Investor Day

Company Participants

- Andy Watson, Chief Executive Officer United Kingdom
- Antonio Cano, Chief Operating Officer & Director
- Bart Karel de Smet, Chief Executive Officer & Executive Director
- Christophe Boizard, Chief Financial Officer & Executive Director
- Emmanuel Van Grimbergen, Group Risk Officer
- Frank Vandenborre, Group Head-IR & Corporate Performance Management
- Gary Lee Crist, Chief Executive Officer-Asia Region
- Jozef G. de Mey, Chairman
- Steven Georges Leon Braekeveldt, Chief Executive Officer-Continental Europe; Country Head-Ageas Portugal
- Unverified Participant

Other Participants

- Arjan van Veen, Analyst
- Ashik Musaddi, Analyst
- Bart Horsten, Analyst
- Benoît Pétrarque, Analyst
- Cor Kluis, Analyst
- Matthias de Wit, Analyst

MANAGEMENT DISCUSSION SECTION

Frank Vandenborre {BIO 15168443 <GO>}

Good morning. Good morning to all of you and welcome at Lisbon for the 2017 Ageas Investor Day. The short introductory movie is probably the best possible way to illustrate you and to literally let you feel the importance of Portugal within our activities. And hence, why we thought it would be useful to bring you to Lisbon instead of our usual location in London.

This Investor Day is rather unique in the Ageas history as it is the first time we bring you together for a full day of presentations. And indeed, we believe there are enough topics from which we can share some additional insights with you in order to better explain what we do or to let you better understand why we do the things the way we do.

So, ladies and gentlemen, I would suggest we have a quick look to the agenda of the day, which looks as follows. So, logically, we will start with Steven Braekeveldt, our CEO in

Portugal and of Continental Europe, who will kick off and provide you with a status of our Portuguese activities and more specifically our integration project.

Next, you will have Antonio Cano, our COO, who will come back a few times on stage. He will update you on the progress of the Ambition 2018 program. As you know, we're almost in the middle of the term. And he will show you with a number of examples how we tried to integrate the more innovative concepts in our business model. So, his presentations, as you can see, will come across the day in between the various other presentations.

After the coffee break, we have foreseen the more technical slots of presentations of today with, on the one hand, an update on Solvency II, as we believe there are still enough questions and issues which is of some explanations. And secondly, we will provide you with our long-awaited view on free capital generations.

Both presentations will be given by Emmanuel Van Grimbergen and Christophe Boizard, respectively. And I guess then there will be enough food for thought, but we also foresaw some re-food so it's time for a lunch break.

The afternoon will start with two business presentations. Firstly Andy Watson, CEO of Ageas UK, who will explain how he evaluates the situation in the UK and also he will shed some light on the action plan to bring the segment back in line with our group financial targets. Secondly, Gary Crist will update you on our Asian portfolio and he will disclose our improved disclosures for the future.

The formal part of the day will be ended with a presentation of our CEO, Bart De Smet, who will, on the one hand, listen carefully to everything that has been said and asked during the day and he will share his thoughts. At the same time, we also prepared a number of frequently asked questions; you could call them burning questions. We already prepared and on which he will also tell his view on these things.

As you also see, of course we have foreseen enough time for Q&A after each presentation and also at the end of the day to make sure that you have enough time to ask all the questions you would have. To end the formal part, we have the closing speech of our Chairman, Mr. Jozef De Mey, after which we kindly invite you for those who can stay with us for a dinner, where you will be joined by the management committee and the entire Investor Relations team.

So ladies and gentlemen, I hope I could raise your interest, your appetite to listen to all the presentations. I would now like to ask Steven to start the presentation, but before doing that, we have foreseen a short movie to introduce a theme. Thank you.

Steven Georges Leon Braekeveldt {BIO 15857794 <GO>}

Good morning, ladies and gentlemen, to all of you. We just saw on the picture, Henry (04:31) is a navigator, it's a person who pushed the Portugal to discover the world's – to open roots over the world and I'm, of course, very pleased to welcome you also in Portugal, which is a home country to Ageas.

I have to make a disclaimer – a personal disclaimer because when I talk about business, I get very passionate and surely when it goes about a turnaround and entrepreneurship, and I think this is in short what the story of Portugal is all about. And as it is a turnaround like Henry (05:01), I'd like to take the winds and go fast and when it's about entrepreneurship, I'd like to discover new territories.

And so let's see how we're going to go over the whole discovery of Portugal. I will dwell over five points. First, we're going to show the evolution of Ageas' presence in Portugal. As you know, we are quite already sometime in Portugal. Ocidental, a success story since 2005. And we go to Ageas Seguros, which we have is our latest child since a year, the turnaround and the independent set-up on track. Strategy priorities for the coming years. And finally, the conclusion.

Our presence in Portugal started already in 2005 with our partnership with Millennium bcp where we invested €510 million. It was an entity that was already active in Life, Non-Life, Health, and Pensions.

In 2004 (sic) [2014] (06:04), we made a step-up from 51% to 100% and we bought the totality of the OCS, Ocidental Seguros and Médis for a total of €123 million and kept, of course, the distribution agreement that still goes until 2029. And recently, a year ago, we added acquisition of AXA Portugal with an investment of €264 million, which all together became the new whole market for Ageas.

It's not the mic, it's my ears, probably.

Now, the economy, as you all know, it's a huge recovery that we're having. Actually, the first quarter of 2017, there was a growth of 2.8% in GDP. Probably, a lot of you amongst here will go on holidays to Portugal. This has been a huge impact in the total economy. Tourism is one of the highest in 2016. It was the highest tourist season in Portugal and probably will be repeated in 2017. The unemployment rate dropped below 10%. This is first time since about 10 years that it's – and it's dropping further. So, this is a very good evolution that we see in the market.

Now, we came to Portugal, why Portugal? Because we want to strengthen our foothold. We know the country quite well. We've been here a long time. We want to pick up on this growth as Portugal went through big and deep. And with Millennium bcp, we continue that we have the capability to generate good returns.

You probably already have known from the figures that even during the deepest of the crisis, we were one of the companies that kept and continued to make profit in the economy, one of the only companies in Portugal. But, now with having Ageas Seguros, we have a real multi-channel insurer, which can go to all the customers, and this results that we're number one in Life in Portugal, in our new home country. We are number one in

Pensions, we're number two overall insurer, we're number two in Health, and number three overall insurer and Non-Life.

We are represented with two corporate names, this is Ocidental Grupo and Ageas Seguros; eight entities active in Life, Non-Life, Health, Pensions; and six brands, over to the Ocidental brand is the bank brand, the Ageas brand is the agency brand and then we have of course Médis, which is a standalone brand, which we sell through banks, agents, other partners.

This is Ocidental, it was very strong in Life & Health and Pensions, and Ageas Seguros is very strong in Non-Life with portfolio in Motor, which is a good add-on to the portfolio we have in Ocidental Seguros.

So, the total makes a very good fit in the total portfolio, or then we have about 1,233 employees serve through 671 branches, couple of thousands of agents. You have to know that in Ageas Seguros, we have three different types of distribution channels, we have the privates, we have exclusives, and we have the multi-brand channel. And of course, we have a Direct platform and a huge network for our Médis network.

This puts us in the ranking. As you see, this is a total market, €4.1 billion. First one is by far Fidelidade, who is owned by Fosun; the second one is private equity, Apollo; and then comes Ageas third in the place, which we have a better diversified portfolio. And with this new agency and direct distribution, we cover the whole market overall in Portugal. Note that there is (10:03) about 25 Non-Life players in the market.

In Life, we are number one in mathematical reserves that is growing again. We were on the verge of becoming second, but we have a huge, we have big amounts of maturities in Ocidental Vida. The coming years we have less maturities, which make that we are again growing much rapidly in the mathematical reserves and keep our first place.

In the Non-Life gross inflows, you can see that overall in Non-Life we had organic growth that was going up every year. But, of course, with the acquisition of Ageas Seguros, we made kind of quantumly from 6.8% to 13.5% market share, so that's. And in Life, we added also, you know that Ageas Seguros also have a life company, although small, but it added a couple of percentage to our market share in Portugal.

If you go to Portugal within Ageas and Continental Europe net profit, you can see that about 6% of net profit of the group, but for Continental Europe, it's quite important, you see that 45% of the profit of Continental Europe comes out of Portugal. And of course, although I don't want the total profit lower, but I hope that it goes up in the future as well.

Combined ratio, you see that it's something that we are working very hard on. We have a combined ratio of 86.2% without Ageas Seguros, you know that in Ageas Seguros there was a portfolio which need some pruning and where we have the impact still of the portfolio, which makes that with Ageas Seguros included, we get to a combined ratio of 93.5% and that of course our goal is to get it back to the levels that we know in Portugal.

Also in operating margin, the operating margin and guaranteed. With the small company we have in Ageas Vida, it increased our margin in Portugal.

Shareholders' equity, some ups and downs, which have been explained by dividend payments, by capital upstreaming being replaced by subordinated loans, by the acquisition late going up to €803 million. The acquisition of AXA of €264 million, and of course also the profit of Médis and Ocidental that remain in the country. So, we see this as the normal flow that we see in the capital streams.

The net results, so we see on the right side. The dividend upstream, this year first quarter, we upstreamed already €25 million to the group and you see there that the pattern, I mean, it's a capital – there is a good capital upstream towards the group in dividends.

Now, if we go to Ocidental, this is really since 2005 a good success story. I would say actually if you look upon it, its real bancassurance specialist, I cannot stress. And every time we have meetings in the group of knowledge transfer on bancassurance is we have daily meetings at all levels with the bank. So this is very important, our insurer really is completely integrated in meetings at all levels in the bank, which makes that everybody thinks like how to continue the business for the banking side. Quite important.

Also in Health, I mean, we have a distinctive value proposal. If you think about Médis in Portugal, we do not sell health insurance. This is something that we do not do. We do not sell health insurance, we sell a concept, we sell caring, and that is what attracts the people. I mean, we do more. We call from Médis, we call the patients in the hospitals if they go well. Imagine yourself, getting a phone call from the insurer in the hospital. I mean, this is the caring part what we do. That's why also people they go to Médis because there's a lot of services (14:08), which they appreciate and they're willing to pay for it, and that's what attracts Médis.

And if I would put in a nutshell also the success of Ocidental, actually I would describe Ocidental as one big family. And it might sound like hollow words, but this is very important in a business, that the people they really know each other. I mean, they never accept an Ocidental as standstill. That's what I mentioned we have in Portugal a story of turnaround and entrepreneurship.

When you go into our Ocidental and Médis companies, status quo and standstill are words which are not accepted. They always want to innovate. They want to see how they can take the business further. They sit down. They always want creative. They want to push the business further on. And it's a very open and flat structure. I mean, that helps of course in getting the ideas going and everybody knows, everybody cares about everybody and that makes that the business is really going forward.

You can see this in the results. So in Ocidental Life, it was – overall these years we have had a market growth plus 5%, which you can see on the graph on the top left. Profit, you can see it on left from €18 million in 2011, but of course 2011 was also the year of the crisis, but we're just €49 million in 2016.

What is although also important is that we have been able to sell more and more open unit-linked into the network. Portugal is a country where open unit-linked is not very – is not sold or is not known very well. So, it's closed unit-linked. But for us, it's quite important to move towards the open unit-linked and also we are the first one who is putting profits in the market, but market value adjusters which is less capital intensive, so we are the first ones to move in that direction. That shows also always the entrepreneurship and the way we look into the business and the same goes actually for Non-Life.

Overall, these years we had a market growth of the market plus 7% and the market has gone down a lot steadily. We have a flat rate in the market in Portugal, but we keep growing every year our market share and the growth. And you see on the bottom, this has resulted in moving the profit in Ocidental and Médis from a total of €12 million to €31 million.

On the combined ratio, you see 86.5% and that's of course also to the very good management of Médis, which is the biggest part of the portfolio. The cost reductions and the negotiations with the hospitals, looking at how we can reduce the cost, how the operations, the surgeries, we can go down in price.

There is a clear strategy that we have in Ocidental and it's all about partners. And we have a dedicated innovation team, project management, project team of about 10 people who constantly are working on new partners, new digital, new innovative ideas and we continuously put on additional partners.

If you go to the homes or wellness clubs in Portugal, it's all known statistically that's a good health, good sports gives you better, less cost in Médis, so we give discounts in Médis. If you go to sports clubs, we have partnerships with adequate Zurich, with Liberty, with (17:32) and we keep on growing adding more and more partners to our portfolio here.

And customers, the Net Promoter Score of April was 71 and the Net Easy Score 72, which are very high scores, but they are being followed up month-by-month, how our customer – how easy it is for our customers to get in contact with us and how good they think of us in the market.

As mentioned, also in Ocidental, innovation is extremely important. We launched a couple of months ago the Think (18:05) platform. Think (18:06) platform is for all the employees of Portugal so the 1,250 where any manager can put his problem online and can have the input of all the employees how he would solve the problem, which makes that we get all the employees within our problems, we get them involved in solving problems, and not only about having these discussions on top level. We launched a Healthcare City, which is a incubator for (18:33) healthcare, could develop on some projects that we are launching and do businesses and setting up start-ups.

We went through all the universities of Portugal to challenge them to get to us with new projects and ideas and also their magnificent projects have been proposed, and of course the people already important to us and as one of the areas as well as you see in the last point. We're implementing the shared value approach within our processes. And the first one will be handling in Portugal is diabetes.

You probably don't know, but Portugal has the highest level of diabetes in Europe with 36%, but the biggest problem is that 42% of the people do not even know they have diabetes or predestined to have diabetes, which makes that 60% of the healthcare cost in Portugal goes to the effects of diabetes being eyes, amputations, liver, et cetera, et cetera. So, we also do there a huge project within the country from Ocidental.

Coming to our latest acquisition, which is Ageas Seguros. It's a turnaround. That's why you will not hear me talking a lot of innovation here, about entrepreneurship. Here it's all about focus, get the house in order before getting to the next step. So we're very concentrated, disciplined in how to move this thing ahead.

As you probably know, on August 7 – it's already a while ago, but 7th of August 2015, we had the signing. We then had to wait some time on the approval of the regulators because we had three regulators who had to approve. It was the Spanish regulator, the Portuguese regulator and the European regulator, so till all of them have agreed to the (20:14). And we signed, we had the closing the 1st of April, so about 14 months ago, we really took here, then off the company. And on the 26th of April, we had the rebranding from AXA Seguros into Ageas Seguros.

Now the profile, 675 employees, about 650,000 customers, €400 million premium and mainly Motor, which was something that we are having – we have a huge healthcare portfolio, we have a household and here it's (20:49), it's a good fit for our total portfolio in Portugal.

Ageas Seguros, about four focus points. The first one, and I will get into more detail later on, it's the rebranding and the boost of course of commercial lines. The second one is managing towards full independence. The third one is the real business transformation is how do we get this company and will we get back in profits. And the fourth one is, of course, overall, all of the entities we have already in Portugal and Ageas Seguros, how do we go to synergies and integration.

So the first one is rebranding and commercial dynamics is of course as of day 1, as of the day of acquisition. Manage towards independence, our deadline is coming up, it's end of September 2017, so quite important date. Then, we have the business transformation where we see from mid-2016 to 2018 all the projects that are ongoing to put a turnaround. And of course we have a staged approach to have the synergies and integration over all the companies.

Let's go to the first one, the rebranding and boost of commercial dynamics. I mean, there is something we can be proud of, and I think incredible job that all the teams have done of communication and rebranding in everybody is that in a kind of minimal time, we have an awareness of 32%, it went up gradually, but the AGS brand within Portugal is quite new, it's a kind of new flavor, also the way we go into radios, plus the way we go into TV, the way we go into branding is quite new and is away from the traditional way that other companies are branding in Portugal.

So – and our aim is of course quite ambitious, we want to get to 60% awareness in a year from now, and I believe that we will get there. But more important, and personally I must say that I've never thought it would go so fast. You have to know that the agents have been lost and left already for about four years to five years when it was AXA Seguros, I mean, the one they went all to the left, the next year they went to the right, third year they went straight, the fourth year they went back and the agents were lost, they didn't know really what the strategy was.

And as of the first week of our acquisition, we had all the meetings lined up all over the country. I can tell you that the criticism was extremely high when we met them, also the skepticism towards the company. But over time, I can see now that there is confidence, there is trust, because they see that we want to go online. And they see that, we're quite consistent in the messages that we're giving. And that results in what I found much sooner than I thought, the new business is growing, is already growing much faster than we used to have, and that it's a very good sign. So the trust, we all know that trust comes on foot and leaves on horseback, well, I believe that it went, it had gone by horseback, but we're getting it back.

So on the rebranding and commercial dynamics, it's our aim to boost, of course, also our network. You can see that we have today 160 exclusive agents that's our, if you and I'm sure you will come visit and go on holidays to Portugal, but if you drive through the country, you'll see Ageas shops all over the country. These are the exclusives with an Ageas brand. We have also 240 private agents, which are more than high scale customers in the markets and who can sell – and Non-Life and Protection In Life, so we're going boost from 240 to 300 agents.

Also the brokers, we have selected eight brokers, I mean before the company was working with all brokers, we selected eight brokers to focus on and going gradually back to 20 brokers. And on the multimarket, we would go from 825 to 1,000, so there we have quite good stage to growth and we select very carefully where and whom we want to get into our network.

Second point, the carve-out, you have to imagine that when the AXA was running completely on the systems of AXA Group, some of the systems were in Paris, some were in Madrid, some were in the Mediterranean region. So we agreed that up to September of this year, we had 18 months to get all the systems, all applications, all back into our company and (25:21), but so far so good, we're running on time and we believe that by September 2017, we will be completely independent. And then from 2017, we can go on. So this was the biggest cost of integration lies behind us now, I mean this was the period from April up to September, and from then on, we'll go into the business as usual.

Now, business as usual for Ageas Seguros is, of course, the transformation project, which is also key to our success. It's a very comprehensive program where we're working in 14 areas of the company. It's a two-year program. We have about 25 projects that are followed up every two weeks with a complete meeting where we go in every detail and looking where are we running behind, where we are on track, what track to adjust, et cetera, et cetera, and it is based, of course, on three axes.

Number one, we have to improve the profit of the underperforming lines of business and there are clearly two such as Motor and Workmen's Comp. Secondly, the company has big assets and there is the distribution network. So, we want to grow the network into where it is profitable business and of course, big part is fixing the operational setup.

Now, this goes with, of course, diverse challenges, but also achievements. I mean, we have been pruning the portfolio. We have put in place even that we have our systems not in house a new tariff in Workmen's Comp and also in Motor. We upgraded the claims operating model. We have a new household products, all launched in this year when we have all this turnaround and integration.

We strengthened our sales tools. You have to know that at the beginning we've got as many figures as the person if you ask the figures to, now at least we have one figure. We know the figure and every was based on the figure, which is very important. Improved collection process, also in the processes and policies, everything is being implemented and this is all in the first 14 months.

As mentioned, we have the Motor. So Motor is an area where we need more and more granularity. So what we did that we strengthened the technical teams because we need more technical analysis and to be really sure that we're getting these right segments, right prices. It is of course 46% of the total markets was quite important, it's majority agency business.

But also there, so with our new tariff, we optimized also the renewals, we strengthened the technical teams, we are analyzing and implementing a complete analysis of the body shops and to steer the claims towards the body shops where we have the prices. We have controls and follow-up internals, and so you can see that in the loss ratio, we had a hike in 2016, but you also see that for Workmen's Comp which was a strengthening of the reserves.

But I can tell you that the evolution is followed up and that we will get below the market is our aim of course just like we were and we have been experiencing in Ocidental since so many years. The same is the case for Workmen's Comp, as you know Workmen's Comp is line of business which is loss-making in Portugal, complete loss-making in the Portugal.

Also, in Ocidental, we are making, doing exactly the same implementation of what we're doing in Ocidental. Next year will be the first year and we will probably be the only company making profits in the Workmen's Comp. So, we are tackling this line of business in exactly the same rigorous way with the same reports and implementation and pruning, increasing prices. And if it's not profitable, then it's not for us. You can see at the bottom line that the corporate side, the big corporates which used to be part of the portfolio of 30% is really down to 16%, and this is going to go down further.

Now the strategic priorities of the coming years. So, external, we want to become a reference in the market, and we have already our first meeting with all the employees together. I must say that all the employees know that we want to be the reference in the market in the three distinctive areas in five years' time, and that we will handle these, all these companies as one single company.

So, it's about customers and emotions. The main message, and we repeat the message all over time, we were in insurance, and insurance towards the – also internal, external, it's not about figures only, it's about emotions. Insurance is emotions, protecting our family is about emotions, protecting our house is about emotions, protecting our car is about emotions, protecting your body, your health is about emotions. And the message is to everybody, and product design, and get emotions back into business and insurance, and that's what we did in Médis and we see it works. And we want to have it back, also the emotions and all the rest of the business.

And the three areas where we want to be distinctive within the five years is about ageing. If somebody comes to Portugal and once says, what is the company? Who is best in ageing? We wanted to do be everything is the Ageas Group. If it's about health, it's Ageas Group; and if it's about connected homes, it's the Ageas Group. Connected homes has not started yet, because we have focused on a turnaround of Ageas Group, but in Médis we have gone already through a whole revamp of the program, and that will be implemented in the next 15 months in Médis. At the same time for Ocidental Life, we went through three months, four months, period of ageing, and what should we do in ageing, that will be implemented.

The vision is actually quite, quite simple. I mean, it needs to be simple. We want – so Ageas will become the reference in the market – in the Portuguese market, it's the second home market for Ageas, nothing new there, and it's a great place to work for entrepreneurial people.

The last part is quite important. We push people really to come up with ideas through distinct platform to all kinds of ways. And the mission is to deliver an emotional and meaningful insurance experience into people's life. Also, internally we boost this entrepreneurship, we want to be an outstanding employer operated as one company. And therefore, it is quite important we are dealing with two complete different cultures, and we will manage all change in management towards one single culture in Ageas Portugal.

Now, you see these graphs on the right. Actually, the first thing that we focused on is putting leadership in place. I think, this is – we think that is very important that everybody knows extremely well as of the start, who is leading, who is responsible, so that's the first thing we focused on.

Second thing is then, where are the people going? Who are the people going into different departments? Processes is, of course, already more difficult to unifying. And you see in the graph, it takes – the red line takes more, because unifying all the process you have to analyze, see the implications, see the effects.

And of course, last but not least, we have all the IT systems that we have to go towards, but this will take more time as well. Just to give you an example, I mean, we were actually thinking of changing the complete system in Ocidental Seguros 2.5 years ago, then we came with AXA, and we stopped all process of going to a new system. Now, we have Ageas Seguros, and of course, both IT departments are now looking for one system for both companies.

Now, we go, in Portugal, from two groups working in a complete different way to actually this is our model that works already today. We go to 20 business units within Ageas Portugal with transversal areas.

As of the first couple of months, everything which is – all those legal compliance, reinsurance, finance, IT has been in transversal areas and go over all the companies. And we have three platforms; we have the Life platform, and that is also the responsible or taking care of the bank insurance or everything which is bank insurance will be taken care of the platform. Then we have the health platform. This is the distribution towards the partners, but Health Médis distribution to banks to agents to partners to everybody, so it's mostly focused on partners. And then, we have the Non-Life platform, which is mostly responsible of the distribution channel of agents, but of course also makes the products for the bank channel. So, the Life platform is making the products for also the agents. The Non-Life platform makes also the products for the bank channel, but they are actually the machine where the research land (34:23) for all the products of the areas. And of course, Health stays on its own, because it distributes to everybody.

We went by ways. So at the beginning, the integration offers that we have in place and is looking how we will integrate further as designs – there is a much more detailed design of course in how we will put to ways over the different tiers to go to that One AGEAS over the entities. And I can say that we're working as one (34:58). We launched One AGEAS for all the employees. They very know where we were. We put up the holding in Portugal. Solvency II and capital management is done at the country level, and we had the first integration with all the ten transversal areas.

A lot of work, a lot of energy that has been done in first 14 months, and then the Wave 2 where we're in now. So now it's the – launching the Ageas employees to all the employees level and launch change and change management program to get to that one culture. The IT global planning, so we have to finish this – the focus is the carve-out, we have to. It has been weekends, nobody has been taking holidays in the IT department for the last two years, so it's very focused in getting this carve-out done.

And then, of course, in 2018, this target operating model must be fully working in all levels – all different levels of management, in processes, in management committees, ex-gross, we roll out IT plan and the first core ITs have to be rolled out. And then, of course, we have all the settlement in 2019. We also have to go to one location, so we need to go one location in Lisbon, also in Portugal, and then we also – we have the roll out of all the product harmonization process, harmonization, IT harmonization that goes on.

So, conclusion, we have taken already a lot of wind with our boat. We know where we want to go, and what harbor we want to end. I'm quite confident, unless there are some unexpected events that are happening in Portugal or with Portugal that we will enter into a good harbor by 2019, because the target, we all know, is to get the target of 11% to 13% return on equity. And this is great for everybody.

I mean, if you get to know or get to talk with some of our employees, on each event, I see employees, I tell them that every time Ageas buys a company, we have a tattoo shop that we buy, and we put that tattoo shop at the entrance, and all the employees get the tattoo, which is (37:06). And I say, when you're in the shower, you will remind you that you're working for Ageas, it's all about profits rentability, right, (37:15). And this is something that we repeat, and there was – I mean, we had 1,250 employees. And when there was a questionnaire of what do you remember, all that we said, we go for profits. And this was actually good message that everybody knows, that's what we are and why we are here.

That was a presentation from Henry the Navigator in Portugal. Thank you.

Frank Vandenborre {BIO 15168443 <GO>}

Thank you, Steven. I think it's now time for some questions. We have one to two, three questions after every speech. Cor, you have the mic on the right side.

