Q3 2018 Earnings Call

Company Participants

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

Other Participants

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

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, welcome to the Ageas Conference Call for the First Nine Months of 2018. I am pleased to present Mr. Bart De Smet, Chief Executive Officer; and Mr. Christophe Boizard, Chief Financial Officer; Mr. Filip Coremans, Chief Risk Officer; and Mr. Antonio Cano, Chief Operating Officer.

For the first part of this call, let me remind you that all participants will remain on a listen-only mode, and afterwards there will be a question-and-answer session. Please also note that this conference is being recorded.

I would now like to hand over to Mr. Bart De Smet, CEO and Mr. Christophe Boizard, CFO. Gentlemen, please go ahead.

Bart Karel De Smet {BIO 16272635 <GO>}

Good morning, ladies and gentlemen. Thank you for dialing in to this conference call and for being with us for the presentation of the nine months 2018 results of Ageas. As usual and already indicated, I'm joined in the room by my colleagues, Christophe Boizard, Filip Coremans, and Antonio Cano, Hans de Cuyper, CEO of AG Insurance, and Emmanuel Van

Grimbergen, our Group Risk Officer, are also in the room as well as our Investor Relations team.

Ladies and gentlemen, before going into the detail of the nine month results, I would like to start with highlighting some important events that occurred over the last couple of weeks. As we already mentioned at the time of our six-month results, the Fortis Settlement has been declared binding, and we are now in full execution mode with the first tranche of compensation already paid and the next one scheduled before the end of the year. More important however, to assess the chances of the settlement becoming final, is the fact that opt-out forms received until now represent less than 0.03% of the total settlement amount, which remains far below the 5% that could trigger the termination right.

Last September, we also announced our new strategic plan for the next three years with refined strategic choices and updated financial targets. And at the same occasion, we reconfirmed our M&A principles, stating that we would give priority to strengthening our positions in existing markets and expanding in fast-growing emerging markets with a clear preference for Non-Life activities.

In line with these principles, we recently announced two important M&A developments. Two weeks ago, we announced that we would be leaving the Luxembourg markets where we held a 33% share in Cardif Lux Vie. This divestment will generate a cash inflow of €182 million and a capital gain of €39 million. And earlier this morning, before the release of our nine-month results, we announced that we have signed an agreement to acquire 40% of the Indian Non-Life company, Royal Sundaram General Insurance for €186 million. RSGI is a top 10 player in the privately-owned Indian general insurance market with strong positions in Motor and Health insurance.

As you know, we are already active in Indian Non-Life market, and this is a great opportunity for us to also benefit from the tremendous potential offered by the Indian Non-Life market. We will enter these markets via a company that is growing fast while already profitable and with a well-established local partner, Sundaram Finance.

As usual, Christophe will comment on the results in detail, but let me already share the main elements. Overall, Ageas has achieved a solid result through the first nine months of the year. The group net result amounted to €657 million (sic) [€656 million] (00:03:55) compared to €360 million last year. The Insurance net results stood at €664 million, down just 1% scope-on-scope despite essentially lower capital gains. Overall, the underlying result strongly improved, thanks to the solid operating performance of our entities both in our Life and our Non-Life businesses. As for the inflows, we enjoyed strong sales momentum for the second quarter in a row driven by Belgium and Asia.

At the Investor Day, we have given guidance on a full-year Insurance net result at the higher end of our €750 million to €850 million range with a specific caveat on the evolution of the equity markets. We already experienced some impact in Q3 in Belgium and Asia, and we do not exclude that the recent market volatility may have additional impact in the coming months.

As you know, we are now entering the final stretch of strategic plan, Ambition 2018. With these nine-month results, we are well on track to delivering on our commitments allowing us to get ready to start our new three-year strategic plan, Connect21.

Ladies and gentlemen, I will now hand over to Christophe for more details on the results.

Christophe Boizard {BIO 15390084 <GO>}

Thank you, Bart, and good morning, ladies and gentlemen. As mentioned by Bart and as you can see on slide 6, net Insurance result for the first nine months of 2018 amounted to €664 million, down 1% compared to last year scope-on-scope if we exclude the €12 million contribution of our Italian operation still consolidated last year. Taking into account a much lower level of net realized capital gains this year, as indicated on slide 22, you will immediately appreciate the solid underlying performance of our Insurance operations.

Realized capital gains this year amounted indeed to €21 million only versus €173 million last year. This drop came from impairments recognized mainly in Q2 and Q3 in Belgium and in Asia. The total amount of impairments year-to-date indeed exceeds €100 million.

Coming back on slide 6. In Life and despite lower capital gains, the net result remained strong at €463 million. While our Asian non-consolidated partnerships delivered an exceptionally high results in the third quarter of the year, their contribution has been significantly lower the last two quarters mainly due to the impact of the volatile equity market in China.

The operating margin on Guaranteed products amounted to 93 bps, remaining above the target level of Ambition 2018, while the one on Unit-Linked remained at the same level as last year at 26 bps. I would also like to highlight the nice growth in inflows, which were up 14% this quarter driven by Belgium and Asia.

In our Non-Life business, the third quarter confirms the solid performance across all segments. Despite the adverse weather in the first half of the year, the combined ratio stood at an excellent 95.1% and the net result amounted to €201 million, in line with last year result scope-on-scope. Last year, the nine-month Non-Life result included €40 million negative impact from Ogden while the weather impact amounted to €60 million this year.

As usual, I will now give you a bit more details on each segment, and let's start with Belgium on slide 7. The net result amounted to €306 million. It was impacted by both lower level of net capital gain, €69 million year-to-date compared to €115 million last year and a €29 million impact from adverse weather in the first half of the year.

In the Life business, still in Belgium, the operating margin on Guaranteed products remained strong at 88 bps and the operating margin of Unit-Linked products increased to 39 bps compared to 32 bps last year. Gross inflows in Life were significantly up this year, 11%, and the breakdown by product is plus 24% in Unit-Linked and plus 8% in Guaranteed products.

The combined ratio stood at a strong 94.6% and even at 90.8% excluding the weather event. The third quarter alone was very profitable in all product lines with an extremely good combined ratio of 86.4%.

