Financial Targets & Strategic Priorities

AGEAS INVESTOR DAY

6TH OF JUNE 2017 I LISBON **PORTUGAL**

Ageas ...

Continuing the growth journey

Status
Ambition 2018 Targets

Target		FY 2015	FY 2016
11-13% RETURN ON EQUITY	Insurance excl. UG/L without Hong Kong	11.0% 11.8%	10.6% 8.1%
LIFE OPERATING MARGIN GUARANTEED 85-90 BPS UNIT-LINKED 40-45 BPS		90 bps 36 bps	93 bps 25 bps
<97% COMBINED RATIO NON-LIFE		96.9%	101.1%
SOLVENCY II RATIO 175%	Insurance	182%	179%

FAQ’s clustered around **5 Themes**

- Inflows
- Net Profit
- Solvency II & FCG
- Dividend & Use of Net Cash
- Strategy & M&A

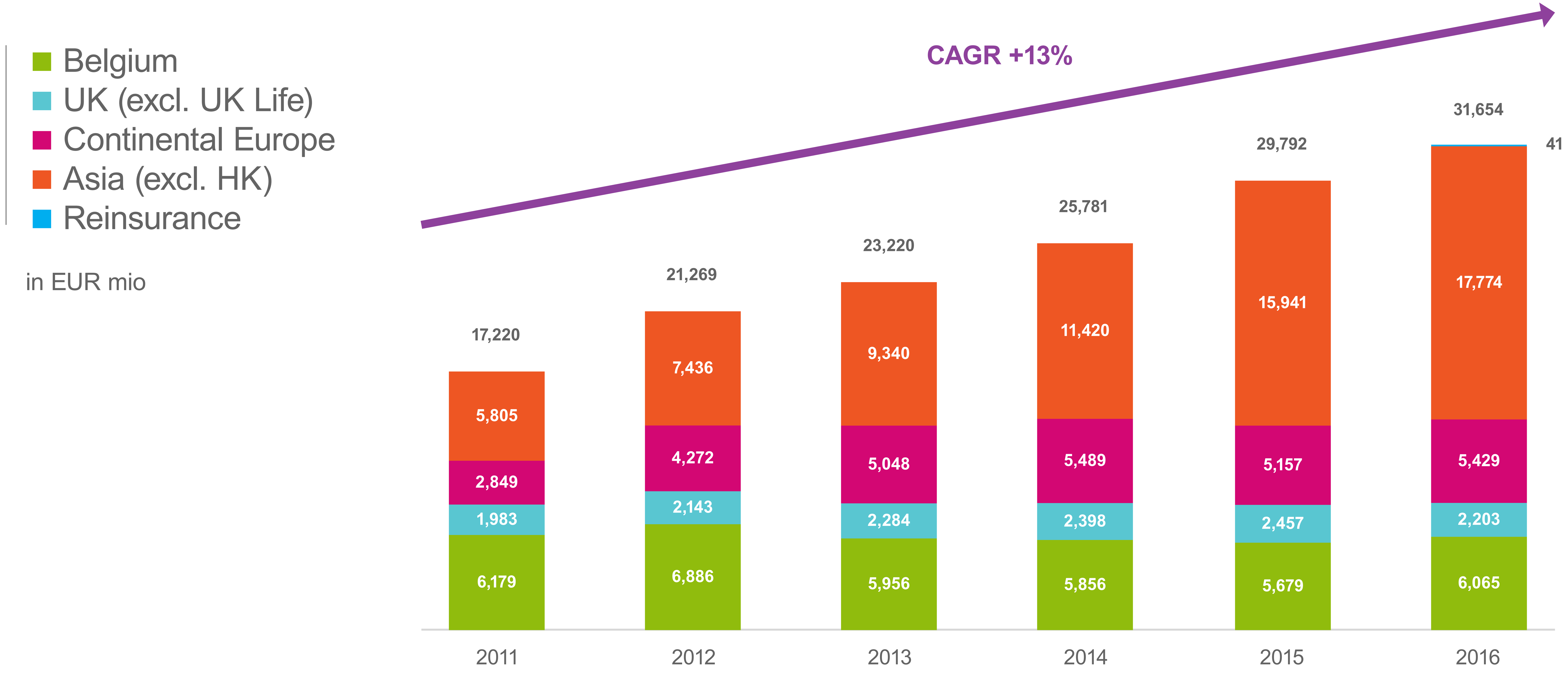
Continuing the growth journey

Inflows

Inflows
FAQ's

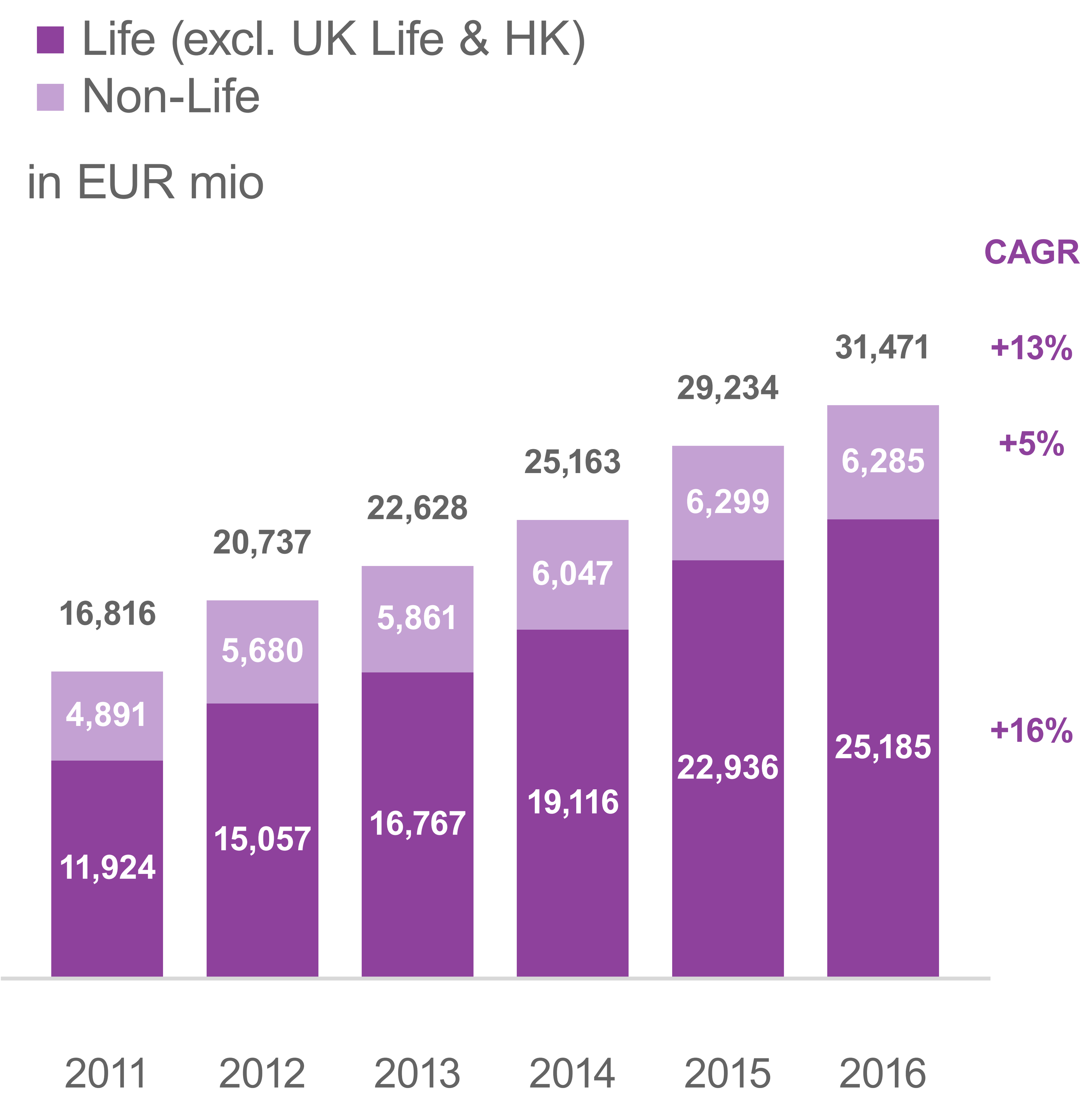
- Sustainability of Belgian Life inflows ?
- Growth potential in Non-Life in European core countries ?
- Inflow growth in Asia over time ?
- Evolution distribution channel mix going forward ?

