



A smooth transition to
SOLVENCY II

Speakers



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SOLVENCY I

SOLVENCY II

Basic principles
Results Standard Formula
Results Solvency II_{ageas}

RISK APPETITE & CAPITAL MANAGEMENT

SENSITIVITIES

FUTURE REPORTING

CONCLUSIONS



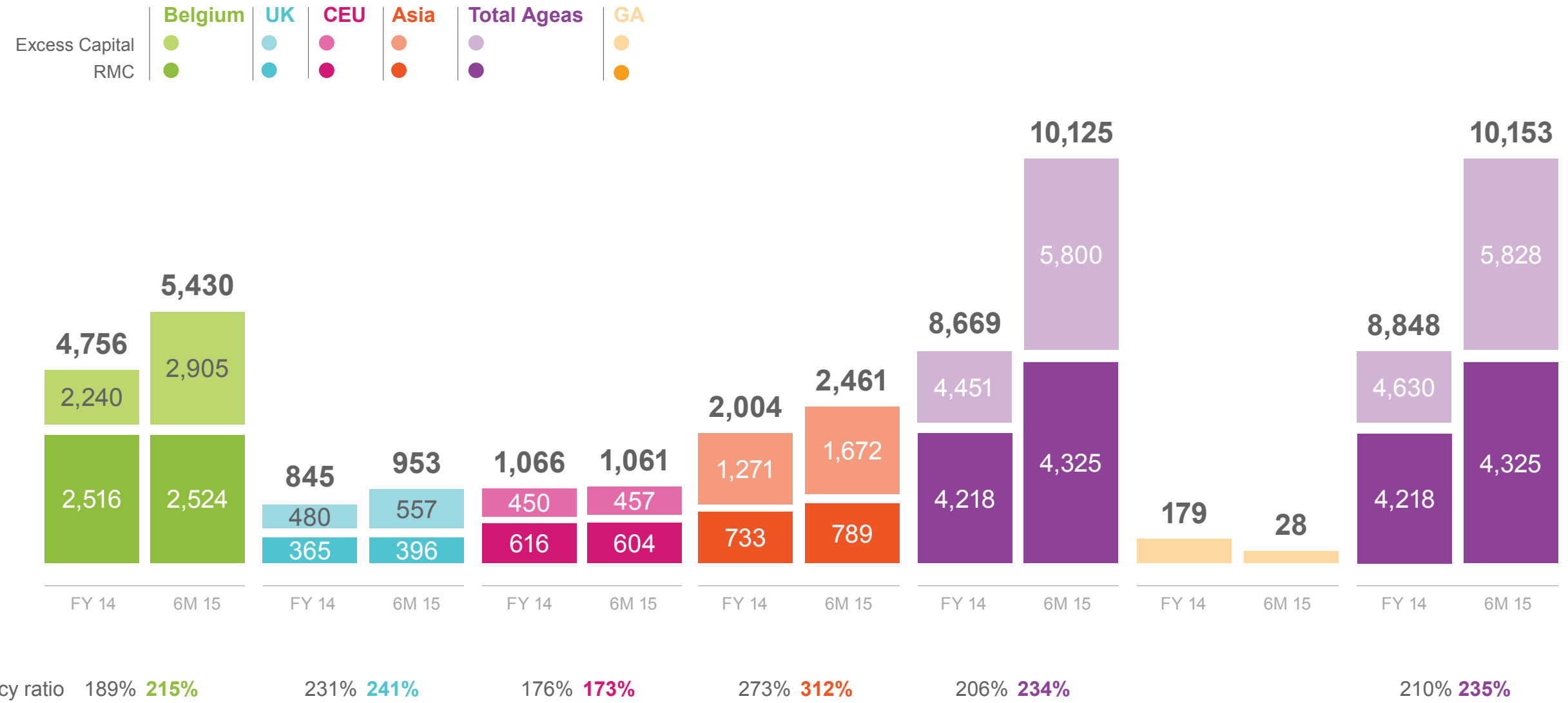
SOLVENCY I

SOLVENCY I

Ageas's current reporting per segment
FY '14 & 6M '15



In EUR mio



> Under Solvency I expected dividends are only taken into account at year end

SOLVENCY I

A straight forward calculation mechanism

General

Required Minimum Capital (**RMC**)

Volume based approach with simple formula

In % of Life technical liabilities, Non-Life premiums & capital at risk

Available capital = **IFRS equity** & correction prudential filters

Ageas specific

Non Controlled Participations
(NCP) included @ our share – RMC based on local rules

Unrealised Gains
on fixed income eliminated from regulatory capital

Life technical liabilities @ interest rates
embedded in each policy



SOLVENCY I

Capital management decisions based on IFRS Solvency

General

Dividend determined by IFRS net profit

Solvency I **capital requirement** vs. dividend upstream

Ageas specific

Target Insurance Solvency I ratio Ageas = **200%**

Risk appetite focused on protecting **Solvency I** ratio & net profit

Dividend @ 40-50% of IFRS Insurance net profit

Capital upstream subject to **Local Solvency**



SOLVENCY II

BASIC

PRINCIPLES

SOLVENCY II

BASIC PRINCIPLES

From
**simplistic
 but stable
 Solvency I to
 realistic but
 more volatile
 Solvency II**

Risk based approach

- > Solvency Capital Requirement (SCR)
- > Based on **effective risks** taken within company, covering both **assets & liabilities**
- > Required capital influenced by **risk mitigation** actions

Market consistent valuation

- > Reflecting **economic situation** vs. accounting view
- > Available capital (Own Funds) on **market value / marked to model** basis

European regulation

- > In principle **more level** playing field

Framework

- > More **complex**
- > **Integrated** risk view
- > **Choice** between standard formula or (partial) internal model



SOLVENCY II

BASIC PRINCIPLES

Three-pillar framework strives for an integrated risk view

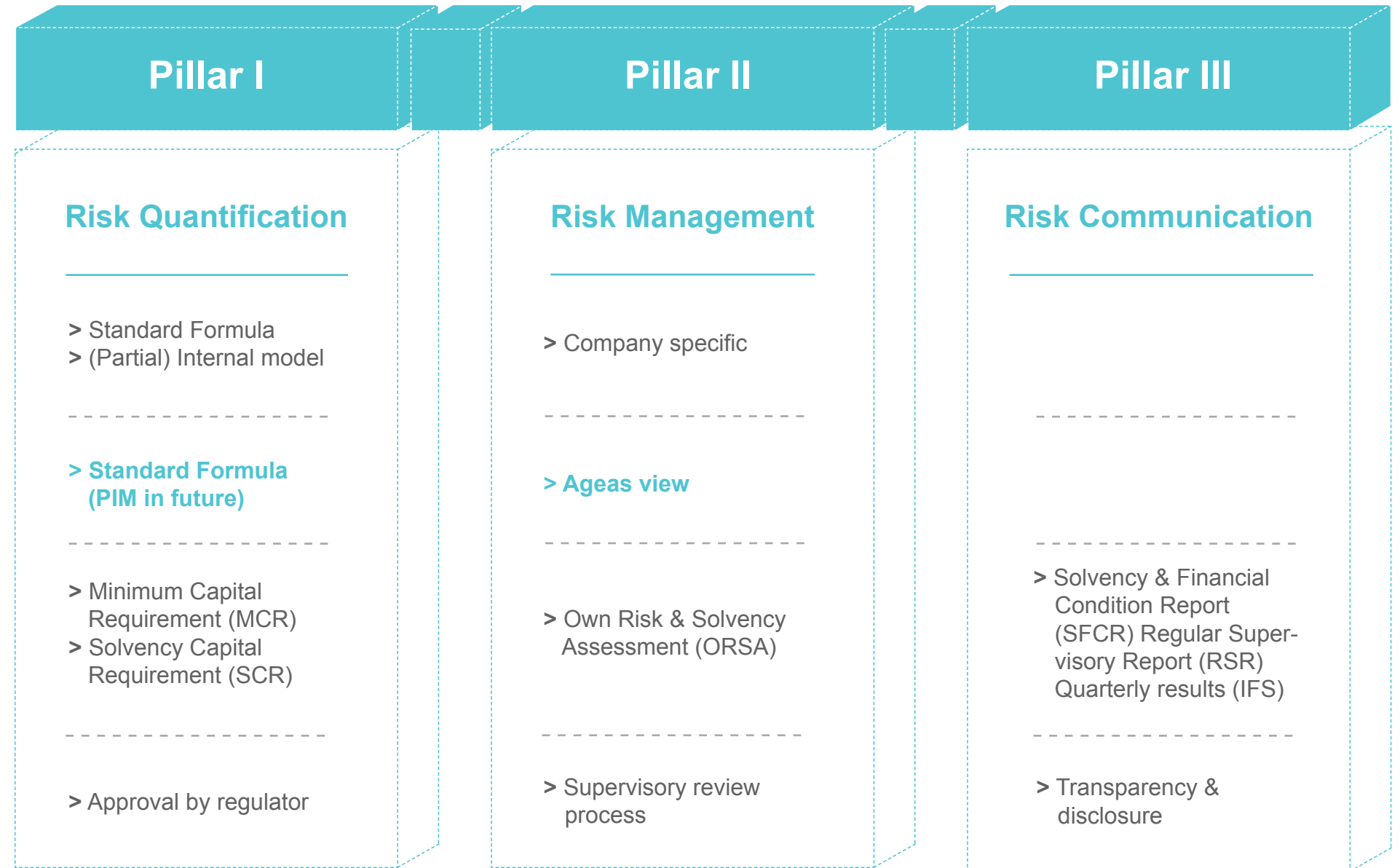


Possible calculation methods

Ageas specific

Reporting

Interaction level



SOLVENCY II

BASIC PRINCIPLES

Three possible computation methods for risk quantification under Pillar I



General

Standard Formula

Standard calculation method based on risk indicators & typology as defined by EIOPA

Partial Internal Model (PIM)

