Q1 2013 Earnings Call

Company Participants

- Antonio Cano, CEO, AG Insurance
- Bart De Smet, CEO
- Christophe Boizard, CFO
- Frank Vandenborre, IR
- Kurt De Schepper, Chief Risk Officer

Other Participants

- Albert Ploegh, Analyst
- Ashik Musaddi, Analyst
- Benoit Petrarque, Analyst
- Chris Esson, Analyst
- David Andrich, Analyst
- Farooq Hanif, Analyst
- Francois Boissin, Analyst
- Jason Kalamboussis, Analyst
- Steven Haywood, Analyst
- William Elderkin, Analyst
- William Hawkins, Analyst

Presentation

Operator

Ladies and gentlemen, welcome to the Ageas conference call for analysts and institutional investors. I am pleased to present Bart De Smet, CEO, and Christophe Boizard, CFO. (operator instructions) Gentlemen, please begin.

Bart De Smet {BIO 16272635 <GO>}

Good morning, ladies and gentlemen. Thank you for dialing in to this conference call and for being with us for the presentation of the First Quarter 2013 results of Ageas.

As usual, I am joined in the room by my colleagues of the executive committee, and by Antonio Cano, CEO of AG Insurance, and our Investor Relations team.

Ladies and gentlemen. this First Quarter has once again been a very important one, during which we have been able to solve a number of legacies. This has, of course, already been communicated all in detail over the past weeks, and Christophe will recap shortly on the main highlights.

Coming back on our Insurance results, it is fair to say that we have made a positive start to the year, with a net profit broadly in line with the First Quarter last year. Inflows are close to the EUR7 billion mark, fueled in particular by strong sales in Asia.

The main headlines of the results announced today are the following, and I am on slide two of the presentation.

The Group inflows, including the non-consolidated partnerships at 100%, amounted to EUR6.8 billion, which is 20% up on last year. Overall, we recorded higher figures, both in Life and Non-Life, the main driver being the Life sales in Asia.

The Asian region accounts for half of our total inflows and the strong figures were, in particular, driven by a successful sales campaign in China and a good start in Thailand.

If we were to report our inflows for the Ageas part, they have exceeded the EUR3 billion for the first time.

The net Insurance profit amounted to EUR157 million; almost in line with the EUR155 million of last year. The Life activities contributed EUR108 million, down 14%, while the Non-Life and other net profit increased to EUR49 million; an increase of 69%.

The Non-Life results benefited from a strong performance in Household, both in the UK and Belgium.

In Life, a combination of a lower investment result in Belgium, a reduced underwriting result in Portugal and the acquisition costs related to the very strong growth of new business in China explains the lower results.

On the other hand, we had a positive result of EUR7 million, of which EUR6 million in Life, related to the partial buyback of a hybrid debt instrument in Belgium in the month of March.

Our Group combined ratio at 99.5% compares to 101.9% last year, marked by a strong loss ratio of 66.7%. The overall prior year releases of 3.5% are lower than past year's 5.6%, and, as already mentioned, Household performed extremely well, with an overall combined ratio of 97%, with strong improvements both in Belgium and the UK.

In contrast, the trend in Motor was less favorable, declining from 98.9% to 102.1%, with lower results both in Belgium and the UK.

The Life Technical Liabilities for the consolidated activities were slightly up on year end to EUR69.5 billion, and in the non-consolidated partnerships the Technical Liabilities increased more substantially to EUR40.1 billion, marked, in particular, by Asia, with a 12% increase due to growing business volumes.

The Group net profits amounted to EUR293 million for the First Quarter, with a net profit in General Account of EUR136 million. The combined impact of the transactions related to Royal Park Investments and the call option on the BNP shares accounted for EUR142 million of the total, as already announced previously.

And finally, both our shareholders' equity and solvency remained virtually stable, compared to the end of 2012, at EUR9.8 billion, or EUR42.74 per share, and 203% for the Solvency ratio; the latter for the Insurance activities.

I would now like to give the floor to Christophe, to shed a bit more light on the financials and to provide you with some additional insight, before we move on to Q&As.

Christophe Boizard {BIO 15390084 <GO>}

Thank you, Bart. So I will now provide you with some additional comments on three things; first, the operating results by Insurance segment, second the General Account, and then on the investment portfolio.

So let's start with our Insurance operations, and I am on slide six of the presentation.

Our Belgian operations reported a net profit of EUR80 million, versus EUR78 million last year. Higher results in Non-Life more than offset the reduction in profit in Life.

The Non-Life net profit of EUR16 million is entirely due to a better operating performance, especially in Household, reflecting first the positive impact of the corrective actions taken in the recent past; second, further rate increases and also less weather-related claims.

The performance in Motor remained broadly in line with last year.

The Life net result declined to EUR64 million, due to lower operating margins. The main reasons for that are a lower amount of realized capital gain quarter on quarter, a lower yield, but also some positive non-recurring financial income last year.

This is only partly offset by lower technical charges and the positive impact of the already-mentioned refinancing operation. I am referring to the Hybrone tender here.

With respect to our Life inflows, we recorded a drop of 15% compared to the same quarter of last year. This was not entirely unexpected, and is especially visible in the guaranteed products, where we face the combination of the historically low guaranteed interest rates, anticipation in investing last year from our clients, and the Government decision at the end of 2012 to increase the insurance premium tax.

In Group Life and individual unit-linked products, we saw an increased appetite for our products.

Let's go to the UK now. The UK headlines can be found on slide number 7 of the presentation.

So, here, the net result improved strongly from EUR17 million to EUR23 million. Groupama UK contributed EUR3 million to this result.

As in Belgium, the improvement of the result came essentially from a better operating performance in Non-Life, with a net result of EUR20 million, which is EUR6 million ahead of last year. Also here we had good results in Household, benefiting from relatively benign weather events in what is usually a difficult quarter.

We had less good results in Motor, where a better claim ratio was more than offset by a higher expense ratio; a consequence of the focus on more profitable business, with lower average premium and higher commissions.

Net realized capital gains only amounted to EUR1.5 million, compared to EUR6 million last year.

Inflows were broadly in line with last year, at a constant exchange rate, and amounted to EUR520 million. The acquired Groupama activities contributed to EUR82 million.