Q&A

Q - Cor Kluis {BIO 3515446 <GO>}

Cor Kluis, ABN. A question about the definite upstreaming. For this year, you have €25 million definite upstreaming, I think you're targeting a profit of around €80 million, €90 million, €100 million going forward. Can you explain why that is lower in 2017? And related to that going forward, what part of the dividend upstreaming from Portugal in relation to your profit? That's my question.

A - Steven Georges Leon Braekeveldt {BIO 15857794 <GO>}

Well, in 2017, we upstreamed €25 million – this is not working – so in 2017 first quarter, we used to have an upstream of €25 million, which was actually because we had the downstream from capital injections, and there was already an adjustment made, which made that in our calculations, we could easily upstream the €25 million.

Now, on the rest of the year, we'll have to see if everything comes in all from Ageas Seguros, because this has to be according to plan and also how the evolution goes. We have now a situation, of course, the spreads in Portugal are going down, but it might not take – it can happen very rapidly as you can see the volatility insolvency where we came from and where we're going through today.

So, if it's now much more – it's more difficult to predict where we will be by the end of the year in Solvency II if we can upstream or not. But if everything stays that way, which I hope, then we'll see how we make our calculations, how much you have – but it's too volatile, I think, for the time being. Ashik?

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yeah. Hi, good morning. Ashik Musaddi from JPMorgan. Just one question. If I look at your earnings projection, you're kind of saying that €40 million of earnings will go to €90 million in three years' time, that's a €50 million uplift.

And if I look at slide number 31 and 32, the loss ratios you have shown for motor and for workmen comps, the majority of the drop is coming from – in 2017. And these two drops, if your combined ratio behaves like what you're showing, your earnings will get better by €30 million this year itself. We are in halfway in 2017 already, so what's the progress on that? And is my assessment right or do you think that the improvement from €40 million to €90 million will be more straight line? Thank you.

A - Steven Georges Leon Braekeveldt {BIO 15857794 <GO>}

First, I would say that in those figures when you look at the profits, actually you have to – last year, we had a hit also on the equity, right? So, if you add that, which this year we don't have, you get to €52 million. I mean, the big turnaround will come, and that's important not only for the profits of Portugal but also for Solvency II in the turnaround of Ageas Group. We were in a minus – we were in the minus, we want to go to zero and then it has to go into profits, which will make that you will have a kind of double effect.

At the same time, don't forget that we have also Ocidental and Médis, which are growing, let's say, double than the market share, which give them also an increase in the profits. So, our projections are that with all of this and the pruning of the portfolio, because that's quite important, if you look to the combined ratios of the end of last year, there was a lot of reserve strengthening in there.

So, if you take that out, we are actually quite okay, yet it's not good, right, it's about others (41:23), not good. But we're going to work with the same methodology and discipline we have in Ocidental to get the underwriting, and also in the claims cost, we are working quite hard with the whole team. Now, on the average claims cost, which we have to get everything down again under control, so I believe that our projections, we need to have that, I think, we will get there.

Maybe first, Benoît?

Q - Benoît Pétrarque

Yes. Benoît Pétrarque from Kepler Cheuvreux. Yes, so to come back on this turnaround, how much will come from better underwriting versus better cost, because we don't talk about cost cutting, but I guess there's also cost cutting component in the improvement, just wondering how much is discrete there?

A - Steven Georges Leon Braekeveldt {BIO 15857794 <GO>}

Well, we did not yet take that into account. And the reason is because we want to see – we will get our systems as of end of September, we will be own chef in our cuisine. Once we have those systems, we have to analyze how to improve the systems into our house. What we're doing actually is replacing the systems that are existing in AXA and putting with ours. Of course, where we can, we have improved the systems where it was possible, but there's a huge rationalization to be done.

So, today, we cannot just analyze sale as per cost because there might be a lot of elements that are still in Excel spreadsheets or need a hand (42:48), I mean, we have to analyze all the things how we'll improve in the future, how we'll replace those systems. We also have to analyze how we go to one system with Ocidental Seguros, and these are the analysis, that's why in the projections, you see that we cannot just say narrow the cost, but we have to see all the analysis now with Ocidental Seguros. Ageas Seguros is going for one system, where of course the cost cutting might come. Definitely it's on our radar screen, and now we will have to look into it.

Okay. Another question?

Q - Frank Vandenborre {BIO 15168443 <GO>}

Thank you, Kim (43:24). Just coming back to the improvement in the motor and the workers' comp portfolio following the previous question, can you give us a feel for where the underlying ratios are in each of those two classes, excluding the reserve adjustment you pointed to, and then your level of confidence in achieving your 2019 target. It sounds like motor you're much further on the way than workers' comp? And then also, can you just clarify what you mean by breakeven for the workers' comp portfolio? Is that underwriting basis or profit basis including interest?

A - Steven Georges Leon Braekeveldt {BIO 15857794 <GO>}

So, on the workers' comp, of course, we have the market element. I think, the whole sector hopes that the improvements we have seen in the last two years, the increase of prices need to continue, because the home market is working over 100% combined ratio. So last year, we had an average increase of about 8% to 10% in the home market. I think we still need two, three years of increase of 8% to 10% before the home market gets to a 100% combined ratio. That's of course something we have increased some of our prices with 40% according to segments, some with 20%, some of the good portfolios we did not increase because they are good portfolios.

So we're actually now getting to the granularity of every company. We do not – you have seen in the chart already that we really move in our strategy from big corporates to mid-sized self-employed companies, which are the smaller companies where you can have a bigger effect. But we also have – we're training the companies, we having meetings with them, what they can do to improve the combined ratio, so that's what's on. And when we say 100%, it's of course also, if we get to the first stage to 100% with the investment income, we think we're okay in the market, which is structurally loss making and take it from there.

In Motor indeed, we are already further ahead in the granularity. And there is a question of underwriting. It's also the portfolio we have to really analyze more the risk price, because I believe that part of the portfolio was not rightly priced. So, we're going to – we're changing the prices, we're changing also the way we sell motor, I'll give you an example. If – with agents, we give them more advantages if they sell motor plus household together. So we do a lot of cross sales, and that's something how we want to improve also the total portfolio. If I look to the exclusives, also they are very big in motor.

So, there is a lot of places where in the exclusive channel, the 106 you saw, we are actually above our market share over Portugal in those areas, but we are way below our market share in health and in household. So, with our exclusives, we have put also a whole – we are putting a whole program in play that combined with the motor, they should sell health and household to get also in that channel a better portfolio, and then all these measures will make that – we'll balance it, we will be more strict (46:24) in motor but selling more of the profitable lines of business.

MANAGEMENT DISCUSSION SECTION

Frank Vandenborre {BIO 15168443 <GO>}

Okay, good. Then, I would like to thank you, Steven. And I propose to go through the next presentation. As mentioned in the beginning, we have now Antonio who will in fact throughout the day shed some color on our Ambition 2018 in factory interventions. He will each bind (46:48) focus on a specific aspect of the execution of our strategy.

So, I'd like to invite Antonio to come on stage. Thank you.

Antonio Cano {BIO 16483724 <GO>}

Good morning. This one works. Okay. And thanks, Steven, for – practically miracle as you've been spot on time, even ahead of time, makes a little bit more relaxed. So, as already said in the introduction, we're halfway in Ambition 2018. The tag line is, planning a future built on what we do best, what we know best. And I hope that at the end of my three interventions, you come up to appreciate that is actually what we mean.

Now, Ambition 2018 is inclusive of about seven strategic choices. Remember, our previous strategy included five strategic choices, which still appear here, so it's a very consistent approach. Obviously, it is about focus on insurance, we are an insurance company; partnerships, it's something very special, very unique to Ageas, that remains a clear strategic choice. We have our regional focus, which is Asia, but not just Asia, it is the growing parts of Asia and Europe, and it's not just all over Europe, but in Europe, as you know, we focus on countries where we are present and where we have or we believe we can have a strong position.

It is about a well diversified portfolio, obviously regional, it's Europe, Asia, but also diversification across Life, Health, Non-Life, diversification across mature cash generating markets and growing markets particularly in Southeast Asia. And it's also still what we call now omni-channel, we used to call that in our old strategy and multi-channel approach. Omni-channel is a bit of a reflection of how we see that customers are changing their behavior, they're expecting to interact to have touch points as is scoped (49:06) with company at various levels is how we adapt to that.

And I'm speaking about customers, so we have added one of the strategic choices, which is about being closer to the customer. And that's a bit weird that a company has to invent that there are customers. Here it's very clear that we've made a choice to be closer to the end customer. We want to understand him better, because we see that his expectations are changing and we wanted to understand better. So as to develop together, obviously with our distribution partners, we want to develop solutions that fit these changing customers.

And then, there is a seventh one that's smart synergies, but I will not dwell too much upon that one, because that will be the topic of my second presentation.

Our ambition statement, I guess, like many groups, it's a lot about stakeholders. We truly believe that our long-term success depends on the long-term success of the relationships we have with all the stakeholders, now you can define many stakeholders. We stick to four, which are not that strange to you, the first one is partnerships. Again, something very unique in the DNA of Ageas. We like this partnership model. We like this win-win relationships always in mutual respect. We truly believe it is a competitive advantage of the group.

Customers, again, an obvious one. We believe that they are becoming more demanding, and it is our role to actually meet those increasing demands. It is about providing peace of mind, which is a bit the essence of insurance, you see that coming back many of the tag lines or branding messages, we will come up with, and it is about this better customer experience.

Then, the third one, it's (51:06), because they are true. To have satisfied customers, actually you need to have motivated, engaged colleagues and personnel so as to be able to satisfy those customers. So we spend quite some time, energy, and money also to train, to motivate and to keep our people engaged. We particularly like people with a collaborative mindset, team players that fit well also in this partnership model. We're not a group that tends to attract the mavericks or the prima donnas, I mean, that's a choice, there are other groups or companies that have been on that.

And then, last but not least, there is obviously the investor community. I understand that we even have tattoos to remind us all of the importance of profitability. And it's true we like to offer a long-term sustainable competitive return to our investors. We like to be trusted for doing the right things, and we actually think – I think I'm convinced that so far we've also delivered the promises we've made and we would like to continue to do that.

I mentioned a few times the word long-term view. Famous UK economist saying the long-term real debt, so we stopped speaking too much about the long-term. Actually when we say this long-term view, it's about spotting the long-term trends we see in the market. And here again, we try to do that in a pragmatic structured, a bit disciplined way, in the process where about all the businesses actually are participating. So like many, we scan the environment and we see the usual trends around changing customer behavior. As mentioned, that is obviously a technology that is changing regulation. And also not to forget, we're still living in a very low-yield environment, maybe 6 months, 12 months ago, we thought that yields were gradually edging up. I think that doubt is back again in the market. So, yes, we have to go with the slow yields and volatile financial markets.

Now, this is a glimpse of actually how this method, this approach, the words that we use throughout the group we call it our radar screen, where we plot these various dimensions of trends we see in the markets we operated and in the economies in general. And then, we decide there are some trends that we just follow from a distance to understand what's happening. It's still far away, don't require a lot of specific action, that will be a bit like the outer shield.

Then, there are trends that we believe deserve a bit more action that deserve analysis, more detail, but also already some experiments, and then things evolve. They get closer today to reality, and we see the trends that demand certain action and actions that go beyond, say, the classical proof of concepts, but actually introduction of real propositions, be it products, processes and changes, et cetera. So, again, I think we have a very pragmatical approach. And you actually see in the remainder of the day actually seen already something that is mentioned here in this radar screen on Portugal, particularly everything that's around health and ageing, but you will see some complete examples of these actions that we do.

You can also look at this in a different way, you can see what are the themes. Again, I think nothing that will really surprise you, there are these more hi-tech futuristic themes around artificial intelligence, the word Fintech/Insurtech, because we'll write about it, also get to read about it anyhow. So these are more likely long-term things that we are following, partnering, I'll come back later in my presentations.

Then there are themes that are rather more regional where not all operating companies are really impacted by or involved with, but again coming back to Steven's presentation, health is definitely a topic that is very relevant for the Portuguese market, but increasingly also with some of our Asian JV partners and also in some other European markets. There are things that we tend to call neo-life, what is that actually new life insurance propositions that are sustainable, profitable in this new low yield environment. There are quite some interesting ideas around that, and things we've launched. Again, Steven mentioned that the unit linked product in Portugal, the fact that we introduced, I'd say, classical insurance products here but with the market value adjustment, which was a quite novelty in this market, and there are ideas in the pipeline around more protection products.

And then, we have more like you could see common themes where everybody is more or less involved. We call that group focus. Obviously there is everything to do about data analytics. It's about digital transformations. It is about just getting closer to the customer, which is a theme that is present throughout the organization. And then, also Steven mentioned briefly the Internet of Things, and specifically connected homes and experiments we do around that and also around mobility, we used to call that connected cars. Now, it is moving beyond the connected cars. It's the whole issue of mobility, and the impact that it has on insurance industry. So, this is the way how we look at the environment and a lot of the actions we do to meet these challenges in the environment ought to do with innovation.

This is not a complicated graph. It is actually quite simple and pragmatic. We believe that most of the innovation, and I think you will appreciate that certainly innovation that provides returns giving also the risks is more of what we call the sustaining or incremental kind, which is, in your bottom left part. It is innovation that is – it is about improving the skills and assets we have in the companies. It's mostly about convenience towards the customers. We are not that much a price player, so you'll not see a lot of innovation in our companies that are really there to offer lower prices. We tend to play more in convenience and access (58:26), but the bulk of the innovation is in that corner.

Then if you move to the middle, what we call the edges, it is our experiments and, more than experiments, actually products that we already launched that have required certain more fundamental change in our processes, in our internal organization, a lot to do about the use of digital technology, and that also provides customers just more than convenience. It is not totally new, but it's an experience that goes beyond the convenience. We label that different attributes, I mean, that's a bit marketing lingo, but I guess you understand what we mean with it.

And then, there is the upper part, we call radical, some people call that disruptive innovation. I don't think is really the same thing. It's the place where everybody gets very excited about, just doing these radical things. Well, we are not that excited about that place. We look at it. It is more in this -analyzing, partnering, like partnering type of style, I think we invest as a group less than €2 million in that space. So it's not a big central bet on being radical.

Why we don't like it? Well, I call it this is not La La Land, I call it more for – I don't know the Spaniards in the room, but in Spain we have this expression, it is Comanche Territory. So what is that Comanche Territory, well, a lot of pioneers have gone to, but it all – most of them end up with a lot of arrows in the back, okay? This is where things typically fail and it is where the venture capitalists are good at, it is not typically where the incumbents are good at. Obviously, some of these things really work. I can have higher returns. Having said that, in the insurance space, I don't see a lot of examples today, but probably I'm wrong.

I don't think (01:00:46) I'm doing perfectly okay on timing. Next I'm going to show you a video, and it's about AG Insurance, talking about the core business and solidifying the core. It's our core business (01:00:59). You will see examples – I was already alluding to likely about how do you get an organization digital ready. You will see this product that is a purely digital product aimed at savings for children. And you'll also see how you can revamp processes that were more or less efficient in the past, but that through digital technology, you can bring them to an entire new level. Now, some people may sell these types of projects, ideas as very radical and innovative, even transformational, I think these are big words, it is hard work, but I'll let you be your own judge.

[Video Presentation] (01:01:47-01:02:20)

Frank Vandenborre {BIO 15168443 <GO>}

Okay. This was the end of the first part. So, I would like to invite you now for a coffee break, which will be served in the lobby. And I plan to see you back by 11:10 for the second part of the morning session. Thank you.

[Break] (01:02:37-01:02:58)

Okay. We'll get everybody seated for the second part of this morning, the part I'm sure a lot of people in the room are waiting for. So as said in the beginning, we have two presentations before we go for lunch. The first one will be by Emmanuel Van Grimbergen, our Group Risk Officer, who will update you on Solvency II to, let's say, 18 months after the implementation. And we've still a lot of issues that sometimes come on the table, and on which Emmanuel will try to shed some color, some additional answers; followed by Christophe, our CFO, who will give you insights and our view on free capital generation. So I would like first to Manu to come on stage and to start with the first presentation.

Emmanuel Van Grimbergen {BIO 18010465 <GO>}

Okay, thank you. Thank you, Frank, and good morning, everybody. So indeed the next two hours on Solvency II, I will take the first part on, let's say, the frequently asked question that you have that are still on the table, and I will deep dive in certain themes, and Christophe will then go the main (01:04:18) of the capital generation.

So, here are the different themes that I will zoom in. I will spend some time on – again a sort of recap or (01:04:33) that we look at Pillar 1 as opposed to Pillar II. I will also have – also a deep dive in the way the volatility adjuster is working and impacting our Solvency ratio. By the end of 2015, just before the implementation of Solvency II, we had a Investor Day on Solvency II and there we made some choices. We will do also a recap on the choice that we made. Then sensitivities, yield curve, spreads widening on government bond. I will zoom into the way it works and why are we impacting the way that we are impacting for those two sensitivities.

Then the LACDT, it's also a sort of special animal in all the Solvency II framework and calculation there, but we'll go through the dynamic of the LACDT. And keep in mind, we are the one that are aware. The National Bank issued a new circular and I'll have to give some insights and the potential impact of the news there (01:05:47) for the LACDT. The put option, again a recap, how that we treat the put option. And then also the regulatory hybrid debt capacity (01:05:59).

So to start with, perhaps I will – certain of the themes I will go quite quickly through it because I want also to stay within the time. We have the Q&A and also more than happy to take questions during lunch or coffee break. And some of the other themes I will spend more time to really make sure that it is clear (01:06:28).

So the first one, on Pillar 1, Pillar 1I. Yeah, Pillar 1, Pillar 1I; so the – Pillar 1 is a regulatory framework. Pillar 1I is what we – the way that we look at Pillar 1I is as much as possible economic view on our capital position. So Pillar 1 is a regulatory view and we consider – and it is very important, we consider that one as a sort of floor. We manage based on Pillar 1I for the capital management, and our risk appetites is based on Pillar 1I, and Pillar 1 is a floor. So if you look at our (01:07:21) front of you is the Pillar 1 position. Our Solvency position Pillar 1 insurance pool was 166% by the end of 2016. It's below our target, but we will not take action because we manage based on Pillar 1I and Pillar 1I was at the level higher that its target capital of 175%. But if you look at the UK, the blue bars in the graph here, by the end of 2016, the UK Pillar 1 was at a level of 96%, of course there the floor is working. So we took action and by the end of Q1, the Solvency position Pillar 1 of the UK was at a level of 106% (01:08:14), so above the minimum capital requirement. So that is just setting the scene. Pillar 1 is a floor and we manage based on Pillar 1I.

What are the main differences between Pillar 1 and Pillar 1I? There are three main differences. The first one is the treatment of spreads. Under Pillar 1, (01:08:42) you know that there is a capital charge on corporate bonds, for the fundamental spreads and for the non-fundamental spreads. There is no capital charge on government bonds. In our Pillar 1I, we will apply a capital charge on corporate bonds, but also on government bonds, and that's very important. The capital charge that we apply on the fixed income portfolio in our Pillar 1I is the so-called fundamental spread, is the so-called E Fortis (01:09:12). But we do not apply a capital charge for the non-fundamental which is to a certain extent a sort of illiquidity or sentiment that you can have in a market. So, capital charge on fixed income on both sovereign and corporate under Pillar. That's the first difference between Pillar 1 and Pillar 1I.

The second difference between Pillar 1 and Pillar 1I is the treatment of real estate. Parking concessions under Pillar 1, no own fund, no Solvency capital requirements. Interparking is consolidated with third party interest deducted, that is under Pillar 1. Under Pillar 1I, in the close of 2015, we worked on a internal model real estates and there this model internal real – this internal model real estate has been approved by our independent validation team. We apply it in the Pillar 1I and there we have – for parking concession, we have a value in the own fund with the associated capital requirement and interparking consolidated on a proportionally basis.

And third difference between Pillar 1 and Pillar 1I is about the transitionals. Indeed, we have applied transitionals in France and in Portugal, in Portugal for Mbcp Ageas, but also for Ageas Seguros. The transitionals are reflected in Pillar 1. That's as we want to give as much as possible economic view under Pillar 1I, we did not reflect the transitional under Pillar 1I.

So what does it mean in terms of numbers? So starting from the left, we have the Pillar 1 position, where we have a own fund of €7.6 billion and a capital requirement of €4.6 billion. Under the first correction moving to Pillar 1I is the treatment of spread. And there we see that for corporate – because we only take the fundamental parts and not the non-fundamental parts, they have a capital reduction of €1.5 billion of capital charge with corporate, while for the government bonds, there we have an increase on additional capital charge of €1.4 billion.

And it goes in such a way that we recognize the sort of fundamental capital requirement for the government bonds. All-in-all, some almost neutral. So that's the first difference between – moving to Pillar 1I. For the second difference, is a treatment of real estate, we apply our internal model and there we have an additional value in the own fund of €400 million, but we have also a capital reduction of €400 million.

And then the third one, the third difference between Pillar 1 and Pillar 1I is on the transitionals applied in Portugal and in France. Moving to Solvency II Pillar 1I, we take out the positive impact of the transitional and which means that we have a decrease in our own fund of €0.5 billion moving then to the Pillar 1I numbers. What does it mean then? At the end at the insurance level is that we have capital – own fund of €7.5 billion and we have a capital requirement of €4.2 billion. So hopefully it gives – and this gives you the transparency how to move from Pillar 1 to Pillar 1I.

Region by region what does it mean, starting from the left Belgium. We have 201% Solvency Pillar 1, 245% or 244% Pillar 1I. So impact of the transitional on Belgium is zero, we did not apply transitional in Belgium. Real estate, yes, a big impact. The biggest increase from 201% to 244% is the impact of real estate. And finally the treatment of spread has almost a neutral impact on Belgium.

For the UK, Pillar 1 96%, Pillar 1I 100%, so again, transitional no impact, real estate no impact. And the treatment of spreads has a slightly positive impact for the UK under Pillar 1I, because the UK -the biggest part of the UK portfolio, asset portfolio, is in corporate bonds. But Continental Europe it's the other way round. For Continental Europe, we have a very strong capital position under Pillar 1, 211%. And moving to our Pillar 1I, our internal view, we end up with a capital position of 127%. There, transitional, of course it has an impact because you apply the transitional in France and in Portugal. So we take off the €0.5 billion own fund that is recognizing Pillar 1, we take it off move into Pillar 1I. So that's a one big negative impact moving to Pillar 1I.

Real estate, no impact for Continental Europe. And the treatment of spread, yes, an impact. But there, the impact is the other way round then for the UK. The impact is negative for Continental Europe because indeed we are also invested – one, it's more invested in government bond; and two, we have also indeed Portuguese debt where in our internal view, we have a capital charge that is applied on the Portuguese debt. So that are the way that you have to read the Solvency numbers and the difference between Pillar 1 and Pillar 1I.

A question that we also often get is, will we apply this under Pillar 1. So we have internal model real estate that has been validated by our independent validation team. We apply them on Pillar 1I. We are working on a more broadly internal model market risk and we will add this model in the course of 2018.

We will also let that model be validated by the independent validation team. We will of course most likely apply it in our – under Pillar 1I. The question is whether we will apply it for Pillar 1, we don't know yet. We will take – we will – as we move, we will consider it, but one element that is extremely important to realize also, even if you apply the internal model market risk, it will not take away the volatility in the balance sheet, the basis risk that we have in the balance sheet.

And that is the transition to the next theme that I will elaborate on is on the volatility adjuster. So the volatility adjuster; so if we think about it, the Solvency II is all about market consistent, and the assets have to be market consistent, the liability has to be market consistent. For the asset, we have a market. It's a mark-to-market and we can reap the value of the fixed income portfolio and there we have a market. For the liabilities, we don't have a market, so we go to mark to model, question is what is the discount rate that we have to use for discounting the liability. The philosophy of Solvency II I think is good in the way that it has been approached. The application is less good, the implementation is less good, because it creates a bit basis risk, and I will explain why.

Looking at the asset side of the balance sheet, we have yields and we can decompose the yields in three different part. The first part is a sort of risk free, where a proxy is a swap and then we have a fundamental part, which is really the risk that we have in it with the default risk and the non-fundamental part. And the non-fundamental part can be a little bit of illiquidity, can be a little bit of emotion in the market or whatever, but not considered as really a fundamental risk on that fixed income.

So, the way that we want to – that we have to discount the liability, again the philosophy is good, so we start on the right-hand side of the slide. The swap, we use also the swap. So there we have alignment with the asset side of the balance sheet. The fundamental part of the yield will not be used to discount the liability, makes sense, because there we believe – or there is really the risk of default, it's not fair to take it into account to the discount the liability, because you will not earn it over the life time of your portfolio.

So, the non-fundamental part, which is a volatility adjuster, yes, that one we can discount the liability because we will earn it over the lifetime of the project or the balance sheet. But the point is that in order to calibrate this volatility adjuster is not really an alignment between the asset side and the way that the volatility adjuster has been calibrated. And it is what we call the basis risk that we have in the balance sheet.

So, two issue there, and I will start now with the first one. So, in order to calibrate the volatility adjuster, EIOPA is using a portfolio, a European portfolio. Corporate bonds, government bonds and also other type of assets. And before Q3 – and that's what you see on the left-hand side there on the slide, before Q3, the part of the reference portfolio that is not used to calibrate the volatility adjuster was 13%. And you can see that we have 48% – 48% represented by corporate bonds and we have 39% represented government bond.

And in Q3, EIOPA decided to also add in the reference portfolio the asset backing the Unit-Linked portfolio. You can see that the composition of the reference portfolio changed completely. Before Q3, it was 13% that was not used to calibrate the volatility adjuster is inclusion of the asset backing the Unit-Linked portfolio, it moves to a level of 29%.

