

AGEAS
INVESTOR DAY

LISBON
— 6TH OF JUNE 2017 —
PORTUGAL

ageas



Agenda

- Introduction
- Definitions
- Observations
- 2016 Results
- Conclusion
- Next steps

Introduction



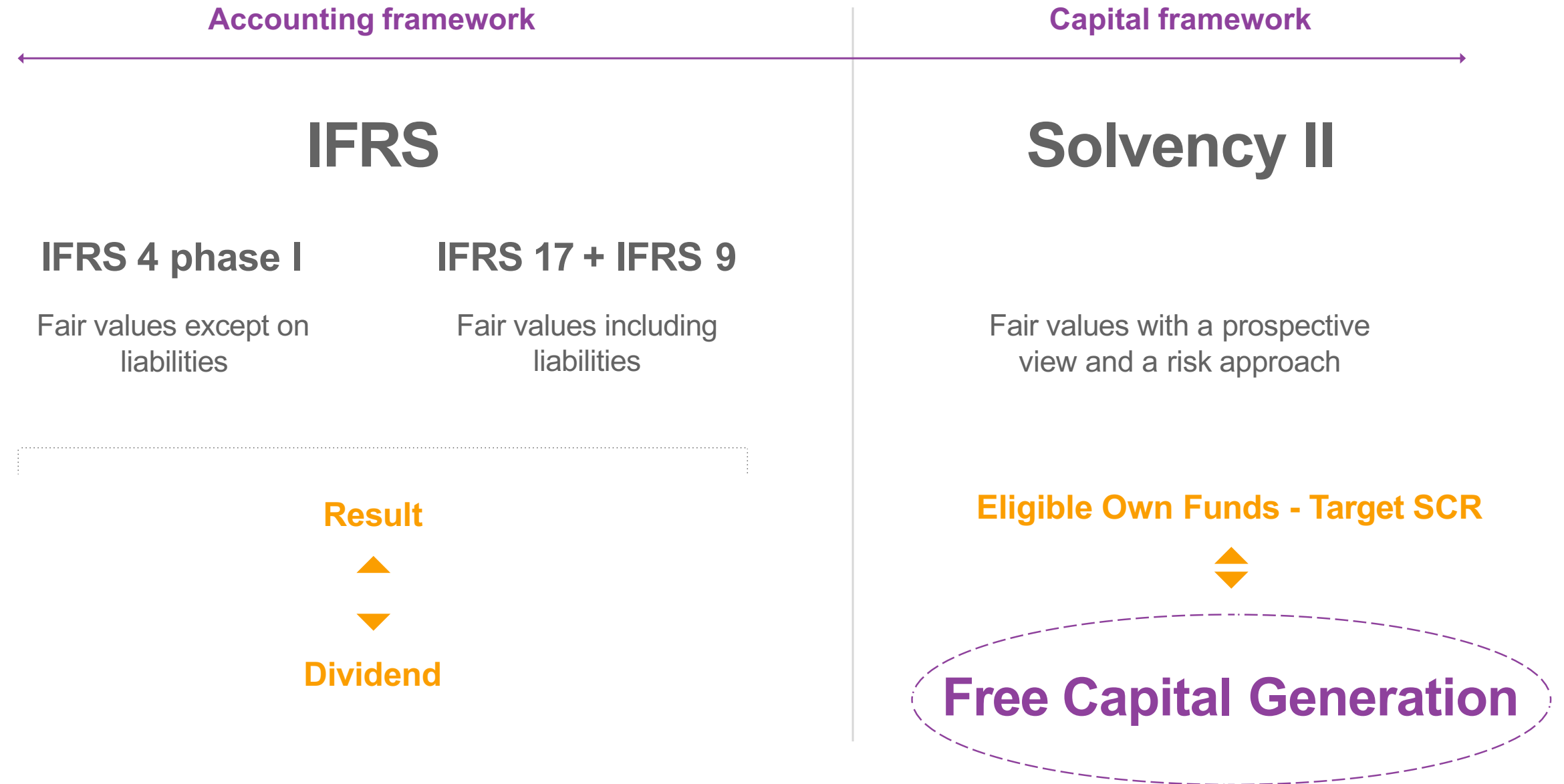
Introduction

- The insurance sector has moved from a growth story towards a value story.

Focus on :

- ▶ **Dividend capacity**
- ▶ **Dividend sustainability**
- Solvency II framework (SII) more forward looking oriented, hence better equipped to assess aspects of sustainability
- However, further alignment and harmonization of definitions and concepts used within the insurance industry is necessary

Introduction



Introduction

- SII can be used to calculate the Free Capital Generation in order to provide a prospective view on dividend capacity and to some extent on dividend sustainability

BUT

- Since SII is a prudential framework based on cautious estimates, e.g. contract boundaries, not providing an economic view, Free Capital Generation is by definition based on a prudent calculation basis
- Outside Europe, e.g. in Asia, same Free Capital Generation concept and definition can be applied but based on local regulatory framework