In the UK, slide 8, the third quarter confirmed the ongoing recovery. The net result amounted to €61 million compared to €25 million last year. Both years reflected exceptional events, last year included the €14 million negative impact from Ogden, while this year included the €30 million (sic) [€31 million] (00:10:46) impact from bad weather but benefited from higher prior-year releases.

These prior-year releases are partly related to our present reserving with the use of the official Ogden discount rate for opening new claims whereas higher implicit values are observed when the claims are actually settled. The combined ratio improved to 97.5% supported by strict underwriting discipline while our inflows decreased reflecting our focus on profitability over volumes.

In Continental Europe, slide 9, our net result went up 2% scope-on-scope excluding our Italian operation. We delivered a solid result in our Life business despite lower Unit-Linked inflows and a strong performance in our Non-Life activity. The good commercial performance in Non-Life was coupled with a strong combined ratio of 91.2%.

In Turkey, the turmoil related to the Turkish lira impacted the result for €4 million. The combined ratio remained below 100% and the net result in Turkey was strongly supported by the very high level of interest rates.

Let's go to Asia, so in Asia on slide 10. Our net result was up 7% to €210 million. It benefited from an exceptionally high first quarter in China, which has been partially offset by equity impairments in the second and the third quarters due to the bearish equity market in China. Year-to-date, we have recorded €58 million net capital losses compared to €40 million net capital gain last year.

One the commercial front, both Life and Non-Life inflows enjoyed a strong growth in the third quarter. The Life inflows, which had been impacted in the first quarter by the discontinuation of the sale of single premium products in China rebounded sharply and increased by 19% this quarter.

On slide 11, you will find an overview of our Reinsurance operations. As explained during the recent IR Day, the contribution of the segment is expected to change of scale next year with the start of our internal reinsurance activities, but it will be compensated by a decrease in the sitting (00:13:54) segments, Belgium, the UK, and Continental Europe. The first pilot had been started in Portugal and helped us prepare the administrative process to be developed in ageas SA/NV Holdings to comply with its new status of operating entity.

Finally, the net result of the General Account on slide 12 amounted to €8 million negative compared to a negative result of €326 million last year. The revaluation of the RPN(I) accounted for a variance of €220 million. You may also remember that last year results also included the €100 million additional provision for the Fortis Settlement.

I propose to comment now the solvency and free capital generation figures. So, on slide 13, you will find the Solvency II figures. Both the Insurance and the Group Solvency II ratio increased by 4 percentage points over the quarter to respectively, 206% and 215%. The biggest jump, compared to the beginning of the year, was made during the second quarter when the increased capital fungibility and the expiring of the put option on AG Insurance had a combined ratio of 12 percentage points. To be kept in mind also is the already announced 7% positive impact coming in the future for the divestment from Luxembourg.

Regarding free capital generation on slide 14 now, you will see that the Insurance operations also here delivered a strong third quarter. Over the last nine months, the operational impact in our free capital generation amounted to €571 million driven by an increase in Own Fund of €508 million of which €99 million is related to the dividend receipt from our non-European, non-controlled participation. The slightly lower operational SCR is related to derisking management actions over the first half of the year, and you may read slide 55 where you have the whole covered (00:16:46) of the Own Fund and SCR separately.

Excluding the €99 million of dividends just mentioned, the remaining €472 million are well above the indicated guidance of roughly €130 million to €135 million per quarter. It is here useful to remember that volatility in equity performance is included in the market component and doesn't fit to (00:17:20) the operational performance.

Ladies and gentleman, I'd like to end my comment here and leave room for questions.

Q&A

Operator

Ladies and gentlemen, we are now ready to take your question. Please limit yourself to three question per person. And our first question comes from Ashik Musaddi from J.P. Morgan. Please go ahead, sir.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hi. Good morning, Bart. Good morning, Chris. Ashik Musaddi from J.P. Morgan. I have a couple of questions. First of all, can you share some thoughts about the rationale to do this M&A in India? I mean, clearly, I understand that you have ambitions to grow in Asia, but it doesn't feel like you are meeting your hurdle of around 11% to 13% ROE even after two, three years down the line it doesn't look like you'll be able to do that hurdle. So, what has changed or what is the rationale to do this one?

Secondly, can you get a bit more sense on the Asian impairment because the last two quarters have seen impairment and the way markets have behaved in October, it looks like there will be more to come in third quarter as well. So, my first part of the question is, is there any impact on dividend because of these impairments that you won't be getting dividend from China or the dividend to shareholders? Is there any impact from that? And secondly, is it the right way to look at is that if you don't have the impediment we just need to add that number to Asian earnings to get a normalized view or that's not the right way to look at the normalized view? So that's the second question.

And third question is combined ratio is very strong 89% in this quarter. What is driving that? Thank you.

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

Okay. Thank you, Ashik, for the questions. The first one, the rationale behind the investment in India is first of all that we have found in a market where we were looking to stay (00:19:39) to expand our presence (00:19:41)

He has one of the fastest-growing economies globally where it's expected to become the third largest economy in 2020, where the growth in the insurance and general insurance industry is expected to be between 15% and 20%, and where the penetration is very low, less than 1%, that we have found very, let's say, attractive and strong in terms of governance, in terms of discipline partner with Sundaram Finance. But we believe that, indeed, like in other start-ups, we don't have, in the first two, three years, the expected 11% return on equity. But the difference with a real start-up is that we start from a solid base where, if you look to the figures, growth has been, over the past three years, something like 18% year-on-year, the profit has been growing with 55% year-on-year, and we believe that the local competences completed with our, let's say, track record on further improving combined ratios and, in this case also, further expanding the distribution reach, which is now mainly through, I would say, car manufacturers or car sales organizations and, to a lesser extent, agents, that we believe that by growing this, let's say, distribution channels that we are able, together with a partner, to make it a nice venture for the future.

Okay. The price is not a low one but I think if you look through the comparables in the region, this is today the multiples you have to pay to be active in these markets. So, that are the main elements that has driven us to go into this partnership.

