Q1 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
- Hans de Cuyper, Chief Executive Officer-AG Insurance

Other Participants

- Albert Ploegh, Analyst
- Arjan van Veen, Analyst
- Bart Jooris, Analyst
- Farooq Hanif, Analyst
- Farquhar C. Murray, Analyst
- Johnny Vo, Analyst
- Matthias de Wit, Analyst
- Robin van den Broek, Analyst
- Steven Haywood, Analyst
- Vikram Gandhi, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, welcome to the conference call for the first three months of 2018. I am pleased to present Mr. Bart De Smet, Chief Executive Officer; Christophe Boizard, Chief Financial Officer; Filip Coremans, Chief Risk Officer; and Antonio Cano, Chief Operating Officer.

For the first part of this call, let me remind you that all participants will remain on listen-only mode. And afterwards, there will be a 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; Mr. Christophe Boizard, CFO. Gentlemen, please go ahead.

Bart Karel De Smet {BIO 16272635 <GO>}

Good morning, ladies and gentlemen. Thank you all, for dialing into this conference call and for being with us for the presentation of the first quarter 2018 results of Ageas. As indicated, I'm joined in the room by my colleagues of the executive committee, Christophe Boizard; Filip Coremans; and Antonio Cano. We also have around the table, Hans De Cuyper, the CEO of our Belgian Insurance Company, AG Insurance, and of course our Investor Relations team.

Ladies and gentlemen, after delivering an excellent result in 2017, which was a record year for Ageas, I'm pleased to announce that 2018 started very well too. Our net result increased 35% to €299 million, despite adverse weather events in Belgium and in UK, which has an impact of €40 million. This net result was achieved with a similar level of capital gains at €103 million.

A combination of two elements led to this result. Firstly, we experienced a solid operating result across all our segments. Our Guaranteed margin increased strongly to 137 basis points, underpinned by a high investment result in Belgium.

As for our combined ratio, it stands at 98.8%, and this includes 6.1% impact from the adverse weather, so we expect to reach our target of being below 97% by the end of the year, if no further exceptional events would occur.

The second element which drove our net result was the exceptionally high performance recorded in China, thanks to favorable evolution of the interest rate, higher capital gains, and lower commercial expenses following lower sales and a changed product mix.

Our inflows decreased slightly by 2% at constant exchange rate. The good news is that we renewed with growth in Belgium, where our sales of Unit-Linked products increased considerably, and we experienced strong growth in Continental Europe, scope-on-scope. But this could not entirely offset the lower premiums recorded in Asia and in the UK.

In the UK, the lower volumes reflect our deliberate choice to focus on pricing and underwriting discipline, and thus to favor profitability over volumes.

While in Asia, the decrease in inflows is mostly attributable to China, where regulatory changes brought us to stop selling most of our single premium products that used to drive the sales in the first quarter of the previous years.

This regulatory change naturally apply to all the players in the market, and China Taiping Life outperformed the market and managed to gain market share and became the number five life insurer of China. Also note that the change in product mix is positive in the longer term as we focus on more profitable regular premium business.

Our total liquid assets amounted to €1.7 billion compared to €1.8 billion at the end of last year, and this slight decrease is related to the ongoing share buyback program. With regarding the cash upstream, by the end of the quarter, we had only received €7 million from Turkey. But as you know, our operating entities usually pay the biggest part of the dividend to the group in the second quarter of the year, and most of it has indeed already been wired on our bank account in the meantime.

And as you can see on slide 5, we expect to receive over the full year around €600 million in cash from the Insurance operations. This is substantially more than the approximately €500 million annual upswing we have seen over the last couple of years.

As you know, AG Insurance upstream is 100% of its net result, and this amount of €437 million on its own is already more than sufficient to cover the €408 million that we will pay out to our shareholders later this month on the 30th of May. Expected cash upstreams from Continental Europe and Asia complete this €600 million.

Before handing over to Christophe, we would like to draw your attention to two important milestones that are rapidly approaching. The first one will be on the 30th of June, which will mark the end of the put option granted to BNP Paribas to sell its 25% stake in AG Insurance. And the second milestone will be on the 13th of July when the Court of Amsterdam will render its decision on the amended Fortis settlement. I can imagine that both topics will come back in the Q&A session.

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. I propose to start with the group's Solvency II and free capital generation figures before focusing more in details on our results in each segment.

So on slide 6, you will find the Solvency II figures. As mentioned by Bart, the Insurance Solvency II ratio is in line with last quarter at 196%. This stability hides a 4-percentage point positive impact coming from the business operation, compensated by the accrual of the expected dividend related to the IFRS result over the quarter. At group level, Solvency II ratio has come down by 1% reflecting the impact of the ongoing share buyback program.

Going to the sensitivities on slide 7, now you may remember that in Q4 last year, we made model refinements to the Solvency II calculation by introducing an expected loss model in our core Life entities Belgium and Portugal and the company's specific volatility adjuster for the other entities replacing the EIOPA reference portfolio that didn't really work for Ageas as explained during the last Investor Day.

As you can see, this model improvement significantly reduced the spread sensitivities of our solvency ratio, also both sovereign and corporate now move in the same direction when spreads go up.

Regarding free capital generation, I am on slide 8 and 9 for the breakdown own funds and SCR. The operational free capital generation over the first quarter amounted to €149 million. This includes only €7 million dividend upstream from the non-European NCP's from Turkey to be precise.

The other isolated block in the chart that you can see, the €30 million, corresponds to the minority interest on our Belgian operating company, knowing that all the roll forward present a 100% view (00:08:19). So, at this the put option was exercised.

This leaves us with an operational free capital generation over the quarter group share of €112 million. You might recall that last year, we had an amount of €511 million for the operational free capital generation on our Solvency II scope companies corresponding to a quarterly average of roughly €130 million.

If we take into account, the weather events in Belgium and in the UK impacting the group own funds by €40 million, we come to a normalized operational free capital generation on the quarter of around €152 million, comfortably above already mentioned €130 million. So, we feel comfortable with this number that we are presenting to you today.