Blended approach, combining internal model with Standard Approach

Internal Model

Full internal model tailored to the company's risk profile

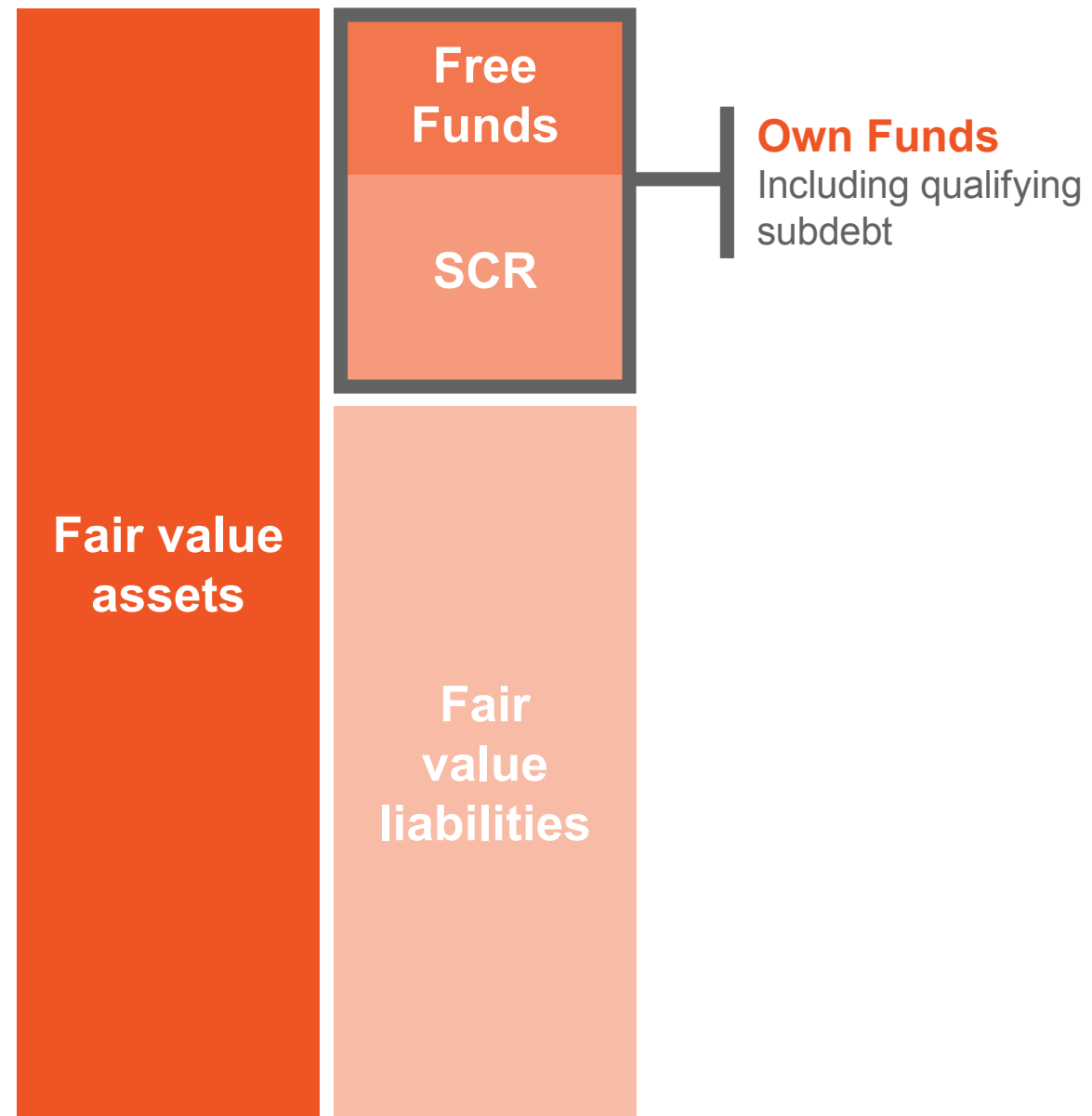
Ageas specific

- > Currently use of **Standard Formula**
- > Approval process **PIM Non-Life** ongoing

SOLVENCY II

BASIC PRINCIPLES

Solvency II ratio based on Market Consistent Balance Sheet (MCBS)

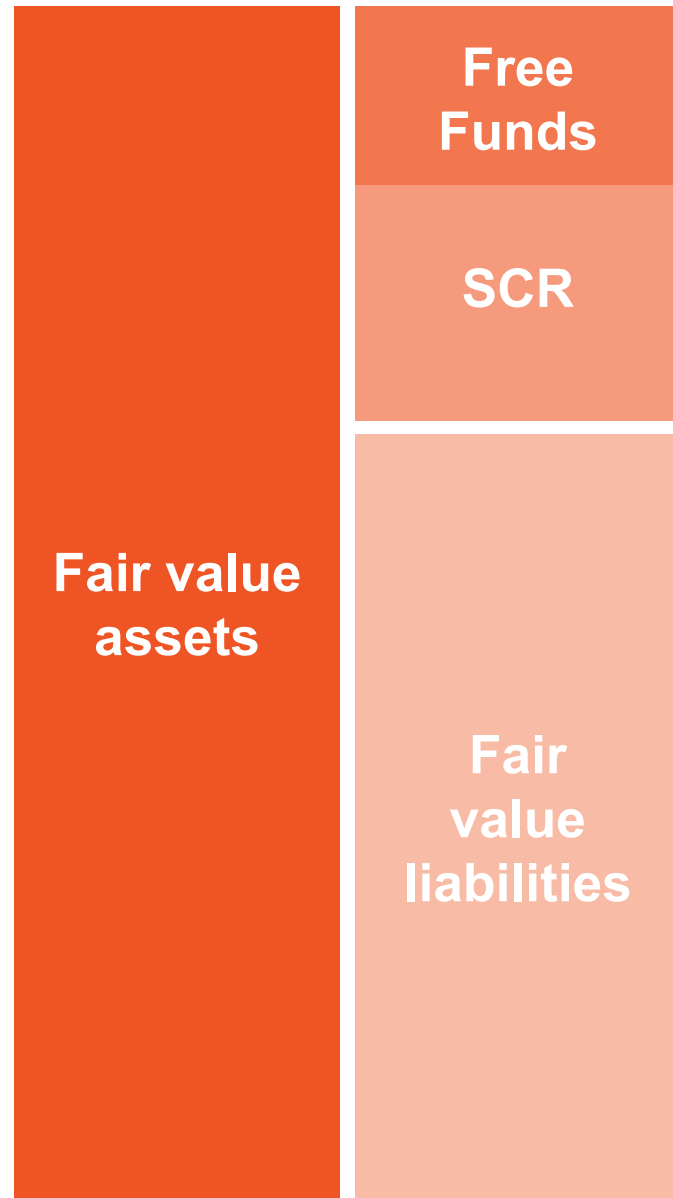


$$\text{Solvency II ratio} = \frac{\text{Own Funds}}{\text{SCR}}$$

SOLVENCY II

BASIC PRINCIPLES

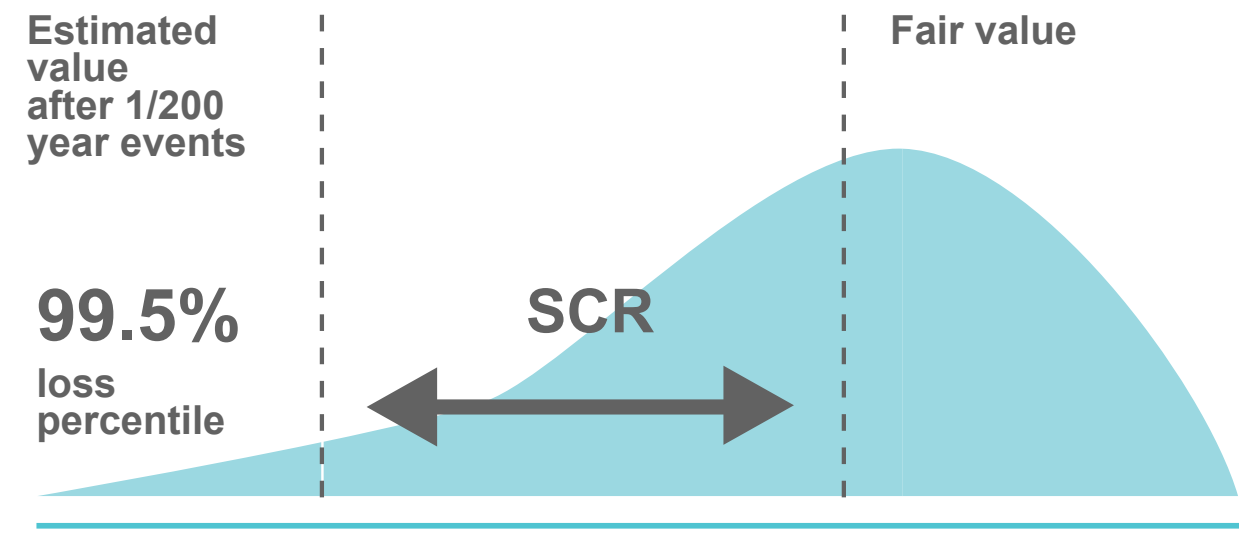
SCR is level of capital expected to be required by regulators



