Q1 2021 Earnings Call

Company Participants

- Antonio Cano, Chief Operating Officer
- Christophe Boizard, CFO
- Filip Coremans, Managing Director Asia
- Hans De Cuyper, CEO

Other Participants

- Ashik Musaddi, Analyst
- Colin Kelly, Analyst
- Farquhar Murray, Analyst
- Fulin Liang, Analyst
- Michael Huttner, Analyst
- Steven Haywood, Analyst

Presentation

Operator

Ladies and gentlemen, welcome to the Ageas Conference Call. I am pleased to present, Mr. Hans De Cuyper, Chief Executive Officer; and Mr. Christophe Boizard, Chief Financial Officer. For the first part of this call let me remind you that all participants will remain on a listen-only mode and afterwards there will be a question-and-answer session. Please also note that this conference is being recorded.

I would like to hand the call over to Mr. Hans De Cuyper, Chief Executive Officer, Mr. Christophe Boizard, Chief Financial Officer. Gentlemen, please go ahead.

Hans De Cuyper {BIO 17991990 <GO>}

Good morning, ladies and gentlemen, thank you all for dialing into this conference call and for being with us for the presentation of the results of Ageas for the first quarter of 2021. As usual, I'm joined in the room by my colleagues of the Executive Committee, Christophe Boizard, our CFO; Emmanuel Van Grimbergen, CRO; Antonio Cano, Managing Director, Europe; and Filip Coremans, Managing Director, Asia.

We are aware that today is a busy day for you with several insurers reporting their results. So, we will do our best to keep this call short, starting with limiting our usual introductory remarks to the key elements. Anyway the strong performance recorded this quarter does not require extended explanations and we will come back to you in three weeks time for an update on the strategy. The impact of the ongoing COVID pandemic is decreasing quarter after quarter. It continues to influence our results with low real estate revenues in Life compensated by lower claims frequency in the Non-Life, but to a lesser extent than what we experienced in 2020.

In Life, despite the lower contribution from real estate revenues, we recorded a solid operating performance in both guaranteed and unit-linked operating margins within our target range, thanks to a sound underwriting performance. Additionally, the realization of capital gains in Asia further supported the Group Life net results, which amounted to a high EUR227 million. In Non-Life, the continued lower claims frequency in Motor resulted in an excellent combined ratio of 91.7% and a strong Non-Life net results of EUR91 million.

We also delivered a solid commercial performance this quarter, recording growth both in Life and Non-Life. In Life, inflows were driven by the successful New Year Opening Campaign in China, while Non-Life inflows benefited from a strong performance in Belgium and the inclusion of Taiping Reinsurance. This strong start to the year instills confidence to strengthen our full year guidance. We now expect to achieve a Group net profit, excluding the impact of RPN(i) between EUR900 million and EUR950 million, which corresponds to the upper range of our initial guidance.

Lastly, a quick word on our cash and solvency position before handing over to Christophe. Our cash level amounts to EUR1.2 billion, of which, only EUR13 million remains ring-fenced for the Fortis settlement, which provide us with great financial flexibility. We have received this quarter EUR73 million dividends, mainly from Portugal and Turkey. But additionally, AG Insurance and China Taiping have approved the upstream of a dividend of respectively EUR411 million and around EUR140 million. For the full year, we expect the total dividend upstream above EUR700 million, which represents a significant increase compared to the years before. As for our solvency, it amounts to a strong 195%, comfortably above our target of 175%.

As you may have seen, we have finalized the acquisition of a 40% stake in AvivaSa, the fifth largest life insurance company in Turkey, which will provide us with a balanced Life and Non-Life presence in the fast-growing Turkish markets alongside our long-term partners Sabanci. Additionally, the sale of our stake in Tesco Underwriting in the UK is now complete. Overall, as these transactions are for similar amount, the impact will be limited on cash and neutral all solvency.

Ladies and gentlemen, I will now hand over to Christophe for a short comment on the segments.