After this rather long development on solvency and free capital generation, I will now give you more details on our IFRS results. So, let's go back for a short while on slide 4, showing the Insurance headlines. As Bart mentioned, the net Insurance result for the quarter amounted to €299 million, which represents a 35% increase compared to last year. The improvement came mainly from the Life business which increased to €252 million, compared to €168 million last year. Not only did we deliver better operating results in all our segments, but we also benefited from an exceptionally high result in China.

The Non-Life result decreased to €48 million compared to €54 million last year, €51 million if we exclude the €3 million contribution from Cargeas, our former Italian operation. So scope-on-scope, the Non-Life result went only down by €3 million, despite the €40 million adverse weather impact.

Even when taking into account that last year result was affected by Ogden reserving in the UK for an amount of €21 million, the Non-Life results has clearly improved. The combined ratio stood at 98.8% which is above our target of 97%. But if we restate this combined ratio by the adverse weather, we had during Q1, it would be at an excellent level of 92.7%.

As usual, I will now give you a bit more details on each segments now. In Belgium, slide 10, the net result stood at €136 million with an excellent result in Life at €119 million, €13 million higher than last year. The operating margin on Guaranteed business reached 141 bps, thanks to better underwriting result for €8 million and to higher investment results for €14 million related to real estate transactions and capital gains on equities.

Like last year, these capital gains are expected to level out in the operating margin over the course of the year.

It is also worth noting that as Life gross inflows renewed with growth plus 5% driven by the strong boost in the sale of Unit-Linked products which went up by 32%. Also in Non-Life, there was a 6% top-line growth, but both growth are not visible on the slide, because of hounding effects, but I can assure you we have plus 5% and plus 6%.

Bottom line, as mentioned the Non-Life business was impacted by adverse weather in January for an amount of €18 million. So, €18 million among the €40 million including the UK. The underlying performance continues to be strong. And excluding the weather events, the combined ratio would have been 92.9% in line with last year, while this year, there is much less support from prior year releases compared to last year.

In the UK, slide 11, the situation there is gradually improving. Despite the negative €22 million impact from bad weather, the net result amounted to €11 million compared to only €1 million last year with a similar amount of exceptional items in both years. In this very competitive market, we chose to focus on pricing and underwriting discipline, which weight (00:14:19) on inflows.

In Continental Europe, slide 12, our net result went up by 7% scope-on-scope. So excluding Cargeas, which contributed €3 million last year, our operating performance remain strong in our Life business and we delivered an excellent performance in our Non-Life activities with a combined ratio at 90.2%.

Finally in Asia, on slide 13, we recorded an exceptionally high net result at €124 million compared to €52 million last year. This strong increase is largely due to our Chinese operations, we have a strong operational result benefited from the favorable evolution of the interest rate, higher capital gains on equities and lower commercial expenses due to lower sales.

Regarding Asia, we included in the Excel file on our website additional and more granular data on our Asian JV with one quarter delay. Compared to last quarter, you can find more detailed information per country as well as (00:15:50) information on China.

The net loss on the General Account, slide 14, amounts to €52 million composed by the non-cash revaluation of the RPN(i) liability and the staff and operating expenses. This brings the group net result to €248 million compared to €110 million last year. The total liquid assets of the General Account stood at €1.7 billion, of which point €0.9 billion remains ring-fenced for the settlement.

Ladies and gentlemen, I'd like to end my comments 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 questions per person. We have our first question from Mr. Arjan van Veen from UBS. Sir, please go ahead.

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

Thank you. I have a couple of questions on Asia, and then just one on capital generation please. For Asia, could you please split out the impact of the interest rate movement, the

750 a day (00:17:24) moving average, and the capital gains, so we can get a better idea in terms of more normalized earnings for that division?

Also, I would assume the fact that expenses are lower due to lower sales given the changes in China and the regulatory intervention, there would be - would there be a reason why not think that will be feature on a go-forward basis? And then on capital generation, I recall last year that first quarter was also very strong, and then was a bit weaker for the remaining quarters. Would we expect a similar seasonal trend or is a reason why the pattern would be different this year?

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

Yeah. Thank you for the questions, Arjan. On Asia, the first part, the explanation I would say for the increased result there, so there are three elements. The first one is the precise figure is in our slides, the slides with the split of the realized capital gains slide 23, where you see that compared to last year when we had €2 million cap gains, we now have €25 million. So, you'd say something like €23 million of the results. That increase is coming from higher capital gains on equities.

The second element is linked to the reserves that are calculated with discount rate that is based on 750-day average value of the 10-year Chinese Government bonds. Well, last year, there was a negative impact when - because this discount rating decreased, and now with a slight increase of interest rates, we have a positive impact. But we do not really quantify it. But okay, it's part of the let's say low result last year in Q1 and higher results this year.

And then the third element is that due to the change - the lower volumes in sales, but also the change in product mix, where we have and you can find that on the additional slide with the details on the Asian business, where you will see that - where last year, we had something like €2.4 billion single premium in China, with this year only had €450 million. So the expenses on - as well operational as commercial have sharply decreased in Q1. So those are three elements. Capital gains on equity €425 million, delta in reserves that was a negative impact last year, a positive this year, and then a lower impact of costs, so commercial expenses.

Will that go - and that's your second question, go on, remain on ongoing base. So what we've seen is that, at the end of Q1, the premium income was down with, let's say, something like 7% in China compared to a market that was down with 25%. And the total - let's say, impact of single premium in the whole inflows in China were not more than 6%. So no (00:20:50) it was 6% in the region, 4% in China, and what we see is that already in the month of April and these figures are public, Taiping Life almost recovered the delta and is now at only 1% in volume compared to April last year.

And that's mainly regular premium. So we believe that, going forward, there will of course be efforts to further strengthen the commercial franchise by recruiting agents and things like that, but we - okay, the - let's say the relationship between lower expenses on regular premium compared to single premium is something that we believe will have an impact by the end of the year.