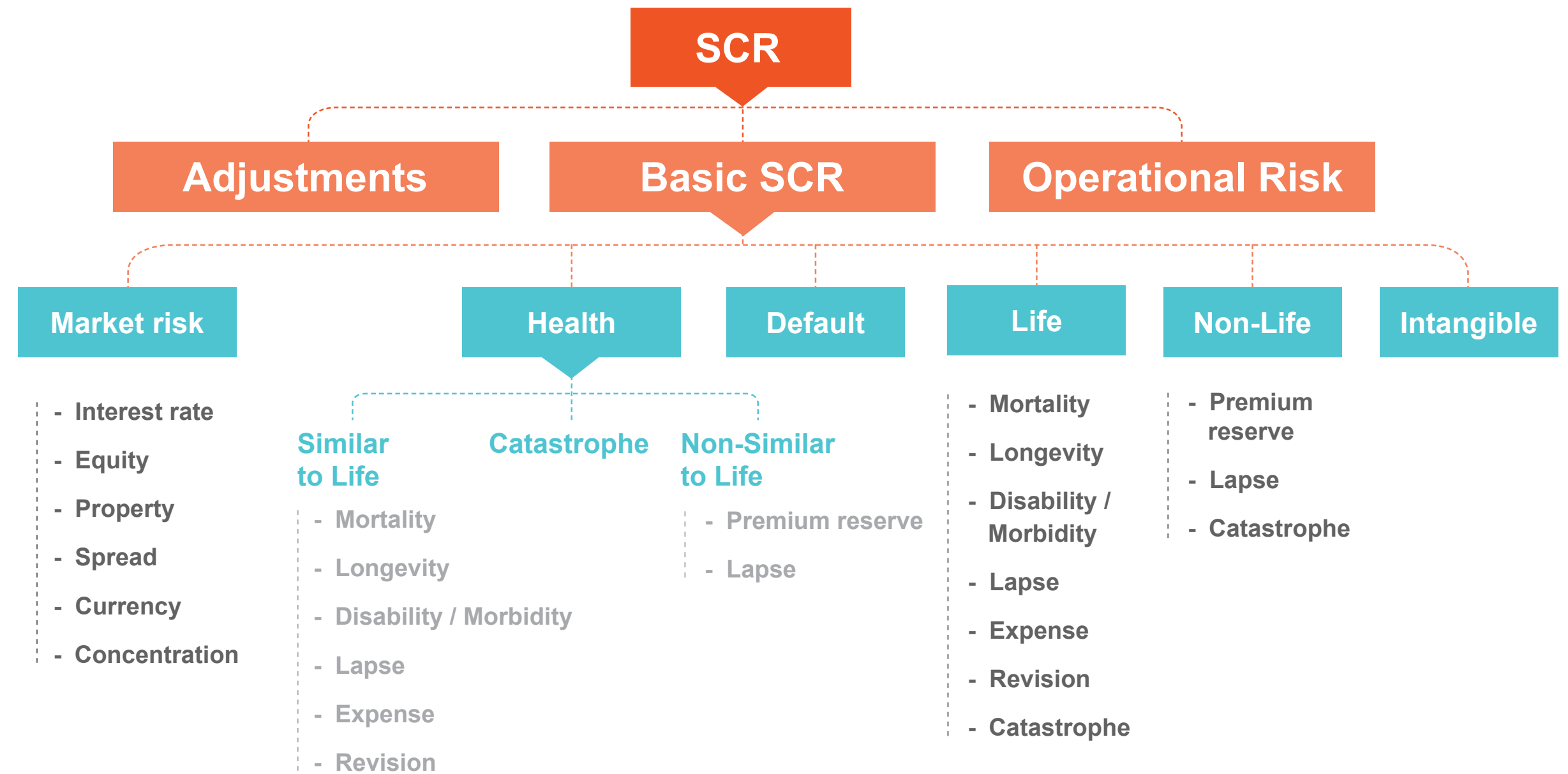
SCR
Solvency Capital Requirements

To absorb significant losses in
1 in 200
year events
99.5%
confidence level

1 year
time horizon
First
supervisory
intervention level when
Free Funds < zero



Major risk types which require capital



SOLVENCY II

BASIC PRINCIPLES

Main adjustments aside capital charges by risk type

Diversification benefits

Not all risks will crystallize at the same moment provided that the underlying sources of risk, are not fully dependent

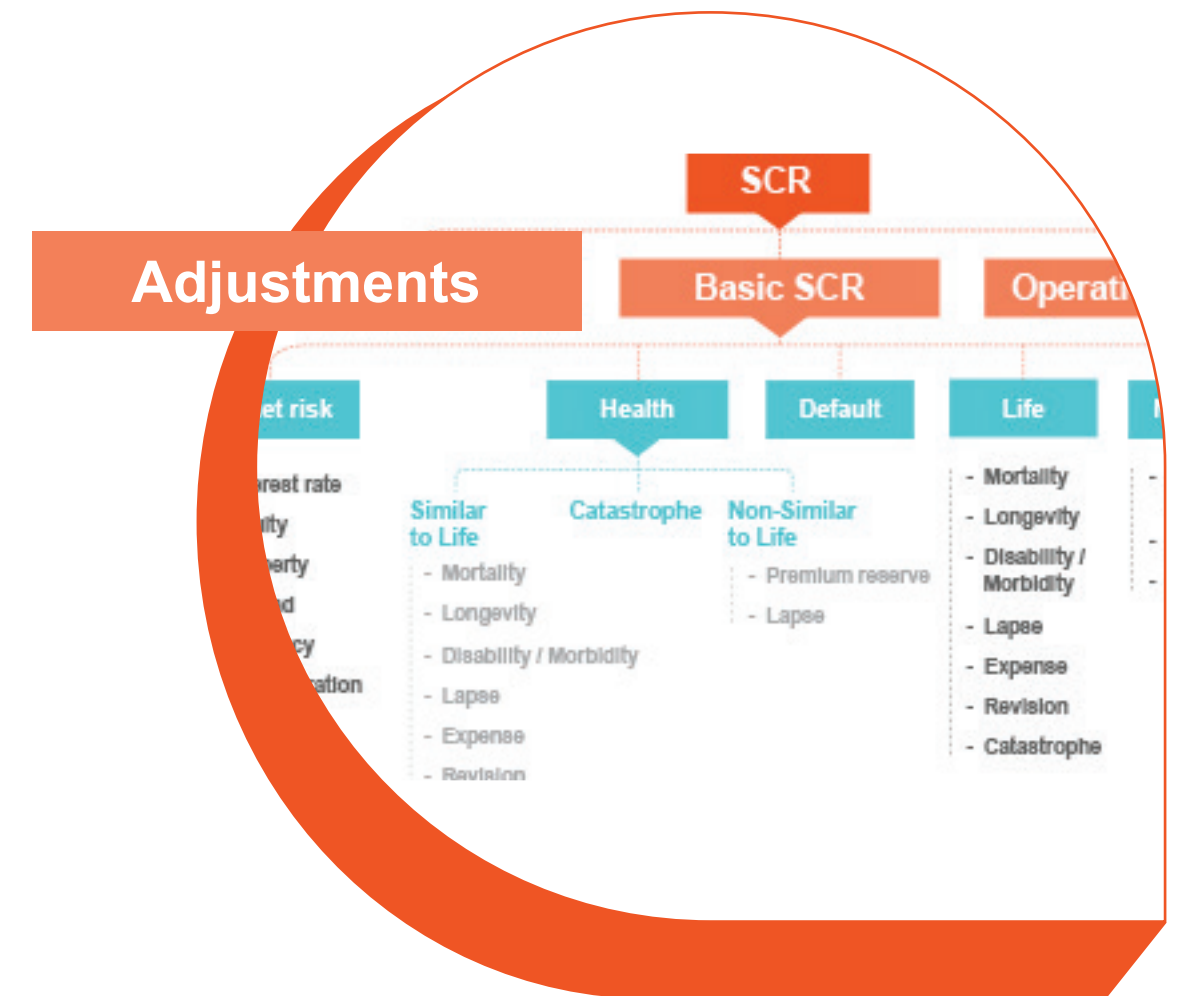
Loss Absorption capacity of Deferred Tax (LADT)

Losses can partly be compensated by tax savings – subject to recoverability test of tax benefits

Non-Controlled Participations (NCP)

SCR European NCP's (Luxembourg & Tesco) do not diversify with other risks

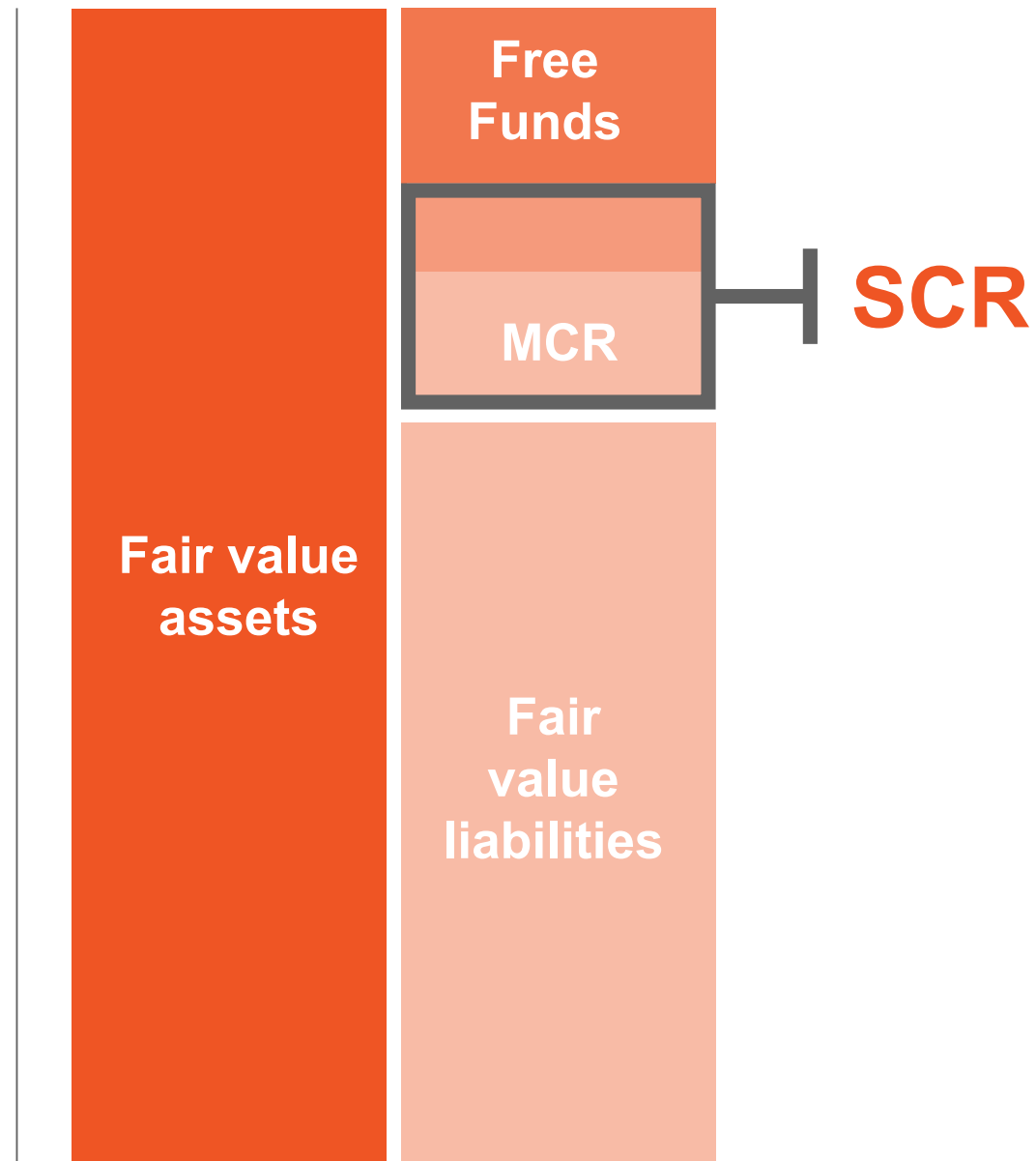
Adjustments



SOLVENCY II

BASIC PRINCIPLES

MCR:
Final
treshold



MCR:

Minimum
Capital Requirement
= part of SCR

Breach triggers
very strict
recovery plan

Non compliance with
recovery plan
induces mandatory stop
of new business &
supervisor taking over

Floor
of 25% SCR
& **cap**
of 45% of SCR



SOLVENCY II

RESULTS

STANDARD

FORMULA

SOLVENCY II
RESULTS

STANDARD
FORMULA

Ageas chooses quality and sustainability



Consolidation scope

- > In principle comparable to **IFRS consolidation scope**
- > Belgium treated as 100% Owned – liability for Put option in General Account