Inflows
Consistent inflow growth

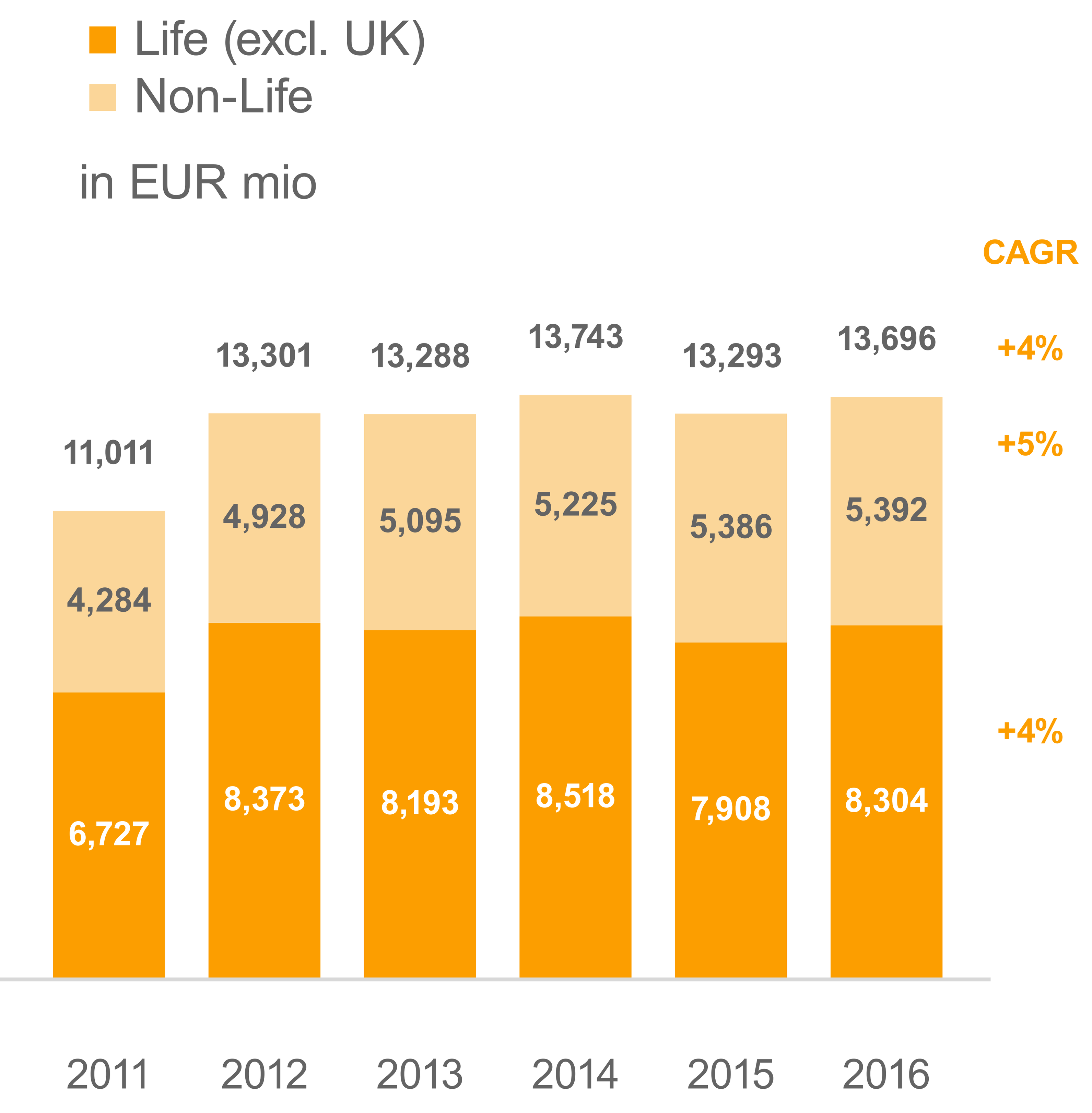


Inflows
Different profiles Europe vs. Asia

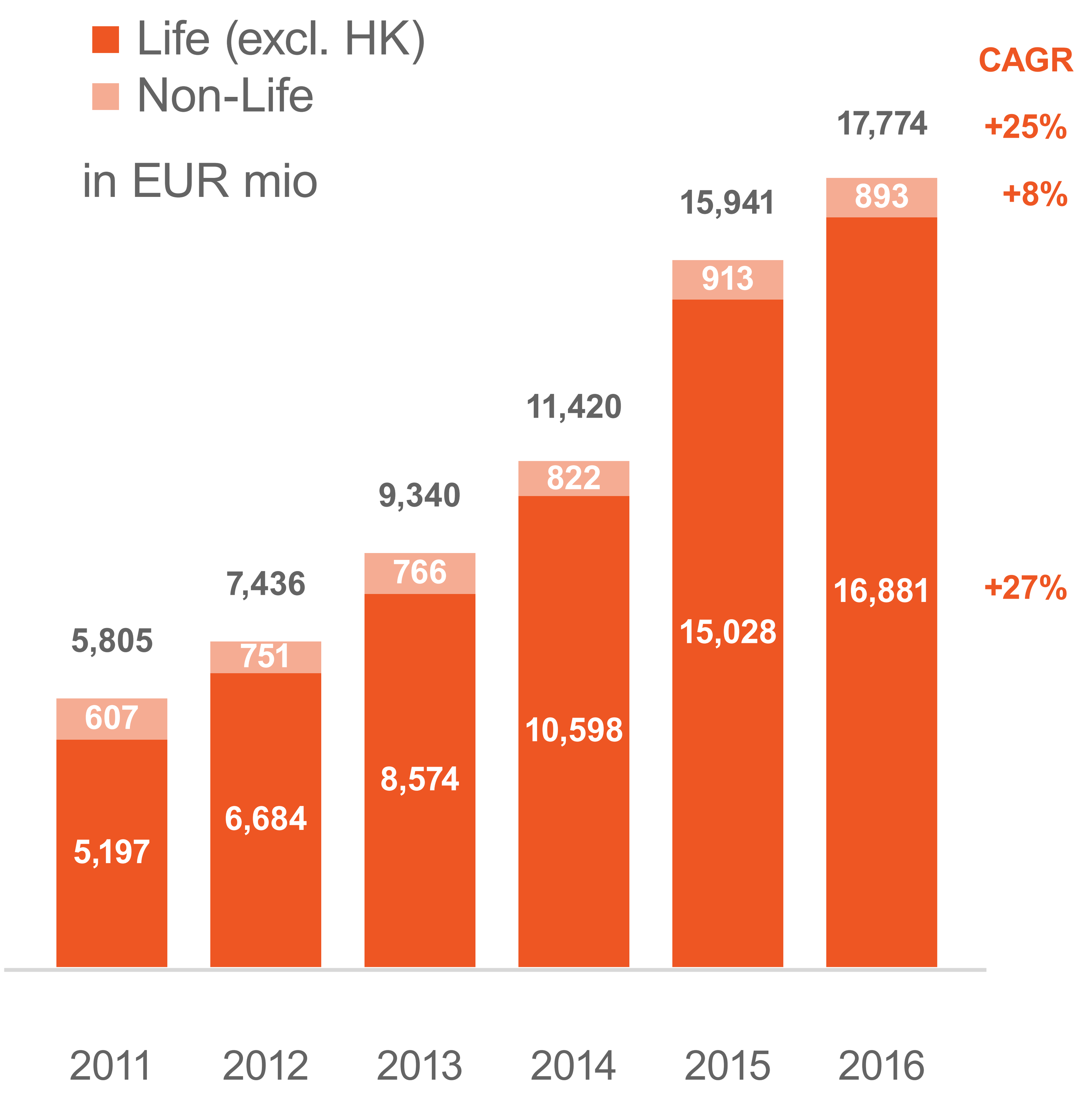
Insurance Business Mix



Europe Business Mix



Asia Business Mix



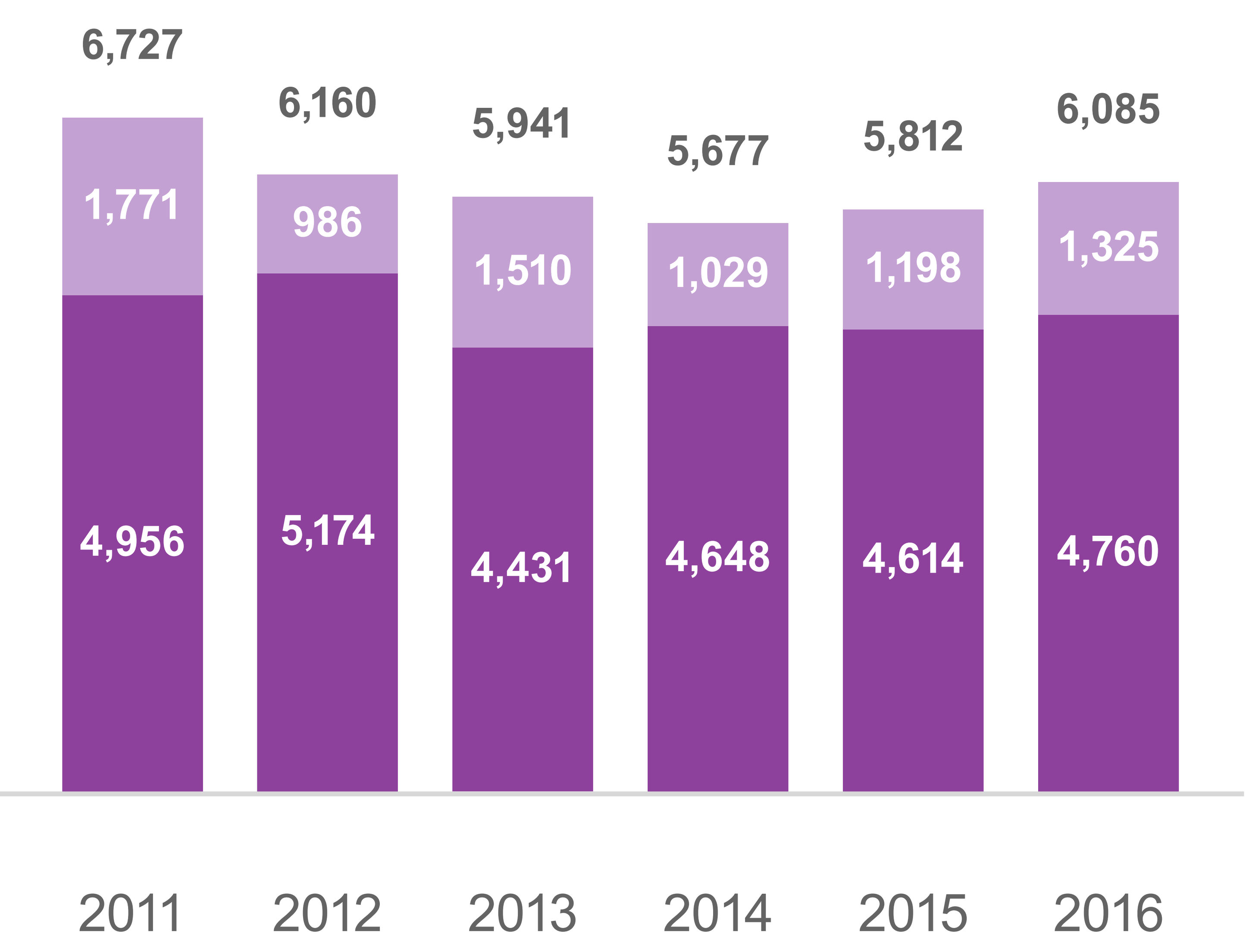
Inflows

European Savings market remains guaranteed driven

Life Inflows Belgium & Continental Europe

■ Guaranteed
■ Unit-Linked

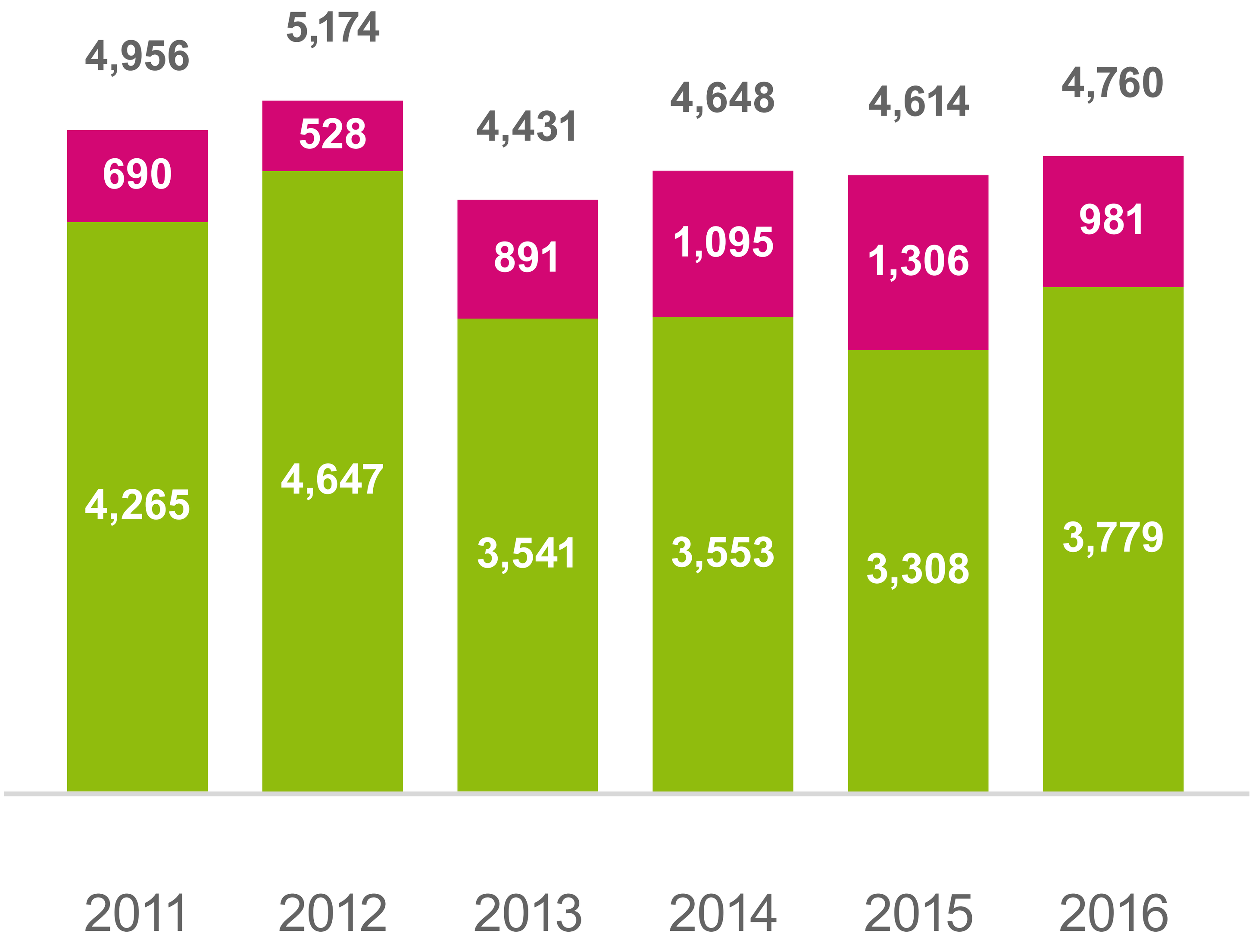
in EUR mio



Guaranteed Inflows Belgium & Continental Europe

■ Belgium
■ Continental Europe

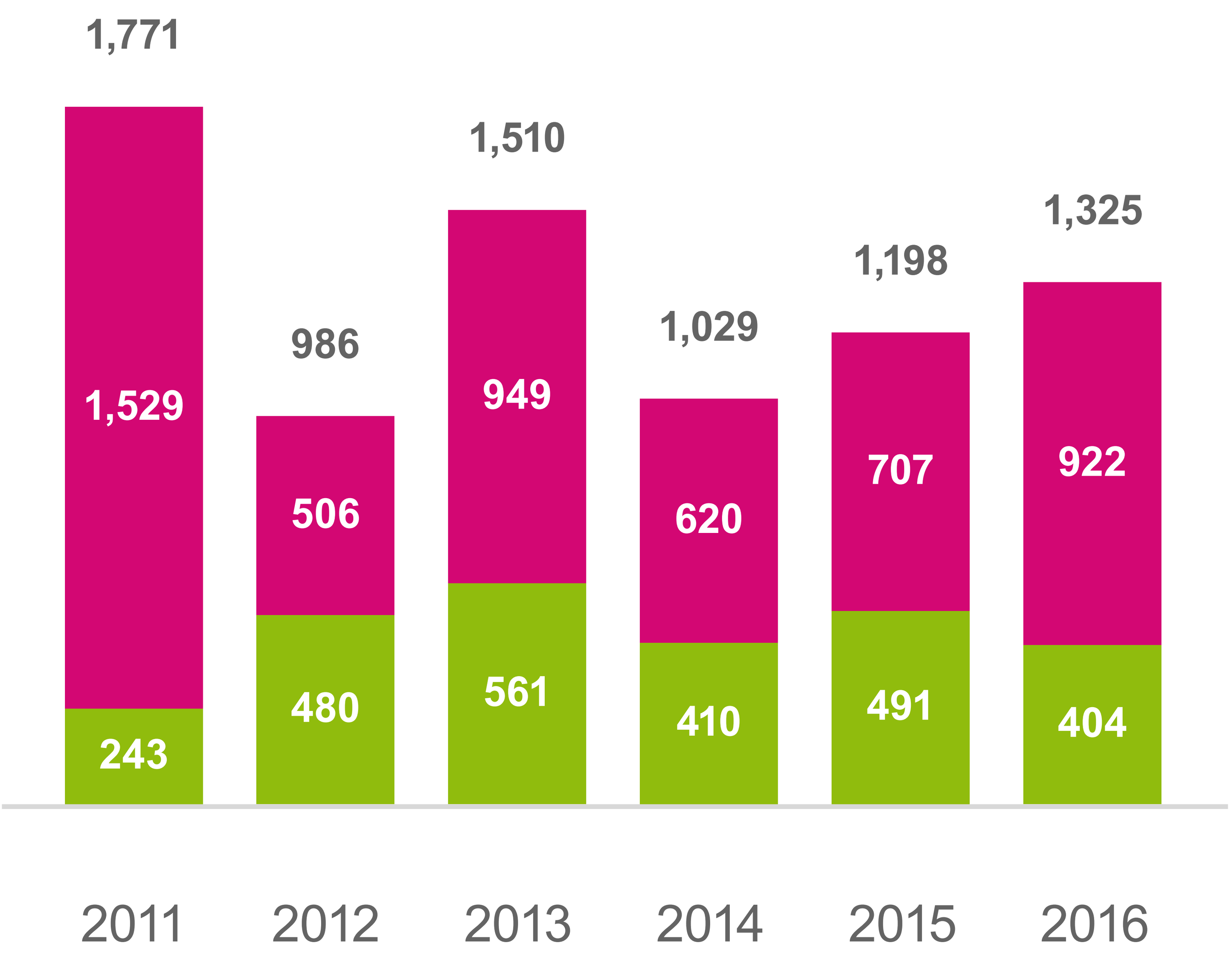
in EUR mio



Unit-Linked Inflows Belgium & Continental Europe

■ Belgium
■ Continental Europe

in EUR mio

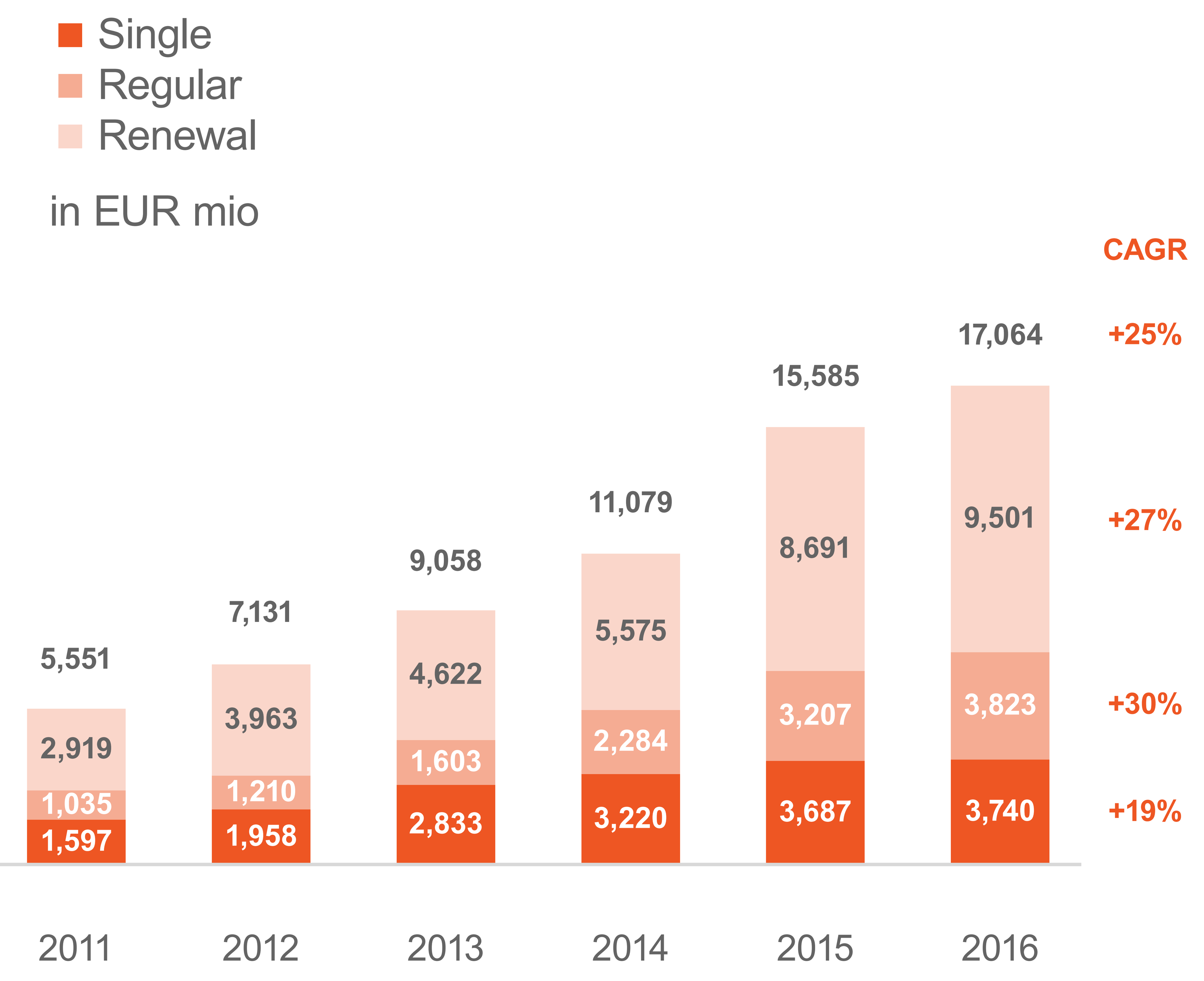


Inflows

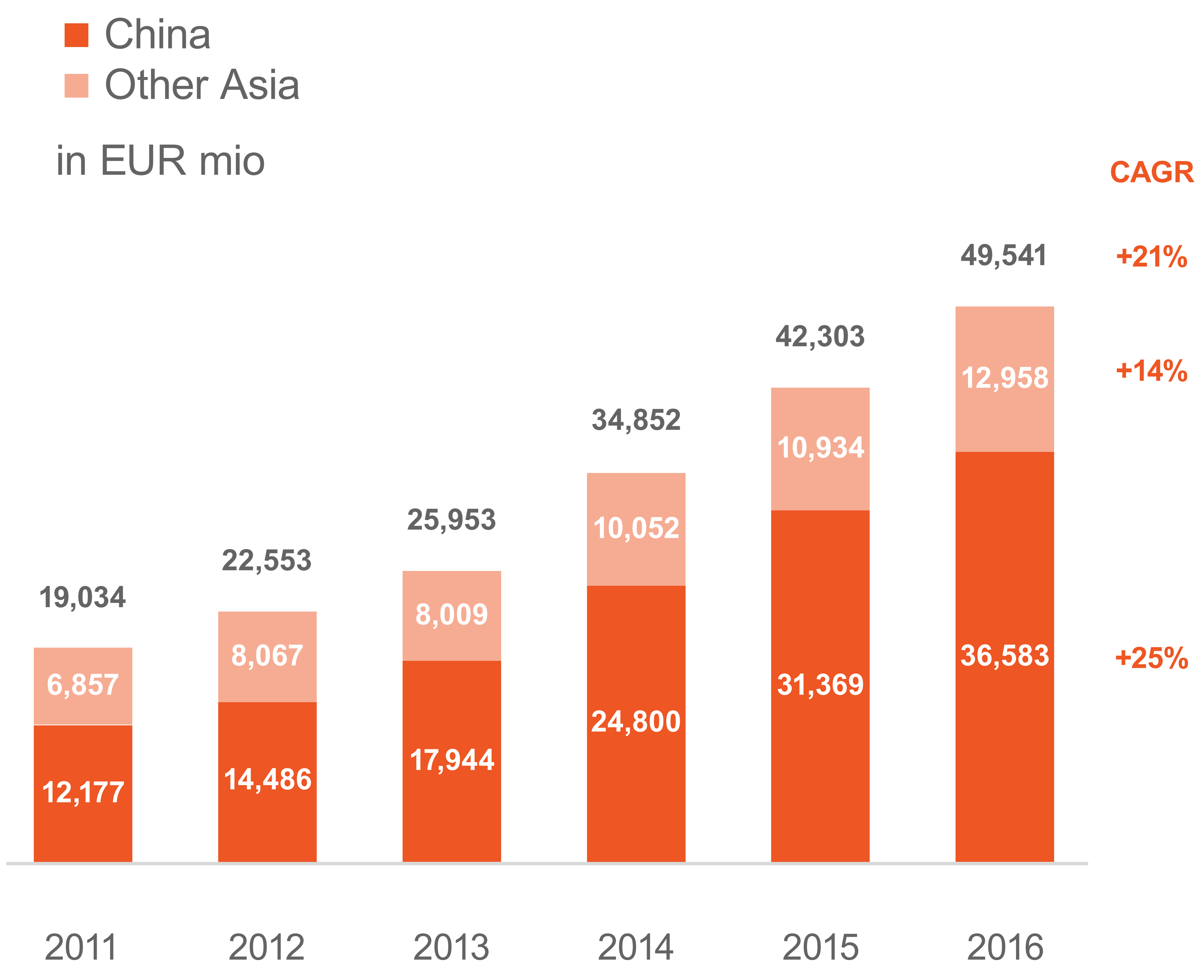
Asian Life market growth driven by profitable renewal & regular premiums

Growing Technical Liabilities support sustainable profit growth

Asia Life Inflows
Business Mix



Asia Life Technical Liabilities @100%
Underlying*



*Excl. Hong Kong

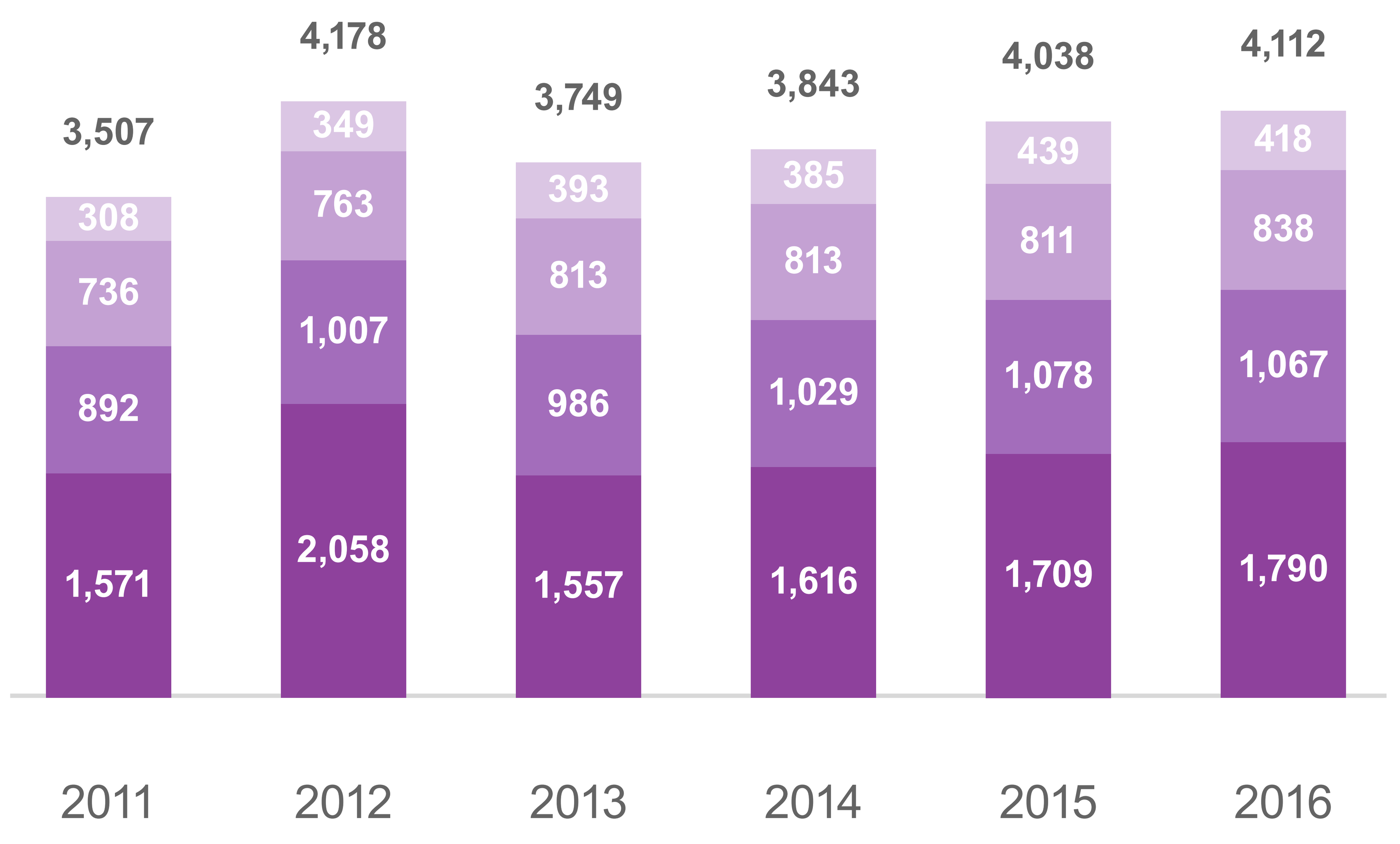
Inflows

European Non-Life business mix stable over time mostly driven by Motor & Household

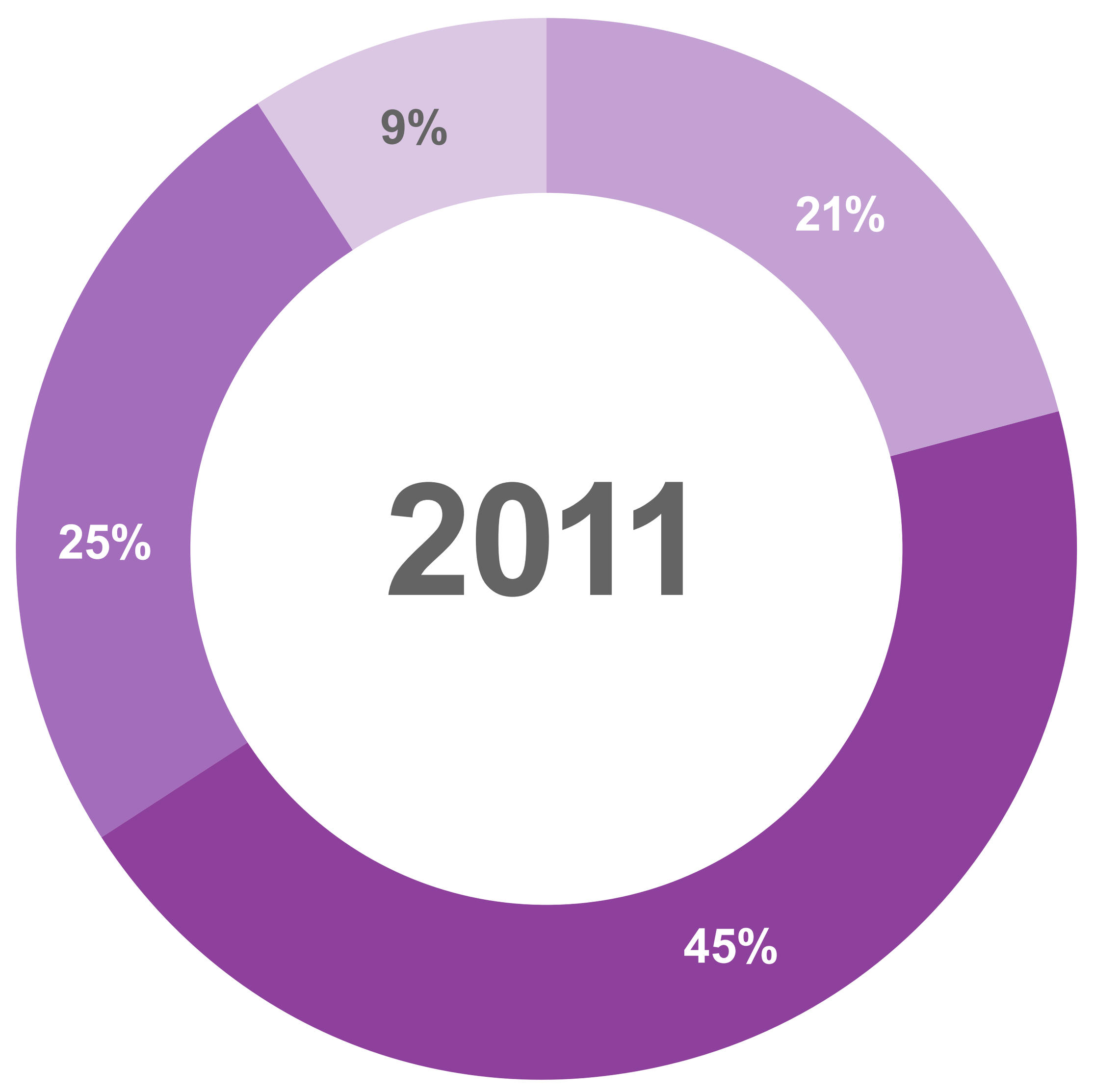
Non-Life Net Earned Premiums
Belgium, UK & Continental Europe

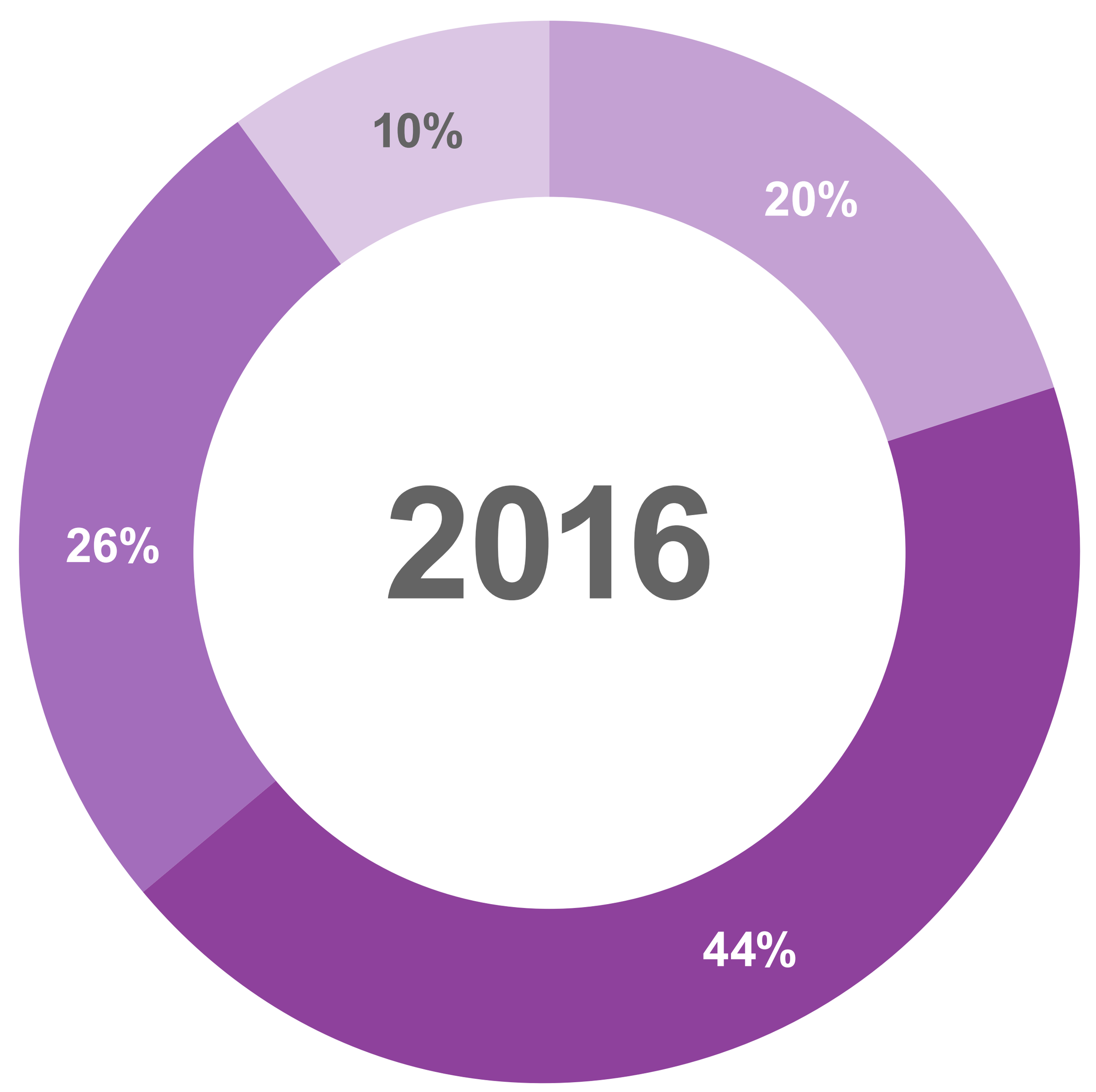
- Motor
- Household
- Accident & Health
- Other lines

