



29 September  
2011

ageas 富通保險  
INVESTOR DAY

# Ageas Update

## Bart De Smet

*Chief Executive Officer*



- **Main achievements since 2009**
- *Ageas's response to current challenges for the Insurance sector*
- *Ageas can build starting from strong underlying financials*
- *Focus on Asia : a region gradually gaining importance for Ageas*



# Ageas presented the following conclusions in September 09

## A solid international insurer with strong partnerships in Europe and Asia...

ageas

FORTIS

Source :  
Investor Day  
25/09/09

### Conclusion

“After the significant changes that have happened over the last year, Fortis has regained stability. The new Fortis is a solid international insurer with strong partnerships in Europe and Asia, ready to shape its future

#### Going forward

- Fortis will remain a **sound** insurance group, as demonstrated by its capital position, profile and profitability
- Fortis will **streamline** its portfolio to ensure that all activities meet 3 key criteria over time: meaningful contribution, critical size, and return in excess of cost of equity
- Fortis will **continue to invest** in its businesses as long as returns on investment are expected to exceed its cost of equity. For growth businesses, the value created will also be taken in consideration
- Fortis will grow further by developing value creating **partnerships** with leading distribution partners
- Fortis targets to pay an **annual cash dividend**. The target pay-out is 40% to 50% of the net profit of the insurance activities



FORTIS | 9/25/2009 | page 34

# Fortis became Ageas

## A new era & an entirely changed identity

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APRIL 2010:  
NAME CHANGES TO AGEAS