Non-Controlled Participations (NCP)

- > **European participations** (Tesco & Luxembourg): Solvency II Own Funds & SCR **pro rata** included - **no diversification** benefits
- > **Non-European participations** (Turkey, Thailand, Malaysia, India, China, Philippines & Vietnam) are **not included** in Solvency II ratio - reported separately based on Local Solvency
- > If any of the Non-European participations would become “deemed equivalent”, same treatment as the European participations

Expected dividend

- > Expected pay-out by Ageas **deducted** from Own Funds in **each quarter**, based on **40%** pay-out over Insurance net profit
- > Final calculations @ year-end

SOLVENCY II
RESULTS

STANDARD
FORMULA

Ageas chooses quality and sustainability



Non-transferable Own Funds

- > Ageas takes a **conservative approach**
- > A “**non-transferable**” is deducted from Own Funds equal to
 - ✓ **Diversification benefits** between controlled entities in SCR
 - ✓ Free Funds belonging to **3rd party shareholders** for controlled entities that are not fully owned (Italy, Portugal, & Belgium)

Transitional measures

- > Ageas makes **no use** of transitional measures except for
 - ✓ **Grandfathering** - up to 10 years
 - ✓ Reporting deadlines

Put option on AG Insurance

- > In line with IFRS treated **as if** put option were **exercised**:
Ageas owns 100% & recognizes a liability at holding level
- > The non-transferable on AG Insurance within Insurance Own Funds is offset within General Account
- > This treatment assures **no changes in Insurance Solvency** in case the put option is NOT exercised in 2018