Christophe Boizard {BIO 15390084 <GO>}

Thank you, Hans. And good morning, ladies and gentlemen. In Belgium, on slide five, we achieved a strong performance in both Life and Non-Life. In Life, despite the continued lower investment income from real estate, the guaranteed margin amounted to 85 bps, thanks to a sound underwriting performance and the realization of capital gain. See the detail of the capital gain on slide 18. In Non-Life, the combined ratio still benefited from lower claims frequency in Motor and better than last year weather conditions. On the commercial front, the decrease in Life inflows was compensated by the strong growth recorded in Non-Life in all business lines. We are gaining market shares here. In the UK, slide six, the excellent combined ratio reflected the ongoing low claims frequency in Motor, inflows remained stable scope-on-scope with the growth in household, compensating from the lower demand in Motor due to the COVID 19 restrictions. A quick reminder, scope-on-scope means without Tesco.

In Continental Europe, on slide seven, the performance was solid in both Life and Non-Life. In Life, the guaranteed operating margin amounted to 131 bps, thanks to a sound underwriting performance. In Non-Life, the combined ratio stood at 86.1%, thanks to lower claim frequency in Motor, partly offset by higher claims in Accident and Health. The contribution from Turkey was impacted by some large claims and an adverse FX evolution. When comparing to last year results, please keep in mind that the first quarter of 2020 included a one-off reserve release of EUR20 million in Life. Still in Continental Europe, so inflows remained solid this quarter. In Non-Life, the increase in unit-linked fully compensated the decline in guaranteed products, in line with our strategy, while Non-Life inflows increased by 15% at constant exchange rate with growth in all product lines.

In Asia, slide eight, the high net result was driven by a continued solid operating performance in Life, further supported by the realization of capital gains, thanks to Taiping Asset Management smart decision to benefit from stock market trades [ph] in January. This more than compensated for the adverse evolution of the discount rate curve in China, negative impact of around EUR40 million this quarter compared to negative impact of EUR28 million last year. Inflows were firmly up driven by high new business volumes recorded in China during the successful Opening Campaign and the contribution from Taiping Re. The contribution from Taiping Re to the inflow at 100% amounted this quarter to EUR154 million in Life and EUR335 million in Non-Life. The Reinsurance segment on slide nine reflected the lower claim frequency recorded at the level of the ceding entities.

Moving now to the capital position, as mentioned by Hans, our Group Solvency II ratio, so see slide 11, stand at a strong 195%. It was up by 2% this quarter following the favorable market movements mainly the increased interest rates. Our operational free capital generation on slide 12, amounted to EUR140 million, including EUR40 million dividend from our non-controlled participation. This is below our usual run rate of roughly EUR130 million, as our own fund generation was mitigated by an SCR increase driven by asset management actions. We have indeed pursued re-risking of our portfolio in response to the continued low interest rate on divestment. This should bring additional own fund generation in the future.

Having said that, we are at the start of the year and I propose to come back with a more detailed analysis of the free capital generation at the next closing. In the meantime, we confirm our usual guidance for the full year of EUR500 to EUR540 million. This is the end of that shorter than usual presentation. But apart from the COVID impact and plus EUR38 million in Non-Life and minus EUR19 million in Life and the capital gain mentioned in Asia, it is fair to say that we had a quiet quarter.

Thank you.

Questions And Answers

Operator

Thank you. (Operator Instructions) First question from Michael Huttner from Berenberg. Please, go ahead.

Q - Michael Huttner {BIO 21454754 <GO>}

I had two questions. One is basically, your buyback and the other one is the increased guidance, why not more. Anyway, on the -- on the -- on the buyback, your very wonderful IR team explained the ins and outs and all the options, et cetera. But really I would like to get a feel for how strongly you feel about it? Talking about the mechanics is not so interesting if maybe we get the another surprise like we did last year with Taiping Re. So, I just wondered if you can talk about your appetite for buyback that you did in the month?