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

Understood.

A - Christophe Boizard {BIO 15390084 <GO>}

On the free capital generation, so first, we didn't really disclose Q1 figures for 2017. You remember it took place during the Investor Day in Lisbon in June. The focus was more first on the method and second on 2016 figures, and then we showed, as I would say, a draft on the AG contribution for Q1.

And, indeed, we had the high figures at this moment. But please keep in mind, but at this moment since it was a segment only we showed AG at 100%, whereas in our free capital generation as presented today, we isolated the minority interest and we are at group share. I think - and you were asking about the future run rate, what I would like to remind you, is that in my speech I confirm the kind of run rate we had already discussed starting from the €511 million. So, the run rate of €130 million for the group, and I think, I explained why we are well within this range. And why, I declare that we feel comfortable if we take the - if we restate by this exceptional weather event, we are well within the guidance. And I think it is what you should keep in mind. So, no change in the trend on free capital generation.

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

Can I ask just a point of clarification, if you don't mind. You seem to indicate that the ongoing capital generation (00:23:24) was a bit lower post the (00:23:25) Cargeas sale, and now you've gone back to the original guidance last year. Is that a bit of an upgrade or I've misunderstood your comments last quarter?

A - Christophe Boizard {BIO 15390084 <GO>}

Can you repeat the question? The line is not really good.

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

So, you gave the €500 million last year...

A - Christophe Boizard {BIO 15390084 <GO>}

Yes.

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

...but I recall in the 4Q Conference Call you said that the run rate would drop because of the Cargeas sale. Now you've gone back to that number. So it seems that you've upgraded a little bit from last quarter conference call?

A - Christophe Boizard {BIO 15390084 <GO>}

No, there is no change, to the fact that Cargeas left the consolidation scope. Why? Because the contribution of Cargeas was small.

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

Okay. Understood.

A - Christophe Boizard {BIO 15390084 <GO>}

So, we can consider that we confirm the previous figure even with this slightly reduced scope.

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

Okay. Thanks.

Operator

Okay. Next question from Mr. Albert Ploegh, from ING. Sir, please go ahead.

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes. Good morning, all. I've got basically two questions. One is a little bit more on the Insurance net profit guidance there was profile of (00:24:47) €750 million to €850 million. I noticed you've scheduled an Investor Day in September, so I guess we get some more color there going forward.

But I also do recall that in that target range, if I'm not mistaken, there was an assumption roughly of €120 million to €140 million in terms of capital gains. Last year, Q1 was very strong and you basically matched last year's numbers in terms of capital gains this year. So, how should we look at that? Do you think you strictly can generate more capital gains or is it still in your opinion some kind of big one-off quarter in that sense?

And the second question I had, on the sensitivities under Solvency II. Would you expect loss model that was referred to? How does the regulator look to this as well, because I do notice the gap has widened a bit between solvency PIM and the Ageas Solvency II calculation probably as a result of this expected loss model as well? So, do you have some color on that? What becomes, in your opinion, more leading or binding in that respect? Thank you.

A - Christophe Boizard {BIO 15390084 <GO>}

Okay, Albert. On the first question, I don't think that we see a reason to completely change our guidance of profit €750 million, €850 million, but maybe one nuance that I would go to put it more at the upper side of the range than the lower. Of course, you never know that exceptional elements could impact that. But let's go more for the €850 million.

The capital gains that are included, so we got to consider – maybe remind two elements, first of all on equities, we have – we expect a certain volume of cap gains in such a way that we try to achieve any combination of dividend and cap gains, the expected total return that we also use in our strategic asset allocation models.

For real estate, a similar story. We expect a certain return and as we treat real estate at amortized cost, you have your rent income, your depreciation, and a consequence is that we realized every year a certain volume of capital gains on real estate. Again, to achieve this, somewhere expected return. And if you look over the last nine years, you will see that the – I would say the buffer of unrealized capital gains on real estate has stayed very stable each time around €1.5 billion, €1.6 billion.

And so, of course, in real estate, you cannot always, on the euro, right, sell buildings, that sometimes it's a bigger, and the other year is a bit lower amount. But what we could give as a guidance is that the capital gains that we've been realizing in this first quarter are, in any case, more than one-fourth of a yearly budget. So please do not multiply by 4.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay.

A - Christophe Boizard {BIO 15390084 <GO>}

On the other end you could consider them being something like 60% to 65% of what we expect for the full year. So the full year would be also normally a bit exceeding this €120 million to €140 million range.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay. Thank you.

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

Albert, regarding your question between the difference between Solvency II, PIM, and our Ageas approach, let me remind you that there are three main differences between the two. First and foremost, indeed, you have the ALM/saver (00:28:23) model, which deviates from the EIOPA volatility adjuster. If I may (00:28:29) come back to that. And then we have the internal move of real estate, which is applicable in Pillar 2 as well. And thirdly, and let's not forget, in Pillar 2, so the way we look at it, there is no transitional measure. So these are the three main differences.

Now, why do we have an Solvency II ageas view is because we feel that that is the one which is economically the most sound. We all know and you know them as well as we do the, let's say, shortcomings of the EIOPA volatility adjusted mechanism. And we really don't manage our company based on Pillar 1. We do manage our company and hence our dividend upstream, our risk taking, our risk appetite, and indeed, our capital management policy is based on Solvency II ageas.

That is the way we steer our companies, which is most in line with economic reality. That is where we have introduced the ALM to take away the inconveniences and the absurd evolution sometimes of the EIOPA volatility (00:29:32). That being said, of course, PIM had partially internal model, Solvency II remains a constraint, a threshold level that we have to satisfy. But look at the ratios, there is ample buffer there. And the €175 million target around which we operate is under Solvency II ageas. That is the world we live in.

The other one is the constraint we have to take care of, but we are well above the limits there from a regulatory perspective. So, that is the way to put that in perspective.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay.