in EUR mio



2012 inflow not restated for deconsolidation Tesco Underwriting since 2013

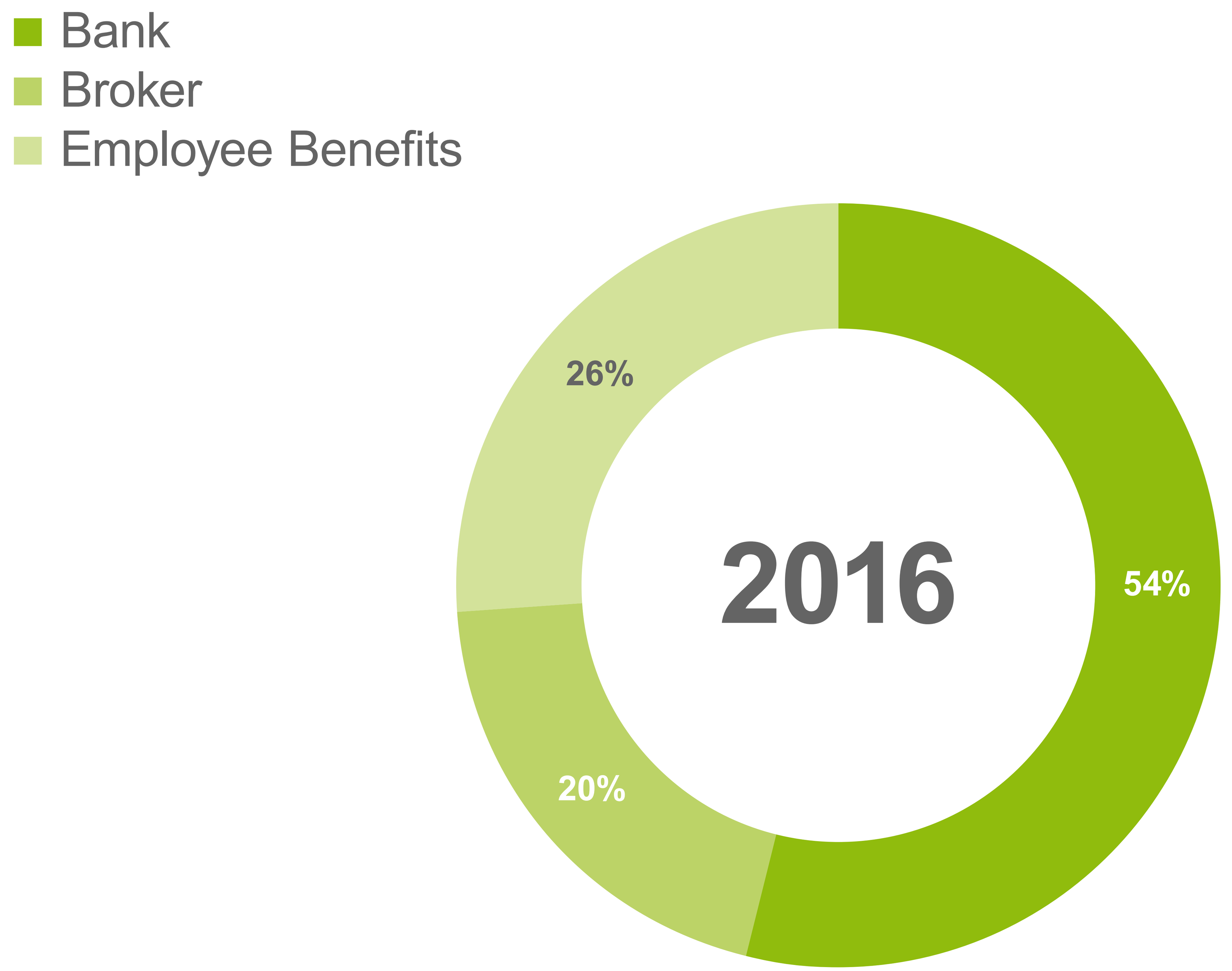




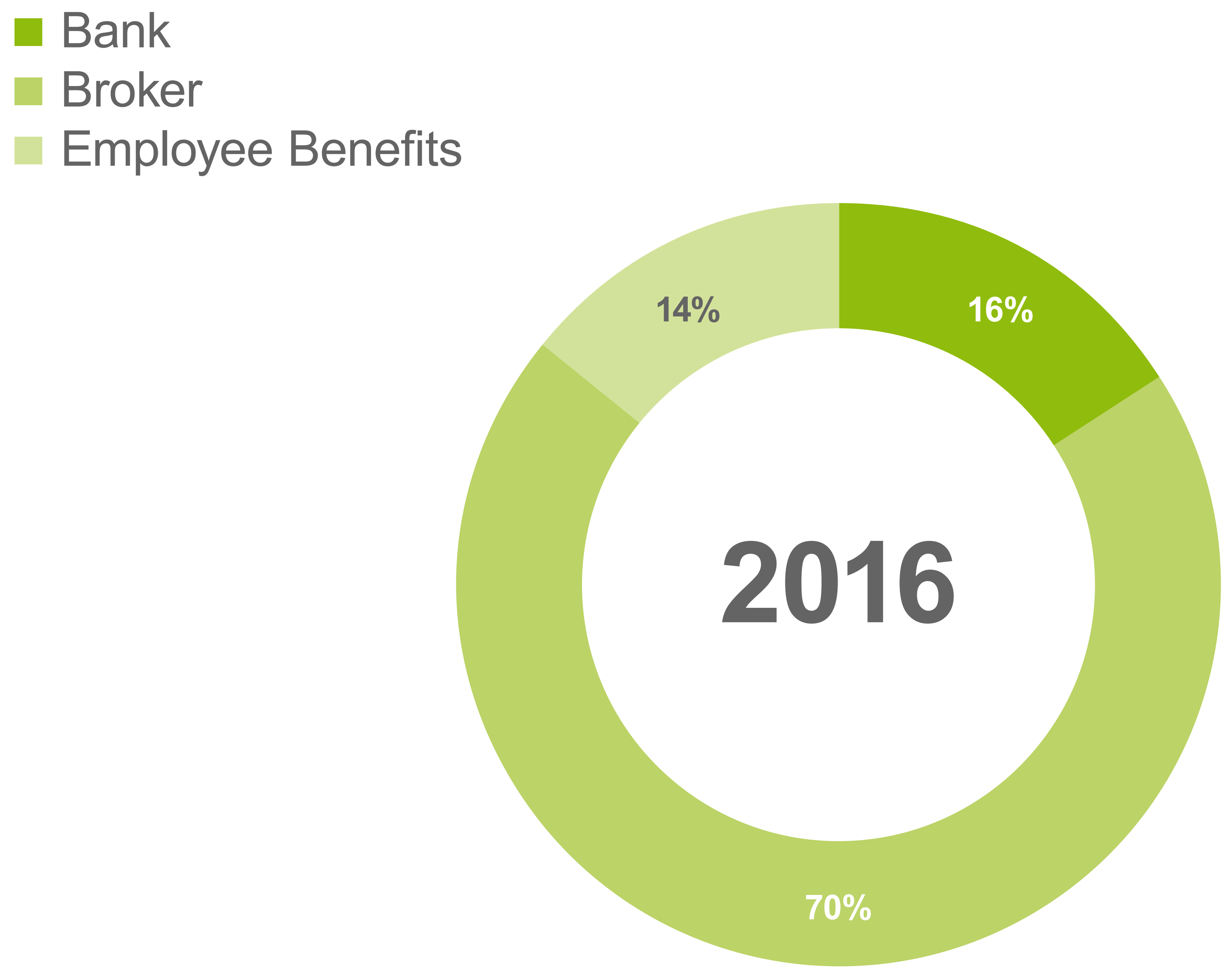
Inflows

Belgian Life business bank driven
Non-Life business broker driven

Belgium
Life Inflows
Distribution Mix



Belgium
Non-Life Inflows
Distribution Mix

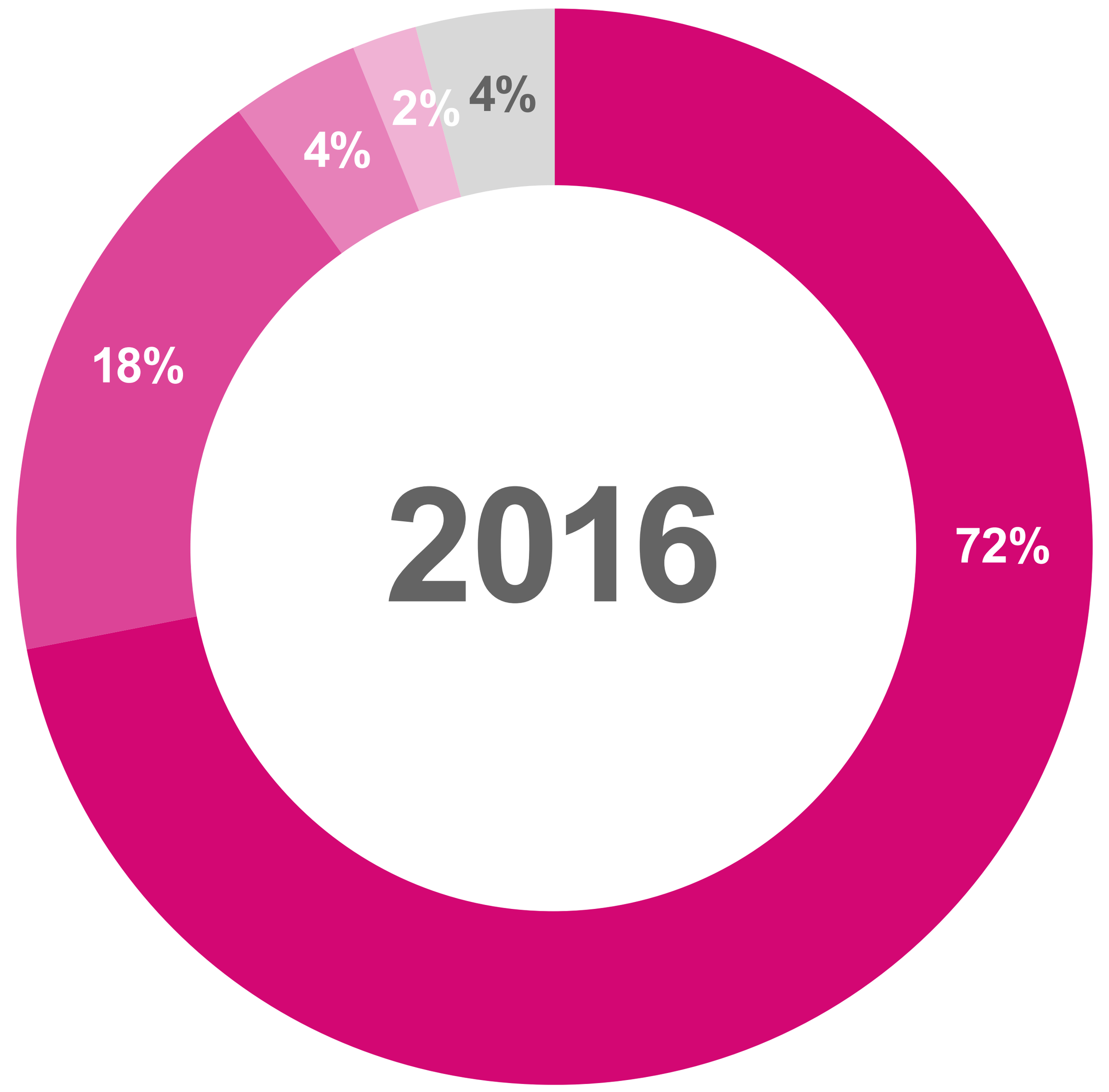


Inflows

European Life business bank driven
Non-Life business broker driven

CEU Consolidated Life Inflows
Distribution Mix

- Bancassurance
- Brokers
- Agents
- Direct
- Affinity



CEU Consolidated Non-Life Inflows
Distribution Mix

- Bancassurance
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- Direct
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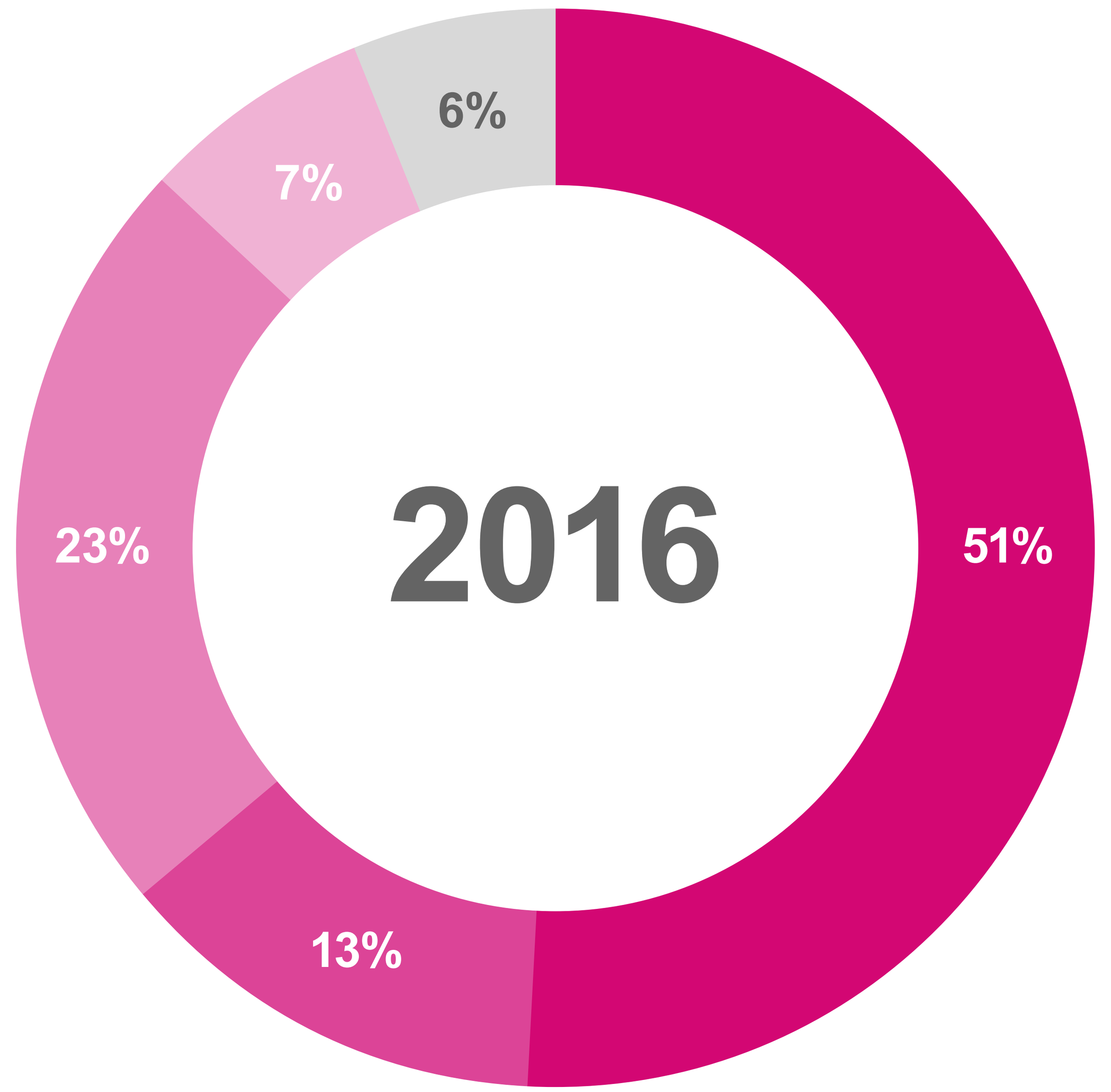
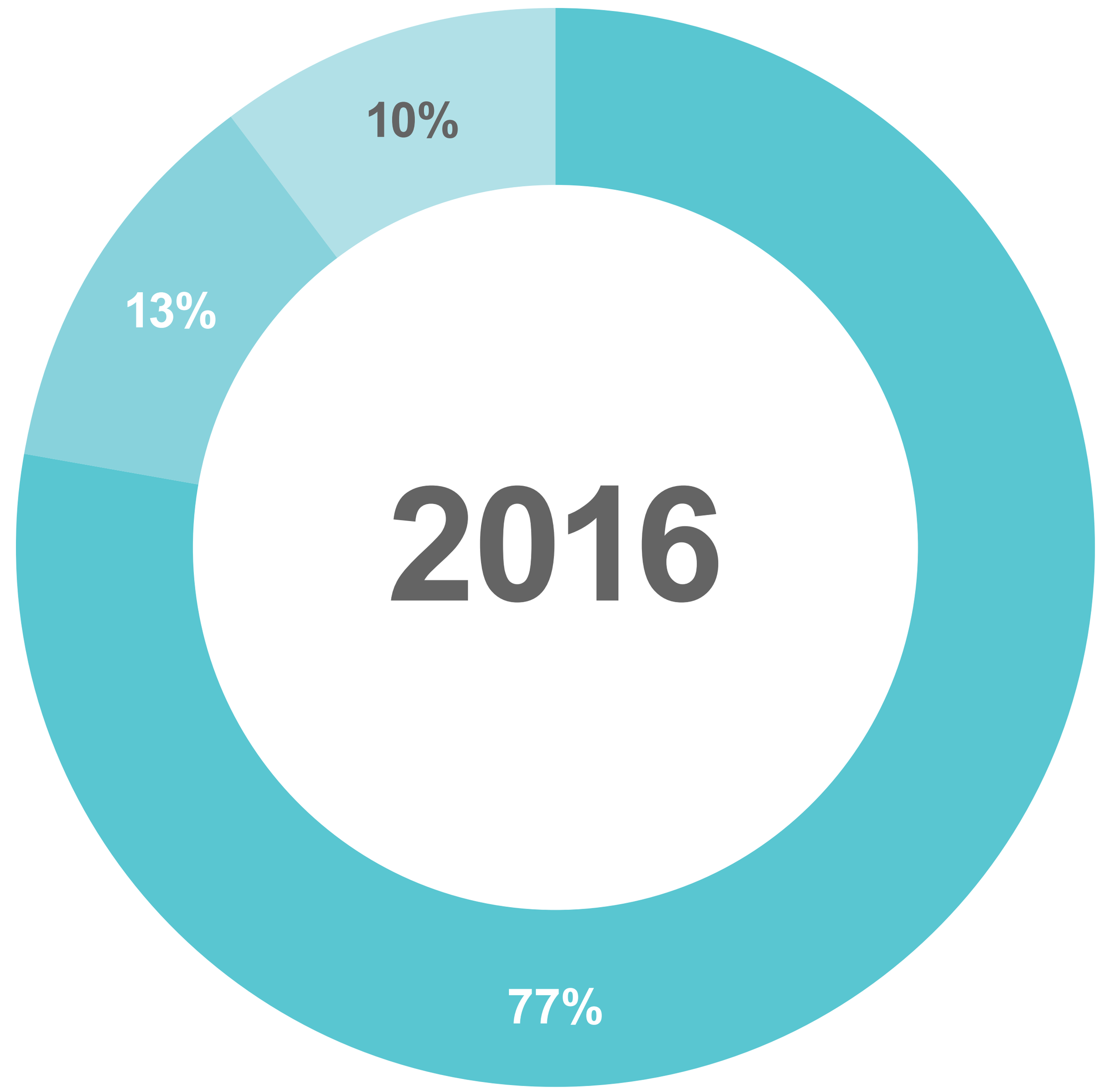


UK Non-Life Inflows
Distribution Mix

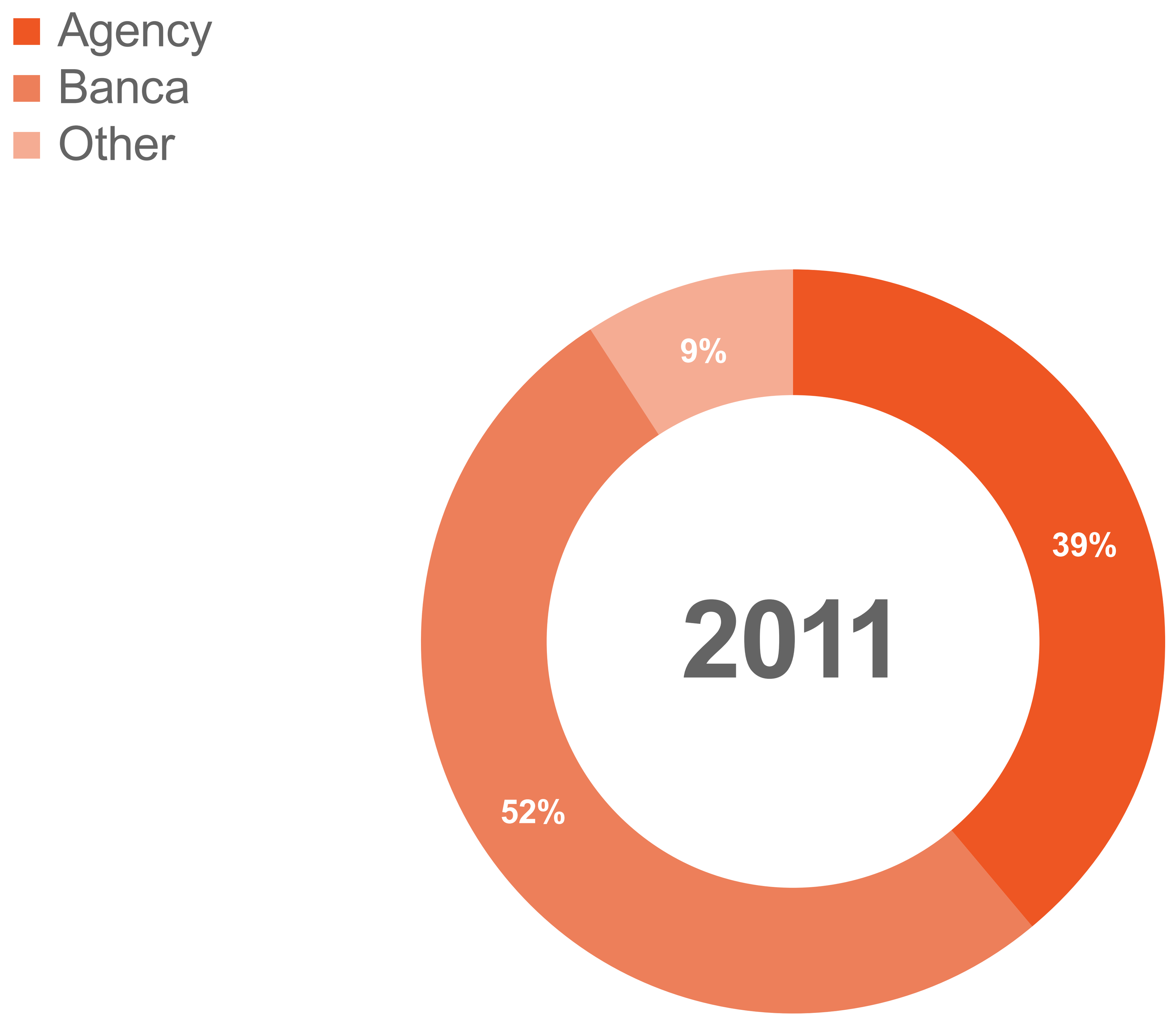
- Brokers
- Partnerships
- Direct

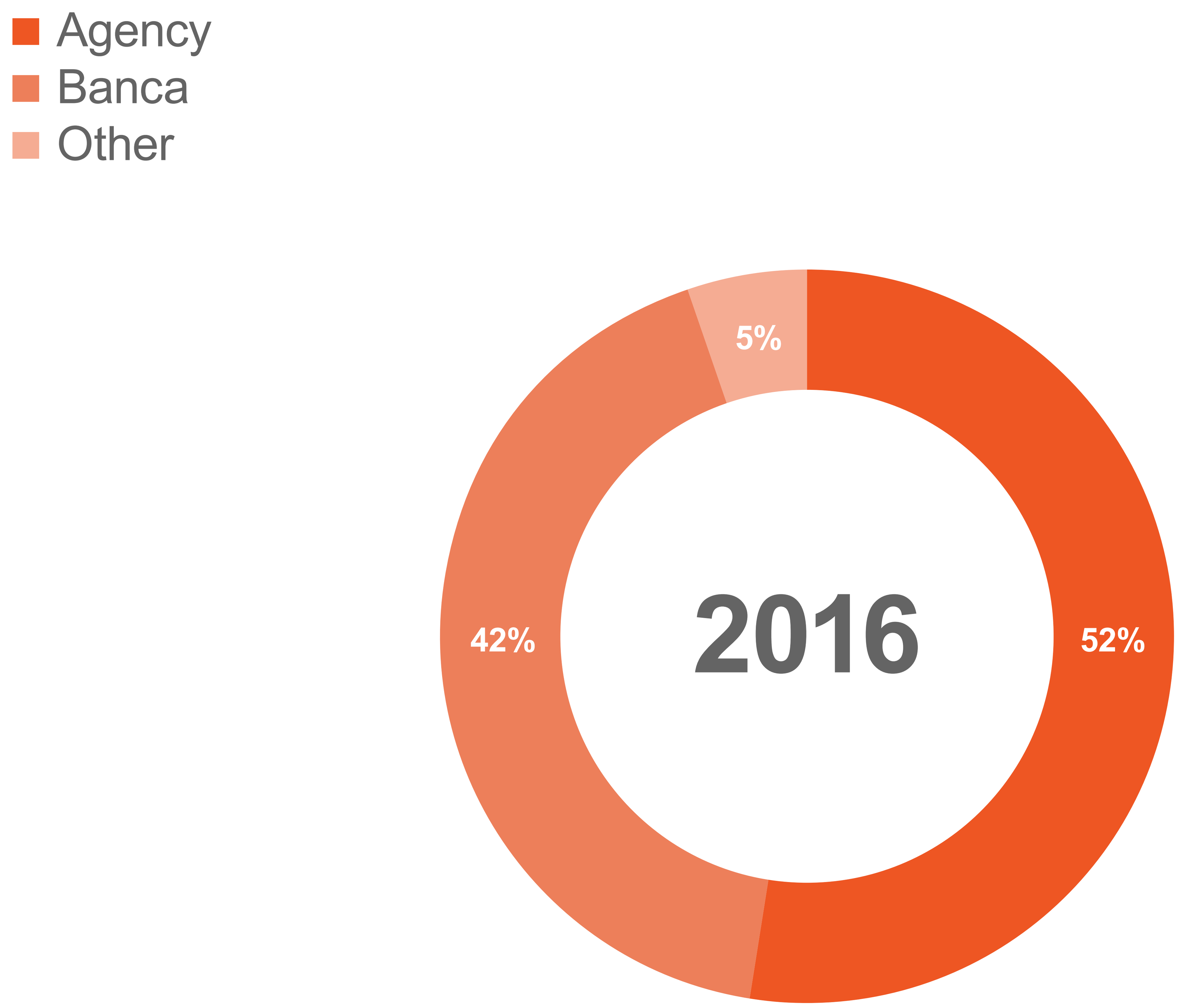


Inflows

Growing importance of Agency channel in distribution mix

Asia Life
Distribution Mix





Inflows Conclusion

- Belgian Life inflows remain strong despite current low i-rate environment
- Non-Life driven by organic & inorganic growth
- Growth in Asia driven by focus on regular premiums
- Distribution mix stable with growing importance of agency channel in Asia