SOLVENCY II RESULTS

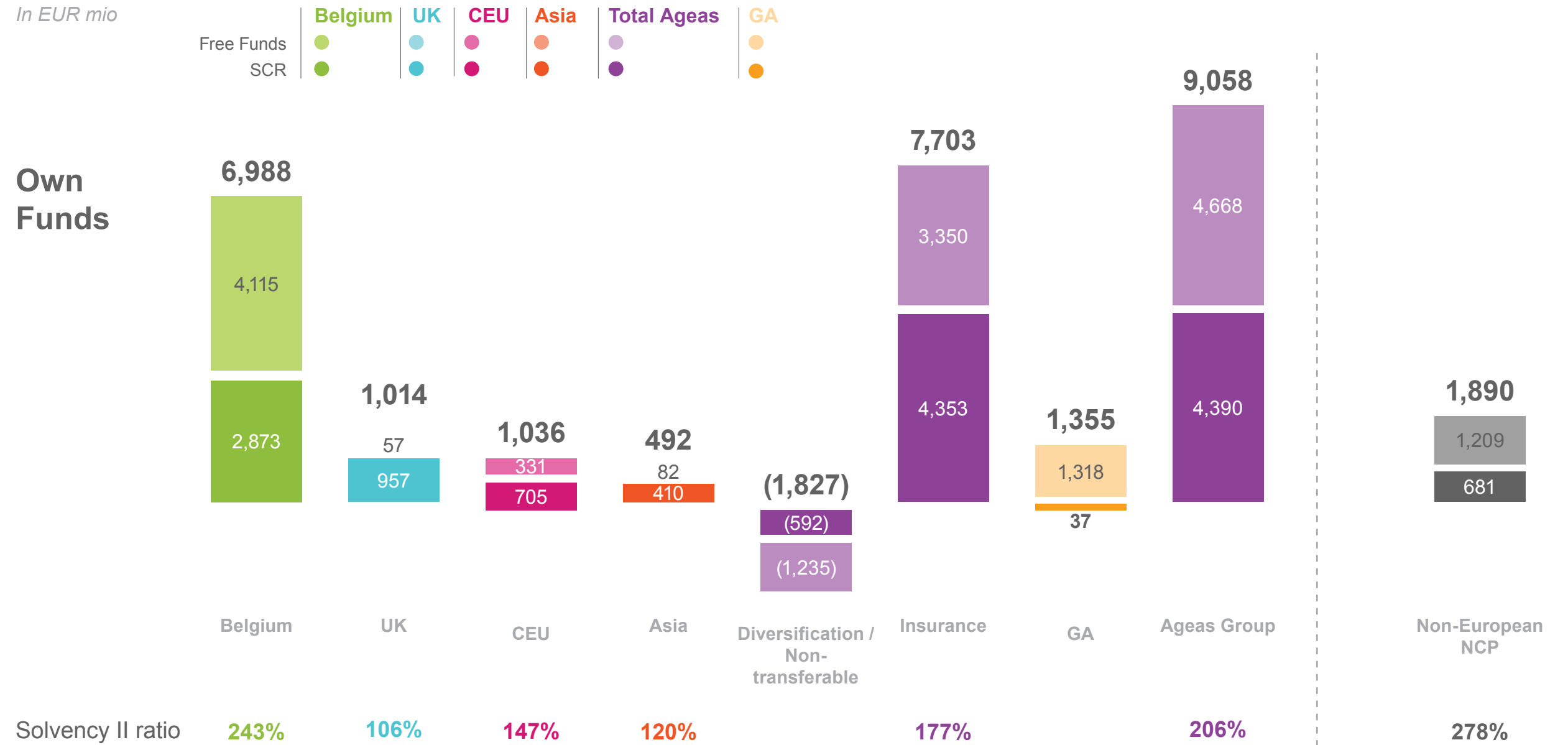
STANDARD FORMULA

Solvency II ratio Insurance @ 177%

FY '14



In EUR mio



SOLVENCY II RESULTS

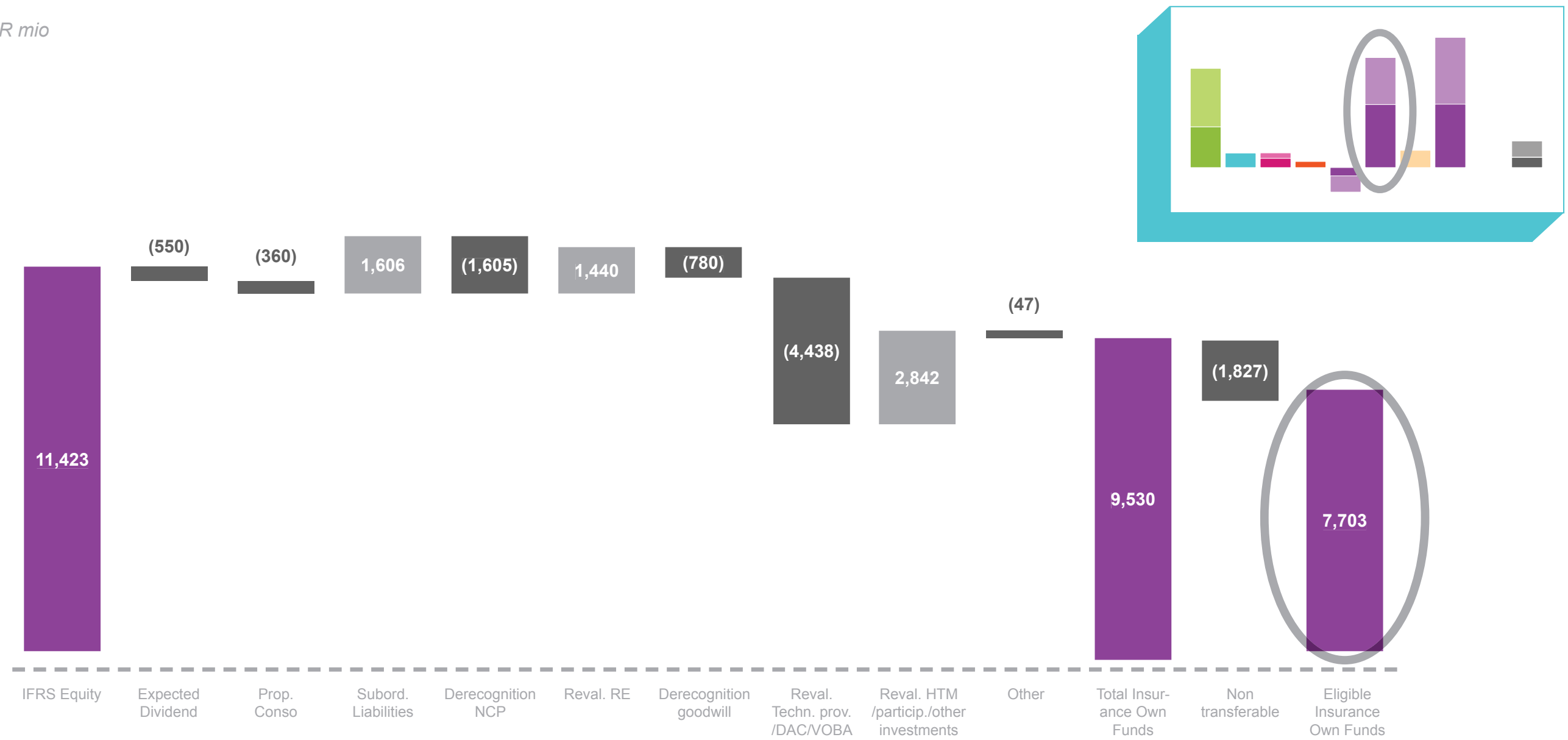
STANDARD FORMULA

Bridge from Insurance IFRS Equity to Insurance Solvency II Own Funds

FY '14



In EUR mio



**SOLVENCY II
RESULTS**

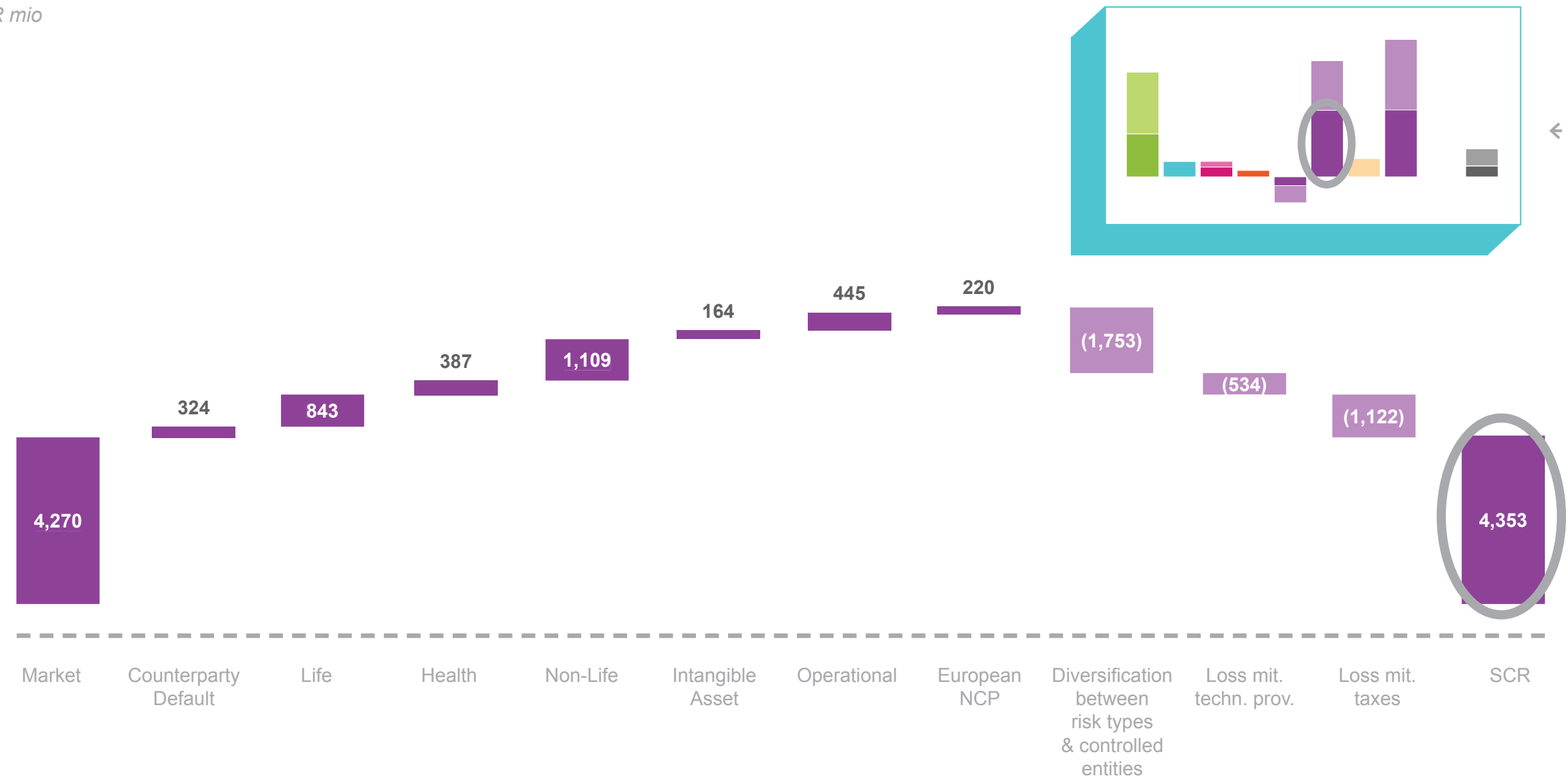
**STANDARD
FORMULA**

Solvency Capital Requirements per risk type

FY '14



In EUR mio



SOLVENCY II RESULTS

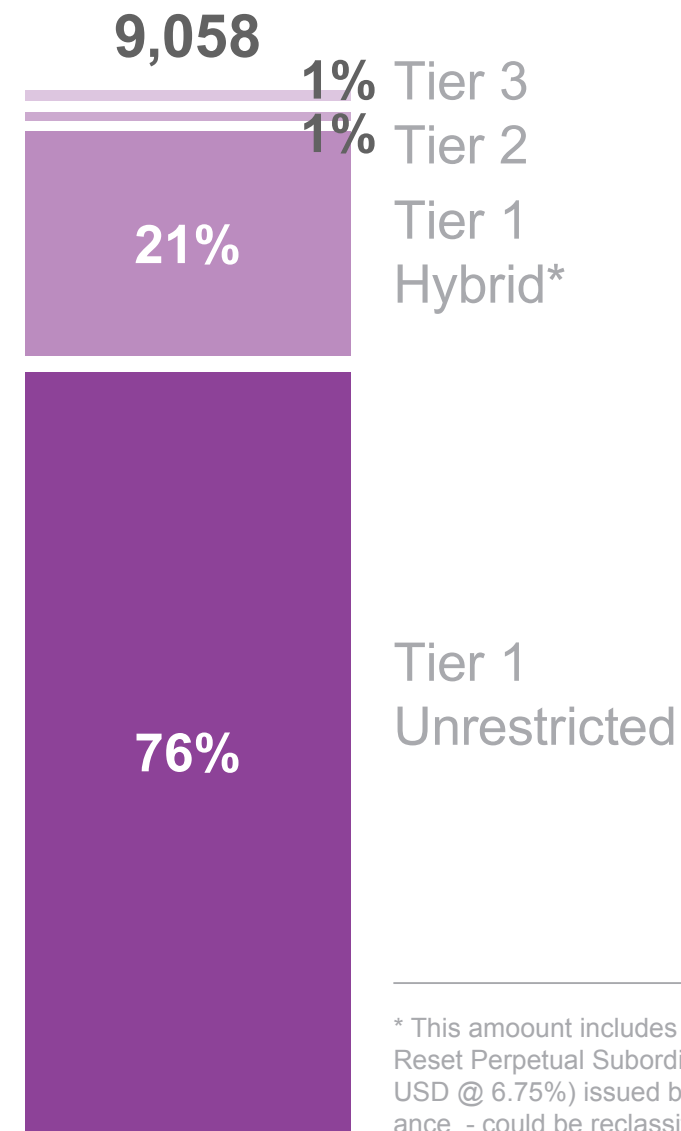
STANDARD FORMULA

No aggressive leverage & excellent quality of Group Own Funds

FY '14



In EUR mio



* This amount includes Fixed Rate Reset Perpetual Subordinated (550 USD @ 6.75%) issued by AG Insurance - could be reclassified to Tier 2



- > Current Hybrid Tier 1 capital consists of **grandfathered** instruments (up to 2026)
- > Ageas **slightly above maximum** of 20% Tier 1 Hybrid* in total Tier 1
 - ✓ Gradual replacement by new Tier 2 issues
- > **Substantial capacity** to issue Tier 2 instruments
 - ✓ Allowed up to 50% of SCR
 - ✓ Current level @ Ageas 2% of SCR

**SOLVENCY II
RESULTS**

**STANDARD
FORMULA**

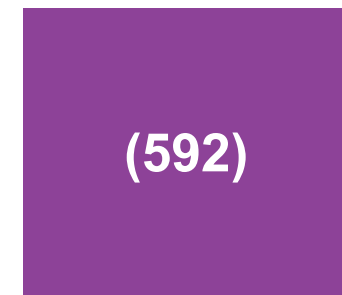
**Prudent
approach
of eligible
Own Funds
Insurance
pool**

FY '14



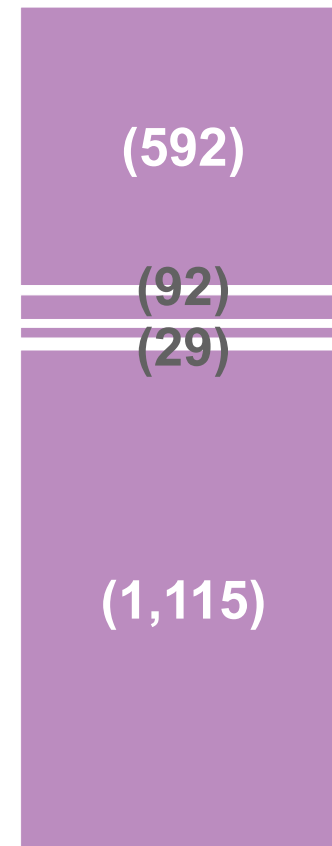
In EUR mio

**Diversification
between
controlled entities**



**Non-transferable
Own Funds**

(1,827)