OCTOBER 2010:  
REBRAND UK



AUGUST 2010:  
REBRAND ASIA



MAY 2011:  
LAUNCH AGEAS  
SHAREHOLDERS'  
CLUB



JUNE 2011:  
1ST EDITION AGEAS  
PARTNERSHIP DAYS



JUNE 2010:  
MOVE TO AGEAS HQ



NOVEMBER 2010  
TO MARCH 2011 :  
REBRAND OTHER  
EUROPEAN ACTIVITIES



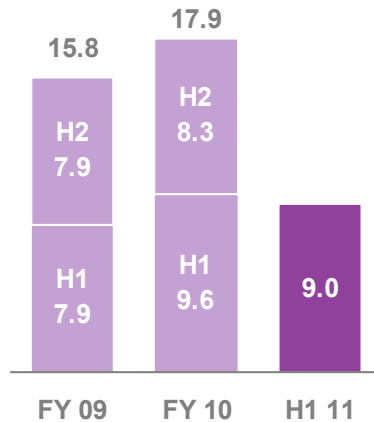
# A sound insurance group

A positive track record since 2009 despite the turbulent markets



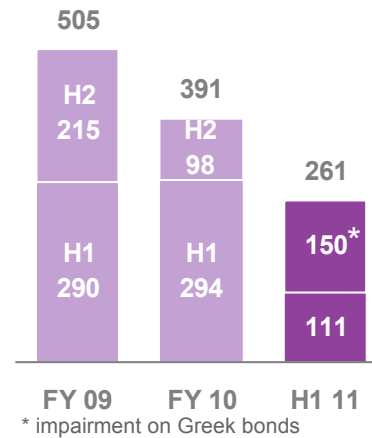
## Growing Premium levels

In EUR bn

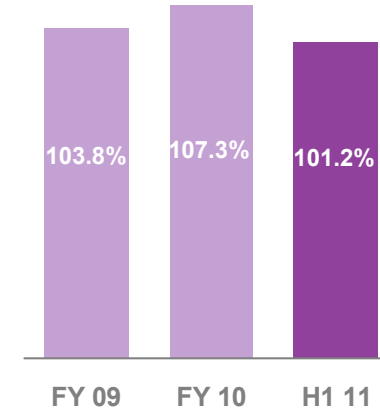


## Solid Insurance results

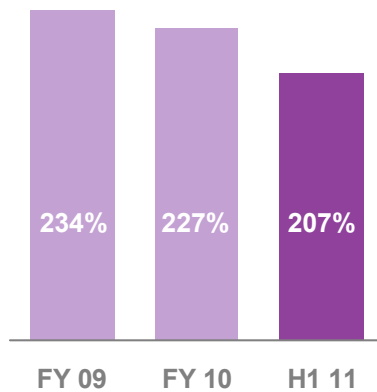
In EUR mio



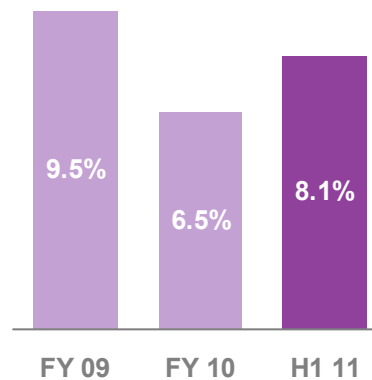
## Improved Combined ratio



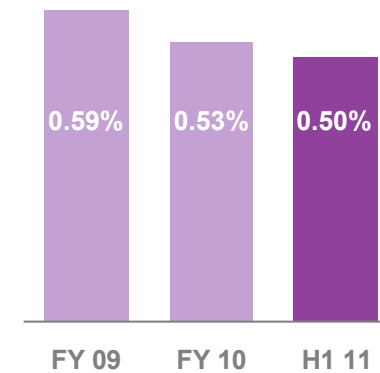
## Strong Insurance solvency



## RoE still below target

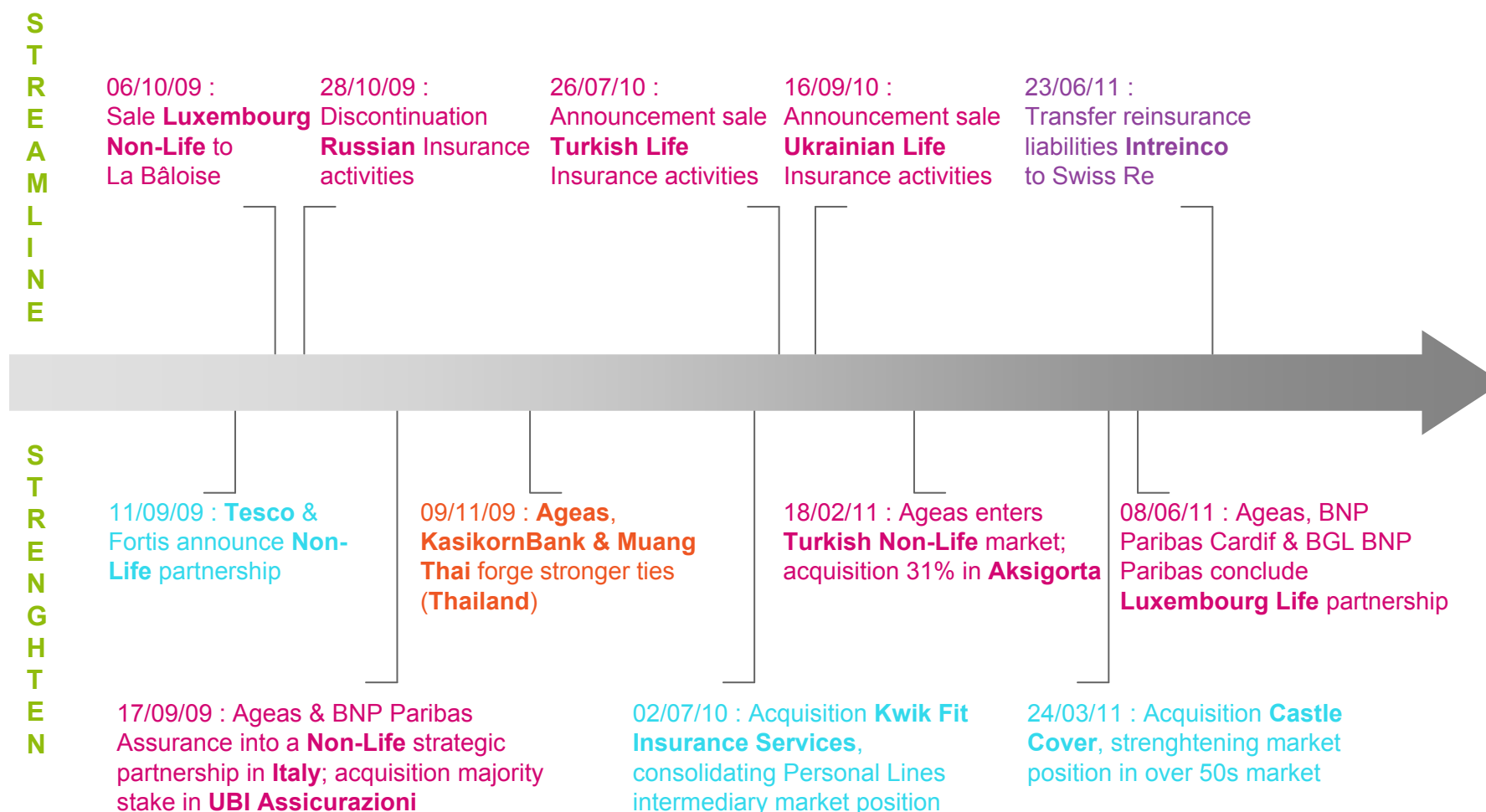


## Sound Life operating cost ratios



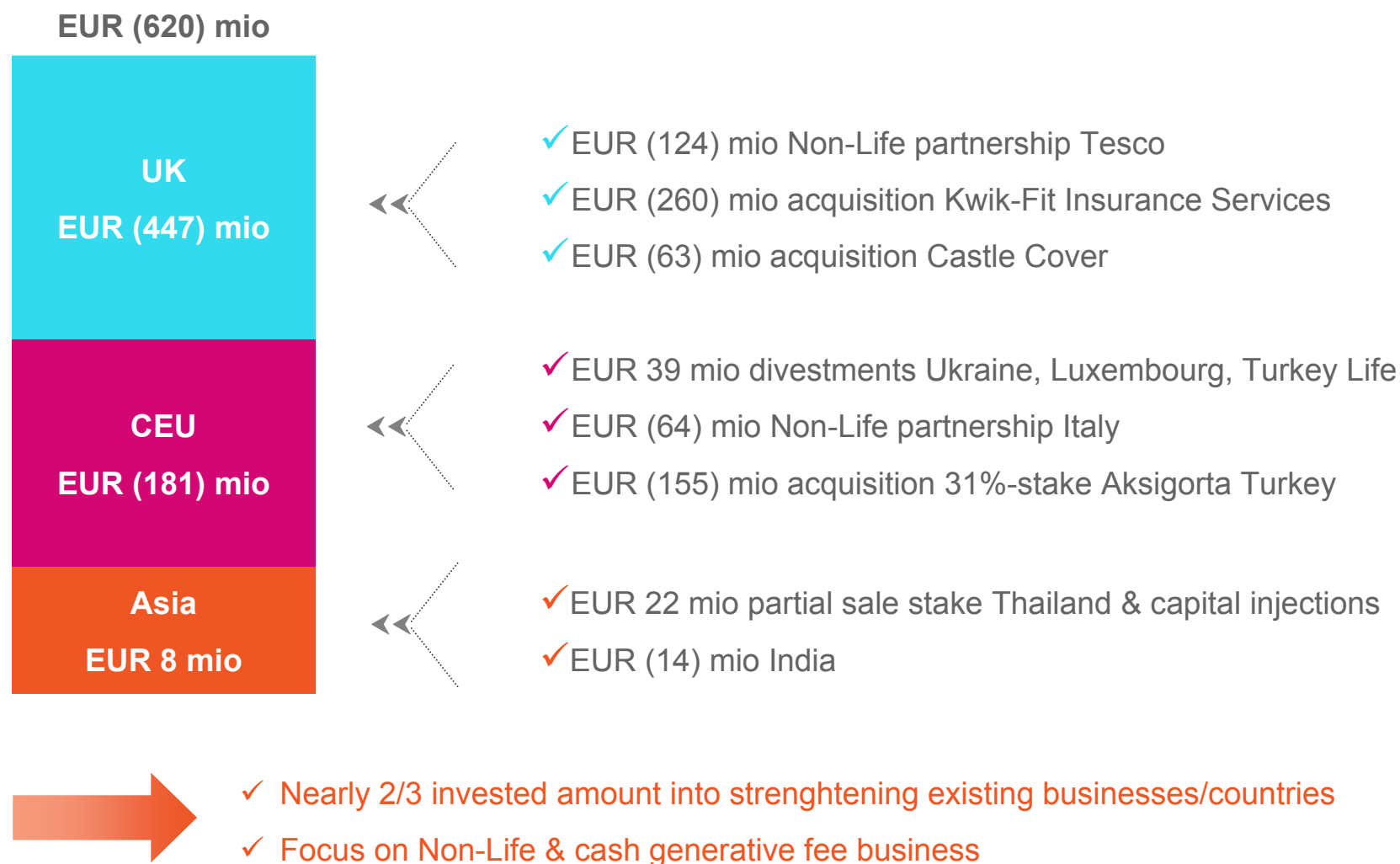
# Substantial progress made in streamlining the insurance portfolio

Combined with selective expansion & strengthening partnerships



# Total net investments in Insurance business of EUR 620 mio

## Main investments in Non-Life & Distribution activities

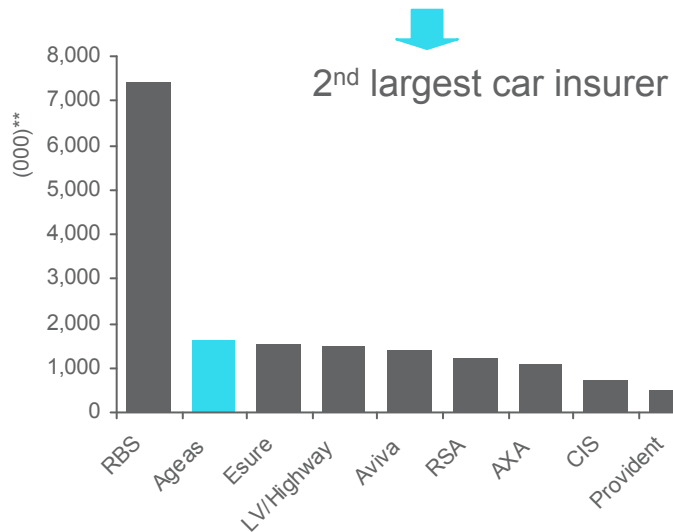
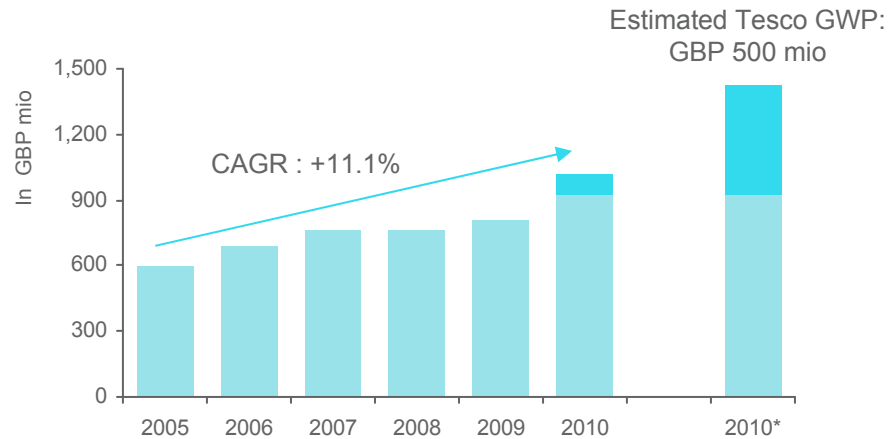


# UK business is delivering significant scale change

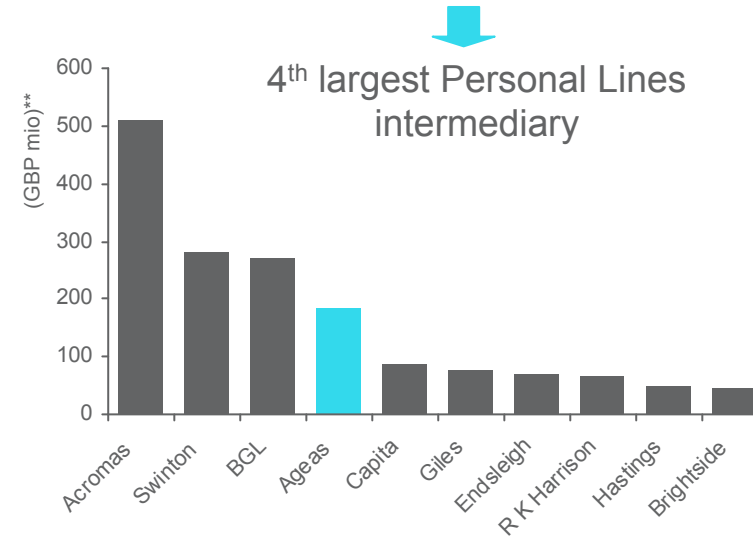
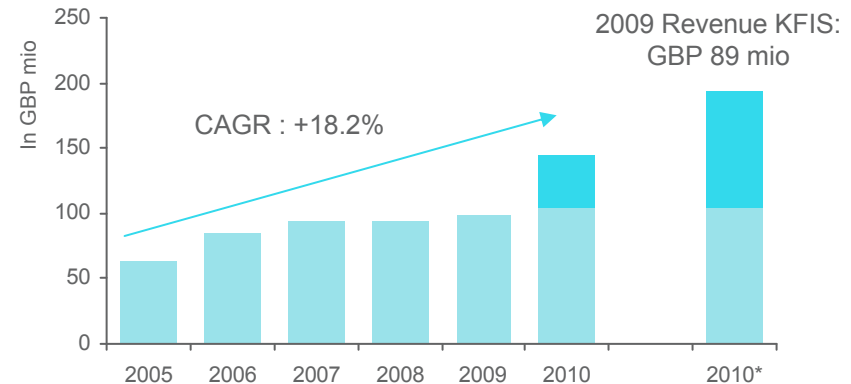
Another league player following recent acquisitions & organic growth