Before handing over to Christophe on the second question on the impairments, maybe a short reaction on the dividend. First of all, as of next year, our dividend policy will be the one we announced in Connect21, so it will be more than 50% of the total group profit excluding the effect of RPN(I). A second principle that we've always, let's say, supported and communicated is that we always will try to have a dividend that, at least, stable and if possible growing, so the impairments that we have been encountering so far and maybe what could come in the next quarter will have an impact on the net profit, that will not have an impact on the level of dividend that we have announced with those two, let's say, guidance, the more than 50% and the dividend at the level of the dividend of the last year at minimum.

Also, maybe mentioned already at this stage that we have been below, let's say, budgets in our real estate capital gains because a number of them will be materialized in the fourth quarter. You can expect in Q4 an impact of around €30 million from capital gains on real estate that we, in previous years, realized earlier in the year.

So, I hope that with those answers that I've given an answer on your first question and an introduction on the second one (00:23:12)

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes.

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

... complete. (00:23:14)

A - Christophe Boizard {BIO 15390084 <GO>}

Yes. Thank you, Bart. So, on the impairments, so as I said in my speech, we have reached a level, which is around €100 million of impairment since the beginning of the year. Most of this amount comes from Asia and we get that from Asia means from China. So, out of the €100 million, €86 million comes from China and, for the quarter, the Q3 alone it is €40 million, so half of it.

So, is it the end? Not really. You remember that in our impairment rule, we have two figures. The first one on a decree exceeding 25% line-by-line and then there is this loss in value over one year horizon. So, at this moment, it is mainly the first figure, which has played a role. So, it is fair to say that in the coming months and weeks, we could be hit by the second part of the rule, the one with significant loss in value. But so far, we are at this level mainly coming from China and we will (00:24:41) because of the poor performance on the equity market there.

Then you may say that this doesn't make a difference between the €21 million I indicated and the €173 million. Bart already gave you some explanation about real estate and we expect something in Q4. And maybe to be even more precise, we are slightly lower in UK as well because last year in UK we changed the structure of the portfolio (00:25:20) little bit the portfolio that was part of the plan in the UK and we realized some capital gains. And the difference in the UK you may see that on the slide, the slide giving you all the details on the UK, we are down by €17 million from this. So, with all this, you may have and you may calculate your normalized level. I think you can restate (00:25:46) the impairment but keep into account the two specific comments on Belgium and on the UK.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay.

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

Maybe a complement also with respect to dividend, Ashik, is that the impairment rules we use for China are different from the local ones where most of the Chinese insurance companies do not have the 25% rule. So, it means that the local result is higher. You can estimate it at something, end of Q3, of €40 million higher than what we have as a result. And so, the dividend that we received from China is also based on the local result and not on our result. So, you could say that most of the impairments that we have taken will not have an impact on the upstream of the dividend coming out of China.

And if you now look through the results in Belgium, also the very good result in UK where we said that we expect a dividend upstream as of 2019 over 2018 (00:26:49) for, let's say, Portugal where we expect a dividend and then the Asian JVs you see easily that there is no real issue with the upstream dividend that we expect next year to be able, like we always said, to pay the dividends we paid to shareholders, to pay the corporate costs, and to pay part of the promised buyback in the next year.

There was still a question on the combined ratio. Antonio, you give an answer on that.

A - Antonio Cano {BIO 16483724 <GO>}

Hello. Good morning. The combined ratio, so if we just focus on Q3 only, two things. I think it's fair to say that we see the fruit of a lot of work that has been done in Portugal, the UK, and Belgium to improve our technical results. And in all fairness, Q3 was, on the weather side, particularly benign. Weather in the first half of the year, particularly in UK, that was rather bad.

So, I think the combined ratio is good because of a lot of good work that has been done in these markets and, yes, Q3 had a nice weather.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Perfect. Thanks a lot for this.

Operator

Okay. So, we have another question from Mr. Albert Ploegh from ING. Please go ahead, sir.

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes. Good morning, all. A few questions also from my end. Maybe to summarize a bit on the previous questions in relation to your net Insurance profit guidance for, let's say, around €850 million for full-year 2018. If I'm thinking correctly, what you're mentioning on Asia and also the planned capital gains in Belgium in Q4, that it's basically - can you confirm that there is no risk to that overall €850 million guidance on the Insurance results?

The second question I have is on the UK, Q3, in isolation, a very strong quarter and indeed doesn't seem to be supported at all with any capital gains. If I'm not mistaken, I think your official target is still something like a €70 million normalized kind of earnings, and you're basically already there on the nine months. So, are you becoming a little bit more optimistic on the outlook for the UK, let's say, going into 2019? And can you also bet (00:29:15) a bit on the pricing environment on Motor where the combined ratio looks very strong?

And the final question is on the cash flow upstreaming from the subsidiaries. Is there anything planned or scheduled for the fourth quarter because I think normally this is a quarter, with very limited upstream? And maybe in relation to that, I did noticed again an upstream from Royal Park Investments that keeps on providing some nice cash upstreams. Is that now more or less coming to an end or is there still something that we can expect going forward from that, yeah, legacy investment if you like as well? Thank you.

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

Okay. For your first question, Albert, so in the speech I said that I refer to the guidance that we've given at the Investor Day on the full-year Insurance result at the higher end of €750 million to €850 million with a specific caveat on the evolution of equity markets, what we already have been experienced so far. But notwithstanding the quite important amount of impairments that Christophe referred to, we ended Q3 with €664 million Insurance profit.

So, I would say that what (00:30:32) the fourth quarter is concerned we are quite, let's say, assured that the normal operational activities, be the margins in Life, the margins in Non-Life will be under control. The only element that we don't fully control is a potential additional impact from impairments depending on how the markets will move. One thing in terms of capital gains that is quite certain is the €30 million positive cap gains that we expect in Belgium on real estate in the fourth quarter.

So, I cannot firmly say, yeah, we will be in the upper end of the €750 million to €850 million. I will not make any, let's say, firm explanation or confirmation about what the final result will be because for that the element of the impairment is too uncertain.

In the UK, we said in previous years and earlier this year that the target for this year was €60 million to €70 million. So, as the figures show, we will be in that range. And even if the Q4 is a positive one, we might be slightly above it. For the next years, our objective remains to get the UK into the range of €70 million to €90 million.