And you see that the corporate part stay at the level of 44%, but the government part decreased to a level of 27%. That means because we have almost 30% that is not used to calibrate the volatility adjuster that the reactiveness of the volatility adjuster is decreasing, is really becoming low. So, that's the first point to really realize how the volatility adjuster is working.

The second part is about looking at the composition of the reference portfolio. On the right-hand side – what you have on the right-hand side is – and it was on the previous slide – is the proportion of corporate bonds 44% in the EIOPA reference portfolio and the proportion of the sovereign bond which is 27%, total 71%. Again, 29% not used to calibrate the volatility adjuster.

When we look at all the portfolio at Ageas, we have corporate 28% and we have sovereign 56%. Total 84% of our asset portfolio is composed by fixed income. So, there you can already see that there is a mismatch between our portfolio and the reference portfolio of EIOPA. And even moreover you can see that there is – the split or the mix between corporate and government is completely the other way on between our portfolio at Ageas and the reference portfolio of EIOPA.

And then what you have on the second part of the table is a little bit of composition of the different government bond in the reference portfolio of EIOPA. And let me just take Belgium, in our portfolio, Belgium represents 50%, while in the reference portfolio of EIOPA, it only represent 10%.

Okay. Now, I would say that gives already a first indication how it works and a first feeling about the basis which that we have in our balance sheet. But it's not finished and here the way or that – really the way it is taking into account of the different country to calibrate the volatility adjuster and we discovered this recently. We discovered this by the end of 2016, because EIOPA only made it, then replicate (01:25:13) that moment. They are not using the composition of the – or the composition of the – the weight of the different government. In the reference portfolio, they are not using this, but they are using a proxy based on the ECB curve. And you have to also realize that the ECB curve is not fixed based on exposures in euro, but is based on the numbers of lines that every country is issuing as debt.

So, for instance, let me take Germany, in the reference portfolio, it's 16% in euro term, but in numbers of line of debt, it's only 11%. Belgium is relatively aligned. But if we take, for instance, Italy, Italy is also relatively aligned, sorry. But if you take Portugal, the last one on the slide there, there we can see that in the reference portfolio, Portugal is representing 1%, but in the ECB curve, is representing 0%. Why is this? Because there's, on top of this, an exclusion mechanism. Okay, so the only thing here or what I hope that you can retain is that there is a quite difficult mechanism to calibrate the volatility adjuster and also that you can see that it is not really, let's say, from a – it's not really intuitive or it is calibrated. But it is causing quite a big basis risk between the assets and the ability of an insurance company.

What does it mean in terms of numbers? And here what you have in front of you is what if we have a spread widening, for instance, on Belgium of 50 basis point, then we see that the impact on the volatility adjuster is 1 basis point. In euro term, on the asset side of our balance sheet, we will lose €1 billion – more than €1 billion, and it will be only compensated on the liability side by €48 million by the volatility adjuster.

If I take, for instance, the last line which is the corporate – if we have a spread widening on corporate of 50 basis points, we see that the volatility adjuster will increase by 14 basis points and on our assets, we lose €770 million, but it is more than compensated on the liability side. On the liability side, we will gain €836 million. So, if we had a spread widening on corporate, it goes via less weighted in corporate, we will have a increase in our Solvency position, and I will come back on this later.

So under Pillar 1, what do we want to do? So we investigated different options, also hedging, be aware and just taking that one. There is no market to hedge €20 billion of Belgian Government bond, so you will not be able to reduce this. Another options is, okay, can we – will we change our asset mix and replicate the EIOPA reference portfolio? No, we will never do this, because if you really think about it in a country, you have the client expectation and the client – the client has never heard about a volatility adjuster, a fundamental spread and all these type of things. And the sophisticated client that follow (01:29:44) the return on their home country and usually the product are designed based on the characteristic of the country and the characteristic of the government in the country. Just take the example of Belgium, we have a market value adjustment that is based on the Belgian Government bond.

In Portugal, we just also introduced a product with a market value adjuster, which is also partly based on the Portuguese debt. So that is an alignment between client expectation and the business reality, but there is a complete misalignment in the reference portfolio. And we will not change our asset portfolio and replicate the European reference portfolio of EU, but it simply does not make any sense.

On the Pillar 2, yes, we are investigating different possibilities to have more an economic view of the situation. So, very quickly over, so today we have the EIOPA reference portfolio, European portfolio, we could think to base this and to use the same mechanic to base it on a sort of company reference portfolio that is already stepping in a good direction.

Company, we could also do the same, exactly the same mechanism, but based on the company asset portfolio that will also reduce the basis fee that you have in your balance sheet. We have also investigated what we call an expected loss model. And there what we do, we project the P&L and we will deduct the fundamental risk that we have in the fixed income portfolio in such a way that we then keep the non-fundamental in order valuation of the balance sheet, but at least we will reduce the basis fees there.

So, we are investigating all those options. We are doing a SWOT analysis and by the end of this year, we will come with a more economic appropriate way of evaluating the assets and the liability in our Pillar 2. And I even didn't talk about the ICS, the insurance capital standard, that I'm sure that you are following this as well.

Okay. Next in, prudent approach. So, one year ago, when we had the Investor Day in London, before the implementation of Solvency II, indeed we made a couple of choices, what I will do here is, do a recap of certain of them just to make it perfectly for everybody and also why we did it and why we continue to do it.

So, the first one is on the geographical diversification, indeed, so when we look at the capital requirement at solo level, we have a certain capital requirement in every op-cos. When we sum all those local capital requirements, it is higher than the capital requirement at group level. And it is higher by €350 million, why is this, because it's a diversification. And it's a diversification where I guess you will agree with me that adding a storm in the UK and a earthquake in Portugal at the same time is very unlikely. And therefore, we recognized this diversification in our capital requirement.

The question that we can add is to what extent this €350 million is fungible, when we have an event happening in the UK or in Portugal, can we transfer money from one country to the other; we can debate hours on this. Nobody is deducting, nobody or to the best of my knowledge, let me be also prudent here, and none of our peers are deducting the geographical diversification from the Own Funds. We have also the particularity of adding third-party in certain of our operating company and we decided to prudent view to the (01:34:45) the geographical diversification from our Own Funds. If we would not do this, that would increase our solvency position by 8%.

Next element to be aware is Solvency II is indeed European framework. We have non-European non-controlled entities that are not subject to Solvency II. All of them, you can see that we have available regulatory capital of €4.3 billion for our non-European entities. We have €1.6 billion regulatory required capital. It's just an indication, it's not something that it's not a consolidation, it's just summing the available capital and the capital requirement on the Solvency II numbers. Then we have an increase of 20% of our solvency position.

And the last one is on the transitional measures. Pillar 1, we recognized €500 million additional Own Funds. Pillar 2, we do not recognize it, because we believe it is a more appropriate view on the position of the group and the operating company. If we would have done this, it would have had an impact of 11% of our solvency position. Just be aware, also when you compare with different groups. In our Pillar 2, we don't do it, but it has an impact of 11% on our capital position.

All right. So, sensitivities by Q1, we released our sensitivities over 2016. Our base case situation was 179% of the insurance pool of solvency position. When we have yield curve down 50 basis points, we lose 13% in our solvency position, and I will come back on that one. Looking at the other ones, yield curve up, we gained 10%; UFR, we are not so sensitive to the UFR to change in UFR. So, when we put the UFR at the level of 3.65%, we see that we lose 4%, so we are not so sensitive on the UFR.

Equity and property, we lose 3%, also not so sensitive. And then on spread, yes, there we are sensitive, I already gave you some insight in the basis risk on the volatility adjuster. On corporate, we gain, again, so I think that you understand why because you're less invested in corporate bonds and VA react, so we gain in solvency; and on sovereign, we lose quite a lot.

So, I will zoom on two of the sensitivities. I will zoom on the yield curve down by 50-basis-point, and I will zoom on the spread widening of sovereign, because there we get also quite a lot of question around it.

First one, yield curve down by 50 basis points. So, if you look at the impact on the Own Funds, there's almost no impact. Own Funds remains at a level close to €7.4 billion, which reflects the fact that we are very well cash flow matched. But if you look at the impact on solvency capital requirement, there we have an increase of €270 million on our capital requirement. So I think the first lesson is absolutely when you look at sensitivities, it's very important to look at the impact on Own Funds, but also the impact on the solvency capital requirement.

So, why is this that we have an increase of our solvency capital requirement of more than €200 million, which is explaining the decrease in our solvency ratio. It is because – and you can see it here completely at the right-hand side, the lapse risk. Lapse risk is increasing by €150 million. It is a lapse risk on the base case, it is a lapse risk when we have the shock of 50-basis-point on in the curve. Why is this? So, you have to understand that lapse risk, the way it is calculated is, you have a mass lapse, you have a lapse up, a lapse down and we have to take the worst of the three.

But when interest rates are going down, the one that is really impacting you is lapse down. And there the weight start to be much heavier, and that's the reason why we have it in place. So, important to realize that it is not because we are not cash flow much, the Own Funds are stable, but it is on the solvency capital requirement. This is also what we call a secondary effect. And the secondary effect on the SCR, important that you realize it and keep it in mind also in the capital generation and Christophe will come back on this.

So, that's one, let's say, a inside in why do we lose more than 10% when interest rates are going down. And the other one is on the sovereign spread widening of 50 basis points. There our solvency position goes from 179% to 151%. Indeed, we lose on the Own Funds. And that's normal, so you again, volatility adjuster, we lose quite a lot on the asset side and we gain not so much on the liability side. But also there is a big impact on the SCR. So, again very important when you look at sensitivities to look at the composition of the impact on the Own Funds, but also on the solvency capital requirement.

Why is this that we have quite a big impact in an increasing solvency capital requirement is because of the LACDT. And it is again a secondary effect on the spread widening.

And that brings me to the next point on the LACDT and also provide a lot of questions, good to understand the dynamic of the LACDT. So, I will skip that one, but here the only thing to keep in mind is, LACDT, the biggest part is Belgium, in the other countries is less important. In Belgium, we have more than €1 billion of deferred tax liabilities.

So, how does it work? On the right-hand side of the slide, so you can see a simplified balance sheet of Belgium, where we have €80.6 billion assets; we have €73 billion fair value of liabilities; we have Own Funds of almost €7 billion; and we have deferred tax liability of €1.090 billion. The maximum LACDT that we can use in our solvency capital requirement is €1.1 billion, which is 34% of the gross taxable solvency capital requirement.

There is a CAP that is the old circular issued by the National Bank. All three are working, there is CAP, which is deferred tax liability minus deferred tax assets, and the CAP is €1.054 billion, which means that we have a solvency capital position of 245% for Belgium in the base case. What happen when there is a spread widening of 50 basis points. We see that the Own Funds decreased by almost €800 million, so the Own Funds decreased by almost €800 million. There we lose €2 billion on the asset side, we gain €700 million on the liability side, but the important element is that there is also an impact on the deferred tax liability in the balance sheet. And there, the deferred tax liability decreased by something like €400 million.

And that means that when we look at the maximum that we could use is €1.1 billion, but because of the CAP in the old circular of the National Bank, what we only are able to use is €648 million which is DTL minus DTA, that was the old situation. And indeed, we have quite a big impact on our solvency position in Belgium, decreasing from 245% to 190%.

Now there is a new circular issued by the National Bank, and the new circular issued by the National Bank will allow us to recognize more than the net DTL minus DTA, subject to recoverability test and the CAP that the National Bank is putting on the recoverability test. So, we and the Belgium entity is now in discussion with the auditors, and you also have to realize that there is no format for recoverability test in Belgium, so that is ongoing discussion with the auditor. We are relatively confident on that one, and we expect that when we can apply the new circular, there will be a positive impact of 4% on the solvency position of Belgium. But even more important and it is really, really, really the big benefit is then when there is a stress from the spread, which we will be able to recognize more from the LACDT and that will then reduce the volatility in the solvency position of AG and of the group.

So, with this simulation on this for all the sensitivities that we published in Q1, and as you can see at group levels, so this is at group level, the new circular at group level will have a positive impact of 1%, but the most important element is the fact that, for instance, here that when we have a decrease in interest rate, the volatility will be lower, but even more important when we have a spread widening, the volatility will be by 10% lower with the new circular. So that is very good news. We are in the process of discussing this with the auditors, and we are confident to be able to apply the new circular in the coming quarters.

Put option, very quickly, so that's a put option, you know it very well. BNP Paribas is an option, were quite to sell 25% of its stake in AG Insurance. The option will be between

January 1, 2018 and June 30, 2018. The way or that the put option is reflected in our numbers today is the following. At AG Insurance, it is at 100%. Then in the insurance, we will deduct the free fund belonging to BNP Paribas, €1.1 billion.

What do we have in the general accounts, we have a liability. We have the put option recognizing the general account, which is the liability €1.3 billion, which means that we reverse the non-transferable that we have here in the insurance pool. And at group level, we have the put option recognized as a liability, which means that in the current situation, it is like if the put option is exercised.

What happens when the put option is exercised, nothing for Belgium, still at 100%. Of course, the non-transferable disappear because the put option has been exercised. So, we own AG at 100%, which means that the liability put option and the reversal also disappear. And at the end of the day, at group level, there is no impact. The solvency ratio remains on the same level, under the condition of course that the price that we pay is equal to the value of the put today. That's an assumption.

So, if the put option is exercised, no impact on the solvency position of the group under the condition that the price is equal to the put. If the put option is not exercised, Belgium nothing happens. Of course at insurance level, the put option is not exercised, so BNP still own 25% of AG. So, we have the non-transferable here. But in the general account, put option not exercised so the put is disappear, the reversal of the non-transferable disappear. And in that scenario, we see that we have a slight positive impact on the solvency position of the group of 5%, of course, on the current value of the put and the current value of the non-transferable.

Okay. And last point that I wanted to quickly go over is a debt capacity. So, you know the regulatory constrains, we have Tier 1, the restricted Tier 1 should be maximum of 20% of the total Tier 1, and also Tier 2 plus Tier 3 may not be higher than 50% of the SCR.

So, where are we on this by the end of 2016? As you can see, here we have €1.7 billion of Tier 1, and if we apply the 20% rule, we are kept at the level of €1.4 billion, which means that €350 million will shift to Tier 2. And looking at our position Tier 2 and Tier 3 including the shift on €350 million from the Tier 1 to the Tier 2, Tier 3, then we see that we have €1 billion of Tier 2 and Tier 3 while the maximum regulatory capacity allowed is €2.3 billion. So, if you do the math, you can see that there's still more than €1 billion of capacity for Tier 2.

Okay. Conclusion, hopefully it gives you a little bit more color and insight on the way that you have to look and read the numbers, our Pillar 2 numbers. I didn't mention it in the presentation, but good to again repeat it. Our expected dividend is always extracted from the Own Funds. The non-European, non-controlled entities, of course, are not included in the Solvency II numbers, but if you just sum them to the Solvency II numbers, it has a positive impact on 20%.

We deduct the geographical diversification, which has an impact of 8% on our capital position. We apply a capital charge for sovereign, and there you can see that it is offset by the lower capital charge on corporate, so it's relatively neutral. The LACDT, I gave you some insight on the new circular, has a material positive impact on the volatility of our solvency position. The transitional are not applied and not recognized in Pillar 2, 11% impact. Put option, if the put option is exercised and we pay the price of the put, no impact. If the put option is not exercised, we have a positive impact on our solvency position of 5%.

And finally Real Estate, in Pillar 2, we recognized our internal model real estate which has quite a positive impact on our capital position. Pillar 1, Pillar 2 just repeating, we managed on Pillar 2, because we believe it's more an economical, but we consider Pillar 1 as a floor and you have seen it and realized the way that we manage it, the UK for instance by the end of 2016.

Finally, yes there is volatility in Solvency II. We believe that substantial part of the volatility is not really an economical volatility, I'm referring to the volatility as just a discussion. But it does not impact our way to manage the business and it has no direct constraints on our decision on capital management.

So, that end up my part on the Solvency zoom for different teams. And I now invite Christophe on the stage for the main dishes on capital generation. Thank you very much for your attention.

Christophe Boizard {BIO 15390084 <GO>}

So, thank you, Manu, and good morning. So, I will give you the long-awaited free capital generation presentation, it put some pressure on me. I will try to give convincing image of what we have done, and so we'll have two part, and one part dedicated on the method and more on the figures. But let's go to the agenda first, the precise agenda.

I will give you some words of introduction to see how we can introduce the concepts or some general comments, then we will come to the definitions themselves; some observation or more, let's say, some element of cautiousness about these definitions; then we will go to the results themselves, the results will be based on 2016. The results will be given by segment, and you will see that Asia is included which is of interest and knowing that there is a need to have more disclosure on Asia, and we have made the effort to give some view on the free capital generation coming from Asia. Then some conclusion and the next steps.

So, as I said, a few words of introduction, I think that we can safely say that it's a fact that in analysts' mind, the insurance sector has moved from a growth to value story. And this implies that a lot attention is given to dividend. So, dividend can be given by the IFRS figures, but a lot of attention is put on dividend sustainability as well. And on sustainability, which is the key word we have to recognize that IFRS is of little help.

So, Solvency II, here, having some forward-looking element in it, can give some answer and is better equipped than IFRS to assess some aspect of sustainability. So, what we have seen during this 2016 after the implementation of Solvency II, and early 2017 is a lot of papers, a lot production on the fee capital generation. But I think that work has to be done on the organization of definition, and we think that there is still a lot of work. So, what you will see here is our approach. And this approach can evolve knowing that the market is evolving, but we think that we have work sufficiently enough to give a good contribution, and I will give you some insights about the work done at the CFO for home level.

Let's come back for a short while on the differences between IFRS and Solvency II. So, on IFRS, we start from the left of the slide, where it's – here the present situation with IFRS 4 phase 1, so we have a lot of element, which are at market value, but not all of them. With IFRS 17 and as IFRS 9, we go one step further into market valuation everywhere, but what is really missing is the forward-looking element I was mentioning in my introduction, so.

Now, if we switch to Solvency II, which is the second framework which is available, what can we draw out of this? So if we – and I will make the parallel between IFRS and the result and the dividend and Solvency II and what could correspond to the result and dividend. So on Solvency II, we could easily say that the valuation of eligible own fund give some kind of results in a market consistent balance sheet, but what is really missing is something corresponding to the dividend we have in IFRS.

And it is where the free capital generation enter into play. So, we need to define what is available for distribution, taking into consideration some part of the future. Having said that, let's be aware of the following: We know that Solvency II can be used to calculate free capital generation in order to provide a prospective view and to some extent give some view on the sustainability of dividend. But – and there is a big but, the Solvency II is not a value framework, it's a credential framework, so it is based on cautious estimates, so – and it will, so all the figures have to be interpreted with this in mind and the fact that it is not a value framework, so a lot of element are linked to the prudential aspect, so it's not an economic view.

Then, we have second limitation. The second limitation is the fact that Solvency II applies mainly to Europe and European entity, which means that we have no view, no figures coming from Asia. So what we have done here is, we have tried to expand the definition of free capital generation to Asian entity and we think that we can apply all the different definitions to different regulatory framework. As soon as you have regulatory capital, as soon as you have required capital and the target capital, you can have a view on what is free, and as I said – and the free capital generation, but we will see that later.

So, after these few words of introduction, it is now time to go to the definitions themselves. And let's start with a list of definition, which is needed to end up at the end with what the free capital generation is, so starting with the eligible own fund. So you have here the eligible own fund. Then we have the expected dividends. You know that in Ageas framework, we deduct the expected dividend, but we have to be aware of this. You will understand why after, but the expected dividend has to be – to appear on this. Then we have the solvency capital requirement the SCR, so this is the red – the red portion and then the yellow portion is our expected – our target capital, our target capital is set at 175% of the SCR.

And for further consideration, but it won't be used in the free capital generation, I mention the surplus, but it won't be really used, but in the conclusion when I will try to compare with peers.

So now what is free here? The free capital, it seems obvious that the free capital is exactly the portion of the eligible own fund, after having added back to the expected dividend, the portion above the target capital.

Here, first, important definition, the free capital, so free capital is what is above the target capital after having added back the expected dividend. I think now that the definition is quite obvious. And the definition of the free capital generation is the change during a period on free capital, having in mind that we may have paid dividends, so this has to be added back and here on this behalf, you have the definition of what we mean here in Ageas with the free capital generation. So that's the change in free capital after having taken into consideration what was paid during the period. Obviously, we need more granularity to explain the free capital generation. So now in term of presentation, we will present the free capital generation with their main component. So the change in eligible own fund and the change in SCR and at last, the roll-forward of the free capital generation. So the free capital generation is and you can check this again on the graph, it is the movement of eligible own fund, minus 175% of the movement in SCR, plus the dividend paid. We need to have the movement on the two main components, eligible own fund and SCR, to correctly explain the change in free capital generation.

Then, if I take the X axis, there is not a lot of detail. You only have two boxes, abrupt changes and paid dividends. So we definitely need more granularity here again and we have listed the main blocks which are relevant in the analysis of free capital generation. So first, model changes, you know that during 2016, we had very significant model changes, so I think it is fair and honest to isolate the effect of the model changes. We have some M&A operations and you will see that M&A appears twice, at the beginning and at the end; I will come back on this. Then we have some exceptional impact and on exceptional impact, we have to be very careful not to put too many things on exceptional impact. And you will see that for 2016, we only put the proposed settlement in the general accounts and we put the impact of the change in Ogden rate in the UK and that's all. Then we obviously have the capital operations, capital increase/reduction, sub-debt movement, share buybacks of course, and then the paid dividend, which is the last block.

But now let's try to come back on this market impact and operational impact and I would say that most of the work that we've done during these past few months were precisely on having the breakdown between market impact and operational impact. So let's enter into more detail what does this mean exactly. So in market impact, we include impacts of what we call external factors, the change in interest rate curves, equity market movement, real estate value, currency movements, present volatility adjustment, whereas on the – so at the end, all this is the – is what is not directly under our control comes from external factors, and here, you will get that all, most of the volatile elements are there. So we isolate the volatile element in markets and then we have operational impact and it includes mainly, what we call, management actions like the sale of new products. So this includes the one-year hold forward of contract boundaries. We have expected return on investment, change in the investment portfolio, management of expenses, in a nutshell, everything is related to management action.

Here let me come back on how investments are treated. So you can read here that in operating with expected returns on investments. So our choice was the following. Here, we will put the investment income based on what is expected. So based on the global return of the investment and for instance taking equity, we put 7%, real estate 5%. So things like this, what is expected on the long run. What is used in our strategic asset allocation and on market impact, we put what the difference between what was expected and what we really got. And it's the reason why we put in the equity market movement, real estate value, so this is the difference between the 7% on equity and the 5% on real estate of global returns that I indicated a while ago.

So we are almost at the end of the definition. So this is our, let's say, preferred and working graph for – to study free capital generation. So the hold forward of own fund comes first on the top of the slide. Then you have the hold forward of SCR and in the bottom, you have the hold forward of the free capital and you can read that the free capital generation referring to the previous slide; that's exactly what is included in that triangle.

You remember other synergies and paid capital. So the free capital generation is rare. Since all the graphs will be like this, I'd like to go through all the different blocks, quickly through the different blocks. So we start from the left on the eligible own fund, SCR, and you can see here the expected dividends. So then we have the first block, which is the model changes with the effect on eligible own fund and SCR.

Then, we have the M&A and you can read between (divestment), our choice was the following for the treatment of M&A. We drove all the assets sold during the period. So you will see in the following slide that M&A divestment refers to IGA, which left the scope during the year 2016. And at the end, you have M&A acquisition here. Everything which was acquired during the period is here, which means that in the middle, you have a pure scope of analysis. So everything which was solely (02:13:54) deducted at start and everything which was acquired is at the end, and then you have the remaining block. So you have the market impact already described. You have the operational impact, the exceptional impact, capital transaction and the paid dividends. So, and you can read this graph vertically. For each building block, you have the change on eligible own fund, you have the change on SCR and you have the resulting effect on the free capital generation.

We are close to unveiling the figures, but last observation, I am managing the expectations, so but managing the expectations, we – I said in the introduction. First, this is based on regulatory framework with a lot of prudency inside, we have to keep that in mind, but there are other things that we have to keep in mind, so in the – for a lot of people, the free capital generation is seen as what is available for the future. The change is what is available for distribution. So we think of dividend, but we have to be aware of several aspects.

First, it's a theoretical exercise and it's a potential. And since we have some elements coming from the future, these elements have not been around under the accounting framework, which means that they are not yet distributable. And so the first thing is be aware. But what is generated is not distributable immediately; we may have to wait for a while. And we have other constraints that we have to keep in mind, for instance, all the dividends come from statutory accounts. So we have to have the corresponding distributable reserves.

So the free capital generation is step number one, but then, we have to check with the accounting result and the amount of distributable reserves. And having said that, we know that for the amount of distributable reserve, we may have mean to trim an insufficient (02:16:35) amount of distributable reserve. For instance in subsidiaries, we can do capital reductions (02:16:43), but the idea I want to comment here is that free capital generation is an indication of a potential.

Now with the results, so for the results, I will go through all the different segments and starting as usual with Belgium. So Belgium being at 100% and we are consistent with the way Belgium is treated in the accounting, but also in the Solvency framework. So here, you have hold forward of eligible own fund on the top, SCR on the back and we didn't put the free capital generation, it will for next slide, so that you can read the figures and so that the slide is not too busy.

So going quickly, from the left to the right, the first component is the model change. We indeed had a big model change related to real estate mainly and other things. I give you the impact. So, if we take eligible own fund, we had an increase of €198 million of which real estate, including parking, accounts for €164 million. So that's the main part that we had. Other model changes, for instance, we changed – we included some lines of business which were not included during the first clarification. So we have to appreciate the fact that 2016 was the first year where Solvency II was used. So we had to refine the models, what is expected in the future is that this block will be much smaller.