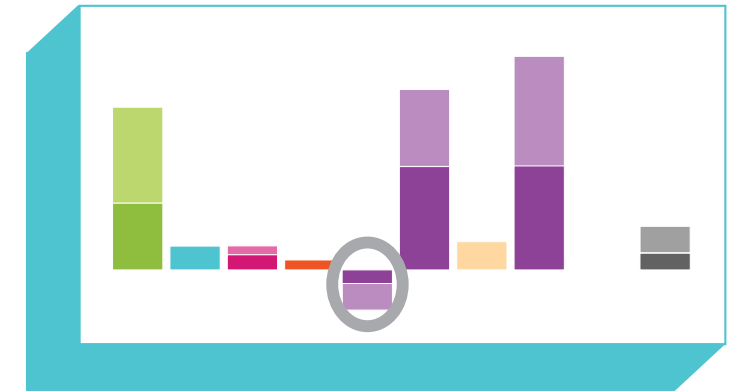


Portugal
Italy

Belgium

Amount equal to
diversification
benefits between **controlled entities** in SCR

Free Funds belonging to
3rd party shareholders
in controlled entities



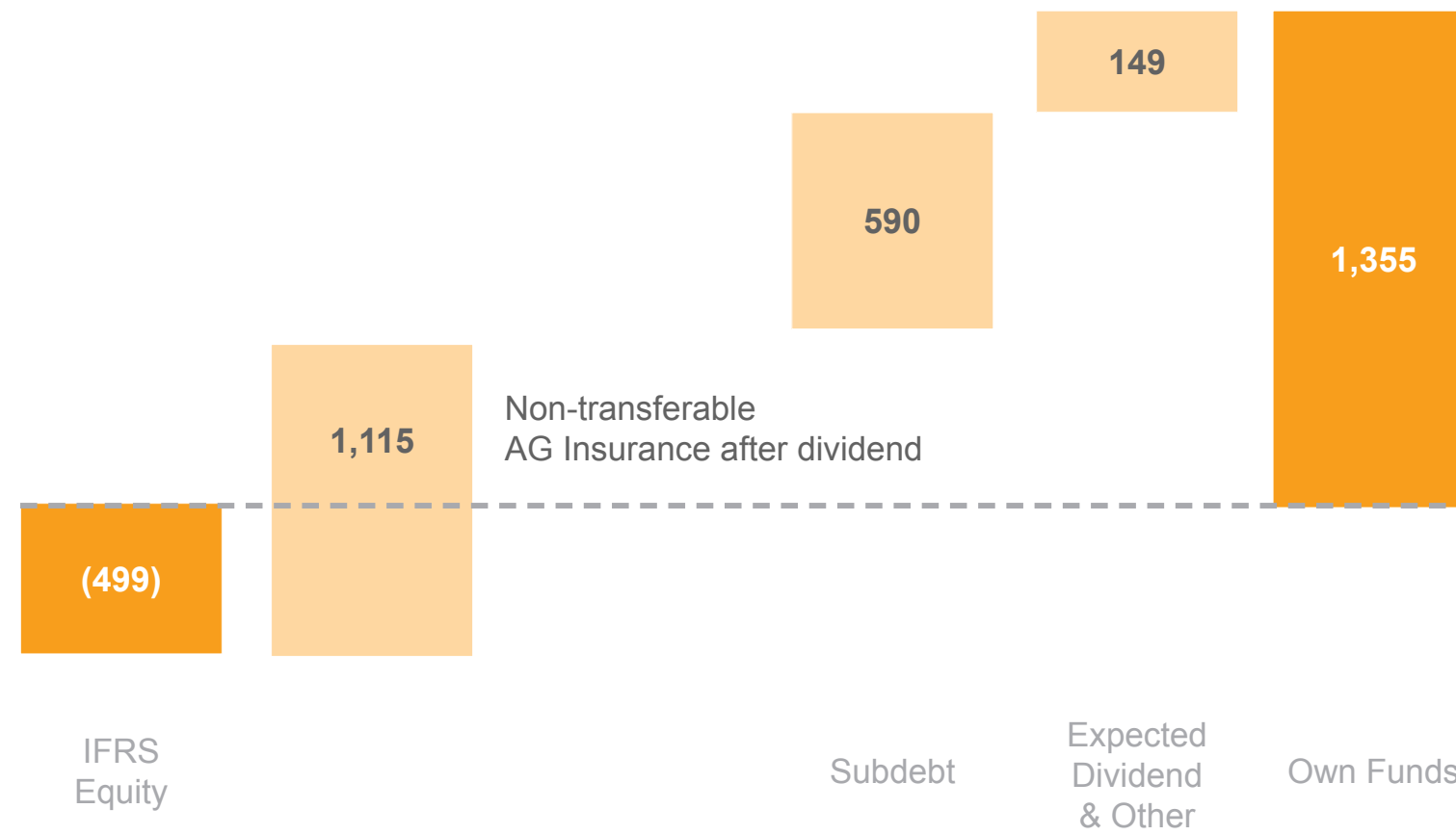
**SOLVENCY II
RESULTS**

**STANDARD
FORMULA**

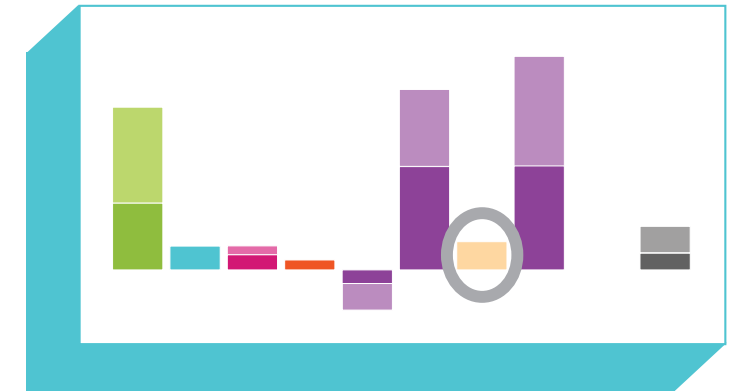
General Account: Bridge from IFRS Equity to Solvency II Own Funds

FY '14

In EUR mio



- > Cost of **Put option** on AG Insurance (EUR 1,391 mio) deducted from IFRS equity
- > **Non-transferable** on AG Insurance (EUR 1,115 mio) re-added



**SOLVENCY II
RESULTS**

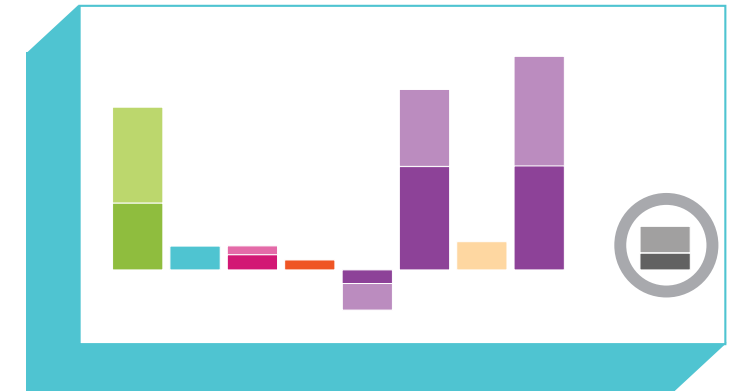
**STANDARD
FORMULA**

**Large amount
of capital in
NCP not
accounted for
in Solvency II
ratio**

FY '14

In EUR mio @ Ageas's part

	IFRS capital	Local capital requirements	Local available capital	Local Solvency ratio
Turkey	146	48	69	146%
India	19	3	19	553%
Thailand	395	115	563	488%
China	730	239	655	275%
Malaysia	315	276	584	212%
Total	1,604	681	1,890	278%



SOLVENCY II

RESULTS

SOLVENCY II

ageas

SOLVENCY II RESULTS

SOLVENCY II_{ageas}

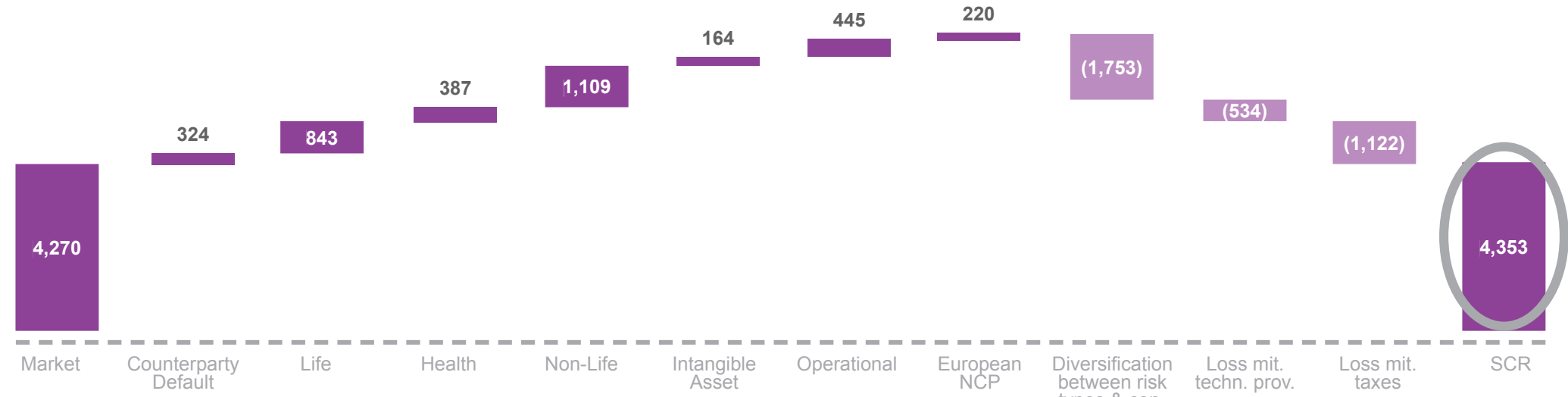
Main improvements on Standard Formula

FY '14

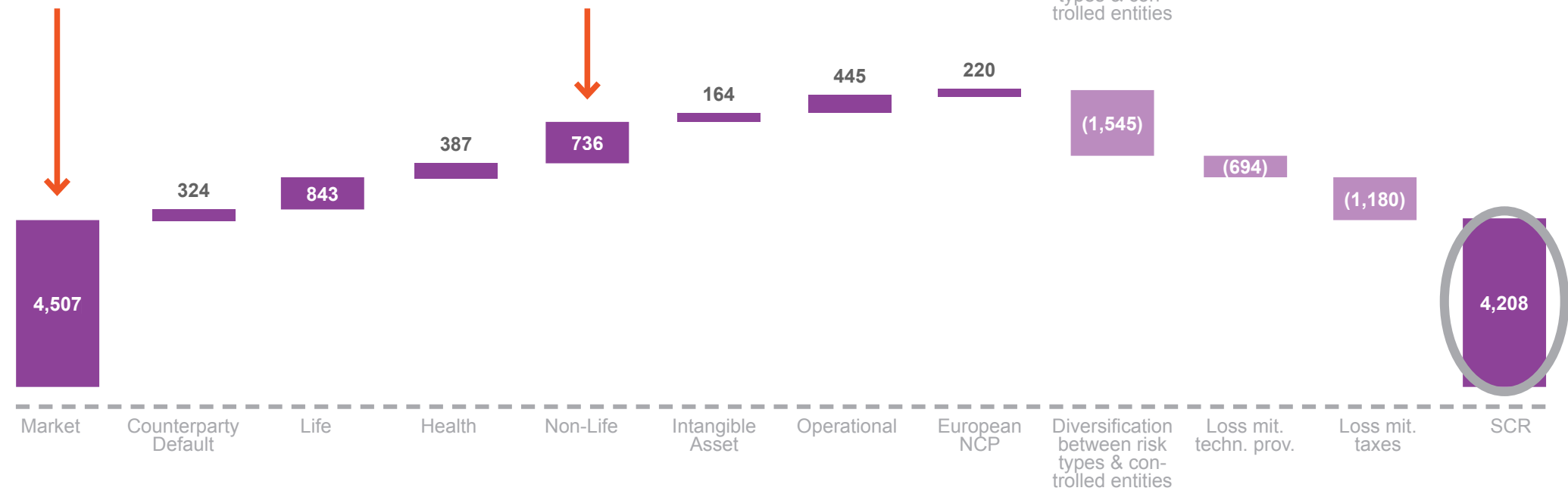


In EUR mio

SCR SF
per risk type



SCR_{ageas}
per risk type



SOLVENCY II
RESULTS

SOLVENCY II
ageas

Partial Internal model Non-Life Underwriting

FY '14



Why	<ul style="list-style-type: none"> > Nature of Ageas's Non-Life portfolio is focused on Personal lines & SME - differs from approach in Standard Formula.
In scope	<ul style="list-style-type: none"> > Property & Casualty = Motor, Household & Other lines > Accidents
Out of scope	<ul style="list-style-type: none"> > Workmen's compensation > Health - medical & income expenses
Status	<ul style="list-style-type: none"> > Application filed with regulator for acceptance Solvency II (pillar I) > Timing: expected beginning 2016 > What if not accepted - PIM will still be used for internal risk & capital management (pillar II)
Impact	<ul style="list-style-type: none"> > Insurance Solvency ratio up 13pp

SOLVENCY II
RESULTS

SOLVENCY II
ageas

Internal view Market risk focussing on spread risk

FY '14

Types of
spread risk

- > **Fundamental** spread risk = linked to default or realised capital losses on sale
- > **Non-fundamental** spread risk = linked to short-term movements in the market