The third question and maybe I'll give afterwards the word to Antonio to give a bit more on pricing and reserving. Then the third question, cash flow. We don't expect cash returns to the group in Q4. One exception might be if the deal in Luxembourg is closed before the end of the year, which is a possibility. At that moment of course that €152 million plus the repayment of €30 million debt will be added to the cash. But if we then close the Indian deal later on in 2019, that's almost the amount we need to pay that investment.

With respect to RPI, Christophe?

A - Christophe Boizard {BIO 15390084 <GO>}

Yes. So, on RPI, unfortunately, this nice story is coming to an end and we are not collecting a lot and we are not taking a lot of settlement. If you take the result after nine months on the RPI (00:33:00), this is exactly the whole answer (00:33:02) meaning that we have not gained anything. What we can expect still is the progressive liquidation of the structure, which means that we will recover the capital and the reserve and some cash investments. So, there is still cash to come from RPI but no result, no new settlement with banks, and the RPI will likely be liquidated at the end of next year.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay. Thank you for the color. Thank you.

A - Antonio Cano {BIO 16483724 <GO>}

Yeah. Maybe a bit more detail on the pricing outlook in the UK. So, based on market statistics, what people like the ABI are publishing, we see in Motor a slight reduction of rates between minus 2% and 3% in the market. And also, in Household we see a stable or slightly decreasing premium.

Going forward, it's very difficult to tell. There is Brexit around the corner. What would that mean to inflation, et cetera. So, I think it's too early to tell. Maybe also important to note and I guess that the question will come on the Ogden rate, so this has not still been modified. I stop giving any projections of when we think that will happen. We hope as soon as possible. Bear in mind that, in our results, we still are reserving all our claims existing and also the open claims based on the minus 0.75 (00:34:38) provision.

So, what I wanted to say with that is that the quality of the earnings is not like inflated by exceptional Ogden releases or whatever. We're still reserving at minus 0.75, (00:34:47) which makes the results a bit more remarkable.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay. Thank you very much, gentlemen.

Operator

So, we have another question from Mr. William Hawkins from KBW. You have the floor, sir.

Q - William Hawkins {BIO 1822411 <GO>}

Hello, guys. Thank you. Just following-up on Albert's question, do you have any thoughts (00:35:11) about RPI. If that's going to be wrapped up at the end of next year, is there a onetime impact we should be penciling in in terms of just closing that down and getting a stock of cash into the center? So, if you just highlight what happens when you close that down finally.

And then secondly on the Solvency II capital generation, if we're just looking at the numerator, the change in eligible Own Funds, this was another quarter when you were I think above €170 million and the run rate seems to be consistently looking very strong relative to your guidance of the €130 million to €135 million that you mentioned. So, just in terms of how we sort of square that positive discrepancy, any risk of particular weakness in the fourth quarter from any seasonal issues or something like that in Solvency II?

And just more kind of broadly, I mean, if you are consistently €30 million, €40 million above the €130 million to €135 million, is that guidance just too low? Thank you.

A - Christophe Boizard {BIO 15390084 <GO>}

So, on RPI liquidation means that we will distribute the capital, we will cancel (00:36:19) the structure. We will take our share, 33%. Unfortunately, I don't have the amount but it would be in the range of something like €30 million that we take.

Q - William Hawkins {BIO 1822411 <GO>}

Right. Okay.

A - Christophe Boizard {BIO 15390084 <GO>}

It will be a oneoff in cash but no result. The result is zero (00:36:41) and it will be a simple liquidation. The run rate of the free capital – on free capital generation, I don't see any specific risk. Only one thing to mention, that you will have noticed, that there is a small decrease in the SCR, which help the free capital the operational impact. But even if we restate, if you put aside, it is the decrease in the SCR based on the increase in Own Fund. We are still well in line with the run rate of the €130 million.

From the top of my head, the change in SCR is €39 million. You remember the magnifying effect of the 1.75%. If you repaid (00:37:32) by this, the €471 million, you are still above €400 million, which is above (00:37:40) €130 million (00:37:42). So, I would say I don't see a real specific risk on this.

But then to be mentioned, as I said, I made a specific comment because it is of importance. In case of heavy impairment, the impairment are recognized in market impact. So, what could happen is a very strong operational impact, which is based on standard equity portfolio contribution and then a significant negative contribution of the market component but it will be known. It will be seen as a volatile element being carved out of the operational free capital generation. That's our methodology.

Q - William Hawkins {BIO 1822411 <GO>}

Got you. That's helpful, guys. Thank you.

Operator

So, we have another question from Farquhar Murray from Autonomous Research, please go ahead.

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

Good morning, gentlemen. I had just three brief questions if I may actually, all related to the Indian JV. Firstly, clearly growth is the intention there. So, should we expect material capital injections over the coming years as part of kind of taking that business to the next level, and can we maybe perhaps frame what that might entail?

Secondly, what level of management input and control does Ageas get within the kind of deal structure? And then finally, just a point of (00:39:13) detail, I think you're indicating a close in the first half of 2019 but your Indian peer is indicating first quarter. Is there any reason for the difference there? Thanks.

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

So, the answer on question one, whether we expect additional capital injections in the coming period, let's say, the next years, the answer is no and the company is going to be capitalized. We will have a representation like always in joint ventures in the boards, and in management we will have input that mainly helps (00:39:47) company in underwriting and in, let's say, using older capacities of the digital world of today. So, it's more data analytics to be more, let's say, precise in segmenting of customers and in coming to, let's say, higher sales.

The closing of a deal, okay, we communicate first half of 2019. Always try to take some margin (00:40:16) for Luxembourg. We said we expected that by the end of the year or Q1 2019. We, of course, always do everything to close as soon as possible and it mainly depends of regulatory approval. So, that's something we don't have fully under control.

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

Okay. Just to follow-up, I mean, how many board positions do you get and what's the total number on the board?

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

We will have two board positions.

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

Okay.

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

One of the members of the Executive Committee of Ageas and then the Regional CEO, Gary Crist.

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

All right. Thanks.

Operator

So, we have another question from Jason Kalamboussis from KBC Securities. Please go ahead, sir.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Yes. Good morning gentlemen. First, quick question is just to clarify again on the €850 million. If you don't mind, I mean, from where you stand, yes, we have the €30 million positive impact that could come then we have the Asian that could be negative, but do you find that from where you stand you see the €850 million at risk of being not just a little bit lower but of being at the €800 million or below level because that's – on the €850 million that you built your EPS growth expectations in your own Capital Markets Day?