So, as I said, real estate accounts for €164 million and on the SCR, we have a reduction of €132 million, of which real estate €271 million. So it means that the reduction is more than the total, which means that in other model changes, we had some element increasing the SCR.

On divestment, nothing. On the market impact, we mainly had the OLO spread, so the sovereign debt spread. And if we take the €226 million, the OLO spread accounts for €301 million. And we had OLO spread, also the impact on the SCR. Then we have the operational impact with an increase of €284 million. So that's the creation of own fund and we have to be aware that here, we have the effect of the terrorist attack. And I will – I remind you that the net effect, what is consistent with this figure, was €25 million. Then, you will remember that we produced a lot of investment product at the beginning of the year, with a still 1% guaranteed rate and that was not giving a lot of free capital generation, but we'll see that later.

The next is on the capital transaction, the minus €95 million relates to the reimbursement of the Hybrone, which was a sub-debt, sub-debt on lent (02:20:33) from the general account, but it was reimbursed. And then on the dividend side, please remember that here we are at 100%, which means that the portion of the dividend paid to BNP Paribas is included here. So we have seen the building block. Now what is – what do we have for the free capital generation? So as I said, you take all the blocks vertically, you take the change in eligible own fund, minus 175% of SCR and you have the hold forward on the free capital.

So if you take the – what is in the triangle, the amount of free capital generation is €617 million, hopefully – not hopefully, €617 million, but boosted by the change in – the change in model. So it is fair to concentrate on the operational impact and here, you can see that we have a contribution of €247 million and this is the building block where we put a lot of attention because it is where, as I said, it is the result of management action. So it is where you can measure, let's say, for long-term, having in mind that the market swings could go to zero or be compensated from one year to another. That's one of the major building elements, the operational impact. So that's it for Belgium, so €617 million, of which is €247 million for operational.

Let's go to the UK now, so on the UK, we have some model changes we have on the eligible own funds and we have refinement on the valuation of some subsidiaries. And on the SCR, what was done is a transfer of the FX risk. We found that it was not fair to put the burden of the FX risk on the different segments. So what we decided was to transfer the FX risk impact from the UK to the general account. Then we have a big element on the market impact, we had the decrease of the pound against euro. So you had a decrease on eligible own fund and SCR, that's something logical. Then we have the operating – the operational impact, plus 2018. But please keep in mind that here, we had some exceptional like the Glasgow and the fact that we closed down the Glasgow offices is accounted for €28 million.

And then we had you remember this was explained during the 2016 result call, the fact that we had a scheme which brought negative result and the cost at the end was €39 million. So, all in all, we can claim that we had €58 million of exceptional, but which were less in the operational impact, because as I said only Ogden was isolated in the exceptional impact. So what you can see on the following box is exactly the Ogden impact. And then you have capital operation and dividend, this should be seen together. We put in place a sub-loan for €48 million and the €48 million of sub-loan was compensated by a corresponding dividend. So, it was an internal operation to optimize the balance sheet.

And now the result. So again, the eligible own fund, minus 175% of the SCR, you will – you can see that we have a negative free capital, which is easily explainable, the fact that the solvency is not at 175%. And here, I would like to make one comment, you may ask why we use 175% for all the different segments and why we took this, being which is the group target to all the segments, knowing that we don't have, in our internal management, 175% as the target capital for all the different segments, it is – the reason is the following: So since you will be interested in the group, the group result and the group is with 175% to have, to get easier explanation from the different segments, we thought that it was good to have the same framework. But since we are talking free capital generation, since it is a change, the choice of the target capital doesn't really change the analysis.

So having said that, on the UK, so what we have is a free capital generation which is negative, if again, we take what is within the triangle. So if we take what is within the triangle, we are at minus €107 million. But if we come back on, as I said, the interesting component which is the operating impact, we are at minus €20 million, and here again, if you restate by the exceptional things I was mentioning, you can see that we are in a positive territory if we restate by Glasgow and with the special risk in.

Let's move now to Continental Europe. So again the same exercise, starting with the eligible own fund. So the first block to explain is the model changes. Here, we transfer the goodwill from the region to the general account as well and same type of – same consideration, we thought that it was not fair to have the goodwill deducted from the result of the segment. So we decided to allocate the goodwill to the general accounts, which means that it's a plus here, and so it's an improvement. We don't deduct the goodwill anymore, but obviously, we have the compensation in the general account.

Then we have a big market impact, we see big negative figures on the eligible own fund and this mainly relates to the spread on government bonds, and I will mention the spreads on the PGBs and the Portuguese bonds and this – the impact alone of PGBs amounts to €118 million. So we have €232 million, but the PGBs alone is half of the total. Then, what is of interest is the quite large – we have a big number operational impact here. We take benefit of the term business in Portugal and we take benefit of the very good combined ratio as well.

Then, what we have at the end, we have the acquisition of AXA, at the end here. So the FX (02:29:40) that's the integration of AXA with eligible own fund and SCR, as I said, and we put that at the end. And we are sure that this will contribute to the free capital generation of Continental Europe in near future.

Having explained the different building blocks, we can go to the results, the free capital generation of Continental Europe. So again here, we are – we start with a negative position of free capital and what we have is precisely, so if – taking the free capital generation, what is in the big rectangle here, you have negative figure, minus €70 million, but we have to keep in mind these two main building blocks and the market impact, which is big decrease, and we know that the situation will improve, and we know that spread on the Portuguese bond have reduced in these past few months, and then we will still have, and that's the regular component, the operational impact, which is in green, so we expect positive free capital generation in Continental Europe in the near future.

Now, let's have a quick look on the general accounts, so the general accounts, we have a lot of (02:31:19) elements. First, if we take the model changes, we have the goodwill, which comes here. We have the transfer of the currency risk in the UK that I already mentioned. You have divestment, you have AICA sale, on the other hand, you have the acquisition of AXA. One comment on dividends and it was a choice in the presentation, but this could evolve in the future. (02:31:50) dividend paid is positive as we received usually the dividend paid is negative that's an outflow. But here it's a balance, it's the balance between the dividend paid and the dividend received.

The last big element obviously on exceptional that's a proposed settlement, now you will have recognized the impact. And then the free capital generation negative again with this minus €967 million, but again we know where it comes from the proposed settlement, which is the main part. So we have seen all the different segments and we can take I think for first subtotal, which is the group and here we have the Solvency II scope here. So we have added all the different segments, so I won't comment the building blocks and the building blocks are exactly explained by what I said for the different segments and I will directly go to the free capital generation. So on the free capital generation of the group, we are at minus €511 million but I will draw your attention on the exceptionals and the settlement of course, and I would like to draw your attention on always what is for us the most important factors, more of let's say recurring and regular factor which is the operational impact where we are at €184 million, which could be seen as slightly low but please keep in mind that we had exceptional during the year 2016 which are included in this, and then we have for instance, and taking the – our main contributor AG, we had during the beginning of 2016 quite significant inflow of (02:34:32) of investment product and minimum guarantee rate was still at 1%, and this has now created a lot of room in terms of free capital generation but this has been addressed during the year. We've set whole changes and you know that we are now at 0.25% and I will tell you that now the free capital generation coming from AG is much, much higher, which give us, no that it will come, the slide with – no it is not in the book, it has been added but it will be available on the website, it has been added, there too.

At start, the idea was to give all the segment in total, and we thought during the presentation that it was interesting to have the consolidation at the Solvency II level alone because here you will see now we are (02:35:44) Asia and to our non-control participation, and this is part of the innovative aspect of the presentation. So what we did here, we gathered the element coming from all the different countries and mainly China, but we have China, Malaysia, India and Thailand here. And we did what I explained at the beginning of the presentation. So we took into account the regulatory capital, the capital required – the required capital, the target capital, and we did the exercise of calculating the free capital. And what we did, so beyond this and that was done by us and it was not given by our JVs. We did the split between the market impact and the operating impact.

So if you – so going from the left to the right, the first big change, model change comes from China where you know that they changed their Solvency framework to adopt C-ROSS. C-ROSS was adopted January 1, 2016 and you can see here the exact impact of C-ROSS that's the Chinese model change, and that's the only thing that we have. Then we have a small market impact. The operating – the operational impact is interesting here, what you can see is the growth of the business, so we have, as you know, a very solid I would even say (02:37:32). So, we have on the eligible own funds this creation of €598 million, with the direct consequence of an increasing SCR, but you can see here that and that growth doesn't result with an SCR, which will offset the creation of eligible won funds.

Then to – and the comment on this figure. On M&A, you have our investment in the Philippine and in Vietnam. And then what is mentioned here as paid dividend is what we received from the different JVs. So, now, in terms of free capital generation, so we're holding forward of the free capital for Asia, we're obviously helped by the change and the switch to C-ROSS, but what you can see here is that despite the growth there is some room created and you have this nice green operational impact, which amounts to €175 million.

So, it means that, we are creating Eligible Own Fund, but with a reasonable increase of the SCR. Now, it is time to have view on the group everything put together and here we have not performed a real consolidation. I would rather call this an aggregation, which means that between group and NCPs, we have only added the different elements, which means that here again we have a prudent stance, because we don't have any benefit coming from a geographical diversification within Asia for instance, which could be added, but we are not fair at this moment.

So, here, you have the addition for the group and then if I take the last slide to the free capital generation view. At the group level, with the aggregation of Asia, so starting with what is within the rectangle, we have free capital generation, which amounts to €621 million and then if we go to the breakdown of market and operational, on operational, we are at €359 million and again, with the inclusion of some exceptional.

Now, some conclusions, so, what we can see and it's a first exercise, and you will appreciate the fact that, first it is based on 2016, so it's little bit outdated now, but we have done quite a lot of work and lot of the work, the underlying work here was in the split of the different blocks between eligible and from NSCR. The work on Asia and the split between market and operational so that we have a view on what is volatile, put on within the market impact and what comes from the management – management action.

So what we can see is that based on this very – on this result, we can say that we have a sustainable dividend payout, and with this I compare the operational impact of the group, the aggregated, what was paid and which was €330 million. So in a year, which was not by the decreasing interest rate and rising spread, we ensured that we have the sustainable dividend payout, but we have to recognize and to be aware of the fact that we have lot of volatility here. So the volatility and to give you an illustrative example, we have here the Q1 view of Belgium, so the main contributor for the European task, so Belgium at 100%.

First view on Q1, so on Q1 you will see that we have some market impact and we have the – some increasing spread you remember all the concern how presidential elections in France or in other countries, so the spreads were quite high, but they have come back. And then the creation of Eligible Own Fund which is quite high, €200 million with very reasonable increase of SCR and with very reasonable increase of SCR and if we go to the free capital generation aspect we have €177 million after one quarter only, whereas you remember that in 2016 only €247 million were created for the four quarters. So after one quarter we are already at €177 million, and I will relate this to the fact that we still sell this investment product, but the minimum guaranteed rate is at 0.25%, so much lower than the one we had last year and then the rates are slightly up. So, it means that it contributes more to the free capital generation.

What are the next steps now. So first in term of disclosure, we will do this kind of exercise every year with this detail and maybe with something more, where I mentioned the operational impact what we still need and what is not – what doesn't appear here is the value of new business, so it would be nice to further break down the operational impact with the value of new business.

We have the ambition to disclose things on a quarterly basis and we will start on Q2, but maybe not by the time of disclosure of the account, because it takes some time, here we have just finished the 2016 view, obviously we'll be much quicker in having the quarter, but so we will do something on a quarterly basis, not starting of Q2, not by the time we will release the contract, maybe slightly after. And then we have to check on Asia which is really available, that's the kind of thing we still have to check on a quarterly basis.

So the last element, this is not far from what you have been embedded that you have different steps. So there are discussion that the CFO for home level to see if we could issue some recommendation, so nothing will be mandatory, but if we can disclose some recommendation and here we are along with active lenders.

And with this, I end my presentation. Thank you.

Frank Vandenborre {BIO 15168443 <GO>}

Okay. Just a second. I'll leave you all sometime for Christophe, Emmanuel, and we'll also invite Filip Coremans, our Chief Risk Officer, and obviously, also on top of these topics to the project. I think we have time for about five questions looking at the number of hands raised, that should be okay. And obviously, there is lunch and this people are aware that they have lot of time to eat, so we (02:46:51)

Q&A

A - Frank Vandenborre {BIO 15168443 <GO>}

Okay. Good. Arjan, I think you are the first one.

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

Thank you. Arjan van Veen with UBS. I'm a little bit confused with some – your operational capital generation numbers are the key thing we're looking for today. Firstly, I can't add up your divisions, so if I add up all your individual divisions, I get to €403 million, you got €184 million. This is the first question – it's really what that missing €219 million?

And secondly, what I saw was really off to get some feel for on a go forward basis. There is lot of one-offs in your 2016 numbers, (02:47:37) there to get some feel, what we could consider to be a more natural capital generation number compared to your dividend and your buyback. And if I just take Belgium as an example, you have €247 million for 100%, you had €177 million for the first quarter, those are huge differences. So to get some feel maybe on which are the divisions, what a more normalized number would be or maybe some way of reconciling it back or give us indication of how it compares to the operating – IFRS profit maybe which shouldn't be too different for example?

A - Emmanuel Van Grimbergen {BIO 18010465 <GO>}

Okay. So we're deciding who to start. Okay, I'll start. So, first, you are right. In 2016, we had a lot of one-off and then I would say the site that we have all these model changes relates to the fact that it was the first year or so, in the coming years, it will be more straight forward and we want to have all this effect, it will be easier. So agree with you.

I think on the exceptional what we should do, and that's what I tried to do is to explain where we are. I told you what we put in exceptional item in operational. I gave you some hints about what was left here, and you can make your own consideration about what you consider as exceptional or not. With the reconciliation issue that you mentioned, so obviously there is something missing, and you cannot add all the segments like this, why because you have some of the consolidation, the consolidation mechanism which works between the segments. So for instance you have some elimination, you have the geographical diversification, you have for instance the fact that when you consolidate Eligible Own Fund, you have to take into account the non-control interest. So all this, we had some lines of between the sum and the group aspects, and it is true that I didn't give the detail. But it is a main, so geographical diversification elimination, and that's it (02:49:52)

I think it will help when we have the group slide also in the back, because obviously that's one of these closing blocks that is missing in the current one. Maybe I want to come back to your second part of the question, is about forward-looking capital generation and what is now really the underlying. So in fact if you listen to the story indeed Christophe has hinted to quite a few exceptional or explanations why certain figures are what they are. The forward-looking ignoring the current explanations, there are in fact four main sources I would say of capital generation in an operational context. First and foremost, indeed as you indicate Non-Life results, but then on a best estimate basis they almost entirely flow into operational capital generation. Of course, if you're reserving policy and your best estimate are more or less in tune, Non-Life results are one of the Pillars, that's why you see quite a substantial portion of that coming into play, even in the UK if you ignore the exceptionals but certainly in Continental Europe and in Belgium.

And the second one is the – we have this restricted contract boundaries. Yearly renewable risk contract, depending on many new revenue portfolio will lead to substantial positive evolutions and we see that predominantly underlying the Continental European figures also just some extent in Belgium. But in Portugal, we have a lot of yearly renewable term. Now that is boosting this free capital generation from that perspective.

And the third one is your operational performance and improvements, assumption changes you make to all the components that Christophe talked about, expenses, lapse, all the normal operational stuff. If you have substantial, if you can improve on the dynamics there, that will also create operational capital.

The last one and that is the most difficult one to assess and to appreciate is the what you would call the normal value in new business, which is not the extension of contract boundaries, but just live business, which is being written. And there Christophe hinted to the fact that this year the huge inflow in new business in Belgium in the beginning in the first half of the year where industry rates were really low and in fact people were anticipating that we were going to cut down the guarantees. We had a huge inflow of course on a market consistent basis is just not add immediate capital to the picture from this perspective.

In fact it consumes, it's the concept of strain and recurrent embedded value but mind you that may come back. It's a bit like the pull to par on the spread it's an issue, but it comes back through income. So, we have been able to deploy and invest for these products, and that's what you saw in our regular reporting at reasonable rates.

So it is like, you have a (02:53:19) product, it doesn't mean that the future capital generation potential is not there and went of course to grow this year and that's what you saw in these type of products reduced dramatically, because you don't have that strength, but the margin that you have generated and made on this product is showing up.

So it's very difficult to put the exact figure on a forward-looking basis, but you feel that we are ending at the fact that in Belgium, the figure of last year was helped back a bit by the huge production in the beginning of the first half. But that should support better figures looking forward there because the deployment has been good.

And now we are in a situation, which is in reverse. The guarantee has never been so low, but the markets recovered quite a bit. And so, margins now are obviously better and that's what we show or in that when you look at the results of Q1. We have fantastic Non-Life results in Belgium, which you also saw. Last year, the first quarter impact was €25 million, almost €30 million. So this is the story in Belgium.

And in the UK, obviously, we had Ogden, we took that out already. We consider it in the one-off. But also the other two components don't keep in – don't forget that Andy and his team, they are going through that restructuring. We closed down Glasgow, that's a very necessary investment, I would say, to turn it around, but the cost of that is nothing. We also strengthened for the special risks in the UK last year, (02:54:51) about €30 million. So both combined in the UK. I would say it's exceptional kind of one-off of €60 million is also guaranteed. Keep these things in mind, but we are not going to make forward-looking statements, but at least this leads a bit the reasoning on those two here.

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

Okay.

A - Frank Vandenborre {BIO 15168443 <GO>}

(02:55:10)

Hi there, gentlemen. Firstly, I think it's actually quite a good start in terms of presenting what is actually a quite complex group. The questions I really have are just with regards to, firstly, aggregation method. So once we've reached the group number that you're talking to here, are we looking for instance having proportionately consolidated the Belgium business, so I presume we're taking 75% there. And then, secondly, just looking at slide 23 on the Asia components, I'm just trying to understand how you've weighted the SCR there. It feels a little bit to me like you might have weighted this around about 150%. And I think, it also feeds into the comment from the previous presentation when you mentioned the impact of say bringing in the non-Solvency II stakes would be 20 percentage points on Solvency II. Again, could you just give us a sense of what kind of, I think I would call it the equivalence conversion factor you're using to make that calculation, please?

A - Christophe Boizard {BIO 15390084 <GO>}

So, I'll take immediately the last question. So in my presentation indeed, you saw an indication of just 20% when we just add up the NCP – the Asian NCP there. Just keep in mind what we did is we took simply the local regulatory requirement, the minimum local regulatory requirement, plus the capital requirement that we took and we add up to the Solvency capital requirement Solvency II. And the available capital is also the local regulatory available capital that we adopt to the (02:56:51). So in the plus 20%, indeed there is no target capital for instance of 175% like we have in the Solvency II framework.

In the presentation for Asia, and so it's the reason why we added this group view, which is consistent with Solvency II. But on the Asian side, first we took our share, so we took our share in each and every country, and there it's a mixed bag, in the sense that we took for each and every country the target capital of the country, and so it's kind of addition, and it's the reason why I call this not a consolidation, but an aggregation and we miss here the geographical diversification, as I said. So we take our share, and we took the country one-by-one, we were specific target capital, and we added things up, and that's all.

Q - Frank Vandenborre {BIO 15168443 <GO>}

And for Belgium, because you had also just (02:57:52)

A - Christophe Boizard {BIO 15390084 <GO>}

So for Belgium indeed, you always see the numbers on Belgium at 100%, but when we – when we – when you look at the group, it's not a proportional consolidation. So what we do is we have to take and that's a Solvency II rule, we have to take the SCR at 100%, and that's for (02:58:13) and the 25% of BMP is determined between the difference of the own funds, total 100% own fund minus the solvency capital requirement, multiplied by 25%. So it's a free fund, that we then subtract from the Own Fund.

Is that clear, because I see some people frowning in Solvency II, so it's just maybe clarify a bit more, because it's also the reason why under the put option, the solvency ratio actually increases when you execute, it's the same effect.

A - Frank Vandenborre {BIO 15168443 <GO>}

Yeah

Okay.

For the consolidation is a free fund that is subtracted at group level, there is lot of proportion consolidation.

Okay.

Maybe first Ashik and then Bart.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hi. Just a couple of question. One on Asia, so the capital generation that you're using on the numerator and denominator, is it fair to say that you're just focusing on the regulatory number. You're not doing anything on embedded value capital generation like that? So that's one thing. Second thing I think there is still a bit of confusion on consolidation of all the solo numbers because, for example, I was looking at the SCR of Belgium, UK, and Europe. On the individual basis, it's coming to be like €60 million, €40 million, €50 million, whereas when you are consolidating the SCR impact on the capital – on the operational capital generation is like €120 million. So if I think about consolidating from the 100% to your consolidated number, it should be lower, why would it go up? Does that make sense or shall I repeat the question?

A - Antonio Cano {BIO 16483724 <GO>}

In fact, the consolidation in the end is normal Solvency II reporting, so all the effects that play in our Solvency II reporting are also the ones that are here. There is no difference at the end between them, so you find all the corrections related to non-transferrable, diversification, the proportionality factors, they are all in the general account area. And some SCR aspects related specifically to the general account components are also there. So adding them up – they don't appear in general account. We have the general account alone, and then on the top we have all these adjusting factors and the adjusting factors with all the different building blocks.

Q - Ashik Musaddi {BIO 15847584 <GO>}

So with respect to these additional adjustment that we don't see when we add all the subsidiaries to the final account, where would that be part of? I mean, I thought it would be (03:01:06), but I think that area – that part is still missing in the presentation, which we are not getting, because when we add the numerator, capital generation, only the operational part, and when we add the denominator of capital generation, we don't get to the number that you are flagging. So there is something we are missing at the moment. Thank you.

A - Frank Vandenborre {BIO 15168443 <GO>}

There are so many – okay, probably we need to – we can give more details, also have a discussion offline on this, but you have also – for instance, just take one, you have also on the (03:01:39) you have an elimination of the (03:01:40), because you have repayment of the (03:01:43) at the AG Insurance level, general account, but then there you have also an elimination of €95 million. So there are quite a couple of elements of elimination that we can give more detail on it. But to summarize, it's a kind of reconciliation in the end.

(03:02:02).

Okay, we will discuss that with you, but we take it as further improvement, and please keep in mind but it is still working-in-progress all these things. So for 2017 we will be more explicit on how it works, the elimination, the geographical diversification, but you have things that can be added to that total.

So in the future, oh yes, why shouldn't we share the, yes, geographical diversification elimination? There is no secret. These are technical things. So we could add a slide which could be consolidation effect. We – all the comments, we can do that for the future. We're not – propose we consider it and by the way also mention that indeed the version you have seen on the screen will be the one that is posted on the website, so the missing slides, no worries, you can download them easily.

Just one follow-up question on the consolidation of Belgium. Do I understand correctly that if you look to slide 28, we have – you say we have €359 million in free capital generation. Does that include Belgium at 100% or 75%? That's the first question.

The second question relates to your investment return assumptions. So an important driver of capital generation is the assumptions you use for your investments. I think you mentioned 700 basis points for equity and 500 for real estate, which seem relatively high. Could you also share the number for government bonds return assumptions? And do you think these numbers are volatile going forward and also impact your operational capital generation? Thank you.

Real estate is 650 (03:04:00), not...

The first part, the sections here for the individual regions are on 100% basis. To make no confusion, the figures you see in the slides which related to regions on 100% basis, so part of the consolidation is indeed proportional and huge factor (03:04:22) on that. In the investment assumptions – Christophe? – are used in the operational side, 7% for...

A - Christophe Boizard {BIO 15390084 <GO>}

7% for equities, 6% for real estate. On government bonds we will then take – for the fixed income, we will take more sort of risk free, but then every period – when, for instance, I take the example just to fix the idea, so we have a sort of risk free, but if the return on the Belgium Government bond that we have in our portfolio is 2%, 2% will come into the operational impact. It – sorry?

Q - Frank Vandenborre {BIO 15168443 <GO>}

(03:05:08)

A - Christophe Boizard {BIO 15390084 <GO>}

Not, but the spread volatility will come into the market impact.

A - Frank Vandenborre {BIO 15168443 <GO>}

It's like the yield to maturity, so the goal flows...

A - Christophe Boizard {BIO 15390084 <GO>}

That volatility comes into the market impact, but the recurrent income both risk free come into operational. If you look at Continental Europe, if you remember, there was quite a strong operational own fund generation. It's mentioned, is the story about the term business and the Non-Life business, but it's also the excess return on the assets compared to the risk free that we have in Continental Europe. If you think about the return of the Portuguese debt is 3%, the risk free is 0.5%. The excess return is coming into the operational in Continental Europe. So there you can really – that's very important that there you can – if there is no accident, if there is no default, then you can see there that it will generate capital from one period to the other in Continental Europe.

A - Frank Vandenborre {BIO 15168443 <GO>}

Well, maybe last question before we go to lunch.

Excellent. Hopefully there is a small point of clarification. Back on the Belgian free capital generation, I mean, you – I wondered if you could be more precise, because you were clearly saying that the biggest distortion between the first quarter and the full year is new business. And presumably you have some sense what the new business value was, because you've been monitoring that in the past. So I wondered if you could just try and help, be slightly more precise on that number.

And then secondly, hopefully very briefly, why is the general accounts operating capital generation figure a positive number? Because I would have thought that's where you're holding your central costs and the rest of it inside I understand on a positive basis.

A - Antonio Cano {BIO 16483724 <GO>}

On the first one, I will answer with a small smile, because one of the things we are still working on is, as Manu or even Christophe said, is to get grabbed with the concept of value new business. Let's not forget it, because, of course, we publish our MCV figures. And we did that for the last time probably because we are going to get over from Solvency II contract boundaries to the restricted – from the MCV contract boundaries to the restricted Solvency II contract boundaries and the notion of value new business changes. And, in fact, we have not finalized the calculations (03:07:39) on Solvency II, on the Solvency II contract boundary.