Definitions



Definitions

SCR Solvency Capital Requirement

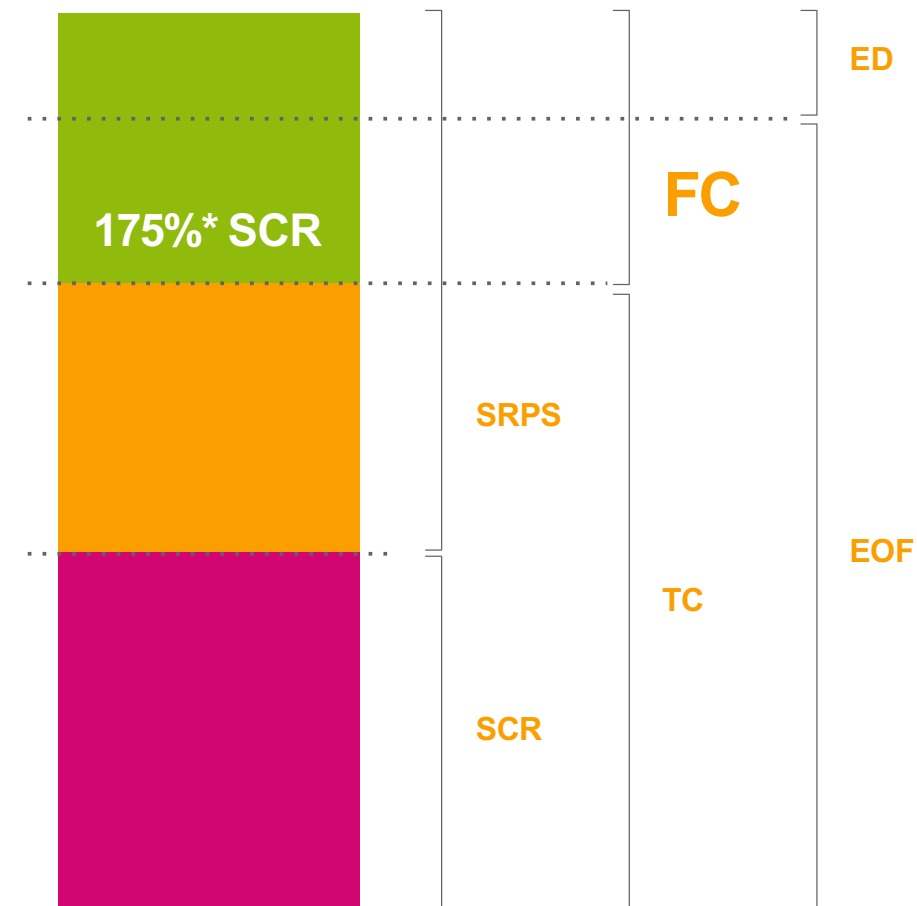
SRPS Surplus

EOF Eligible Own Funds

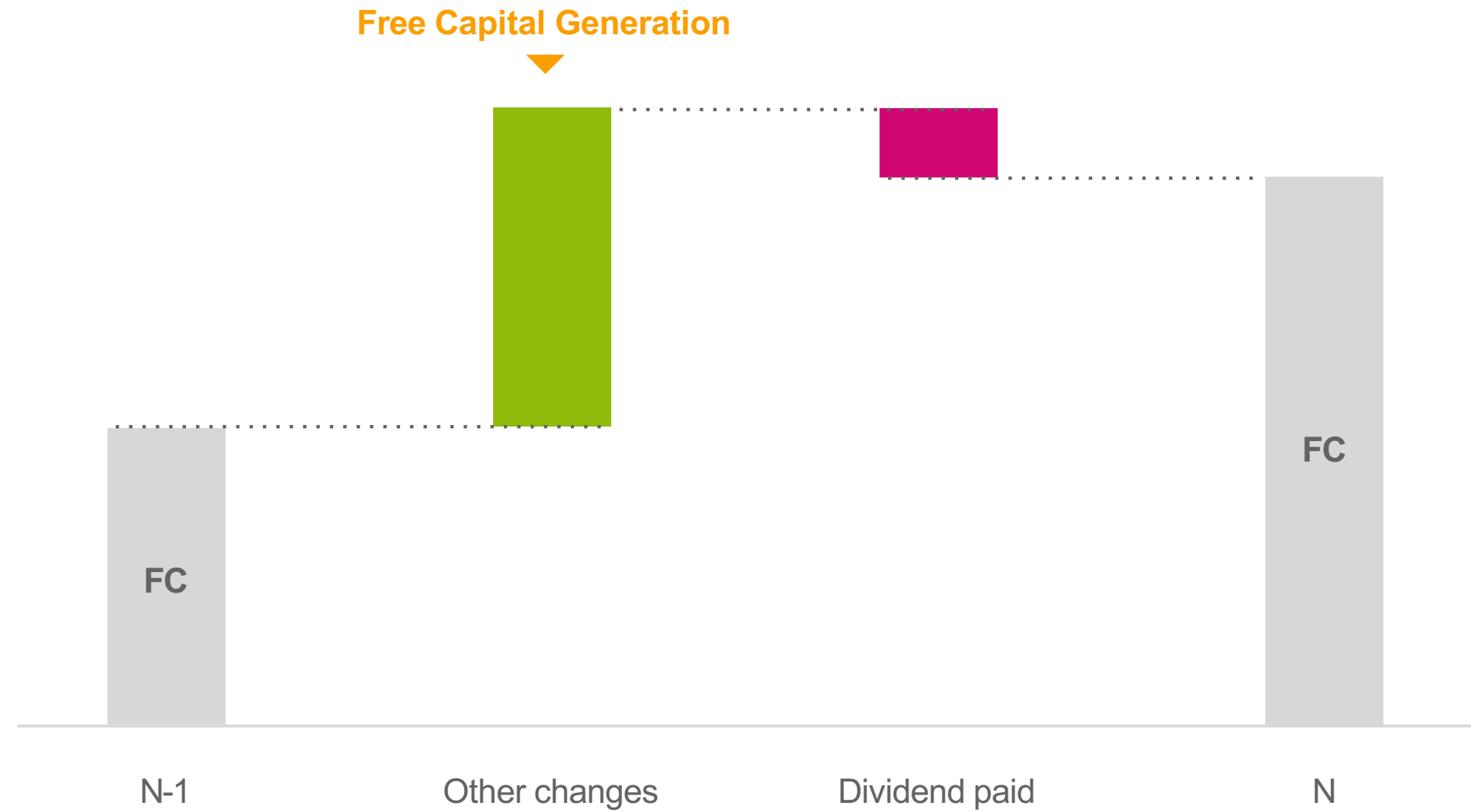
ED Expected Dividend

TC Target Capital = 175% of SCR

FC Free Capital

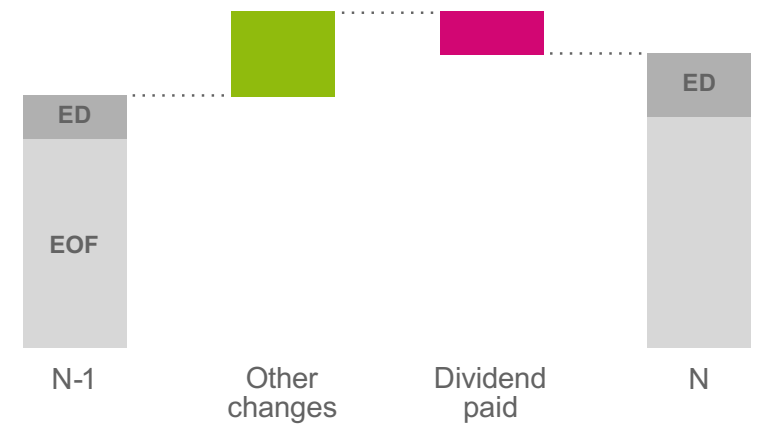


Definitions

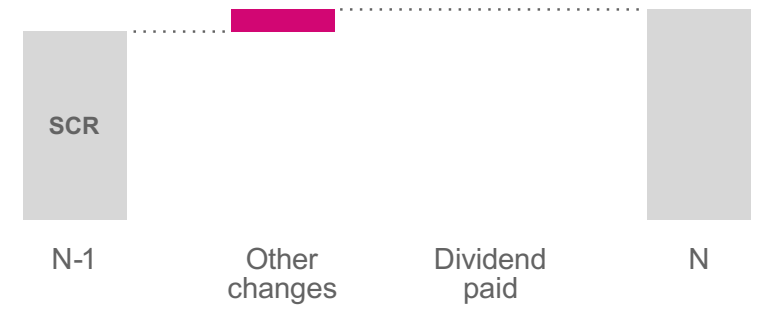


Definitions

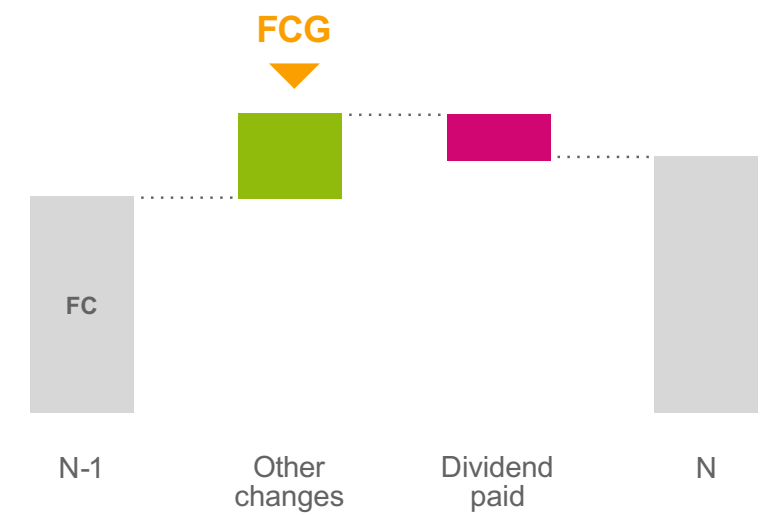
Evolution in
Eligible Own Funds



Evolution in
SCR



Evolution in
Free Capital Generation



FCG= Movement EOF
 - 175% of Movement SCR
 + Dividend paid

Definitions

To reach a true view of the underlying performance, a split has to be made between:

- Model changes
- M&A (divestments)
- Market impact
- Operational impact
- Exceptional impact
- Capital operations :
 - Capital increases/reductions
 - Sub-debt movements
 - Share buy-back
- M&A (acquisitions)
- Paid dividend

Definitions

- Market impact includes impacts of **external factors**:
 - Interest rate curve
 - Equity market movements
 - Real Estate values
 - Currency movements
 - Spreads and Volatility Adjustment
- Operational impact includes impacts of **management actions**:
 - Sale of new products, including one-year roll-forward of contract boundaries
 - Expected returns on investments and changes in the investment portfolio
 - Management of expenses, lapses and underwriting risks
- Each impact takes into account all primary and secondary effects. Therefore, e.g. a change in interest rate also impacts lapse risk, LACDT, diversification and non-transferable Own Funds

Definitions



Observations



Comments and discussion

FCG can be interpreted as
Variation in future distributable Free Surplus while meeting the Solvency II target

BUT

Includes a prospective component of results not yet recognized in the accounts



Not immediately distributable

- Does not consider possible payout constraints e.g. sufficient distributable reserves or local regulatory limitations
- Because of the gap between Free Capital Generation and actual dividend payments, the word “Free Cash Flow Generation” should be avoided as this implies direct availability for distribution

Free Capital Generation is a regulatory based concept, not directly related to Cash