The second on India, I mean, you mentioned that you have a disciplined partner. The combined ratio was 110% or roughly thereabouts. What was the combined ratio for the whole Indian market so that we can see that?

And then if we look at just the valuation matrixes, I mean, yes, it's maybe a bit high if you look at the 4 times (00:42:07) roughly what you paid, but if we look on a fee basis (00:42:08) it looks very expensive. But do you have any comments on the €10 million net income if it was a bit of a low figure this year?

And just again on India, would you expect to do anything on the Life side with them or you're happy with the partner you got on the other side on the Life, and even if you are growing from a small basis, you are happy with the results there? Thanks very much.

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

Okay. Let's take Q4 outlook, we try not to be too precise on outlooks again for the reason I gave. This is so unpredictable the impairments. The only thing we can say is that with respect to the underlying results we are quite comfortable that, for instance, an additional hit on weather in Belgium will not have material impact due to the Reinsurance arrangements. We have these margins that have been showing quite solid over the first nine months that we expect to remain solid be it in Life or Non-Life.

The only I think kind of assurance we can give is that, first of all, with our dividend policy, if that is a concern, with the dividend policy, with the upstream capacity of the different operating companies whereas, as mentioned, China is not impacted from that perspective like we are. We don't see any reason to doubt about the level of dividend for the next year. We see that the profit will be at the -- expected at the level that permits that to be in the range of plus 50% of dividend payout. And for the EPS growth, we will not base our future measurements on maybe by impairments impacted the result (00:43:57) end of this year. We have given a reference base at the Investor Day of a starting point of €4 per share, and that will be the starting base for the EPS growth target in the coming years.

The combined ratio for India, so in the markets, all players are above 100%. Also, important to mention, that investment income is 10%, so we are there in line with the market. Maybe to also indicate that when we entered in Turkey, the combined in Turkey of our company was above 110%. We have been reducing it together with our partner to less than 100%.

When we entered Italy, it was between 105% and 115%. We've been able – when we sold the company to bring it down in the lower 90s. What we are doing in Portugal, what we've done in Belgium, I would say, I think, in the meantime, we have quite some track records in impacting positively the combined ratio without killing growth. One exception is maybe the UK where we've worked on eliminating the really substantial – sustainably non-profitable business. But there, again, we see in the new segments like the direct one (00:45:12) that we are taking nice growth with lower combined ratios.

So, we believe that together with a local partner, again, working on segmentation, on pricing, and on expanding distribution, we can move the company forward in increasing the net income that is indeed only €10 million, but that has been increasing at the annual growth rate of 55% over the last three years. So, we are hopeful and confident from the upside.

Maybe with respect to India Life, I pass the mic to Filip who is the Chairman of the Indian (00:45:56).

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

As you are aware on the Life market, we have, last year, together with the partners, we've been looking at finding a new partner actually to broaden the distribution reach and/or to buy out the IDBI.

As you know, they were, at that time, under serious pressure because of nonperforming assets in the bank side. But in the meantime what has happened is that they have received significant capital injection from the Indian government be it via LIC, the Life Insurance Corporation of India, so that stabilized things.

The profitability of the operations we have in India is actually okay. The problem there is rather the size. As we know, we have been very careful in expanding in distribution channels, so we did not burn a lot of capital. What you saw in the market typically at the new development of agency channels from which we refrain. (00:47:01) We stayed loyal to the bank insurance (00:47:04) and we are still looking at opportunities to broaden that platform.

So, it is not excluded that the new partners (00:47:12) to expand that further. So, we'll continue to look for that opportunity. Other than that, indeed, for us we find and also for our partners we find our distribution reach being too small to our liking. So, that is what we're looking for. But the return on investment is actually quite positive and the prospect from the Indian Life market with recent regulatory changes related to the Unit-Linked products is also favorable. So, small but beautiful, but too small to our liking, so we look for opportunities to expand distribution reach.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Thank you very much.

Operator

So, we have another question from Matthias de Wit from Kempen, please go ahead.

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

Yes. Hi. Good morning. Can I just come back to RSGI? It's a small follow-up. So, the €10 million net profit for 2018, does that include any impacts from the positive equity markets we've seen over 2018 in India over the fiscal 2018 of RSGI? And can you maybe be a bit more specific on what we should expect in terms of outlook for 2019 like for the earnings power of RSGI?

And then secondly a question for Hans on Belgium, I know that the Life technical liabilities are down again a bit in the third quarter despite the growth in inflows. Can you maybe provide a bit more color on what's driving that? Is there a sort of replacement ratio you need to achieve to keep reserves stable? So, how should we think about that going forward? Thank you.

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

Yeah. Okay. I'll go first. On the technical liabilities, well, I assume that the number you are referring to is including the shadow accounting because before shadow accounting, actually, we are more or less flat and that we can summarize as being a small degree, I think minus 8% in the Guaranteed investment business, but well compensated by the long-term physical business and the Unit-Linked business, which has shown a nice growth. So altogether, actually, our technical liabilities are flat.

On the capital guaranteed part, there we have one or two more years of very high maturities of the eight-year portfolio, but we are actually quite happy that we are able to replace a significant part of this business by renewals or by Unit-Linked business.

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

And what you report in terms of Life Technical Liabilities guaranteed is down 3% – almost 3%. The reported numbers do not take into account shadow – or do not exclude shadow accounting, I guess, (00:50:33).

A - Christophe Boizard {BIO 15390084 <GO>}

(00:50:38)

A - Antonio Cano {BIO 16483724 <GO>}

Sorry. You're referring to which page?

A - Christophe Boizard {BIO 15390084 <GO>}

Yeah. Okay.

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

Yeah. I can take it offline. It's in the financial supplement.

A - Antonio Cano {BIO 16483724 <GO>}

Okay. That's fine. Thank you.

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

I can take it offline afterwards. No problem.

A - Antonio Cano {BIO 16483724 <GO>}

Okay.

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

Okay. With respect to...

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

(00:50:57) Yeah.