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

Indeed, sensitivity to spreads will be higher in the partial internal model, but it is almost random. And we know that there is always the pull to par effect there, whereas in Solvency II ageas, I think you will get a fairer and a more real view on the performance and the evolution of the company.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay. Thank you very much.

Operator

Okay. So, next question from Mr. Vikram Gandhi from Société Générale. Sir, go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hello. Hi. Good morning. Thank you for taking my questions. To begin with, can you provide some explanation around your comments on Unit-Linked sales proving favorable for Belgium and unfavorable for Continental Europe? I'm a bit puzzled by this, because I thought the margin you'd on (00:30:59) would be on the stock of assets or reserves, and the flows should have only a tiny incremental impact, but that seems not to be the case going by the press release.

Secondly, can you remind us on how you treat the sales expenses in Asia? Do you DAC them or fully expense them? This is with regards to the comments that lower sales costs were one of the factors that helped Asia Life results. And then, a small clarification on slide 47, what are the major components of the others, which is at €169 million negative? That's all from my side. And in case you'd like to comment on where you are with the discussion with the put option with BNP that would be great. Thank you.

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

Hans CEO of Belgium, takes your first question, and then I'll take over.

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

Regarding the Belgium Unit-Linked sales, we have seen a growth of 32%, bringing us to €168 million. That is a trend that we are seeing already a few quarters right now. You know that in Belgium we have seen a significant decrease in investment type of products for many years due to the low-yield environment. For a few quarters now, we see there was a shift. We see that the Unit-Linked market is picking up, and specifically AG Insurance with the mixed distribution of course with the bank, as well as with brokers. We have noted a significant growth there of 32%.

I also would like to mention that you see the benefits of this in the operating margins of Unit-Linked, because there we see some scaling effects to revenue sources from Unit-Linked, which is recurring fee but also the entrance fee and of course higher volumes give us higher entrance fees while most of the expenses for our Unit-Linked business are fixed. So, we see it clearly in the operating margin Unit-Linked some economies of scale.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay. Okay. And...

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

(00:33:09) Yes. Go ahead. Go ahead. You had an additional question, Vikram?

Q - Vikram Gandhi {BIO 18019785 <GO>}

Yeah. I mean, does it work the other way around, exactly the other way around, for Continental Europe was my question.

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

Antonio will respond.

A - Antonio Cano {BIO 16483724 <GO>}

Yes, indeed. For Portugal in particular, it is much more – the fee income is much more related to inflow, which has been lower than last year contrary to Belgium. So, it is slightly the other way around. There's obviously also a fee based on the funds under management, but relatively lower, so it's much more front ended.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay.

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

Okay, the with the question for the sales expenses in China, we take all expenses in results, so no DAC. And then I understood you also had a question on the put option. So, the put option, I can be very short there. So, the expiry date is end of June, and we will wait and see what will happen. But we can only repeat what I have said previously that we give the highest probability to a non-exercise of the put. The distribution agreement is running. I think the collaboration announced just also gave a view on the Unit-Linked production. But, it's overall, the collaboration with BNP is very strong and positive. And so, we give the highest probability to a no exercise of the put, but we will only be sure once the date of 30th of June is past.

And maybe mention if it is not exercised, it will disappear. So, the liability will disappear from our balance sheet for one-off positive impact on solvency that can be estimated at something like 10%, and it will also decrease the volatility of solvency going forward. So, there is something like €400 million own funds that will be created.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay. Fantastic. That's very helpful. And the last one on slide 47, the €169 million others?

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

I didn't get the (00:35:40).

Q - Vikram Gandhi {BIO 18019785 <GO>}

It's the €169 million number negative on slide 47? Can you explain what that pertains to?

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

So, the €169 is wrong figure. It should be €47 million.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay.

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

(00:35:58) And so the end result should be €1.778 billion, which is the €1.8 billion cash that we also refer to in all the other publications we have made.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay. Perfect. Got it. Thank you very much.

Operator

Next question from Farquhar Murray from Autonomous. Sir, please go ahead.

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

Good morning, gentlemen. Just two questions, if I may. Starting again with Asian profits. Will the reserve discount rate adjustment change every single quarter? I mean, does it have any kind of structural impact on the €200 million to €250 million net profit guidance you've given for Asia before? And then just turning to the UK, what drove the 8.7 percentage points of prior year release in the UK? Was there a particular book? Thanks.

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

On the interest rate movement indeed, due to methodology, there can be – or can be every quarter a change when rates move up like we see now, let's say, required reserves will come down. And it passes through P&L when rates go the other way down. It will have an impact like last year in Q1 and maybe there's some guidance if you compare last year Q1 and this year Q1, the difference – the impact, the difference is something like €50 million. So a negative impact a year ago, a positive impact now.

Maybe also to mention at this point that as we have commented earlier that Taiping Life is one of the insurers that's most conservative also in the use of the volatility adjustment possibility that China regulator is giving. So that's also a reason why the sensitivity should be a bit more manageable. But we cannot exclude that similar effect will happen in the coming quarters.

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

And does it follow through (00:38:13), the €200 million to €250 million guidance?

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

I think we are now at above €120 million profit for Asia. So when we gave a guidance on the result of Asia, €200 million to €250 million, a bit like I did earlier with the €750 million to €850 million overall net result of Ageas. Also here, I would look more to the €250 million as guidance for the upper part. And like last year, not excluding at all that you can sometimes exceed that amount, knowing that we are still in a growing region where the underlying, let's say, elements of profit are increasing year-on-year.

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

I can obviously understand the €250 million guidance with regards the full-year 2018, given what we obviously just seen, but would that carry through to 2019?

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

Well, we don't give guidance so far in the future. Let's stick to the €250 million being more – let's say the guidance and be the possibility to improve or to (00:39:18) upwards in the coming period.

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

Okay. Thanks. And the UK?

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

Yeah. Antonio?