Continuing the growth journey

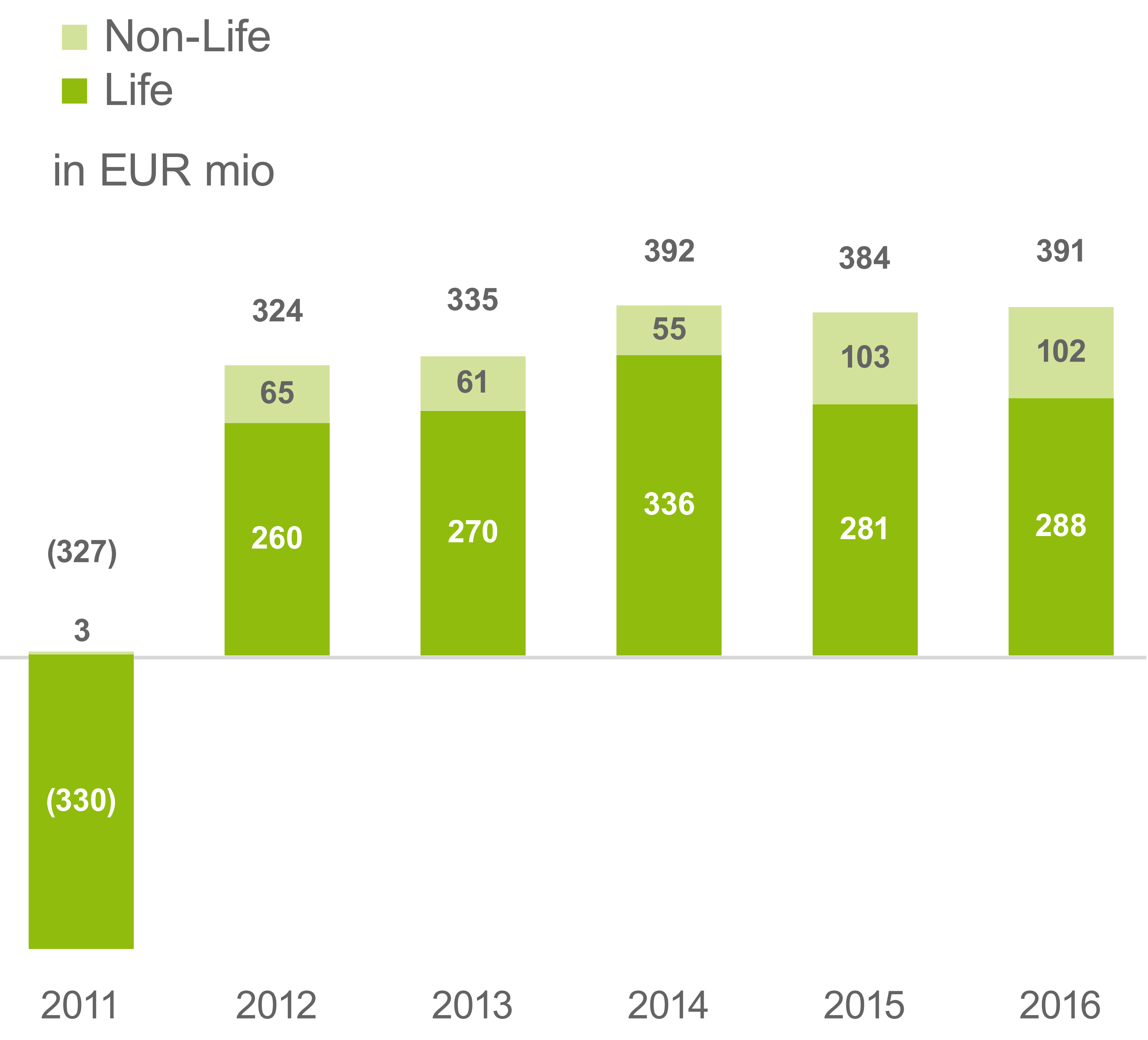
Net Profit

Net Profit
FAQ's

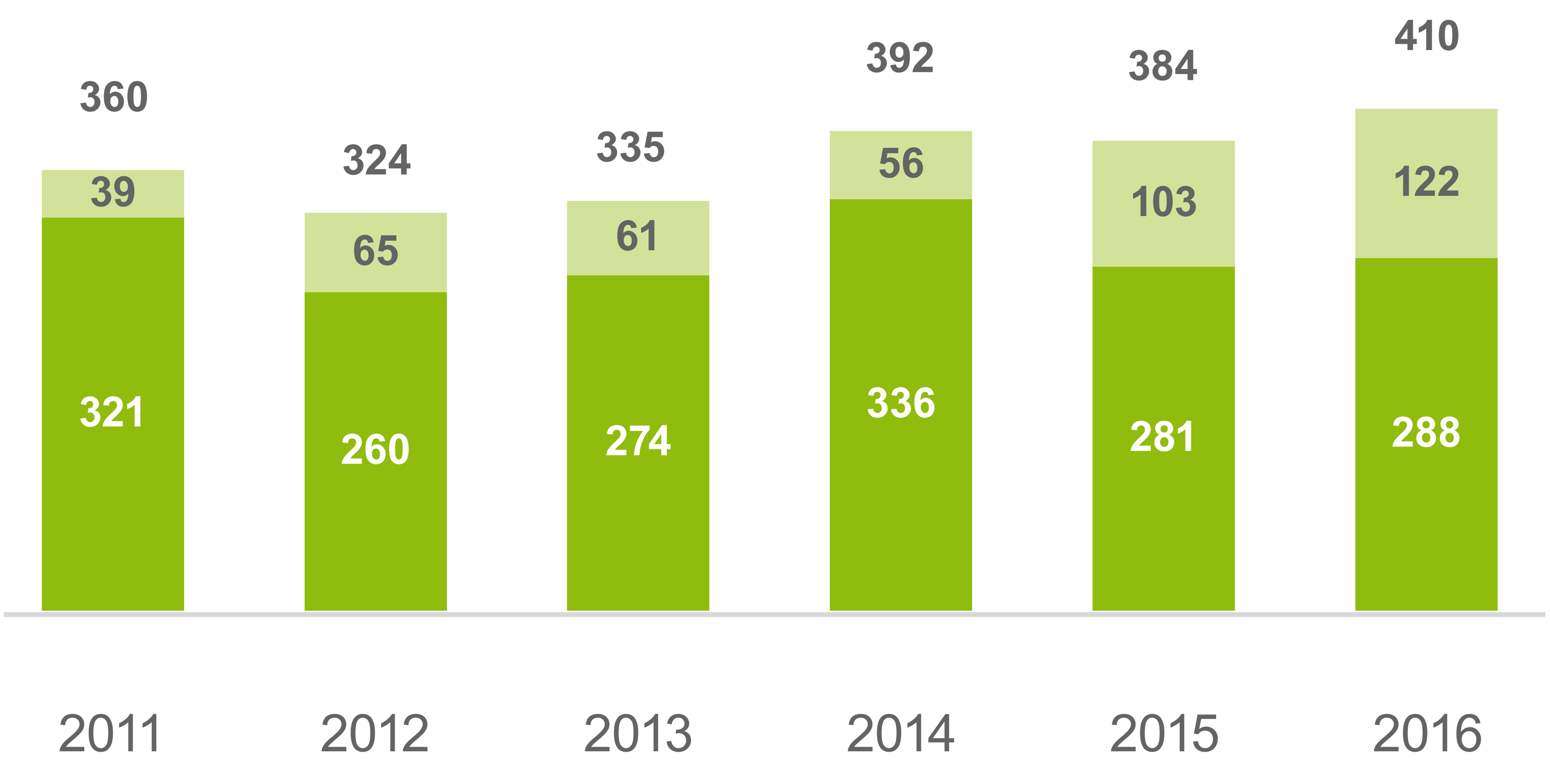
- Underlying net profit going forward ?
- Impact continued low i-rate environment ?
- Recurring level of holding costs ?
- Sustainable level of net capital gains ?
- Sustainable level of operating margin & combined ratio ?

Net Profit
Robust & stable net profit levels

Belgium Insurance Net Profit
As reported



Belgium Insurance Net Profit
Underlying*



* 2011 Corrected for Greek impairments
2016 Corrected for Terrorism events

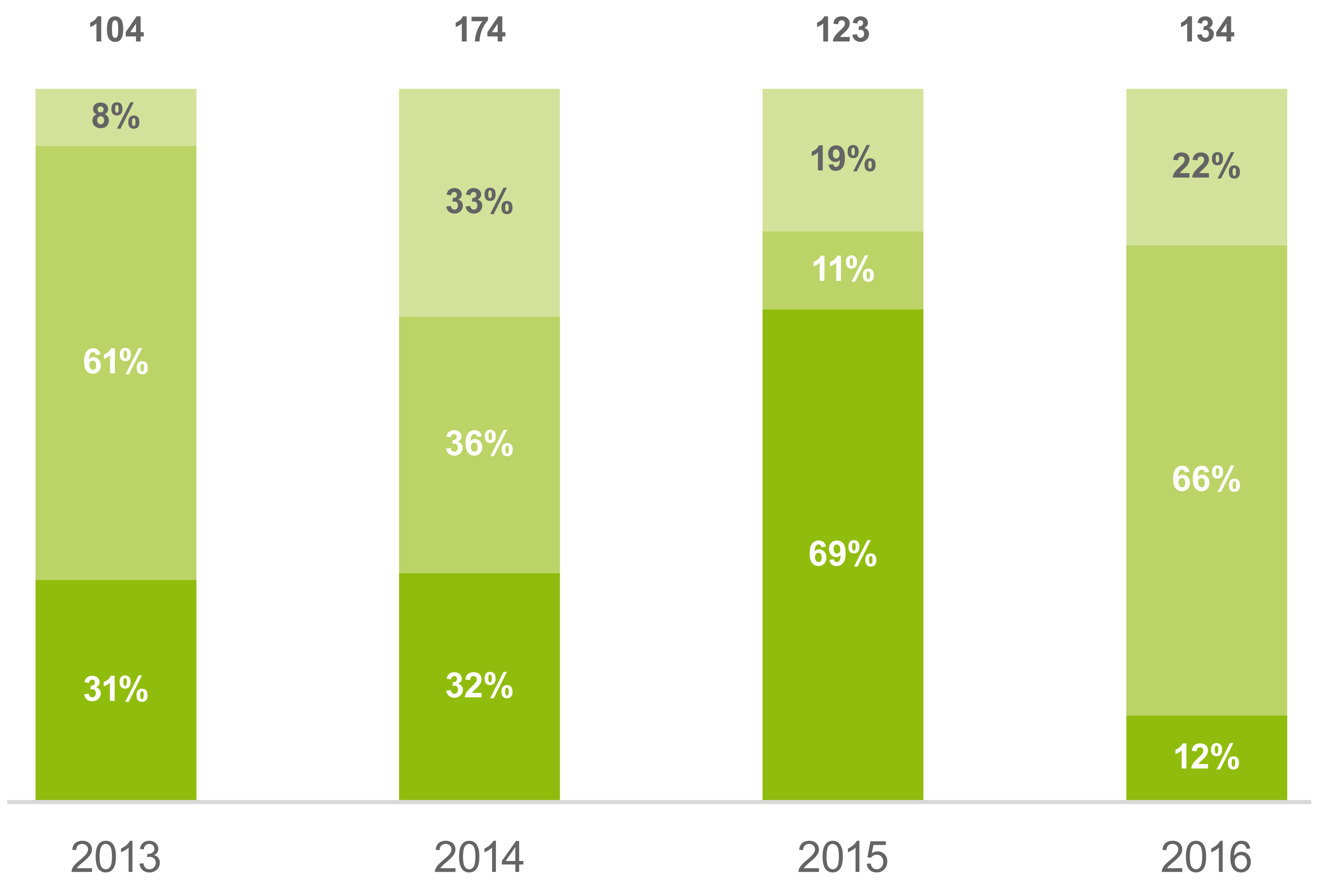
Net Profit

Steady level of unrealized gains despite yearly realisation

Belgium
Gross* Realised Capital Gains

- Fixed Income
- Real Estate & Other
- Equities

in EUR mio



* Net of tax & @ageas share before impairments and profit sharing

Ageas
Gross Unrealised Gains/Losses

in EUR bn

	2013	2014	2015	2016
Real Estate	1.3	1.4	1.5	1.5
Equities	0.5	0.5	0.6	0.6

Net Profit

Additional yield on real estate & equities estimated at 0.5%

Matched portfolio in Belgium

Life Back book

	FY 13	FY 14	FY 15	FY 16
Guaranteed interest rate	2.80%	2.71%	2.63%	2.49%
Fixed income yield	3.97%	3.84%	3.71%	3.45%
Estimated yield on RE & EQ	0.5%	0.5%	0.5%	0.5%
Total Estimated Yield	4.47%	4.34%	4.21%	3.95%
Liabilities Guaranteed (EUR bn)	47.6	51.8	50.3	52.9

New Money Life & Non-Life

	FY 13	FY 14	FY 15	FY 16
Fixed income yield		2.89%	2.11%	1.71%
Estimated yield on RE & EQ		0.5%	0.5%	0.5%
Total Estimated Yield		3.39%	2.61%	2.21%
Reinvested amount (EUR bn)		4.6	4.2	4.5

Net Profit

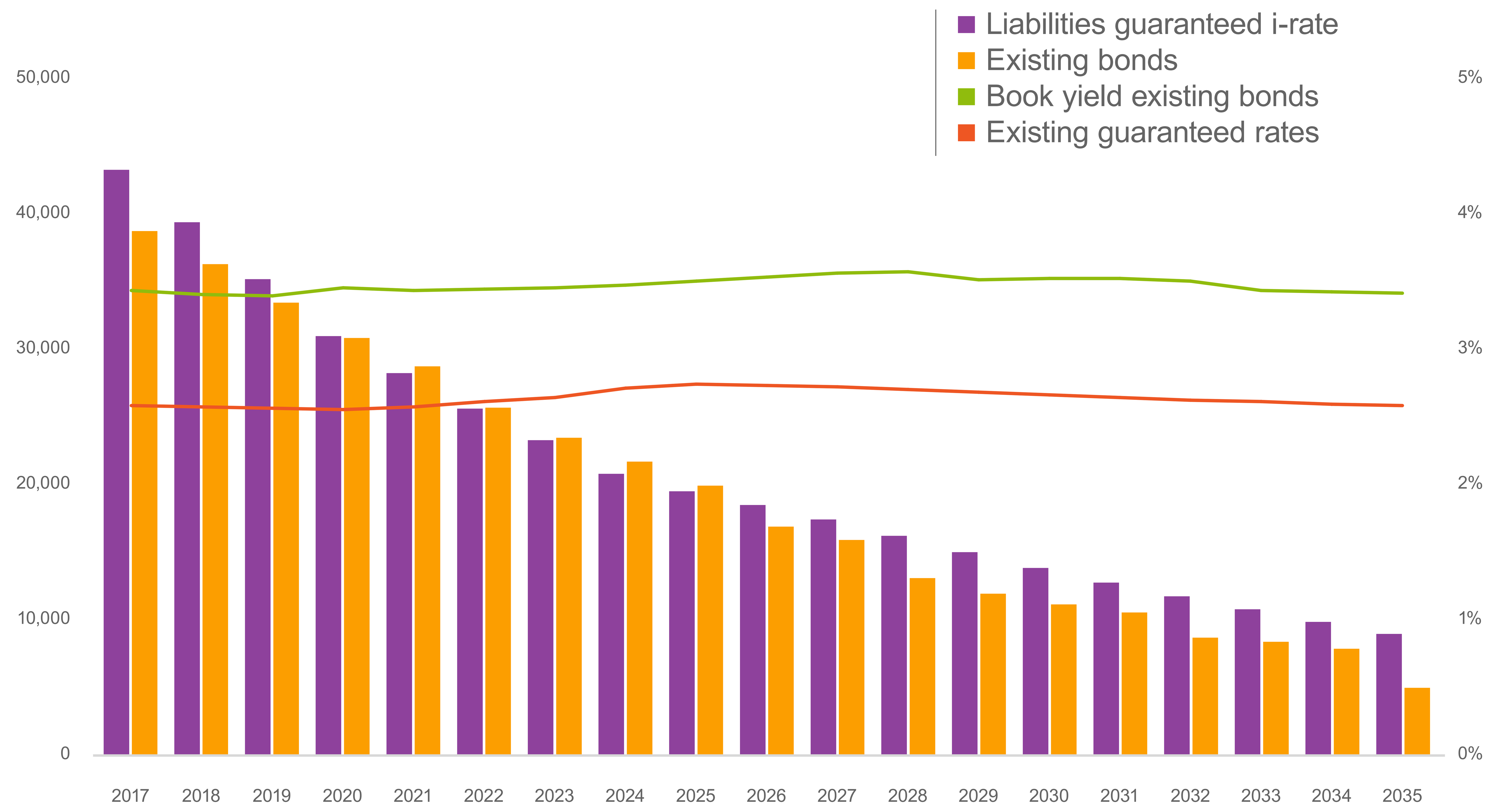
Flexible pricing allows to match customer interest with group objectives

Back book vs. Fixed Income Investments

in EUR mio

Strategic choice to continue sale of traditional savings products & maintain market share

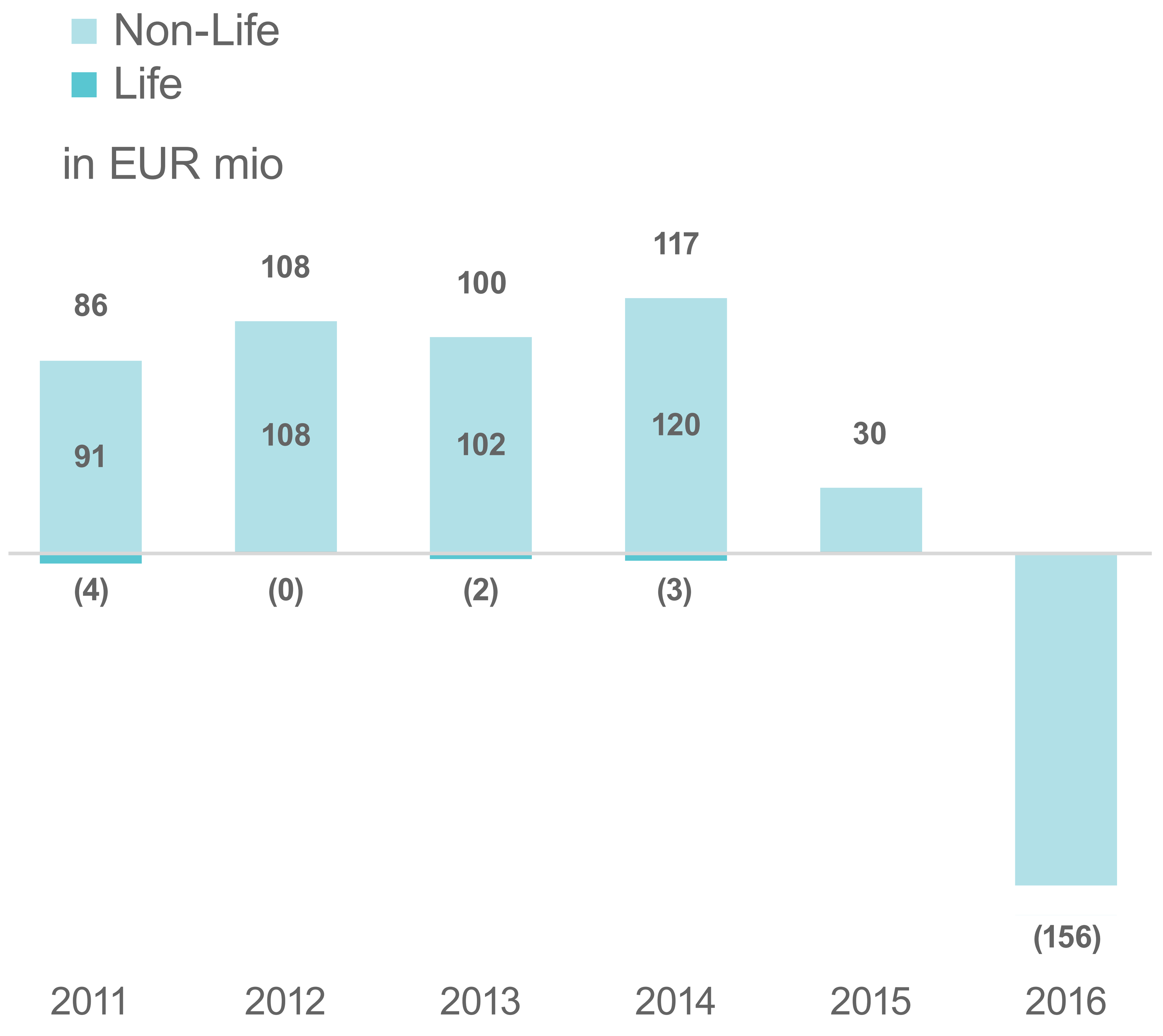
Limited support of new business by back book