Motor premium declined in both AIL and Tesco, following a desire to maintain a firm pricing discipline which would improve the risk profile of our business.

In the Retail segment, it is worth mentioning the launch of Ageas Law, a personal injury claim partnership with NewLaw, offering a one-stop, high-quality personal injury claim service to impacted customers.

In our third segment, slide eight of the presentation, Continental Europe, the net result of EUR18 million is in line with last year. Life and Non-Life contributed comparable results to last year.

The Life result came down by about EUR1 million to EUR13 million. Continued efforts to contain costs helped again to further reduce Life operating cost by some 2%.

The net result in Non-Life went up to EUR5 million, mainly because of the higher net profit in Turkey, which includes a EUR2 million result, following the review of the (inaudible) methodology.

And here I'd like to stress the extremely good result that we have in Turkey. When we consider the fierce competition that we can observe on this moment on this market, I think that it's an outstanding result to have both growth in volume and a positive contribution to the result.

The increased inflows reflect higher inflows in Portugal and France in Life, and in Turkey in Non-Life, as I have just mentioned.

Lastly Asia, and I am on slide nine now. Here the results are especially marked by high inflow level, as Bart already mentioned. At the same time, net profit came down from EUR43 million to EUR38 million.

Inflows have been boosted in the First Quarter to a level above EUR3 billion, if we take all our partnerships at 100%, which is the definition we have for inflow. The biggest increase was recorded in China; plus 70%. But, at the same time, we noted also a rise of more than 40% in Thailand.

The growth in China mainly came from the bank channel, with an extremely successful sales campaign in the First Quarter producing more than EUR1 billion of single premiums. Aside from the steep increase of new business premiums, renewals were up by more than 20% to about EUR1 billion.

In Thailand, as in China, all distribution channels took off well with good persistency levels and a 25% increase in renewals.

The net result for Asia was marked by a better result in Non-Life, at EUR6 million, and a lower contribution in Life, EUR32 million compared to EUR39 million last year.

The breakdown of the EUR32 million is EUR10 million for Hong Kong, EUR25 million for other countries, and we have to take into account EUR3 million of the original costs for our office (technical difficulty).

So this was the first part of my presentation. Then I will give you some more detail on the General Account and I am on slide nine (sic; slide 10) now.

Bart already mentioned the positive net result of EUR136 million on the General Account. The P&L impact of the transactions announced on April 27, related to the RPI and the call option on BNP Paribas shares, is included in the Q1 result. And, as already mentioned, the total impact is EUR142 million.

The breakdown is the following; so the part related to Royal Park Investments amounted to EUR232 million, while the sale of the call option on BNP Paribas gives us a negative impact of EUR90 million.

You will recall that these transactions will generate an additional net cash flow estimated at EUR1.2 billion, of which EUR1 per share will be distributed to the shareholders. I can confirm that it is our intention to distribute this EUR1 per share through capital reduction and that this deal will be submitted to shareholders' approval at an Extraordinary Shareholders' Meeting which will be held in September 19.

Other elements influencing the results in the General Account include a reduction by EUR10 million of the liability related to the RPN(I), while total staff and other expenses amounted to EUR11 million.

Last part of the presentation, ladies and gentlemen. I will give you some short comments on the investment portfolio and the solvency position, so slides 11 and 12 respectively.

The total investment portfolio increased by about EUR1 billion to EUR76.8 billion, with the allocation among the different asset classes remaining broadly stable, except for a light increase in loans at the expense of cash and government bonds.

Unrealized capital gains on the available for sale bond portfolio came down slightly from EUR5.2 billion to EUR4.9 billion. Unrealized capital gains on equity and real estate remained stable.

Lastly, solvency was steady compared to the end of 2012. The global insurance solvency ratio remained above 200% at 203%, with the amount of capital exceeding the regulatory minimum requirements at EUR5.3 billion.

Ladies and gentlemen. I'd like to end my comments here and to hand over to Frank.

Frank Vandenborre {BIO 15168443 <GO>}

Thank you, Christophe. Ladies and gentlemen. that concludes the introduction and I would now like to open the Q&A session. Please limit yourself to three questions, as usual. Thank you.

Questions And Answers

Operator

Ladies and gentlemen. we will now begin the Q&A session. (Operator Instructions) Farooq Hanif, Citigroup.

Q - Farooq Hanif {BIO 4780978 <GO>}

I have two questions, really. Firstly, if we look at the EUR1 billion of additional cash, roughly, that you are going to receive, what can you tell us right now about your thoughts on debt buyback, equity buyback, acquisitions and reinvestment as the four uses of that cash? That's question one.

Question two, could you please comment a little bit more about your intentions with Taiping Life and obviously you've not taken -- you've lapsed the step-up option, just how you can potentially get more upside from that agreement and what form it may take? Thank you.

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

The first question, indeed we will receive somewhere in the course of the year a net amount of some EUR1 billion cash on top of the cash position we have at this moment.

We will, as we did in the past and announced in the past, we will, each time when we look at our cash position, look to the three potential uses of this cash, which is in the order of normal priority.

First see whether we have business opportunities to further invest in the activities. Secondly, look whether we have one or other means to give part of it back to shareholders. And the third one is to see whether we can use it to pay back debt or to reduce debt.

There is no clear decision, opinion at this moment, like always, and I think the track record of the past has shown that we have been -- although this was the order of priority that we always have been looking at each moment, looking to concrete opportunities, able to distribute the use of cash in the past amongst these three classes.

And to remind you, if we include the EUR230 million that will be distributed as a consequence of the RPI call option operation, if we add that we will have returned in four years more than EUR1.5 billion to shareholders. We used some EUR900 million for acquisitions and some EUR900 million for reduction of debt.

So I think that, although there is an order of priority, we, in the past, have shown to be quite disciplined, to each time judge each opportunity on its merits and we will do the same in the coming period as we have done over the past years.

But please accept that we will not give today another announcement of a decision than the one that we announced in the press release, which has to make with the EUR1 distribution that will be done in cash linked to a capital reduction. (multiple speakers)

The second question --.

Q - Farooq Hanif {BIO 4780978 <GO>}

Sorry, I was just going to say, clearly you don't have any constraints, do you, on leverage ratios? There's no particular capital type of constraint that's going to require you to look at debt first.

