will increase our leverage and this is a factor taken into account by Standard & Poor's and for instance. So if we increase the leverage, you have pressure on the rating. But at this stage, I have to admit that I don't know what €1 billion would mean on the rating. But with an A, we have some margin at the capital level.

It will probably depend what you use that billion for.

Q - Johnny Vo {BIO 5509843 <GO>}

Okay.

Q - Benoît Pétrarque

Benoît Pétrarque from Kepler Cheuvreux. So, I was just wondering on the new Solvency II guidance to return cash or to share buyback. All the thresholds you have set, this is Ageas version obviously.

How will you react to a team going down because we've seen you have much more volatility and sustainability to spreads widening on the inversion? So, I was wondering if you will stay relax even if you hit kind of 157% or 140% on the (01:37:11) will you maybe take action at an early stage? It will be the first one.

The second one was on the reinsurance. How much premiums are you kind of open to transfer internally to the group and what type of cash flows we can expect there? Because I think you still have a large DTA or unused DTA at holding level.

And then the last one was on the AG. So, AG has been the big support for the rating of the group historically. If you manage to get (01:37:45) up at the holding level, could you upstream cash from AG back to the holding and maybe do something else internally?

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

Okay. Let me tackle the first one first. I would be a lot more relax on team ratios moving down than Ageas ratios moving down. For the simple reason and I think most of you, if not all of you know that Solvency II (01:38:13) on the volatility adjusted mechanisms and may lead to economically in appropriate decision making.

So, we have decided in Ageas to go for the Ageas approach because we think that is the way (01:38:28) and otherwise, we're going to make mistakes. That doesn't mean that we can ignore a regulatory framework that can mean that we are look more relax if we see lower ratios popping up there. In the Ageas framework, we have also not included any transitional measures. But in the regulatory regime, in our pillar one in the operating entities, we have done so to shield us up from what I call, to some extent, undue volatility. So, we were very mature at looking in that. And we are very transparent in our dialogue with our regulators. You know, that under Solvency II you have a college of supervisors. So, all the regulators who are somewhere involved in our (01:39:10) entities, they join us once a year and we are extremely transparent on that debate.

We do the tests always under both. So, they are very much aware but from our perspective, our management decisions unless we are really coming close to 100, 110, I will know when we have to enter in a regulatory dialogue, we will be relax. Because there, but you know what I'm talking about, the reverse of spread risk because that is the main thing. It will increase the capital generation for the next years in (01:39:47) so, it comes back.

Q - Benoît Pétrarque

We have seen in the past that management has been directed to spread risk like we have seen in Italy or Greece. And sometimes you might take action and – just because spreads are moving in the market...

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

Do we have therefore chosen to put the expected loss (01:40:12) in place? Also, by the way, in anticipation of IFRS 9 79 (01:40:19) to be introduced to get more synced between what we expect will be the recognition of spread risk under IFRS and what we see in Solvency II. That being said, EIOPA is also looking at the problem. Let's call it like that. But I cannot see how and when they will get political consensus to make changes to that. It's not foreseen in the first wave. It can come. But we have a mature dialogue, and I tell you I'm more relaxed as a risk manager on PIM movements than I am on the Ageas movements.

Christophe?

A - Christophe Boizard {BIO 15390084 <GO>}

Then so next – some more explanation on the session rate. You noticed that on the slide that didn't put any number. It was on purpose because it is not determined yet. And why is that? We have the following constraints. So, the first thing we have to achieve is, as I said, to get these cost structures. Cost structures can be obtained if you have sufficient substance. But at this stage, we have started discussion and "negotiation" with Standard &

Poor's, but I am not sure where is the minimum level they ask for declaring that there is sufficient substance. So, that's first thing.

Discussion has started, but we will have the conclusion before the end of the year (01:41:48) the rating is needed as from January 1. And what we expect is the rating committee to be added to somewhere in November to have the rating in December so that we won't have long discussions. The rate will come.

So, first, I have to see where the floor is, then, vis-à-vis the entity. We cannot have a very violent and brutal approach. You cannot declare that you will quote a share 100%. We have

independent board members. We have a risk committee. We have a lot of things. And so, we have to be prudent and to take into account local sensitivity. So, this is another constraint.