And the second one is on the increased guidance. So, Asia, China, whatever beat by whatever consensus, EUR47 million I think in the quarter and you raised your guidance by EUR50 million and I'm kind of thinking, well, hang on, some, some of the stuff you did now, it feeds through into higher earnings also in subsequent quarters. I mean you've got 11% more assets in Asia, those create more fees, et cetera. So, I just wondered what is the offset, what you are kind of, what are you doing causes about? Thank you.

A - Hans De Cuyper {BIO 17991990 <GO>}

Yeah. Thank you for your questions. Let me take the two questions. First of all on buyback, I can only repeat what we said previous quarter. That means that this year, we are still guided by the Connect21 commitments and that is an assessment that we will make after the second quarter results. So, we are talking here more around the month of August. So, I cannot tell you more now about a potential share buyback except the fact that we respect the commitments that we have made on the Connect21.

Second, related on the guidance, indeed, what we have done is we have actually raised our guidance in the Asian part to EUR400 million and that brings us a more confident in the range EUR900 million to EUR950 million. Your question, why not more is that the remainder of the year still has some I think important uncertainties. First of all is how -- which other COVID impact we will see. And as you know, we have always two COVID impacts. The first one is the claims frequency in Motor, but we see the effects becoming less and less month after month and we are definitely not anymore at the levels that we have seen last year as well as in January.

But on the other hand, we have the real estate revenue and that is to a big extent the parking revenue from Interparking and there actually we assume that the current drop in revenue, which you could see between 40% and 50% month after month, that will probably last a bit longer and we expect it more I think to normalize after summer instead of before summer. Let's not forget that some of our parkings are situated at airports and I think it's clear that air travel is not yet fully recovering.

And then the third important element is the interest rate evolution in China. You know that with the VIR, we have an automatic adjustment there from interest rates with the smoothening mechanism into the reserves. Previous quarter, we had said that we expected an impact around two-thirds of last year, last year was EUR160 million. With the evolution of interest rates, we expected now to be more in line with what we have seen last year. And so, with those uncertainties to stay for the rest of the year, it is too early to raise our guidance more than EUR900 million to EUR950 million.

Q - Michael Huttner {BIO 21454754 <GO>}

Can I just ask quick follow-up, how much was the quarter number, the Q1 number in the interest rate?

A - Hans De Cuyper {BIO 17991990 <GO>}

EUR40 million for this.

Q - Michael Huttner {BIO 21454754 <GO>}

EUR40 million, four zero.

A - Hans De Cuyper {BIO 17991990 <GO>}

Four zero, yes.

Q - Michael Huttner {BIO 21454754 <GO>}

Okay, cool. Thank you so much. Thank you. And by the way on the buyback, we're still hungry for more. Stay well. Thank you.

Operator

Thank you. Going to the next question. Yes. Okay. Next question from Ashik Musaddi from JP Morgan. Please, go ahead.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Thank you and good morning, Hans. Good morning, Christophe. Just a couple of questions I have is, first of all, you gave a guidance of north of EUR700 million of cash remittance this year. Now, the way I think about this is, the last year's dividend cost was EUR485 million I guess and then holding company costs, let's say, EUR100 million. So, is it fair to say that if you do a buyback of EUR150 million that would be entirely be covered by this cash flows? Because in partial, buyback was only partly covered by cash flows and partly by excess capital, but it looks like the way cash is going up, it is fully covered. And just related to that, I mean is it fair to say that this increase year-on-year is more or less recurring in nature, like it's just a normal business trend rather than you are getting a one-off cash from somewhere? So, that's one.

Secondly, any guidance on what sort of real estate gains and equity gains we might still get for the second, I mean for next three quarters? I mean do you think that we have more or less exhausted on the capital gains on equity side or you think that there could be more as well? I'll stop here. Thank you.

A - Hans De Cuyper {BIO 17991990 <GO>}

Okay, thank you, Ashik and good morning. For your two questions, well, they are more global, so I will take that. But first of all, indeed as we expect an upstream above EUR700 million from our different operations around the world. We expect if, and please, if we do a share buyback and that's in line again with the Connect21 guidance, we expect that, that it would be covered by the cash upstream and that we do -- would not eat in our capital or cash position to do this. But of course, this also is linked to the amount that if we do a share buyback, it also depends on the amount that we would do. Let's not forget we are still under the guidance of National Bank in Europe on the distribution for this year.