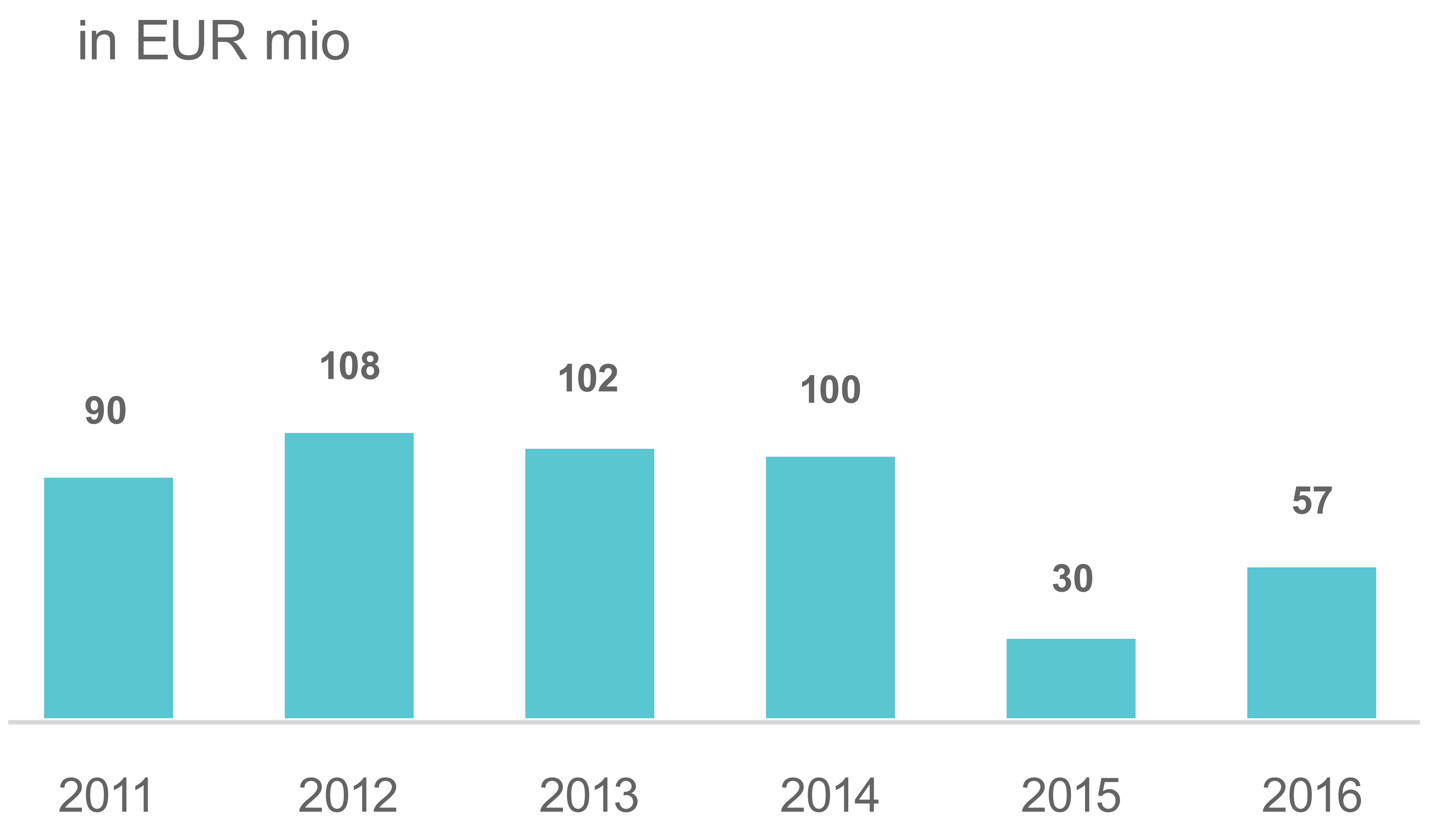
Net Profit

Restructuring 1st step to return to previous structural levels of net profit

UK Insurance Net Profit
As reported



UK Insurance Net Profit
Underlying*

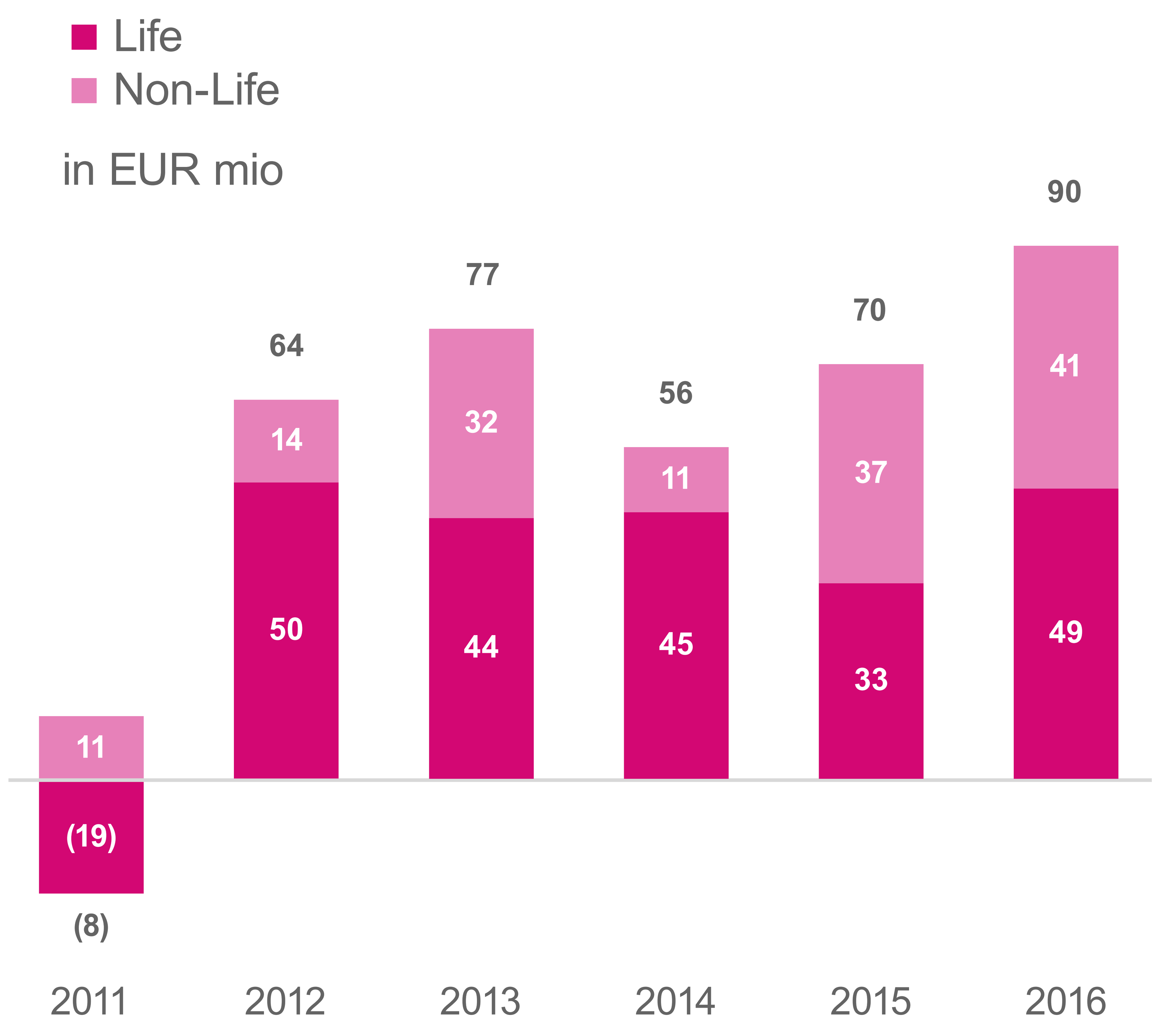


*11 - 16 Excl. Net result UK Life
FY' 14 corrected for capital gain sale of UK Life
FY '16 corrected for Closure Glasgow office, Special risks & Ogden rate review

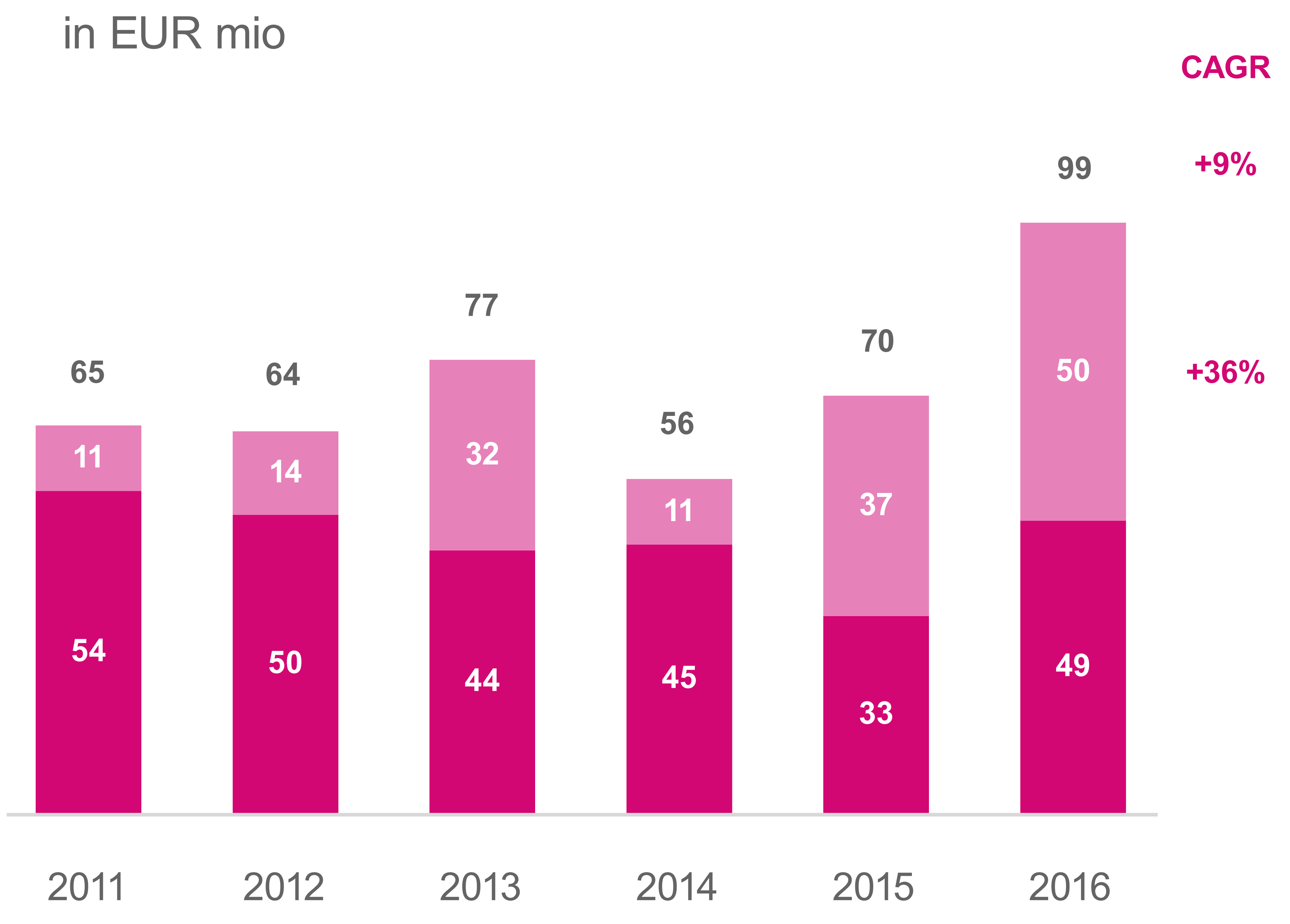
Net Profit

Full contribution from integrated Portuguese activities expected as of 2019

CEU Insurance Net Profit
As reported



CEU Insurance Net Profit
Underlying*

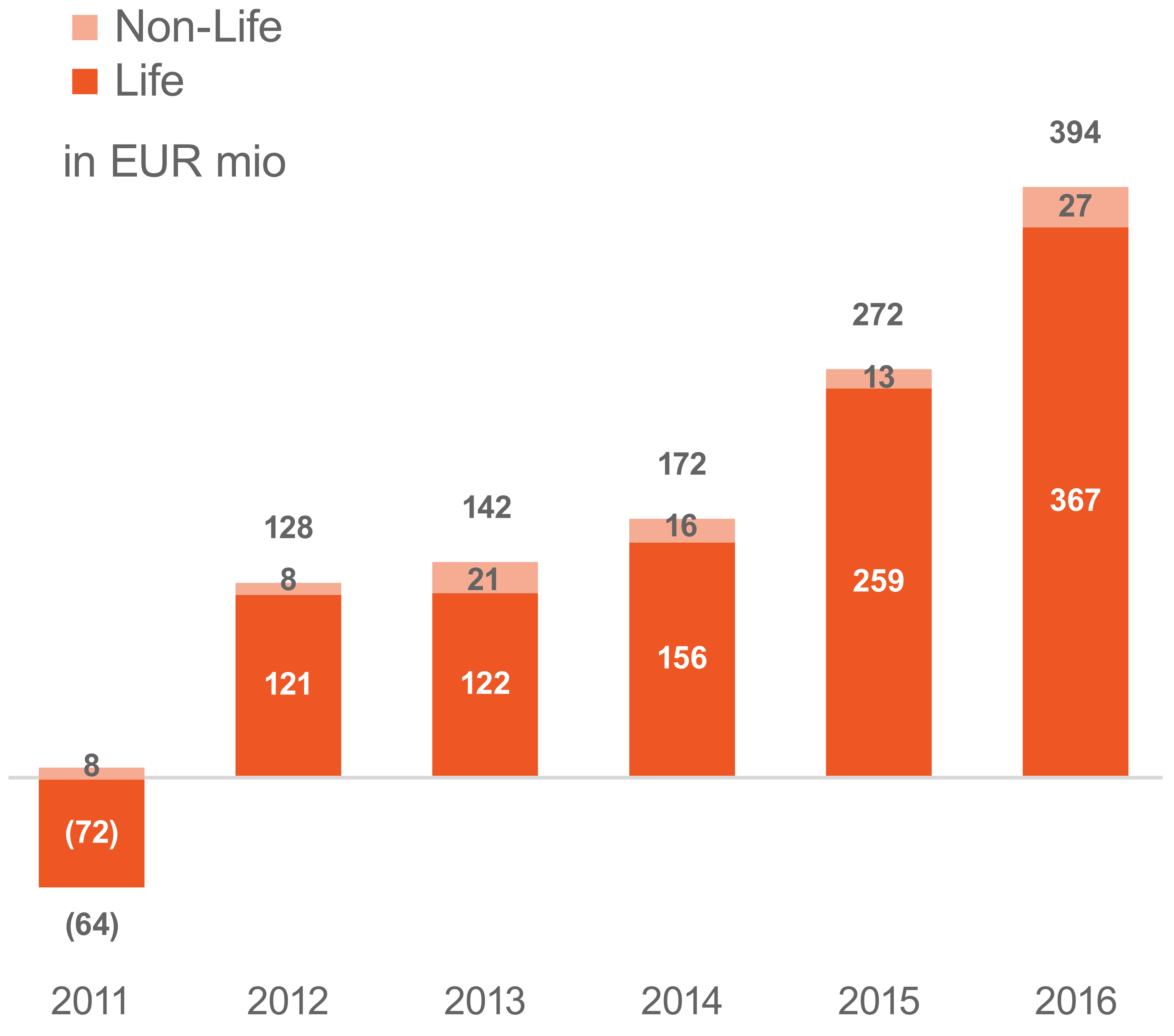


* 2011 Corrected for Greek impairments
2016 Corrected for integration costs Ageas Seguros

Net Profit

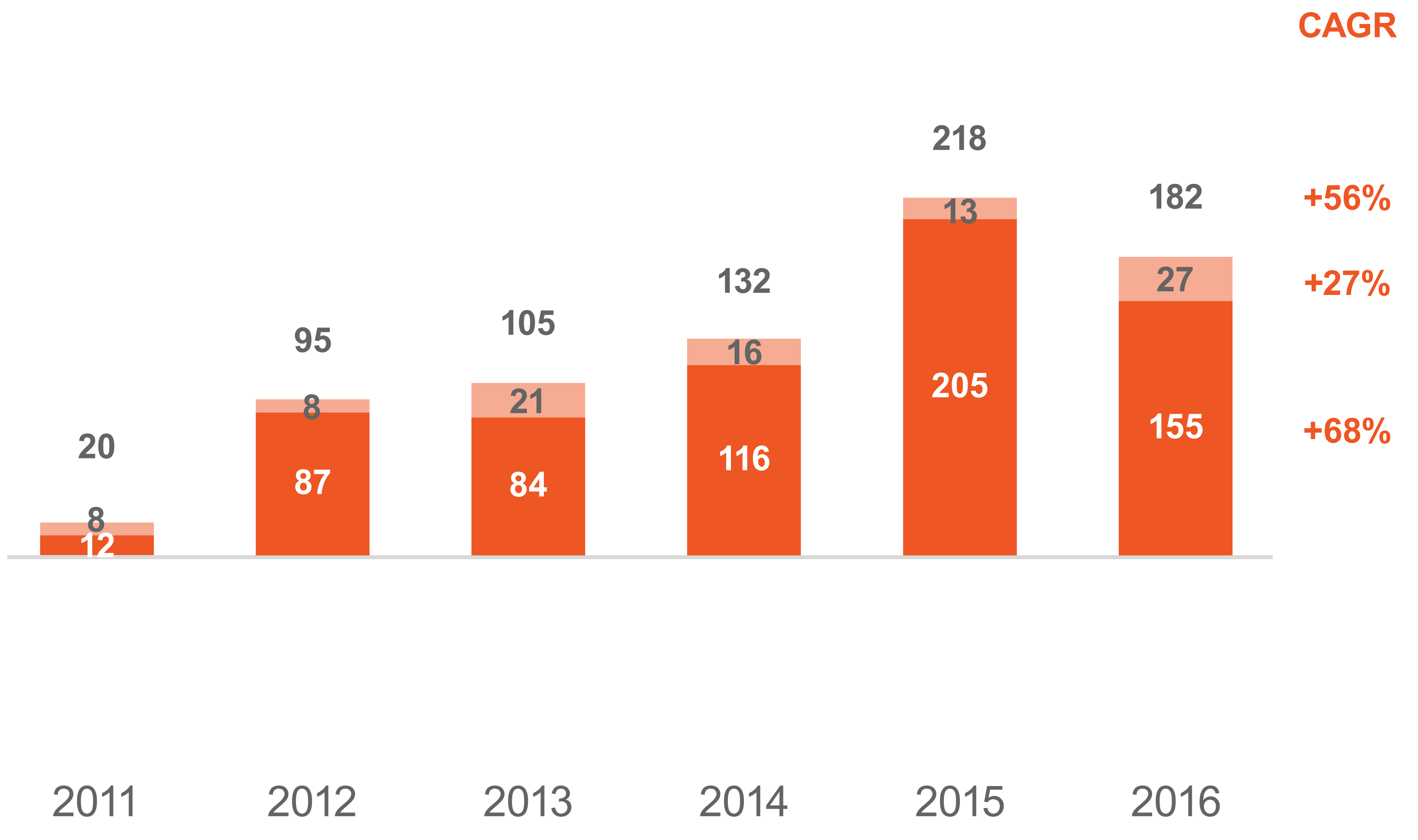
Further net profit growth driven by structurally growing technical liabilities & ramp up new countries

Asia Insurance Net Profit
As reported



Asia Insurance Net Profit
Underlying*

in EUR mio



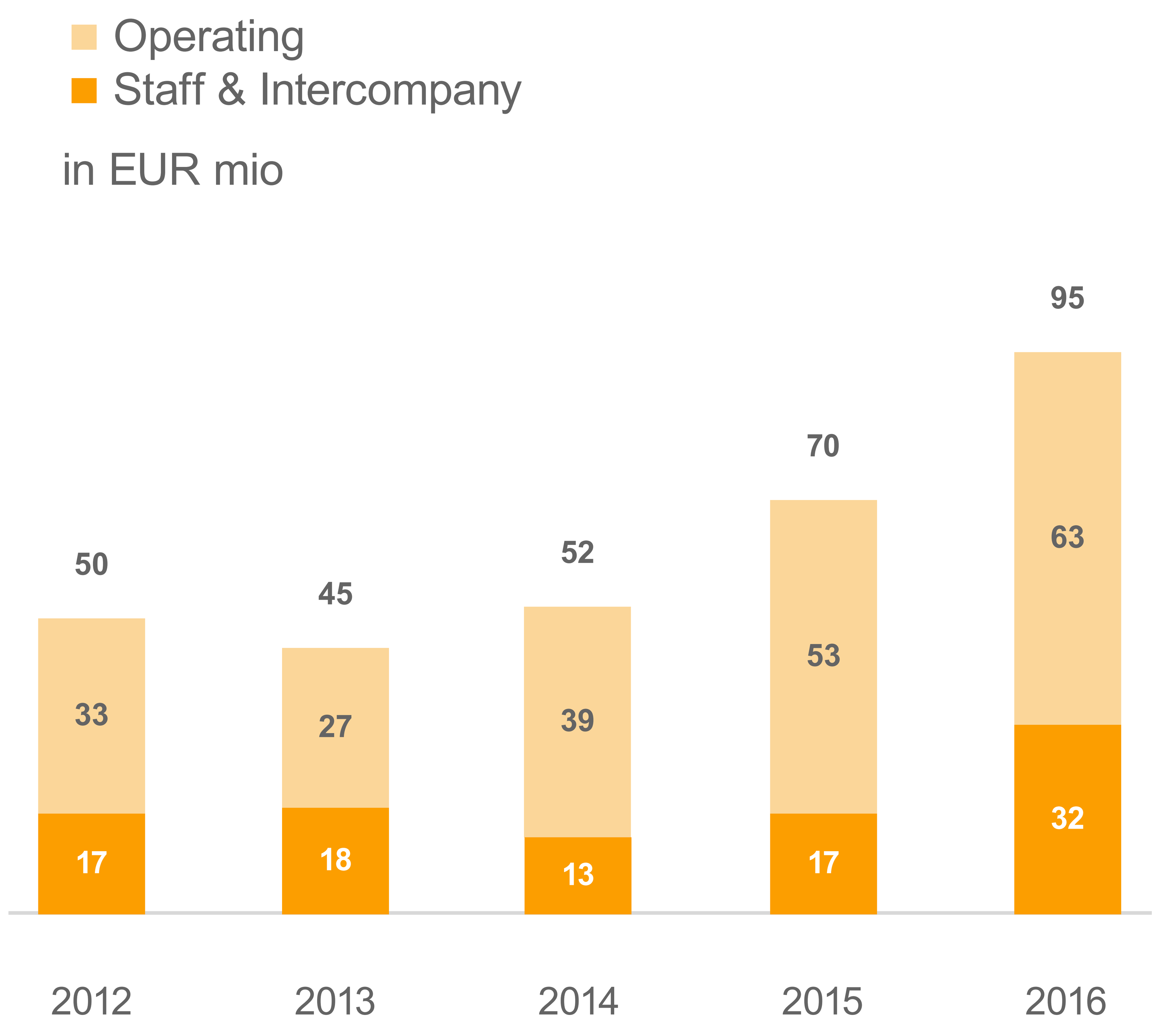
*11 - 16 Excl. Net result Hong Kong
FY' 16 corrected for capital gain sale of Hong Kong