We have put in place a pilot to test the - all the operational implication so - but we are ready by January 1, but January 1 is really the firm date. Something will take place there. But for the session rate, you have to wait a little bit more. Then, you mentioned the DTAs. You know that we have - we are in a loss, so we have losses coming from the past at the holding level. And you could think of activating DTAs if we have a sufficient base and profit at the holding level.

But the first step is to compensate for the holding costs. The holding costs are around €70 million. As long as you are below €70 million, you still generate losses and there is no DTA. So, don't expect at start, where we will have to start with a reasonable session rate, don't expect that we can put in place DTAs at the holding level, but would - it is too much. We'll see in the future but not right now.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Okay. Jason Kalamboussis at KBC. Three questions if I may. The first one is what you would consider a sizable M&A, at which point, you would cancel your share buyback? And could you also mean combining a bit the questions that were asked about the minimum cash that you want to keep, the cash that you want to have for your reinsurance activities until you do that, until you basically do the internal transfers. What would be the range of, a sizable M&A transaction?

The second question is and maybe you have answered this. Your target, your 5% to 7% EPS growth or 3 to 5x share buyback, does that include whatever you're likely or not likely to do on the M&A front?

And the third question is, you talked about a fourth, potentially home markets where you are comfortable. I mean, one could consider that the Netherlands being next door would be a comfortable market. So without going to the full debate about (01:45:02) could you tell us what do you find? Do you find it an attractive market and which part you'll find attractive or if you give us any generic comment rather than any specific comment, that would be great.

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

I could answer those questions but I'll leave it to Antonio to do this or our opinion on that. The first two, I think we already raised a point of the (01:45:24) Christophe said we can obviously mention that you will have no cash at all. But again - go back in time, supposed that the put option would have been exercised by BNP at that moment there. We would have talked about something like, let's say, to round it, €1.5 billion. We have at that moment something like €900 million available. We have said that a number of times that we might do that in a combination of course of cash and debt maybe 50/50.

So, if we do a sizable and that is the second question, a sizable M&A, we expect that the sizable M&A will also be another raised M&A as we've done over the past years and that that would be contributing quite immediately to the net profit and the cash upstream possibility. So, of course, that - at that moment, you would not have the 2% support in your CAGR earnings per share from a buyback, but it should come from the acquired company. So, the 5% to 7% earnings per share, if we start from the €4 that we have shown, and you will make a calculation, you probably all have done it in the meantime until 2021. It will be or a combination of less shares with a certain increase of profits or a combination of similar dividend eligible shares with an increased profit, thanks to acquired activities. So - and that's a bit the range you can expect us to be in.

A - Antonio Cano {BIO 16483724 <GO>}

Yeah. Maybe...

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

And whether we've got this part of that, that's up to you Antonio.

A - Antonio Cano {BIO 16483724 <GO>}

No I can very - be very sure. I think it is very, very unlikely that any deal in the Netherlands would meet the criteria that we are putting forward. Now things might change, but I don't think that within the next three year planning horizon that is a realistic option. I think I've been very clear than now. And I'm half Dutch by the way. So I'm not bias.

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

You're also half Spanish.

Thanks. I'm Elena (01:47:39) at Goldman Sachs from the credit side. Thanks for giving an update on the Tier 2 capacity. It's obvious that you have enough excess capital and that capacity to do this acquisition. Going back to your home market, in the past, you expressed interest in ITS, given that, I understand that a review of a potential sale will happen yearend. Do you think you would still consider it? And in terms of elections, do you think that this could be delayed or any color would be useful?

Let's say the – we said that we, in Belgium and Portugal, would look to whatever opportunity to mainly increase our market share in non-life. So in the past, I think we've been quite vocal at Ageas could have been part of our expansion policy in Belgium. As you may remember I think something like seven, eight months ago, all governments agreed on a kind of standstill of what happens with Ageas until the federal elections that are somewhere mid-next year looking to tradition of setting up governments in Belgium. If the elections are in May 2019, it's not said that there will be very quickly a government.

So, unless there is a change in this kind of standstill that has been agreed on between the governments and the parties behind, in principle, we do not really expect a natural coming of Ageas to the markets let's say before the end of 2019.

