Investor Day

Company Participants

- Antonio Bosque, MD of Europe & Executive Director
- Christophe Boizard, CFO & Executive Director
- Filip Coremans, MD of Asia & Executive Director
- Hans De Cuyper, CEO & Executive Director

Other Participants

- Ashik Musaddi, Analyst
- Fulin Liang, Analyst
- Michael Huttner, Analyst
- Robin van den Broek, Analyst

Presentation

Hans De Cuyper {BIO 17991990 <GO>}

Dear investors and analysts. Welcome to the launch of Impact24, our new strategic cycle for the coming two years. We have approximately two hours together tonight -- where in the first hour, I would like to present you the highlights of our strategic focus for the coming three years. In the second hour, the Executive Committee will join me on stage to answer all your questions.

I would like to start with presenting to you what Impact24 is all about, how we will deliver on the ambition that I will express to you in a minute. But also how we are investing in the future even beyond 2024. Last year, we have celebrated 10 years of Ageas.

We have been looking forward for the following era of 10 years for our group, and we have defined some additional pools to invest. And of course very important for you, what are the commitments and the (inaudible) and the targets that we will give you for your guidance on the following three years.

Impact24 is a new strategy, a strategy building on a sustained performance. We are a group that over the last 10 years has shown an amazing track record in performance. This was one of the starting points of designing this new strategy Impact24, which we started approximately November last year. How can we sustain and where possible, maybe even further improve our performance going forward.

Of course we cannot look at the following three years. While we are still in the midst of the current strategic cycle, called Connect21, and I'm sure, by now, already very wellknown to you. Remember the highlights three years ago. We have added society as one of the key stakeholders in our pledge of Supporter of your life. For the first time, we have launched four identical values for all our operations around the world to bring that unique DNA to bring that unique culture alive for the group.

Then we have the strategic choices. The customer who is taking center stage in our strategy. Looking beyond insurance, the possibilities of technology and how we can further leverage our strength in managing partnerships and the partnership model. Continue how we can help as a group, all the operations around the world, while still respecting the local autonomy. And as you know, 20 years ago, we have started expanding our operations from the home markets in Europe into Asia. So how are we further building on that focus on Europe and Asia? And the financial targets, well, I'm very much convinced that I do not need to repeat them for you. It is the way we deliver on our performance already for the third year in a row.

And we are committed to deliver on all financial targets by the end of the year. At the closing of 2020, you have seen that we have actually already achieved the targets for five out of the six. We were very close for the Life margin Unit-Linked with 29 basis points. The First Quarter of this year, by the way the Unit-Linked Life margin was already within wins, and we are definitely have the intention to deliver on all six of the financial targets by the end of the year.

So let's have a look a little bit how we make some progress on those Connect21 choices. We are really redesigning the customer journeys. Customer centricity is part of our strategy, and we are really aiming for top five Net Promoter Score by our customers in most of our operating entities. We have multiple beyond insurance initiatives, and I will come back to that where we are today later in the presentation. We have quite some large replatforming projects running in some of our core operating entities to make sure that we have an infrastructure ready for the future. In areas where it was needed, we have absolutely increased our spending intake.

Partnerships. I don't think I have to repeat that partnerships is truly part of our DNA and cornerstone of our success. Of course the two latest M&A acquisitions, are proof of the strength of that partnership. We have expanded our partnership with CTIH, the Taiping Group in China for Life into reinsurance at the end of last year. Of course in February, we have announced that our partnership with Sabanci is now in Life insurance next to AKSigorta, the company we were already building together on the non-Life side. We continue building these smart challenges. We have even already started with really group projects where group is in the driver seat, I think for instance, about building the cloud environment for our IT and data or the progression we have made in the area of reinsurance. But local autonomy stays key because that's where the customer is, that's where we feel and sense the market the best. So local autonomy is definitely something that will stay and keep being part of the DNA of our group.

And as always, we have been disciplined in our expansion. We have not looked beyond the two regions that we have highlighted, but I will show you in a minute how Asia is becoming a bigger part and has a growing share of our total performance. So Impact24 is building on those strong foundations of Connect21. We are a group which is in excellent shape. We have a very strong foundation. The resolution of the legacy has given us the strategic and the financial flexibility to build and to write our own future. That's what we have done over the last eight months.

We have designed the house that we are going to build for the coming 3, but even for the following 10 years on the foundations that I -- as new CEO have earned at the end of last year. So the center team was how will we sustain that performance going further? And are there areas where we can even go further and set our sights maybe a little bit harder? And sustainability is not something in the performance of the investors. Sustainability is a core team in the whole world around us. It's related to all the stakeholders. And at the end, I will present you a separate chapter how sustainability will form or will be part will be at the heart of our strategy going forward.

So what does it mean a sustained performance? Well as you know, at the end of the First Quarter, we have given a guidance. We have slightly raised our guidance for this year to a net profit between EUR 900 million and EUR 950 million. Going forward, we would like to raise our earnings per share ambition to 6% to 8%. Coming, as you will know, in the current financial targets from 5% to 7% under the Connect21 plan. That should bring us in a profit range between EUR 1.1 billion and EUR 1.2 billion minimally.

And how will we do that? Well we have three key areas where we believe we can develop further growth of the group. The great news is that the biggest part of the growth potential is already present in our current core. So we have identified where we will further work on unlocking the growth potential that is already present in the footprint that we have today the footprint, the combination in Europe and Asia. But secondly, we have identified new engines, not only new engines for profit contribution in the short term, but also future engines to make sure that Ageas stays relevant in a rapid changing world around us that Ageas can be seen as a future-proof international insurance groups with businesses in Europe and Asia.

And the third pillar of course we will continue exploring new markets. New markets with the cash position of approximately EUR 1.2 billion that we have available today. I will zoom in on that part also a bit later. A growth strategy to deliver sustained performance building on three pillars. Strengthening and growing what we have in the core, developing new engines for growth and continuously searching for new market opportunities.

Let me start with the first block, strengthening and growing the core. Well where do we start from? Why is our core in excellent shape. What are the typical characteristics of the core we are having today? Well first of all, and that makes Ageas atypical to many other insurance groups, we have a great balance between the mature markets in Europe and the growth markets in Asia. Something that we have seen in the 2020 performance with the COVID pandemic, we have seen that the timing of the pandemic was different in Asia and Europe. So we have seen that actually combined, we have been able to deliver on our promise with EUR 870 million, which was within the guidance that we set even before the pandemic block. That is a very attractive and quite unique footprint for our group.

Secondly, we are happy with our world map. We have leadership positions in most of the markets where we operate. Maybe to a lesser extent, in the U.K. and in France, but overall, we have a very strong position around the world, being in leadership position or at least have a road towards leadership position, and then I'm talking more about the emerging countries where we operate. We have become an expert in multi distribution management. Bank assurance is part of our DNA, but we have definitely developed strong experience in agency force and, of course the broker market in our whole market in Belgium.

Another strength is the well diverse portfolio in Life, non-Life and Health. Again testimony in 2020 with the performance and the COVID where the Life performance was definitely under pressure on the investment side, on the yield and on the capital gains, you remember, but we have been able to compensate that quite nicely with the better claims we can see in the non-Life side, again allowing us to deliver on sustained performance. Then we have those partnerships. We have developed, I would say a nose to look for local winners who can really help us to build market leadership positions in markets that we might not be familiar with, but where our local partner is very well positioned, look for instance, how we have expanded our business recently in Turkey, together with the Sabanci Group or in China with CTIH.

So the footprint is strong. The group is healthy in its core. So where can we further tap then in the growth from the core. But first of all, the market evolution itself. We are in markets where we have still quite important or in the mature markets moderate, but positive growth ambitions in the market outlook. We still have potential to further develop our distribution and the commercial excellence. We have room to further improve efficiency, not so much by cost cutting, but by truly transforming the customer journeys, and we have integrated the low interest rate impact, and I would say the lower for longer interest rate impact in the plans that we are presenting to you this afternoon.