Secondly, on cap gains, we don't give forward-looking guidance on cap gains because it's always highly uncertain with the financial markets. The only thing I can tell you is that in the first quarter results, there are almost no capital gains from real estate, they are mainly coming from the equity portfolio and we still have the real estate capital gains scheduled and are ongoing for the rest of the year, but we expect the results to come in mostly in the second half of the year.

A - Christophe Boizard {BIO 15390084 <GO>}

We usually try to achieve the global looking still on the objective that we have around 5% and we complement the income by capital gain and you will remember that we gave some guidance about what is necessary and we said it was between EUR80 million and EUR100 million year. But we will seek to that. The aim is to be at 5% return and realistic.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay, that's very clear. Thank you.

Operator

Thank you. Next question from Fulin Liang from Morgan Stanley. Please, go ahead.

Q - Fulin Liang {BIO 21126177 <GO>}

Thank you. I just a couple of questions. So, the first one is, so it's a very good capital gains in Asia, more than EUR100 million in a quarter. And did I understand it correctly you said because of like, Taiping took the opportunity to realize the gains and does that actually implying that they reduce the overall exposure in equity? So therefore we would see less volatility in the future or they just recycle the proceeds back into the equity market again? That's -- that's the first question.

And secondly is, could you give us a little bit more kind of, we understand there is a very good opening sales in China, but what -- could you give just more color on, like what's the product mix there, the channel mix there and what's the margin? Is margin better or worse? That's kind of more color would be helpful. And lastly, is just very, very quickly because I missed the first couple of minutes of the presentation. Did you actually upgrade Asia guidance as well just in line with your Group numbers?

A - Hans De Cuyper {BIO 17991990 <GO>}

Okay. Good morning, Fulin. I pass the questions to Filip, as they are all related to Asia.

A - Filip Coremans {BIO 17614100 <GO>}

Yeah. Thank you so much for your questions. Let me take one by one, maybe first on the capital gains. Our CFO, Christophe mentioned that there were some smart realization of capital gains certainly in terms of timing and indeed almost all the capital gains at least in China, they were made by the end of January. But the investment mix has not changed. So, these have been redeployed into equity markets. Now that redeployment has happened gradually over the quarter and just on a very high level, the unrealized capital gain position on the equity position in China compared to the end of the year despite the realization of this capital gains is hardly changed in fact, so they realized some high undeployed over the quarter. The asset mix has not changed, so it's still in equity, but the unrealized capital gain position is actually in euro terms only EUR18 million down on this realization. So, they did a good job in timing, let's say like that.

Secondly, on the commercial development. Yeah, indeed we can be very positive forward-looking, because we will disclose more on this as we usually do on with our half-year figures. But you can see in the additional disclosure that the growth across Asia region and certainly in China in terms of new business has been extremely solid in the first quarter. The APE new business is up 37% for the whole region, of course, mainly driven by China, but we also saw strong development that you can see that in, on slide, what is the number and where we have, 16, where you see that also strong commercial development in the Philippines and Vietnam and actually Malaysia, but more in Singapore was there. So, it's very broad-based.

The quality of the business has also been significantly better than last year. I can already tell you that we had positive VNB margins in all channels. So, in China, both in banca as well as in the agency channel. But the exact figures will be disclosed in respect of our partner disclosing them first by with half year, but already end of last year the shift to quality VNB margins was there. It has been continued and the growth in VNB will be higher than the growth in APE, I can tell you that.

And the third question was the guidance. Yeah, at the end of last year based on the underlying, we said, yeah, we, we give a minimum guidance of EUR350 million for Asia region and indeed we have raised that EUR350 million to EUR354 million run rate range with, we think that EUR400 million is achievable. And to make that picture then complete that includes the comment that on scale that is after a slightly raised expected VIR impact for this year, almost at the same level as last year, which was EUR160 million last year.