## Non-Life inflow



## Retail distribution revenues



\* 2010 figures restated for Kwik Fit / Tesco included for FY period

\*\* 2009 data



# Aksigorta: new partnership in attractive growth market

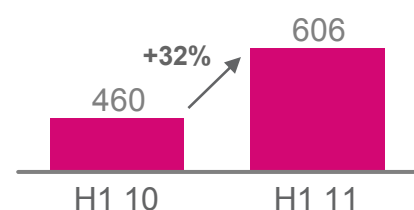
## Actions taken to unlock the value potential



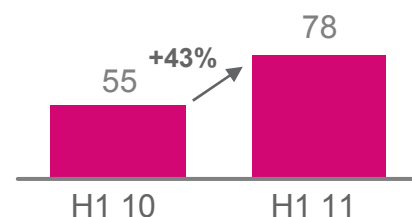
### Strong growth realized in H1 11

- n°4 Non-Life insurer with 9% market share
- GWP growth outperforming Turkish Non-Life market growth (20%)

**GWP strongly up in H1 11**  
TRL mio



**More inflow through AkBank**  
TRL mio



### Governance structure in place

- **Board representation:** CEO, 3 Ageas appointees, 4 Sabanci appointees
- **Importing Ageas' expertise:**
  - ✓ **Deputy CEO**, responsible for Claims, IT and Strategic Planning
  - ✓ **Chief Risk Manager**
  - ✓ **Ageas experts** from all regions in every workstream

### Ageas – Aksigorta program to unlock potential: 3 workstreams already launched

- **Agency workstream:** “Profit Optimization Project”
  - ✓ First realisation: New agency commission system in place, geared towards profitability instead of pure volume generation
  - ✓ Master plan for Board approval on 12 Oct 11
- **Bancassurance workstream**
  - ✓ New commercial support system (mirroring bank set-up) being set up
  - ✓ Master plan to be final by Nov 11
- **Claims workstream**
  - ✓ New target operating model being developed
  - ✓ Master plan to be final by mid Dec 11

**=> Start of implementation as of Q4 11**

- **Next workstream to be launched: Motor**
  - ✓ Focus will be on (1) Fraud detection and (2) Segmentation

# The renewed dividend policy of September 09 put in practice

## A stable dividend paid over 2009 & 2010

ageas.

### New dividend policy published in September 09

- ✓ Intention to pay a regular dividend based on the net profit of the insurance activities
- ✓ Targeting a pay-out ratio of 40-50%
- ✓ On an annual base
- ✓ Cash dividend

### Dividend paid in 2009 & 2010 of EUR 0.08/share

- ✓ A payout ratio of approximately 50%
- ✓ Corresponding to a dividend yield of 3.5% - 4% (based on share price at date of announcement), a dividend yield of around 7% (based on current share price)

### In addition, a share buy-back programme was announced in August 11

- ✓ Up to EUR 250 mio of its outstanding common stock
- ✓ Program started as of 24 August and runs until 23 February 2012
- ✓ As per 23 September, Ageas acquired 58 mio shares for a total amount of EUR 74.7 mio



## General Account: good grasp of outstanding legacy issues

Timing and (financial) outcome remains hard to estimate....



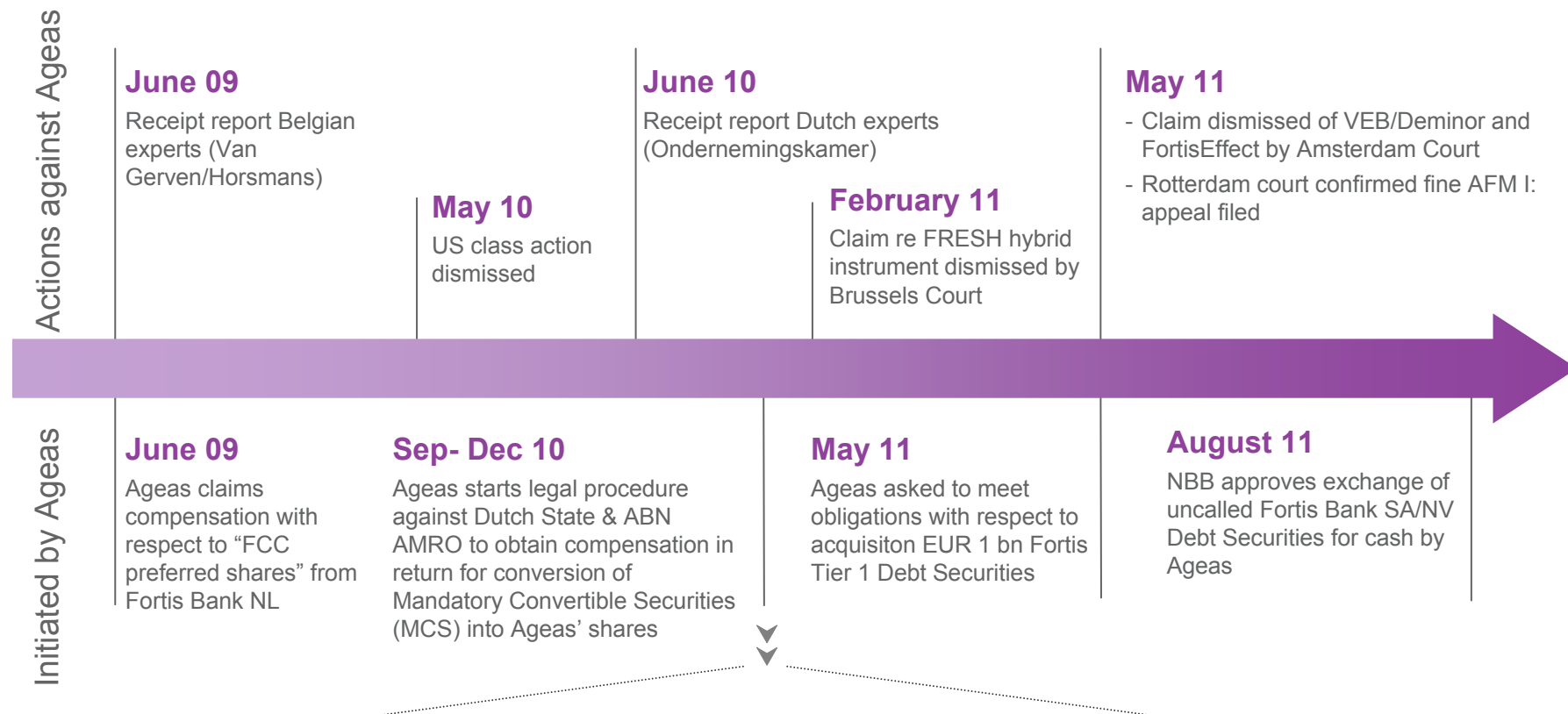
- Administrative, criminal and civil proceedings/investigations in Belgium and the Netherlands against Ageas and certain former directors/executives
- The litigations concern :
  - ✓ The September/October 2008 transactions: i.e. the sale of the Belgian banking activities & of the Dutch insurance and banking activities
  - ✓ Alleged miscommunication/mismanagement by Fortis in connection with certain financial events and transactions in 2007- 2008
  - ✓ Specific hybrid financial instruments : FRESH, MCS, FCC, Fortis Tier 1
  - ✓ Litigation initiated by Ageas against ABN AMRO & Dutch State



- In most legal proceedings still at the stage of first instance
- Except for criminal and administrative procedures, all legal proceedings are initiated by (former) shareholders or by associations (such as Deminor or VEB) or by specifically created groups (e.g. Stichting FortisEffect)

# Ageas does not expect new major litigation issues to rise

Judgments rendered up to now are mostly favorable to Ageas's position



To be expected before end 2011:

- Report Belgian experts appointed at request of Deminor
- Judgment of Ondernemingskamer re mismanagement
- Judgment Rotterdam court re fine AFM II



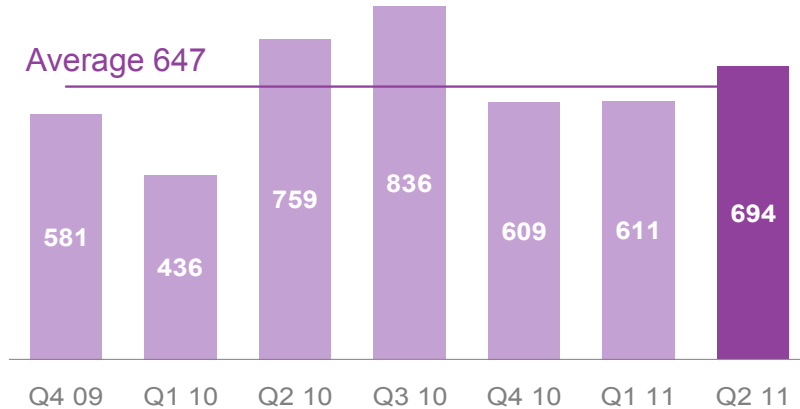
# Clarity gained on valuation legacy issues

Volatility remains but partially offsetting; Sum of the averages +/- EUR 1bn

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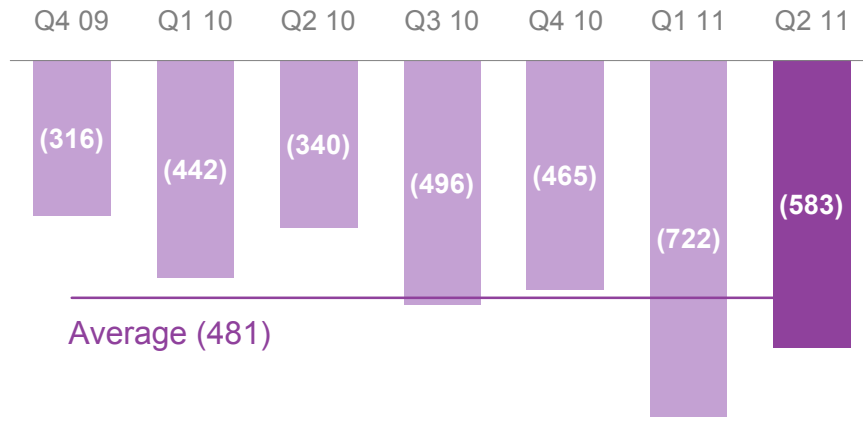
## Call option on BNP Paribas shares

In EUR mio



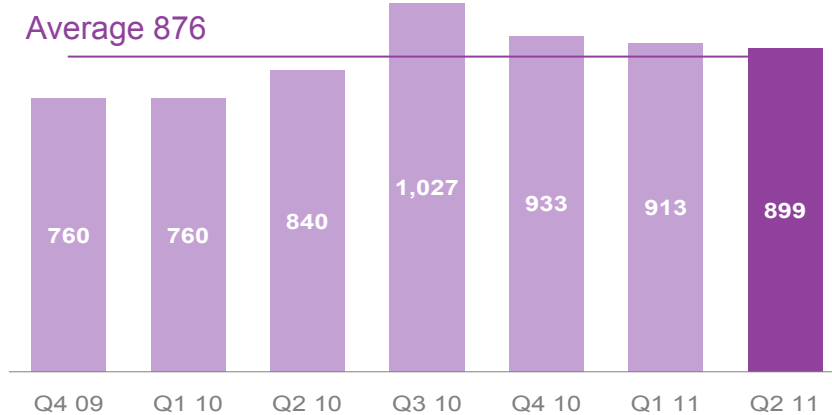
## RPN(i)

In EUR mio



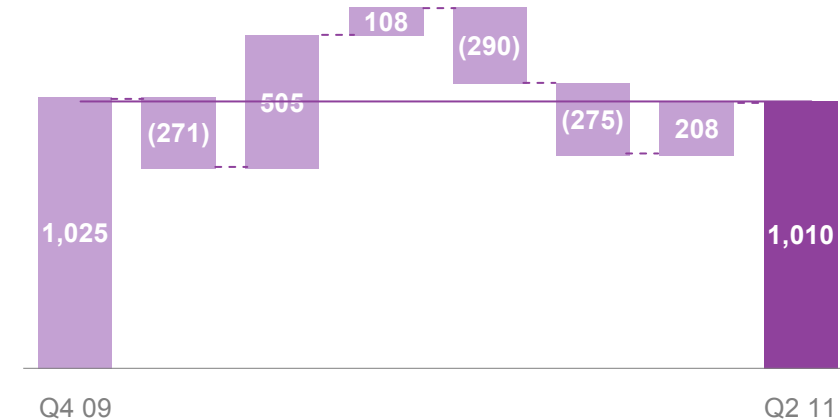
## RPI

In EUR mio



## Sum of legacies +/- EUR 1bn

In EUR mio





- *Main achievements since 2009*
- **Ageas's response to current challenges for the Insurance sector**
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# Recent developments in the insurance market

Insurers need to deal with more regulation & volatile financial markets

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## Customers

- Strong preference for guaranteed products

## Distribution

- New banking regulation on liquidity puts pressure on distribution of insurance savings products through banks in Europe

## Regulation:

- New regulation comprise heavy administrative burden on insurance companies
- New regulation incentivizes de-risking of assets at a time when risk-free yields are extremely low



- Increased focus on risk business (Life and Non-Life) and fee business in mature markets in Europe
- Lower capital consumption in mature markets allow for funding of continued growth in emerging markets

# Ageas's key priorities going forward

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## Insurance :

- Find the right balance between yield and risk in a very uncertain environment
  - ✓ Further diversify asset mix:
    - Reduce concentration risk in certain sovereigns
    - Increase position in non-sovereign fixed income
  - ✓ Level of guarantee that is beneficiary for both customers and insurer
- Improve underwriting results in Non-Life
- Continued focus on multi-distribution
- Bring Return on Equity Insurance above 11%

## General Account : Pro-active approach in legacy issues to :

- Extract value from assets and free up capital
- Reduce volatility of the General Account



# Key priorities by segment

Focus on integration new activities & optimizing performance



## Belgium

- Gradually implement target Strategic Asset allocation
- Improve underwriting results in Workmen's compensation
- Cost control

## UK

- Fully integrate Castle Cover and KFFS acquisitions
- Bring underwriting results Household in line with strongly improved combined ratio in Motor
- Full roll-out of Tesco
- Diversify distribution in Protection

## Continental Europe

- Adjust business mix within macro economic challenges in Portugal
- Complete the full three-way merger in Luxembourg
- Realize profitable growth in Turkey
- Further improve combined ratio in Italy

## Asia

- Continue with controlled growth trajectory
- New regulation for distribution through banks in China
- Seek for diversification distribution in Hong Kong
- Consider entry of new country to leverage existing expertise

## ... Ageas set forward in 2009 a strict capital use program

### Adopting a strict capital allocation methodology



Source :  
Investor Day  
25/09/09

Capital allocation: finding the right balance between three investment opportunities and determining a new dividend policy



<b>Invest in Businesses</b>	<ul style="list-style-type: none"> <li>▪ To support organic growth</li> <li>▪ To selectively acquire</li> <li>▪ To strengthen current Businesses</li> <li>▪ To create new partnerships</li> <li>▪ To explore opportunities with BNP Paribas</li> </ul>
<b>Return to shareholders</b> II	<ul style="list-style-type: none"> <li>▪ Pay dividend</li> <li>▪ Buy back of shares</li> <li>▪ Buy back of shares is EPS accretive</li> <li>▪ Lowering of cash position reduces strategic flexibility and could pose liquidity risk</li> </ul>
<b>Return to debt holders</b> III	<ul style="list-style-type: none"> <li>▪ Buyback of debt</li> <li>▪ Limited amount of debt: NITSH I &amp; II, Hybrone and FRESH</li> <li>▪ Potential increase in NAV</li> <li>▪ Positive carry in P&amp;L</li> <li>▪ Lowering of cash position reduces strategic flexibility and could pose liquidity risk</li> </ul>



Using part of the EUR 1.3 bn of discretionary capital to invest in (existing) insurance activities while paying a recurrent dividend is expected to create most value. A buy back of hybrid instruments is not intended

<b>Dividend policy</b> ➤	<ul style="list-style-type: none"> <li>▪ Fortis is committed to pay a dividend in cash for 2009</li> <li>▪ Intends to pay an annual dividend of 40% to 50% of the net profit of the insurance activities</li> </ul>
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## Balanced use of cash