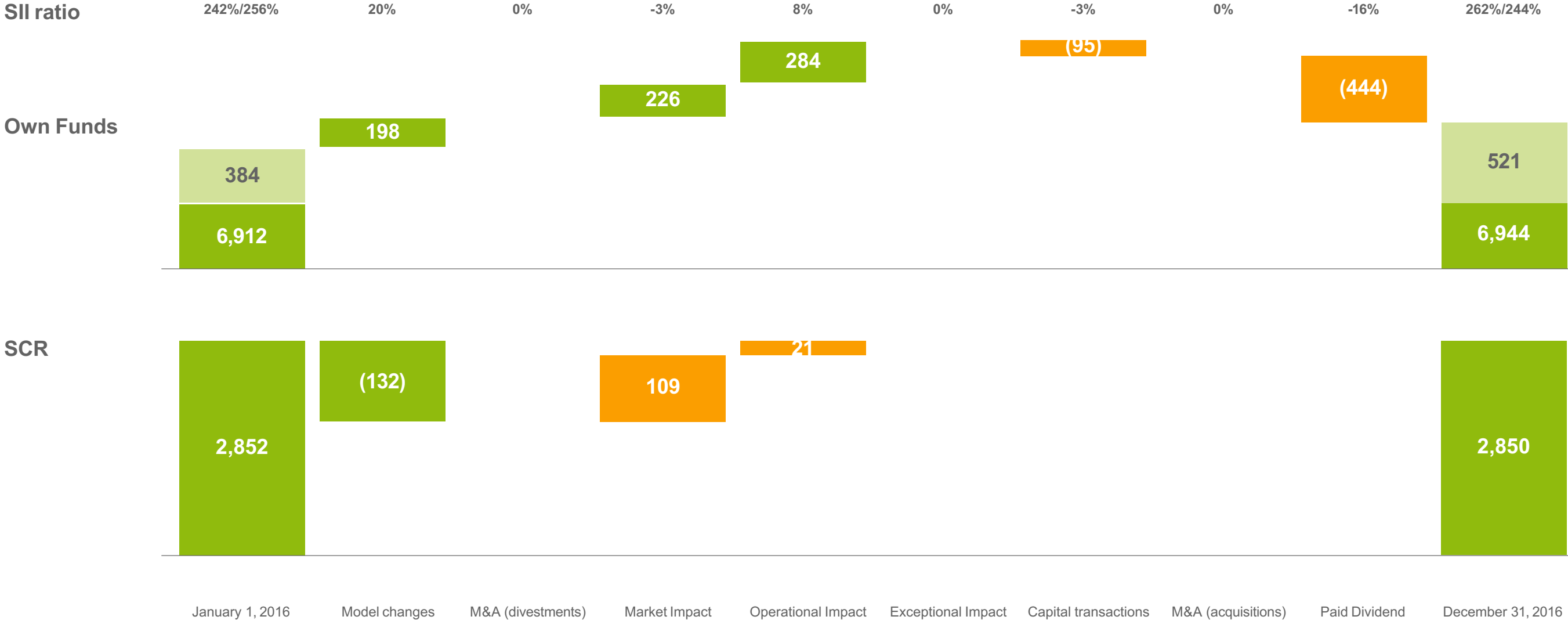
Results



Belgium

@ 100%

in EUR mio

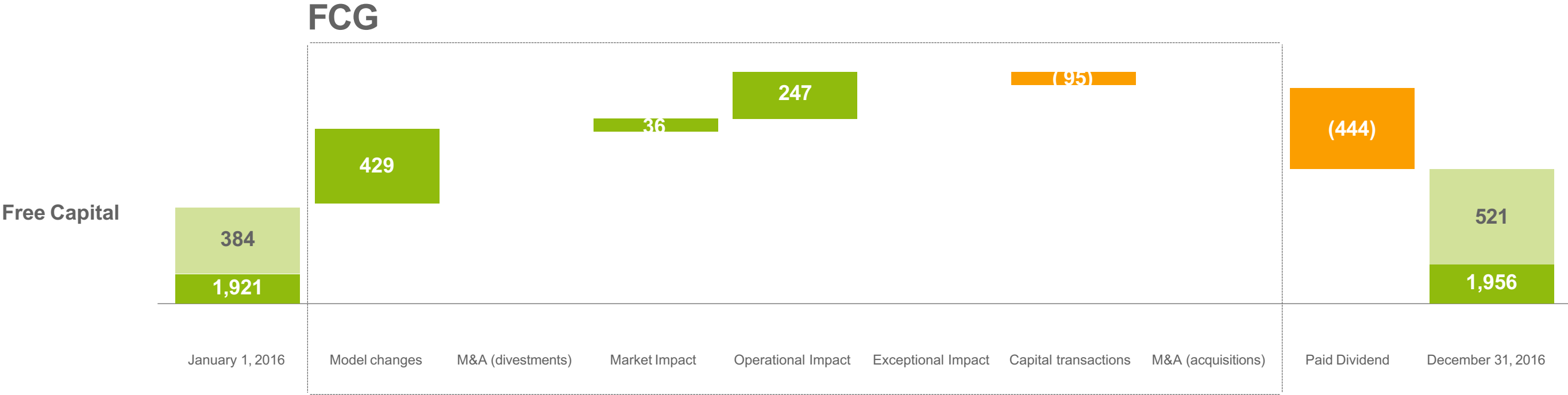


Belgium

@ 100%

Free Capital Generation 2016 =
+ EUR 617 mio

in EUR mio



- Model changes mainly driven by internal model Real Estate
- Market impact mainly driven by spread on Belgian Sovereign
- Capital transactions represent reimbursement Hybrone
- Operational impact includes high inflows saving products in Q1 as well as strong Non-Life results, despite terrorism

UK



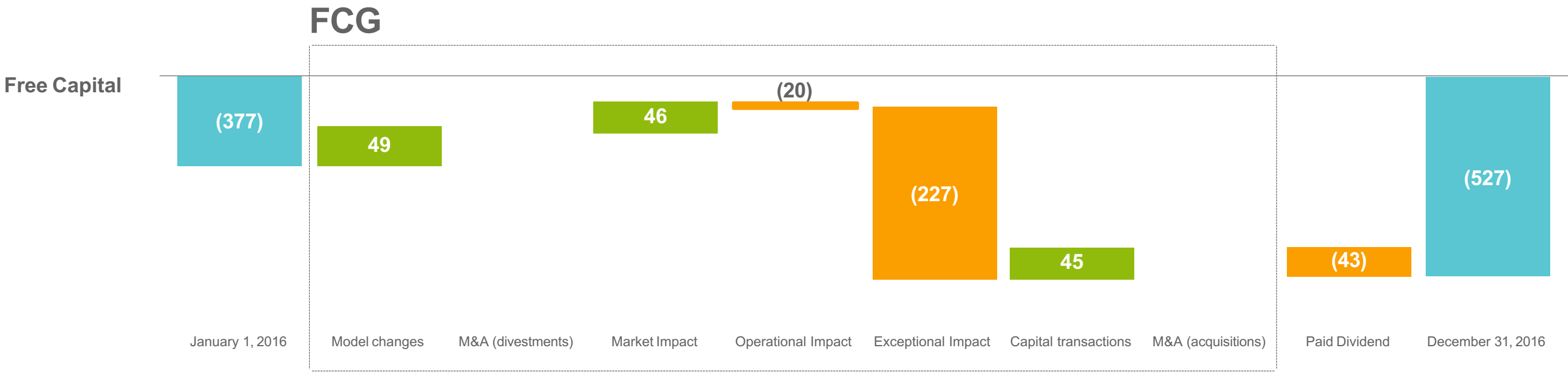
in EUR mio



UK

Free Capital Generation 2016 =
- EUR 107 mio

in EUR mio



- Consolidated entities @ 100%, Tesco @ Ageas share
- Model changes related to restatement of valuation participations and transfer currency risk on GBP surplus to General Account
- Market impact predominantly driven by depreciation GBP
- Exceptional impact relates to Ogden
- Operational impact includes Special risk and restructuring Glasgow