Let me take the first topic. Here, you see our markets split in Life and non-Life, where on the horizontal axis, you have the CAGR the market growth, and this is coming from the industry associations in the different countries between the previous cycle 2016, 2019, the vertical access is the outlook for the coming cycle, 2020, 2024. While you see some countries still close to 0 or even below 0 over the past period, we are all in positive territory for the new period. So we have a positive growth outlook on all the markets where we operate. And look where Turkey is. Turkey is an outlook completely at the top, where we are now present, both in non-Life as well as in Life. Not surprisingly, our core Asian markets are in the middle with market outlook growth that hovers around 10%. Then you have the more mature markets at the bottom left side, but still in positive territory.

With this, we have also, of course our plans in the contribution of the profit. Where you see where Asia in 2018 was EUR 170 million of the total profit of the group or only one quarter, it has actually moved estimate for the end of this year to EUR 350 million to EUR 400 million profit contribution approaching 40% of the total profit of the group. But of course these are growth markets. In growth markets, not all the profit is readily available of course for cash upstreaming and for dividend because capital need to be kept to keep and to sustain the solvency margin in a growing market. So you see that the upstreaming on Asia has grown from 92% -- EUR 92 million, sorry, in 2018 to EUR 170 million in 2021. But there, again Asia is already approximately 25% of our overall cash upstreaming.

If we look forward, and I think this is the true evidence of our success story, we are celebrating in 2024, 200 years of insurance in Europe, starting with the creation of Ageas in Belgium in 1824. This year, we are 20 years in Asia, with the first joint ventures in China as well as in Malaysia starting in February for Malaysia and December in 2001. Well by the end, of this strategic cycle in 2024 we expect the profit contribution for the group to become 50-50, 50% from Asia, 50% from the European markets.

Distribution is one of our key strengths, distribution management, avoiding distribution conflicts because in most of the markets, we work with multiple distribution channels. Bancassurance is approximately 30% of the inflow for the group. Bancassurance has also been one of the key triggers to be invited into the Asian region. Maybank in Malaysia, who was looking for bancassurance partners 20 years ago. Also in China, actually, our business, which is now, to a big extent, agency, but actually, it started predominantly with bancassurance. KBANK in Thailand with MTL, same story. Very often, bancassurance was one of the key triggers to invite Ageas into a partnership. Broker [ph] think we are leading in the Belgian market already for many years. And agency [ph], we have absolutely developed in the region, but we still have potential for growth and potential for expansion of the agency force in the region.

Well so first pool of growth on the distribution is this penetration in bancassurance. And here, we define the penetration as the number of banking customers also having an insurance contract. What we have done, country-by-country is we have looked at the current position that our operations is having in the banker penetration in that country. We also know from international studies what the market best practice is and we have identified Ageas' full potential where we want to go this strategic cycle in 2024. You know that in Belgium, we are already market leader in banca [ph] penetration with 28%, so we want to sustain that banca penetration going forward which is as such already a challenging and attractive ambition.

In Portugal, as you can see, we want to move up more to the range of 16%. And actually, in Thailand, India and the Philippines in the Life side, where the total market potential is only single-digit and it's also, of course due to the composition and the type of the population and distribution of wealth. Well we feel that we should aspire to go to that market best practice in those countries. And here you will see the potential on agency development, which is a second pillar in the distribution development. In China, agency was 27% of our distribution in 2010. In 2020, we are working approximately between 380,000 and 400,000 agents in that vast country. And agency has taken 69% of the top line. Well that is a position, and that is a part that we have not already fully exploited in the other Asian countries. I think about Malaysia, where we are still highly bancassurance with Maybank or in Thailand as well. So we see room for further development of that channel, and that is both in recruitment expansion as well as in the efficiency of that channel.

And so with this, I can say that we continue to believe in the power of our distribution models. Digital is very important. Direct is important. Platforms is a topic I will come back to in a minute. But in the core, we are still very much convinced that our distribution partners stay relevant in the distribution in the customer engagement, in the insurance industry, and we are happy to keep on investing in those. Commercial excellence was the third topic. These are the typical indicators for commercial excellence, can we cross-sell and upsell. Can we work and improve to the maximum persistency? And can we raise the productivity of our distribution force as well as of all the sales and marketing campaigns.

New in this during the study and the design of this strategy. We have studied a few very interesting companies working with artificial intelligence working on data insights exactly on those three topics in commercial excellence. So getting to know your customer better and steering the right offer at the right moment to the right customer with your distribution partner with the use of artificial intelligence is the use of technology and data. In our processes that we will continue to embed to get some uplift in the output from the distribution partners that we have, and that is a very important element both in bancassurance as well as in the agency force in the Asian region.

But of course in the world of today and in the post-COVID world, you cannot design a strategy without clearly assessing how we deal with the lower for longer interest rate. Well you know from previous Investors Relations presentations that we can be proud of the ALM profile on which we have built the Life portfolios for more than 20 years. The asset liability matching is part of our DNA. It is absolutely cut in stone when we further grow and develop the Life portfolios. On the other hand, the customer need has not expired. Aging population is still a very hot topic. The financing of social security by public debt is still a very actual topic, protection gap is important.

So we keep on believing in the need and the potential of the private sector in the Life savings market in the areas where we operate. We also keep on -- we are convinced that the structure of the portfolios that we have today allow us to keep on further developing these portfolios. Due to a very smart capital, but definitely also liability and asset liability management, of course we will further diversify the product portfolio. Of course we will also look how we can balance the guaranteed Life and savings market with the Unit-Linked market and even with the Life protection products, and we can also further improve on efficiency.

And efficiency should come from redesigning the customer journeys and also digitizing internal processes in internal repetitive work and at the same time, improving the quality of work for all our employees around the world. So the ambition that we have is that in the markets where we have a leading market position in market share, we also would want to make sure that we have leading expense ratios, which, by the way in some of our biggest markets that is already the case if you look for instance at the expense ratios in the Belgian market.

So for the lower for longer interest rates, we have taken the impact. We have all the mitigating actions in place and the plans that we are showing today is taking into account the impact of the interest rates up to 2024 and even beyond. This is the story about how we can further deliver on the growth coming from our core. And actually, the core in itself is capable to deliver approximately 80% of the upside of the growth story for the coming three years. So let's have a look at the new opportunities for growth, which we would like to launch or which we would like to further develop. You remember that in the Connect21 strategy, we have launched the think 2030 think tank. So I think it's a good moment now to get an update from our futurists, how they look at 2030.

So this is how the future might look like in 2030. We have combined the insights of our managers around the world. With artificial intelligence, where we check the trends that we have identified, whether these are also the trends that come out of the worldwide web with artificial intelligence. Then of course we have met them with the capabilities that we are already having as a group, which is already part of our culture, our DNA and our business footprint. With that in mind, we want to develop four group-wide teams to get Ageas future-proof to keep Ageas relevant in the future, and we have provided in the plan, EUR 200 million to EUR 320 million investments. It can vary in those initiatives to future-proof our operations. The four are the world of digital platforms and how we can connect with them, the worldwide protection player in everything related to your physical integrity, the health ecosystems where we have very strong expertise in Portugal as well as in Belgium. The further role of reinsurance in the group.

So let me briefly tackle them one by one. First of all, the digital platforms. What we have learned in this strategic exercise by looking at many, many companies and many platform and tech players is that the digital platforms are not a competitor of your current business model and your current distribution channel. No, it is a new market with new customers with new type of covers, very often short-term covers, low premium but high-volume covers and a market that is rapidly growing, specifically in Asia. In Asia, today it is still very, very small. This direct and platform market. It is only 1%.