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

No, not at all.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay.

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

So your second question with Taiping Life, first of all we -- the option that has been granted, if you can call it like that, or negotiated in 2001, was one where there was a possibility to go up to, let's say, 49% if it was also subject to approval of the regulator in China.

We have in the past years maybe not talked a lot about it, but at some occasions indicated that this was an option that we did not consider as an option having a particular value.

So what we have done now is, if you see to our strategy in China where you see this growth that we fully support. It's also a growth that, from time to time, asks us to increase our investment in China, like we did in this year.

We are active in, or present in, their asset management company and we now also have been granted now, or have been able to access to an e-commerce company through which they try to make use of all the new methodologies, whether it's Internet, direct marketing, social media, whatever you can imagine, to get more sales in the market in Life, in Non-Life and in Pensions.

And so that's a bit the change that we made, which is, I would say, also a proof of the fact that we have a quite good understanding with our partner, Taiping Group, because the collaboration goes now further than the pure life and asset management company.

We, lastly, early this year also participated in the capital increase in China for some EUR77 million, which is, again, as far as we are concerned, a proof of a clear commitment to China.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. Thank you, very much.

Operator

Ashik Musaddi, JPMorgan.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Just three questions, first around Belgium. Sir, can you give us some color around what are you doing in Belgium Life business? So what are the changes in guarantee rate? What is the current guarantee rate? And what's the new money yield that you're putting, basically, for those businesses?

The second position -- the second question is on Asia. Now your inflows are very strong, especially driven by China and Thailand. Can you give us some color around how will that translate into the bottom line, i.e., how will that translate into net earnings and, I guess, some timeframe on that?

And the third thing is, can you just talk a bit about releasing capital from the Insurance business? Where are you on that front, i.e., which is typically related to your ROE targets which you set last year? Yes, that's it. Thank you.

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

Okay, the first question and I have the CEO of AG Insurance next to me, so he can certainly complement if I'm not fully complete.

What we have in Belgium is, first of all, that the rates on the guaranteed products have been continuously decreased over the past year. At this moment on the, what we call, the investment insurance products, we have a guaranteed rate at max 1.5%.

Also important to know, and that's one of the reasons why the inflow in that category of products has been reducing, that, as of this year, the Government has increased an upfront tax on these products from 1.1% to 2%. So this has created a quite important drop in the Belgium market in that type of products, but we must -- we can indicate that AG Insurance has a much lower loss of business than the overall market.

So that's what you could call the third pillar, the more free individual Insurance contracts.

In the Group Insurance contracts, the guaranteed rate for products with guarantees on future premiums has been reduced to 1.75% and it's 2.25% on products where there is no guarantee on future premiums. Also there, due to legislation in Belgium, the employer is obliged to guarantee 3.25%, so the gap has to be covered by the employers.

Today, and then I look a bit to Antonio, I think what we get as investment income is 3% plus.

Q - Ashik Musaddi {BIO 15847584 <GO>}

That's on the new money that you are getting?

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

It's on the new money, on the new money, yes. Of course, on the portfolio this is a bit higher and it's more close to 4%.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. And this is not having a massive impact like your sales or your inflows are only down 15%. So a reduction in so much of guarantee is not having a massive impact (inaudible) -- okay, that's good.

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

The good news is that, indeed, there is a decrease quite dramatically on the Belgium market in the pure guaranteed savings business. AG has a decrease, but lower than the market and we explain this by a quite consistent policy of profit sharing in the past and what is certainly in line with our strategy, that part of the loss is compensated by increasing sales of unit link, which is, of course, one of our strategic objectives.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes.

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

Then the -- do you want, Antonio?

A - Antonio Cano {BIO 16483724 <GO>}

Maybe just on the Group Life side, you must realize that all the contracts that are there out there with historically higher guarantees, they are not moving. So there's not really a lot of new contracts in the market. So these new rates that we mentioned are, to some extent, academic, on the Group Life side.

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

On the Group Life. Then for Asia, I think we have to make a distinction between China and the other countries, because the growth in Thailand, if you look to the details, it's, to a large extent, in renewal premiums that have the same profitability as before. So we don't really expect or see a lot of impact on that on earnings levels.

In China, we have seen a quite spectacular First Quarter, primarily, as indicated also by Christophe, by very high sales in single premiums.

The reason for this is that we work in China with multiple banks, more than 10 banks, that, in the start of the year, make with their choices of the banks, the preferred banks, for the remainder of the year.

And this single premium campaign has been one that has been set up to be sure that we would be, in the remainder of the year, top of the list for these banks. And where we expect, in the remainder of the year, to move much more to renewal premiums, which have such a higher profitability.

So the impact of this is that, in the First Quarter, we have seen, as indicated, high acquisition costs and also incentive schemes for the sales people. So we expect this to lower in the course of the year.

Of course, the full effect of the more profitable renewal premiums will not be fully captured in 2013; it will be spread over time. But we believe that this is a way to invest in further increase of market share in China that, over time, will certainly be beneficial.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes. Thank you.

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

The third question, maybe I pass it to our Chief Risk Officer. I also can give the answer, but it's about use of capital in (Insurance), where we have maybe also a link to the solvency ratio.

In any case, the question was a double question. The second part was about how to achieve the targets for 2015 in terms of ROE. I will probably come back to that after Kurt.

A - Kurt De Schepper {BIO 6240700 <GO>}

As for capital, the first question, of course, is, is there enough solvency to be able upstream capital? You've seen the answer when you look at the solvency ratio there; pretty stable and there is sufficient room.

And for the -- we did (technical difficulty) that we decided that the off course with upstream dividend[ph], of course, most of it will come from the Dutch operation, which is the largest. But also from Portugal, we have already upstream cash this year.

So, in general, the upstreaming of the capital towards the Holding Company is taking place. And we talked about before that, the full dividend will be covered by the (technical difficulty), of course.

As for the return on equity, Bart, would you like to answer that question?

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

Yes, I think we also touched on that in the past. We are aware of the fact that we are not today at this level of 11% return on equity for the Insurance operations. But, when we announced this target, it's clear that we had, okay, first of all ideas but also the plans to be able to achieve this.