CEU

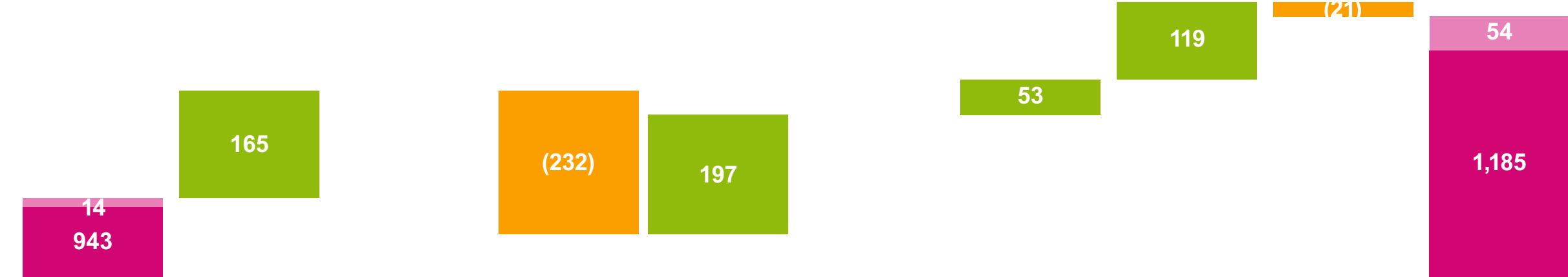


in EUR mio

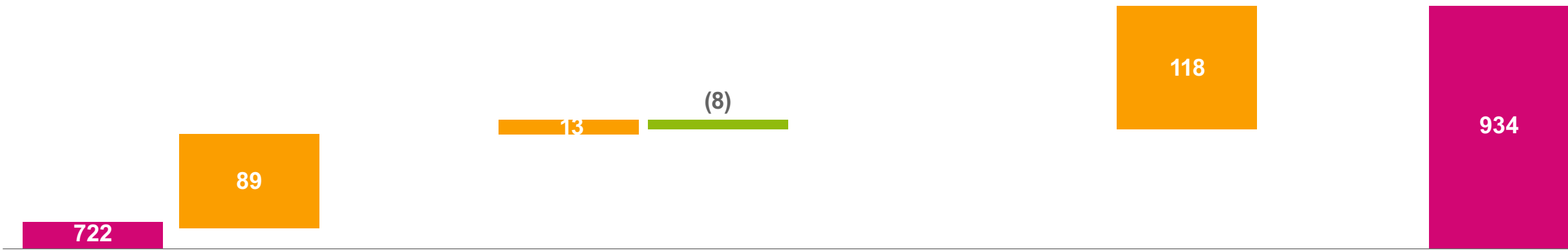
SII ratio

131% / 133% 6% 0% -30% 25% 0% 7% -5% -2% 133% / 127%

Own Funds



SCR

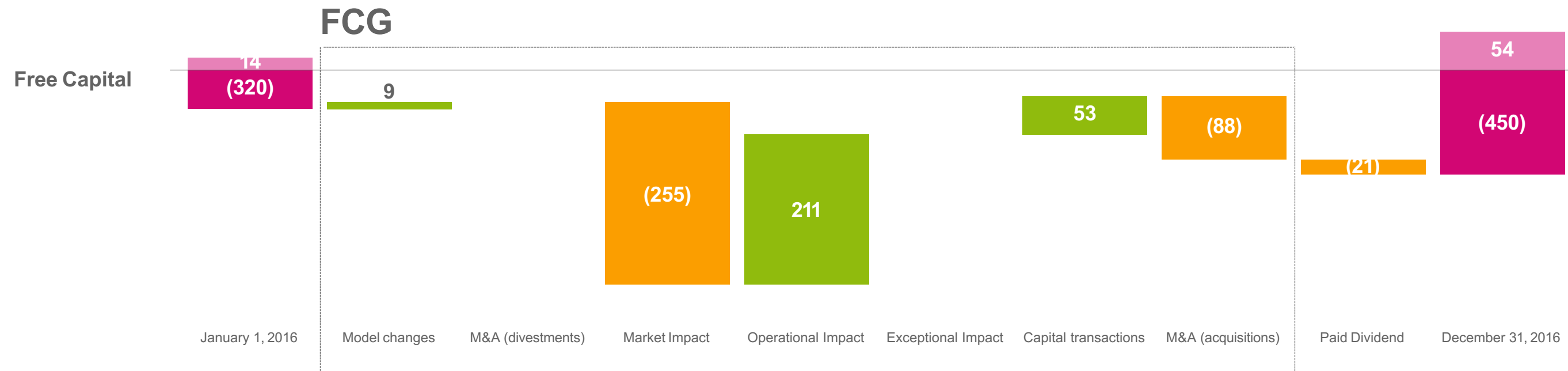


January 1, 2016 Model changes M&A (divestments) Market Impact Operational Impact Exceptional Impact Capital transactions M&A (acquisitions) Paid Dividend December 31, 2016

CEU

Free Capital Generation 2016 =
- EUR 70 mio

in EUR mio



- Consolidated entities @ 100%, Luxembourg @ Ageas share
- Model changes Own Funds driven by Goodwill transfer to General Account
- Model changes SCR caused by limitation on tax recoverability in Portugal
- Market impact adverse spread on Portuguese sovereigns
- Capital transactions related to France, M&A related to Ageas Seguros (Portugal)
- Operational impact mainly driven by term business and Non-Life