But as you can see, it is becoming more in high demand. In Europe, you have already 10%, mostly, of course with the direct players. These are Ageas numbers. So for instance, the U.K. and the employee benefits activities of AG in Belgium are part of this chart. But what we do see is that in the Asian region, there are still many, many customers discovering insurance for the first time. So of course they discovery insurance for the first time via the current customer interactions with all their providers they are getting used to. These are very often digital platforms, online retailers, online apps for chat and all kinds of services that will come to you.

So it is a natural trend for new customers to get to know insurance via that new way to interact with your customers. What we want to do as a group because partnership is at the core of our DNA I think we have all the credentials to also be a partner in this new world on this additional world on top of the existing distribution channels, which in Asia, of course is predominantly bancassurance and agency. So that's what -- the first topic we want to invest in. So that means we have to make some IT investments to make sure that all our systems are API compliant and because you need an IT infrastructure that can connect easily to those platform players, and you also have to design some new types of products and covers [ph].

But what we see is that most of those platforms do seek underwriting experience and risk capacity outside their own platform with the established incumbent insurance and reinsurance players in the respective market. We have identified the markets with potential but actually, over time, it is in almost all the markets we operate but probably faster and more urgent in the Asian markets than the Belgian markets because there, all customers in the European markets have already one way or another an insurance intermediary.

Second, team protection. Protection in the area of the personal integrity. This is not a new business for Ageas. We have approximately EUR 850 million premium in this market already today and that is across different products going for mortality, term life over the accident cover, critical illness disability. So we are already quite an established player in protection, but you see that it is a product in very high demand, again in the Asian regions. That's why we believe we can be a more global player in the protection area. This is a value of new business type of business. Highly profitable, sometimes small premiums, but again very big volumes. Of course you see a link between protection and the first team, digital platforms because on the digital platforms, very often, it will also be exactly those protection covers that are the first products to build a connection with the customer.

We have already a great example in the group, our growth in Singapore, for instance, is to a big extent, coming from the partnership that we have with Singtel, the main telecom provider in the Singaporean market. So we will have an increased focus on protection. It's also a mitigant, by the way for the low interest rate environment. I'm very adjacent to our Life and savings activities. It can bring us a lot of synergies because for this, we develop automated underwriting, which we are already developing for our core business as well. Reinsurance plays an important role here because reinsurers are coming more and more next to the direct insurance players are not always behind when we talk about platforms and protection covers. We feel that we can really have already some impact in value in a period of three years time. So accelerating the growth in value new business should be one of the key indicators.

Here you see in the first place, the potential in the Asian and Turkish market. Number 3, Health. We have two great examples of Health in our group. We have Medis in Portugal, which is already truly an health ecosystem. This goes way beyond health insurance covers. There are a whole list of services, which you can see here on the name card of Medis on your slide. We have our position with AG in Belgium, where we are in health more in the corporate area. So the relationship employer-employee where, for instance, in disability, we have 43.5% market share already. We are more careful in Belgium in the retail market, mainly also due to pricing regulation.

We want to be extra careful on the retail side. But we have already two great examples. How the health insurance is evolving into the whole ecosystem around health. And here again we see that it's high demand in the Asian markets.

Here we will go more carefully. We will look at maybe one or two additional countries in the next strategic cycle where we can transfer the expertise and the ecosystem that we have built up into those markets with rapid growth in the area of health care. Of course in the post COVID world, I don't have to tell you that health care services are in extremely high demand in that region.

So Portugal is setting the scene here because they have already the ecosystem in place. Partnership is a part of this ecosystem, you need all these partners to provide these services. The time line here is a bit longer. Yes, building an ecosystem will take time. So here, we want to see real value contribution coming in a period of five to six years.

Then the fourth global initiative is the development of reinsurance. Let me take you back in time a little bit. So we have started with Intreas in 2015, which was a captive reinsurance part of the group, which finally achieved a core status and Standard & Poor's A rating in 2016 and started also to underwrite the protection covers with some noncontrolled participation. But we actually really start embedding reinsurance as a full segment in 2017, 2019, when we brought reinsurance into the holding because we saw benefits in protect from risk diversification and keeping more of the risk in-house and diversify first before going to the reinsurance market. But of course we also have the second pillar of reinsurance today which is related to the capital fungibility. Then we talk about the quota share reinsurance from our core operations in Portugal, U.K. as well as Belgium.

And that is, of course an enabler of the credit profile of the group. Then we have, of course in December last year, announced the acquisition of the 25% stake in the partnership with Taiping Re where for the first time we also look at outward reinsurance. In 2020, reinsurance is already giving us a gross inflow, if we take Taiping Re on a 100% basis, approximately around EUR 2.3 billion and the profit coming out of that business last year was approximately EUR 80 million. So there are a lot of benefits in the overall footprint of Ageas around the world to further develop reinsurance. It gives us diversification, it gives us earnings and capital fungibility. I don't have to explain to you that we have done already multiple times.

It brings a sustainable operating cash flow at the holding, and that sustainable revenue stream, of course again supports the rating of the group, and that rating has dramatically increased our financial flexibility also on the debt markets. We have also -- and we should not forget, reinsurance can also help us to have a skill and business model uplift. First of all, on acquiring specific skills. I think for instance, about the whole developments of automatic underwriting, but also into this new think 2030 world and for instance in platforms, where you see that many of those platforms do get their risk capacity from reinsurers directly. So reinsurers are coming more next to the insurance companies instead of behind. So we want to make sure that our group is ready when these trends would deepen or further accelerate.

And so on reinsurance, we have a road map. So on the one hand, we said, okay what we should automatically do is even more centralized reinsurance purchases where we can and optimize within the group first, maximize the sessions in capital management and also see where our joint ventures can participating in that central reinsurance purchasing and diversification. Of course we have a partnership in reinsurance as well, which we should continue to develop, that can help us to scale up the reinsurers business together with Taiping Re. It was also an interest for Taiping Re to also explore the development of the European Re insurance platform so that we become more balanced also in reinsurance between Asia and Europe. Then we can potentially further invest to make sure that our group is really future-proof, that everything that is coming to reinsurance, and I just spoke about the platforms to just name one example, reinsurance capabilities can also help us to make sure that we are staying future-proof, but now I'm talking even beyond 2024.

Our fee business and everything related to prevent, prepare, protect and assist is now creating some inflows, revenues, not profits of approximately EUR 64 million. We are not forgetting in the strategy, the home ecosystems, the mobility ecosystems and also what we do in Life and savings, for instance, the pension fund business, but we see that these are local priorities. The four teams that I just gave you are group-wide priorities because we see that there is a need and a potential in multiple countries at the same time in a relatively similar way. The others are local priorities and could stay very relevant and further develop in specific markets. And based on our current footprint, we expect the inflows to grow from EUR 64 million to EUR 170 million by 2024. Of course with the central team of health and protection, you will see that, that will take a bigger part of the pie of the fee business going forward.

This is a story about the growth markets. So four central teams, and then local priorities where there is opportunity. So let's look at the third pillar. The new market opportunities or how will we fine-tune our M&A guidance going forward? Well first of all, we are willing, and we have shown that we can do that successfully, we are willing to strengthen and diversify our positions in markets where we are with partners that we know. Think about Taiping Re, think about AvivaSA in Turkey. If there is opportunity to take leadership positions in markets where we are, even with the partners that we know, we will definitely assess these opportunities.

We keep a fourth controlled entity on our Board. You will see -- you have seen that the profit of the group becomes 50-50 between Europe and Asia. But of course with minority participation, we also must make sure that we keep a good balance between the profits where we have, I would say strong or full control versus the profit from the growth markets where we might have less control. So that's why to keep that balance with the growth of Asia, we are still interested to add a fourth entity that means controlled that helps us to diversify earnings that gives us stable dividend upstream and naturally, in these conditions, you come more in Europe and not in Asia. Our preference for non-Life will be in line with our strategy. The preference will be in non-Life in health or protection. We see that in the Life savings books and specifically the runoff players in the Life savings books, this type of transactions we can not match with our disciplined return on equity targets in M&A.