A - Antonio Cano {BIO 16483724 <GO>}

Yes. I'll pick that up. So, in the UK, the big prior-year release is related to the motor account. Comparing to last quarter – of last year's first quarter, bear in mind it was when we were still adjusting for the Ogden changes, so we didn't close really a lot of files last year and the claims adjusted were actually more busy with the existing claims. And then, this previous year's positive runoff, it's partially due to the fact that we have reserved our claims provisions considering the minus 0.75 Ogden rate and not all claims are closed at that level.

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

Have you taken the 0.75 to somewhere else now or is that just what happened in that year?

A - Antonio Cano {BIO 16483724 <GO>}

No. So, to make clear, we just consider at a point - a minus 0.75 is the Ogden rate and that it stays like that for now. Obviously, we all know that change will come, but the 0.75 is the Ogden rate we use for reserve.

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

Okay. Got it. Thanks.

Operator

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

Q - Steven Haywood {BIO 15743259 <GO>}

Good morning. I had a couple of questions for clarification, if that's okay. Your Continental European dividend upstream of €80 million that you expect for 2018, I just want to confirm that this doesn't include anything related to the Cargeas sale?

And then, same question, on slide 8 and 9, the capital generation slides, you don't include any dividend being accrued, is this correct in these slides? But you do include the dividend being accrued in your Solvency II ratio, the 195% ratio at the end of the first quarter? And then on your Belgian Life business, I see that you've raised the minimum guarantee to 0.5% for some of your business. Could you explain what is going on there? Why do you increased it? Is it for more new business to come in or is it because you're seeing less pressure on the reinvestment rate at the moment? Thank you very much.

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

On the first question for the upstream dividends for Continental Europe, so they are, indeed, not including Cargeas. Last year as you can - probably remember we had the sale and also the capital gain that was for €70 million in the result of Continental Europe. So, if you take out the €77 million from the total yearly result of Continental Europe last year that was €193 million. So, in delta, there was €116 million profit. So, from that €116 million profit, €80 million has been upstream. So, it's something like 75%. Whereas in Belgium, we stream up 100%, and you could say for Asia the upstream of the €85 million we expected something like 30%.

So, you see clearly here that in the regions where we are more in growth scenario like Asia, we of course need a part of the profits to retain and to sustain the growth and the future growth. But we nevertheless already have a payout of 30%. Overall, the group if you take the result of last year without the cap gain on Cargeas, the dividend has been upstreamed by the operating companies was 70% of the net profit. So, that's our sustainable percentages.

Christophe?

A - Christophe Boizard {BIO 15390084 <GO>}

So, I will give you the answer on the free capital generation, so on slide 8. So in the figure, you can read there is no (00:43:27) dividend. Let me take a precise example to illustrate this. If I take - so I am on slide 8, the €1.320 billion, so the €1.320 billion is the addition of the expected dividend €542 million and the real excess of own funds used for the Solvency II calculation which is €778 million. So, that's the addition. There is no expected dividend here.

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

The last question on the Belgium Guaranteed rate, indeed on 1st of March we have raised the interest rates from 0.25% to 0.5% Guaranteed for a segment of our products. We are talking here about the invest-Guaranteed products distributed by the bank. Main reason for this is that we see still stable new money investment rates.

You might also have noticed that in general we still have announced for our clients a total return of 2% investment return including profit sharing. So with the new money rate, with the guarantee of 0.5%, we are still able to satisfy the asset liability matching that we always want to keep as well as the target operating margin in the long run that we want to achieve.

So we had room to do this, and of course it is supposed to support our sales, although we see that the major pick up today is still in Unit-Linked business.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. Thanks very much.

Operator

Okay. Thank you. Next question from Matthias de Wit from Kempen. Sir, go ahead.

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

Good morning. Thanks for taking the question. The first one is on the Belgian Life business. Technical liability and the Guaranteed parts are down slightly year-on-year. Just wonder what you would expect here going forward now that inflows are recovering?

Second question is on capital and more specifically on the approach you're using for the loss-absorbing capacity of the technical liabilities, which is quite unique in Belgium and possibly also in Europe.

Is there any regulatory risk around this methodology considering that (00:46:03) trying to harmonize everything across Europe and possibly also at the national level, there is tendency to harmonize?

And then lastly, just on your capital position to pro forma for the non-exercise that put you ahead of 200%, so significantly ahead of the target. So, any update you could provide on how you intend to redeploy your (00:46:30) any excess you might benefit from at this point in time? Thanks.

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

Your first question, technical liabilities total, excluding the shadow accounting effect from the interest rate movement are actually slightly up. And this mainly because if you include the Unit-Linked business, because Unit-Linked business is giving us a margin, we see a slight decrease in the retail Life guarantee business, but that is I think quite normal as we see that inflows are lower due to the reduction of this business over the last few years, while some of those products which are 8-year term products are now coming to maturity. But what we see is as of today, we are able to compensate that effect with the Unit-Linked.

So you should, I think, look at two combined, and then we see a stable to slight growth. And then finally, we still see a positive impact also in the Group Life business where the technical liabilities have grown with 4% and that is on the one hand due to the inflows which evolved positively. But also there, we have sometimes transfer of plans and transfers of reserves which do fall into the technical liabilities but we do not pass to the inflows, which is also a positive effect. So all-in-all, I think they are stable to slightly positive.

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

Okay. Would you expect like further pressure on the Guaranteed part of the reserves going forward? Because that's where the margin is much higher than on Unit-Linked, so?

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

First, indeed, margins on Guaranteed part are higher, but you should also always relate it of course to the capital. The capital Unit-Linked side is smaller. So from a return on capital, I would definitely not say that Unit-Linked would be less attractive than the Guaranteed business, that is one. Secondly, but that's hard estimate, but it seems that the reduction in these Guaranteed business that we have seen for few years on the one hand due to tax measures, and on the other hand, due to the low interest rate, might be starting to bottom out. And we see that the reduction for us, minus 2% last first quarter is definitely lower than we have seen in previous years.

So I'm more than positive that we have seen more or less the bottom of the impact of the low interest rate environment on the Guaranteed business technical liabilities.

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

Okay.