The only thing I said is that you can see visually in the figures over the first quarter the impact, but also intuitively it should be clear at the moment you do evaluation on a risk-free basis of – at that point in the first half over 1 billion of eight-year term policies being written at the time that interest rates were below of percentage with guarantee of one, (03:08:13) on a risk-free basis a negative spread. And if there is an (03:08:18) duration, most of it with single premium. And that's as far as I go. But, obviously, we have deployed that not at 0.5%. We have invested in the normal asset mix, which will generate a normal return and we do, as you saw or you can see in our regular reporting the new money raise that we make. I think in the first half was between 2% and close to 3%, still you see that that spreads will come, but it will not be there on 0.0% (03:08:47). It will come in the future capital generation. And we will work hard to improve on indeed giving insight on what is the new generation of (03:09:01), and those which were restricted by the contract boundary being added to the book of business (03:09:09), but you have to give us a bit more time to come up with these figures.

A - Frank Vandenborre {BIO 15168443 <GO>}

One precise question, maybe on the general account, you are right that we shouldn't have positive figures. It's more a matter of allocation and in allocating the dividend that we received, not all the dividend was in the deduction of the paid dividend. So, for instance, the RPI and what we've received from RPI, which is a little bit aside from JVs and subsidiaries was put in operational, but I think in the future we will (03:09:45) review the allocation in the general account, but the general account is tricky part, but you are right, so further adjustment could be made on general account.

May we conclude this Q&A session. And, of course, all the other questions you have, feel free to ask these gentlemen. The lunch is served I see outside, so the weather has been improved. And I expect you back by 2:30. Thank you.

MANAGEMENT DISCUSSION SECTION

Frank Vandenborre {BIO 15168443 <GO>}

Good. Hope you're all back for the second part, the afternoon of the Investor Day. As mentioned in the beginning, we have now, in fact, in the next block foreseen some business presentations from the UK and from Asia, but we'll start with Antonio, who will do his second presentation on Ambition 2018 with respect to the status and how we implement our strategy. Thank you. Antonio?

Antonio Cano {BIO 16483724 <GO>}

Such a nice music. I always love this slot after lunch, particularly after the two chunky presentations we had before lunch; lunch, sun, so I hope you all stay awake. If necessary, I'll raise slightly the volume of my voice. Okay.

So, my second presentation and it's about, as I announced in my first presentation, about smart synergies. I'll discuss that a bit. But the key word is here local. You know that one of our values is that we believe that this is a local business, particularly in the types of markets we are operating in; regulation, customer habits, distribution habits, they all tend to be very different from country to country. And as you know, we are actually present in quite some countries with quite some many different cultures from here – from Portugal all the way to China. That's, I guess, about half the globe. So you imagine that each country requires some sort of at least local adaptation, but we think it's actually a bit more than that.

Now, while we accept and actually embrace these local differences, and important of local differences, nevertheless we think we should leverage somehow our skills and resources, and that is what we describe as smart synergies. That was the seventh strategic choice I mentioned earlier this morning.

Now, a way to visualize this how we go about it is look at it like in three rings or clusters or circles. Well, actually, the outer circle is where we talk about local structure, but it's basically very natural spontaneous interactions between businesses, very often also in different regions, where business people of these businesses exchange value through experience sharing. What can this be? It is, for example, exchanging pricing algorithms. It is developing together an SAP platform in the Philippines, in Vietnam. It is also, for example, exporting the experiences we had in Belgium dealing with repair shops to Portugal. So very spontaneous value driven interactions. That's what we call the level three.

Now, on the level two is what we call our level two platforms. I would say these are topics that we believe have some common issues. These are actually, in fact, the topics you saw in my first presentation around digital closer to the customer, the Internet of Things both in the connected home space or in cars. These are things where we believe some sort of more and more structural knowledge sharing and some facilitating from the center has an added value. That is our second way of sharing knowledge. And that's a bit new in Ambition 2018. Before that, actually we just stick basically to the outer ring.

And then we have what we call the entry level one or the One Ageas. So these are actually activities or capabilities that we believe merit some sort of centralization. These are limited number of activities. These can be things like the use of our captive reinsurance entity. They act as a captive reinsurer for actually most of our Non-Life operations within the group. It can also be things like risk management and models. You saw lot of those models this morning. Actually all this modeling work is tiered from the center. These models are run by the center by Filip and Manu's team.

It can also be things around robotics. We'll show you the example around that. You can also think about analytics, so not too many things. Things that we believe there is some value added by sharing that and centralizing that.

It is also actually a part of our partnership model. It is a way of freely letting information flow within the group, and it's important for wholly-owned subsidiaries, but it's also very important in our partnership model, which are very much part actually of this knowledge sharing system, both at the level three, level two, level one. Also our JV partners, notably in Asia, are very active in that. And as I said, it is very much part of our operating model.

And this – actually through this approach – it can seem a bit theoretical, a bit abstract from the outside, but it's actually working a fairly natural way, because it's also part of our DNA, this partnership, this collaborative attitude. It works and it makes us a bit more than just a financial holding. We will never be – what in corporate strategy terms is sometimes called nice word – a parental developer. These tend to be groups that centralize lot of activities that, for example, build centrally core insurance applications that there are lot of different markets. So these are heavy, we say they are rigid corporate centers that try to standardize a lot of things.

I'm not saying there is no merit at all in that model, but our firm belief is that because of the markets we operate in are so local, forcing these types of synergies upon businesses that have very different challenges, various different levels of maturities can actually create some damage. And let's be fair, I think forced synergies have a kind of a dubious track record, and we believe it is because of this local – very local specific needs, not because people at the center are stupid. Although maybe people in the business will say, okay, maybe these guys don't really understand what we are doing. It is just simply because the markets are too different and the challenges are too different. That is our view.

Having said that, we talked a bit about innovation this morning and around some of this common themes, we believe that the group can help like joint innovation. We don't commute – we don't assign huge budgets to, say, big corporate labs or garages that experiment with whatever, and then it being rolled out within the group. So we don't spend a lot of money on these things. What we try to do is promote investments that could help various operating companies.

Now, rest assured, the bulk of the innovation investments and the examples you saw this morning, and you see a couple of them again later, they are done by the local businesses. They're very much in the space that I call the incremental or sustainable type of innovation. There is where the bulk of innovation happens. There is where the bulk of the returns are made. But we decided that on top of this, on average, €50 million that is being spent by the group on this type of innovation, which, okay, we are willing to invest, say, €25 million per year more in domains where we see that projects could have some sort of cross-border benefit. It can sometime be very specific that you actually try to copy a bit of concept that is being developed in a market to another market, or just elements of a concept that you can copy in other markets.

Now, you may question, what are these types of investments? So, again, I think they're very consistent with our strategic choices. They're very consistent with the themes that we identified through our radar network, things that are coming towards us. Some of these themes will have impact on various operating companies. So it is around those themes that we have various projects, where the group kind of lends a financial hand to support these investments. So what are they? And this is our recent history. You could say, it's like 25% is around the connected homes, connected cars, Internet of Things, analytics. There's about a quarter that is around, let's say, getting closer to the customer, remember there was the sixth strategic choice we believe we have to get closer to the customer, getting to know more so also from the group we kind of sponsor initiatives that move us towards that goal.

Then there is the OpEx type of projects. I think you saw bit of a flavor of it when we showed the case of the healthcare project in Belgium. So really things that really improve operational processes. You will immediately think about robotics and these types of things, so that's typically one of these projects there. And then we have – it says 30%, but it's going to be around 25% to 30%, we have this concepts, actually more like products that have been launched or are being launched soon, around this new innovative offerings, a lot of it is digital, these new propositions.

As I said, you saw some examples this morning on Belgium. In a minute we'll show you also some examples of UK, and then we'll also show you what the different local flavor is to some of these innovations. So before I actually give the stage to Andy Watson, who is our UK CEO and who will share with you how we deal with the challenges we are faced with in our UK operations, I'll share with you a short video. You're going to see actually again a product that is, let's say, digital – fully digital product this time in the Non-Life activities aimed at millennials, actually an award-winning initiative.

Also again, the digital products around flexible solution for fire insurance also from UK, and then also the example on what we do with robotics. So be aware, this is not really rocket science. These are robotics that really help actually the back offices. And actually this robotics initiative, which originated from the UK, where the initial pilots were done, is an example of something that was picked up in this platform structure and is actually now today being rolled out with the same provider, with the same group of people that are getting experience rolling this out in different regions.

So we'll have now the video.

[Video presentation] (03:23:07-03:23:24)

Andy Watson {BIO 20961640 <GO>}

Hello. Good afternoon, everyone. I'm Andy. I'm going to talk through Ageas' strategy in the UK. And to do just that, I will talk through, first of all, some generic remarks about the UK market in general, and particularly those that are more specific to Ageas UK. Some further detail on the as-is situation in Ageas UK. I'll give some further color and flavor to our 2016 results that have been referred to once or twice already, and then I'll talk about our future plan.

So as I say, some generic remarks about the current states of the UK market. What you have on the screen is a list of the main non-life insurers within the UK ranked by GWP and Ageas' position within that ranking. They're all non-life players, but the operating models are very different, so you have some pure commercial lines players, some pure personal lines players, and some that are a mixture of both.

Even within the pure personal lines players, you have some that are mono line and effectively mono channel, and others that are multi-products and multi-channel. So I'll comment on those areas of the market that are most relevant to Ageas UK. We concentrate, certainly from a product's point of view, on Motor, Home, and Small Commercial, so some comments on each of those.

On Motor insurance, you will have seen, I am sure, the charts of the Motor underwriting combined operating ratio in the UK over time. And that shows two things; that at a market level the CRR is very often above 100%, and there is indeed an underwriting cycle. Of course, the CRR excludes investment returns and other income that's available to some insurers, such as installment income, add-on product, and claims income. So profitability can be improved beyond the underwriting result.

In terms of the underwriting cycle, Ogden has clearly been a major market dislocation, and I'll come to Ogden later. Prior to Ogden, we were in a part of the underwriting cycle where prices were rising, which on the face of it is very good news, but there is also reasons for caution, because part of the reasons for prices rising was IPT, and there is certainly underlying claims inflation. Last thing to say about Motor, as you will know, the aggregators have established a very powerful position in the distribution of Motor.

The Home insurance, there is much less. It's probably fair to say there is no insurance cycle as such. But the results at a market level tend to be dominated by weather. We clearly have weather in the UK, but the last of the significant events was right at the end of 2015. Current situation with household is that it's a very difficult market. Prices have been falling for the last year or two. One of the reasons for that will be the growing presence of aggregators in the distribution of household insurance. But prices are falling in spite of IPT, in spite of the extra costs of Flood Re, and indeed in spite of underlying claims inflation. So margins are certainly falling.

Final reference is Commercial for Ageas UK, means SME. Actually it means vSME (03:27:15), and it's an area where brokers still dominate distribution, although electronic trading is increasing.

No overview of the UK would be complete without some comments on regulation and legislation. We have a prudential regulator, obviously the PRA, their focus for sometime has been Solvency II. The conduct regulator, the FCA, it says it doesn't want to be a price regulator, yet my view is that it's certainly operating on the periphery of that, and that's why we have the recent introduction of value measures, we have the very recent introduction of renewal pricing transparency, and we currently have investigations into, for example, the use of big data and retail pricing.

As far as the government is concerned, I've already referred to IPT and to Ogden and, of course, I guess it depends on what happens in the election on Thursday. But assuming a conservative government as a result of first day's election, we can certainly expect more legislation around whiplash and around the compensation culture.

I'll move on to talk about the more specific situation within Ageas UK. Number of pieces of information on this slide, but what I wanted to draw your attention to was the with the line, the chart is a chart of GWP for Ageas in the UK, including Tesco Underwriting from 2002 right through to 2016.

It's clearly a story of growth, but I would say it contains a number of other stories too. For example, it's a story of M&A activity way back when the launch of RIAS. We then acquired businesses called OutRight and Affinity Solutions. We then established the joint venture arrangement with Tesco. And in more recent years the purchase of KwikFit, Castle Cover, and Groupama.

It's also a story of product development. So right at the beginning pretty well entirely a Motor underwriter, and during the course of these years expansion – further expansion into Home insurance and Commercial. And it's a story of distribution development as well. Back in 2002, pretty well all distribution for Ageas UK was via third-party brokers. We then added brokers that we owned, initially RIAS and business called Auto Direct and Cover Direct, more recently KwikFit and Castle Cover. We then entered the partnership channel, not least the JV with Tesco, but other partnerships as well. And more recently, we've been changing the model of our owned brokers. So, rather than having a panel of insurers sitting behind them, they have a sole underwriter, Ageas and they're much more akin now to direct insurers.

So what are the conclusions from this particular slide? First of all, we operate in three channels, brokers, partnerships and direct. We have clearly had a history of acquiring businesses, but that is absolutely not our focus now and indeed our history of acquiring businesses over this period has made us a very complex, too complex business and our focus now is very much on making ourselves more effective and more efficient.

Let me talk about the three channels that I've described, broker, partnerships and direct, some further detail on each of those channels. The broker channel historically has been our most important and absolutely will remain our most important channel for the foreseeable future.

Within the UK market, there are very many disparate operating models for brokers themselves, but since the prediction of their demise over 30 years ago, they've remained very resilient. There are of course parts of the broker channel that are under pressure, in particular, if you are a broker that merely sits between aggregators and insurers, but there are plenty of other brokers carving out very significant and very successful niches for themselves.

In terms of the partnership channel, we select our partners based on a combination of some, ideally all of the following characteristics. First of all, some distribution advantage, either because the partner has a very popular brand or a large and loyal customer base or they have some kind of point-of-sale advantage. Ideally, the partner would bring some data or some insight that helps in terms of risk selection and pricing, and of course the financials have to work for both us and the partner. And whilst these are still the characteristics that we look for, the growth of the aggregated channel has diminished their effectiveness.

And then finally, comments on our direct businesses and are competing within the direct channel. The basis of our direct business was indeed brokers that were converted from using a panel of insurers to a sole underwriter, ourselves.

In addition over recent years, we've rationalized the number of brands that we use to go-to-market. We have significantly improved our pricing, our marketing capabilities and our anti-fraud capabilities. And we are now fit to compete in on the aggregator channel.

There's a slide in your pack that gives the product mix and how that's evolved over time. You can see that household and commercial has indeed grown. I'm not going to comment too much on that slide. I've made most of the points that I would do already, and the final slide in this section. Again just the league table by those parts of the market that are most relevant for us, so private car and household, and you can see that we have good positions in those markets.

I thought I would give a further detail and flavor around our 2016 results. So, let me do that now. If I display this slide, first of all, there's no new news on this slide. We're merely repeating numbers that have been reported previously. There is the impact of FX, of course. All the numbers that you see in my presentation are in euros. But we tend to manage the business in pounds and for example, we were looking at the equivalent numbers in pounds, the GWP figure would have increased from 2015 to 2016. But as you know, the results for the UK for 2016 was heavily negative, and let me take that reported result and let's drill down a little bit.

So we take the reported result. Now, I absolutely understand and get the situation that every year, our results will tend to include some kind of one-offs or elements of exceptional. But these really did dominate the 2016 result and it's worth stripping them out. And then as far as this slide is concerned, weather is not treated as an exceptional. So what does the chart share with? It says that, the three main exceptionals in 2016 were some restructuring expenses of €27 million. The Ogden impacts of €155 million and a non-performing MGA of €31 million.

So let me say a few things about each of those significant entries. First of all, restructuring our organization. Now the situation is that we have too much property, partially because of the acquisitions, which I've talked about, but also our sales and service operations are becoming much more efficient. And finally, the general customer trend of a customer preference for using the internet rather than telephone. So we have too much property, we took the decision to close Glasgow, albeit that decision triggers this very negative entry relating to redundancy costs and to an onerous lease provision.

Looking forward, we still have restructuring changes to make within our business, so we've certainly not finished. But so we have, as I say, future restructuring changes to make. Some of these will have a cost of change, but we do not anticipate similar charges to this one in the future.

Let me say a little bit about the nonperforming MGAs. MGAs and delegated underwriting authorities are a standard part of the UK market, and we continue to use them. But this particular arrangement, which started in 2009 and it was terminated as soon as we were able earlier this year was inadequate in a number of areas, not least because the products underwritten were outside our areas of expertise. The value chain was extended and our contractual ability to really control the arrangement was extremely limited. The arrangement is now in runoff.

We've taken what we believe to be an appropriate and prudent provision to protect ourselves from an adverse runoff. And again, looking forward, we have thoroughly reviewed our existing and continuing MGAs and delegated authorities, and we have known to have the weakness of this particular arrangement.

The final thing to comment on is Ogden and I'll pitch my comments on the basis that you know all about Ogden. And we have increased our reserves to take into account the new discount rates on all open claims. (03.38.41-03.38.47). We've increased our premiums between 9% and 10% and so we're (03:38:53-03:39:15) certainly our top line in the last few weeks has been impacted, but this is a major market dislocation that will take time to settle down, takes time to settle down even if the new business and a premium from a premium point of view and it's far too early to assess any impact of the moment on claims settlement pattern.

[Technical Difficulty] (03:39:36 -03:40:04) stakeholders and put into that consultation that's effectively sitting in a drawer someone in the Ministry of Justice. And when the new government is elected, its response will be known. In terms of the 2016 result, there's a slide in you pack about the GWP and where we are and how that's moved again. I've made most of the points on that slide. So I'll not repeat them.

Let's talk a little bit about the underwriting – well the underwriting and indeed the underlining performance. We talked about the exceptional, so some comments on the underlining performance. In the tables on this slide and the next few slides, we do highlight the impact of weather. So you can see from this table, our overall COR was below 100%, but it's clearly higher than the group target of 97%. So we have much to do.

Again if I talk about the individual product lines. On motor, in a hardening market, we were able to push rate through to increased margin. I've referred to our pricing reaction on Ogden, but our business as usual pricing approach if you like, our pricing and underwriting plans continue to prioritize an improved motor COR.

I'll talk about household. This is also an attention point for us. Given the market environment I described earlier, it's just not possible to increase prices and grow this account in the current market environment. So our actions are concentrated on a number of areas. First of all, dealing with some underperforming schemes; secondly, improvements to the sophistication of our pricing and underwriting; and finally, there are areas of indemnity spend where we feel that we can reduce and indeed we are reducing.

Situation on commercial is a little bit different. After several years of improving the profitability of this account it's now broadly where we wanted it to be. So, our approach to commercial is much more about striking the balance between growth and profitability.

Final slide just summarizes what I've been saying. Let's talk about operating costs. As I referred to earlier, we are currently too complex, and we've been simplifying the ways that we are organized. You can see the benefits of some of this work in the blue expenses element on this chart. There is a significant year-on-year reduction in costs, in spite of the fact that levies have been increasing over this period, and you'll see also that our staff numbers are reducing.

When we disclose our results, we state our overall expense numbers net of other income and charges, and other income and charges are reducing, and this will continue to be a feature of our result in the short term. It is caused by a couple of things. First of all, the change of model in the direct channel from a panel of insurers to solus insurer. And secondly because we have started to underwrite some of the add-on products ourselves.

The final – sorry penultimate slide in this part is around investment returns, nothing particularly to draw out of that. You've got the slide in your pack. And then finally a comment on Solvency and I'm afraid I have to return to Ogden again. But obviously, Ogden has had an impact on solvency, as we heard in Manu's presentation, earlier we were down at 100% of SCR Ageas at the year.

We've taken three actions since then. First of all, we implemented a stop-loss reinsurance, and we sold some of our BBB and BB rated corporate bonds from the investment portfolio, both of those actions in the first quarter improving our solvency to 109% at the end of the quarter one. And subsequent to the end of the first quarter, there has been a capital injection. So solvency has improved to 121% in terms of, what might happen in the future, then retained future profits will improve solvency further, and we still have some capacity for further reinsurance.

So let me talk about our plan and what we intend to do from that position moving forward. Our plan has four elements to it, developing our channel mix, improving the loss ratio, further action on costs, and we do prioritize the customer. We talk about those briefly one-by-one. So the first one, is developing our channel mix. We continue to be committed to the three channels of brokers, partners and direct. Brokers will remain our biggest and most important channel over the plan period. We continue to build on very close and growing relationships with those brokers that are important to us, and have a track record of supplying profitable business. We continue to be clear about the product areas, especially in commercial, that are important to us, so our broker partners know where we have an appetite and where we have an interest.

In terms of partnerships we continue to review the partner portfolio. We have exited some partnerships recently and we will be robust in our assessment of the current unlikely future profitability with our ongoing partnership arrangements. And then finally direct, we have significantly enhanced our ability to compete in the aggregator channel. So we will, in a cautious manner, increase the volumes coming through this channel, partially by expanding our underwriting footprint. In addition, we believe that there is scope in the non-motor, non-aggregator space for some new propositions. We've seen those on the video. We hope to launch Ageas Elastic (03:47:05) in the next couple of months.

I'll move on to our second key priority improving the claims ratio. This slide really does emphasize, improve what we've got approach. We will improve the sophistication of our pricing and underwriting in both motor and household. The battle against fraud both at the application stage and at the claim stage is a constant and we have targeted areas of claim indemnity spend, where we think we can improve.

Third key area is action on costs and we have, as I've described already, made some very good progress. Whilst that is the case, our cost effectiveness and efficiency is not yet where we wanted to be. So our simplification process continues. We embrace digital some time ago and it already impacts large parts of the business. This will continue and continue at pace. As will the move to automation and customer self service, you saw some of the impact and some of the things that we're doing on the video before my presentation.

And last but not least we have within Ageas UK always provided a great customer service. We can validate that statement by pointing to independent third parties, either because of the awards that we win or the assessment against external benchmarks. Our determination to continue to provide great customer service is as high as it has ever been.

Let me draw to a conclusion. If we assess our situation at the moment and where we're at, we believe that we've got a number of things that we can build on. We have strong positions in our core product markets. We have a long established commitment to the broker channel, got good relationships in the partnership channel and we provide excellent customer service. But as I've said and has been the theme through my presentation, we are too complex and we have a program of simplification.

So, in the future, building on those strengths, we will continue to be multiproduct and multichannel. We will look to, when the time is right, build our market share in our core products of motor, home and small commercial. And we will certainly move into the more specialist areas in those markets. Digital is a large part of our business and will continue to be so. The real core discipline of claims handling and pricing underwriting, sophistication of those processes, we continue to work on. And as I say, simplification is a theme that we have at the moment, and we will continue to build on. The over-arching long-term target, the over-arching aim that I and the UK team absolutely has, is commitment to achieve a combined operating ratio of 97% for the UK business.

Draw to a close with that, I think and move to Q&A.

Q&A

A - Frank Vandenborre {BIO 15168443 <GO>}

Okay. Who wants to shoot? Will (03:50:46)?

Thanks. Couple of brief questions. Do you have further risk-related to Ogden with regards to third-party reinsurance spend? I'm not sure when your main reinsurance program renews, but it clearly seems to be a talking point that the cost of reinsurance for a motor TPL could be going up an awful lot. I think you guys have already allowed for that, but if you can talk briefly on that.

A - Andy Watson {BIO 20961640 <GO>}

Yeah.

Q - Frank Vandenborre {BIO 15168443 <GO>}

And then, the 97%. Would you care to put a date from when you're going to achieve that?

A - Andy Watson {BIO 20961640 <GO>}

I look to some of my Investor Relations colleagues, but over the planning period is as vague I'll be with the answer to your second question. And the answer to your first question in terms of reinsurance, our reinsurance program is on a calendar year basis. So clearly, where we are for 2017, we will see what happens in our 1st of January 2018 renewal. We expect reinsurance premiums to increase significantly and that has been part of assessment in terms of the pricing increases that we have made. And we've made the pricing increases that I talked about with a view to having our targeted combined operating ratio for 2018 including the impact of reinsurance premiums.

A - Frank Vandenborre {BIO 15168443 <GO>}

Other questions? (03:52:18).

As you mentioned, you're one of the few I think to fully put through Ogden pricing in the market, others obviously have different reinsurance arrangements, et cetera, and you commented on the fact that it's impacted your top line. So, could you maybe give a bit more color around the top line pressures you're facing this year including where you're seeing (03:52:42) et cetera coming into that space?

And then secondly, just curious a little bit on your comments around partners. So you're saying you're reviewing them all. I noticed in the market share stats, you didn't include Tesco in your combined market share, so just curious as to specifically adding on Tesco, because it's not been significantly profitable, it's sort of been borderline, neither here or there, so I was just curious as to whether you think that can improve?

A - Andy Watson {BIO 20961640 <GO>}

Yeah. Yeah. In terms of top line, the price logs, and we have a situation where we targeted on moving towards a 97% COR for our overall business, so we are absolutely prioritizing profitability above premium growth, that our top line was improving, but it was improving because of increased premiums rather than increased policy count. It's difficult to be specific about the answer to your question post Ogden, because it's a very fluid situation at the moment. As I say, we've moved pretty firm and pretty hard. The situation in April was that our top line was well off, but the situation has recovered to a larger extent, but not totally in May. So, it's moving around almost on a daily basis. We look at our panel shares from brokers and alike and it's moving around on a daily basis. So, it's a vague answer to your question, but it reflects the market reality at the moment. So, I think it will take another month or two before the post Ogden situation is more stable.

Again on household, one or two of our competitors have said that their appetite to right household businesses is much diminished and I'm not surprised, given the market conditions and as I said we will prioritize profits over top-line there as well.

When I make comments about partners and of course, we include the Tesco Underwriting arrangement, our joint venture with Tesco is under the umbrella of partnerships, but it is atypical – it is a totally different arrangement to the other partners, where we typically provide underwriting and sales and service capacity for those partners and return for a commission and other revenue shares. So, it's a very different arrangement and my answer will therefore be different for the two.