And it will be done, or it can be done, in different ways. It's by working on, of course, the overall profit of the Insurance operations. It's also by working on the denominator, which means, let's say, using the capital in such a way that it's mostly (technical difficulty) in return ROE-delivering entities.

It can also be done by, for instance, using part of the cash we have available in further expansion, where we go for a high return on equity activities or companies.

So we know that it's a challenging target, but we are besides also quite convinced that it's achievable and we work towards this goal for 2015.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. Thanks a lot. Thank you for this.

Operator

Benoit Petrarque, Kepler Cheuvreux.

Q - Benoit Petrarque {BIO 15997668 <GO>}

The first question is on the Belgium Life. Could you talk a bit about this new money yield at 3%? I think we have seen the Belgium yield on the 10 year close to 2% this quarter. And I think average duration is around eight years on your product. So I fail to understand the gap here.

And, again, on Belgium Life, is there any one offs except the capital gains and the impairment this quarter? For example, I don't know, maybe higher profit sharing assumption this quarter.

And then could you talk a little bit about your unit-linked products in Belgium? I see the production's down q on q and I was expecting, actually, a sharp drop -- a very sharp increase of the unit-linked sales, given the market. So could you talk about market share development versus your competition, distribution channel and maybe innovation on unit linked in Belgium?

And then final question is on the capital upstream. You have a solvency ratio in Belgium at 1.74%. So, how low can you go with capital upstream to the holding? What will be limit you are happy with? Thanks.

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

For the first question, I will ask Antonio and Christophe, maybe, to answer, the 3% fixed (multiple speakers).

A - Christophe Boizard {BIO 15390084 <GO>}

I can give you some detail about the yield we have on the, let's say, the new money invested. This proves that, if we invest in the sovereign bond, we cannot achieve the 3%. But it's not the case.

I consider -- I read the reporting on the First Quarter about new money investment. We have overweight in the credit class, emerging markets, the high-yield structured credit loans. And, with this, we are well above the rate of 3%.

So, all in all, we are slightly below 3%, but we can achieve 3% with this diversification.

If I take some examples of amounts on the loans, I read 5.4% that we have achieved. So well above the 3% and obviously we have a mix because we have bought sovereign debt.

We have bought some high-risk sovereign debt, on which we believe.

So that's today the answer and with diversification we have put in place during the First Quarter.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Will there be any kind of limitation from the regulator? Because I mean if you're writing Life, Belgium Life business, and investing premiums in high yields and emerging markets --?

A - Christophe Boizard {BIO 15390084 <GO>}

So you don't have the strict limitation coming from the regulators. You have two things you should take in account. First, our internal policy to the strategic asset allocation, and we have limits there. But secondly, obviously, when you invest in loans or in emerging bonds, the loading, the Solvency II aspect, the loadings are higher than the one you get on sovereign bonds.

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

Then the second question was on exceptional cap gains or not for impairments in Belgium. If you go to slide -- I think it's slide five of your presentation you received, you can see that this year the total impact of capital gains minus impairments is EUR27 million and it was last year EUR19 million. It's a difference of EUR8 million.

But the impact of the Hybrone operation is some EUR7 million. So if you take that out, it's quite in line and it even accounts for the full Ageas Group. We don't see particular exceptionals of very high importance in these Q1 results.

The third question was unit-linked sales. First of all, the unit-linked sales, and it's only -- it's worth what it's worth because volumes are, of course, not yet -- ones we at the end want to achieve, but it was 243% up compared to last year for AG Insurance.

So, let's say, you could say we almost made in one quarter one-half of what we did in the full-year 2012. And what we see as in -- and, of course, this is not an officially published overview from the sector yet, but some indications is that the market sharing unit link of AG Insurance would be between 25% and 30%, where it was last year at a certain amount of time more 12% to 15%.

So it's really taking off, primarily in the bank and in the bank and the post; a bit slower in the broker distribution.

A - Antonio Cano {BIO 16483724 <GO>}

On the type of unit-linked products it's (inaudible) of what we call the capital guaranteed products at term, but we also see a gradual pickup of the pure, say, open type of unit linked.

And, indeed, as Bart was saying, we're pretty satisfied with the production in the First Quarter. There's always some seasonality in this because -- particularly the capital guaranteed products go in tranches, and so it is not a stable production each month.

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

And then the last question was about the upstream capacity at AG Insurance. First of all, as you know, our Group target in Solvency I is 200%. AG Insurance is a bit below at 174%, but we -- okay, this is a situation we have for some time and we feel okay with that.

If you remind the answer that has been given previously by Kurt, that the full dividend 2012, in which we can add also the General Account costs and the regional officers costs, have been covered by upstream dividend from our (inaudible) companies. So it shows that AG Insurance certainly has the capacity to contribute largely also in the future to the upstream part of the profit to support the dividend policy that we have fixed and that we have executed until now.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Okay, thank you very much.

Operator

William Hawkins, KBW.

Q - William Hawkins {BIO 1822411 <GO>}

Two questions on the UK, please. The EUR3 million impact from Groupama that you mentioned felt a bit low to me. I thought you'd been talking about EUR30 million of annual profits coming out of Groupama, so a low-single-digit impact seems small.

You've made it clear that Groupama's in line with your expectation, so I just wondered if you could give a guide about those expectations and is EUR3 million a guide for the incremental impact for subsequent quarters?

And then secondly, again I know you've talked about this a lot in the past, but the fee business continues to see fees falling down another 10% year on year. Again, is this just the ongoing impact of the recession? And at what point are you going to think you might need to take remedial action on that? Thank you.

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

Groupama is -- some elements there. First of all, Q1 is traditionally not the best quarter. It even counts for the full UK operations. And if you also look to last year, the First Quarter in the UK gave a profit of some EUR18 million the full year was above EUR100 million. So this in Non-Life is a tendency we also see within Groupama.

It's also the first year, so we have costs of integration that have not all been covered in the purchase accountant. And, more important for us, is that we remain more than confident that we will exceed the 11% return on investment on this acquisition. So that's the reason why we said this is in line with our expectations.

If we go to the second question on the other segment, so the Kwik-Fit (inaudible) cover and the others. So we are in the situation where we have seen quite some changes over the past year where we are of the opinion that we are now more in a stabilized environment.