Q - Fulin Liang {BIO 21126177 <GO>}

Thank you.

Operator

Thank you. Next question from Steven Haywood from HSBC. Please, go ahead.

Q - Steven Haywood {BIO 15743259 <GO>}

And I just wanted to follow up on your re-risking your asset management actions here. You done (inaudible) in the first quarter. Can you give more detail on what type of assets you are re-risking into and what the potential yield uplift is? And also and how much more and re-risking and you got to do this year? Is that going to be an impact on the cash generation going forward?

And then secondly, I just wanted to confirm your cash generation guidance because I think my line cut out then, was it EUR500 million to EUR540 million for the year? Thank you.

A - Hans De Cuyper {BIO 17991990 <GO>}

Okay, I'll give this to Christophe who always comments on free cap. Yeah.

A - Christophe Boizard {BIO 15390084 <GO>}

So, indeed, the guidance is confirmed, for the full year at EUR500 million to EUR540 million, unchanged. Then coming back on the asset management, here, the re-risking idea is not something new and that's something that is ongoing for several quarters. What we are trying to do, while obviously respecting all the policies, the risk appetite and all this is to go to up more yielding assets and to give you a sense on this Q1 period, the new bond yield amounted to 1.5%. So, you may imagine but that's going to be achieved by simply by use of sovereign debt. So, we achieve 1.5%.

What can we do here and the 1.5% is on fixed income. So, what we do is we do a lot of loans, a lot of loans. This is not new, you are, you know, all the story about the Dutch mortgages and a very fashionable asset class. We run the first and we keep on doing investing in this, but we are not far from reaching some limit, but then we have other asset classes, which very much looks like this one in France, where we invest along with our partners and that exists in social housing, SLM. So, this is where we invest more in loans.

And then, besides this, there is this trend, slight increase in the equity exposure, having in mind that we will try to take benefit of the long-term equity opportunity and this will go even further when IFRS 9 will enter into force in 2023 where our intention is to take advantage of this new option, the fair value to to OCI, which will allow us to escape from the impairment risk going to P&L. So in a nutshell, more loans. After the Dutch mortgages, we are investing in France but same time same kinds of assets. And then, slightly increased allocation to equities.

A - Hans De Cuyper {BIO 17991990 <GO>}

And well, I can add to make it complete is also some exposure with real estate increase and that is mainly coming in the area of logistics and warehousing.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay, thank you very much.

Operator

Thank you. (Operator Instructions) We have a new question from Farquhar Murray from Autonomous Research. Please, go ahead.

Q - Farquhar Murray {BIO 15345435 <GO>}

Good morning, all. Just two brief questions if I may. Firstly, on the pricing strategy in Belgium Non-Life, could I ask how Motor renewals are running at present? And is there any kind of pass-through or frequency benefits going on in the market or is actually market looking through that into recovery? And then secondly, how does our experience compare to what you're seeing in the UK, just as a point of reference? Thanks.

A - Antonio Cano {BIO 16483724 <GO>}

Hi, good morning. Antonio here, I'll answer that one. So, on the Motor renewals in Belgium, I would say that there is nothing really changed considerably. There are big increases but it tend to follow the indexation, so no significant impact on Motor renewal rates in Belgium. On the UK, I guess, you're aware, you've seen the latest numbers of the market, in the the latest data point coming out was minus 7% quarter-on-quarter for Motor. So, that's what we observe in the market. Our rate movements are a bit less aggressive, let's put that. So, we have not carried out our decreases at that rate. So, there is a clear difference between how the market in the UK behaves and Belgium.

Q - Farquhar Murray {BIO 15345435 <GO>}

Okay, thanks so much.

Operator

Thank you. Next question from Michael Huttner from Berenberg, once again. Please, go ahead.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you so much for this opportunity. I'm really sorry, just two questions, one is, I have a feeling but I just wanted maybe you can say a bit about it that you may be in order to prepare for high accidents, I think lockdowns and you might have reserved more or released fewer back book reserves. I just wondered if you can say anything about that?