General Account

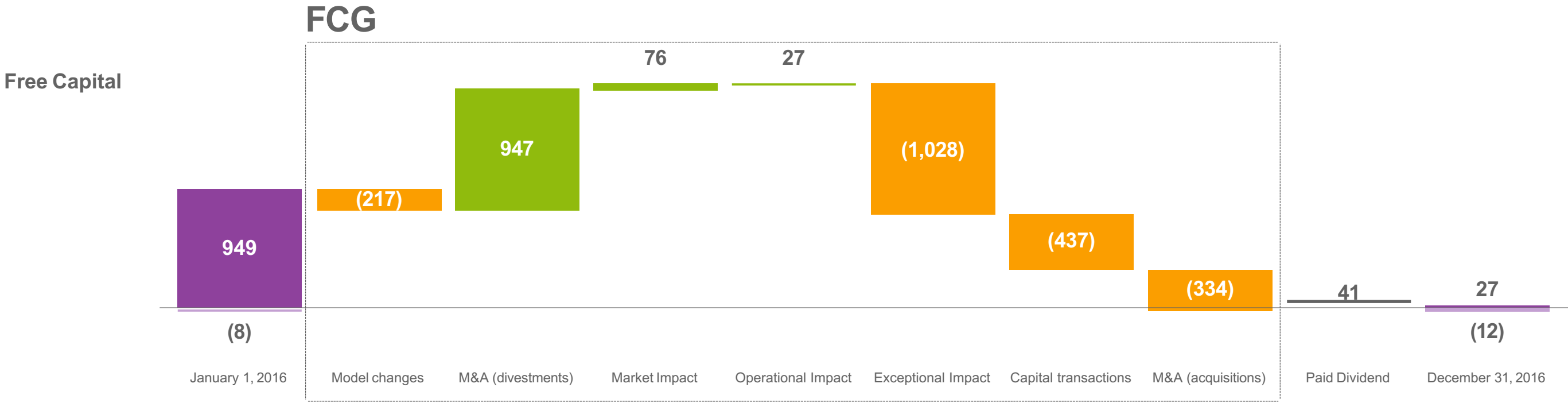
in EUR mio



General Account

Free Capital Generation 2016 =
- EUR 967 mio

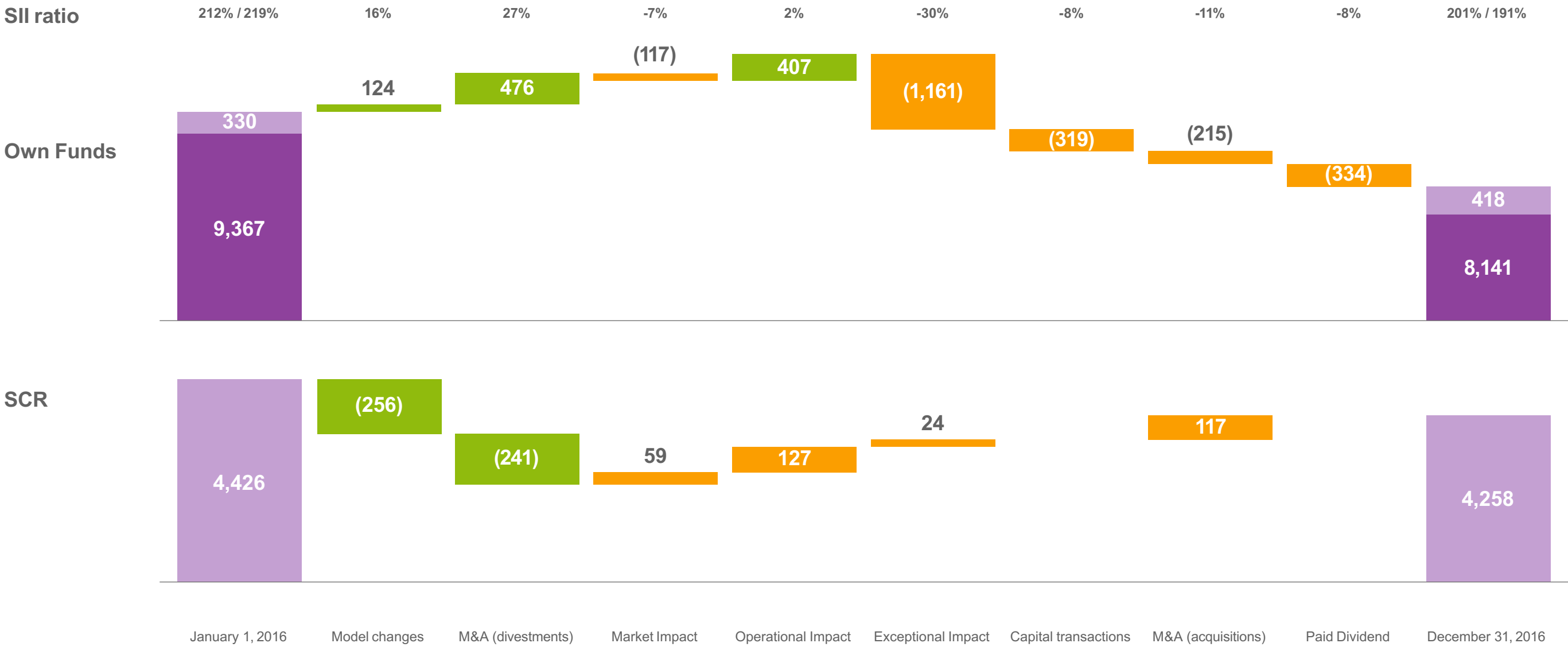
in EUR mio



- Model changes see CEU and UK
- M&A relates to divestment of AICA, acquisition of Ageas Seguros and the funding of The Philippines and Vietnam
- Capital transactions relates to share buybacks, Hybrone and Opco subloans
- Exceptional impact relates to RPN (i), put option and (mainly) legal settlement