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

(00:49:15) your question on the LAC DT regulation, in fact, it's rather the profit sharing regulation which drives the LAC DT, the way we have modeled it. And the way it's modeled in Belgium it's based on the best estimate, based on current profit sharing regulation. And the current profit sharing framework in Belgium, indeed, is a bit different than what we've seen in some of our neighboring countries (00:49:41). It is a pure discretionary environment which means it is driven by market competition and not by regulation, but truly by market competition.

The second thing it is fully generating solidarity across generations of, let's say, the clients. So, that is specific features that is not always the case. Now, that is reflected in the LAC DT models in Belgium and I think it's completely appropriate. So, if there would be any harmonization in terms of profit sharing regulation across Europe that would affect any of these features, that it's not so obvious, first and foremost. But on the other end, it would only affect new business. And the moment it affects new business, we can, of course, reflect it in our pricing. So, I would not be too worried about harmonization of LAC DT modeling. It's more the profit sharing regulation and that seems unlikely. But maybe Hans can add a bit more color to that.

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

There are element I think where you might refer to that is potential revision where EIOPA is thinking about. And should LAC DT be kept or not, so yes, indeed, I think Belgium there has a relatively unique situation today with internal directives that I have given on the recoverability test. It already takes into account the margins that you're having today. So, my feeling today is that even if EIOPA would consider limiting it again to three years that Belgium has a relatively good situation in their own directives to continue with their approach. But that I think we will only know in 2019.

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

Okay. Thank you. And lastly on excess capital?

A - Christophe Boizard {BIO 15390084 <GO>}

I would say in case the puts would be exercised, that moment, as we indicated, we would be able to respect the option by using cash and issuing debt. In case the put is not exercised, it means that what we consider being a bit of free cash something like €800 million is available like in the past for M&A, or if there is no M&A, to give part of it back to shareholders. So, it's not really changing the situation that much compared to what we have in the previous years.

And if you then look again to the upstream dividend and take out the potential dividend payment that will - or the dividend payment that will happen end of May, and then something like €70 million corporate costs, it means that there will also be something like €100 million minimum added to the cash pool of the General Accounts. So, no change in terms of strategy with respect to the available cash in the General Account.

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

Okay. Thank you.

Operator

Thank you. So, next question from Robin van den Broek from Mediobanca. Sir, please go ahead.

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

Yes. Good morning, everybody. I actually only have one question remaining. Coming back to your free capital generation, the SCR operating impact is €40 million down. Could you maybe specify why that is? When I hear you talk on the conference call, it does seem that there are still growth in your European entities. So, could you specify that number, please?

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

Yes. So, on the SCR operational impact, the slight drop which is shown in green, meaning that it's positive. The main, this come to the drop in equity market, that's something coming from Solvency II. So, that's methodological aspect and is written on the left, lower symmetric adjustment. I would say technical effect of Solvency II framework.

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

So, in the 126% operational impact, you include an expected return of 8%, and because equity markets went down, you also have a benefit coming through from the SCR released. Is that correct?

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

Partly, and what is also there, and it's specific because the drop is most noticeable if we look at it in Continental Europe. And there, we should not forget between our books in Portugal, we have exposure to Spanish debt. And there we have a benefit from the rating upgrade on the Spanish bonds portfolio. The amount indeed is multiplied with 1.75 in operational, but we benefit partly that from the spread (00:54:45).

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

Presumably, given that there are some growth in the underlying business that SCR drop is probably bigger than that €40 million negative. And can you maybe explain why that impact is not put into market impact, because it seems to be more driven by market impact than by operational drivers anyway?

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

It's in both. And then the third because I wasn't finished yet, is also of course, we should not forget in the meantime, I think out sales is also out of there, but may have been already out at the end of the year.

A - Christophe Boizard {BIO 15390084 <GO>}

This is already out.

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

Yeah. It was already out at the end of the year. (00:55:19) equity indeed. It's a combination of these effects, equity and spread.

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

Okay. But could you maybe give – a like a – sorry?

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

Part of it has to do with the exposure in the portfolio which is probably reduced, the asymmetric adjustment on equity which has come down and the components are reflected in market. So it's affecting both markets, as well as the operational (00:55:52).

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

But what would you see as a normalized run rate for SCR? I mean, presumably, you wanted to grow, so the operational impact from SCR should probably be a headwind going forward right, rather than a tailwind?

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

Yeah. We do not assume that SCR goes down every quarter, since we are definitely growing our business. So you could expect that in Continental Europe, it grows in tandem with the volume. But there we know that our operational free capital generation and the quality of that book is very good. So the solvency or the own funds generation in Continental Europe is very high. So no worries about seeing some increase in the SCR coming there. But in Belgium, we expect it to be largely stable, maybe slightly up again in line with growth of business, but that is not expected to be very high. So that it is down we say more (00:56:50) volatility than trend.

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

Yeah. Okay. But the normalized free capital generation of €150 million, you mentioned before does not include the normalization you should probably put in from the back of the SCR movement?

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

On the other end as we said it was also not include the weather volatility which was also there of €30 million almost €40 million in UK and Belgium. We should not forget that we are looking at Solvency, own funds and SCR movements on a quarterly basis for the valuation of an entity which will run for hopefully infinity. So, don't over extrapolate the volatilities on the quarter to extend it to valuation, because that would be too much of, so you will always have some volatile components.

A - Christophe Boizard {BIO 15390084 <GO>}

After the restatement with weather event, I ended up with a figure which was €152 million above the guidance of €150 million. So, even if you cancel this effect of €14 million times 1.75, again we are still within the range.

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

Yeah. So that's probably the reason why you stick to that €130 million range for now, and we'll see how it goes longer term.

A - Christophe Boizard {BIO 15390084 <GO>}

Yeah.

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

Okay. Thank you that's very helpful.