And then the other thing is Asia, Asia seems to be getting on the, you know, one of those curves, I assume to the sky, exponential. Can you say, I mean you've raised guidance this year and clearly as the interest rate charge, maybe and next year would have higher earnings as well, higher earnings contribution, can you say a little bit more about how you think about this mid-term, should we expect -- I think in the past and I know, this is probably wrong, with some more pedestrian growth, about 13% a year, but this year feels much fast enough? Thankyou.

A - Hans De Cuyper {BIO 17991990 <GO>}

Okay. I'll give the first question Antonio, because I think you, it's mainly UK, Belgium related and Filip can respond on Asia.

A - Antonio Cano {BIO 16483724 <GO>}

Yes, so on the first question, whether we are adjusting our reserves, given, (inaudible) we don't change the reserving approach. What you see is more mechanical effect. So, the IBNR patterns and things like that and to, to change somewhat because of the need to reporting patterns. But there is no deliberate strategy to say, to set, think set more aside, it's just the normal mechanics that overall, you could say that, that the ratio of reserves towards earned premium would slightly go up, but that's more mechanical thing, there is no deliberate strategy beyond there. It's business as usual.

A - Filip Coremans {BIO 17614100 <GO>}

And Michael, thanks for your additional question on the longer-term guidance of Asia. Now I'm going to be a bit evasive while answering that because I think we will give a longer-term outlook perspective when we talk to you guys in a month or so round or Impact24 strategy. But indeed Asia is starting with a little bit as expected, as indicated at the end of last year. We are aware of the VIR impact. Okay, it moves obviously with interest rates and it is now slightly higher that we expect for this year than what we indicated at the end of the year. That is also because we have very strong growth.

If you look at the growth of the balance sheet, it was up 11% and the results actually of this quarter, because if you take capital gains out, you may have the impression it's rather flattish in comparison to the first quarter last year. But let's not forget that 37% growth in APE and related channel development costs in China because we are building up agency net worth. They have some strain in net result which will moderate outflow with the year. So, we feel that we are exactly on track to deliver what we promised, but for longer term outlook on the region, I would like to reserve the answer until we talk about our Strategy24.

Q - Michael Huttner {BIO 21454754 <GO>}

And as a really cheeky follow-up question, in view of time when we have with the next strategic update, be in Hong Kong or Shanghai?

A - Filip Coremans {BIO 17614100 <GO>}

I'm taking Chinese lessons, yes.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you so much. Sorry, about that.

Operator

Thank you. Next question from Colin Kelly from UBS. Please, go ahead.

Q - Colin Kelly {BIO 19721478 <GO>}

Yeah. Thanks. Just following up on the answer to Asia there, I suppose like you're indicating, look there is higher strain to the impressive growth in the quarter and that's depressing the year-on-year underlying earnings growth, but clearly that's something you want to balance all three and generate significant growth in all three at all times in terms of growing new business at a strong rate, but also growing earnings and cash flow. So, it didn't quite exhibit that in 1Q. Clearly it needs to exhibit going forward. So, can you just help to, to indicate how the balance of those three are expected to develop from here? That's the first question.

The second question is just around long-term equity. So, you indicate that the tailwinds there are from a regulatory perspective should help to increase appetite for equity investment. You currently I think allocate around 5% of assets to equity assets. Do you have any indication of where you would like that allocation to get to based on the guidance that's been provided by the regulatory authorities? And do you have any sensitivity in terms of capital generation as to how much uplift to capital generation you would get from say a 1% increase in allocation to equity perhaps coming out of something like sovereign bonds? Is there any indication of the potential uplift from that? Thank you.

A - Filip Coremans {BIO 17614100 <GO>}

Yeah, on the Asian one again, I think we'll provide more guidance on that when we during the Impact24. But just three ballpark figures to give you a feel of what is happening there on a very high level. If you look at our disclosures first on operational free capital generation, we only put Asia there in a footnote, why because it is obviously it is not Solvency II, but when you look at the figure that we mentioned there last year and this year in terms of our ballpark estimate on the free capital generation, operational free capital generation in Asia, it went up from EUR369 million last year to EUR413 million in this year report, that's one.