Q - William Hawkins {BIO 1822411 <GO>}

Hi. Thank you. William Hawkins from KBW. You've already been really generously opened in your strategic comments, so sorry to just follow one a bit. But when you talk about strategic financing, you've emphasized your cash and your debt flexibility, but clearly theoretically in circumstances you could also use your own shares as a currency for doing deals. I mean, do you consider your share count sacrosanct and so that number is going down or staying flat or can you envisage a large deal involving your currency as well?

Intrigued, (01:50:27) when you talked about the expansion in life on a case-by-case basis, what kind of life businesses are conceptually attractive? And then lastly, hopefully, a simple one. What's your yield assumption into 5% to 7%? Is it basically where yields are today and if the answer to that is yes, is there any kind of tailwind if the yield environment – if yields rise through the plant?

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

Maybe on the first question. Okay, we have cash, we have debt capacity. We are buying back shares but I think our promise with the buyback of shares is always that we cancel the loan back shares. And there is of course also a possibility admitted by the shareholders meeting last year and the years before is here that we can issue new shares if we see a good reason to do that. But again, I don't see us using that opportunity as long as we have discussion, this debt capacity.

Yeah. Maybe on the being selected to the life business, I guess you're referring to savings types of life protection business that is something different. Again, it's very difficult to see something outside our two home markets where we're active in life (01:51:54) in Belgium. So, we could envision acquisitions in the life savings space that are very complementary to the structure we have in place and whether it would be a lot of synergies. So that is why we look selective at Life. Obviously in the joint venture space life like in Asia, you could maybe have opportunities down the line also in the Life area?

And then the impact of yield to expectations, so you could say if you look to the Life business with guarantees that we go for this margin 85 to 95 basis points what we've been able to consistently produce also in this low interest rate environment. So (01:52:44) think it will really go up, I don't think that we will be increasing our market margin. The only thing what will happen is that we will have a more attractive proposal to the end customer and so the volumes could increase which has somewhere might have a cost advantage.

But in terms of margin that you take compared to what you achieved on your assets, and what you give to your customers. We are of the opinion that this 85 to 95 basis point margin is a defendable margin in terms of correctly compensating capital. No Life story is a bit different of course if interest rates go up, you can be a bit more loose, I would say. on your loss ratio.

Q - William Hawkins {BIO 1822411 <GO>}

You will have the competitive question.

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

Yeah. We'll have the competitive - we have a nice example at this moment. Our loss ratio in or combined ratio in Turkey is I believe around 97 and the investment yield at this moment is for the reasons you know is above 25% so.

The only thing and that's obviously the case. It will be nice to earn some investment income on our cash position so that will add to the earnings.

Q - Matthias de Wit {BIO 15856815 <GO>}

Thank you. Matthias de Wit from Kempen. One question on the earnings in capital generation. Can you reconcile both targets because for capital generation, you're guiding for €600 million to €800 million? So, €700 million at the midpoint. Earnings are closer to €1 billion at the end of the forecast period. So, what's explaining the difference there?

And then just on the earnings target again. Can you provide a bit more color on the drivers per region? So, is it like Asia high single digit, Belgium flat? So, what can you say on that, please?

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

I think the second part, maybe you'd (01:54:57) Filip.

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

Let me. On earnings versus free capital generation, just do not mix up the two, right, because the free capital generation is, in fact, future free cash on top of solvency consumption. Earnings is before the amount required to invest in the growth of the business. So, if you have some growth components in your book, part of the earnings that you will need to be deployed and will consume capital to fund the growth, it's not possible to grow at 6% to 7% or even more without any capital consumption. So, it's normal that earnings are a bit above the capital - free capital generation unless you are shrinking. And if you run over your book, then the opposite may happen. But that is not our intention. So, I think that mainly explains the fact that we do have part of our earnings being deployed in growth of business. That is the main reason.

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

So, the 175% percent of SCR, so it is...

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

And the other question, okay, to take segment by segment, it's clear that in Asia where we're invest in growth that we expect the contribution to the net earnings or net profit by the end of the period to be increasing. In UK, for the reasons you know, we come from a lower base and the (01:56:32) are well on track to deliver the expectation for this year and we said we expect that to further grow up in the coming years. Also, UK to pay next year again a dividend which is – has not been the case in 2018.