Tesco Underwriting is a joint venture with Tesco. There's a new management team in Tesco Underwriting, which we are very comfortable with. If it wasn't for Ogden, Tesco Underwriting would have had a very good 2016 and we're very comfortable and indeed positive about that arrangement going forward.

My comments therefore, you picked up some reticence about the partnership channel may be, would be in the more – in the other types of partners, and whether the revenue share is correct or whether the partner is indeed living up to the characteristics which I talked about. So, that's why we're having quite a significant review in that channel.

A - Frank Vandenborre {BIO 15168443 <GO>}

More questions?

Hello. Just one simple question. I mean how should we think about the capital that is deployed in UK and your normalized earnings run rate on that. I mean, the group clearly has a target of 11% to 13% and I think UK is still a bit short of that. So, what needs to happen for that to – for you to reach those ROE targets? Is 97% combined ratio would really help going to that target or do we need to be better than that?

A - Andy Watson {BIO 20961640 <GO>}

I think I said towards the end of my presentation that the main target that we're concentrated on is 97%. Number two, we're not too very far behind is the return on capital target as well. But our overriding focus certainly on the immediate future is to improve the underlying profitability of the business and we'll measure that by COR. That will go a long way to achieving the 11%, but not all the way and it may well be that further action is needed.

A - Frank Vandenborre {BIO 15168443 <GO>}

Okay. May I assume that – oh, another question, Vikram (03:57:13).

Hello. On slide 17, where you show the underlying combined ratio, it doesn't really exclude the prior year development of the reserve releases. So I look at the pure underlying combined ratio is still above 100 and given the claims deflation, do you think that is a headwind to get to 97%?

A - Andy Watson {BIO 20961640 <GO>}

Our pricing plans include what we believe to be a full allowance for claims inflation and indeed an improvement on the margin moving forward. So I think our pricing plans take that into account. The second comment on prior years is that we have a fairly stable position in terms of prior years within the UK business and again, I caveat that with a pre-Ogden situation. The pre-Ogden typically we were sort of 3% to 5% in terms of prior years and we would expect that to be under the normal circumstances a fairly stable run rate for us. But Ogden changes that on a number of ways, not least and it's difficult to say what's going to happen. There's a view within some of my peers within the UK market that Ogden might – the Ogden rate might improve as a result of the election and then the consultation moving forward.

So, it's difficult to know what might be happening with claims settlement patterns, and how those are feeding into models, but without very detailed and technical comment to one side, we would expect our prior years to have the stability that they've had previously.

A - Frank Vandenborre {BIO 15168443 <GO>}

Okay. Then, I suggest we end the UK presentation here. And I think it's up to Gary, to update us on Asia.

MANAGEMENT DISCUSSION SECTION

Gary Lee Crist {BIO 17360987 <GO>}

Good afternoon, and thank you for spending your time with us today. As advertised, I will walk you through our Asian businesses. I will start with an overview, a historical overview of our position in Asia, a few comments on market dynamics and why we think it remains to be a very attractive market, some comments on our business model and an overview of our five-year historical performance. I will then move for a couple of slides on a story deeper into Taiping Life, providing some insights into their strategy and what drives their management, and then move to our changes in our disclosures.

Ageas in Asia is a very consistent strategy with what you've heard from Antonio. We are a model (04:00:18) in Asia that's predicated on our fundamental choice. We are selling retail products. To sell retail products, you need distribution and you need a strong understanding of the market. Relationships and partnerships address both of those critical success factors. So, when we went into Asia, it was on a partnership model. We went in with very strong businesses, Kasikorn, Maybank, Taiping.

And in those situations, you make other choices, do you want control, do you want majority or not. We believe it's better to be in the market with a strong partner and work cooperatively and in an equal situation with them than to insist on control. So, that is the choice we have made. It has led to a position where since 2001, we have generated €18 billion in gross inflows on a 100% basis and we now have technical liabilities of €49 billion – almost €50 billion. We generated €182 million in profit last year on the Ageas share.

When you see the numbers on my presentation, we will have adjusted them for the sale of AICA. Later, when Bart takes you through his presentation, they are the as-reported numbers and there will be a slight difference, because those include the AICA numbers, just to clear that potential misunderstanding up. In addition to the countries shown on this slide, we now operate in Singapore through our partnership with Maybank, and in Cambodia and Laos through our partnership with Muang Thai.

This timeline shows you the capital flows in and outside of Asia with a cumulative return to our group of €101 million over the time since 2001. The key bars that you see and the largest bars that you see on the chart start with Malaysia and China, where those investments moved to Thailand in 2004 with the investment in Thailand. In 2007, the bulk of that bar is AICA plus India. In 2008, there is a return of capital through the restructuring in Muang Thai.

2011, unfortunately, we injected more capital to support AICA. In 2013, we injected more capital to support the growth in Taiping Life, and then you see dividends emerge. And then last year, AICA made up – the sale of AICA made up €1.2 billion of the number you see there with €89 million in dividends. So, the cumulative position of €101 million returned to group.

Now, why do we continue to think that Asia is a strong opportunity? Why will it continue to drive growth and profits for Ageas? We believe there's a fundamental environmental driver. If you look at the chart, our countries are highlighted in orange at the bottom. And as you see with the blue dots, the growth in density – the improvement of density will drive six of our markets and the improvement in penetration will drive four of our markets. Singapore is more a story of exploiting the distribution platform of our partner, which was relatively untapped. So, while the graphics of the Singapore opportunity are not as clear as the others, we do have, I think, a unique situation which was what led us to go into that market.

This chart on the left, this is maybe pie in the sky. But what it tries to show is that if Asia can move towards per capita GDP in the G7, then the potential size of the market could be seven times the size of the G7 insurance market. Will we ever get there? Not in my working lifetime. But we will continue to see strong growth, and I think it goes to show the long-term potential of the market. The right-hand side of the chart just shows you how CIRC looks at this. They have a plan to build the regulatory framework, to try and do in 15 years what it took the U.S. 50 years to support growth in the insurance market.

This chart is one you've probably seen quite a bit before for Swiss Re and others, and it really points out the opportunity through the protection gap. But I won't spend a lot more time on it. Now, I'll move to an explanation of our business model in Asia. As I said, it's predicated on partnerships. It's predicated on the belief that you really need a strong local team and they need to be empowered. If we don't have the right people on the ground and the country to make decisions, then we need to change them.

And the Regional Officer's job is to consolidate and to report, to analyze, to support and to facilitate. And we do that through the role of the people in the regional office, which we've coined as knowledge brokers. And our knowledge brokers work in these four domains, finance and risk management, commercial development, operations and IT, and then through the formal governance frameworks of the boards and the various committees and the management positions which we hold in the joint ventures.

What you see here is a selection of the projects that we worked in and across these domains as our knowledge broker model. I won't go into each and every one of them, but I will talk a bit about analytics. It's been a – the accessibility of the expertise that you need to take advantage of your data in Asia confusingly is somewhat limited. If you look at the Thailand market, the Philippine market, even the Chinese market and the Malay markets, the access to data science is not as evident as you may think it would be. India is a slightly different story. But then, you take those people and put them into the insurance industry and it becomes complicated again.

So, what we've built in conjunction with Brussels (04:06:24) is a level one platform, where we have a team of data scientists that we deploy on specific projects in the various countries. So, in Malaysia, we've worked on Motor renewal, where we've improved our renewal ratio for the target customers that we wanted to renew by 30%. We've worked on Motor segmentation in preparation for the detariffication of the Malay market. So, we now know exactly who we want to renew and who we don't want to renew, and we have an idea on what we want to do in pricing in each of those actions.

I'll sidestep a little bit and talk about detariffication in Motor. It's a scary word. If you've seen what has happened in China and in India, as they've taken the tariffs away, the markets have collapsed. I don't believe that will happen in Malaysia, because I don't believe they're actually going to do it. What they've put is a 10% floor on rate reductions. So, they're going to test, see how the market reacts and then decide to take future steps. So, it's still very much Bank Negara acting as a patron to the market and protecting profitability as well as protecting the customer. They're trying to balance that now.

So, I think what we've got planned and what we've got in place through the work with the regional office and building the segmentation model should protect us in what can be a volatile area. And clearly, with Bank Negara setting at a 10% floor on rate reductions, that's helping us as well. The other key projects that we've worked on in analytics are across three countries, Thailand, the Philippines and Malaysia on lead generation through the bank channel for both cross-sell and for new sell.

Other initiatives, you saw a couple of references to Yongo. We're working actively on a couple of markets where we will bring that product or potentially bring that product to the markets, as I think it's a natural fit for the family structure in Asia. We are also working on various initiatives with third-party providers. One pilot in Thailand at the moment introduced to Muang Thai through the regional office is with a company that has quite a bit of experience in mining social media, so that you feed leads to the agent.

So, they would look at my, if I had one quite frankly, a Facebook account and they'd see that I'd sent a message to Christophe on this investment plan and it would be pinged to my agent. And then he would contact me or she would contact me and say, I see you're interested in this product or in this investment opportunity, here is some other material that you might want to look at. So, it keeps the agents engaged with the customers and then can lead to sales opportunities. Quite successful in the U.S. market where the company was initially formed.

In Taiping Life, we have developed a chat-bot capability, where now some 30 questions in inbound customer service are answered through voice recognition automatically by robotics with over 90% accuracy. Our secondee in Taiping was instrumental in building that capability and he is now working on taking that to Thailand and Malaysia. So, these are examples of how we truly do build synergies and transfer knowledge across the markets.

This slide doesn't require a lot of explanation. These are the key management positions that we hold in the various joint ventures. You'll notice that we're focused on key technical roles and then jointly selected with our partners developmental or commercial roles, those people that are underlying our members of Senior Management Committee in each of the various joint ventures. And then, this slide simply confirms our positions on the boards and the various committees and in the formal governance structures that we have across the region.

So, now, I'll take you to a bit of a view on the historical performance over the last five years, 2011 to 2016. Gross inflows, we've grown 27% CAGR. Interestingly, regular premium new business is up 31%, renewals 29% and single premium held at 19%. APE is up 24%. And what we've seen in 2011 and 2016 is a shift from 70% of our business being regular premium and renewal to 78%. Considering the growth in the market in that time, I think that's – it's more significant than it may sound.

Life inflows by country, China leads the way with 31% CAGR, Thailand at 22%. And again, you've seen a – if you look at the two pie charts, 64% of our business is now in risk, par and unit linked products. And surprisingly, while there's a balance between banca and agency, when most people look at Ageas, they think bancassurance. Agency is actually our largest single channel in Asia, and it's the channel that creates probably more value now than banca does – well, it definitely creates more value than banca does, I assure you.

Non-Life inflows, the chart on the left is on a GWP basis. If you take out the MAT, the Marine Aviation & Transport business in Malaysia, it's probably – it is a 10% CAGR with Motor up 11%, and property, PA and others up 10%. The MAT business is flat. It has a very low retention. It is written in Malaysia. It's part of Maybank's positioning as a champion. So, Etiqa is the champion in the eyes of the Malay Government. And we insure Petronas, we insure Malaysian (04:12:36) Airlines, we insure other large quasi state-owned risk.

The retention on those is relatively small. So, we've done a great deal of analysis over the last three or four years, given what's happened with Malaysia Airlines, whether we want to continue to write this business. We do make profits on it even when you account for the capital charges with the heavy reinsurances that we place, and with the subsidiary lines that we write and retain, this is quite profitable business and very important to the bottom line of Etiqa. So, it doesn't necessarily show up in the net earned business. It strictly is the MAT business, but it is quite important to us.

Net results and value creation, as you can see, our profits have grown significantly 58% – or 56% off of a low base in 2011 driven by financial market turmoil in China. VANB and EV are both up over 30%. And you see very strong and relatively stable ROE over that period of 2012 to 2016 as well. And then, technical liabilities up 20% – 21%, shareholders' equity up over 30%.

The investment portfolio, this is a snapshot as of December 31, 2016 across Asia as a whole. There's one point that needs to be explained a bit, that's 9% in cash, which is highly unusual and driven by dynamics in the pre-sale – pre-collection of policies sold, were then booked in Q1 2017. That's cash that was not yet been invested. So, the stable norm for our cash position is 4%, and then you would take that additional 5% and apply proportionally across the other assets. Solvency quite stable.

And this slide, I think, is quite important. It shows what we are doing to try and improve our profitability and our ongoing sustainable profitability. You'll see the first set of bars on the left indicate an improved leverage in our portfolio, a 7% reduction in operating expenses across the region, a 50% (04:15:11) increase in sum assured and an almost 20% increase in funds under management, gives us a bit more leverage and margin in those areas.

The cost ratio still has room to improve, 2% – or 2.4% (sic) [2.6%] (04:15:23) is still quite high. But it is improving, and I think we'll continue to see it be worked on. 2011 in the combined ratio is a reflection of the Thai floods. Since 2012, we've been at or below 90% in each year. So, combined ratio continues to perform extremely well.

Now, to China. Taiping Life was re-designated as a simple state-owned enterprise to state council-owned enterprise. With that came a mandate to the new Chairman, Wang Bin, grow the company. You're not important enough to be a state council-owned company. So, he went to the management team and challenged that can we double Taiping Life in three years. And they said, what do you mean. He said double assets. They said, yes sir, we can do that. Double profits, yes, we can do that. Double sales, yes, we can do that.

Amazingly, they did it. The central direction provides quite a bit of focus and drives performance in China. So, across the top, you see what has happened to these four components over the period of 2011 to 2015. So, it doesn't directly relate to the three-year period. But they have accomplished what they wanted to do, which was regain some market share, but do it while continuing to focus on profitability and growing VNB.

Now, the focus is on maintaining market share and continuing to build value. So now, we see the numerical results. Chart on the left is inflow. What is important is the regular premiums through this period have grown 35%, with single premiums growing at 27%. But from 2015 to 2016, they are effectively flat. And the new regulatory environment will reinforce this position and the single premium market in China, where the margins are very, very thin, if not negative.

What Taiping has done and if you'll note – you won't notice this, unless you read the little comment at the bottom. But the banca single premium actually declined from 2015 to 2016. What Taiping has done is it has tied single premium sales to regular premium sales in the bank channel. So, an individual bank branch, if it does not hit its single premium quota – sorry, if it does not hit its regular premium sales quota, that manager will no – the Taiping manager will no longer be allowed to sell single premium product to that bank branch.

It's a very effective management tool that they've used. They basically terminate people if they fail to hit these targets, and the results are showing. What you see with the VANB on the right is consistent growth in VANB through 2012 and 2014, while they went through this rapid growth, and then significant growth in 2015 and 2016. But what is equally important and maybe not so visible is Taiping's shift to agency. The value creation in the bank channel has diminished dramatically over the last five years. So, the China Taiping and Taiping Life management have agreed to rapidly build the capacity in the agency force. So, they've moved from 133,000 at year-end 2014 to 254,000 at year-end 2016 and over 300,000 now.

While they've done that, persistency has improved as well, and 95% persistency in the agency channel. I would challenge you to find that anywhere else in the world. It's an exceptional persistency rate, especially when you factor in that growth in new agents coming into Taiping. As you see in the chart on the right, productivity has been consistent through that period as well. So, their on-boarding of agents, their activation of agents and the training of them is exceptionally good. This is the platform that will drive Taiping through the next five years. This is agency platform. It's an incredibly important development in what's going on in China.

Now, we move to what Koen and Frank assure me is the main agenda item for this presentation, our additional financial disclosures. I will try and give you the why and the what we will do and then illustrate the historical view of each of the disclosures, so that you will understand what they will mean going forward. This slide is relatively straightforward. It gives you what we have today. There's no point in really reading it. You can refer to it at your leisure.

These are comments from you as to why you think additional disclosures are important, and then this is why we think additional disclosures are important. This is a view of the valuation by the analyst community of Asia, and you compare it to our embedded value at year-end 2015, which you'll see in the slide coming forward, of €3.2 billion. So, there is a discrepancy in how we are valued.

But the main point, I guess, is we've listened to you and we're acting on your requests. You're not going to see everything that you want, but this is a move in the right direction and we have addressed specific requests. So, our starting point is to continue reporting what we've given you in the past and to continue to respect our partners' disclosures. This is important, China Taiping, Maybank, Kasikorn and the Indian banks are all listed, and the insurance entities are important to the banking entities. So, we must respect their timelines and their disclosures.

We will disclose at either an individual country level or at a China plus others level, and that again is based on what our partners disclose. The timing will be surprisingly quarterly, semiannually or at the full-year, but again driven by how our partners disclose. And this will start with 2018. So, we closed 2017, and you will see these disclosures emerge either year-end 2017, Q1 results or the first half year results.

The first disclosure that we will improve is on gross inflow, where we will now show new business regular, new business single, renewal premium and APE. We will show it per country, and it will be done semiannually with a one quarter delay. And so, had we done this in the past, this is what you would have seen. I think what's important on this slide is the look – the view on Malaysia, whereas you look at the single premium in Malaysia in 2012, €500 million. Today, it's down to €200 million or actually below €200 million in 2016. This is a strategic move.

Now, what you see in the single premium in Malaysia is primarily profitable MRTA (04:22:55) business and a reduction from investment-driven campaign tactical sales, which added very little value to the company, and it occupied the bank channel and it actually impacted our ability to sell regular premium, because their time was occupied with single premium. That's quite an important development that you would have seen emerge over this period of time.

So, Malaysia's CAGR in single premium is actually negative 13%. This is what you would have seen had we disclosed new business regular premium, with China up 35%, Thailand up 22%, and importantly, Malaysia up 20% primarily in the last three years. And then, on renewal premiums, you'll see growth of China 31%, Thailand 26%, India 10%. Malaysia lags, 7% CAGR. That's a reflection on the past focus and the mature – in the single premium business.

This slide shows the APE equivalent, with China growing at 26%, Malaysia at 10%, Thailand with a CAGR of 22%, and India just below 10% at 9%. So, 24% CAGR over the period. The next disclosure is Asia on a quarterly basis per country – I'm sorry, the current disclosure is Asia on a quarterly basis. What we will disclose is per country on a semiannual basis with a one quarter delay, and it's the technical liabilities with CAGR over the period of 2011 to 2016 of 21% with China at 25%, Thailand at 28% and India at 21%. Malaysia is flat. Again, that's a reflection on the past historical strategy of single premium.

These are the net results, which if you mine our Annual Report, you would have found in the past anyway. We will now report China plus other Asia on a quarterly basis. Unfortunately, Thailand and Malaysia do not report profitability. So, we cannot either. But this is what you would have seen historically over the past. We will also disclose net capital gains, again, China with other Asia quarterly with a one quarter delay, which you would have seen was the volatility in China.

This is – you must remember that we have a different impairment basis than Taiping does as well. Taiping impairs if it's – if the value of the individual share is down 50% or if it's below acquisition cost for a 12-month period, everyday during that 12-month period. So, if it goes up for one day, then you reset the 12 months. So, our impairments do very dramatically from what you would see if you just look at the Taiping results.

Shareholder equity, again, China and other Asia quarterly with a one quarter delay, and we will disclose local solvency on the same basis and embedded value. Embedded value in the next slide is VNB. There are local bases. So, as Christophe said, this is an aggregation, not a consolidation. And we'll report it China and other Asia with a one quarter delay on an annual basis. What you do not see here is 2016. Taiping just released that, and it's €2.8 billion in 2016.

You can write that into your chart. And that gives Taiping over this period a 46% CAGR in EV. Thailand and Malaysia only prepare these numbers in May and June. So, we will disclose them when they are available. And then VNB, again aggregation rather than consolidation. Will disclose it semiannually on a quarter delay. 32% growth in VNB and 35% in EV over this period.

Market position, we will disclose, on the left-hand side, market share. Each country has a different basis just to make your lives enjoyable. China is gross inflow. Muang Thai Life is new business only. MTI, the Non-Life company in Thailand is GWP. Life Malaysia is new business and Non-Life Malaysia is GWP. So, we will ensure that, as we report, we highlight that each time. The India APE is done on APE, and that excludes LIC. So, it's a private sector companies only.

And then, the chart on the right, we will try and improve, because actually China is down in market share, and this implies it may be up, whereas Thailand is up in both Life and Non-Life, Malaysia down in Life and up in Non-Life, and India up. And then, we will disclose the number of new agents. There, you see the rapid growth in China. And then, this is the summary slide for your reference of all of the disclosures.

In conclusion, I think we've had an exceptional five-year period. These are maturing, yet still growth companies. This means the leverage will improve through strong growth in renewal premium and regular premium and risk premium, and in lowering our cost base. The companies are largely self-funding, we believe, and we believe that we are entering a sustainable pattern of profit growth. We have a vibrant franchise with 20 million customers that we have the opportunity to cross-sell through by taking advantage of our analytics capability, and we have a clear focus on improving productivity, VNB, ALM capabilities, dividend flows and persistency.

And with that, thank you very much.

Frank Vandenborre {BIO 15168443 <GO>}

Thank you, Gary. I hope this clarified a bit our plans on Asian disclosures. Any questions – we also have our CFO, Philippe Latour, in the room for more specific questions on the financials. But you can also keep them for the coffee break. I see first question from Matthias.

Q&A

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

Yeah. Thank you. I've got two small questions. First is on capital allocation. I wonder how much do you have in each of the ventures on this crucial topic? So, I'm here to get your comments on that.

A - Gary Lee Crist {BIO 17360987 <GO>}

Okay. On capital allocation, we will only disclose shareholder equity, I believe, on China and other Asia. But if you look at the timeline, you can probably figure out what we've got in each country. On exit strategy, we prefer not to exit. In fact, we prefer to grow in these companies and continue to build with our partners. I'm not so sure that there is only one natural buyer. There is clearly one buyer that has an interest if we were to decide to exit or if the partnership were to come into trouble, and hoping to buy the business, but we are continually, at least, hearing from people that are asking, what our position is in our various countries. So, there is strong interest. There is a belief that we could be replaced by other parties, so I'm not sure that there is only one buyer for each entity.

A - Frank Vandenborre {BIO 15168443 <GO>}

More questions? Ashik?

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes.

A - Frank Vandenborre {BIO 15168443 <GO>}

Mic is coming.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Thank you. I mean, you have clearly given some indication as to how the growth has been for past five years, but how should we think about going forward? On one hand, you're flagging that these are maturing business, but with still some growth potential at the – also you mentioned that Taiping Life two (04:31:38) year hurdle of doubling everything has been done. So, how should we think about growth from here, especially in terms of technical reserve and in terms of profits?

A - Gary Lee Crist {BIO 17360987 <GO>}

Sure.

Q - Ashik Musaddi {BIO 15847584 <GO>}

And secondly is, how does the mechanism of dividend works from these businesses? Are these based on solvency ratios, are these based on IFRS profit, how should we think about that? Yeah.

A - Gary Lee Crist {BIO 17360987 <GO>}

So, first, I think those three slides that show the environment, give a contextual story on the potential for future growth. The view on economic growth in the markets is still quite robust. Insurance tends to grow quite well with GDP. So, environmentally, economically, I think we're in a very strong positions. Taiping Life, yes, it doubled this company, but it hasn't stopped. It's still growing in excess of 10%, 15%. Thailand continues to grow in excess of 10%, 15%, but I think they're maturing in the fact, in the sense that you've got a large renewal book now, that is continuing to grow because of the relatively high persistency. Yet, you're still seeing very strong new business growth as well.

So, that growth in the renewal portfolio will allow us to see more profits emerge through leverage on our expenses, and then we'll continue to build these businesses as we grow the companies. And I don't think we're going to see growth stop in our businesses in Asia, and I think that will lend to sustainable growth in profits as well.

Dividend policy is discussed jointly amongst the partners. It's in evolution. Each of the countries is going through a regulatory evolution as they look at their solvency regimes. So, C-ROSS has just been implemented. It's just over a year old. The RBC 2 regime in Thailand is still settling down. In Malaysia, we're splitting into four entities and we're moving into – we're continuing to involve the regulatory, the Risk-Based Capital regime there as well.

So, I would say there is some conservatism today and what we're holding in the businesses. So, what we have is, I think what you've seen is historically the country they're trying to maintain a percentage dividend and staying consistent with what they've done in the past. But I do believe as we will go through these regulatory changes, there is the potential to see these percentages increase.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Sorry, just one more question. With respect to your embedded value disclosure, can you give us some color about the basis of those embedded value? Is it similar to like accounting of the big Asian insurers that we know, I mean, commemorates (04:34:41) or is it MCEV, EEV, or what's the basis of these embedded value?

A - Gary Lee Crist {BIO 17360987 <GO>}

They are largely TEV. And they're based on each country's regulatory environment. So, we've done – all we've done is added them up. We've taken them from what we develop based on a regulatory environment in each country and simply added them. There is no adjustments to put them on an MCEV basis.

A - Frank Vandenborre {BIO 15168443 <GO>}

Bart.

Q - Bart Horsten {BIO 2390919 <GO>}

Bart Horsten, Kempen & Co. I've a few questions as well on. First of all on the investment exposure in China, obviously, you've seen a lot of growth over there, so your investment portfolio grew accordingly, and we also have more and more, well, worries on Chinese debt and sustainability of that. How do you manage these investment risks and how do you cope with these challenges? And secondly, can you shed some color on how these agents are incentivized in China and whether the increased role of the regulator may change the way they operate now or maybe in the future? Thank you.

A - Gary Lee Crist {BIO 17360987 <GO>}

Okay. Let's go backwards in your questions. I think the regulatory focus right now is on the bank channel. The real concerns with the growth in certain companies, which I won't name, but if they weren't in the top 10 five years ago and they are now, those are the ones that I'm talking about. They are really – they've been taking policyholder funds and investing them in hotels. And that's where the regulator's focus is, and to try and bring discipline back into that sector. I think the agency market and the agents have performed generally much better in terms of behavior and what we've got in Taiping is quite a robust training platform. There is a follow-up call on every new sale to check with the customer to see if they understood what they bought and give them the opportunity to immediately give it back if it's not what they understood they were buying. I think we've got a pretty strong platform in the agency channel in China.