Net Profit

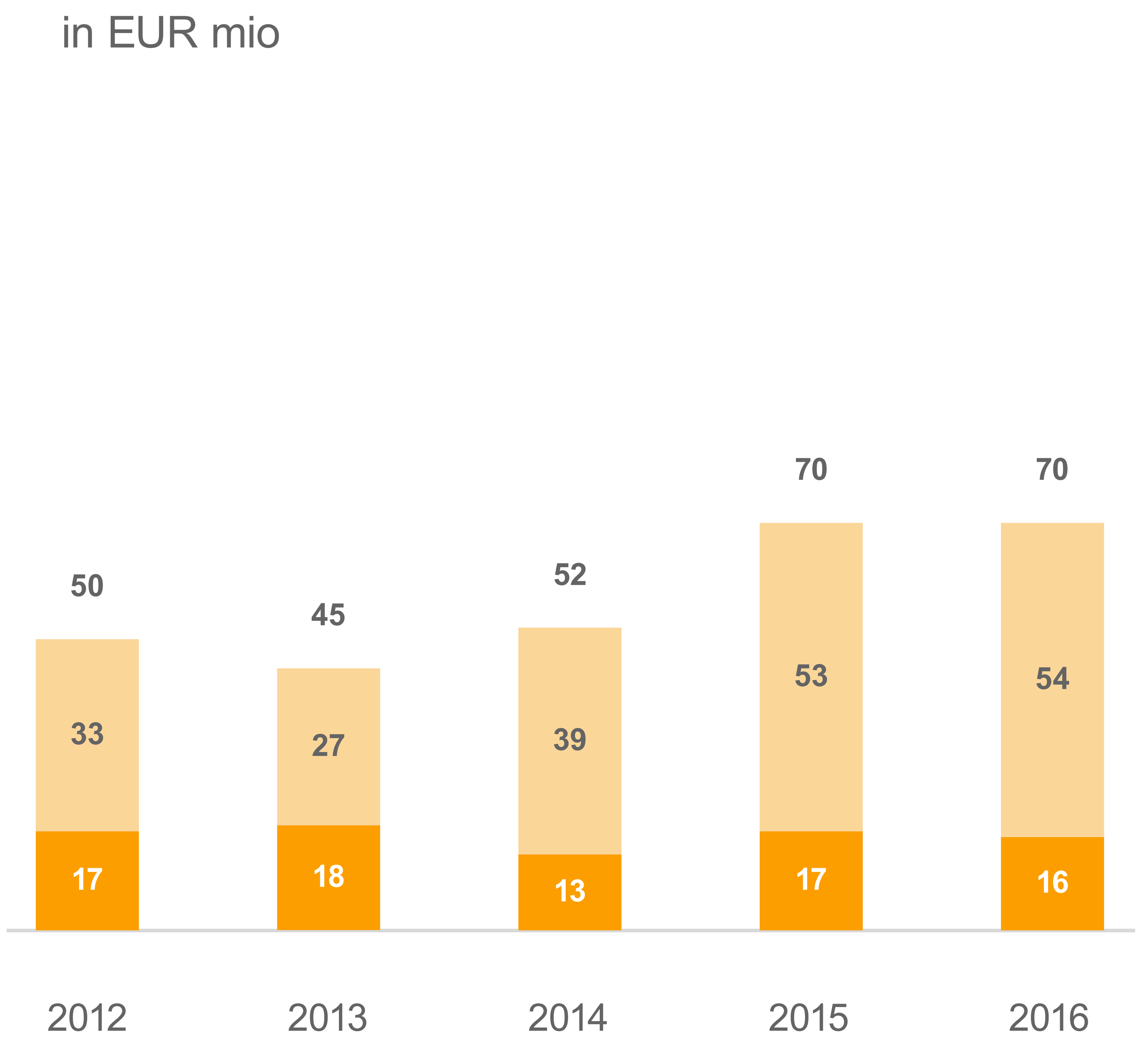
Underlying run rate of EUR 60 – 80 mio/year

Holding costs critically reviewed

Corporate Costs
As reported



Corporate Costs
Underlying*

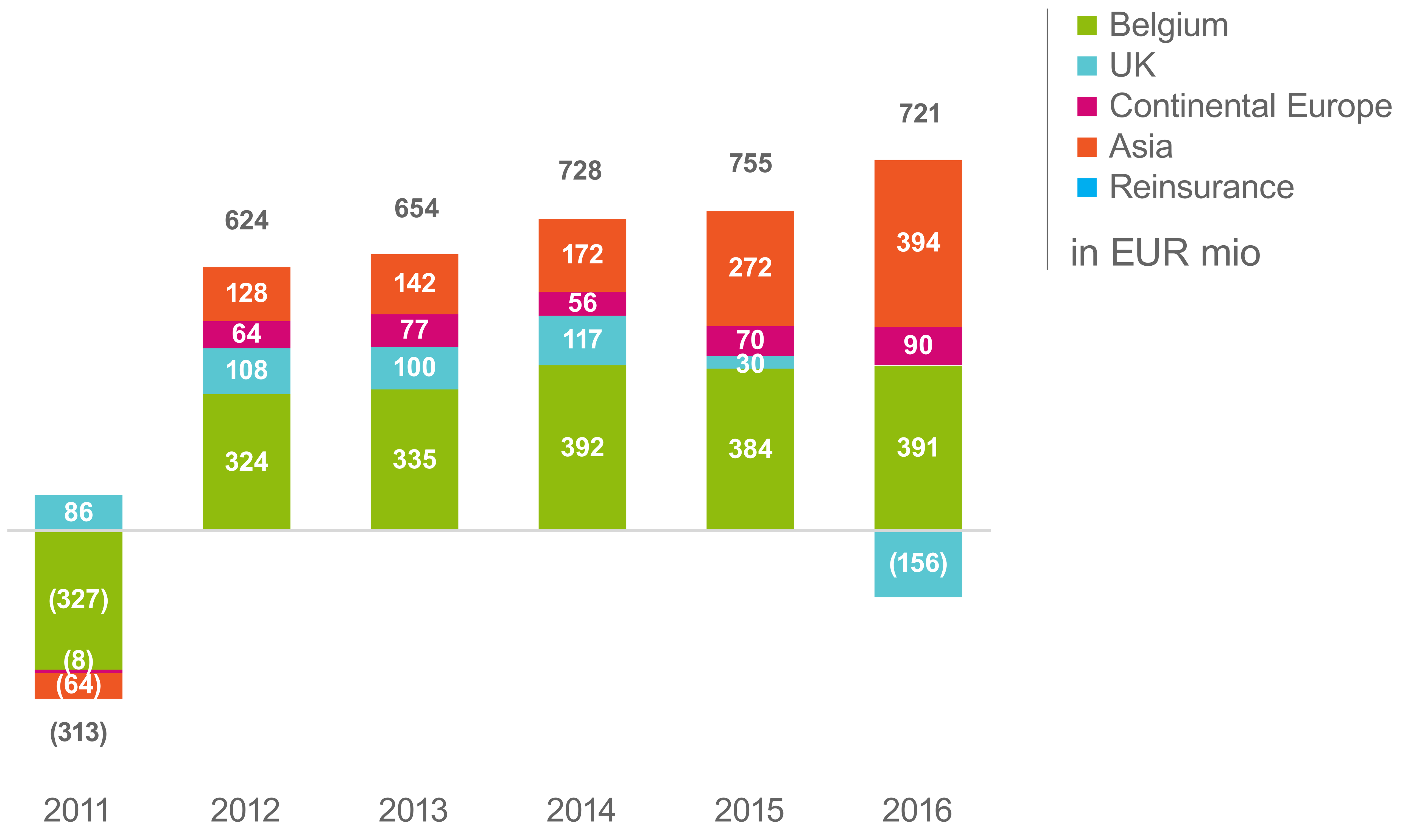


*2016 corrected for legal fees related to the Fortis settlement & variable remuneration plans

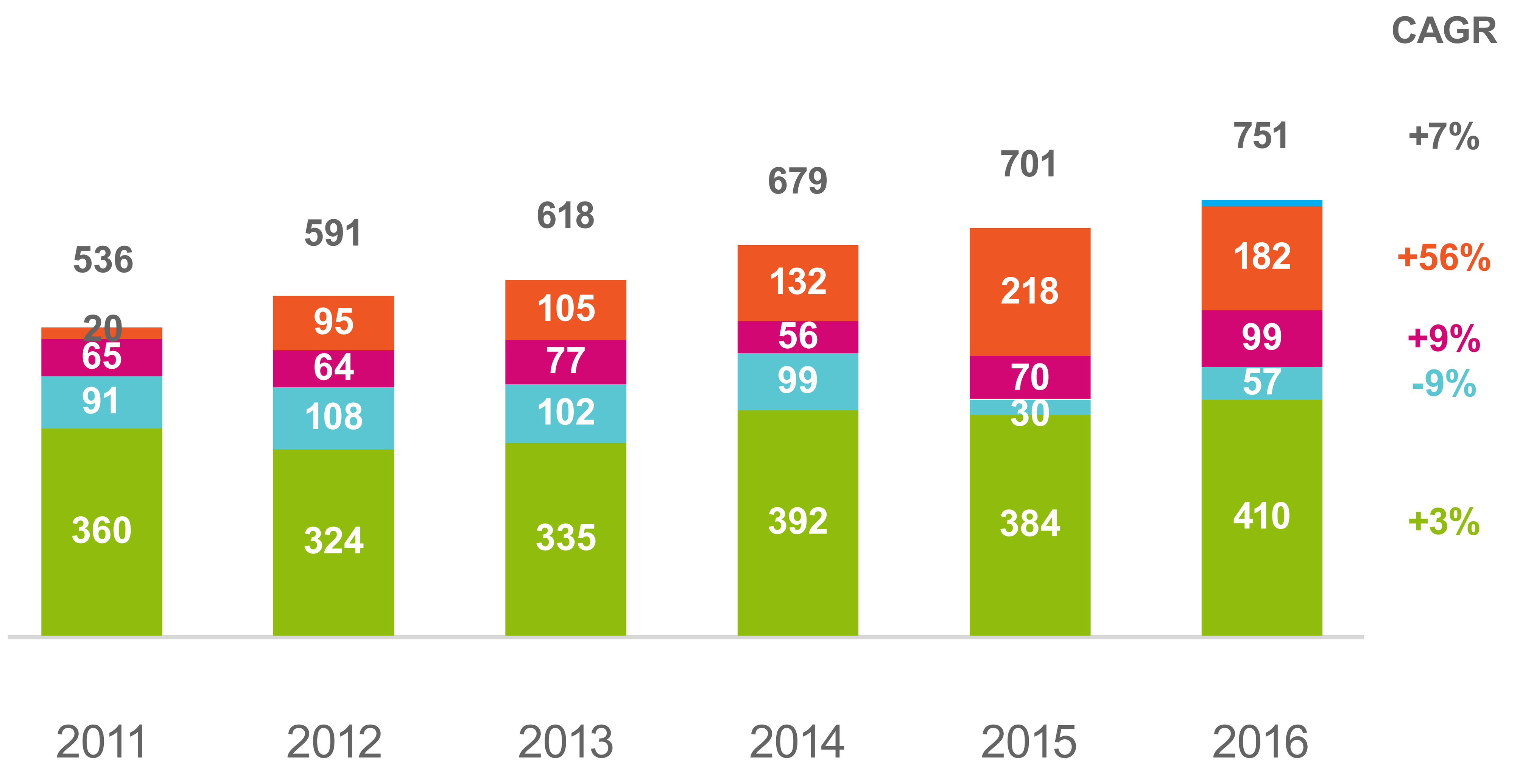
Net Profit

Underlying Insurance net profit capacity of EUR 750-850 mio

Insurance Net Profit
As reported



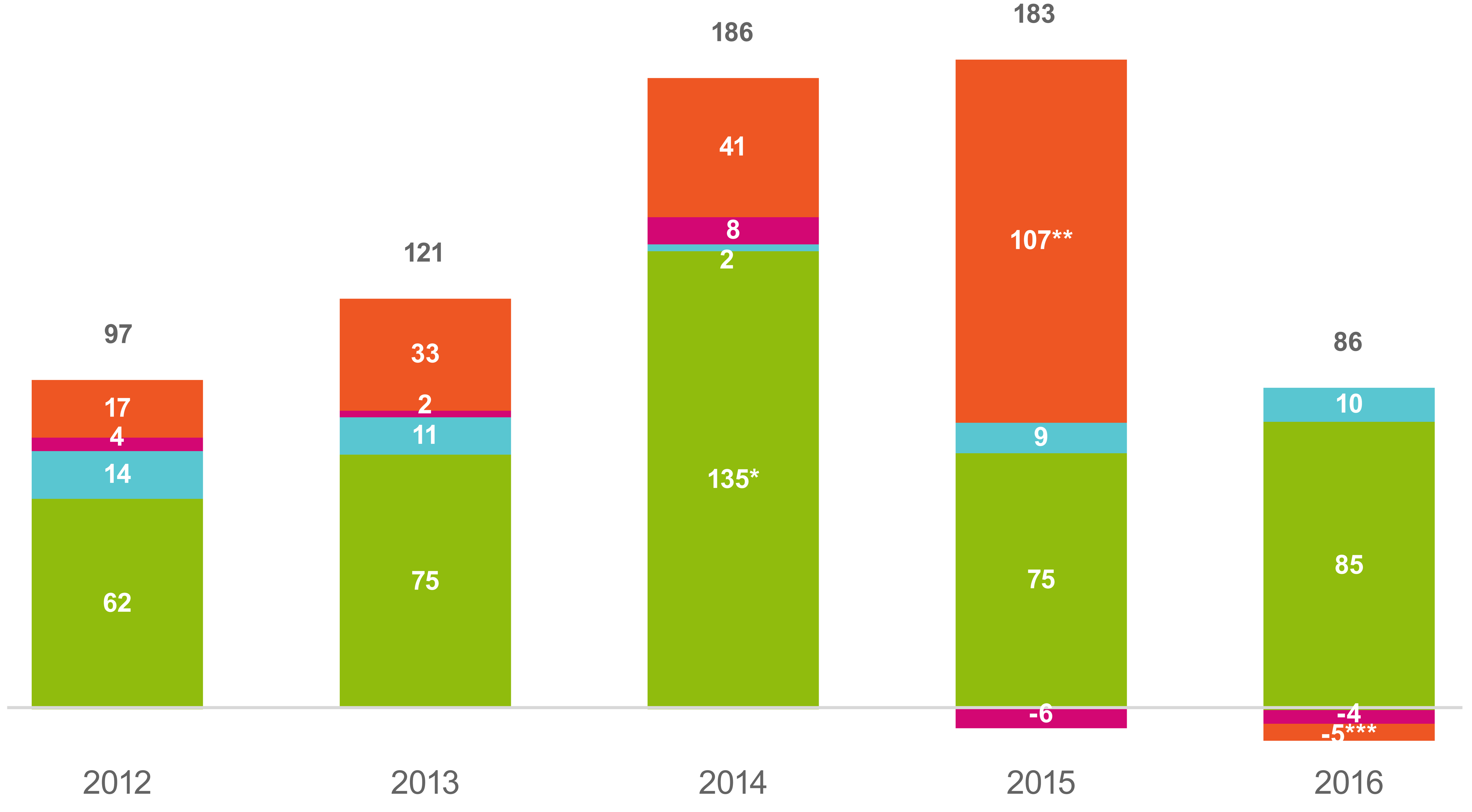
Insurance Net Profit
Underlying



Net Profit

Average level of realized capital gains per year of EUR 120-140 mio

Net Realized Capital Gains



Belgium
UK
Continental Europe
Asia

in EUR mio

* Exceptionally high due to timing difference on Real Estate on top of cap gains on bonds & equities

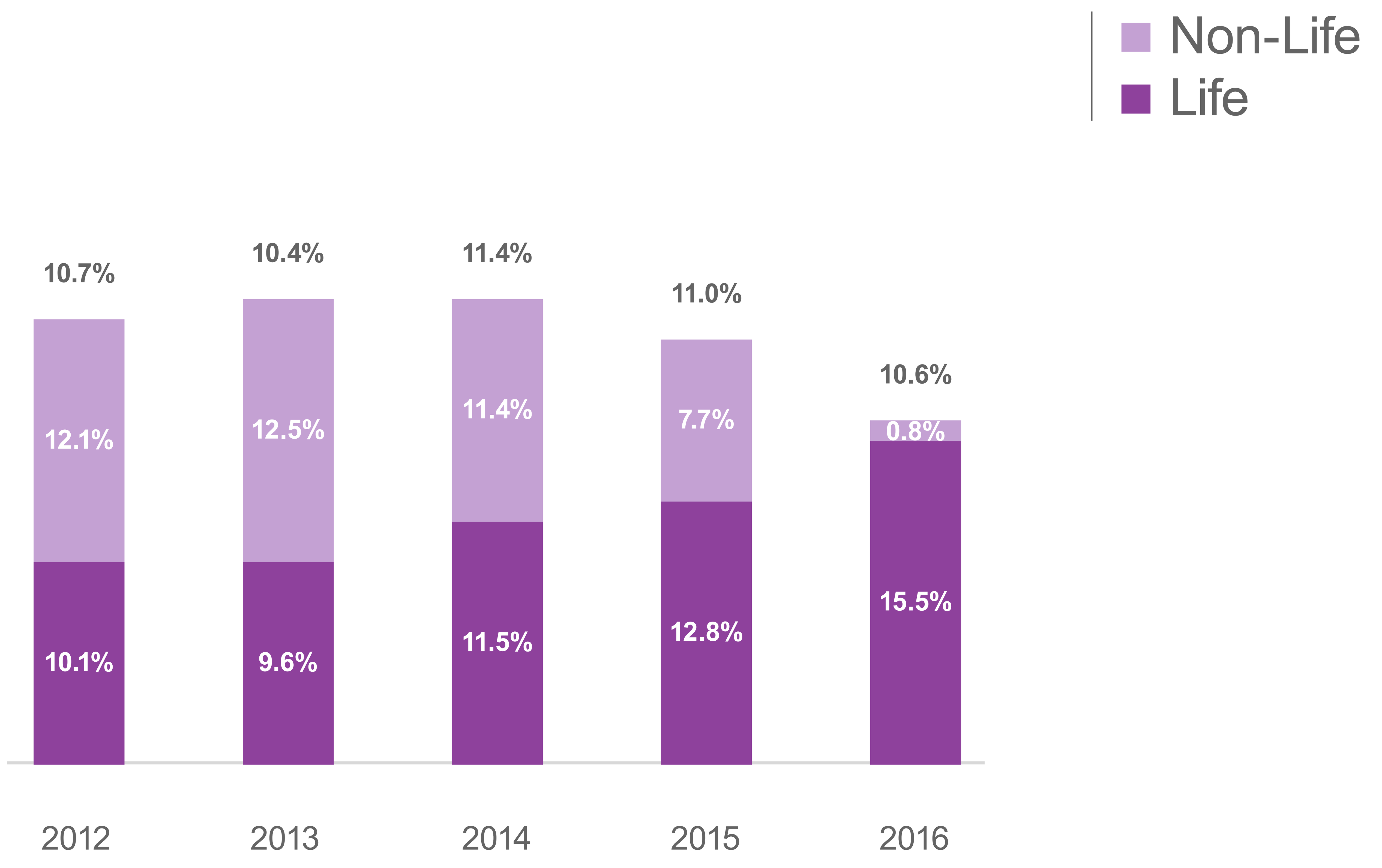
** Exceptionally high level of capital gains