So what are our principles for future M&A? It must have a critical size, a strong local presence so that we can effectively compete in the markets where we operate, and of course it should be a group that fits very well in our culture and in our DNA, and is willing to work and to comply with the Ageas quality standards. Should be able to bring a meaningful contribution, maybe not immediately, if we look at Philippines, if we look at Vietnam, these are startups but we are convinced with the growth potential in the markets that they will grow into a meaningful contribution over time so that we can justify management time.

We are not financial investors in those partnerships. No. These are strategic investments. We work with our partners to develop those businesses, so it must be able to justify management time, and we will remain disciplined on the return expectation. But on the chart of return expectation, we add one new line and that is diversification benefits.

We see more and more when we value an opportunity that the diversification benefits, and they could be in the area of reinsurance or they could be, of course in the area of SCR under Solvency II. We have two important pools where we can create diversification benefits, and that can help us to support on the return ambition of an M&A opportunity. So we will, in our mature markets, continue to be a consolidator if there is an opportunity. For the U.K., U.K. has a new strategic focus.

They will be implementing this strategy for the coming months and years. So for the time being, we will definitely refrain from M&A until this restructuring is also showing us the expected results. I have explained that we are still open and interested to consider a fourth entity in the European region.

Then we have our growth markets, and we have already not emerging, but developing markets like in Malaysia, like in Thailand, like in China, where we have already a stable and growing dividend coming up to the group. And also in those countries, we are open and often together with our partner to be active in-market consolidation opportunities. Then we have those early-stage markets. I think at Vietnam and the Philippines in the first place, these are still markets of growth where we are building up our presence and our footprint.

And we will add in the M&A also potential opportunities in transforming insurance. I've spoken about this partnership with future winners like the platform players. So next-generation type of partnership or partnerships that can help to develop our ecosystems that I spoke about a minute ago, also their M&A could occasionally be an opportunity. We are open to consider if we see a great opportunity that fits within our strategic choices, then we might be able to consider also M&A activity in transforming insurance.

Then, of course and it's a topic that have been raised by many of you at the introduction or in running up to the presentation today it is society. It is everything related to sustainability and ESG. We want to put ESG at the heart of our business. ESG is not only anymore something that we will do for society next to our business. Now, it has to be embedded in all our stakeholders. I will take a few for you today. But first of all, in 2021, we have subscribed to the United Nations Sustainability Development Goals. We have taken the 10 where we can have most impact. The 10 closest to our business, we keep on prioritizing on those 10.

Secondly, at the end of last year, we have done a materiality survey with our employees with the unions, with our partners, with customers to understand where they feel that Ageas can truly have an impact when we talk about ESG. First conclusion we can take is ESG is not conflicting with your other stakeholders and also not conflicting with investors. At the first place, also on the ESG side, everything feels that an insurance company should be financially resilient and should practice responsible governance. These are the two key priorities.

In the second block, you see the investments. I will come back to that in a minute. You see the employees. I'm not going to zoom into that one too much for you, but it's a very important part for our managers and that is the are of products and services. So we have designed a sustainability program at the heart of our business with four key cornerstones. The first cornerstone is our people, and I'm not going to elaborate too much on this one, I'll touch briefly upon it. The second one is our customers, and then I'm talking predominantly about our products and services.

The third one is our investment portfolio. We are a sizable life player. So investments are important. The fourth one is our planet and greenhouse gas emission. Now first of all, we want to be a great place to grow for our 45,000 employees. That means delivering a top quartile Net Promoter Score for our employees, and it will be mainly built about training, development, but also in the KPIs, I will tell you something about diversity and fair and equal treatment of all our employees. We have already developed a lot. I'm not going to zoom in too much detail right now. I think the other topics are way more for interest for you today.

The second one is everything related to products. That's, I think where we can take the biggest jump forward. That's where many insurance companies are not deeply developed, and we are not the big corporate risk insurer. We are not doing the oil tankers or the big industrial polluters of this world, they are not insured with our group. So that's also not the area where we can make an impact. We are a lot on retail and SME type of clients. So we thought what can we do to make sure that also we stimulate our customers to help building a more sustainable world.

We have 40,000 employees. We can do so much with them. But what can we maybe do with 40 million customers that we are having around the world. The commitment we take is by 2024, 25% of our premium around the world are products which are directly providing solutions for ESG-related topics, and I think about CatNat, for instance, I think about social teams. Let's -- for instance, disability and psychological disability or have some incentives that our customer has an opportunity to contribute to sustainable world if he chooses Ageas. I name a few for instance, we have the green parts program for spare parts in motor repair in the U.K.

So if you choose for AG, you know that we work with green spare parts. If you take your pension and disability scheme and employee benefits with AG in Belgium, you get access to the burn out programs that we offer to a company your employees facing this psychological disease. We can continue and continue. We can develop in the area of home together with our banking partners on the mortgage, together with the home insurance we can add incentives for instance related to isolating your house. In motor, more and more we give premium with reduction for less kilometers show which will help us again stimulate you to go to a more sustainable work. We will actively work the 25% of our premium around the world is having one or some of those features by 2024.

And the second one, you have seen that in the materiality survey is transparency. We will fully review our portfolio for transparency and of course where we can improve. Then let's look at the investments. Today we have EUR 6.5 billion directly invested in ESG-related projects, wind mills, social housing, solar panels at tramway you name it. We have already a portfolio of EUR 6.5 billion invested, but we are also facing challenges. Because everybody is moving into this direction. We see that actually the margins and the investment returns on those opportunities become less and less attractive, and we want to be careful because we have this pension liabilities next to it. So that's why we found a solution.

How can we further grow this portfolio? And how can we bring it to our ambition, and we set our ambition at EUR 10 billion by 2024. We will do that by investing directly in ESG or by stimulating all the companies or the activities or the projects we invest in, stimulating them to move to a more sustainable world. That means we will do the ESG check when we make an investment. We will be an active bondholder or shareholder in companies we invest in or we focus on companies who want to raise funding and capital to finance their own projects to make the transition in the industries where they are. So direct ESG-related products or investments in companies who confirm and who can commit to the fact that the investment will be used for their transition to a more sustainable world.

And we are also fully committed to the 0 emission ambition of the European Green Deal by 2050. You might say why only 2050? Is this not a bit late? But remember, that most of our life insurance is linked to pension and that asset liability management and a buy-and-hold philosophy in our fixed income portfolio is part of our DNA. It is part of our financial resilience, and that's the first thing that our stakeholders want when we talk about ESG. So we cannot divest this portfolio to rapidly migrate to a fully ESG compliant investments because then we might work on the E, but we will lose on the S. Because we will put the pensions of all the clients who trust in Ageas for their pension will we put that under pressure. So we have to make that transition gradually but we are committed to do that in line with the ambitions of the European Green Deal. We will go to a total portfolio of at least EUR 10 billion.

We will be GEG neutral in our operations by 2024. Then we talk about Scope 1 and Scope 2. That so we put some ambitious targets in place. We have already taken some initiatives. We want to reduce business travel by 50% compared to the pre-COVID year 2019. We are already revising our green -- our car fleet to make it more green, and we are stimulating employees to look at smarter commuting solutions. And last but not least, because it's often forgotten. There is also an important carbon footprint in our sector related to IT and data centers.