Ageas specific

- > **Long-term** nature of liabilities
- > Bonds in principle kept to **maturity**

In scope

- > **Fundamental spread risk included** in SCR_{ageas}
- > Both on **government** & **corporate** bonds
- > **Non-fundamental** spread risk **excluded**
- > Proxy of concept of matching / volatility adjustment

Impact

- > Insurance Solvency ratio **down 4pp**



SOLVENCY II RESULTS

SOLVENCY II_{ageas}

Solvency II_{ageas} Insurance @ 186%

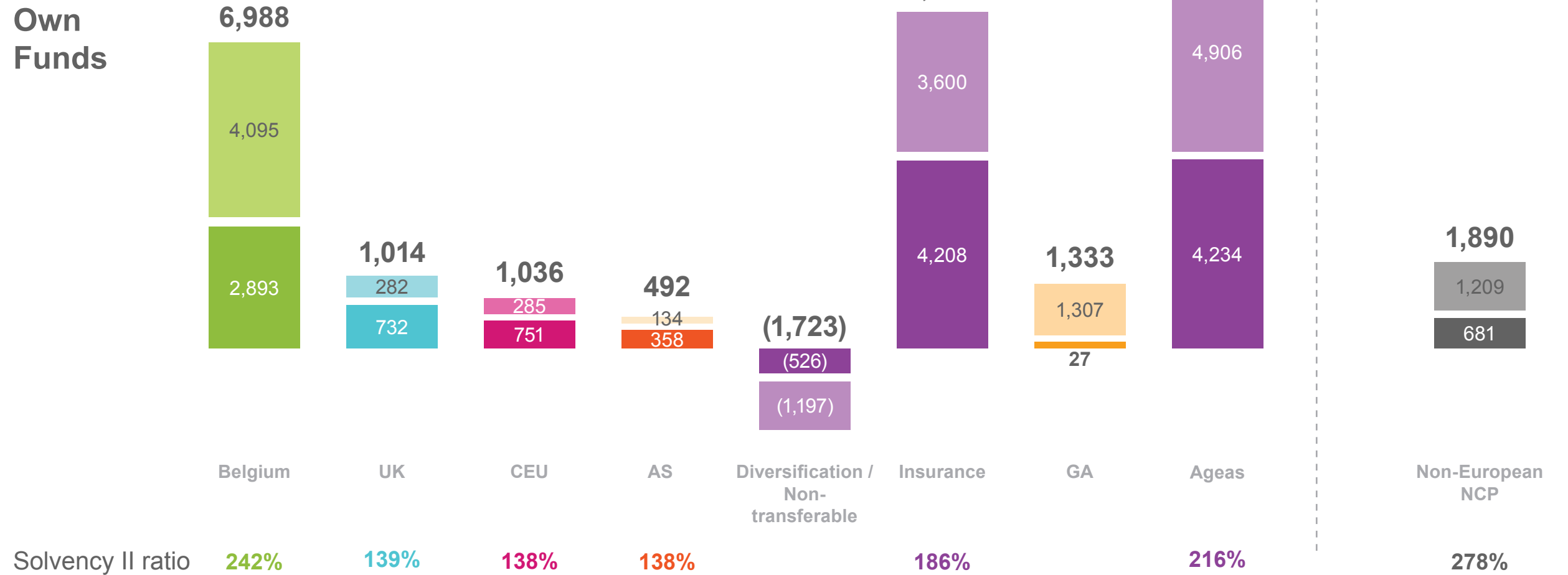
FY '14



In EUR mio



Own Funds



**SOLVENCY I&II
RESULTS**

The complete overview

FY '14 & 6M '15


FY '14	BE	UK	CEU	ASIA	Ageas insurance	Ageas group	NCP @ LOCAL SOLVENCY
Solvency I	189%	231%	176%	273%	206%	210%	*
Standard Formula	243%	106%	147%	120%	177%	206%	278%
Solvency II_{ageas}	242%	139%	138%	138%	186%	216%	278%
6M '15							
Solvency I	215%	241%	173%	312%	234%	235%	*
Standard Formula	252%	105%	150%	127%	178%	210%	294%
Solvency II_{ageas}	252%	139%	133%	141%	188%	221%	294%

* In Solvency I framework Non-European NCP's are included in Insurance ratio on IFRS equity basis whereas in Solvency II these NCP's are not taken into consideration, but shown separately based on Local Solvency.

SOLVENCY II RESULTS

Some uncertainties remain, but impact on Insurance Solvency is manageable

Contingent Legal Liabilities



Uncertainty

Bonds/loans guaranteed by regional Governments or local authorities

Consolidation **Ancillary services** company (Interparking)

Parking concessions (Interparking)

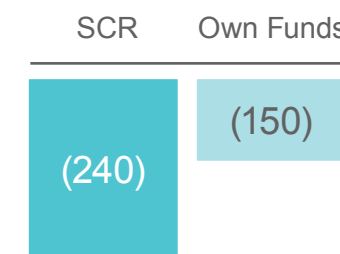
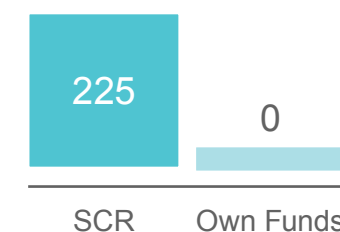
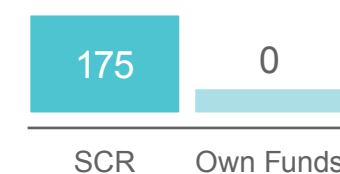
Ageas treatment

Treated as sovereign debt

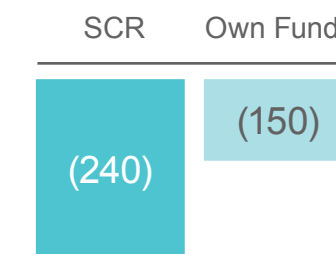
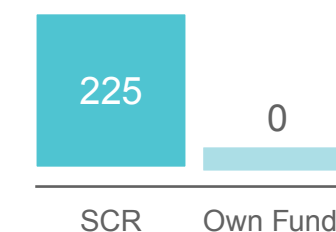
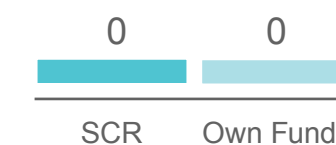
Proportional consolidation

Liquid market thus valued in MCBS

In EUR mio **Possible impact on SF**



In EUR mio **Possible impact on SII_{ageas}**



- > At this stage Ageas considers it **impossible to estimate** the probability of success of the ongoing litigation and/or the possible magnitude of any indemnity the company would be exposed to. Therefore no capital charges have been foreseen for the **legacy litigation** aside from the provision of EUR 130 mio following the 29/7/2014 Amsterdam Court of Appeal decision (FortisEffect).
- > Such indemnity would **not affect** the solvency of the **Insurance activities**.

**RISK
APPETITE
& CAPITAL
MANAGEMENT**

**RISK
APPETITE
& CAPITAL
MANAGEMENT**

**SCR_{ageas} &
Own Funds_{ageas}
leading in
capital
management**



RA : Risk appetite

- > Budget agreed upon within the Board for taking risk in pursuit of strategic objectives
- > RA limited to **40% Insurance Own Funds**
- > Measured under 1/30 loss event
- > Quarterly stress test on actual **Risk Consumption**
- > Local risk profile & local risk appetite

MAC: Minimum acceptable capital

- > Capitalization level we really want to protect
- > Group target: **MAC = SCR_{ageas}**