Cash generation sufficient to fund growth in emerging markets & dividend



### May 2009 - September 2011:

A similar amount of app. **EUR 600 - 650 mio** has been spend on each of the 3 alternative uses of cash

#### 1. Invest in Businesses

- ✓ Since May 2009: **EUR 620 mio** net invested in Insurance business

#### 2. Return to shareholders

- ✓ Dividend : **EUR 385 mio** paid over 2009 & 2010
- ✓ Share buy-back : Announcement in August 2011 of a **EUR 250 mio** buy-back program

#### 3. Return to debtholders

- ✓ EMTN program : **EUR 626 mio** bought back; **EUR 341 mio** remains outstanding

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### Going forward :

#### Insurance

- Lower growth in capital intense savings business
  - Increased proportion of Non-Life and Fee related business
    - allows to fund continued growth in emerging Asian markets**
    - & to pay an annual cash dividend of 40 to 50% of Insurance profits**

#### General Account

- Further deployment of net excess cash will depend on evolution of uncertain environment and risk adjusted returns that can be achieved via 3 options available



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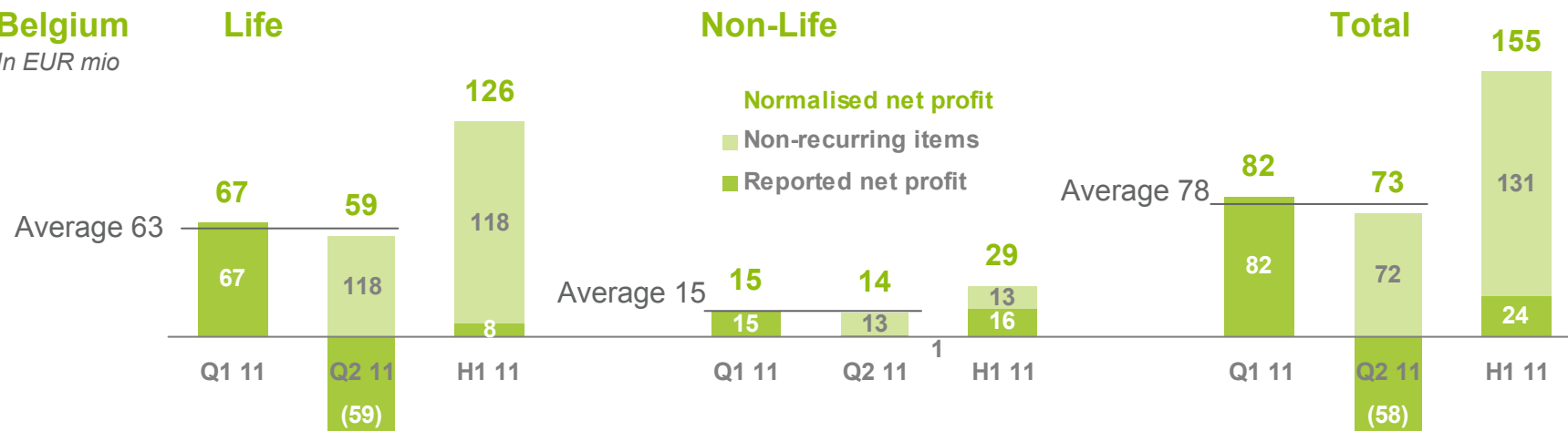
# Solid underlying profit levels across all segments

A trend towards more stable profit streams



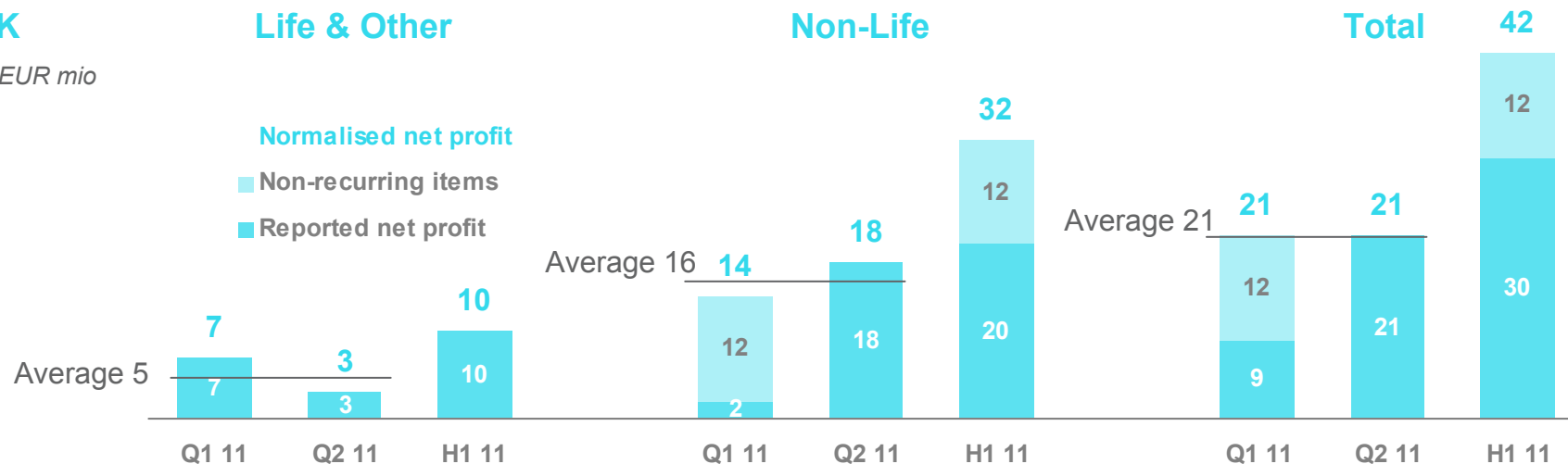
## Belgium

In EUR mio



## UK

In EUR mio



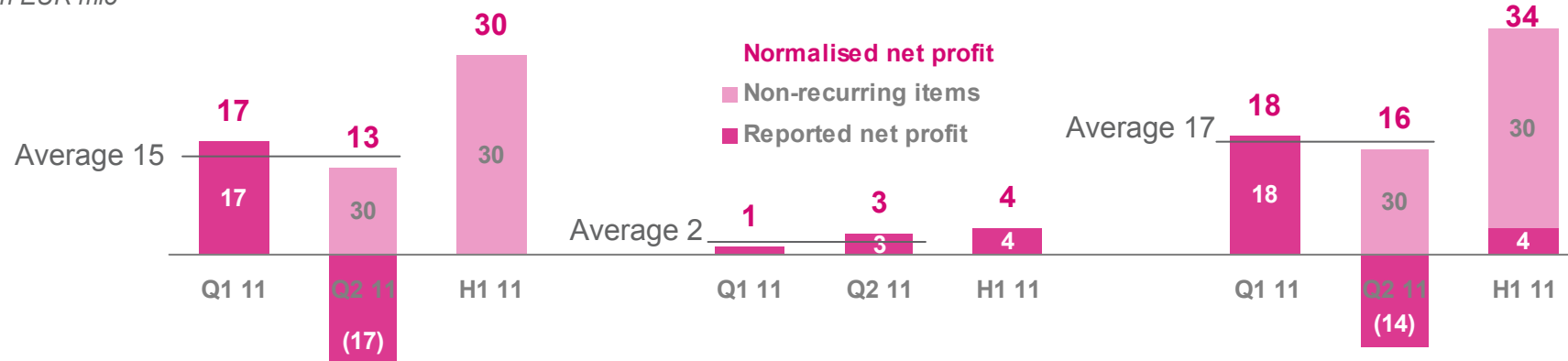
# Solid underlying profit levels across all segments (ct'd)