At this moment, we are quantifying the impact, and we can see, and we are checking how we can neutralize the impact going forward. So here are our KPIs, our ambitions that we put regarding sustainability. 25% of premium will come from products that stimulate our customers to go to a more sustainable world. We will do the check for transparency on the full portfolio. We bring investments to EUR 10 billion, and the full -- all the investments will integrate the ESG assessment by 2024. We will be following the European Green Deal, but we make our own operations neutral by 2024, and we take two indicators related to diversity. It is the ratio of women in senior management compared to the ratio of women in the total company, where we are at 50% today. We want to bring it to 70%. In all our succession planning, we want to guarantee that by 2024 we have equal lists of names equally split between male and female. We also follow the Belgian women onboard gender diversity index where relative to our peers, we want to achieve a top quartile ranking.

So what will success look like? This our Connect21 choices. I don't think I need to repeat them now. I can leave them for your reading going forward. It is actually a continuum of the trends that we have already set in Connect21, but we have met them with the strategic choices I have just explained to you. Then maybe an important part for all of you, that is which are the targets for our investors.

Let me start with operational targets. Well first of all, we will make the non-Life combined ratio below 96%, we lower it with another percent and we will make it below 90%. We have seen the strong quality of our non-Life portfolios around the world. We have also seen the new strategic plan of the U.K., and we are confident that we can deliver a non-Life combined ratio below 95%. The strength of our Life guaranteed margin, we will continue. So we commit that we lengthen the 85 to 95 basis points ambition. But here, I want to make one footnote, at least for 2022. Because we don't know how this target and how this KPI will look like in the IFRS 17 world. So we will have to potentially redefine, recalibrate this in the IFRS 17 world in 2023, but for 2022 at least we continue with the ambition to deliver a Life guaranteed margin between 85 and 95 basis points, and we also keep the same ambition, 30 to 40 basis points for Unit-Linked.

Then we have, of course the other financial targets, and then I'm talking about shareholder reward. Well we come with a new design, and we had four criteria to look at this. First of all, the new design must be a proof of our sustained performance that I have explained to you and have shown you the plans; secondly, it should take into account our growth ambitions that we have expressed in the plans today; three, it should also take into account our atypical profile with a 50-50 mix between the mature markets in Europe and the growth markets in Asia; and fourth, it must be a metric that can guide you for the following three years. So that means it should be IFRS 17 compatible.

And so let me present to you the new financial targets. On Solvency II, we keep the same ambition of 175%, no change. We want to commit that we have a holding free cash flow upstreaming between EUR 1.7 billion and EUR 2.1 billion cumulatively for the three years. This is defined as the sum of all the dividends coming from the OPCOs around the world. Minus the corporate center cost as well as minus the interest margin on our debt. So that is the definition of holding free cash flow. Of that holding free cash flow, we commit on the dividend two things. First of all, we will confirm a progressive dividend. So meaning dividend can be only up, flat or up for the coming three years, year after year.

And secondly, we will distribute a total out of the free cash flow between EUR 1.5 billion to EUR 1.8 billion cumulatively for the three years in dividend. To give you a reference, over the previous cycle, Connect21, the number was close to EUR 1.4 billion. So we give a range, which is above the deliverable that we have for the Connect 21 dividend. I've already told you earlier, with the growth we reflected in the earnings per share ambition and that is an earnings per share ambition between 6% and 8% coming from 5% to 7%. So and this is how it looked like. We take the upstream from our OPCOs, including also the profit of the reinsurance, which we also assume within the group being dividend that had to the own funds. We deduct the holding cost, and we target a holding free cash flow cumulatively between EUR 1.7 billion and EUR 2.1 billion, of which EUR 1.50 billion to EUR 1.8 billion will be distributed towards the shareholders.

And if we look at the dividend, then you see that we're coming actually cumulatively from the Connect21 period, EUR 1.4 billion to a range, which is even above. If we translate that into the free cash flow, then we see that the free cash flow over the previous period will be approximately EUR 1.7 billion, for the new period, we see it between that EUR 1.7 billion and EUR 2.1 billion. Here, the -- sorry, there is one other thing I want to add here is the operational free cash flow generation. On the operational free cash flow generation, we continue with our annual guidance but we can confirm now that in the definition that operational free cash flow generation is the metric that we know in Europe. And for Asia and Turkey, we take the dividends, if we add the 2, the operational free cash flow generation will be above the holding free cash flows. That means that the targets that we are giving in holding free cash flows are truly generated by the value creation and the dividends in Asia and therefore, are also sustainable in time. You will definitely ask what about share buyback?

Well share buyback remains possible. But has never been and will never be a guarantee, we look at share buyback assessing year after year. What is the free cash flow being upstreamed? What about our growth and that could be the growth organically in the plans that I have shown you or inorganically through M&A. We will look at this combined and consider whether a share buyback in a specific year is appropriate. So it remains a possibility, but not an upfront guarantee. So this is the summary and an update of a slide you know depending on the solvency because, of course solvency is a very important part. And here, you also see that on the top level, share buyback is possible after an assessment of free cash flow, organic and inorganic growth.

Okay. Welcome back thank you for staying with us during the presentation. And during that little movie summarizing our strategy, I'm joined here in the room with our Executive Committee, Emmanuel Van Grinberg, our Chief Risk Officer, Antonio Cano, Managing Director of Europe; Filip Coremans, Managing Director, Asia; and Christophe Boizard, our CFO. So that means we are ready and fully available for your questions. If you want to ask a question, you can raise your hand, and the team behind the scenes will allocate a time slot for you. And I will call upon your name when it is your turn to pose your question. We've got a first question from Ashik Musaddi.

Questions And Answers

Q - Ashik Musaddi {BIO 15847584 <GO>}

So just I have two -- three questions, actually. I think the last part of the presentation is where all the numbers came. So I just want to cross check some of those numbers again. So if I understand correctly, the first thing you said is free cash flow would be EUR 1.7 billion to EUR 2.1 billion. That will lead to a dividend of EUR 1.5 billion to EUR 1.8 billion. This is just dividend. This doesn't include the buyback. So that means you will still save EUR 200 million to EUR 300 million on top of the dividend. Plus, you would have some excess capital at the moment in your balance sheet.

So you mentioned that buyback is not certain, but it could be there, it could not be there. So how do we think about it could be there, it could not be their thing. Basically, what has changed versus last year? Say because see, last year, we were in the same situation, you always had this buyback guidance, but you had mentioned that if there is an M&A, you won't do that. So what has changed on that commitment basically is what I'm trying to understand.

The second question I have is, how do I think about this growth rate of 6% to 8%? Is this a growth rate on EPS or net profit, basically, both are same because there is no buybacks? So that's something I'm trying to understand because, clearly, I think in past, if I think about 5% to 7% growth, you were trying to do, say 3% to 5% of net profit growth, 2% of buyback. So 3% to 5% is jumping to 6% to 8% is a big jump. So that's what I want to clarify.

Third one is on non-Asian earnings, if you're saying Asia would be 50-50 in 2024, that kind of implies that non-Asian earnings is going down in 2024 versus 2020. Is my interpretation correct? Or would you say it should be flattish or something like that? Sorry, three questions here.

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

Thanks, Ashik. I think very relevant questions. But the first part on your numbers, it's correct. So EUR 1.7 billion to EUR 2.1 billion cash flow, EUR 1.5 billion to EUR 1.8 billion, only dividend. So that's the first thing I can confirm to you, that is only about the dividend. So what remains is not EUR 200 million to EUR 300 million. It could be between EUR 300 million and EUR 600 million. If you deduct to. So then we have a range between EUR 300 million and EUR 600 million that remains available for other things. It could be including share buyback. The change we make, Ashik, is that in Connect21, we have confirmed upfront a share buyback if there is no material M&A. But now we have a wider growth story, and we have also the free cash flow as the main reference so that's why we say a share buyback is possible, but we will do the full assessment of what is the free cash flow, what do we have in the pipeline for the organic growth story that we should probably provide to as well as, as before, what is the M&A, the M&A realized and announced, but also may be M&A that might be in the outlook.