In contrary, in Europe, with Portugal integration, Steven, you will remember, committed to this 11% to 13% return on equity in the Investor Day in Lisbon by 2019, if I remember well, Steven. So that also the effects of integration and also the expansion of business should contribute. And then finally, (01:57:14) where we have, of course, a very mature, very solid market and operation with high contribution. If you see how the company is taking up again with growth in life, but also in non-life, above market (01:57:31), we will also see some contribution in that 5% to 7% earnings growth. So, each of the four regions will contribute to that evolution.

Q - Steven Haywood {BIO 15743259 <GO>}

Hello. Steven Haywood from HSBC. On your unit-linked margin target, you've been not quite achieving that 30 basis points for the last two years. Can you tell us how you will actually get to that minimum range target there?

And then, secondly, you have mentioned obviously some potential attractive home markets. Could you – you said, obviously, Netherlands doesn't seem attractive at the moment, but could you talk maybe potentially around maybe Ireland, Spain, Switzerland or any other markets that you may find interesting? Thank you.

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

On the second question, you can, of course, share the countries and, yeah, everybody can ask and we will say, no, no, no, yes. But, Antonio?

A - Antonio Cano {BIO 16483724 <GO>}

Yeah. On the second – well, on the Unit-Linked first, well, you know how that business works. You have a fixed cost base running your Unit-Linked platform. Fees are basically volume-driven. And so, getting that margin up to our target level will be through growth, through volume. And then, in that sense, higher interest rates would help because it allows you to have more attractive offering in Unit-Linked. And then, on the (01:59:01), I don't know, maybe we have a Eurovision Song Festival type of approach here, and Belgium, zero points over there.

No, I think you mentioned there a few names. I think Switzerland was one of those. Again, if you would apply these three criteria to the Swiss market, it seems complicated. You mentioned some other countries. But, I mean, I'm not going to go through the whole list. There are countries where that could be feasible, provided that you find a right partner, a right opportunity. So, there are options, we think.

A - Christophe Boizard {BIO 15390084 <GO>}

And, Antonio, if I may add something on the Unit-Linked and the margin, how was it determined, how was it done. We took, as a reference, the ROE. And as it was mentioned on the slide, the range, the 30 bps to 40 bps, correspond to an ROE between 15% and 17%. And 15% and 17%, that is slightly higher than the ROE we had in mind for the guaranteed business, and which is at 12% to 14%. So, it was kind of empirical approach. We had this stable approach on guaranteed business. And then, we said on Unit-Linked, our margin should be slightly higher. The ROE should be slightly higher and, all in all, this corresponds to this range of 30 bps to 40 bps.

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

And if you look to the quarterly reporting, you can see that Belgium is at this level in margin also, thanks to increased volumes, which has a positive effect on cost. In Portugal, we are below, and the reason is, one, we also have shared in the past, is because we have been, until some years ago, giving part of the profitability of the margin on the Unit-Linked, the new Unit-Linked, a way to compensate portfolios from the past where, okay, a long time ago, there were issues of, let's say, not ideal information of customers, to call it like that. Okay?

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes. Hi. So, Albert Ploegh from ING. Also two questions from my side. First one is, sorry to come back to the holding cash and the slide you showed on number 43, there was basically a gap of roughly the €142 million between dividend and the holding costs and the cash that has been remitted. But I look back to the slide that was (02:01:48) with the full year result, there's always this bucket in there as well with regional holding cost of something like €33 million. There's always a bucket of something like other. So, yeah, I should circle a little bit with the €70 million holding cost guidance. You said that, really, what we should extrapolate going forward in our model. So, is there still something extra that we should take into account?

And the second question on the holding cash is that in the past, you always – sometimes made some investments, let's say, or capital injections, if you like, in one of your joint venture partners or in China. In the current business plan and also alluding to previous questions on the €250 million from the NCPs, where clearly, you say, okay, we need retain something for funding, but is there in the business plan anything on top of this that could have to be paid out of the holding cash to, let's say, for one of your partners into a new region? So, is there any budget for that included in the business plan until 2021? Thank you.