Group

in EUR mio

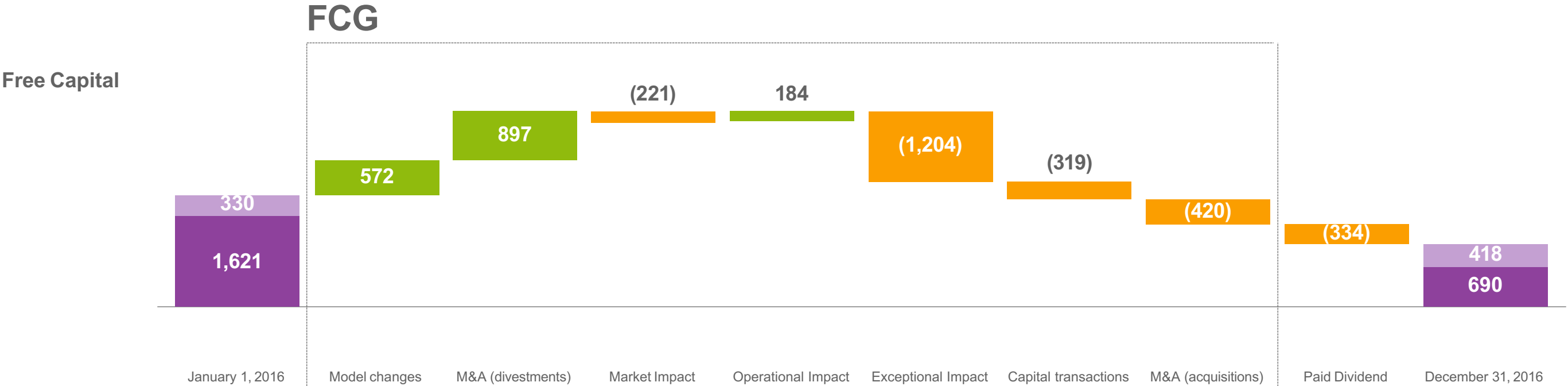


Group

Free Capital Generation 2016 =
- EUR 511 mio



in EUR mio



Asian NCP's

in EUR mio

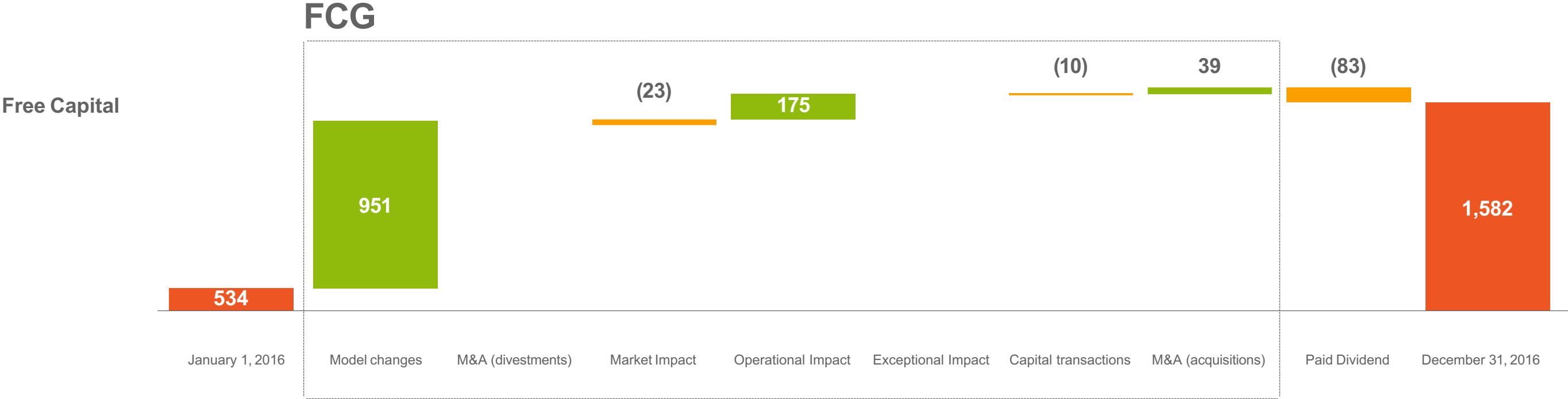


Asian NCP's

Free Capital Generation 2016 =
+ EUR 1,132 mio



in EUR mio

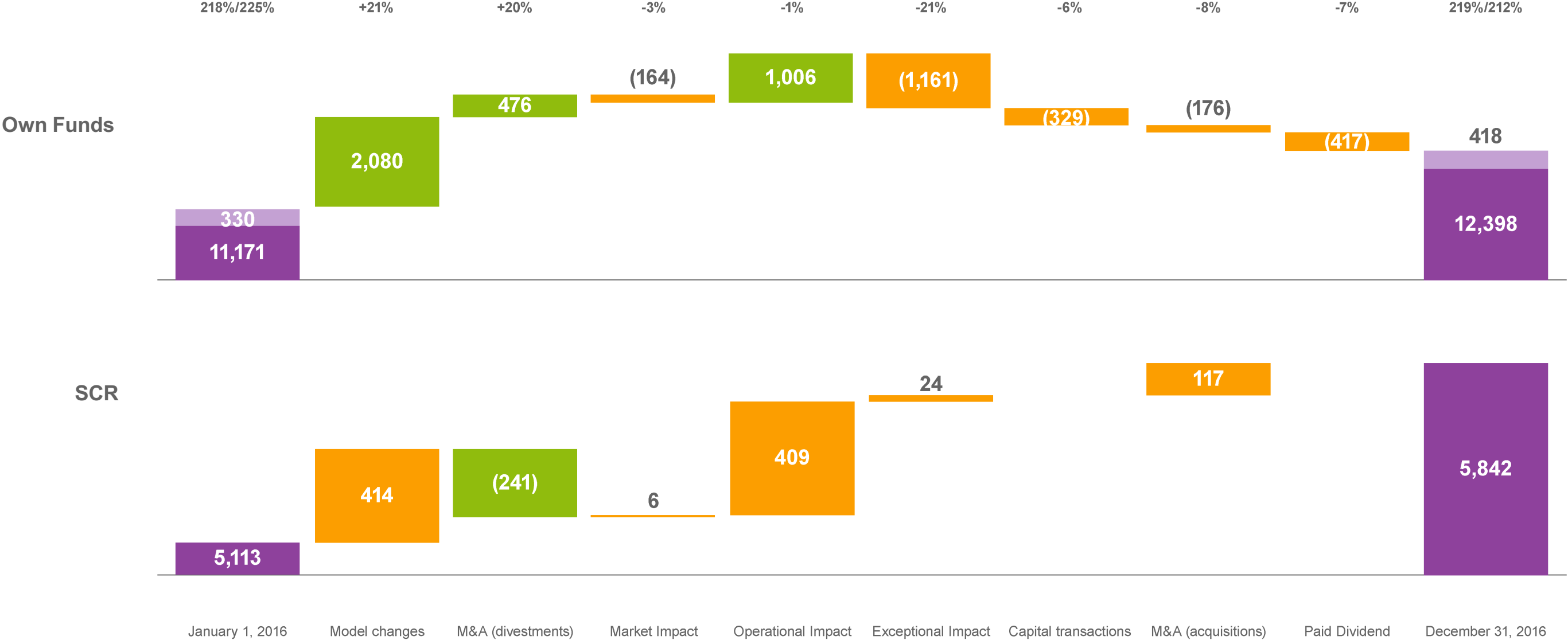


- Excluding Hong Kong, NCP's @Ageas' share
- Model changes related to implementation C-ROSS (China)
- Operational impact reflects strong business growth

Group

Including all companies within Solvency II scope + Asian NCP's

in EUR mio

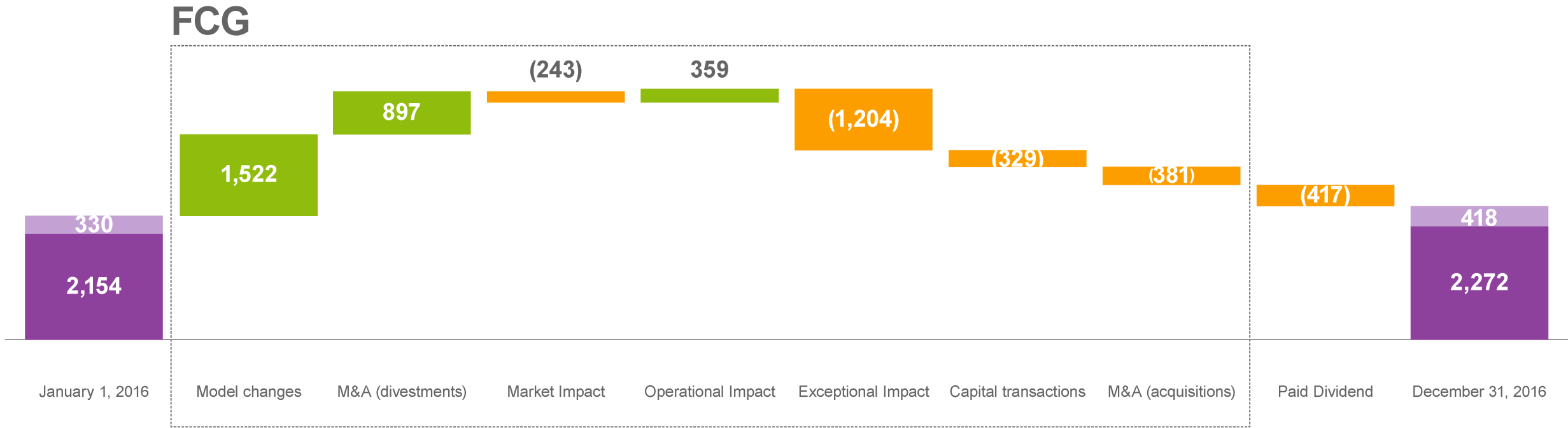


Group

Including all companies within Solvency II scope + Asian NCP's

Free Capital Generation 2016 =
+ EUR 621 mio

in EUR mio



- Model changes driven by Internal Model Real Estate in Belgium and C-ROSS in China.
- M&A relates to the divestment of Hong Kong and the acquisition of Ageas Seguros
- Operational impact positive across all segments, except UK
- Exceptional impact includes Ogden and the legal settlement
- Capital transactions driven by Share buy-back and reimbursement Hybrone