So we take an overall consideration. If we feel that there is additional margin after that analysis, then share buyback remains possible the following years. So that's what we mean with a share buyback after assessment of growth, free cash flow generation and with growth remain organically and inorganically. Second question about EPS. Yes. You're right. We have given you a target 6% to 8% without an assumption upfront of share buybacks. So you could link it to the net profit growth actually because we use the same denominator in this 6% to 8%. So indeed, this is linked to the profit growth.

The last one I have to nuance. It is not that the profit in Europe is going down, we only say that the growth of the profit will be faster in the Asian region than in Europe, and I will pass it to Filip directly to shine some light on the Asian region in this respect, which will further bring the balance from 40% to 50%. But Filip, maybe you can give some insights on Asia.

A - Filip Coremans {BIO 17614100 <GO>}

Yes. Absolutely. So you have heard the word Asia quite a few times throughout the presentation. If you look back at the whole pack, which will be available to you. You will see that we project Asian earnings to become 50% of the group. Where at the same time, with the 6% to 8% earnings growth. That means that we are landing between EUR 1.1 billion to EUR 1.2 billion. Let me be optimistic here just for the sake of simplicity, that means that we feel that our agent profit, which we now gave a guidance of 350 to 400 during the last investor call, would grow from the 400 rather to 600 over the next period, which is a CAGR between 15 -- about between 14% and 15%.

The majority of that is something and that relates to the story at on core is something that we generally see come out of the growth in these markets, let's say 2/3 of that. The other 1/3 will have to come from distribution diversification, what Hans referred to, adding the distribution in channel agency, where we have not fully deployed that, that really adds growth in the India story, in the Vietnamese story, in the Philippines, where we are all today solely in banca almost.

The further penetration in protection lines, which should add (inaudible) accretive business also helped distributed by these agency channels. We see there the main reasons for the markup. Also, and that is in the final part, the additional growth in Asia earnings will also be sustained by sheer volume, not all our businesses have already -- would I say cost -- completely eroded the cost overruns. So efficiency gains are also still there. That means that we're quite ambitious, yes, indeed, on the Asian earnings. But if you take that they go from four to six, that still means that the rest of our book grows from 550 to 600 as well, so 10% up.

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

Next question is for Michael Huttner.

Q - Michael Huttner {BIO 1556863 <GO>}

The -- I have two questions. One is on the buyback. Given the planned starts next year, right? Can you say anything about buyback this year? And the second is on the fourth country fourth leg. Can you explain it a bit more? I wasn't sure sorry, let me fix on [ph] -- I wasn't sure whether you -- it was -- I couldn't make out whether you're going to go into a developed market or non developed markets in Europe or less developed market. Maybe you can give a little bit more insights on what you see as your fourth leg in Europe?

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

Okay. Thank you, Michael. Well on the first question, I think I mentioned it somewhere in the presentation. For this year, we are still guided by the Connect21 KPIs. So that means where we have stated we do a share buyback, unless we have significant M&A. But as you know, these decisions are only taken after the Second Quarter results so probably in the month of August. But our guidance is based on Connect21 KPIs. That being said and it's may be a good opportunity for you to mention because we talk about free cash flow as well as dividend. So that means that in 2022, our dividend commitment will also still be based on the results of '21, which is the 50% of profit. So the free cash flow that we count is about upstreaming and the dividend in '23, '24, '25, based on the results of '22, '23, 24. So I don't want to leave any misunderstanding in that respect.

Secondly, on the fourth entity, this is not new. It was part of our M&A strategy already under Connect21 where we have said we have actually three core markets with Belgium, U.K. and Portugal, and it would be good to strengthen and diversify the dividend and the profit contribution for the group, if we could add such a fourth market, a market where we have an operation that is sizable, potentially leading in the market and with a very stable profit and dividend contribution and also an entity that we control. So that's why almost naturally we say that this market is supposed to be in Europe. We have not been successful yet in the Connect21 strategy, but we still keep it as one of the potential M&A action points. Okay. Next question is for Fulin Liang.

Q - Fulin Liang {BIO 21126177 <GO>}

I have just two questions. The first one is presumably all the -- like 6% to 8% EPS growth. That is also depends on the IFRS 17 implementation, right? So all the metrics apart from the cash which will be only applied to 2022. Is that right understanding?

Then on the cash, if I do the math correctly, so you have EUR 1.7 billion on the lower end, you have EUR 1.7 billion of free cash, and that is post the home office kind of cost of half billion. So you add that up, you were expecting EUR 2.2 billion remittance from all your operations. Then if I look at that, on the lower end 2.2 versus the actual remittance from your kind of business in the last three years, in the last 3-year cycle, we were talking about EUR 1.9 billion remittance, which is a sum of EUR 1.6 billion plus 0.3 from Asia, 1.6 Europe, plus 0.3 from Asia. This 1.9 will be increased to 2.2 at least.

Presumably, the European remittance is actually growth is -- will be very limited. So does that mean actually, you are effectively aiming for doubling your remittance from the Asian business units. Is that right way to understand it? Is -- and then presumably, you have actually communicated your business target with your Asia partners in different countries and they have actually agreed on this kind of doubling the -- or kind of a very high-growth of the cash remitters?

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

Okay. Let me take the first question, for Christophe on EPS and IFRS 17, and the remittance is highly Asia related so Filip will jump in.

A - Christophe Boizard {BIO 15390084 <GO>}

Yes. Thank you. So on the IFRS 17, to make things very clear, you should consider that all these targets should be understood as if IFRS 17 didn't exist. So consider a 3-year homogeneous 3-year and IFRS 17 will come later. We are actively working on with the CFO forum of what could be the right way to restate and to recalibrate different objectives. But you should consider in this exercise as if IFRS 17 didn't exist.

Having said that, you will appreciate the fact that we are, except for the EPS, we are moving from something based on a percentage of the IFRS result for the guidance, for the dividend to something which is more linked to cash flow. This is I would say IFRS proved. So it means that -- and you can see that among peers in the market, more and more, you can see this kind of move to go to cash. I think it's a way to smoothly make the transition to IFRS 17. So it is more to address the IFRS 17.

Then one last thing to justify why we are switching from the previous framework to this one based on cash flow. It's a little bit like ALM, ALM where you try to match your liabilities with corresponding assets here. Since we have this growth component, since we have the payout ratio, which is quite different between Europe and Asia, we have -- we can see things in parallel as the ALM. We have the remittance and then we give certainty about the share that will be distributed. So in a nutshell, IFRS 17 consider that it doesn't exist for this exercise. And later on, next year, you will have another session with updated figures and target. But at this stage, we will try to put and to propose things which are homogeneous to this target, no real change. It will be the calibration under IFRS 17. Then on the cash, it is a market move and it partially address the IFRS 17 issue.

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

Okay. Maybe, Filip on the remittance.

A - Filip Coremans {BIO 17614100 <GO>}

Yes. On the remittance out of Asia, to be very clear, it is not excessively going up in this plan. Let me clarify what is -- at least for Asia region underlying. First and foremost, you have heard that we expect a very hefty growth in the region. That's not only in the bottom line, that's also in the top line. Indeed, distribution channel expense underpinning that will require investment. So overall, on a gross basis, because you were grossing up the remittance there for Asia region, we are in this plan with between EUR 500 million and EUR 550 million only, yes, cumulative.

That is gradually going up. And by 2024, we expect that gross amount to be close to EUR 200 million a year. In fact, that is not very aggressively up if compared to where we are today. We go, therefore, an average net payout ratio -- gross payout ratio of around 30% throughout the region. But in the overall growth picture that you were talking about, we should not forget that indeed, and I should pass it to Antonio Cano, but we have an increasing result from reinsurance coming into play. But it's maybe better, Antonio, if you give the overview on the European side.