A trend towards more stable profit streams



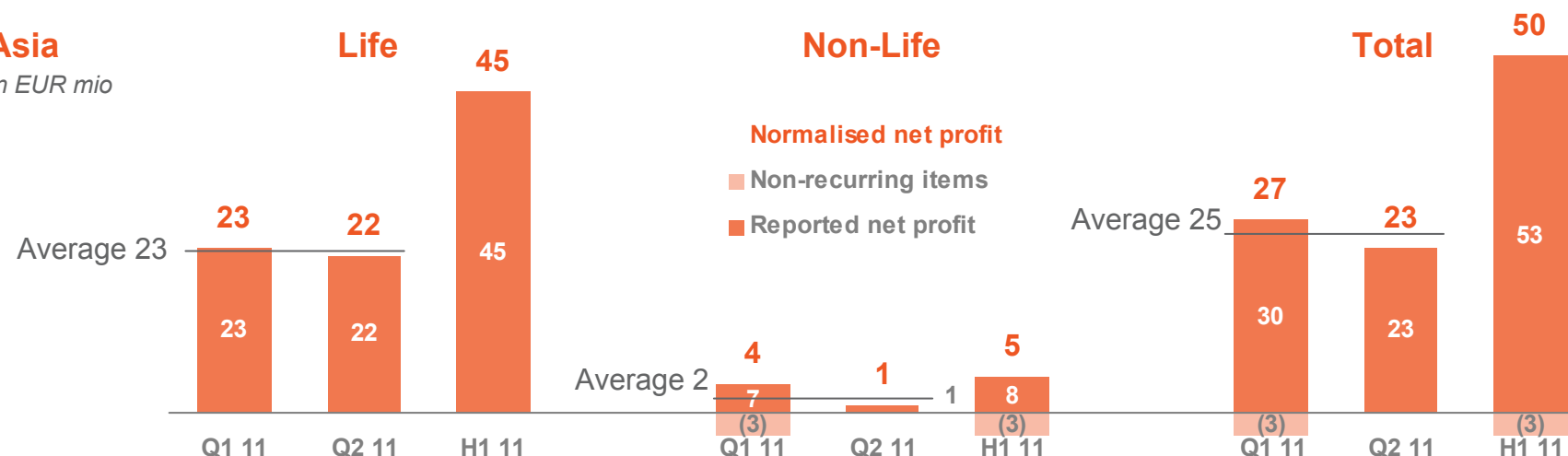
## Continental Europe Life

In EUR mio



## Asia

In EUR mio



The concept 'Discretionary capital' as an indicator for strategic flexibility was introduced in September 2009

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## 2 important reasons :

- Regulatory capital included illiquid assets
- Level of cash did not take into account contingent assets (such as the EUR 1 bn FBB Tier )

## Purpose :

- Indicator for potential future cash position

## Current situation :

- Liabilities have been crystallized
- Cash position is equal to discretionary capital



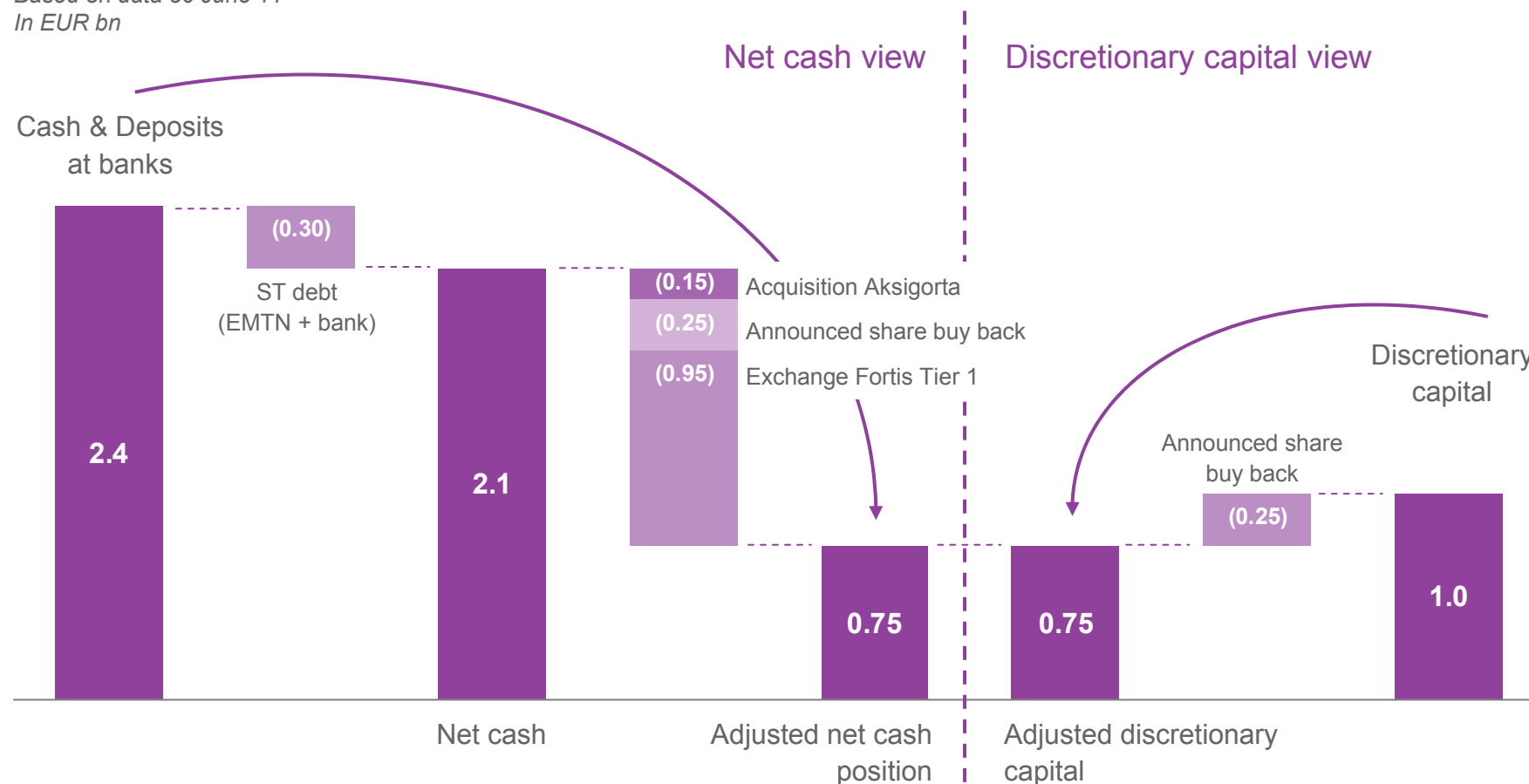
- As Tier 1 Fortis Bank and Royal Park Investments remain illiquid, net cash position is the best indicator for strategic flexibility
- No need to continue with discretionary capital concept

# Discretionary capital served its purpose

As of Q3 11 Ageas will focus on the General Account's net cash position



Based on data 30 June 11  
In EUR bn



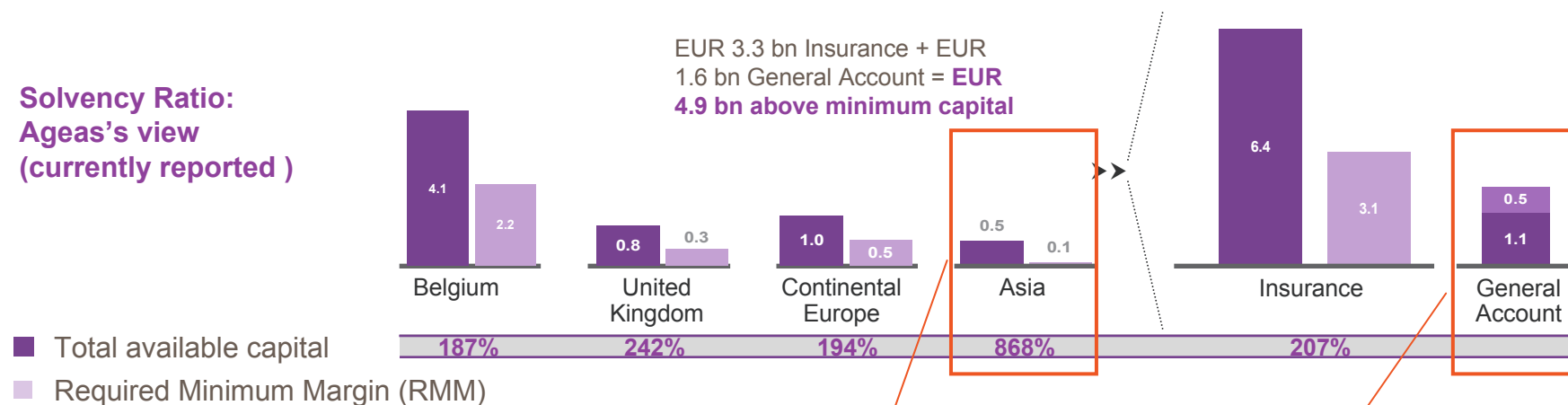
**Net cash position** General Account reflects the short-term financial flexibility to support operating insurance activities or acquire new activities, while **regulatory capital** includes the value of more illiquid assets such as Royal Park Investments and the FBB T1, reflecting the long term funding position.