Secondly, when you look at the result we raised it now to arrange EUR354 million run rate, so slightly below that still, meaning the there is still strain. And thirdly, if you look at the evolution of the dividends that are flowing out of the Asian region, this year in the EUR700 million that Hans indicated, you saw them the step-up of China but roughly EUR170 million is now coming out of Asia. So, take these three together and that is the situation. More than half of the earnings and certainly more than half of the free capital is still being redeployed and invested in growth in the region. But slowly, but certainly, these three figures are moving up in tandem but there is still a lead on capital generation followed by the profits, which are always emerging due to strain a bit later and the dividend flow is also increasing gradually, but slowly. I think it all macro indicators there are good on the figures that you can find in our results deck.

A - Hans De Cuyper {BIO 17991990 <GO>}

And maybe more generic on long-term equities, first of all, (Technical Difficulty) over the cycle a return of 7%. So, that's what we take, whether it's long-term equity or normal equity, that's what we take in FCG. But of course, you do have the benefit on the solvency side, capital charges is roughly -- roughly half, okay depend on at the moment roughly half. On Asia, the first place it's the dividend yield there and there is the realized capital gains at the end of the day will run into the the IFRS results but any anyhow that's all going to change when IFRS 17 is coming on board and then we will have to revisit that.

Q - Colin Kelly {BIO 19721478 <GO>}

Okay, thank you.

Operator

Thank you. We have no more question for a moment. (Operator Instructions) We have a new question once again from Michael Huttner from Berenberg. Please, go ahead.

Q - Michael Huttner {BIO 21454754 <GO>}

I'm really sorry, (inaudible). Can you say a couple of words the format of the -- of your of the presentation? So Connect21 and it's so-called something 24 in a month's time, please? Thank you.

A - Hans De Cuyper {BIO 17991990 <GO>}

We will share that with you in a month's time.

Q - Michael Huttner {BIO 21454754 <GO>}

Okay, thank you.

Operator

Thank you. We have another question once again from Ashik Musaddi from JP Morgan. Please, go ahead.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Thank you. And just, sorry, again for going back on Asia. I mean it is an important topic. So, that's why coming back on that. I mean, see if I think about what you are saying is you have raised the guidance by about EUR50 million for Asia and at the same time, the underlying earnings are impacted EUR40 million by higher interest rates, lower interest rate impact. So, it feels like the increase in the guidance on an underlying basis is about EUR90 million. Is it possible for break back in terms of how much that increase is underlying and how much would that be capital gains driven? So, that would be the question. And it's just as a follow-up, I mean what -- I think in past, you have guided for about EUR100 million capital gains in, in Asia if I remember correctly. Can you just confirm that if possible? Thank you.

A - Antonio Cano {BIO 16483724 <GO>}

Ashik, obviously, this is not science. This is financial markets, Ashik. So indeed, you think about it, we say we go for a range EUR350 million, EUR400 million, we realize now roughly EUR150 million, that mean there we have EUR200 million to EUR250 million to go. We also gave guidance that valuation interest rate impact could be at a similar level as last year, meaning that we have EUR40 million now that at least around our estimates EUR60 million is to come. If we look at the underlying that I mentioned, excluding free capital gains, we had the run rate of about EUR90 million for the first quarter where I said that is held back a little bit by strain. So, if you put all these in the mix you can see that indeed, there is still some requirement of additional capital gains to compensate some of the VIR impact to reach our target.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. That's good. Thank you.

Operator

Thank you. We don't have anymore question. Back to you for the conclusion.

A - Hans De Cuyper {BIO 17991990 <GO>}

Ladies and gentlemen, thank you for your questions and to end this call, let me summarize the main conclusions. Our strong net result was driven by a solid performance in both Life and Non-Life inflows however, thanks to a good sales momentum, especially in China and in Belgium Non-Life. This strong start of the year let us to strengthen our full-year guidance to EUR900 million to EUR950 million.

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

Operator

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