A - Antonio Bosque

Yes. I'll check. If this works, you hear me? Yes. Okay. So indeed, as Filip was saying, you should add up the increasing profit generated by the Reinsurance segment, which is assumed to be upstreamed 100%. In fact, Reinsurance sits legally at the opco level. Then we have also the latest acquisition from Turkey, AvivaSA, which is also a new contributor to dividends.

Q - Fulin Liang {BIO 21126177 <GO>}

Okay. Got you. Sorry, just to clarify with Filip. So because in the last three years, 3-year cumulative is only EUR 300 million, and it is growing to EUR 500 million to EUR 550 million.

That's quite impressive growth, right?

A - Filip Coremans {BIO 17614100 <GO>}

Yes. But just to be the EUR 300 million, I think that is net maybe true because we made some investments. But if we look, for instance, at this year, what we expect this year because we have more or less announced that we are close to EUR 170 million for the year only. So -- but that is because China Taiping or Taiping Life better at an exceptionally good year last year, certainly in comparison to our IFRS results because the strong rebound in the Chinese equity markets that boosted the result there relative to ours. They add for the year, a payout ratio of 35%. Not sure that, that will stay.

In any case, we do not count on an increase in the payout ratios for these three years in Asia region. So we stick to, on average, 30 for our plan. If the reality would turn out to be that these payout ratios can go up. It will depend on the local growth plans that we see mature. Of course we will not be unhappy and probably nobody will be unhappy at that moment. But in this plan, we stick to it.

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

Okay. Ashik, I understand you have another question.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes. I have a few follow-up questions, if I may. I mean how do we think about your share buyback decision? So you made it very clear that there could be EUR 300 million to EUR 600 million left, and then you will assess the opportunities, et cetera. But is this an annual assessment, 3-year period assessment? So how do we think about that? So let's say in first year, you decided, no, the pipeline of potential M&A looks good. So we are not doing a buyback. But next year also, you are not able to do that. So at the end of two years, do you expect a double buyback? Or would you say not really? So any thoughts on that? Sorry to come back on this question again.

Secondly, you mentioned that there is EUR 200 million to EUR 300 million of IT-related spend you are planning to do. So will that be coming out of this EUR 1.7 billion to EUR 2.1 billion? Or will -- is that already deducted from this, i.e., this number is after those expenses?

And just third question is, I mean how do we think about your balance sheet flexibility to do M&A at the moment? I mean what sort -- I think you have EUR 1.2 billion cash at the moment at the holding company. So if you don't do -- assume anything for buyback, that means, I mean EUR 700 million, EUR 800 million of M&A flexibility, would you say there is any leverage capacity left? So any clarity on that would be very helpful.

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

Okay. I pass it to Christophe. I think I'll come back on the second question for the investments.

A - Christophe Boizard {BIO 15390084 <GO>}

So on the share buyback, Ashik. So first, I'd like to remind you that this was already said. But for this year, we are still with the Connect21 plan. So it means that in August, when the Board meet, we still have this "commitment" on the EUR 150 million. So now we are talking next year, in 2022. In 2022, we enter the new plan. Here, it will be an annual assessment. We cannot say that it is on 3-year because it would mean that we have to wait and so each and every year, we will assess if a share buyback can be done or not. And at this stage, I'd like to remind you our very old policy around capital management. You remember that we said, number one, M&A, we give priority to M&A, and you can see that we have ambition on this.

Second in the list was to be nice with shareholders. In this, we have a dividend story and the share buyback. You will appreciate that in this version of the plan, more emphasis is given on dividend because if you do the math, you can see that more or less, the dividend will increase by 8% a year, if we follow the different figures that we have told you. Then you remember that the third position, we had liability management. But this is less of a concern since most of the legacy are already done. So again number one, M&A. Number two, share buybacks. So we will have the same attitude vis-a-vis the share buyback.

So first, M&A and nice acquisition come first. Then we have the share buyback. You have the margin you mentioned, but nothing prevents us to take something out of the existing cash. So it means that we have flexibility, a big difference between the previous version of the plan is that there is not this commitment with a figure of EUR 150 million. But I think that is not a change, except that, as I said, more emphasis is given to dividend with this nice 8% increase on average.

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

Okay. On the investments, Ashik, so the EUR 200 million to EUR 320 million. First of all, the major part of this will be in our opcos. This is not an additional cost that we have to deduct in the corporate center cost compared to the corporate center cost today. That's not what it is. These are IT budget, but not only IT, there is also product development. There is also investments we need to make for the health care ecosystem or, for instance, to build one of those platforms that we might be interested in or to connect to one of those platforms we might be interested. So most of these amounts are integrated in the local budgets when they design their plan. But the impact of it, the answer is yes, it is taken into account in the overall plan. But don't see it as an additional deduction we have to make from the corporate center cost.

Q - Ashik Musaddi {BIO 15847584 <GO>}

That's very clear. I mean it's -- just on the buyback, I think apart from that written commitment from what you're saying, it looks like nothing has changed. Apart from that one liner that you had in your previous presentation of like at least more than EUR 150 million. Apart from the written commitment, it feels like the way you are thinking, nothing has changed?

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

Well we give, I think a strong commitment, Ashik, on dividend, yes. On the other hand, we have this look at growth, free cash flow access that we have organically and inorganically. So we look at the total growth of shareholders' return when we look at share buyback as well as what we have available, as Christophe has just explained. What we will not give is that if we don't have a sizable M&A, the share buyback is automatic. We're also not committing that it will be automatically EUR 150 million.

So because of these growth plans, also inorganically, we do take a little bit more flexibility. We also look by the way how we position with the dividend. So we link the two, but we want to give, I think a very adequate positive shareholder return after all. But the assessment, and I want to confirm that what Christophe says, we will make that assessment year after year.

Q - Ashik Musaddi {BIO 15847584 <GO>}

That's very clear. Sorry, just one question I had was the balance sheet flexibility on M&A.

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

Yes. I know. Christophe, I don't know whether you can talk about the cash and the leverage.

A - Christophe Boizard {BIO 15390084 <GO>}

Yes. so on flexibility, what we indicate is that our "fighting power" is in the range of EUR 2.8 billion all in all. That -- so it means, obviously additional debt and the additional debt will be a mix of sub debt, where we still have room for around EUR 500 million, but we could take senior debt, and you know that prices are extremely convenient on senior debt, less than 1%.

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

Okay. If I may give the floor to Robin van den Broek. Robin, please, what is your question?

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

Yes. Can you hear me?

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

Yes. Absolutely.

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

No. I think most of my questions have been answered already. I just wanted to make sure I understand the free cash flow dynamics correctly. I think for this year, you're guiding for more than EUR 700 million of remittances from the opcos and then your Reinsurance unit basically sits at the holdco.

Last year, I think the profitability was around EUR 80 million. So should we see the profitability of the Reinsurance basically as a reducing factor of your holdco cost also throughout this plan. Then that EUR 700 million of remittances from your opcos is basically a starting point also for the next three years. That's my first question.

The second question is on free capital generation. You've not really talked about that today. Should we assume on the back of that, that the EUR 500 million to EUR 550 million for European entities is still the right way to look at it? Or can we expect some maybe positive impacts from the long-term equity holdings that you're already using as of today?

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

Maybe, Antonio, on the reinsurance?

A - Antonio Bosque

Yes. So very, very short on the Reinsurance. No. We assume Reinsurance to be just an operating company. So their dividends are part of the dividends coming from the operations. Separately, there's reduction from holdco costs. At the end of the day it's -- it doesn't make a hell of a difference, but it is assumed to be insurance result and dividend.