# Ageas's aligns its capital view with the regulatory view

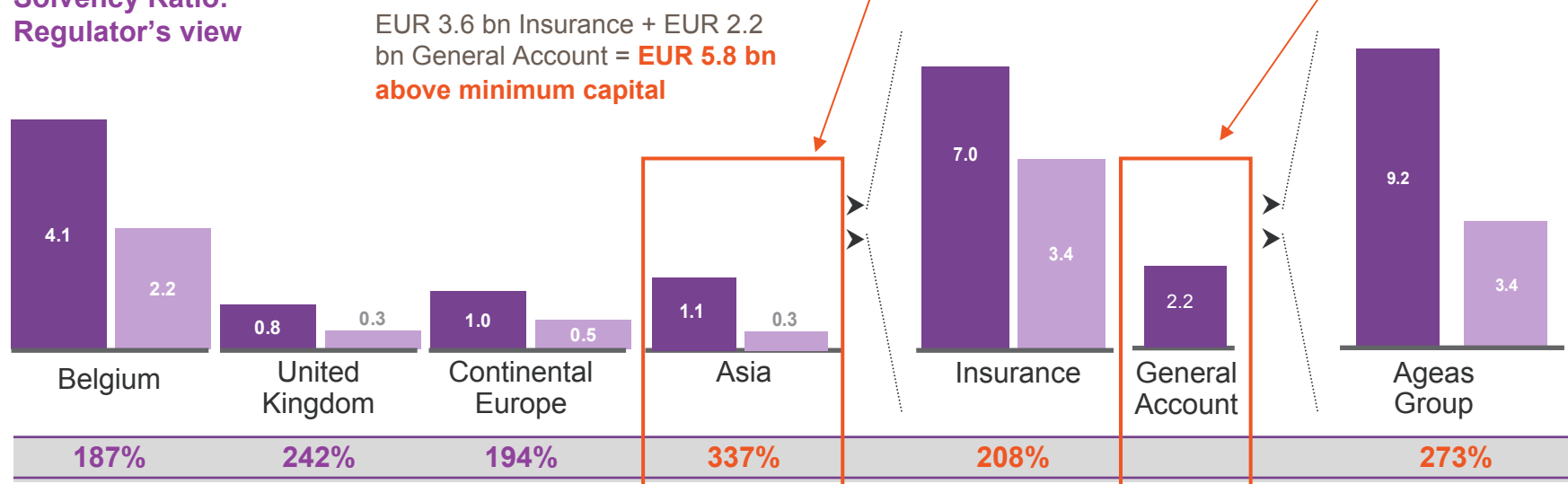
Different treatment non-controlling interests & General Account drive increase in capital



## Solvency Ratio: Ageas's view (currently reported )



## Solvency Ratio: Regulator's view



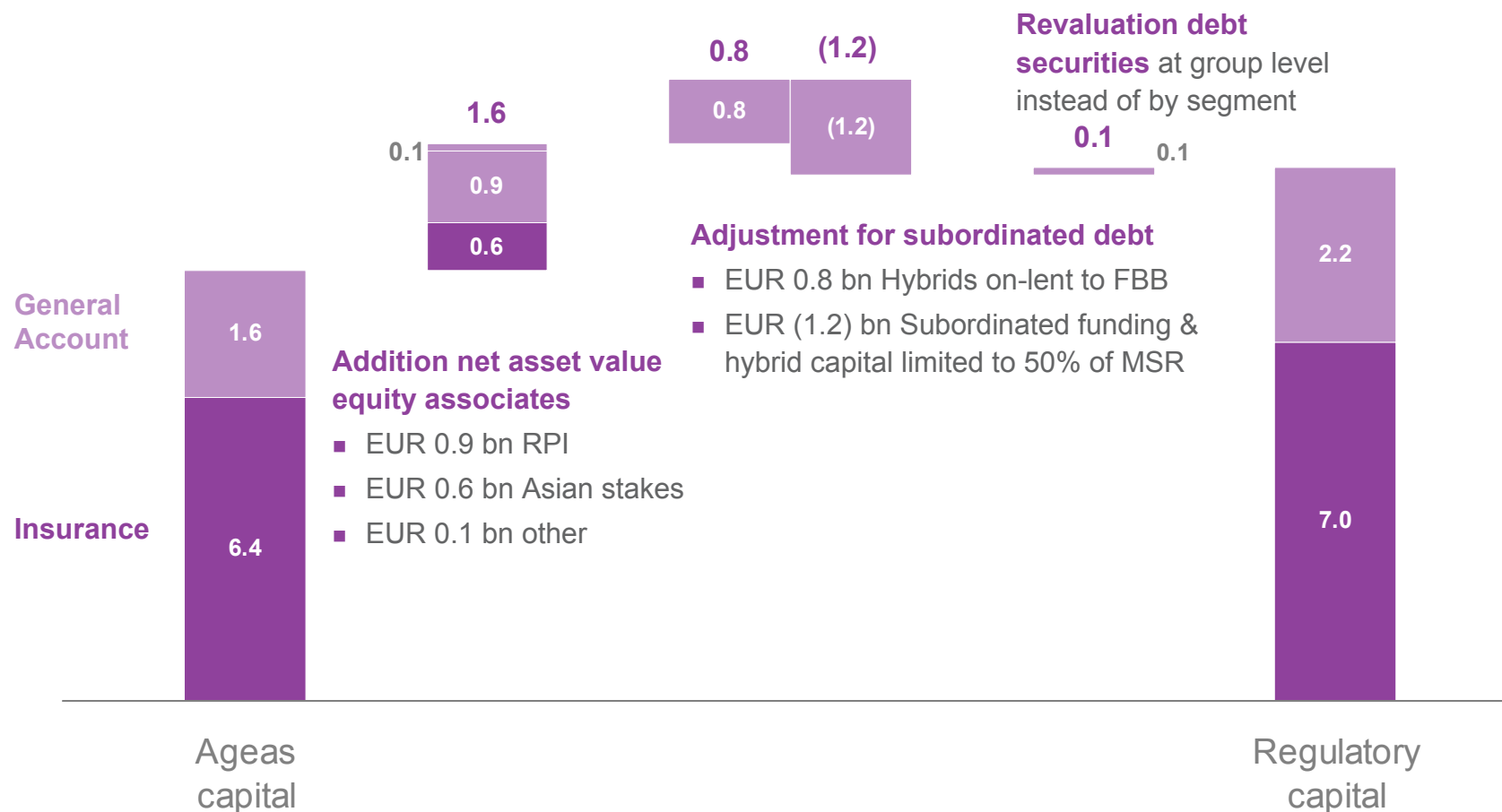


# Solvency increase of EUR 1.2 bn under the regulatory view

Main change related to addition net asset value equity associates



In EUR bn & based on data 30 June 11



# Ageas's Insurance solvency ratio resilient

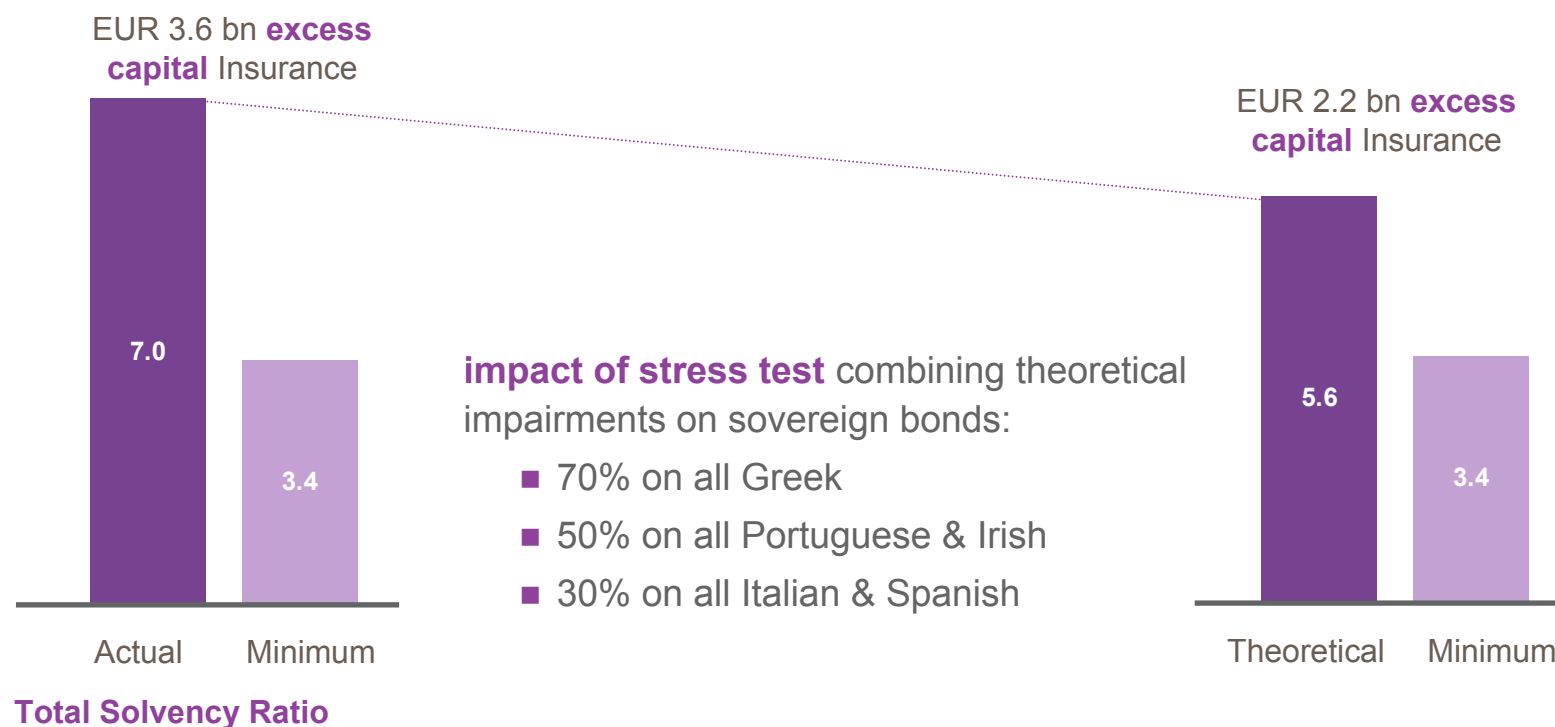
Even after severe stress tests Insurance capital EUR 2.2 bn above RMM