*** Equity impairments in Q4 2016

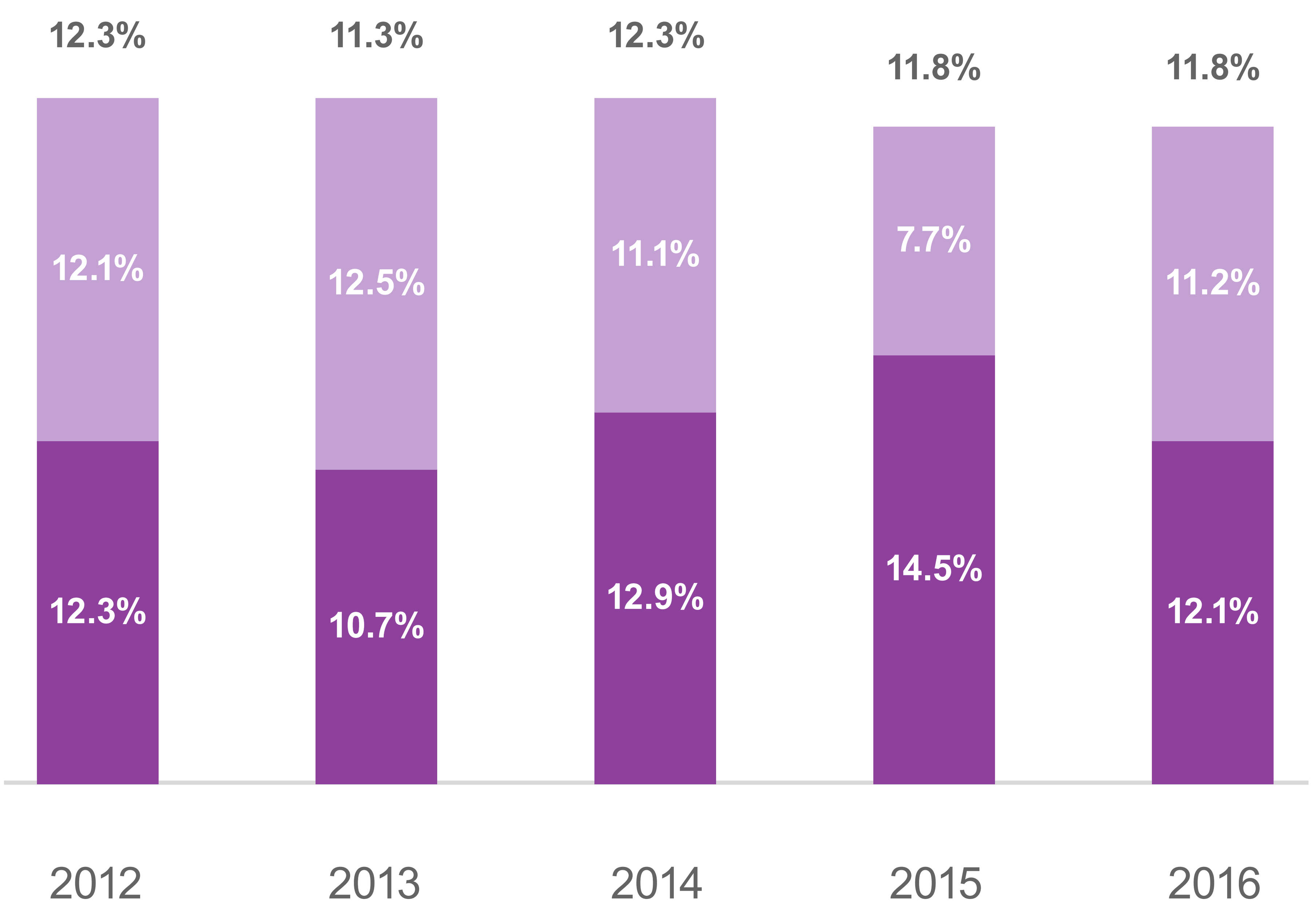
Net Profit

Underlying ROE consistently above 11%

Return on Equity excl. UG/L
As reported



Return on Equity excl. UG/L
Underlying



Net Profit

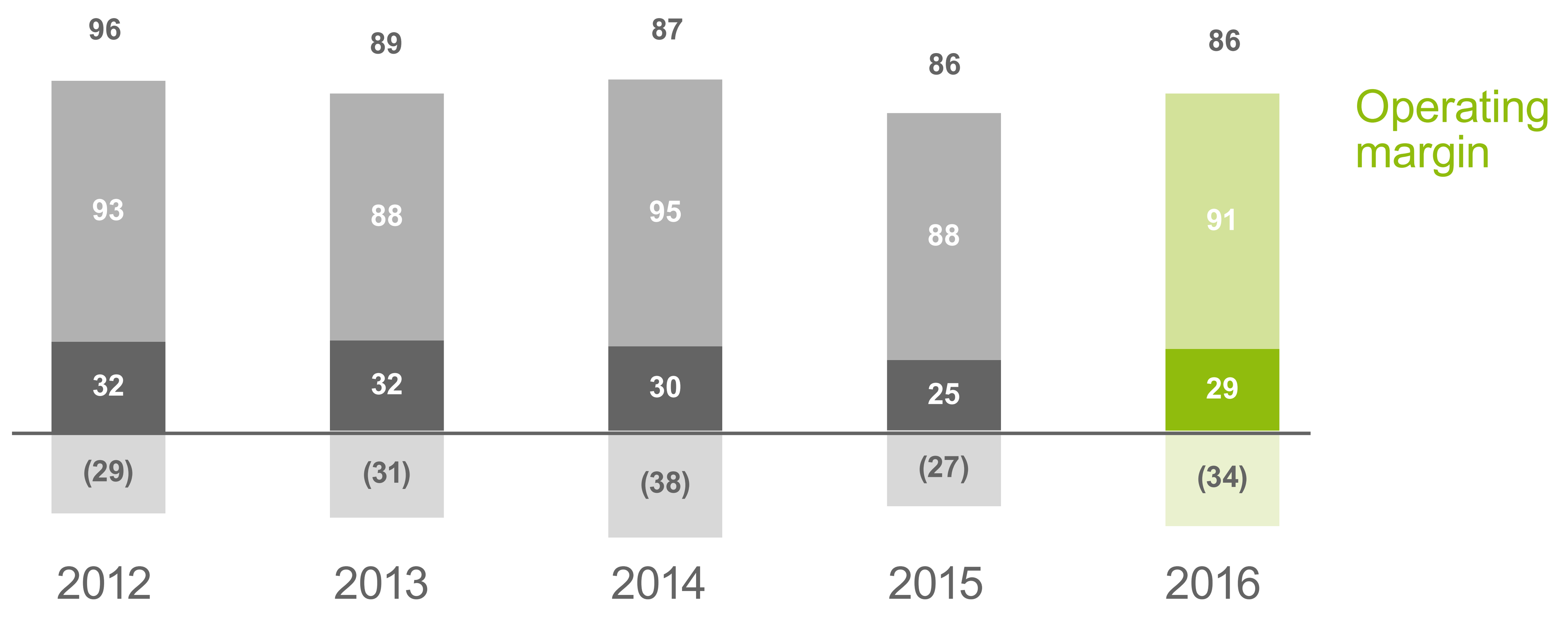
Operating Margin Guaranteed

Group wide discipline to consistently realise Ambition 2018 target

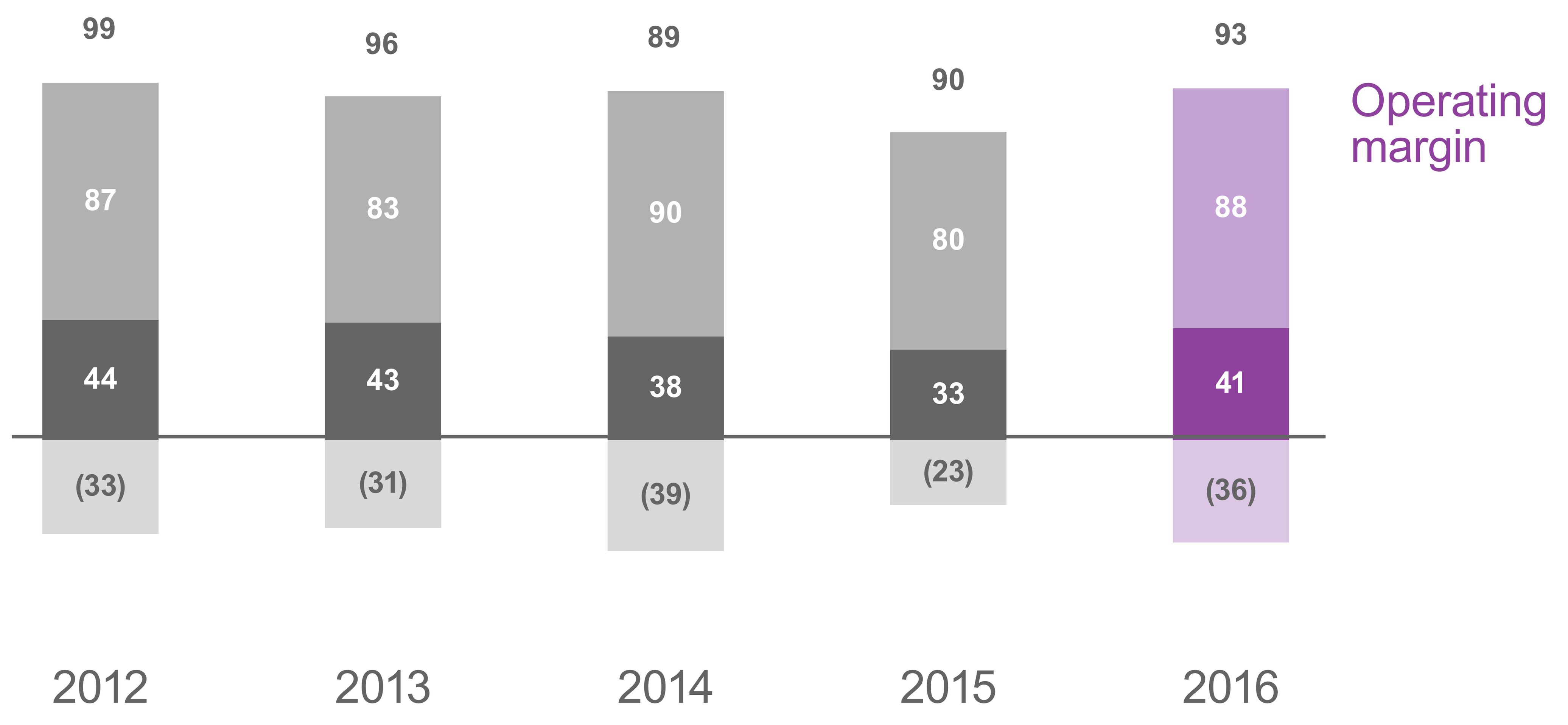
Investment margin
Underwriting margin
Expense & other margin

in bps

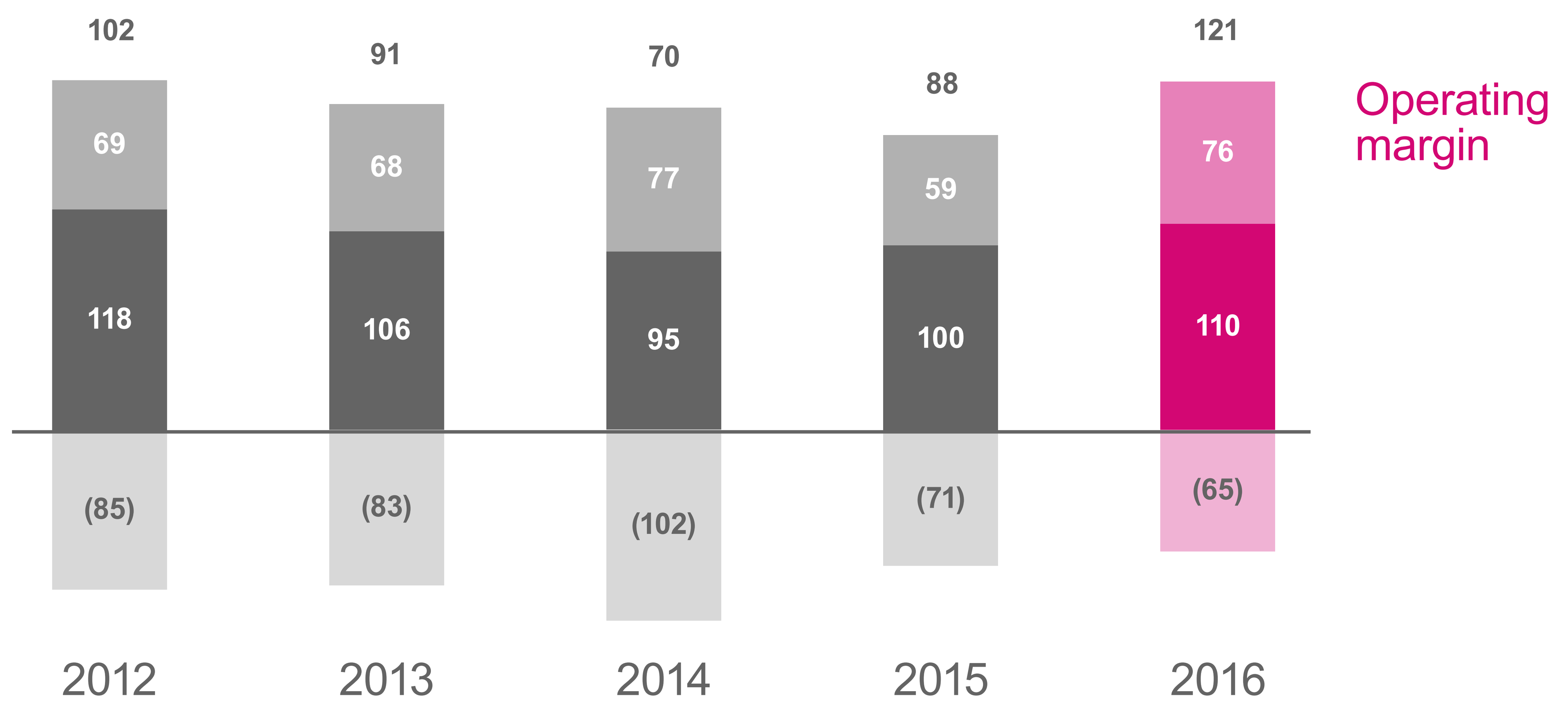
Belgium



Ageas



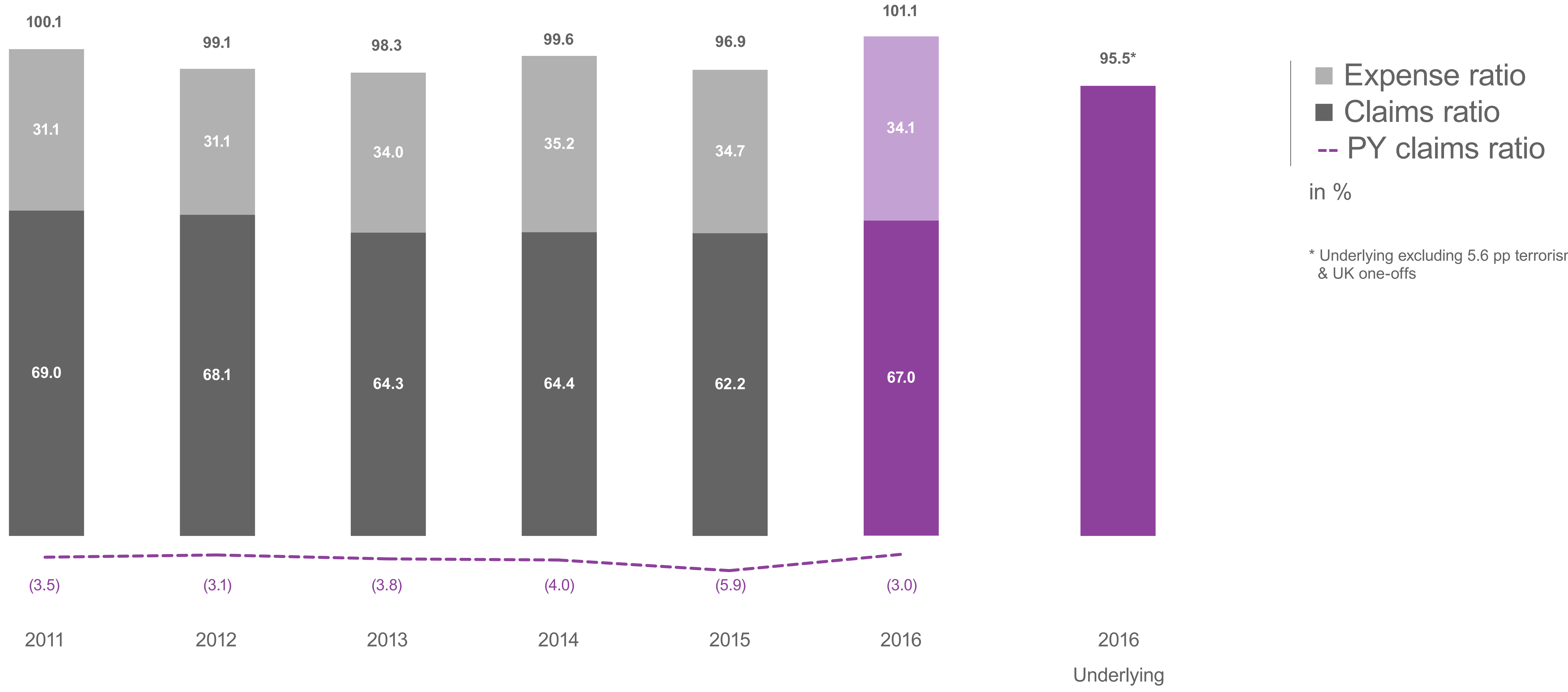
CEU



Net Profit

Combined Ratio

Ageas target combined ratio
structurally ≤ 97%
with stable reserve releases

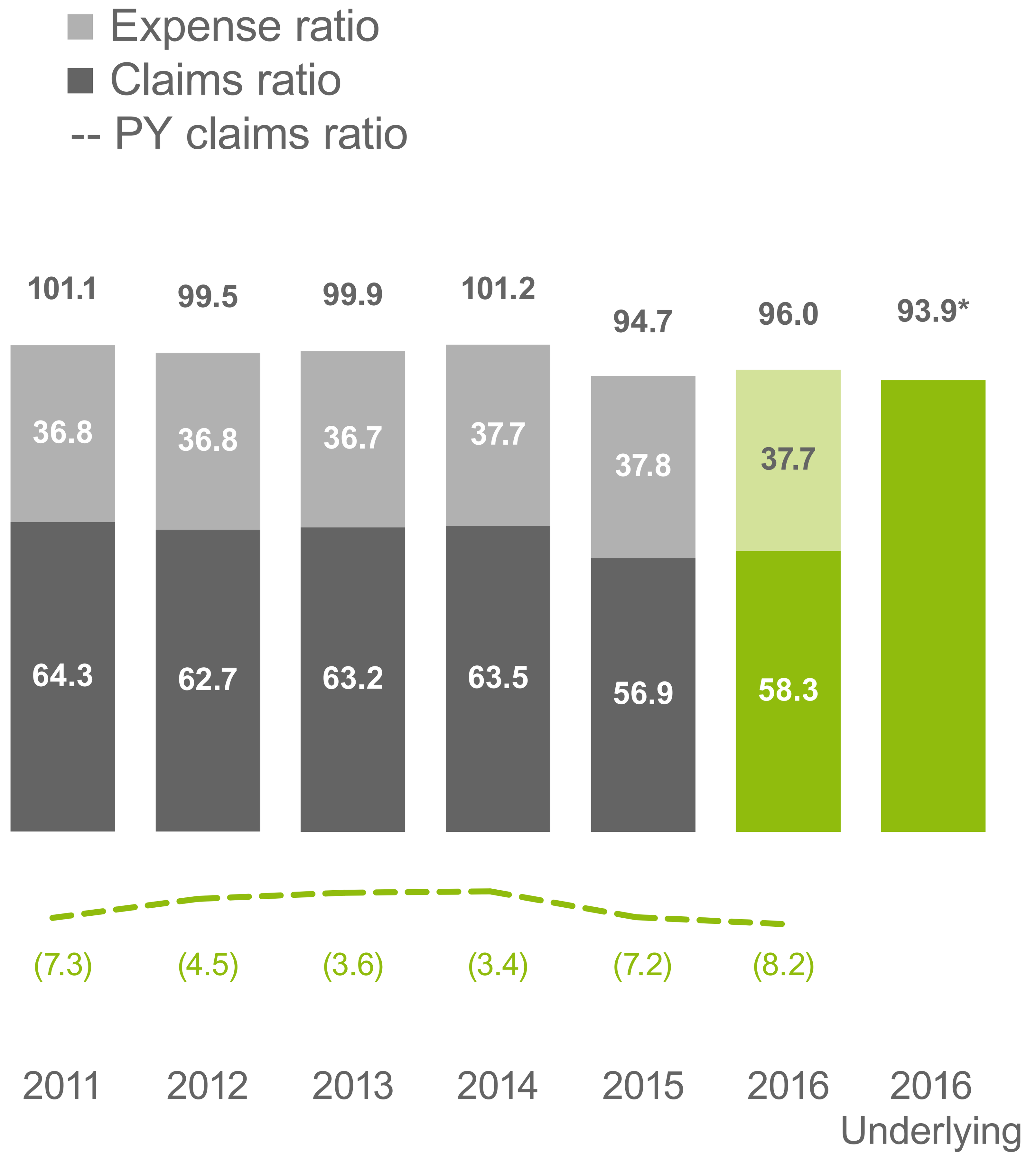


* Underlying excluding 5.6 pp terrorism & UK one-offs

Net Profit

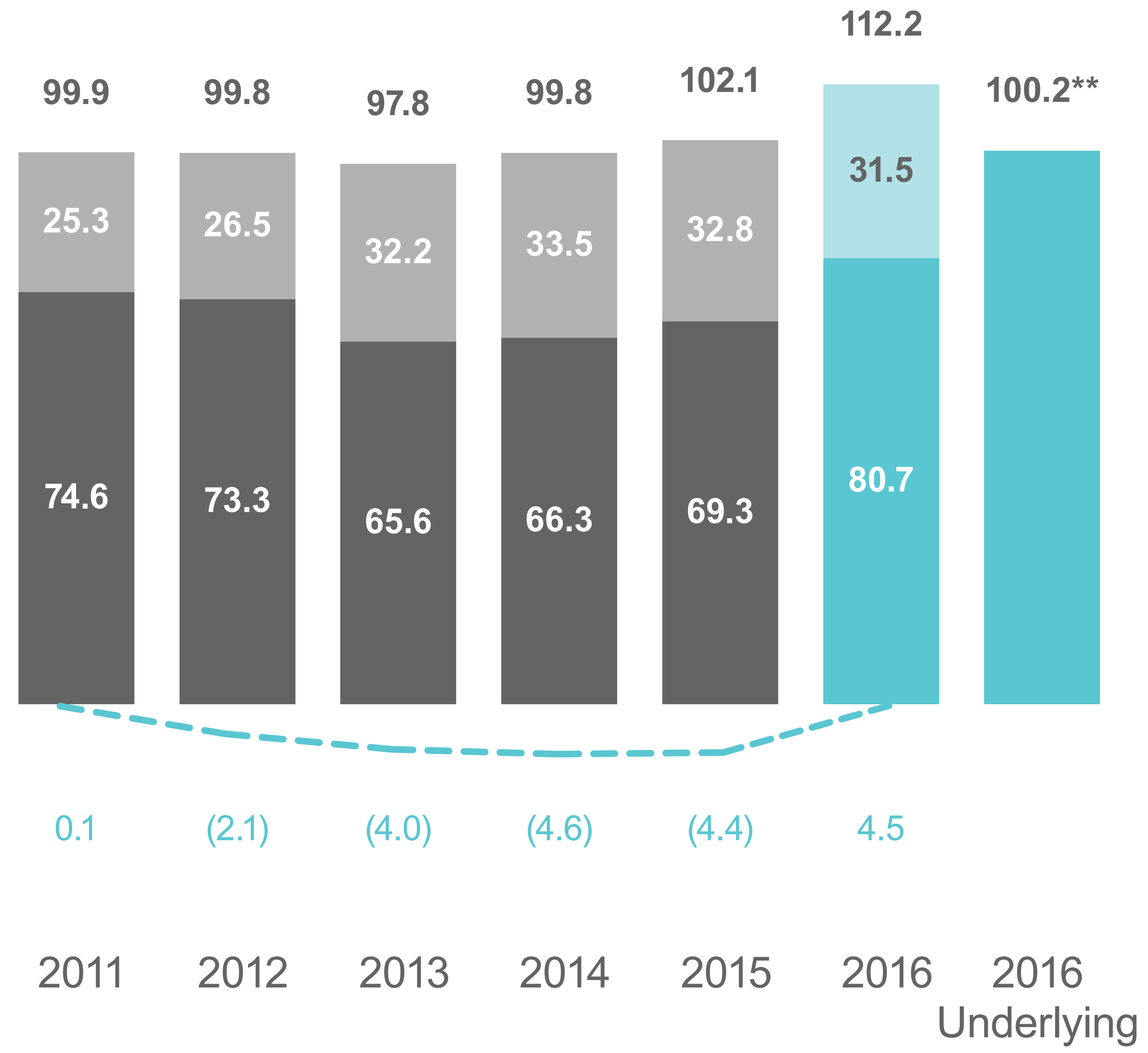
Underlying business combined ratio segments ≤100%

Belgium



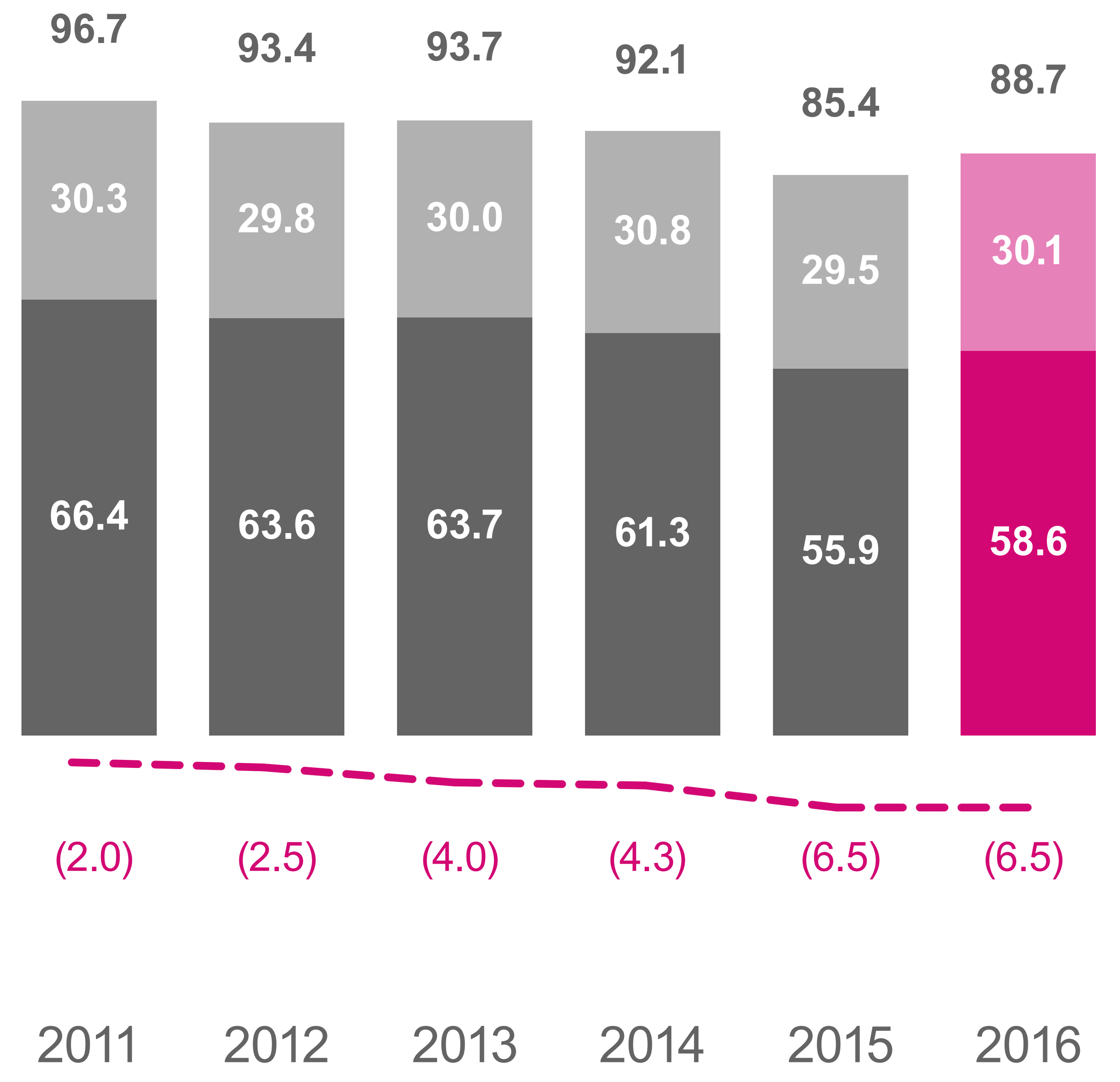
* Excluding terrorism events

UK



* Excluding exceptional items

CEU



Net Profit
Conclusion

- Solid underlying net profit with sustainable net capital gains
- A further yield decrease will NOT affect future cash flows thanks to matched portfolio
- Despite low i-rate environment stable evolution of the operating margin on back book
- Underlying holding costs EUR 60 – 80 mio a year
- Strong underlying operational performance expected to continue

Solvency II & FCG

Solvency II & FCG
FAQ's

- What about our 175% insurance target ? Will we move to a group target ?
- Predictability of our Solvency II levels ?
- Convergence going forward between Solvency II_{ageas} model & Solvency II PIM model ?