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

On operational -- free cash capital generation, Robin, first of all, what we say is, and we want to explain that the upstreaming and the free cash flow will be fully funded by the capital generated in each and every entity. So that means your guidance for Europe is right. But when we link free cash flow with fleet capital generation, we will also add here the dividends coming from Asia. So you take the free cash flow in Europe, which you can compare with the free capital generation on both of them, we add the dividends from Asia. Then we say that we make sure that the free cash flow can be fully funded with the free -- the cumulative free capital generation over the 3-year period, which means that the new targets we are setting and the new KPIs are sustainable in the long run.

So we are not tapping into the existing capital of our operations with these targets. That being said, we will continue on giving operational fee capital generation guidance year-after-year. So what we have been doing in the past, we will keep on doing that into the future. So I hope that explains your question. I think we have another question, and that is coming also from Michael Huttner.

Q - Michael Huttner {BIO 1556863 <GO>}

Just a very quick follow-up question on the -- well, two. One on the EUR 1.2 billion, I think you said at the beginning, you were going to talk more about it. And maybe you have already, I don't know. The other one is on the tax on the -- sorry, I flipped the camera on, sorry, apologies. On the tax, so the benefit of the Reinsurance, as I remember it, is the -- you used up some of the tax losses, which have been created in the past. I just wondered how much are they part of your thinking here? Maybe you can give us a figure because I think the missing number we're kind of -- we're thinking about is that Reinsurance is becoming a big profit earner here?

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

Well the EUR 1.2 billion. My -- question is related to earnings? Or is it related to the cash position because we have twice the same numbers?

Q - Michael Huttner {BIO 1556863 <GO>}

It was -- I think -- I'm sorry, maybe I was a bit confused at the beginning. I think it was the cash position.

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

On the cash position. Well the EUR 1.2 billion on the cash, well, I did link it when I give the revision of the M&A strategy. It was just meant to put the M&A capacity, and Christophe has just answered if you include leverage on our total capacity. So no, my intention was that I would come back to M&A. I think I have clarified where our focus would go to build growth with this EUR 1.2 billion. Secondly, maybe you can talk about the Reinsurance?

A - Antonio Bosque

Yes. So you linked the Reinsurance result to the tax losses. Bear in mind that at the operating -- at the holding level, we have the cost of the operations of the holding. Plus the cost of the sub debt. Now the Reinsurance profits today don't yet compensate for those to cost items. So yes, it is a kind of tax-free earnings and they helped to compensate the costs and the interest rate at holding level and the rating. So we're not eating up on the deferred tax losses.

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

They are perpetual as well as they stay. Fulin, I understand you have a follow-up question. Fulin, you are on mute maybe. We don't hear you.

Q - Fulin Liang {BIO 21126177 <GO>}

Hello? Can you hear me now?

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

Yes. Okay.

Q - Fulin Liang {BIO 21126177 <GO>}

Yes. Okay. Sorry. So you might have touched upon, it, but I -- because I was switching actually the devices. So I missed a little bit of the presentation in the middle. Two quick ones. The first one is, did I miss the point that did you say actually the fourth European countries you want to do is where you potentially could have a leading position. You had operations before? Did I get that correct?

Then secondly is on the U.K. You said U.K., so you're refraining from the M&A and why you're doing the operational kind of improvement. Are there any specific target for those restructure like operation targets in the U.K.?

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

Well first of all, on the four types of operation, no. It is about entering a new market. That we could declare as a core market likely today having Belgium, Portugal and the U.K. So it will be a new market. But core means we have a controlled entity with a leading position and stable profit and dividend upstream. That are roughly the criteria for a fourth core market. I don't know you want to talk about U.K., Antonio?

A - Antonio Bosque

Yes. So in the U.K., we are still simplifying and reviewing the portfolio of activities. So therefore, as long as we're busy with that, we will refrain from M&A. I think that was part of your question. But the U.K. remains one of our core markets and our profit targets remain what they were previously.

Q - Fulin Liang {BIO 21126177 <GO>}

And so you -- when -- or let's say what's trigger you think okay we've done with U.K. and then probably is the time to consider M&A?

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

Combined ratio below 95%.

A - Antonio Bosque

It would be anyhow towards the end of this cycle or the next cycle. And allow me, I will not be more specific than that. I think we still have one to two years of hard work.

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

The plan by itself, Fulin, because there is also an IT component. The plan by itself will run almost three years. So the plan will bring us to 2024. Okay. Ashik, you understand you have one more question.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Just two small follow-ups. So just to be clear, the guidance for your growth, 6% to 8% is on the EUR 950 million number for 2021, right? Is that understanding correct?

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

Well it is on the number of 2021, but I'm not committing to EUR 950 million.

A - Antonio Bosque

Between EUR 900 million and EUR 950 million.

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

We have said EUR 900 million to EUR 950 million is the guidance.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. That's clear. Secondly is the Reinsurance earnings from Asia will be part of Asian earnings and not Reinsurance earnings.

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

That's correct.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. That's all I was looking to ask. I mean it's a very clear presentation, so thanks a lot.

A - Christophe Boizard {BIO 15390084 <GO>}

Just to clarify, the Reinsurance from Asia. So Asia, that is the result from Taiping Re. There is some reinsurance activity we do with our NCP partners in Asia. It's still minor. That is part of the Reinsurance track just to be complete.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. Maybe if I can just ask one more question. I mean on Asia, we have been just looking at China for quite two, three years. Basically, the focus has been just China, China, China, that's it. I mean what about Thailand and Malaysia? I mean these two are good businesses, but somehow, the growth is not coming through in these two businesses. What's going on? When do we see a turnaround of those things? Is the product a problem, a market problem?

Any thoughts on that would be very helpful because, clearly, China is coming through very strongly, but if it is supported by Malaysia and Thailand, which is two of your best businesses, I mean no doubt about it, Etiqa and Muang Thai, but it's just not coming through in terms of earnings. So any thoughts on that would be helpful.

A - Filip Coremans {BIO 17614100 <GO>}

Yes. First and foremost, I agree, in fact, I had expected this question, Ashik, for many reasons. First and foremost and allow me to say that I'm working on trying to get more granularity in the disclosures on Asia region, but that will take some time. But I think we owe that to the investor community, given the big stake that it will become to give indeed more insights in the business and profitability in the signature, not only of the region, but indeed, a bit more granularity. This is something, of course that we have to do in tandem with the partner. I'm very transparent. We have to have the dialogue but we are thinking about how we can do that. It could be that it becomes part of the regular disclosures. It could be that we do it in a separate investor meet maybe once or twice a year to give you guys more insight.

Secondly, on Malaysia and Thailand, I think it would be doing them a little bit of injustice saying that their earnings are not coming along only, indeed, China dwarfed the dialogues and the stories, also because of the impact of valuation, interest rates, equity market movements, which are materially and blur from my perspective, the nice developments we see in the other countries. Thailand has been historically one of our best investments ever the return on investment made there beats everything. Only the last two years, indeed, that has been more difficult. But of course last year was heavily impacted. The Thai equity market was very heavily impacted by COVID. They are recovering nicely. We will see how they come out of this year.

But indeed, we will try to give more insight on how these businesses are doing. But I don't think it would be fair to say that they're not growing. In this plan, we do have -- and you have seen the chart or at least you will get it when you have access to the documents. You see the growth expectation CAGRs that we have on this market separately listed. So this is a promise to work hard on that to get more information to you.

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

Okay. Thank you, all. Thank you, Ashik, for your questions and all the others on the line. How much I think we would have lost now to go at the table and to have a dinner together, like we used to have at the other launches of the previous strategic cycles. I'm confident that next time, we will be able to do that again wherever it might be in the world. But anyway I think -- thank you for staying with us the last two hours. I hope it was all clear. If not, if you have further questions, of course you will find your way to our Investors Relations team. So thank you again for joining us again today. Talk soon. Good-bye. Good evening.