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

Sorry. Yeah. The Indian €10 million net profit for 2018 is, I'd say, without any exceptional income. So the financial is – also there's something like 10% where the 5- to 10-year bond in – government bond yields 8%. What their profit will be in the future, I hope you can understand that we cannot give you outlooks on company that's even not owned by us. So, we will have the closing in the first half. But it's clear that we, of course, expect not only top line to continue to grow, as we said at least in line with the market, which is between 15% and 20%, and as we expect, the net profit to grow in line with the previous years. So, that's for sure.

Maybe last point also on the price. If you look to price to book and you look to comparables in the – not only the Indian market, but the whole Asian market. Let's say if I book multiples of three to five, even sometimes six are not exceptional. And I would say with somewhere – a small reference, if we probably would use these multiples on our positions in the Asian markets, we could calculate ourself extremely rich. So, this is the market as it is.

We have seen what in the market has been paid for similar assets. The almost 4 times book is not exceptional. And in this case, we really are very convinced about the quality of the partner and the strong alignment in terms of strategy and culture.

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

Okay. Thank you.

Operator

So, we have another question from Farooq Hanif from Credit Suisse. Please go ahead.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi there. Thank you very much and good morning. I'd like to start first with reserve releases. So, in Belgium over the nine months, the reserve releases have been very similar to last year. But still when we look at other companies, still is a very high level.

So I kind of wanted a comment on your view on sustainability of that 9-point reserve release? And then similarly in the UK, you've had a massive increase in reserve releases. I was kind of wondering which part of the book that comes from and why.

Secondly, could you give us a bit more information about the timing of the Fortis Settlement payments from here onwards? So by what stage you expect that to be complete?

And then lastly, it's interesting because you've funded this Indian JV with a disposal. Maybe it wasn't intended to be like-for-like, but it's been very, very convenient I guess. And I'm just wondering what capacity you see for further kind of tidying up and disposals in the business from here onwards to provide more cash for JVs? Thank you.

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

Yes. On your first question on the reserve releases in Belgium, well, the prior-year releases are now at around 5.7%, which is fairly stable, which is stable also compared to same period last year. It is maybe indeed a little bit higher than it used to be a few years ago, but also since our prudency in provisioning I think is also completely at the level that we want. And so, of course, with a higher prudency, we can also assume that you have a higher stable effect of prior-year releases. So I think the range, 5% to 5.5% to 6% I think is fairly sustainable for us in the future.

A - Christophe Boizard {BIO 15390084 <GO>}

And if I can add something on the results – on the reserve releases, at each closing, we perform a specific test which is called liability adequacy test where the reserves are assessed, and I can tell you that the (00:55:16) confidence interval is increasing. And in the case of Belgium, it is well in excess of a 95% confidence interval, stable. So there is no depletion of reserve. And on the UK side, we have seen significant progress over the past quarters. And now, we are well above the 75% confidence interval.

Q - Farooq Hanif {BIO 4780978 <GO>}

Can I just ask – yeah.

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

Just if I can add there because the numbers that you have in the memo are slightly higher. And there is indeed also the effect of Health Care. So I'm talking about the – I was talking about the P&C businesses.

In Health Care, indeed, we do have a onetime release of some of the provisioning, but it should not materially impact us in the future.

Okay. Maybe coming back on the UK. So you indeed see a higher previous-year releases than the last couple of years. Again, bear in mind the remark I made related to the Ogden rate. So we had, as we announced, reserved our outstanding provisions at minus 0.75 (00:56:29). So there are some claims that are obviously not close at that rate, so there is like, you could say, an extra release from that effect.

But having said that, all the new claims we are reserving in minus 0.75 (00:56:44). So I don't know what the Ogden rate will be. We expect there's going to be a positive territory. So you could expect in the coming years there a release from the claims that we're setting up today.

So I think, overall, if you include current and the previous years and to look back – if you look at the claims ratio in its totality, it is a fair ratio. And you can discuss whether it should be a bit lower releases for last years, but then we have a lower current-year claims ratio. Hope that helps.

Q - Farooq Hanif {BIO 4780978 <GO>}

Yes, it does. Thank you.

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

Settlement?

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

Yeah. Regarding where we are with WCAM settlement, I refer to page 66 and 67 of the presentation. So maybe first and foremost, you can see there that we have received 175,000 claims to-date. The claim filing period itself runs till to the summer of 2019, but we have an accelerated payment period which terminates at the end of this year at the same time that we have to decide on the blow-up or not.

We also gave there an indication of what we have received to-date as opt-out, which is irrelevant, a small amount, I would say. So, with this in mind, you can assume that it's absolutely more likely than not that the settlement will go through. There is obviously not one single important party. And I always have to say to-date who has opted out, they still have the time until the end of this year.

These accelerated payments, the early payment that's referred to, they are paid in three installments or three tranches. First one that's happened even by the end of summer last – of this year. A second one with maximum amount estimated because it depends on the number of claims that can be expected before the end of this year in the range around €100 million. And the third one will depend on the rest of the filing, but can be expected in Q1 next year. But these are accelerated payments at 70% of the expected claim amount.

Then people will have to wait because before we can move into final payments, we have, of course, to conclude the filing process, which runs, as you can see on page 67, until the 28th of July 2019. And after that, there will be one or two more payments to be made.

(00:59:23) one of two, the main one will be before the end of that year. But, as you know, it's a closed envelope and in the end, we need to have the total bill settled before we can finalize the distribution so that maybe that there is another additional payment maybe still before the end of 2019. It will be a small amount, but just to give you an example, it can relate to disputes in inheritance files and all divorce cases you understand that we have to clear that all out. And on 170,000 claims, there are a few. But materially, all material payment should be finished by year-end 2019, and a clear decision can be expected in January that all will be confirmed to happen according to plan.

There is no concerns relating to the budget that we have foreseen at this moment. It all falls within our expectations.

Q - Farooq Hanif {BIO 4780978 <GO>}

Thank you.

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

Okay. So the last question was about whether - okay, India, Luxembourg - there was some link between those files. I can say of course not. In M&A, it's always impossible to plan different files with different stakeholders to really fall in a sequence as we have had now. The exit of Luxembourg was something that was, let's say, prepared a long time ago because the entity was, for us, not of strategic importance and there was a nice momentum.

The entry in India has been also work of multiple months after screening of the market. And so by coincidence, both files are in the same price range, but also that is - it's not something that we could have imagined when we started with both files.