Based on data end of June 11

■ Required Minimum Margin (RMM)

■ Total available capital





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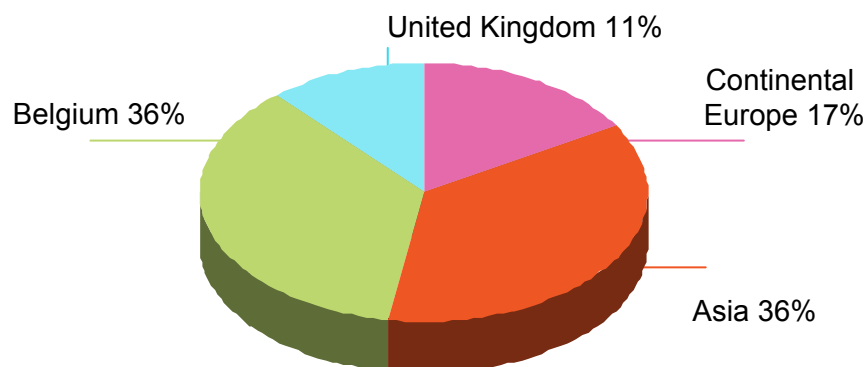
# Growing importance of Asia within total Insurance portfolio

## Various views on Ageas by segment



### Inflow breakdown by segment

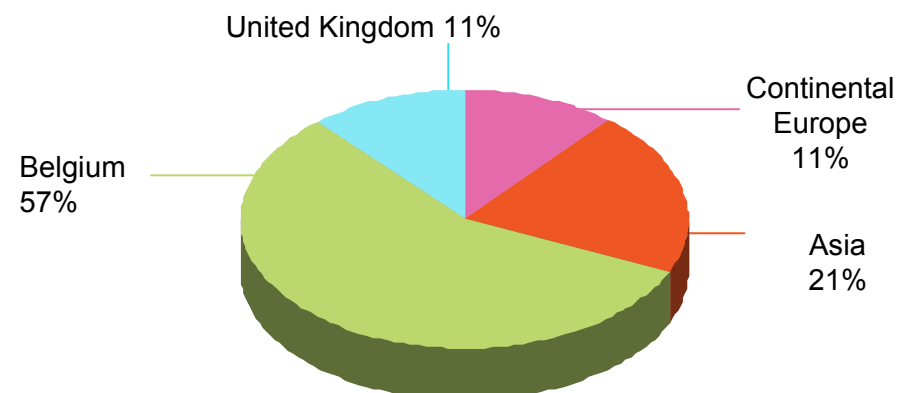
Gross inflow H1 11 = EUR 8.9 bn\*



\* Including non-consolidated partnerships at 100%

### Result breakdown by segment

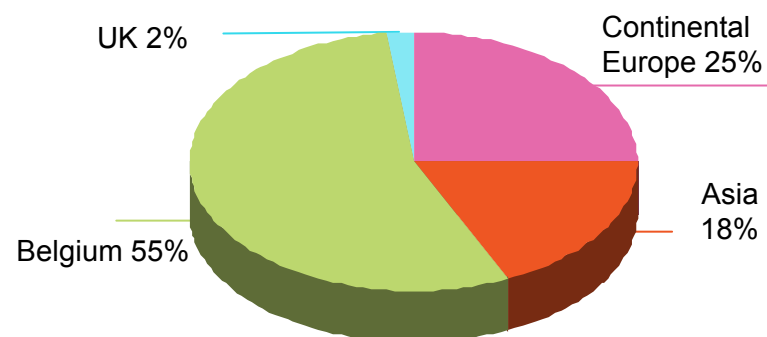
Net result H1 11 = EUR 261 mio\*



\* Excluding Greek Impairment

### FuM breakdown by segment

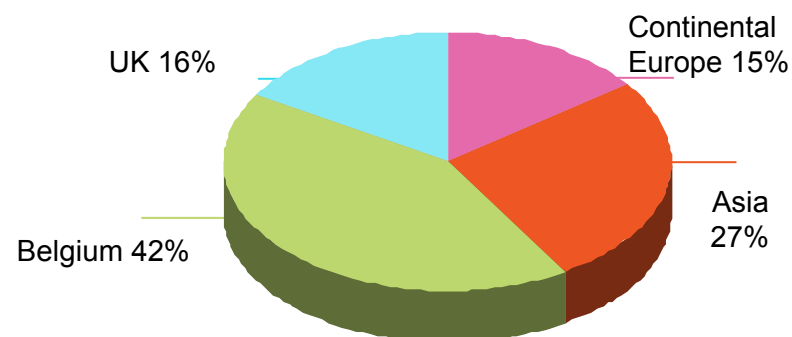
Total FuM H1 11 = EUR 94.3 bn\*



\* Including non-consolidated partnerships at 100%

### Equity breakdown by segment

Total shareholders' equity H1 11 = EUR 5.3 bn



## Back-up slides

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## ....A new era, and a simplified legal structure combined with a changed governance model

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### April 2009:

- The shareholders meeting appoint a new Board of Directors
- Ageas fully discloses the remuneration of the Board and the Executive Committee members

### June 2009:

- New executive management and revised governance structure

### April 2010:

- Remuneration policy is approved by the shareholders (including the remuneration policy of the Executive Committee)
- Ageas reinforces its Board of Directors with two experienced female directors

### April 2011:

- Ageas introduces the registration date and early adopts the measures to increase the shareholders rights
- Ageas is forefronter in having the shareholders to approve the report of the remuneration committee

### 2010 - ... :

- Gradual simplification of the legal structure both in Belgium & The Netherlands

# Ageas's solvency measurement

A more detailed view on the Ageas' view vs. the regulatory view



## ■ Asia:

- ✓ 0.6 equity participations added to available
- ✓ 0.3 pro rata share added to Regulatory Minimum Margin

## ■ General Account

### ✓ Former Ageas view (in EUR bn):

- Shareholders equity	2.2
- Hybrids: Fresh	1.3
- BNP Paribas option	- 0.7
- Royal Parc Investments	- 0.9
- Sub-Loans granted to Opco's	- 0.3
➤ Total	1.6



Regulator acknowledges value RPI

### ✓ Regulatory view (in EUR bn):

- Shareholders equity	2.2
- Hybrids:	
- Fresh	1.3
- NITSH I & II	0.8
- filter	- 1.2
- BNP Paribas option	- 0.7
- Sub-loans granted to Opco's	- 0.3
- Other	0.2
➤ Total	2.2

but



Regulator applies filter to Hybrids, after first adding hybrids (although they are on-lent to Fortis Bank)

# Disclaimer

Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Future actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in Ageas's core markets, (ii) performance of financial markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates, (viii) increasing levels of competition, (ix) changes in laws and regulations, including monetary convergence and the Economic and Monetary Union, (x) changes in the policies of central banks and/or foreign governments and (xi) general competitive factors, in each case on a global, regional and/or national basis.

In addition, the financial information contained in this presentation, including the pro forma information contained herein, is unaudited and is provided for illustrative purposes only. It does not purport to be indicative of what the actual results of operations or financial condition of Ageas and its subsidiaries would have been had these events occurred or transactions been consummated on or as of the dates indicated, nor does it purport to be indicative of the results of operations or financial condition that may be achieved in the

future