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

Okay. If you look to the evolutions in the cash of the general account, and we publish it every six months there, so, in the press release, of course, if we have capital injections in subsidiaries, it's taken out of the general account. But if you look to the past years with the exception of the new entry in Philippines, Vietnam, I cannot remember that we have had any important capital injections coming out of the cash pool. We even – all country have that additional cash coming in from the sale of our stake in Italy.

You can have other elements, for instance, there also, but they are in the €70 million, for instance, elements of interest we pay on instruments and things like that. Also, the compensation for our P&I for the cash (02:03:39) in that.

What is not in this is indeed the cost of the regional office Asia. But the Europe is fully in the €70 million. Regional office Asia is deducted from profit in Asia. So, if you look to the profit of the region, the cash is coming from the general account. That's something like, I think, €25 million.

A - Christophe Boizard {BIO 15390084 <GO>}

And maybe one other element. So, in the future, what you could expect maybe is a need coming from China, that's the biggest piece with the higher growth. But here, you should take a look on the solvency position of Taiping Life. And under the zeros, which is the new regime, and Filip mentioned that you have evolving framework, but in China, it is up-to-date. It is the zeros, we are in the range of €240 million, €250 million. So, really, we have a very high level of comfort. So, we don't contemplate, at this stage, need coming from China, which could represent high figures, so nothing coming from China.

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

I'll say our last transaction was 2013, where we injected €200 million, and since then – and also today, we have no view at all if you look to a multiyear budget projection of any upcoming capital need in China. The reason is that with our growth, almost 35% of the profit can be upstream versus dividend. So, the retained profits are sufficient to build the capital for the new volumes that are sold.

Maybe one last question before we go to...

A - Antonio Cano {BIO 16483724 <GO>}

Maybe to complete going forward, the only two markets where it's obvious that is going to be some sort of capital growth will be the Philippines and Vietnam because they are basically greenfield operations.

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

Maybe one last question, and we can, of course, further respond to individual requests during the drink or at the dinner.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Jason Kalamboussis again, KBC. When you go to any banking presentation, you hear all the time about – I mean, most of the discussion, presentation is about digital innovation, mobile apps, et cetera. And it's something that is a bit absent, if I may say, today. And they talk about the investments they are doing and things like that. So, if you could talk about that, that would be great.

And if you also tell us what are the biggest challenges in how do you see insurance being bought in the next three years, because if you hear, again, banks, they feel that they could be very, very challenged.

But the Amazons of the world, et cetera, do you find that are bit – you're isolated in a certain way and to which extent?

A - Antonio Cano {BIO 16483724 <GO>}

Well, I guess, Bart mentioned it also in his presentation that before this getting together, we had our management forum for the two days. Actually, that would make the totally reverse remark. We hardly talked about insurance as we used to, and was practically 90%, obviously, bad numbers, but about technology, AI, robotics, et cetera, which is very much at the top of our mind of the organization. We don't share a lot of that with you, but Bart showed a few slides. We'll be happy to do so.

I think – and I might be bold to this audience – that you are interested but you don't really care about the details of all these things. But it is very much at the (02:07:27) of that. And we do invest a lot in new technology. Where we are maybe different is that we invest in technology that is very quickly reapplied. There was a recent Gartner study just to dig a bit into that, stating how many – what the percentage of insurance companies are that are looking at AI. I think it was (02:07:49) 80%. How many were there like experimenting, so about 25%. I'm making the numbers up slightly, so don't quote me on that. But actually, the number of insurance companies that actually applied today AI-type of processes was in the low – was about 5%. And actually, we are one of those companies. So, we have real cases, adding a lot of value where AI is a key ingredient.

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

Some additional comments. I think if you would quantify what we already invest today in technological changes, I have to give an example, in Belgium, it's something, I think, (02:08:33) €75 million a year in innovation and technology, and proportionally for the other entities also. So, a big amount is not from yesterday. It's already from many, many years progressively.

Also, a point of attention, and I was recently in a panel discussion with the CEO of a big Belgian bank, not our partner and not a bank that was rumored to go in an IPO, who recognized that where the digital journey of end customers is really rapidly taking off, that he also does not see that happening yet in the insurance sector, and there are a number of reasons.