Further streamlining of the company portfolio, I refer to our, let's say, messages at the Investor Day where we said that in Europe, we have the three whole markets or core markets being Belgium, UK, and Portugal. Therefore, Belgium and Portugal, we will continue to look to potential in-market consolidation participation.

We then have the growth markets, for us, start in Turkey and in Southeast Asia where we look to also (01:01:56) possibilities in markets where we are and maybe one or another new market. But again, more than that cannot be set.

The capacity to invest did not change. After those two operations, we have something like €900 million free cash and we have something like €1 billion debt capacity. But again, we will only do deals when they fit in the strategy and when they open the possibilities to reply to our financial criteria.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. That's very clear. Thank you very much.

Operator

So we have another question from Mr. Benoît Pétrarque from Kepler Cheuvreux. Please go ahead, sir.

Q - Benoît Pétrarque

Yes. Thanks for taking my questions. First one was on Belgium Life. Stripping out cap gains and impairments, it should be kind of weaker quarter. So I was wondering what was going on there. Have you revalue your profit-sharing reserving in the third quarter, maybe adjusting to higher remuneration rate for the full year?

Second question was on Belgium Non-Life. Could you talk a little bit about the pricing (01:03:12), plus 5% in gross written premium year-on-year, which is quite strong? I guess some of it is pricing. Had (01:03:20) the impression that some big insurance players were a little bit more aggressive recently, so what can we expect on prices next year on Belgium Non-Life?

And the third one was you've started to implement your internal quota share in Portugal. What will be the level ultimately you are aiming for your Reinsurance internal deal? And then maybe on China, just if you could give us a bit of whether this - guidance on sensitivity to allow equity, say, a 10% down on equity market in China. How much impact will that have on your earnings? Thanks.

A - Antonio Cano {BIO 16483724 <GO>}

Well, I think on your first two questions - well, as you know, capital gains in Belgium always compose about an equity part and a real estate part. And on the equity part, I think we have more or less fully realized our ambition for 2018. On the real estate, as you know, there is definitely an effect of seasonality. And if you compare with year-on-year, on Q3 last year, we had almost already fully realized our capital gains on the real estate portfolio, which is not the case this year.

There are three significant ones - actions to come in the pipeline. They are fully on schedule and that should bring us to the €30 million that Bart referred to in the beginning.

You ask the link for the profit-sharing. So indeed, the reserving methodology for the profit-sharing is linked on a quarterly basis to the investment return that we have, and then I'm talking about the recurring investment return plus the realized capital gains. But there, we have not changed anything in the methodology. So also there, we are, I think, fully in line with our ambition that we have set for 2018.

Your second question on the Non-Life pricing environment, I think – well, today, indeed I think the Belgian market as a whole in Non-Life is in a fairly healthy situation. That means so good stable profitability in almost all business lines. Cat-nat (01:05:43), of course, this year and for the market as a whole is a bit more negative than it was exceptionally good last year.

As of today, we do not feel real pricing pressure, not from competitors and the index period there is coming on, which is a major contributor for the growth in the Non-Life business. But I have no indication that in the short term, the pricing pressure will increase in the market.

A - Christophe Boizard {BIO 15390084 <GO>}

So on Reinsurance, the Portugal deal was, as I said, a pilot. So it was only 10% quota share on new business, but it was, as I said, to test the different processes to check that everything was in place at the holding level.

It's quite a change for us to come from an holding to an operating entity. We have to fill the QRTs. We have a lot of reporting obligation vis-à-vis very good at all to put in place. But then serious things come as of January 1 and the assumptions we are working on is quota share at 20% for Belgium Non-Life, 30% on the UK, and 20% on the Non-life Portuguese entities.

And if you take that into account, that would lead to an amount of gross written premium for the holding slightly below €1 billion on a recurrent basis. And then, since we put in place a quota share on the existing reserve, the loss – we will have a loss portfolio transfer.

Two components: on new business and on the existing reserves. The first year, we will have written premium in the range of €1.8 billion to €1.9 billion, so for 2019 and then the following years, slightly below €1 billion. But please keep in mind that this is internal operation, so we will have the elimination. But on the statutory account for ageas SA/NV, €1.8 billion in 2019 and €1 billion the following years.

Q - Benoît Pétrarque

If I take your current combined ratio and the kind of tax rate, that could be a quite significant impact on your tax payments for next year. Is there any impact expected on your net Insurance ratios (01:08:37) from that?

A - Christophe Boizard {BIO 15390084 <GO>}

So, first, I...

Q - Benoît Pétrarque

Sorry, your net profit. Yeah, sorry.

A - Christophe Boizard {BIO 15390084 <GO>}

No. I'd like to stress that fact, but it was not at all the driving factor. We have stressed increased fungibility with the nice positive impact we booked at the end of Q2 as soon as we obtain the license. So, the tax aspect was not at all the driving factor. But you are right, there is a tax component. Why? Because in ageas SA/NV, we first have all the holding costs and – so we don't pay taxes. And if we have technical profit, this profit won't be taxed as long as we don't reach the level of the cost – of the holding around €70 million and beyond this, we have the past losses which are huge, but you know that we cannot use 100% of that.

So what we have is an implicit tax rate of around 8% on what will be above the amount of the cost that's holding, but with the envisaged – the transfer results, we don't reach this threshold. So what will be transferred will be seen as a tax rate.

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

Okay. Your last question on the sensitivities on impairments, maybe first of all, it's not that linear in a sense that you have impairments where you have the minus 25 (01:10:16). So it can be a sudden hit.

And of course, in impairments, we had had so far – an important part of the negative impact comes from this first impairment. And then you have the second element, which is the second rule of 365 days below acquisition price. And you have then a third element, which is the potential further decrease of value of already impaired shares. So it's a mixture of these.

Something you could use as a kind of guidance is that our stake in the equity portfolio in Asia or in China more precisely, you can estimate – it's something like €1 billion. And so we should then make a very easy shortcut say 1% of €1 billion is €10 million. But again, it's not that easy to say. So if you would have a decline of the CSI Index, it would be minus 10%, so €100 million. That's a bit too easy calculation, which really need to be looked at line-by-line.