Operator

Thank you. So, next question from Farooq Hanif from Credit Suisse. Sir, please go ahead.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi. Thanks very much. The UK is not yet upstreaming the dividend. When will that happen? What kind of threshold of capital do you think you need before you start paying something? Secondly on Asia, you commented that Taiping would be looking at some point to increase its own payout. Now that the business mix has changed with less strain, do you think that 30% (00:58:46) could also go up? And then, lastly, you have had negative inflows for a while in the UK ex obviously the exchange rate impact. Just wondering when you think that's going to stabilize and when you think the new business mix is going to be essentially the right mix for you? Thank you.

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

The dividend payments we used in the group is based on our capital management policy where the upstream is linked to the solvency level and solvency levels we expect our different company-by-company also looking a bit to their specific profile.

So as for the UK, we expect UK to pay a dividend in 2019 over the results of this year. So you also see that the solvency ratio in the UK is in the meantime further increasing. It was 100% beginning of last year. It's now close to 150%. So we expect UK to pay a dividend in 2019 over 2018.

With respect to Taiping, to be clear, what I said is that in Asia overall, what we received as dividend is something like 30% of the profit we have made and that's a combination, you can see also in the past, of the dividends received from China, from Malaysia and Thailand and also the three big contributors to the profit.

Taiping Group is a listed entity. So, it's not appropriate for us to give guidance on what their dividend policy will be going forward. The only thing we can see is that the company has today a capacity to pay something like one-third of the profit as a dividend and to maintain stable solvency ratios notwithstanding a strong growth. So we don't expect that payout ratio to decrease, but rather it will increase or not is something we at this moment cannot disclose.

But again, the volumes are increasing. So, the dividend that we received from Asia should follow that trend. And the more and more the portfolios mature, the more and more there might be potential to see an increase in the future of the payout ratio. But we have no confirmation about that at this moment. There was then the question on the UK inflow.

Q - Farooq Hanif {BIO 4780978 <GO>}

The inflows. Yes, that's right. Just when do you think it will stabilize?

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

I think the inflows going down mainly because of some actions we've taken to improve the profitability of the portfolio. So, we actually did some MGA schemes. There's obviously also quite some pricing pressure in the motor account. So, 2018 will still be in a decrease mode. We expect it in 2019 things to stabilize and then towards the end of 2019-2020 see some growth in the business again. But again, it's a very volatile market. Be aware that the aggressiveness on the price comparative websites that some large local groups tend to be under pressure, that is not an easy market in terms of inflow, but we expect towards the end of 2019 to come back to growth.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. Thank you very much.

Operator

Okay. Thank you. The next question from Johnny Vo from Goldman Sachs. Sir, go ahead.

Q - Johnny Vo {BIO 5509843 <GO>}

Thank you. Just a question. Just in relation to the capital generation ex-AG minorities, thank you very much for giving out disclosure. But therefore, if you sort of look at the run rate, your capital generation is around €450 million to €500 million per year for the group. Is that a good level for sustainable dividends? Because when I look at your Solvency II ratio over the last four quarters, it hasn't moved despite the fact the markets have been very positive. So, if you could talk about that that would be great. Thanks.

A - Christophe Boizard {BIO 15390084 <GO>}

The fact that the solvency ratio doesn't move, comes partly, but I would even say mainly from the fact that we accrued from the expected dividend. And so, let's - and to illustrate my point, let's imagine, but we had the policy to distribute 100%. So, the solvency ratio is exactly stable. Why? Because all the result is taken into account through the expected dividend.

Q - Johnny Vo {BIO 5509843 <GO>}

Yeah. But does that mean...

A - Christophe Boizard {BIO 15390084 <GO>}

(01:03:38) from all the Q1 result in the expected dividend following our policy. So, that's the reason why it shouldn't move that much at the end.

Q - Johnny Vo {BIO 5509843 <GO>}

But that means you're not building any solvency, is that fair?

A - Christophe Boizard {BIO 15390084 <GO>}

We should build some solvency, because we don't distribute 100% of the expected profit, and we are at 45%. But please, take into account, if you are at group level where you have this 1% decrease, but we have a share buyback which is in place. And the share buyback puts a drain on the fee capital at group level. But if you take Insurance group, it is stable.

Q - Johnny Vo {BIO 5509843 <GO>}

Okay.

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

Maybe to add, two points to that. First and foremost, we do not and want to (01:04:29) raise our solvency ratio. It is not our target. So, if you look at it, it is high enough. And in fact, we are in our surplus. So, our commitment to the market is, okay, if we do not have investments, which will require capital that will be risk-bearing, we do optimize our dividend upstream and we take a look at options of share buyback. So, it's not our purpose to every quarter increase our solvency ratio. Let's that be clear.

And secondly, when you refer to the €450 million, it is the operational free capital generation often deducting (01:05:05) of the minority interest that assumes that the put option is not exercised, but let's not forget that our solvency ratios are assuming that the put option is exercised.

So if the put option is not exercised, we will get another €400 million of own funds. And so an increase of the solvency ratio with over 10% at the level of the group. And then the third point is that the €450 million it does exclude what is coming from Asia. And whether you now take into account the expected dividend upstream from Asia which are now budgeted around €80 million or you go one step further and you look at the free capital generation in Asia which is quite a bit higher. I think we have comfort that in future indeed with just free capital generation, future cash upstream potential that we will see that come from Asia to reinforce our pools of cash. So I think that is the complete picture. It should take all the components into account I believe.

Q - Johnny Vo {BIO 5509843 <GO>}

Okay. Thank you.

Operator

Okay. Thank you. So now next question from Bart Jooris from the Degroof Petercam. Sir, please go ahead.

Q - Bart Jooris {BIO 3470300 <GO>}

Yes. Good morning. Some questions still around the UK if I may. Could you give us an idea of the combined ratio in motor if you would exclude the prior year release that is mostly in motor as you mentioned. And what do you see as a run rate going forward in motor for the year? Then continuing on that, your guidance on the UK net profit was underlying €60 million, so if you exclude the weather damages, now you're already at €33 million, does your guidance change?