I said we're going to go backwards and now I've done that classic thing as an old guy and forgotten what the questions were. Pardon me. Chinese debt. We have the Chief Risk Officer. Taiping Asset Management manages 97% of Taiping Life's assets, and we have the Chief Risk Officer and Taiping Asset Management. We have built over the years a in-house ability to do rating of corporates in China, one of the first in China. I think it's a strong team. Our bond portfolio is largely BBB and up. It's largely stayed away from property developers. The one or two property developers that we've got in the portfolio are oppose (04:38:06) to the company. We know them quite well. I think they are comfortable with those exposures.

Chinese debt overall is, yes, it is an institutional worry, but I think Taiping has got quite a robust risk framework and manages their risk exposures quite well. And now your first question. I think the investment policy is becoming more robust. There is more of a focus on ALM and we're working with them on an SAA platform. So, you wouldn't see a tremendous change in the structure of the asset mix, but I think you've seen a more mature approach to how individual investment decisions are taking.

A - Frank Vandenborre {BIO 15168443 <GO>}

(04:39:07).

Thanks. And just a follow-up question on the comment you made about the regulation, you highlighted that the CIC is clamping down a lot on the – like I said that the newer entrants in the market, particularly those selling universal life products. And we've seen a huge reduction in the universal life sales in 2017. So, I was just curious, if you can elaborate a little bit around, where the CIC focuses at the moment, because I understand they're also increasing the percentage of insurance you have to add to products? We've seen that the pension annuity which is guaranteeing higher number, I think also would be removed for the markets, so the guarantee seem to (04:39:47) come down, yields have come up and the regulators, it seems to be quite actively focused. So just, maybe some comments around the overall environment today versus where it was 12 months ago?

A - Gary Lee Crist {BIO 17360987 <GO>}

You've described it incredibly well. We're very happy with the environment and the way it's moving. I think it reinforces the way Taiping has tried to behave over the last three to four years. I think it addresses some of the frustrations of the Taiping's management that had with some of the competition in the market. So, I'd say across the board, we're quite comfortable and quite happy with the way the regulator is moving. The regulator is also working on an ALM framework. So, they are focusing management teams attention on the ALM situation, which again is a move that we entirely support.

MANAGEMENT DISCUSSION SECTION

Frank Vandenborre {BIO 15168443 <GO>}

Okay. Now, we proposed to end this block of presentations. First of all, thank, Gary. And I think we can move to Antonio for the last part of Ambition 2018. I think there's also a movie. (04:41:00-04:41:30). Does it work?

Unverified Participant

Yeah. (04:41:34).

Antonio Cano {BIO 16483724 <GO>}

Okay. Eagerness to learn, sharing from East to West or West to East, and it is increasing the other way around. As used the knowledge worth a (04:41:48) lot of time knowledge sharing, best practice sharing, et cetera. So, you're obviously aware that we are very active in Asia, giving you view on that. And you are probably also aware that this is a quite a different attitude towards innovation, sharing, copying in these markets.

Now, in Europe, we tend to believe that creativity equals innovation, okay? That is something we believe and that has made probably this part of the world great in some point in time. But we actually see that as in Asia they have a quite a different attitude and the problem is of associating, creativity with innovation, and everything that's not really creative and novel. It is not worth a while and it means that we very often fall in the trap of a Not-Invented-Here Syndrome. I guess we all have experiences with that.

And actually in Asia, they are a big fan of this fellow over there that I get you recognize. I guess it's a face you see most presentations that have something to do with innovation, and as Steve Jobs said that actually it's a trait of a great artist is not only copies, but actually steals from others, and as you know, Apple was a great thief in this respect. Now, we cannot go so far. I think, but it is really worthwhile to inspire ourselves on the way that our Asian colleagues look at change and innovation, and really not shy away from this approach of just copying what seems to work in other places, maybe adapting into the local circumstances, but it is definitely a very efficient way to rapidly improve.

You saw in Gary's presentation and also in the video towards the end, he showed – put some numbers of Muang Thai Life that has become the number one insurer in that market. And by the way, to prove his mention by Prudential (04:44:03) is not really a very large company in Thailand is (04:44:06) AIA, which is the main competitor. But Thailand is actually a great example of a company that's embracing this love of innovation of not being afraid to look around what's happening in the world and copying it, a small anecdote. Long before we entered with the JV with Muang Thai Life, the partner bank, Kasikorn Bank was called Thai Farmers Bank. I guess, you all know that.

Some of you know they had a brief stint in joint venture we had in Spain with La Caixa. And during the last board meeting at Muang Thai Life, I was sitting with someone (04:44:45) family guys of the Lamsam family, would actually visited Spain when I was there. He was a guy who actually gone through the branches of La Caixa, and by chance, (04:44:59) we know each other, (04:45:01) we have many, many years ago. And actually Kasikorn was then Thai Farmers Bank. It was a bank that had that in regime (04:45:08). So, a very successful partner. We're very happy to have them, and as you probably know, we're also entering new markets that are close to them, so Laos and Cambodia.

Now, we are – I am gradually flowing towards the end of my contributions. It's like a bit we're here close to the (04:45:35), so it is the mouth of the river into delta. We're getting into the open sea, unknown seas maybe, and it's actually when talk about the unknown new skills, technologies and partnerships that lie ahead of us.

Before that and also wondering what about Fintech or Insurtech. I mentioned that very briefly and can be very short partnering with Fintech, Insurtech (04:46:06) want to learn what they do. They are the guys that sit on that top right corner, remember (04:46:14) territory, investing in them, rather not or with great care, we are not venture capital firm or corporate venture capital firm. So, yes, we are very curious to know what's happening in that space, but we actually wanted to learn at a distance if possible and certainly not to commit large amounts in these types of investments. So, that's about Fintech.

What about new partnerships? So, traditionally our partnerships were with distributors as Gary has explained, particularly in Southeast Asia, we partner up with people having large distribution capacity like with it in Portugal, in Turkey, in Italy, so (04:47:05) partnership model.

Now, we believe today that that model is evolving and again we are entering this maybe a slightly uncharted waters, and these new partnerships are going to be about partners giving access to data, partnerships that are or can become a member of what this commonly called ecosystems around the Internet of Things, connected homes, car mobility, but also partners that have provide these access to technology without the need for us really to invest directly in that.

And on that, I think we have two examples that we have already published or at least in Belgium, we have been verbal about them and (04:47:59) in the room is also quite closer to beehive. So, beehive is a kind of a new type of partnership. You could say this is not really new, this is like an incubator type of entity. What is beehive, where we are actually one of the founding members. It's a bit like a (04:48:18) government sponsored initiative to make Belgium and Brussels in particular more an effective place for financial institutions.

Now you read that recently Lloyd's of London has decided to set up their hub in Brussels. I think the guys behind this initiative are also lobbying to make that work. So, we are a member of this, call it incubator or matchmaker, and it gives us insight for a lot of things that are happening in Belgium, but also in another places, Scandinavian countries, Israel, some great things going on there around cyber security for example. So, we learned a lot and it doesn't really cost us a lot.

There's another initiative, that is, that you know about, I'm sure, but we also are partnering, it is the blockchain initiative from the insurance sector, initially started by reinsurers, notably Swiss Re started this. So, there is a lot of logic for reinsurers to experiment with blockchain technology. You can see the savings that they could make in avoiding this time consuming balancing of reinsurance accounts. So, there is a logic in their model.

They have invited a number of insurers to join that platform, so quite a few have joined, so also we have joined the club, and we're actually somebody more of IT technology background that follows that up with us. And again, this is an example of a partnership within the industry that again gives us the possibility to learn first and read in (04:50:06) a very concrete case what blockchain technology is, what you can do with it, what you cannot do with it, applied to something that we will always be using, probably that is a reinsurance contract.

So, again, it's an example of these new types of partnership from strange co-owners (04:50:24) that do offer us a view on this future that I talked about this morning. So, if I want to wrap up a bit, what I have been saying in these three presentations today. Ambition 2018 is obviously a journey, but a journey with milestones, with financial milestones, and I guess, Bart will give you a lot of details on the financial milestones on Ambition 2018. But, it's a journey that we'll continue and we will certainly develop further our concept of these smart synergies, and how we can effectively share knowledges and best practices in the group to create a synergy what groups are all about.

We believe that insurance is still local, certainly, the types of businesses we are offering. You would see also in the way we innovate, you saw a lot of examples of innovation that have a very (04:51:29) strong local faith – flavor, but we believe some of these investments that are initially made locally can be leveraged to a higher level.

You saw that we innovate mainly within our core business. We tried to invest also around the edges of that core businesses, where we build new capabilities. And on the radical thing, we actually have limited investments in the radical space. It is not something that we like a lot, but obviously, we have to follow that up. New partners, they will bring new skills certainly, also new opportunities.

And now, I'm going to end maybe with a slightly poetic note. There was this videos on Asia, and the knowledge sharing that we hear at closer to the river Tagus and Tajo (04:52:33) (04:52:35) my home country. It flows from East to West, and increasingly, I believe, also that these best practices, innovation, and knowledge sharing is increasingly flowing from East to West. There is nothing wrong with that.

Thank you. And now, I think it's time for well-deserved cup of coffee that is going to be outside until. Thank you.

Frank Vandenborre {BIO 15168443 <GO>}

Okay. Everybody is still there, nobody left the room. Selling the shares, I think the markets are closed now, sorry, or buying shares, who knows.

So, I think it's time for the last part of today and I think there's only one word, it's time for Bart, our CEO, to come on stage. As mentioned, we prepared a presentation based on the frequently asked questions during Road Shows, Analyst Meetings, whatever, everything that came into our minds, the way we believe that Bart's insights could be helpful. We anticipated well the program of the day by putting an (04:53:49), so that he could also react on what has been said during the day, and I think he has enough time to reflect and share with you his views on the various topics. So, we can only ask him to come on stage, Bart, please. Thank you.

Bart Karel de Smet {BIO 16272635 <GO>}

Good afternoon, ladies and gentlemen. I'm here expected to give some conclusions on our financial targets and strategic priorities. I have 30 minutes for a bit more than 50 slides, so I will go quickly through them because a number of them are, let's say, reconfirming what has been said and I'll try to draw the attention to the most important messages.

I believe that we have shown today our progress in our Ambition 2018 program, together with our plans in Portugal and in UK. And in order to help you value our group, we have provided further disclosures on Asia, also a deeper dive on Solvency II and a first elaborated view on how we look at free capital generation. When we look to our realizations in 2016 compared to the targets we have set in Ambition 2018, you could say that, objectively, (04:55:16) financial targets have been met. But if you take out two external exceptionals being the terrorists attack in Belgium and (04:55:24) review in UK, I believe, we delivered on our promises.

And now, we go in the next 28-minutes-and-a-half through five themes where we try to cover a number of frequently asked questions that you'll see on this slide. Let's start with inflows. The commercial position, where we see that a number of questions are recently or frequently asked about sustainability of the inflows in Belgium, have you seen the impact of that on last year's capital generation? The growth of Non-Life in European core countries, the inflow in Asia, a question that has been raised by one of you also, and then some views on the distribution channel mix going forward.

If you look to the inflows, you can see on this graph, as we've been consistently growing at a growth rate of 13% over the past six years, of course, to a large extent helped by Asia, because the growth is much higher also in Life, 16%, and in Non-Life, 5%, and is of course much higher in Asia, while its 25% compared to Europe where we have a 4% growth. And let me dive a bit further in details and more specifically in Europe, we still see a dominant position in Life of the Guaranteed business over Unit-Link. Although, at the right you'll see that the Unit-Link proportion to a large extent, thanks to Continental Europe, is taking up.

And although, we live in this very low interest rate environment, we are able to keep, with one exception last year, the hike in the first part of the year in Belgium, but we are able to keep our inflows, and as a consequence, the related technical liabilities at the solid level, while preserving the margin we expect to meet our return on equity margin targets. And I can even add that last year, the investment yields and the margin we make on the Belgium Life business has been increased with some basis points.

If we then go from Europe to Asia, we look to the Asian inflows and there you repeat the message of Gary, but as my Chairman regularly repeats the repetition is not bad. And I think very encouraging is that in terms of single premium, we are a bit at the level of last year and not that much higher than five years ago, but the growth has fully come by more profitable regular premiums and a very high persistency that helps us create the kind of an exponential effect. What you'll also see in the technical liabilities, that's increased with more than 20% CAGR, and you can expect that this effect of portfolio building and exponential growth will still continue in the coming years, even when the new business volumes will start maybe one day growing at a bit lower percentage.

In Europe, Non-Life, we have been increasing these volumes on one hand organically, but also by acquisitions or what we did and Steven talked about it, have moved from 50% to 100% in the Portuguese Non-Life businesses. The full impact of the acquisition last year of the company from AXA in Portugal is of course not fully in this figure yet. We will see it in the course of 2017. What we also can observe at the right of the slide is that two-thirds of our business in Europe in Non-Life is coming from Motor and Household, the other third primarily from Accident & Health.

If we then move for a moment from inflows to distribution channels, we see that on this slide, there is a big difference, this is Belgium, between the Life and the Non-Life distribution in Belgium. But inflows for the Life business are for a bit more than 50%, 54% to be precise, thanks to the bank distribution. We see that in the Non-Life, it's the opposite, and there the Non-Life business is, let's say, realized for 70% by brokers and the parts of the banks' analysts lower. We still have another part, which is from the Pension business where we have a very dominant position.

In the Continental Europe, you'll see that in any case in Life, bank insurance is the main distributor in our portfolio, but also in the market. Wherein in Life – in Non-Life, it is a bit less, but still something like 50%, but with the acquisition and the plans that Steven developed, we expect that in Portugal also, the part realized to agents and brokers will increase. And then in the UK, Andy talked about 75%, 80% is brokers, and the remaining 20%, 25% is equally split between Direct – growing Direct business and a number of partnerships.

Finally, distribution in Asia has moved considerably between 2011 and 2016, with a much more controlled agency channel, where we have seen the growth in number of agents. And as a consequence, number of sales of that channel, combined with very high persistency in this business, we are confident that this is the channel of the future. But of course, in countries like Malaysia, Thailand, India, we still have a lot to do with our banking partners.

So, you could say as a conclusion that we are quite confident that in Belgium the inflows will remain solid. We don't go for growth at any price. One of the reasons why we reduced this 1% guarantee in three phases to 0.25%, and where you see it either we can drive the business or the pricing based on the margin we want to achieve. Non-Life, we continue to grow organically, and if there are inorganic possibilities, we'll try to look at them. It's mainly a focus on regular premium, which is the most value creating. And then we see – let's say, the distribution mix, overall stable with one exception Asia, where we see more impact from the agency business. Part one.

Part two, net profit. We receive continuously these questions about the underlying profit, what is the impact of the low interest rate environment and that's been primarily a question towards the Belgium colleagues. The holding costs there, whether we can give a flavor of what is considered by us as being the recurring level. What about net capital gains, is a part of our IFRS profits, and then also your operating margin, your combined ratio, how sustainable is it.

Let's first move to Belgium. I think the Belgium profit is very solid and robust. There you'll see here one say, call it, an accident 2011 which was the impact of the Greek impairment, but since then it's quite solid. And if you look to the right, we will do it for each of the segments a kind of an underlying looking backwards, you can see that the underlying is, let's say, between €375 million and €400 million at this moment, where of course the one year to another, the Non-Life activity can be much better or a bit worse. I think 2014 was the one that was impacted by the hailstorm.

Capital gains are part of our business. As mentioned at a number of times, what we try to do is to keep our fixed income portfolio in a buy and hold position. On the other hand, for real estate and equities, banks who are approach of the strategic asset allocation, we expect these assets to deliver more in the context of the free capital generation. Christophe talked about the 7% equity, the 6% expected to return from real estate. And that's something while taking to account for instance the fact that we account real estate at amortized cost that we have a kind of a methodology of regularly realizing capital gains in order to achieve this expected returns.

You see that from time to time you also have some capital gains on fixed income on bonds, but when we do that, it's more an opportunistic move for instance to have an even better matching than the one we have today or to have some yield enhancements. And notwithstanding the fact that we have capital gains, you'll see the amounts on top of it, above 100 million, you see at the right, the table where you see the unrealized capital gains for those two categories, real estate and equities, where you see that over time, in the last four years, let's say the buffer of unrealized gains has not really decreased. So, it's not that we are selling off value in that portfolio, in real estate, we see even a slight increase, in equities, it's more stable over the period.

Then the matching also – and this is a lot of figures on one slide, I just propose to look first at the upper part, which is on the back book. And on the back book, you'll see in the first line, the evolution of the guaranteed interest rate that's coming down from 2.8% to a bit less than 2.5% now in the last year. And if you then look four lines lower, you have a kind of the guarantee – sorry the fourth line, the yield that we have on that book. And that's a combination of the yields on the bond portfolio, the fixed income, plus the kind of an estimation of 0.5% that we have additional yield from real estate and equity. And if you then see, you will see that – consider that the difference between the yields we get and the average guaranteed trade is something like 150 basis points, of course, this is before profit sharing and this is why we are able to guarantee this 85 basis points to 90 basis points going forward.

If you now look at the second part, which is the new business, and there we have the investment yields on new money, Life and Non-Life, where you'll see something last year, it was 1.71%. If you – again, that's the kind of upside of real estate and equity is 0.5%. We have somewhere an expected return of 2.21% for business that we've written between 1%, 0.75%, 0.5%, and now 0.25%, giving again a margin and okay, we sometimes have the criticism almost also that somewhere the back book is subsidizing the new business. I can assure you that if you really make the calculation that is about 3 basis points to 4 basis points, not more, and if you calculate that in millions of euro, it's not more than a regular marketing budget.

And that gives this picture, where you have the evolution of the black book in terms of evolution of the liabilities and also the evolution of the fixed income portfolio. Maybe more interesting is to look through the two lines, where the upper line is the yield we expect over the run-off of that portfolio without taking into account equity and real estate, and the red line is the average guarantee over that period. And so, you see that the margin between both is quite stable. We have this market value adjustment which also avoids, say, unfavorable behavior in case of sudden hikes in interest rates. You could see on this picture, the only remaining risk we have is the risk of the defaults of one of the elements in our investment portfolio.

If we then move to the UK, so you see at the – I think it's very fair and we also highlighted that, that we are of course aware of the fact that our performance in UK segment in 2015 and 2016 was not, let's say, what we expected. For the underlying result, we've taken out the three special elements, it has been commented, and so you then see that we come to something like €67 million. And I believe that – thanks to the restructuring measures that have been taken that moves to the previous structural levels of profit should be possible.

So, a profit level between, let's say, €60 million up to €100 million in the coming years, underlying years, should be possible for our colleagues in the UK.

Continental Europe, I think the picture is definitely moving in the right direction. For the underlying profit, the only element that we've taken here into account where the impairments also increased in 2011, and then the integration costs €11 million, if my memory is correct, in 2016 for Ageas Seguros. So, you see that you'll end up to a level that is closer to €100 million, and I think also the UK should be possible, thanks to progression that will be made to – thanks to the further integration of the Portuguese activities, also the very solid situation in, we name them, Italy and Luxembourg, that's the net profit contribution from Continental Europe will increase in the coming years.

And then finally Asia, it has been really contributing to the net result since 2012. And if you take clear out, everything relates to Hong Kong which was impacted, if I remember well, 2011 with an goodwill impairment. You'll see that we have a solid progression with one exception last year, 2015, where we had incredibly high capital gains in Asia, something like €60 million more than what you normally would expect. So, if you would correct that for the €60 million, we see a steady growing line. And also here, we are of the opinion and I think all the indications that Gary has given, underlying that that also here in Asia, we have further potential for increase of our net profits.

Then finally before we have the kind of a consolidated view, the net profit impact from the holding costs. So, you see that we have strongly increased the corporate costs in 2016, but I believe it's not a surprise that all costs around the settlement has impacted us in terms of legal costs in 2016. But we believe and you see it at the right that we should be able to run this group at the holding costs, let's say, between €60 million and €80 million, take €70 million as a good average.

All this together bring us to – again, let's have a look at that right side, an underlining net profit for Insurance that has been continuously moving up, something like a CAGR of 7%. Expecting stable results in Belgium, let's not underline that Belgium, our Ageas Insurance company is really popping the market, delivering year-after-year the expected results. So, with stable results in Belgium and then potential for increase in Continental Europe, UK and Asia, I think we can make without any problems, kind of a bold statement that we expect the net profit for Insurance of the Ageas underlying to between €750 million and €850 million going forward.

I know that we sometimes have discussions and it's more importantly analyst calls about the level of net capital gains that supports also that net result. Of course, we cannot manage year-after-year the exact amount of capital gains in real estate. So, you can have some volatility from time to time. But you could say in this slide, taking gain out in 2015, the exceptional cap gains in Asia and some exceptionals in Belgium in 2014, you could say that our level of net capital gains can be assumed to be between €120 million and €140 million per year. And so, I would suggest not to take 2014 and 2015 as a reference.

If we then take the underlying profit as I've shown two, three slides ago, and we express it in return on equity on the shareholders' equity of the Insurance operations, excluding the unrealized gains and losses, which is our metric, you'll then see that we've been consistently above the 11%, what this graph shows and what we have as a target. Still some words about the operating margin, so you'll see that the target to achieve 85 bps to 90 bps on the Guaranteed business has been achieved in the past and there is, I can assure show you, a group wide discipline to continue to realize this ambition. So, whatever pricing we do, whatever decision of profit sharing, every time this is what we look at, the margin to be achieved.

And by the, let's say, decisions we have taken in Belgium do not, what some others did, go out of this market. You could say that somewhere the competition on Life business has been decreased, which makes us even in an more comfortable position to continue that business without trying to make absolute great volumes beyond our profitability target. But while the stress to be best-in-class is, let's say, lower than it was some years ago when we had much more competition in that market. And then, of course, the margin realized in this country, in Portugal, is higher than in Belgium, but that's to a large extent also thanks to the fact that there are much more rivals on these products, risk elements that create part of this profitability.

Combined ratio, so you can say 2015 and 2016, if we correct 2016 for terrorism and the UK one-offs, have shown our ability to come structurally below 97%. And in terms of prior year releases, on the group level, they have been usually below, more between 3% and 6%. So, it's not that we have a very huge prior year releases. If we then look to the market history of that in Belgium, a big decrease of combined has been made in the last two, three years. Income to Europe, it always has been a very solid combined ratio. The attention point is now what Steven said to integrate also our own methodology and pricing discipline and underwriting discipline in the acquired business, okay. For the UK, we know well the challenges and I think – and he clearly explained how he will tackle that with his team.

But in summary on net profit, my second point, you could say a solid underlying net profit, with sustainable net capital gains. A further yield decrease will not affect the future cash flows, thanks to our nice portfolio. Although we are in low interest rate environment, there is a stable evolution of the operating margin. I would even dare to say that in Belgium, for instance, the margin has slightly increased after last year. And we have underlying cost between €60 million and €80 million at the holding level, and we expect the underlying operational performance to continue and I could add more net profit underlying targets between €750 million and €850 million.

Third element or topic, Solvency II and free capital generation. This has already received a lot of attention in the presentations of Manu and Christophe. So, I will be short, but nevertheless try to give some, what I would say, and hope important, let's say, conclusions. On Solvency II and free capital generation, these are the questions we received from time to time. Let's say, we have decided two years ago to put the target Solvency level of 175% for the Insurance activities, knowing that the general account still had the risk of being very volatile. So, that's what we've done. I can tell you that once the settlement will be behind us, we hope that we will be able to move to a group target for Solvency II and can forget this double focus.

Solvency II Ageas, so it's what Manu referred to as our Pillar 2 Solvency ratio is what we consider economically more appropriate and prudent, notwithstanding the reserves that we made through the volatility adjustment that in our view is not exactly, let's say, applicable for our portfolio. The 175% target is a pure decision from us starting from the risk appetite that the board, the management wants to take. It's not at all asked by the regulator and I repeat that it's the target, and target is not necessarily a minimum. So, it means if you would be one day a bit below this 175%, it would normally mean we changed our way we look at, for instance, dividend payout.

I think when Filip presented in London the first disclosures or intentions with respect to Solvency II, at the beginning, he want for the volatile effects of Solvency II and – okay, I think we cannot say other than that we have practices over the past five quarters and we also have to draw the intention that the same volatility or a similar volatility will play on the free capital generation, on the one hand Christophe showed you the figures over 2016, and then somewhere there is an indication of the Q1 results of the free capital generation in Belgium. As we try to do every time, it's always our preference to be as transparent as possible towards the investor community, analysts, investors and – okay, my experience is and I have already think of experience is that transparency, not always based off in the short term, and it sometimes creates doubts, first questions. But we believe, strongly as a group that being more and more transparent, being more and more helpful to achieve, to better understand what we are doing really in the long-term payoff.

And so, we have given in this free capital generation a little bit of details. One big lesson I think, myself, but also the colleagues when we showed – we talked about it in the interim process is that we have to recognize that we should have given you even more, which is the main thing we retain is the fact that the move from the different segments and general accounts to the group view is not that easy to determine. So, it's an action point, it's something we will work on in the coming days and weeks. We will try to give you more transparency and more help to understand how we come from this segment approach to the total picture.

I think that also – and that's maybe a bit of bold statement, but I nevertheless want to do it. When we see through the operational free capital generation and the end figure somewhere, the €359 million, if we'll also look to indications Christophe have given about, let's say, exceptional negatives in the past year, if we would recall – add them and go to a more, what we say, and I'm only talking about operational impact, I think that the figure of €500 million is a bit more close to reality, going forward, and okay, if you look to what has been presented for Belgium for Q1, I think that is certainly under building that view.