Of course, competition remains high. There is pressure on the margins. The whole change in referral fee has impacted the market in different ways. First of all, we see that the average premiums in Motor come down for all the players.

We also see that, of course, due to this intervention, the legal (inaudible) intervention, that the income from referral fees is reducing quite importantly. But the good news of that is, of course, that it will have a quite positive impact on the loss ratio.

So for Ageas UK as a whole we believe that this is something that will be compensated. So the changes in prices, the lower income from referral fees but also the lower cost ratio, all this together will mean that we remain confident on the profitability and the results of our UK businesses.

Now more specifically for our distribution, if we look to, on the one hand, (inaudible) cover, where we target over 15 markets, what we are preparing there is that we move to a single underwriting arrangement as of Q3.

So it will be only or primarily insured at Ageas Insurance Limited rather than through a panel, which permits us to have a better control over the overall customer experience, which will permit us to reduce our costs and which will also help us to improve the overall profitability of that part of our retail business.

The second, let's say, activity Kwik-Fit. There we continue serving clients through a panel and there we launched a cost-reduction program that will deliver quite significant cost savings during 2013 and will enable Kwik-Fit to compete more effectively in the aggregated channel.

And I think that that's why, in a nutshell, the way we look to the fee income.

So don't forget that that was also initially in our plans, that owing[ph] this in distribution machines permits us to steer more of the business through our own underwriting activities, where we have seen in the past two years a quite positive evolution in terms of profitability. And so we benefit also partly through our distribution that we own.

Q - William Hawkins {BIO 1822411 <GO>}

Great. Thank you, very much.

Operator

Albert Ploegh, ING.

Q - Albert Ploegh {BIO 3151309 <GO>}

Three questions from my side. First of all on the Motor segment, where we saw the combined ratio, I think, moving up in all three regions. Can you give a bit of a feeling what's going on in that market and if you plan on taking any additional measures there?

Second question on Belgium, on the Life side. I think in the press release it was somewhere mentioned something on mortality, which I think was a favorable experience in the First Quarter. Can you give some color there on what amount it is and if it is somewhat one off or maybe even recurring?

And the last question is on the Asian region. In the past I think you have made a statement that, in case of add-on deals in that region, that a basically preferable should be financed locally. Has anything changed following the cash in at a holding level? Thank you.

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

So I think for the first question on Motor, indeed, as we announced, there has been an increase in combined ratio. I try to take the Ageas figures as a whole, so not -- or I can refer maybe most easily to the press release, at the last table on page 26.

So what you see is that, if you take Belgium Motor, indeed the combined goes up from 101.5% to 102.5%. But it's not really in the claims ratio. There is even 1% -- the reason is more in the releases. So overall the releases, looking for the exact figures, in Belgium -- the releases in Motor are nothing. So there is a slight strengthening with 0.6% where last year there was a release of 2.5%.

If we then go to the UK, we can see that we have a slight release of 0.8% last year and no release this year. So, from that side, there has been no specific support and the slight decrease is more linked to expenses. And then more specifically in the UK, because there were expenses, say, in nominal terms equal for lower average premiums. So that's the main reason.

If you look then to actions taken in Belgium, as of January 1 there has been an increase of premiums in Motor overall on the whole portfolio with 3%. So it's on new business. But this is a continuation of what we did in previous years. And so we remain quite confident that the combined ratio close to 100%, below 100% for Motor, is still achievable. It's only one quarter. Let's be prudent on that side.

Then the second question, mortality in Q1 in Belgium.

A - Antonio Cano {BIO 16483724 <GO>}

I think there's not really something special occurring in the mortality. It is the ongoing fact that people tend to live longer, as you're well aware. We are not exposed to longevity risks to any meaningful extent in Belgium. It's a pure mortality gains across the board.

And there is also, and that's maybe something that you've picked up, is the fact that we have some unit-linked products where the debt capital is, in fact, the premium that has been paid initially by the customer. And should the value of the unit link be below that level, we actually provision for that difference. And if markets go up, you release that provision.

And that is something that you might have seen somewhere, but it's not really linked to mortality per se, but it's more linked to market value and unit linked. But, there again, there's nothing really special happening.

Q - Albert Ploegh {BIO 3151309 <GO>}

And on that last remark on the unit linked, is that there are big provisions set up, so if the markets do keep rising we should expect more releases on those unit-linked policies?

A - Antonio Cano {BIO 16483724 <GO>}

I think there are hardly any funds where the initial premium is below the current market value. So don't expect any big (multiple speakers).

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay.

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

Then the third question on the Asian region. Our position did not change. So we look to, in some regions, with our partners to possibilities in, let's say, countries where these partners are also active or have good contacts. And if one of these would materialize we, in the first place, believe this can be financed out of the local searchers[ph].

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay. Thank you, very much.

Operator

Francois Boissin, Exane BNP Paribas.

Q - Francois Boissin {BIO 16045021 <GO>}

A few questions, please. First, on the capital position of your Insurance operations I see a total available capital of EUR8.3 billion. How much of that is debt and how much of that is equity?

And, basically, is there scope to increase the leverage ratio of your Insurance operations or do you think it's adequate?

If I look at the available capital of the General Account, you have EUR1.1 billion in Q1. Why is that materially lower than your equity position in a General Account?

And, considering the cash position that you have, EUR2 billion after the Royal Park Investment and BNP Paribas call deals, would you have to maintain a buffer in terms of cash in your balance sheet to face potential liabilities, like the RPN(I) litigation risk or the put option on AG? So do you think of a minimum buffer and could you quantify that?

And, in terms of -- the last question I would have is on your portfolio activities. Are there any significant moves that you can make to try and enhance your ROE? I.e., would you be ready to sell operations with below 11% ROE levels? Thank you.

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

Okay, (multiple speakers) --.

A - Kurt De Schepper {BIO 6240700 <GO>}

The split, I would have to look up exactly in the interim financial statements, but, in general there is a limit of what we can have as subordinated debt supporting the capital.

If we see the requirements of solvency, they are EUR4.1 billion. If we take the amount of subordinated liabilities, they are EUR1.1 billion. So it depends a bit on structure to structure, entity by entity, but, by and large, I would not expect any possibilities under the current rules to substantially increase the ratio.