Also maybe add that if in the future these impaired shares that are in most cases not impaired yet on a local cost level, if these shares are sold in the future, the capacity to realize capital gains on these impaired shares is, of course, higher and will have done a higher impact for us than for the local entity.

Q - Benoît Pétrarque

Great. Thank you very much for that.

Operator

We have another question from Mr. Jason Kalamboussis from KBC Securities. Please go ahead, sir.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Yes. Hi. A quick follow-up question. On Asia, if we look at excluding realized gains, you're starting to move to very nice level of earnings, which is €95 million in Q1, €87 million, and now it's €75 million. So it's a bit of a lower quarter.

Looking at last year, seasonally, Q3 was a bit lower, but Q4 was at the level of the two other quarters. Is that correct and are you happy with that – that that could be your run rate excluding basically unrealized or realized gains? So basically above €80 million.

And the second quick question was on Ogden. Is there any way to have a net impact? That means your reserve at minus 0.75 (01:12:46). But on the other hand, as you settle things, you settle them at zero. So excluding whatever change may come to the Ogden rate, is there any way we can have a net impact of these two movements? Thank you.

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

So for the first question, I think it's almost impossible to say the quarterly result in Asia is so much and less than multiplied by four, for a simple reason that we'll take an example of China which, is of course, of high importance in our total result in Asia. You see that the more you go to the end of the year, the more the company starts to prepare the next year. It means that there are proportionally more investments made in Q4 than in Q1.

And so the guidance we gave in the past of something like €250 million profit in Asia, I think if you take out indeed the exceptional negatives, we are above that, and the €250 million that we gave in the past should be an amount that is over time year-after-year increasing. That's why we are in these growth markets.

So to give one figure, for instance, only on the – in terms of number of agents, a year ago in China, we had almost 400,000 agents. Now, one year later, we have 520,000 agents. So it means that 120,000 agents have been recruited on a net base compared to year ago. These are really prepared by selecting training theoretically and on the ground to have a full strong start in 2019.

And as a consequence, you will have, what we also said in previous years, a bit more impact from expenses in Q4 than what you have in Q1. But a guidance of what you say – if you take €80 million per quarter and multiply it by four means €320 million on a full year. That's above our previous guidance of €250 million. But I'll repeat that the €250 million that we gave in the past should clean for capital – let's say capital gains or impairments should be moving up progressively year-after-year, the €250 million. Yeah.

A - Antonio Cano {BIO 16483724 <GO>}

Yeah. Maybe coming back on – first of all, I did not remember saying that we were closing files at 0%. It's very difficult to tell at what rate you're actually closing files.

The net impact happens to be in, at the end of Q3, kind of close to zero. How do I arrive at that? Actually, we do make calculations where we say suppose that the Ogden rate would move to say zero or 1% or whatever, what would be the difference compared to the current book reserves? And actually, if we look at that difference or that amount calculated at the beginning of this year and that same calculation made at the end of Q3, it's actually quite similar.

So that's why I said actually the net impact on closing claims at a different rate than the Ogden rate is neutral, up until the first nine months.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Very helpful. And if I can have just a quick follow-up. In Italy, you (01:16:22) one-off with Cardiff, but here with Luxembourg, it's the same. Is it because of how you structure the deals with the partner or is it just a different attack (01:16:32)? That means now, you would like to re-enter any of these two markets in a different basis or with a different partner.

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

Let's say the – to start with Luxembourg. Luxembourg historically, ageas and its predecessor had a 50/50 joint venture with BGL and the bank that was part of the Fortis Group. That was the structure. That was, I will say, dating for – since many decades and where, let's say, exit (mechanism were almost not existing.

When we then, after the restarts with ageas, saw the opportunity to enter into a joint venture with Cardif Luxembourg and created the new company where the three parties – BGL, Cardif and us – all the three at one bird (01:17:29), at that moment, we of course arranged the deal in such a way that exit mechanism were much more, let's say, straightforward and beneficially if one of the parties would like to step out.

And that is what happened. So we – Luxembourg is, of course, an important Life market, but it's a Life market in a business line. Very high net worth in different European countries based on a bit financial engineering less than 10 years ago on tax aspects and so on, but that is not really on top in our business model.

So we saw the opportunity, thanks to the exit opportunities in the contract to step out, and we saw that our partner, BNP and Cardif, who recently also acquired the Life business from ABN Amro in the country, that they were eager to buy from us and so we came to an acceptable solution for the both parties.

Italy was, you could say, maybe a bit different. We came to a point where, again, in what we try to do in every of our partnerships, at a certain moment in time, we saw that the company was better off with being owned by one of us. Don't forget that Cardif has also Life activities in Italy where we – we're only in this Non-Life joint venture where we've been very pleased with the progress made in terms of combined ratio profitability, but where we – we lack a bit the scale. And so there also having a partner that had a good rationale to acquire our stake, we came rather quickly to a solution to divest.

We will not – I don't expect us to go and have a look on Luxembourg to become a major player in that market in the future. Italy, of course – at this moment, Italy is not really the country that is, let's say, extremely stable from political point of view. We have always debate about Euro (01:19:48). It's also another country where I think in the short term, we see opportunities. So, I would say no immediate return to these markets to be expected. And you could say for Luxembourg maybe never. Italy (01:20:03), I always say never say never, but definitely not in the short term.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Very helpful. Thank you very much.

Operator

As there are no further questions, I would like to return the conference call back to the speakers.

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

Okay. Ladies and gentlemen, thank you for your good questions.

To end the call, maybe permit me to summarize the main conclusions. We are of the opinion that we achieved a solid Insurance net result despite substantial lower support from net capital gains. We delivered a strong operating performance across all segments with UK confirming its turnaround, and we are well on track to deliver on our Ambition 2018 targets.

We enjoyed a strong sales momentum with a short rebound in inflows in China and double-digit growth in inflows of Life in Belgium. The Solvency II insurance ratio is strong as well as one (01:21:04) from the group, well above target, and the operational free capital generation is more than in line with what we have promised and predicted. So I would dare to say that we delivered on the promises and are confident to continue that way.

And with this, I would like to bring this call to an end. Thank you very much. And if you have further questions, do not hesitate to contact our Investor Relations team. Thank you.

Operator

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