We move then to dividend and use of net cash. If you look to the upstream dividends in the past few years, you see that it is on average €450 million to €500 million a year, already for this year and now we are in 2016 – 2017 sorry, we expect something like €590 million dividend upstream over 2016, of course there is the 100% upstream of the profits in Belgium. There is a contribution from Continental Europe, as well as a contribution from Asia, that is not that far from what we had last year. Remember, last year, that was after a very exceptionally good year with these big capital gains.

So I think it shows that with €590 million upstream, that's achieving what we say €450 million to €500 million really upstream, not only this year, but also going forward, and referring to the profit where I say underlying €750 million to €850 million, that we don't see any reason why our dividend policy of paying out 40% to 50% of the IFRS result should not be sustainable. If you then make the link to the capital generation – free capital generation, I think that also the future will show that the statement that we believe that that is permitting the sustainable dividend payout is a real, let's say, statement that management and board strongly believes in.

Nevertheless, let's not mix up capital generation with dividend payout. In the capital generation, for instance, in your own funds, are already included a number of elements that will show up in the profits in the years to come. If we have had the big negative impact last year for the huge production at still 1% and 0.75% in Belgium, this business strain (05:22:48) has been heavy on the capital generation 2016, but we will have the benefits from that in the coming years.

Then this is a picture of what we've been returning to shareholders in the past, let's say, eight years, something like €4 billion, when we made this slide, this was almost 50% of the market cap. Today, it's maybe even more. But we think that the – again, we have the possibility to maintain our discipline with respect to dividends when we look to buybacks because that's another question. Buybacks always have been positioned since beginning as being based on the cash we have in the general account and where, as long as we don't see affordable and strategically fitting M&A activities, we might decide to launch buyback. But I would say, let's wait and come back in August when the running buyback program is finished.

Last slide on strategy and M&A. Four topics, what about the Fortis settlement? What with the put option at AG Insurance? What with our M&A policy in Europe and Asia? And what is our financial capacity to fund organic and inorganic growth?

Fortis settlement can be quite short, next week on Friday is an important day. I can only say that Philip and the team have done everything to make this a positive outcome. So the Amsterdam Court will communicate its decision after a closing of the market on the binding corrector of the settlement that we conclude most of the claiming parties, we are confident, but as always, we of course have to wait for the final decision of the judge.

The put option – AG Insurance is an option that has been created in 2009, the moment where Fortis has been dismantled. It's, let's say, exercisable in the first six months of 2018 and we valued it in our accounts. That's what is also in the description of the put option, at fair market value and how do we do this? Well, we take the embedded value for the large activities, we multiply with a multiplicator that is a bit, let's say, provided by a third-party and based on peers and then for non-life, we use a discounted cash flow and that has brought the value of this 25% put option in our books at €1.34 billion.

What can happen now? As you know, this put option is maybe a bit linked also to the distribution agreement with BNP Paribas Fortis, the Belgium Bank where we have an exclusive distribution agreement that runs until the end of 2020, where there is a notice period of three years. So four situations can appear. One, the distribution agreement is renewed, what we believe, should be for both parties, the most rational choice. And in that case, there are two options with the option or BNP can exercise or not. If they exercise, we have a kind of a status quo on distribution, most probably with a re-discussion on the terms and condition of this distribution agreement. But Ageas will, at that moment, be the full owner of AG Insurance or they can opt to renew or continue distribution and keep the stake at that moment, you could say, it's a bit of status quo as we are functioning today. Right-size could be BNP deciding not to renew distribution agreement. And in that case, okay, theoretically, the two possibilities are open. Although we believe that not distributing distribution agreement and then not continuing distribution agreement, and then staying 25% share of AG Insurance is maybe quite unlikely. So it could then be the separation and in case of that option, it's clear that we have of course a Plan B to react on that situation.

In terms of financing capacity, we have something like €1.8 billion cash, but €800 million is ring-fenced for the litigation, so you could say €1 billion free cash that we can use. And on top of that, there is something Manu referred to it, something like €1 billion to €1.5 billion debt capacity. So you could say altogether, we have something between €2 billion and €2.5 billion for expansion of our business. So it's clear that if, for instance, the put option would be exercised that it's not at all (05:27:58) a given that we would do it fully in cash, a combination cash, that would be, in any case, on our agenda and assessed.

The last point on M&A, so you know that we have a number of criteria. One is, we want to be in markets where we have the top four, five position, where the entity has a considerable contribution to the group and where we have a return on equity above exceeding the 11% (05:28:28). When we look at that, we see that's okay, we – in priority, look to strengthen positions in existing markets and let me be very precise there, if we see a possibility to increase our Non-Life stake in Belgium or market share, we will look at opportunities. The same definitely counts for Portugal. In the UK, as Andy said, the full focus is on restoring the profitability and then going through this target. So we are not on a buying mode in the UK at this moment in any case not. Then we look to fast-growing markets and you've seen the positions we've got in Asia, not new also is that the only country we're still exploring is Indonesia. But again, it takes maybe a long-time, but it is because we want to stay disciplined and not buy just to buy, and then okay, you could say it's a kind of a final open door if there would be something that's maybe not immediately replying to these three first bullets, that is extremely interesting, very opportunistic, we don't exclude to look at it, but it should be creating growth and improve our business.

So in conclusion, I'm only five minutes over time, I think we work towards a sustainable value creation. We want to be extremely transparent on what we do, what we do not do on our figures and five things to retain. First of all, a healthy growing and qualitative inflow mix, not volume for volume. It has to be profitable growth. We balance profit levels with further potential for growth. We have a solid capital position, steady cash upstream to fund the dividend, with that even that so the capital generation normalized is definitely one that does not put our dividend capacity for the future at stake, and then in terms of further growth, we have additional funding capacity to fund further growth.

Before handing over to our Chairman, I would first of all like to thank our Investor Relations team, the whole management committee and all the other people from finance, communication, risk, and I'm aware that I may be forget one or the other, but they all know that the work that has been done for this day has been extremely happy but also very instrumental. I think, we learned a lot through this process, and we will be able to further continue to refine a number of these elements.

And secondly, I want to thank you all for your interest, your support to Ageas, and I think this is a message that not only my – me personally but also the whole team and our board likes to address to you. Thank you very much. I hope you keep the interest and the confidence in our company. Our main message is to deliver on the promises, and I can assure that we will do that. Thank you.

Q&A

A - Frank Vandenborre {BIO 15168443 <GO>}

Okay. Let's go towards (05:31:57) Q&A time. So, I invite Bart, Filip, Christophe and Antonio on stage. We might limit it to 30 minutes to respect the timing, but this should not prohibit you to ask your questions. And, of course, if you have questions for the other people that have spoken today, no problem, or Hans in the room as well as CEO of AG Insurance, who wants to take up the mic? Yeah. Okay. First question Arjan. I'll pick second one (05:32:42).

Thank you. Some very helpful comments from your presentation. If I could just clarify two of them. Just the targets that you gave around the profit, realized capital gains, that starts from 2017, just wanted to clarify that in terms of some of those ranges around profit that you gave?

And the second one was around sort of quasi pro forma capital generation you gave of €500 million, just want to clarify the Asia part, because Asia would have a capital generation it creates, you can't touch all that, you can only really get the cash from the dividend, which is roughly given numbers you give in the half? So just some feel around the composition of that?

Okay. The first part, you have seen that the underlying profit 2016 was something like €750 million. When I said, we have a potential €750 million, €850 million; it's not within five years. I think it's in the coming year or two years or three years that our €750 million should underlying base move upwards or can move upwards. The second one, when I expressed this €500 million operational free capital generation, I did not move anything on the Asian figures, so something like €150 million from Asia that was in it is also in it.

One comment on Asia. You said that we cannot touch your dividend on (05:34:14) if you refer to the presentation. So on Asia, we have an operational impact, which was €170 million, and you have seen that the paid dividend (05:34:30) paid dividend to us was around €80 million so you can claim that half of this was paid, half of the operational impact – impact was paid for dividend, so we have dividend coming from Asia and we think that we are on a growing trend.

(05:34:50).

Yeah. Thank you. And I got a question on the BNP on the put option. In terms of the accounting value of it, you mentioned how the Life part and Non-Life part is being valued. Is this already pre-agreed upon, let's say, with BNP – when, let's say, the put option was signed, so to speak, or could there still be a difference of opinion about when you have to, yeah, if they're being exercised and you have to pay for it?

Let's say, there was not when it was signed, and I think our Chairman was present when it was signed. There was not an agreement on the final amount that the principal is in the put option being fair market value-based, and that's of course in a stage where each of the parties can have view, we have a clear view what's in our accounting, and then that it might be that (05:35:51) as an overview and we will have to see how we get out of it. It's a pure technical approach, but if you take for instance the Life part, and so on the Life part we take the embedded value time market effect of this multiple, and as Bart said, this multiple is driven by some external parties and this should be the exact image of the value, the market value at this very moment. So, I think on the Life side, it is a technical assessment but it shouldn't be far from real market value. On the Non-Life part, its present value, and I think it's a rather classical way of assessing the Non-Life operations. So, I think we shouldn't be that far.

Over there.

(05:36:47) Further on this put option. You stated that you have a Plan B if you would separate with BNP. Could you elaborate on that maybe?

I, in this case, I would like to use my (05:37:02). It would be not wise to develop here what our Plan B is. But, okay, it's clear that we cannot just sit and wait. It's clear that as well for the distribution agreement, as for the put option, it's the other party who has the initiative to take, and we, of course, have been able in the past period and we'll continue to refine it to see if A, B or C happens, what our reaction will be.

Yeah. Life and Non-Life will not end if distribution stops, but as Bart already indicated it, to me, it will be very irrational if the distribution agreement would not continue for the both parties, customers, et cetera, but you never know, but Life will go on. Life after Life. Maybe one element is, we own the customers, so it's our (05:38:01). That's it.

One small question on the Belgium operations. If I look at returns on Solvency II capital, I'm not sure whether you look at them as well like that, but you can obviously compare, what you generate compared to the capital tied up. So, how satisfied are you with the returns in Belgium, both on the current back book, but also on the new production, because I guess it might not make sense to write a lot of new business in the current environment, so eager to get your thoughts on that.

I think in general and it's clear from the underlying metrics of our business in Belgium that we are actually happy with the return. You saw the ROE figures, they are way above our mark, and indeed last year maybe the new business on the Saving Life was not fantastic, sorry?

I'm not speaking about IFRS...

Yeah. I agree, I agree.

Okay.

So but for Non-Life, it's virtually the same amount. But one thing we should not forget is that, free capital generation is not the same as return on capital. So, when we think about value creation, it's not the free capital that is the value of the company, it's actually the Own Funds that you generate. So, that part of it is temporarily parked as capital tied up like in an MCEV environment and later released. So, you should look at the Own Fund generation, and then putting things in perspective.

If you look at the amount of Own Funds we operationally generate over the – all of the group, it's close to €1.1 billion, and part of that, €400 million is consumed by – as SCR increase in Asia, and to some extent in Europe, okay fine, but that will come back. That's like an investment, so don't forget that's two different countries. So we are quite happy with the return on equity and the return on Own Funds in Belgium at this moment. From a mark-to-market perspective, that's not all that, but of course it can be improved upon, but what Bart indicated directly applies to that, when we said it's closer to €500 million maybe underlying, I refused earlier today to give such a clear message, maybe I should have done. But, let's be real that there we say we have this 60-ish million (05:40:28) in the UK that we added, we have the effect of terror, which we excluded in Belgium. And then, depending how you complement it over 50 to 100 (05:40:42), I think, of Plan B that we expect to be there today, which was not there last year because the margins were so low.

That being said, we also pointed out that, it's not because you have a strain on the product when you sell it but the return in the end will not be good. It still depends on the margins that we will make on the money, how it has been invested and deployed in the real world. So, these are all risk-free metrics. It's in the end the real world where we live and where the capital matures and comes out from, so we are not unhappy at all with the performance of our Belgium book.

I think, back, you had a question?

Just maybe a follow-up on that – on Belgium. So, actually if you look at the numbers of the Belgium operations, in the Own Funds, actually there is a big, big amount of value that's captured in there like a future IFRS earnings, which, at the end of the day, will determine also dividend is in that value. And it is – a big chunk of that values relate to our term lives, so the protection business, which is not subject to any market movements, and even the value of that is due to the Life Savings business is very well protected because of the NVA (05:41:58) because of the matching.

Yes, you might have the market impact moving up and down, but as there is no default, also that value that is in the Own Funds will flow through the P&L and will become distributable earnings. So I think as the months go by and we show a few more quarters of these numbers, I think we'll get more comfortable with these numbers.

Maybe your view on the partnership model. I can imagine that in the beginning years of a new partnership this is very beneficial, so we've seen from your growth in Asia and some of the other countries. But once it grows it can become also more complicated in the relationship with the majority shareholder, either in Asia, maybe in Portugal. So, I was wondering if that's growing, would you reconsider that partnership model in that context? And also making it for us a bit more easier to understand and also get more grip on the drivers you actually influence? Thank you.

I think first point is that, we are more than happy with the fact that we started in Asia with the partnership model, and I think if you see the position we have in this market, be it China, Thailand, Malaysia, maybe three biggest ones, I think in a controlled position, we never have – would have been able to do that. And if you look to some of the European insurers that went into China for a 50-50, and you sum them up altogether, they don't have the market share that we have, but I think we prefer 25% of their figures compared to maybe 50% of much lower.

I think it's also second point, an element that differentiates us from a lot of others, which is one of the reasons why recently in Vietnam, in the Philippines, we've been not the only party to be in negotiation with the bank that's wanted to set up an insurance company, but if you are willing to go for a joint venture, you have immediately a number players that are carved out, because they don't want that model. And I think, as Gary showed, we have, in all these countries, whether we are there 15 years or 16 years like China and Malaysia, and a bit less for Thailand, in all these countries, we have still very, very close relationships with the partner, be it our Chairman, ex-co-members, management committee members, I think we are – that's maybe something that characterizes that we are very close to the business, the presentations of today have shown this, and that we still believe that the progress that we can make to team up with the local partners that has good knowledge of the market, a strong distribution channel, and at the same time already an existing customer portfolio, is a less risky and a quicker move in a country than try to buy a 100% ownership.

Is that a guarantee that we will, between 10 years, will say, this is the perfect move, I'm not sure. And it might be that in some of these joint ventures that we always had them in Thailand some years ago, that there is a change in the shareholdership that's not excluded. But in any case we see that we are a real partner for the joint venture partner and everything what is happening is done in dialog.

The main driver for your business decisions are the economic view that you take for the group is the internal solvency to view where understandably Asia is not included under the ambit of Solvency II, it's overlaid on the respective regulatory frameworks. But it will be interesting to get an insight or your view on, what if Asia were to be looked at in the same light as the rest of your businesses, and how would that – how does that influence your decision in terms of capital allocation to Asian businesses?

So, when you clarified that the capital generation figures are aggregated and they're not consolidated, I would expect that you probably gave that 175% loading on the Asian businesses as well and presented what it really looks like?

I'll give a – I'll try to give a start with answer (05:47:05) and then see whether left or right who is volunteer to continue. I think something that probably created some confusion in the earlier presentation is that, and it has been immediately flagged by one of the interventions is that, wherein the European region, we each time see as free capital generation, the move in Own Funds minus 175 – 1.75 times (05:47:34) SCR.

For Asia, we take the move in Own Funds minus the target capital ratio multiplied by the local SCR. So on average, I think, some of the calculation is quite something like 150%. We don't apply the 175% for the Asian activities; we do it country by country. The target capital in that country was on average is 150%.

And you understand that, that is dominated by the situation in China, where they have indeed the internal target where they say 150 percentage what they want to stay above of. So, if you use that by weight and proportion, because in Thailand and Malaysia, the ratio is actually quite a bit higher.

Many of the target ratios locally set in the capital management policies of these companies actually originate from when we discuss the shareholder agreements. We have agreed upon some solvency target levels and capital management policies with most of our joint venture partners. Actually initially most of them were 175% of Solvency I effect.

Of course, life moves on, and all these countries have moved in some way, except maybe India for the time being, to risk-based capital regimes who are closer or more distant from Solvency II, and they're still on the move, I mean, in China we had already two adjustments to C-ROSS in the course of this year and many more to come.

Thailand is also tightening its first wave solvency regime through a risk-based capital regime, which moved more in the direction of Solvency II, so that gap is narrowing. In fact, Malaysia is quite tough already. I would say they're diverting in fair value to be (05:49:31) as you know and their P&L always or they're already close to IFRS 17, in fact they're implementing part of that.

So, that gap is narrowing, and I think it would not materially change the management style. What it could change is risk appetite, and there, of course, not all investors and not companies have the same view on risk appetite. What we have done in certain cases where we say our partner has more appetite than we for certain risk, we can always add it at the group level. You don't necessarily have to fully agree on every detail on the capital management, you can buy hedges on certain exposures you don't like in a country if you don't get alignment with a partner and cover it at the group level.

So, I do not see any problem with it. The underlying dynamics of this risk-based capital regimes are Solvency II like. In fact, what products really generate profit or value, what features of products really consume capital? So, more and more in the lines. Of course, what we will not be able to do is really put firm capital management guidelines in place on non-controlled participation, it will be a dialog. That's why we are partners, and we will respect that obviously. And certainly when we have minority JVs, it will be something that will be part of a mature dialog what we have today as well. I mean, that wouldn't change dramatically.

And if I can just follow-up with a different question, which is, can you remind us on your key products maybe the top or the top two products in China on the Life side, which is what I believe is the business, and what kind of guarantees are there in those businesses?

Maybe better for our CEO of Asia to respond to that, but I – and I will pass it on to Filip later maybe, but in fact, let's not forget, in China, we sell a lot of regular premium, we mentioned that. All Life policies are very popular. So, in fact, the basic guarantees in China have never been extremely high. I think today there are around 2% with government bond yields, which have irked up a bit. They're again comfortably around 3%, 3.5% (05:51:55) now. So, it is not the same environment as it is here. So, it's long-term up. And so – while implicitly in all Life policies it's already, of course the mortality component, which works in our favor. Aside from that, in general, they send more riders (05:52:13) on the book. A very short-term controversial policies that you heard of, especially related to (05:52:22), which have been blocked for selling or at least filing certain of this product. We have not been active in that segment, but maybe Filip you can add some color to that. So, most of it, I would say, is very solid long-term regular premium product with decent margins.

Other questions? Everybody seems satisfied.

Then I propose to conclude this Q&A session. And, I think, to end the formal part of the day, I would like you to listen to our Chairman, Mr. Jozef De Mey. Thank you.

A - Jozef G. de Mey {BIO 2124631 <GO>}

Well, good afternoon, ladies and gentlemen. It's been long day, but I hope you find that you've received a lot of interesting information or/and new or additional insights that help you better understand a number of topics related to Ageas. When I saw the program for today, my first thought was, wow! This is heavy. But I believe that this was the perfect time to bring you together for a full day. It allows us to dig deeper into the specific topics that were presented to you today, as I think they do indeed deserve some additional clarification, and these are exactly the same topics we, as a board, are interested in.

Also the idea to leave our usual location in London and move to Lisbon was also a good suggestion, as it gives us the opportunity to present Portugal as one of our core countries in Europe. And by the way, did someone in the room notice the day today? It is indeed, the 6th of June D-Day.

And whilst I definitely do not want to suggest that this is D-Day for Ageas, I did Google a bit, when preparing this speech and came across the following words from General Dwight D. Eisenhower. This operation is not being planned with any alternatives. This operation is planned as a victory, and that's the way it's going to be. We're going down there, and we're throwing everything we have into it, and we're going to make it a success

I believe this is also true for Ageas. We have been working for almost ten years now to make Ageas a success, not just for today, but for the future. We will indeed throw everything we have into it to make that happen. And this being said, let me come back on the concept of today and what I as a Chairman would take away from today's presentations.

First of all, I fully concur with the conclusion of the presentation of Bart. Everything you have heard today should confirm that we are managing this company for the future. We want to ensure and maximize our profits and our value in the most sustainable way possible. None of the decisions we take are meant to show short-term benefits or to make the picture brighter than it is. We don't jump on new concepts or new technologies simply because it is fashionable to do so. They must firstly prove their worth and we must be convinced of the added value this brings to our customers and this was a theme of the presentations of Antonio. Ambition 2018 and in all probability the next strategic exercise will be a strategy of evolution and not revolution.

New financial concepts such as free capital generation need to mature before we draw real conclusions from them. Ladies and gentlemen, I have the benefit of age and a longstanding history in the sector on my side, and I have seen many concepts and theories being brought forward. Traditional embedded value, European embedded value, market consistent embedded value and now the concept of free capital generation. If it's correctly applied intellectually and well understood both, in and outside the company, we can surely derive interesting insights out of it. But at the same time, we all know that all these concepts do not necessarily help to increase the understanding of the business and its profitability drivers.

Moreover, as there is no common and unique way to implement these concepts, it does not create a level playing field, so that you can easily compare our performance with those of our peers. And the same goes for Solvency II, and probably we will face the same issues when IFRS 17 starts to be implemented.

Here we have a joint responsibility to rigorously and in all transparency implement and explain what we do. At the same time, there's only one concept that survives them all, cash. Cash is king, ladies and gentlemen and that's how we as a board look to the company.

Operationally, there obviously remains some challenges and let's be honest and accept that there are a few which are not so easy to solve and need some time. UK isn't concerned and as I am also the Chairman of our UK business, I'm even more closely involved in this activity. I'm somewhat flabbergasted when I am confronted with new regulations and how this is being imposed and implemented.

The market discipline is also another concern to me. This does not make it easy to find quick and simple solutions to the problems we face, but that being said, we should not seek to blame others. We have a job to do and I'm pleased with the action plan presented by Andy and his team. They know, they have my full support to execute the plan and make Ageas UK once more one of the spearheads of our Non-Life activities.

With respect to Asia, I remain convinced that we made right choice more than 15 years ago to invest in that region. I hope we managed to provide you with comfort about the additional and useful disclosures that should help you to better understand the dynamics of our new Asian businesses. I would hope that we can provide a solution to the often heard remark that it is not easy to value this business properly.

Obviously and as mentioned by Gary, we need to respect the fact that we are a minority partner in all our stakes, and hence that also when disclosing additional information, we need to respect the timings and interests of our local partners.

In Continental Europe, it is clear that the main focus is on Portugal. We have invested quite a lot in this country and are more than aware that it is important for our track record that we demonstrate, that we are able to integrate such an acquisition and to ensure it meets our financial criteria. It is not an easy task for the team present here, but we knew that in advance. Everything I hear makes me believe, we are well on track and the timings put forward should be realistic to do what we promised to do.

And lastly and deliberately, we have spent less time discussing our Belgium activity. First of all operationally, Belgium is running smoothly. And the performances of our respective businesses are fully aligned with our expectations. This is the result of hard work and discipline and a clear focus for where we want to be. Also here we often question about our strategic choices. And, of course, we don't have a problem with that. The only answer we can give is results, results, results.

Year-after-year, Belgium proves its ability to deliver and I count on them to continuing doing so. I believe it is how we prove that our choices are the right ones. Obviously, we have some important challenges ahead of us with the upcoming discussions about the extension of the distribution agreement and the possibility to potentially buyback the remaining 25% in AG Insurance. There are two crucial files for Ageas. And on this topic, I can assure you that in any of the potential scenarios described by Bart, I feel comfortable that we're prepared for all of them.

And ladies and gentlemen, let me end these closing remarks with the next important date for Ageas. And perhaps a little bit of delay, 16th of June, exactly 10 days from now. After close of business, we will receive the verdict from the Amsterdam Court regarding the Fortis settlement.

I'm hopeful that we should receive a clean, binding declaration, which allows us to execute to settlement as planned and get rid of this historical legacy. The support among all of the historical claimants and claimant organizations are overwhelming. And I sincerely hope that the court will take this into account when taking its final decision.

As I said last year, it will bring Ageas back to normal, and it will take away a big concern for both of you and us with respect to the options for the future of this company. I should extend one more time my gratitude to Philippe, the legal team, and so many other colleagues who have worked tirelessly day-after-day to make sure everything is ready to start the execution of the settlement, which believe me, is an enormous task.

Ladies and gentlemen, on that note, I would like to close the formal part of this Investor Day, and hand back to Frank for some practical information about the rest of the evening. Thank you, thank you very much.

A - Frank Vandenborre {BIO 15168443 <GO>}

Thank you, Jozef. So, ladies and gentlemen, it was a long day, tiring day, and you have received tremendous amount of content today and I'm sure this needs some time to digest. But I do hope that we reached the objective of the day. And at least, from our side, we believe it was an open dialogue on all the topics that surround our company, and on which you obviously have and – maybe have still a lot of questions. But this also fits in within our culture, namely to be very transparent or as transparent as possible and to try to bring you to a level of knowledge and understanding that enables you as I already mentioned to understand how we do things and why we do the things the way we do, and hopefully also to respect and appreciate why we do the things the way we do them.

So before you leave the room, I would like to remind you that also respecting a good tradition, we have foreseen a souvenir for this, of this beautiful day. Little present, that makes a link to the music you have heard throughout the day, and as we are a global company with Belgian roots, but today in Portugal, we thought it would be nice to let you taste some of the excellent Belgian and Portuguese music and we also foresee a little Portuguese, specialty, which you should eat I think before you take the plane, otherwise, you cannot take it with you.

That's all on of the first thing we brought some music together of famous Belgian and Portuguese performance in a personalized books and that will be handed over to you by my colleagues when leaving the room. We have also foreseen some drinks for those still having envy to do that and the dinner for those you can stay with us, is at 7:30 sharp. It's an informal dinner, so no need to wear a tie. And for the rest, I can only wish you all the best and thank you to be here with us, and I hope to see you next time again. Thank you.