Conclusion



Conclusion

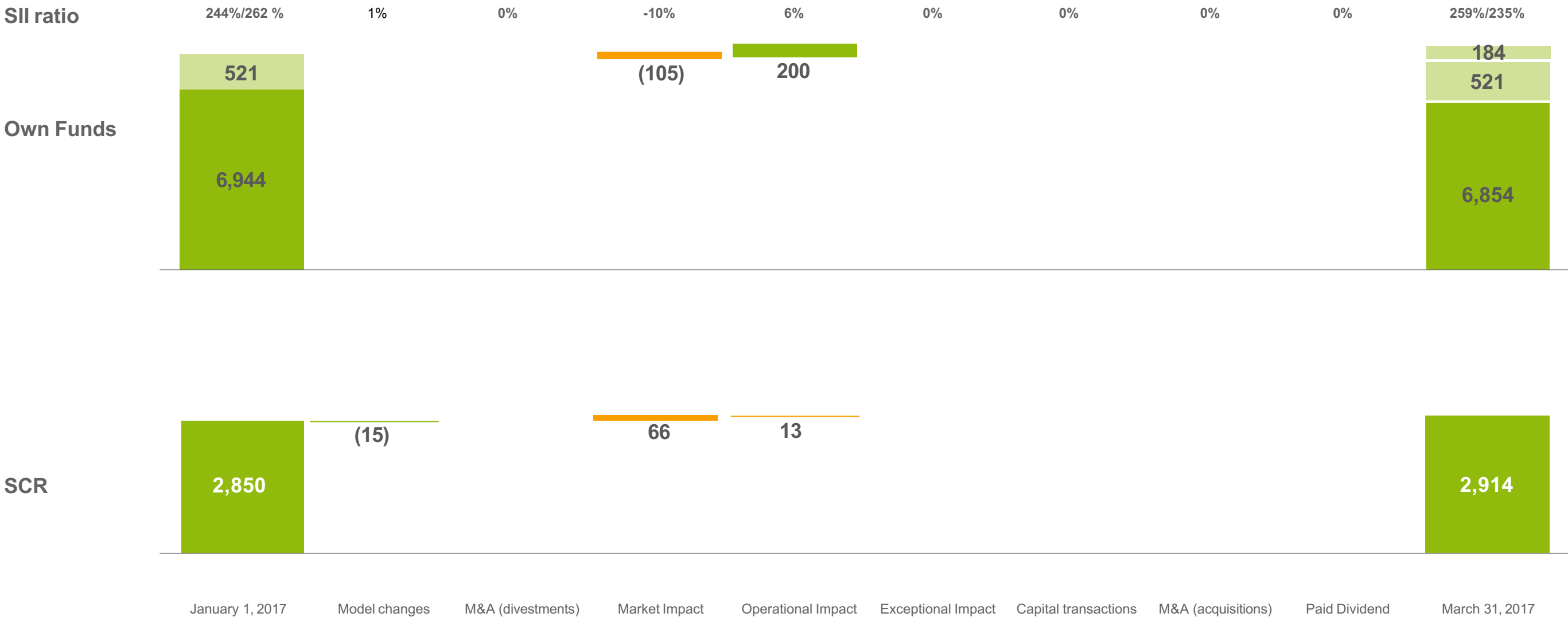
- First underlying results suggest a **sufficient basis** of Free Capital Generation to ensure a sustainable dividend payout
- Free Capital Generation is subject to **inherent volatility**

A preliminary view on 3M 2017

Belgium

@ 100%

in EUR mio



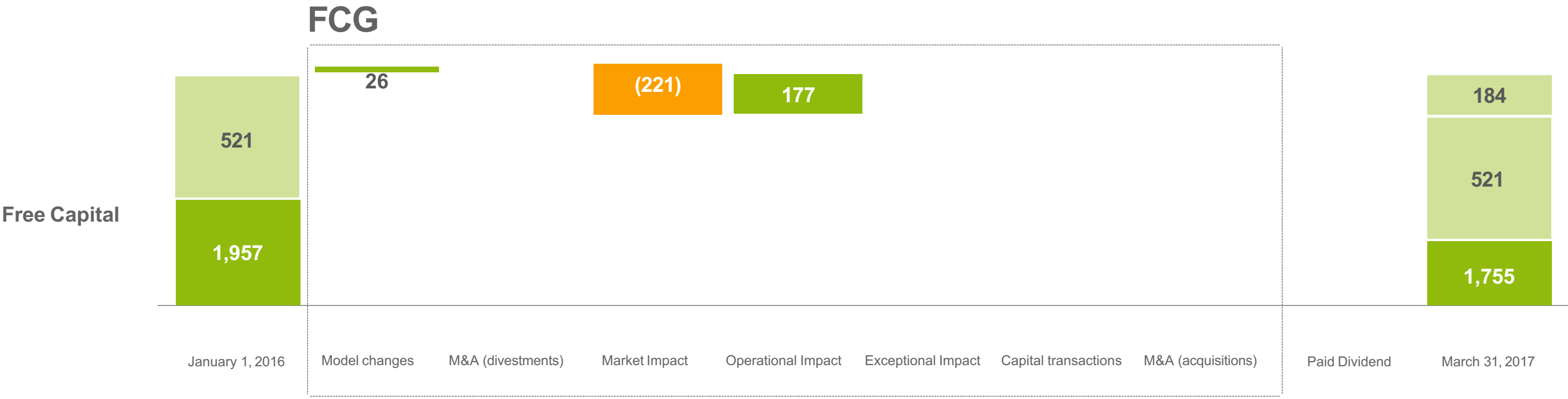
Belgium

@ 100%

Free Capital Generation 3M 2017 =
- EUR 18 mio



in EUR mio



Next steps



Next steps

- Future disclosures :
 - **annually** a detailed view of the free capital generation by segment and on a group basis
 - **quarterly** a simplified approach with breakdown between operational and market impact by segment
 - Asia upon availability of data
- Free Capital Generation concept close to **Embedded Value** analysis of change:
 - to investigate whether FCG can replace EV reporting

Q & A



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