Q - Francois Boissin {BIO 16045021 <GO>}

So, basically, just to make sure I understand it, you are saying that there is no room to increase leverage at this point in time?

A - Kurt De Schepper {BIO 6240700 <GO>}

Looking at the numbers -- as I said, it depends a bit from country to country. There would be some room in -- when the required solvency is growing, you can -- if you want to go to the extreme, you could go up to EUR2 billion in the solvency requirements covered by subordinated liabilities. And currently, at the level of Insurance we are at the EUR1 billion. So there is the possibility to do EUR1 billion more.

But I would be very prudent there, given the current circumstances, and particularly we don't know what kind of those subordinates would be granted grandfathering under Solvency II. So this I would not see as the moment to increase the leverage there.

Q - Francois Boissin {BIO 16045021 <GO>}

Okay.

A - Christophe Boizard {BIO 15390084 <GO>}

On the second question, the General Account available capital of EUR1.1 billion, two things.

First, we should take into account the fact that we have the debts in the General Account, and we have the cash, for instance. So the cash should be financed by the capital and the debt.

Then maybe another element of answer is the fact that the cash we will receive over time. At this moment we have not received anything coming from the transaction for RPI and the call option, for instance.

On the call, the settlement will take place this month, whereas on RPI the EUR900 million will come after August. But we have first to reimburse all the loans of RPI, the commercial debtor program plus the tight CDTs[ph] because (inaudible) Paribas.

Q - Francois Boissin {BIO 16045021 <GO>}

Okay. But what would be the pro forma available capital after accounting for these transactions?

A - Christophe Boizard {BIO 15390084 <GO>}

I cannot give you the answer at this moment, so we have to prepare something.

Q - Francois Boissin {BIO 16045021 <GO>}

Okay.

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

The third question was whether we need cash to meet (inaudible) obligations. You referred to litigation, to the put option. The same what we have done also since 2009 is take a prudent stance with respect to our cash position. We said at that moment always to be in a good solvency position and have a good liquidity position over a number of unforeseen things. And we always, to be honest, at least keep somewhere a prudency buffer in our cash position.

Having said that, to refer to the put option, this is something that could materialize in 2018. So we will not today start from the absolute certainty that we will have to put cash on the table at that moment in case the put is executed by BNP. So we will not be so prudent at this moment.

I think we have also, with respect to the cash we have had in the past when we had the concept of the discussion in capital, we have been moments where we were at EUR1.5 billion. There have been moments where we were a bit lower, at EUR200 million, EUR300 million. So we will, in the future, look at this in a quite prudent way, and don't expect the cash to come down to zero.

A - Kurt De Schepper {BIO 6240700 <GO>}

If I may, I would like to come back, to avoid misunderstanding, on the initial question regarding the possible subordinate debt. When I said there was room to do perhaps something more but I was not very eager to do it right now, that was at the level of the Insurance companies.

If you look at the level of the Group, you will find the full detail on page 26 of our interim financial statement. There you see that, at the level of the Group, we currently have already EUR2.5 billion of subordinated debt where the maximum that we can have is about EUR2 billion.

So the answer I've given is completely correct if you look at the Insurance entities. If you would look at the Group, then the situation is different and things might evolve depending on the evolution of, for instance, the legislature this year. Because when the Group is being monitored, it is the Group situation that is looked at, and subordinated debt, even if it's un-lent to third parties, is, for us, subordinated debt, and the maximum that you can apply.

So I just wanted to avoid any misunderstanding there. It is different if you look at it at the opcos or at the Holding or Group level. But the optimization of the Insurance entity is not going to change fundamentally our profit as a Group, of course.

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

Then on your last question, whether we would be ready to sell operations to reach 100% return on equity, I think the answer is a positive. And we also, in the past, divested a number of operations, so they're referring to a previous answer I gave.

When we work towards an 11% return on equity in 2015, it's a combination of working on the nominator and the denominator, and one of the positives, in that respect, is, indeed, to reduce shareholders' equity maybe by some operations with activities that do not reach the required levels.

Q - Francois Boissin {BIO 16045021 <GO>}

Okay. And just one -- can you be a bit more specific on type of geographies that could be targeted by those measures?

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

Unfortunately, no. You have to guess.

Q - Francois Boissin {BIO 16045021 <GO>}

Okay. Thank you, very much.

Operator

Jason Kalamboussis, SocGen.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Some quick ones. Just to come back on the thing you just answered, on reducing the (E) and maybe less cash that you have in Insurance operations, taking the comment that you have put around Taiping Life and also the cash position you are going to be in once the RPI deal is closed, I'm trying to understand in Asia, is it really going to come -- if you decide to move to different countries with any local partner, is that more likely to come by a reduction of existing Insurance capital? Or are you more likely to be putting eventually, if the right opportunity arises, capital from which you could collect from the RPI sale?

The second thing is just on the RPI closing. You said August. Could that slip to the Fourth Quarter? Or should we assume that at nine months' stage you will be having the cash in? Maybe you said after August, but just to make sure that it falls within Third Quarter, and that there is no closing that could be coming in the Fourth Quarter.

And the other thing is just on the reserve releases. You had low reserve release in the First Quarter. Should we read that through -- could that be an indication of what we are more likely to see this year? That means, in general, lower reserve releases, as is the trend that, indeed, we have seen with most of your other peers.

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

The question on Asia, and I've tried to see whether I correctly understood your question. So if we look to another target that we have set, besides the ROE targets we also have a target to be more balanced towards Non-Life and also more in emerging markets.

So there also being more shareholders' equity invested in emerging markets can be done, or by investing additionally only in emerging markets, or it could also be by a reduction in the mature markets.

But I think the whole plan. we have to come to the 11% ROE, and also to comply with the other targets it's not -- but it's an end plan. So it's a combination of elements where it can be as well achieved by investing part of the cash in emerging markets, and why not then in Non-Life in emerging markets.

But it also can be by reducing equity in mature markets that are, as indicated, not delivering the required return on equity. Or just by, for instance, evolutions that we could have in the coming years. And we have capital gains, that is also part of our shareholders' equity.

So it's a combination of elements. And it's not because we did not continue with this option to move in Taiping to more than the current almost 25% that we will not be looking to further opportunities in Asia to invest.

A - Christophe Boizard {BIO 15390084 <GO>}

I can give you some more color on RPI, the transaction itself.