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

So, your first question was on the Motor combined ratio and including or excluding the exceptional release, to which extend the release is exceptional, that's the question, which part of the releases are not exceptional. So, the combined ratio for Motor Q1 was 91.7%. And you could say maybe that that 4 or 5 points would be like an exceptional type of release.

The other question you had on the UK was our target profit for the year, if I'm correct.

Q - Bart Jooris {BIO 3470300 <GO>}

Yes.

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

So we stick to our guidance that we gave, that was at the previous Investor Day of €60 million. And yes, indeed, we seem to be a bit ahead of it, if you would exclude the weather. So, you're right. But we stick to that guidance.

Q - Bart Jooris {BIO 3470300 <GO>}

Okay. Thank you.

Operator

Perfect. So next question from Kunal Zaveri from JPMorgan. Sir, please go ahead.

Yeah. Hi. This is Aashiq (01:08:13). I'm just using Kunal's line. Just a couple of questions I have. So first of all on your capital, I mean you have done a lot of changes on your Ageas model, which is the right way to do it because that shows a bit more economic view compared to what PIM shows. However, if specifically for the Portuguese or Belgium sovereign spreads have to widen, then there will be a huge deviation between your PIM and your Ageas. Now, I remember in one of the questions earlier you mentioned that Ageas is what you follow, but PIM is what you need to care about. But at what point would you start taking actions, so that if PIM is getting hurt, at what point would you take action, because, I mean, now, your Ageas model is not going to get hurt a lot even with wide market movements, but PIM might still get word on an economic basis. So, what would be the trigger to start acting on the capital front? So that's one first question.

The second question is for cash flows. I mean, if I look at the holding company cash, it's around €750 million. Now, Bart, I remember you mentioned that there is no hurdle on what you can use, what you cannot use. But what wouldn't it be fair to say that you would still want to hold around a year of dividend around, say, something like that as a buffer cash or would you say that this €800 million is all up for – to be used for M&A and share buyback. The reason why I'm asking is because if I think about your regular cash flows, I'm not sure if you're building up a lot. I mean even if I take an increase €600 million cash, like €400 million is going into dividend, €120 million, €130 million is going into the holding company cash, and there is always some investment elsewhere. So, if you don't build up cash and if you exhaust all your €800 million cash, is that a reasonable thing to do? So any thoughts on these two questions would be great. Thank you.

A - Christophe Boizard {BIO 15390084 <GO>}

First question, Aashiq (01:10:23) allow me to not go into the details there, but it is clear. And that is the only point I can give that we are only looking at the tangible actions when it is clearly an outflow within our €175 million. €175 million is what we target for Solvency II internally, but we will not be stressed if PIM for instance is €175 million. It's still 75% above the target of the regulator. Now, when can that happen? If you look at the sensitivities, it's only specifically related to spread on our major (01:11:01), and that is indeed Portugal and Belgium.

And then you know that if it is triggered by these spread events, of course the recovery rate and the PIM also go up, because of the pull-to-par effect. So, we will take all that into account. We do as of course like we should have specific action plans for all these type of scenarios in place. It's part of our ORSA exercises that we do every year. But this is not something that we think is to be shared publicly, but you can understand that it is definitely much lower than the €175 million.

Q - Operator

Yeah. That's clear. So, you said it's much lower – the hurdle on PIM is much lower than €175 million? Okay. That's good.

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

And with respect to the cash flow Aashiq (01:11:46), so maybe knowing that we will have this let's say final decision with respect to the put option by the end of June or early July, we will be sure about what happens. We have an Investor Day in September. So, I think it would be, at that moment, appropriate to give a bit an update on what our view is on the cash in General Account.

Next to that, if you look to what we expect this year, and most of it has been pay upstream in the meantime, that we have I think €600 million upstream, which is 100% coming from AG, it's 70% payout in Continental Europe and 30% in Asia, also referring to my previous answer that we expect next year, the UK can pay out a dividend. So, it means that our expectation is that, in the future, the upstream cash will always exceed in normal years, the amount we need for the dividend and for the operating costs. So, there will be additional cash generation on top of those two elements. And so, whether we want to keep sufficient for one-year dividend or for less than that, let's – give me some time and let us come back to that in September.

But at this moment in any case, we are confident to all these elements the potential profit we see for the foreseeable future, the capital generation that we see for the future, the upstreamable cash from the operating companies, we see no reason to – let's say, to hesitate one second about our capability to: one, keep our dividend policy in place; and two, try to have a dividend that is stable or when possible increasing like we've been doing the past nine years.

Q - Operator

That's very clear. Can I just have one more follow-up? I mean on your BNP call option, is there any debate at the moment with BNP or nothing has started at all?

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

Well, let's say, we have regular contacts with BNP, of course, many in Belgium from time to time with our colleagues in Paris, but it's not that we are in (01:14:14). There is no real reason to be in a negotiation mode. It's a binary, yeah, or they exercise, or they do not exercise. And as I indicated before, it's fully in their hands, and we are prepared for both situations.

Q - Operator

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

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

Bye.

Operator

Thank you. We don't have any more questions for the moment. We don't have any more questions. Back to you for the conclusion, sir.

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

Thank you. Ladies and gentlemen, thanks for your time and your questions. To end this call, let me summarize very shortly the main conclusions.

I believe we can say that we have a very strong start of the year despite weather – adverse weather events. There's a high net result driven by solid operating performance across all the segments. And thanks to an exceptionally high contribution from China, we have a slight decrease in inflows mostly attributable to the impact of the change business mix in China, and compensates partly by renewed inflow growth in Belgium and strong growth momentum in Continental Europe.

One last thing, another day to keep in mind next to the expiration of the put option and 13 July decision of the Court of Amsterdam is that we will have on the 19th of September next Investor Day in London, and on that occasion we will update you on our new strategic plan for the coming three years following the successful completion of our Ambition 2018 Plan.

And with this, I would like to bring this call to an end. Do not hesitate to contact our Investor Relations team should you ask any questions. Thanks again for your time, and I wish you a very nice day. Goodbye.

Operator

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