First of all is that we also see studies about it. Apparently, the end customer is not really eager to go online and digitally in his experience. That's one. Another reason is that the frequency of transactions that we, as insurers, have with our customers is much, much lower than the ones a bank has with the customer. And that's one of the reasons why we want to broaden our scope towards the end customer, to be much more in contact in terms of prevention (02:09:54) and the assistance and so on, to create a much more frequent customer experience and interaction with the company, which opens opportunities to move to another state in that digital experience. And okay, also, the work done by our people in the – what we have seen, the 2030 think-tank, which has been largely inspired also by external sources, also shows there that it will not be taking up as quickly as possible as what we see in other industries.

Having said that, we are not at all at the moment where we say, okay, so we can wait, we don't do anything. No, we do a lot of things. And, okay, you think up to the customer to adjust, but we are in the forefront or lagging behind, but we are – and it's an overall observation. We're definitely not lagging behind in that evolution. We're probably not the most advanced frontrunner either.

A - Antonio Cano {BIO 16483724 <GO>}

No. I think we're not really complacent there. We have very innovative propositions out there in the market. Things like Back Me Up that was launched in the UK was considered by some of our peers is like a textbook's case of what digital innovation in insurance and mobile could be with indulging things like a younger product (02:11:19) which is like a more protection product, fully digital with e-signatures. So, – and these things are out there, but that's (02:11:28) we see that the customer is not yet ready. I want to say never say never, but it's very difficult to get these propositions across. We also follow up like the new darlings (02:11:43) like lemonade (02:11:44), I guess you're all aware of in the U.S., which seems like to be a model of the future. If you look at really the numbers, also the top line numbers, let alone the bottom line of lemonade (02:11:54), it's kind of not encouraging. But we definitely do not close our eyes.

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

I would say this is a good topic to elaborate during the lunch and drinks because, in fact, indeed, two days, we did nothing else than thinking of ourselves. At one point, we said we're almost a tech company. Where has insurance come to? And to be very – on that component also, in Asia, in some of our markets and especially in China, artificial intelligence is accepted. Robotic interaction is accepted. Outbound calling by robots is happening.

So here, in Belgium, we have maybe a slight – reluctant here and there to accept it. But there, we make close to 1 million outbound calls is now done by artificially intelligent enabled indirect voice. And that is going to go to 3.5 million to 4 million calls a year in maybe one or two years. It's really – and it's just happening. And it grows extremely fast. I think we – at this moment, we had the discussion yesterday with people from, well, I can't say, IBM Watson on this, and we see we are on a twisting point.

Technology is sufficiently developed to be deployable at large and is happening just every day. And it learns very fast. I can tell you. So maybe next time, we should put some of these things...

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

Sure, (02:13:22). Okay. So I propose that we close here the official session that we join the next door for a drink, and then move after half an hour before...

A - Christophe Boizard {BIO 15390084 <GO>}

Before ending the meeting, I think I'd like to make some announcement.

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

Okay.

A - Christophe Boizard {BIO 15390084 <GO>}

So some changes regarding the IR department. So, Frank Vandenborre and Koen Devos will leave their function at the end of this month. They have been heading up the IR function for many, many years. They will be replaced by Veerle Verbessem, who is known by most of you. And here, in front of you, I would like to thank Frank and Koen for their excellent job done for all these years. We were ranked as – I am modest. I don't want to say excellent IR, but a very solid IR function, and it is mainly thanks to your contribution. So, thank you very much. They remain within the group. They don't leave for other horizons. So, thank you very much.

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

Maybe also add to what they will do afterwards. So, Frank is Executive Advisor to the CEO. So to me, I'm working on a number of big programs like this Connect21. Also, the link we make out of this to supporting our people with more attention for healthy and sporty life, things like the whole rollout of the practicalities of the settlement and all those strategic projects. And Koen will remain in your department, Christophe?

A - Christophe Boizard {BIO 15390084 <GO>}

Yeah, will be responsible for treasury and financing for the group.

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

Okay. So, we'll go next door and raise the glass on friendship and the changes for these three people.

Thank you for your attention.