So by the end of May, 95% of the proceeds of the sales will be received from the buyer. But then we have to reimburse all the debt. And, since the beginning of the year, RPI increased a little bit the duration of the CP program. So it's bad luck, if I can say it, because we have to wait a little bit longer.

So the program will be phased out until August, but I think we can have some installment before. So my expectation is that 90% of the cash will be received by the end of August, which means that, as you said, the cash flow will be here within our accounts for Q3.

And then we will maintain a small amount of cash within the structure because, as you know, the RPI won't disappear. We sold the portfolio without the claim rights for the US litigation against the structuring banks, etc., etc. So it means that the RPI will be maintained alive to manage the portfolio claims in the future.

Which means, for instance, that, apart from the deal, we will expect some further recovery out of these claims, and this is nowhere in the accounts as it is not something that you can foresee. But you will have some expectation about future profits coming from RPI on the top of what we have just booked.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

That's very helpful.

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

Last question was on the low releases in Q1. So what we see when we do the tests on the adequacy of our provisions is that they are quite reassuring. So we do not really -- first of all also if you go back in time we ever, let's say -- if it's anything else then let the models play and do the proper reserving in our activities. And so we don't see reasons why this would change dramatically in the future.

A - Antonio Cano {BIO 16483724 <GO>}

Perhaps a word on that on Belgium, where you see a lower positive run off. It's a bit of a mechanical effect that's seen in 2011 and '12; higher positive run offs. Because 2010, if you remember well, was a very bad year in terms of weather. So we actually set up very high claims provisions for those claims. So that is logical, as these claims have been run down, that we have this release.

So you had relatively high releases in 2011 and '12. 2012 was not such a bad year in terms of weather, in Belgium at least. So then it's logical that this year you would have a lower level. But in terms of proportionality it is; it's nothing we're changing.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Thank you. Can I just -- one quick one, one follow up, on the first question on -- when you are saying going -- that you will reduce equity in mature markets that could go to growth markets, would that go via upstreaming more cash to the Group, so that means that you're upstreaming to cover the dividend, and the staff costs, etc?

Or that is, will it remain within Insurance so it is done within the Insurance operation, rather than being upstream and downstream, wherever you need it, just so that I understand.

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

Again, the answer is one of -- and then, so let me say -- and then it is the number of opportunities we see, which doesn't mean that they have been decided yet.

So it can be by, indeed, whether it's margin taking account our requires or risk solvency levels, it can be by upstream in cash. It can be -- what is the answer to another question, by divesting lower returning entities, or parts of entities, or operations. It also can be by an evolution that you can expect in the coming years in the unrealized capital gains. So it's a combination of all these things.

A - Frank Vandenborre {BIO 15168443 <GO>}

I was wondering whether, behind the question, there was another misunderstanding that we would have an Insurance entity that is holding separately equity and cash, and then we would be having the General Account which would be then what is, let's call it, the money to play for the guys in the Holding.

That's not the way that it works. So if we look at the Insurance, that the sum of our Insurance operations, to (inaudible) it what we call the General Account. So when there is an upstream from an Insurance company it automatically comes into the General Account.

And, for us, the most important part, and we've see that for the last year and this year, most important part is that we have sustainable profits coming up. And, to the extent that that profit is not needed because of development of the business in that country, it will be available for developments in other countries. And we don't make the distinction between the different sources of that cash.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Thank you, very much. That's very helpful.

Operator

David Andrich, Morgan Stanley.

Q - David Andrich {BIO 15414075 <GO>}

Just coming back to the UK Non-Life business, two questions on that. First of all, I was just wondering what we are seeing in the market in terms of price increases versus claims inflation, and just a little bit of color around underwriting cycle.

And then, secondly, in terms of the Groupama acquisition, you said there is some higher integration costs coming through in the First Quarter. And I was just wondering, I understand that there should be some synergies and some cost savings. Should we expect to see that coming through in the Second Quarter? Thank you.

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

The second one on Groupama. Of course, as mentioned, they are in the first year and starting in Q1 costs of integration that are made exactly to come to synergies. Part of it is, of course, in headcount and combining overall corporate staff for the different entities. It's also about localizations and IT systems.

So the costs of integration are not, I would say, some costs. A big part of it is, indeed, a cost to improve afterwards the profit expectations to come to this return on equity that we expect to achieve on this operation.

The first one, Non-Life UK. What we see today is that, compared in any case to a year ago, and there are a lot of also figures from competitors but also from independent sources on that, is that the combination of the introduction in the UK of the general directive which, for instance, was already applied in some other countries, with the huge change in the whole area of referral fees, has more, let's say, a downwards impact on prices. You see, let's say, minus 10% in rates compared to a year ago. But also will have a positive impact on claims cost.

And what you see today, and that's, in any case, our reading of what happens, is that the market is anticipating in its pricing on the future lowering of the claims cost.

Q - David Andrich {BIO 15414075 <GO>}

Okay, very helpful. Just coming back to the integration costs, so that, I guess, there will be a bit more of an ongoing process throughout the year then. Is that the correct interpretation?

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

Yes, indeed.

Q - David Andrich {BIO 15414075 <GO>}

Thank you.

Operator

Chris Esson, Credit Suisse.

Q - Chris Esson {BIO 6194371 <GO>}

I think at this stage of the day all my questions have been answered. Thanks very much.

Operator

William Elderkin, Goldman Sachs.

Q - William Elderkin {BIO 3349136 <GO>}

Just a couple of follow ups, please. Firstly, on the UK, can you just clarify the relationship between Tesco Bank and Tesco Underwriting, which I think you've got your participation in? I think Tesco Bank has signed a number of new panel participants.

Secondly, I see the commission cost in the UK increased somewhat over the year. Is that a business mix thing? Or what's driving that?

Then just going back to the Groupama question and restructuring costs. My understanding was you've taken quite a big restructuring provision when you announced the transaction. So is there some sort of leakage over and above what you're expecting to spend on restructuring coming through the numbers?

Then separately in Belgium, I think the margin on traditional business, I think, was 77 basis points for the quarter. Is that a sensible level to think about for forecasting, given the current interest rate environment?