Solvency II & FCG

- Ageas will move to a **group target** after the completion of the settlement
- **Solvency II$_{ageas}$** is considered economically more appropriate and prudent
- The **175% Insurance target** is a decision of Ageas, not defined by the regulator and hence not restrictive with respect to capital management flexibility
- Solvency II is inherently **volatile**, mainly due to basis risk, and as a result so is **Free Capital Generation**
- First underlying results suggest a **sufficient basis of Free Capital Generation** to ensure a **sustainable dividend payout**

Continuing the growth journey

Dividend & Use of Net Cash

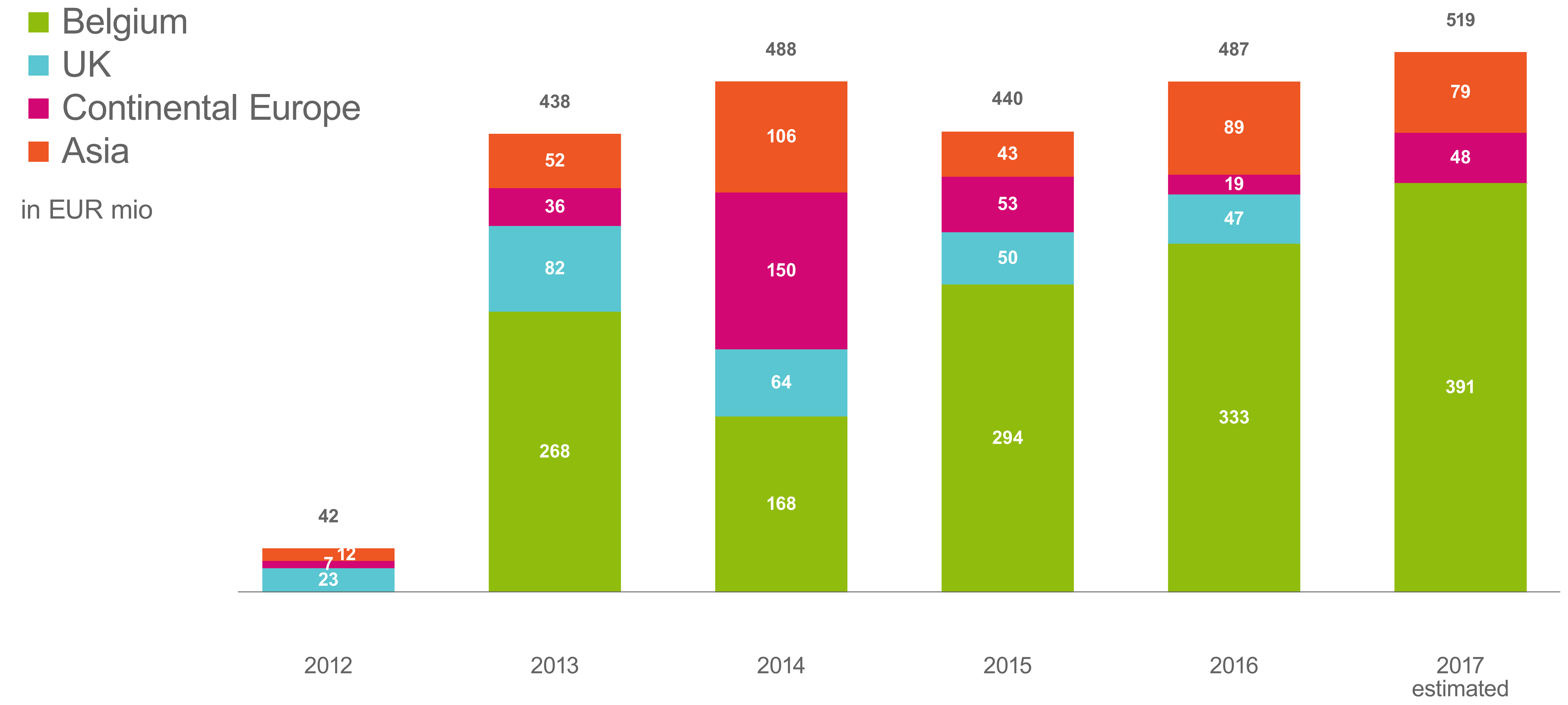
Dividend & Use of Net Cash

FAQ’s

- Future cash upstream pattern : Belgium vs. other segments ?
- Future evolution of annual dividend ?
- What about the dividend policy when Solvency II_{ageas} ratio goes below target ?

Dividend & Use of Net Cash

Regular annual upstream of EUR 450 - 500 mio/year supported by all segments

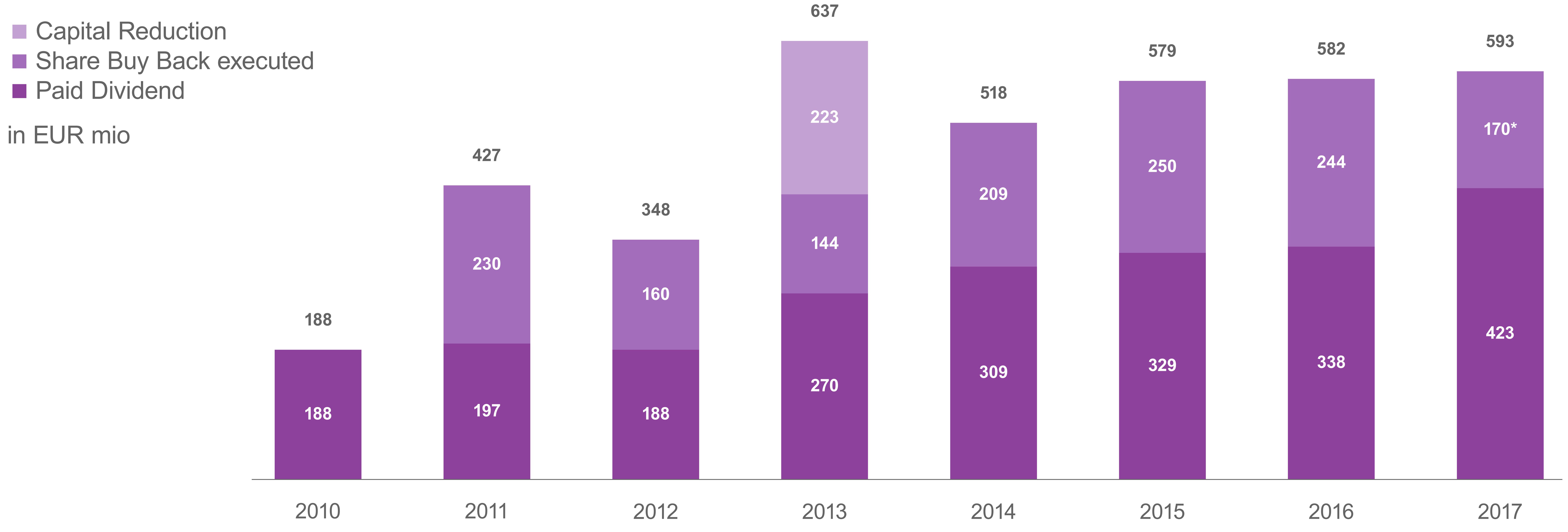


2013 Belgium excluding EUR 200 mio capital restructuring
2014 CEU excluding EUR 30 mio France & EUR 61 mio Portugal Capital restructuring EUR 115 mio Portugal M&A

Dividend & Use of Net Cash

Ageas returned >50% of current market cap since ‘09

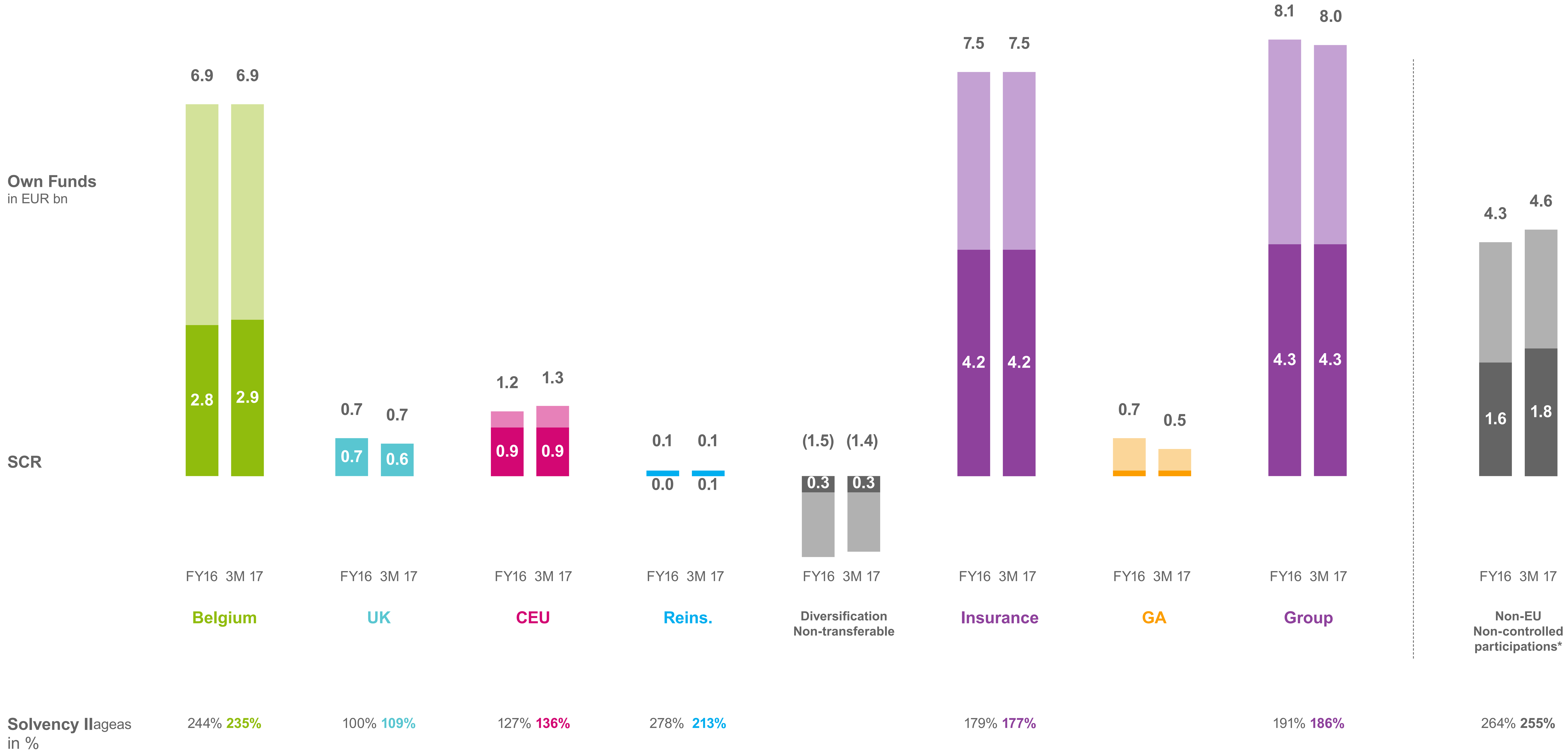
Total returned to shareholders
EUR 4 bn since ’09



* Share buy-back programme 2016-2017 considered as fully executed

Dividend & Use of Net Cash

Dividend policy remains unchanged even if SII directional target goes below 175%



Continuing the growth journey

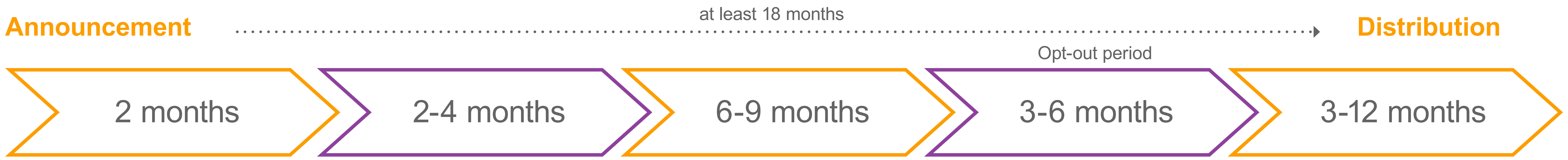
Strategy & M&A

Strategy & M&A FAQ's

- Successful execution of Fortis' settlement ?
- What is the likelihood the AG Insurance related put option will be exercised ?
- M&A / Divestment strategy in Europe vs Asia ?
- What is Ageas' financial capacity to fund organic & inorganic growth ?

Strategy & M&A

Fortis Settlement : decision Amsterdam Court announced on 16 June



1. Settlement
14/03/2016

2. Filing
23/05/2016

3. Pre-hearing
25/08/2016

4. Notification & Announcement done

5. Hearing
24/03/2017

6.Notification & Announcement of Court's binding decision
16/06/2017

7. Decision on termination right

8. Distribution of compensation

Strategy & M&A

Put Option AG Insurance

Clarity expected by mid 2018 at the latest

Description of the 25% AG Insurance put option

- Put option part of global agreement between Fortis, Belgian State & BNP Paribas concluded in 2009
- BNP Paribas Fortis bank received an unconditional right to sell to Ageas at fair value the acquired 25% + 1 share in AG Insurance
- Exercise period runs from 1st of January until 30th of June 2018
- Exercise period coincides with potential decision on renewal exclusive distribution agreement between AG Insurance & BNP Paribas Fortis bank

Accounting methodology

- Accounting value reflected in the General Account (EUR 1,340 mio as per 30 March 2017)
- Ageas is using the
  - embedded value of the Life business of AG Insurance and
  - a discounted cash flow model for Non-Life as a basis for the calculation of the Liability

Strategy & M&A

Put Option AG Insurance

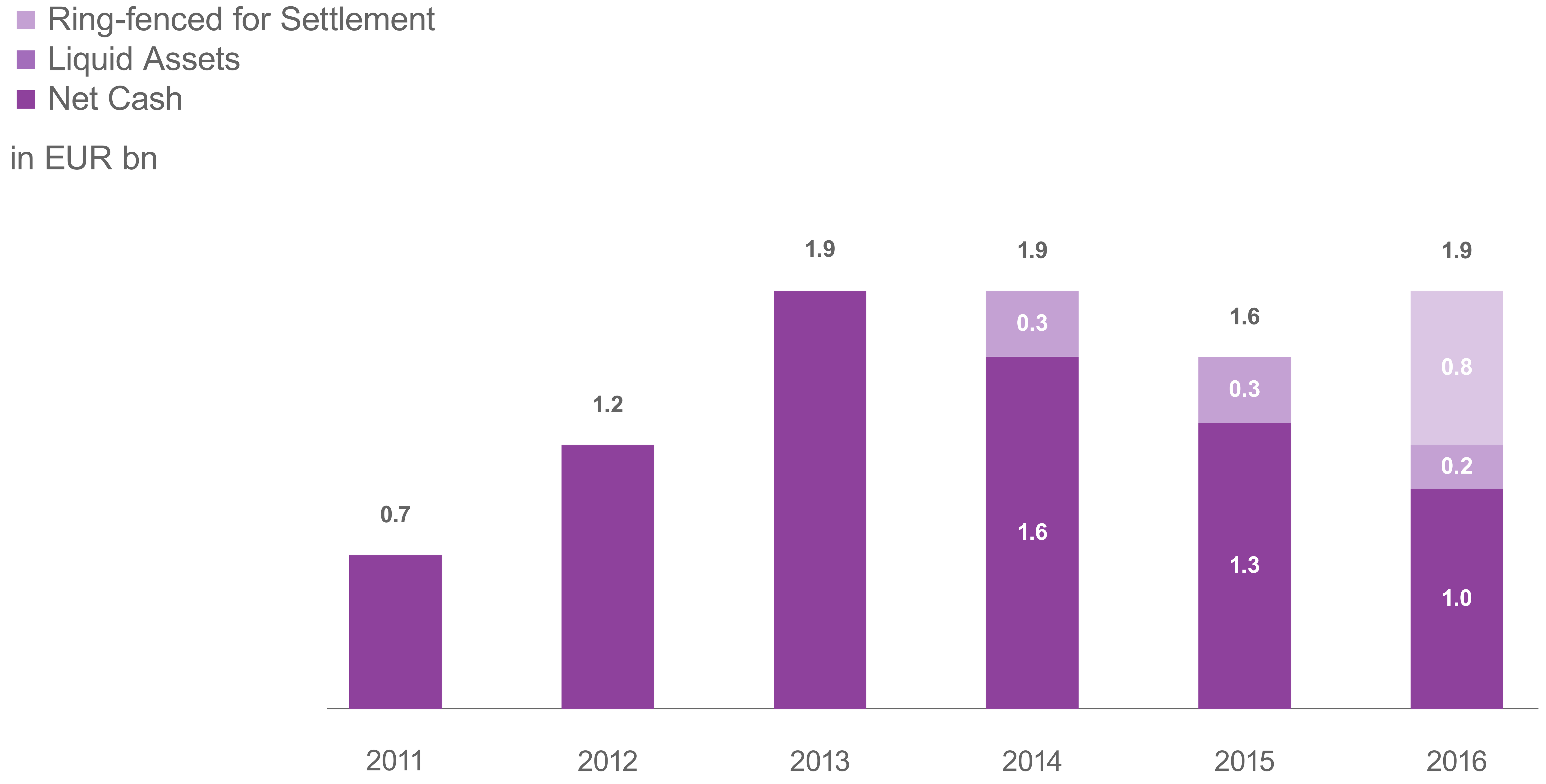
4 possible scenarios

BNP put option exercised		Distribution agreement renewed: YES	Distribution agreement renewed: NO
	YES	Status quo on distribution Ageas full owner of AG Insurance	Separation
	NO	Status quo on distribution & ownership	Unlikely since no strategic logic

Strategy & M&A

Total Financing capacity estimated at EUR 2 – 2.5 bn

Total Liquid Assets



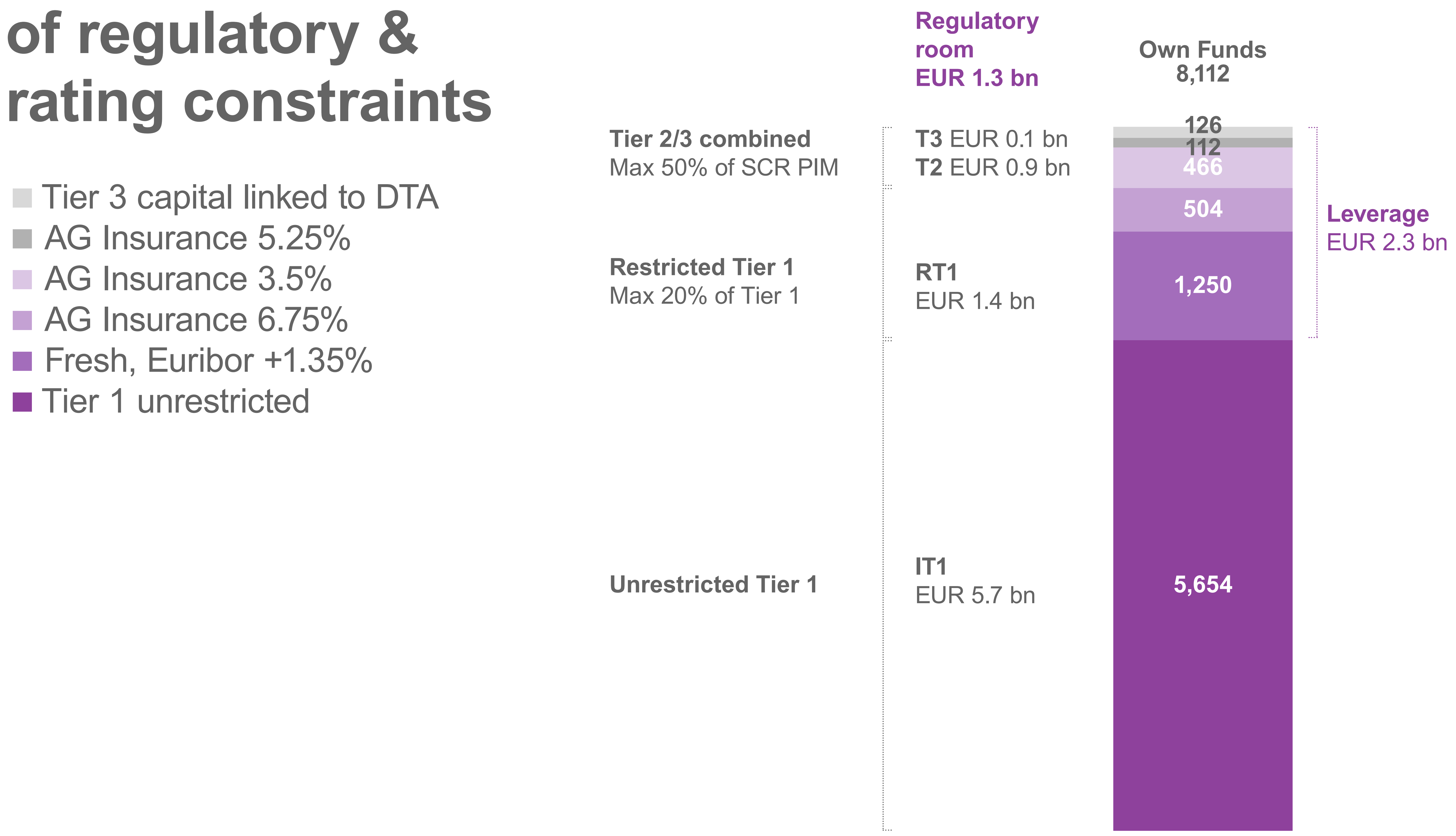
Financing in case of a compelling M&A transaction can come out of:

- Available Net Cash
- Projected future cash flows
- Debt issuing capacity

Strategy & M&A

Own Funds composition

Debt capacity is a function of regulatory & rating constraints



- Hybrid Tier 1 classified instruments exceed maximum allowed level of Restricted Tier 1 by EUR 341 mio
- Regulatory maximum to issue T2/T3 provides EUR 1.3 bn room
- Maximum leverage (senior and hybrid) should not exceed 50% of Unrestricted Tier 1 (or 33% of total capital; EUR 2.8 bn) from a rating perspective
- Leverage room is thus more constraining and might reduce (or limit) room to issue debt
- In case of M&A, leverage may nevertheless temporarily exceed this norm, but has to be brought back via profit retention
- Rating agencies not only look at leverage expressed as a percentage of total capital, but also look at leverage costs vs EBITDA

Strategy & M&A

M&A Criteria
Inorganic Growth

- Priority to strengthen positions in **existing markets**
- Clear preference for **Non-Life**
- Further expansion in **fast growing emerging** markets while:
  - respecting Ageas M&A criteria & overall financial targets
  - continuing to build on a successful partnership model
- **Flexibility** for opportunities where Ageas believes its expertise can **create growth & improve the business**

Conclusion

Conclusion

Ageas works towards sustainable value creation

- Healthy growing and qualitative inflow mix
- Balanced profit levels with further growth potential
- Solid capital position
- Steady cash upstreams to fund dividend
- Additional funding capacity available to fund growth

Ambition 2018

It's a journey, not a destination

We are ...

- **A top insurer in Europe and Asia;** growing in our existing markets and exploring new opportunities
- Experts in insurance; offering **Retail and Business** customers **personalised** solutions in **Life** and **Non-Life** insurance
- **Evolving as an insurer** by constantly investing in relevant skills and capabilities with a strong **entrepreneurial** culture
- **A partner in insurance;** with a proven competence in developing strong and dynamic partnerships with leading companies in the local market
- Organised in a way that allows us to reap the benefits of **local autonomy; adding value** by sharing group-wide best practices
- **Well diversified** with a **balanced portfolio** spanning both the **mature** and **growth** markets of Europe and Asia