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

Question one, the relationship with Tesco Bank and Tesco Underwriting. Tesco Bank is, as you certainly know, part of the Tesco Group and they have, together with us, a stake in Tesco Underwriting; so an underwriting entity we created together.

We also have a broker activity. And you could say that 90% of the business from Tesco Bank goes to Tesco Underwriting, but we also keep some alternative for cases. So, for instance, the client cannot be served, or doesn't want to be served, or we, for underwriting reasons, don't want to serve the client. So that's the reason why there are also some alternative solutions in the market.

But I must say that the main important, what you could call, change in focus that we have installed in the course of last year is that we work much more and much more focused on what we call the loyalty card owners of Tesco, the Club Card owners, which gives, of course, a clear advantage also in terms of segmentation.

With respect to the commission rate has increased, first of all, it's a combination of business mix. Also, with Groupama, we are more in the commercial lines sector. Besides, specifically for Tesco Underwriting, we have a model where the net premium, the net pricing is agreed on within Tesco Underwriting based on our return target that we want to achieve. And it's then the distributor who has the discretion, the freedom, which is not the practice in the UK, to determine the commission ratio he wants to achieve.

So you could say with -- this is not impacting the profitability, because we still start from our net price without commissions. Of course, it's something that can have an impact on the volumes, but not on the profitability case by case.

A - Christophe Boizard {BIO 15390084 <GO>}

Then maybe I can give some explanation about the margin in Belgium. So first, I'd like to, as an introduction, say that on three months the margin can be seen as volatile, so we have to be prudent in interpreting the figures. And, frankly, I'd rather wait the Q2 to comment broadly on this.

But on investment margin, what we can see is that even here, we have some seasonality in the investment margin. For instance, we will take most of the dividends of the equity portfolio in Q2. So that's something we were not aware of and it appears with this very precise monitoring of the result. But the investment margin is expected at a higher level for Q2, so we'll see.

But when you take a look on what we have achieved, even on these first three months, I think that we can say it is consistent with our long-term objective to reach the 80 bps to 90 bps on the investment margin.

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

I maybe add to that, what we saw[ph] is that if we look to the yield on the bond portfolio, compared to Q1 last year, there is a certain drop because we did last this, let's say, (inaudible) portfolio in Q1 last year and if we say a drop, it's about some 10 basis points. But since then, Q2, Q3, Q4 and this Q1, this yield has remained quite stable.

And another point is, of course, that, in order to come to the final margin that Christophe referred to, that you still have the effect of the discretional profit sharing that only can be decided at the end of the year when we have a full view of the investment income, including dividends, including (inaudible).

And we still skipped one of your questions, which was on the restructuring cost in UK, Groupama. So there is no leakage compared to what we planned when we finalized the operation. And for us, in any case, the result of Groupama in this First Quarter is in line with our expectations. So it's nothing, I'd say, unexpected and nothing negative to comment on that for the First Quarter.

Q - William Elderkin {BIO 3349136 <GO>}

Thank you. Can I just have one follow up? Was the UK Motor combined ratio in the First Quarter in any way impacted by (inaudible) a spillover of claims farming, if I can call it that, which I think has now been banned? But is there any kind of effect which should be non-recurring as we move into the Second Quarter and beyond?

A - Christophe Boizard {BIO 15390084 <GO>}

I don't think so. I would say even on the contrary, that the expectation is that the effect of the ban on referral fees will be seen in the future. So it's not fully in the loss ratio now, but we expect it to have a positive impact on the combined ratio going forward.

Q - William Elderkin {BIO 3349136 <GO>}

Okay. Thank you.

Operator

Steven Haywood, HSBC.

Q - Steven Haywood {BIO 15743259 <GO>}

Just two questions. On your NITSH I debt instrument, have you received any notification from Fortis Bank Belgium? Or when do you expect to receive any notification here?

And then further on the UK Non-Life market, as it's quite an attractive market to you, are you considering any further acquisitions in this market maybe from other potential distressed sellers as well? Or is your appetite satisfied here?

A - Christophe Boizard {BIO 15390084 <GO>}

I can give you the answer for the NITSH. So we -- as you know, the NITSH I hybrid instrument is 25%[ph] un-lent to BNP Paribas Fortis. So here, they are the decision maker. The call period is from June 3 to July 15, so we are not in the call period. In case we receive a call, we will call at our (inaudible) and the settlement will take place end of August.

Obviously, I cannot speak for BNP Paribas Fortis, but when you take the interest rates of the NITSH I, 8.25% on US dollar issuance, it's been high. So my personal feeling is that they will call.

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

The second question for us in the UK. Looking back, we have acquired Kwik-Fit, Castle Cover, Groupama. We set up early this year the alternative to help our customers in the case where we believe it's justified and our role to defend them in case of bodily injuries and primary risk (inaudible), which is small, our NewLaw.

And this is so much that we have on our plate that all the focus of the management team is on integrating and further continuing to improve our results in the UK. So considering further acquisitions, the answer is no.

If, of course, and that's a second question you raise, if tomorrow there is an extremely distressed asset of good quality, very low price on the market, we certainly will have a look at it, which is not indicating that we will go for it. But I think, at this moment, as said, the priority is on integrating and continuing with a very strong team in place to optimize the operations we have today.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. Thank you, very much.

Operator

Okay, gentlemen. that was our last question in the queue. I shall hand back to you.

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

So then maybe some final conclusions. I think we may say that the year started well from various angles. Good profit levels with no material one offs, positive or negative.

Record inflows with the opposing trends in Europe and Asia, especially in Life but also in Non-Life in the UK. This is pretty logical trend in the context of the current market conditions whereby we retain or even strengthen our focus on profitable growth.

And finally, further progress was made around our legacies, not only by participating in transactions around RPI and the call option of the BNP Paribas shares, but also with the restructuring and successful placement of (inaudible) instruments in Belgium and Hong Kong.

And to end, I am pleased that the Board has proposed an additional resolution of EUR1 per share to our shareholders as a result of the progress made on the legacies.

This underlines once again our continued focus on creating value for the shareholders and striving for a good mix between investing in our business and returning cash to our shareholders.

With this, I would like to bring this call to an end. Please don't hesitate to contact our Investor Relations team should you have outstanding questions. Thank you for your time and we'd like to wish you a very nice day. Goodbye.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you, all for attending.