**RISK
APPETITE
& CAPITAL
MANAGEMENT**

**SCR_{ageas} &
Own Funds_{ageas}
leading in
capital
management**



FREE FUNDS

OWN FUNDS

Free
Surplus

Risk
appetite

MAC

40%
Own Funds

SCR_{ageas}

**Target
Capital
Insurance**

175%
SCR_{ageas}

> Remember:
Expected dividend already
deducted from Solvency II_{ageas}

RISK
APPETITE
& CAPITAL
MANAGEMENT

Target Capital
Insurance
@ 175%
SCR_{ageas}



**SOLVENCY II
RATIO
175%**

Overview relevant capital management ratios for Ageas Insurance

FY '14



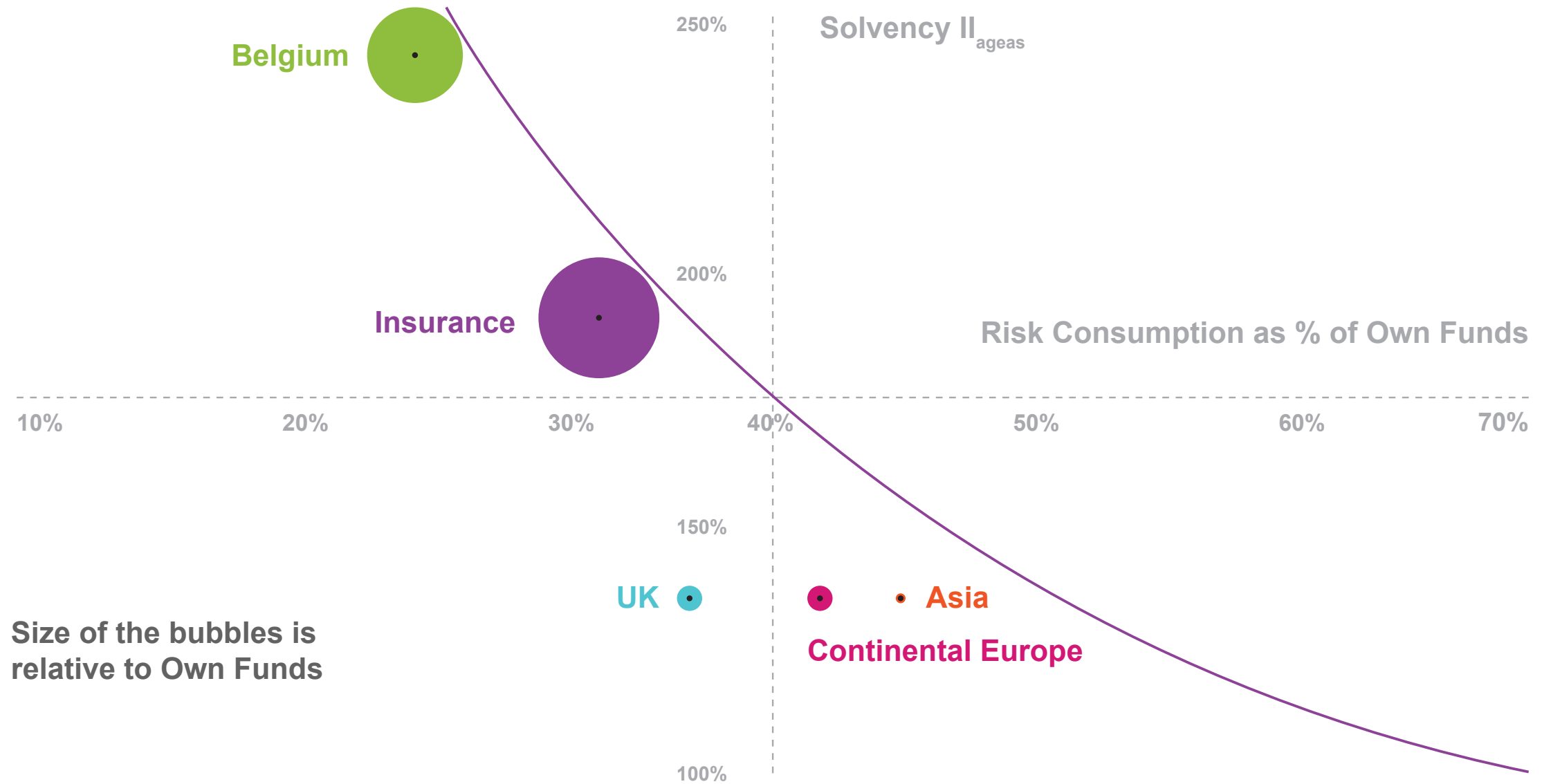
In EUR mio

Main concept	Definition		% SCR _{ageas}	% Own Funds _{ageas}
Own Funds (OF)	Solvency II Own Funds	7,808	186%	
Target Capital (TC)	How much capital do we need given appetite?	7,330	175%	
Risk Appetite (RA)	40% of Own Funds	3,123		40%
Minimum Acceptable Capital	SCR _{ageas} (1/200 loss)	4,208		
Capital Consumption (CC)	How much capital are we consuming?	6,950		
Risk Consumption (RC)	Actual (1/30 loss)	2,742		35%
Minimum Acceptable Capital	SCR _{ageas} (1/200 loss)	4,208		

**RISK
APPETITE
& CAPITAL
MANAGEMENT**

**Bull's eye
reflects past
management
decisions in
terms of
capital
discipline**

FY '14



**RISK
APPETITE
& CAPITAL
MANAGEMENT**

**Current
Solvency
levels & risk
profile give
confidence
about
sustainability
of upstream**



In EUR mio

	Net profit FY '14	Dividend	Overall observations	Read-through for cash upstream
BE	392	294	Low volatility - low interest rate & spread risk - very well capitalised	High level of cash upstream sustainable
UK*	117	≈ 70	Low volatility – short tail business Moderate capitalization in line with moderate risk profile	Upstream level depending on approval Partial Internal Model Non-Life
CEU*	56	≈ 45	Mix of stable Non-Life & Life exposed to market risk – Appropriately capitalised after capital management actions in 2014	Reasonable dividend upstream
Asia*	172	≈ 50	Overall well capitalised NCP's – AICA in process of being sold	Mix of capital demanding & some cash generating NCPs

* Including NCP

SENSITIVITIES

**AGEAS
INSURANCE
SOLVENCY
SENSITIVITIES**

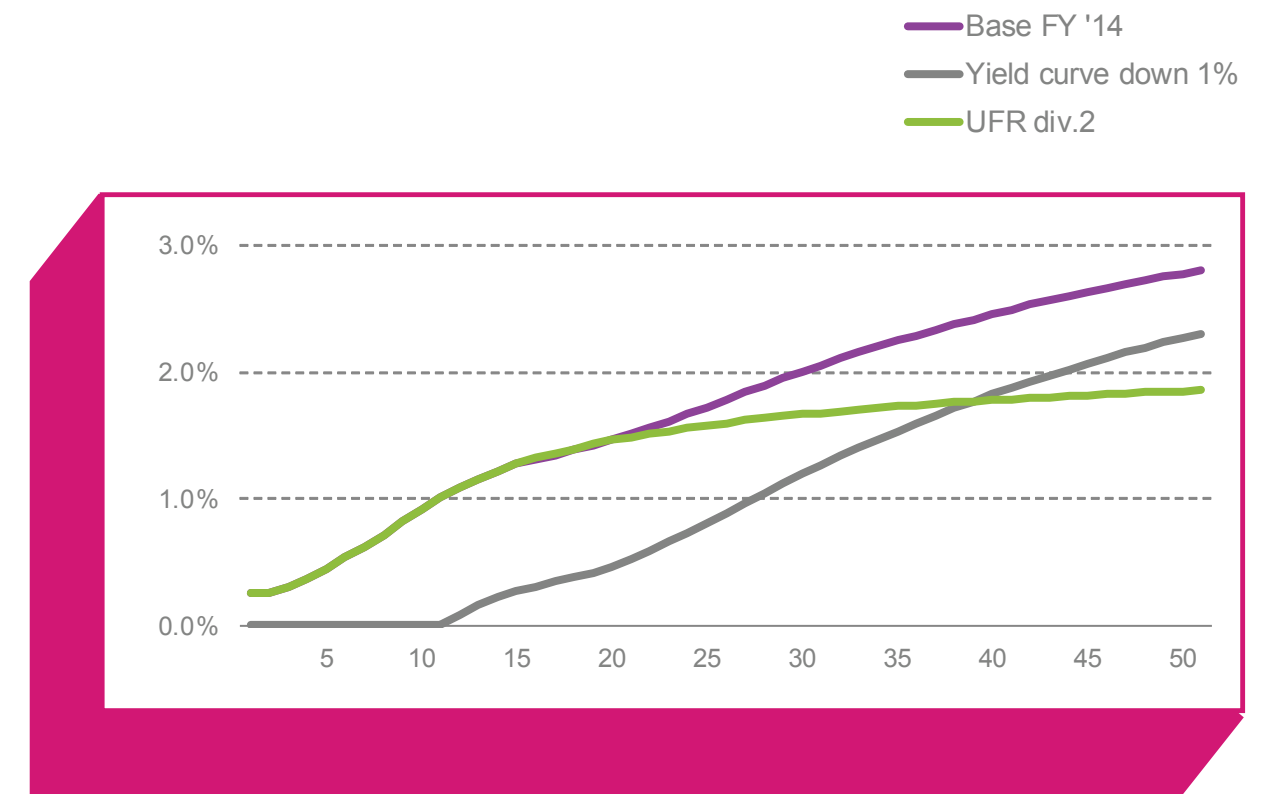
Adequately capitalised even after severe stress tests

FY '14



As per 31/12/14

	Assumption	Insurance Solvency
Base case	Before stress	186%
Equity	Down 30%	189%
Spread	75% of SF capital charge for corporates applied to all bonds	175%
Yield curve	Down 1% (floor 0%, no UFR changes)	162%
Property	Down 20%	184%
Ultimate Forward Rate (UFR)	Divided by 2	169%



FUTURE
REPORTING

EXTERNAL
FUTURE
REPORTING IN
QUARTERLY
RESULTS

**Broader
than current
reporting on
Solvency I**

- > As of **FY 2015**
- > On **quarterly** basis
- > SCR & Own Funds per **segment**
- > **Reconciliation** IFRS equity to Solvency II Own Funds
- > SCR per **risk type**
- > **Standard formula** (PIM when approved) + **Solvency II**_{ageas}



CONCLUSIONS

CONCLUSIONS**Solid base
for a smooth
transition****Ageas uses Solvency_{ageas} for capital management & risk appetite**

Floored by **Local** Solvency constraints
High quality of Own Funds without any material reliance on **transitional mesures**
Remaining **uncertainties on Insurance level manageable**
Contingent liabilities General Account excluded

Target Insurance Solvency II_{ageas} 175%

FY'14 & 6M '15 Solvency position comfortably above target

Risk appetite 40% Own Funds

Clear limit on risk taking & acceptable volatility levels
Resulting **sensitivities manageable**
Effective risk position clearly within **limits**

Ageas will continue to deliver on its commitments

Continuation of Ageas's policy on **upstream & dividend** pay-out
Material impact on **business choices** already factored in day-to-day management



ANNEXES

ANNEXES

SCR per risk type

Description

Market	Reduction in value of assets due to market movements in interest rates, spreads, equity, property & currencies.
NL Underwriting	Losses due unfavourable experience in non-life loss ratios, unfavourable loss development, and catastrophic events.
Life Underwriting	Losses due to unfavourable experience in life underwriting assumptions such as mortality rates, lapses & expenses.
Operational	Losses due to failure in internal processes or other external events.
Health	Losses due to unfavourable experience in health underwriting assumptions such as mortality & disability rates, expenses & medical expense inflation.
Counterparty Default	Losses due to counterparty defaults on cash & derivative exposures, reinsurance recoverables & residential mortgage loans.
Non Controlled Participations	Non diversified impact of Tesco & Luxembourg
Intangible	Reduction in value of intangible assets (intellectual property...)
Profit Sharing mitigation	Loss absorbing effect due to a reduction in policyholder discretionary benefits.
Diversification	Reduction in required capital due to the non fully correlated sub-risks.
LADT	Loss absorbing effect due to the effect of deferred taxation.



Glossary

AC	Available Capital. It is defined by EIOPA and based on the companies' valuation of the market – consistent value of assets minus the market – consistent value of obligations.
CC	Capital Consumption. It is defined as sum of SCR _{Ageas} and Risk Consumption.
Eligible Own Funds	Capital (either on or off – balance sheet) which, under regulatory rules, may be taken into account (fully or partially) in determining the insurer's available capital for Solvency purposes. It corresponds to AC Own Funds minus the non-transferable Own Funds.
MCR	Minimum Capital Requirement. It is the capital level representing the final threshold that triggers ultimate supervisory measures in the event that it is breached. Under standard model, it is considered as 40% of SCR.
Non-transferable Own Funds	The amount of the Own Funds that cannot be available to upstream to Ageas group, currently it consists of the diversification between the controlled entities and the excess that is attributable to an outside shareholders in a controlled entity.
Own Funds	Under Solvency II, capital is referred to as Own Funds. For Solvency II purposes the Own Funds are divided in tier 1 unrestricted, tier 1 restricted 2 and 3 to classify the "quality" of the Own Funds items.
IM	Internal Model.
PIM	Partial Internal Model.
RA	Risk Appetite. The budget foreseen for taking risk in pursuit of strategic objectives, limited to 40% of Own Funds.
RC	Risk Consumption. It is defined as an impact of 1 in 30 shock on the Own Fund.
SCR	Solvency Capital Requirement. It is the amount of capital to be held by an insurer to meet the Pillar I requirements under the Solvency II regime. The SCR may be calculated using either approved (Partial) internal model ((P)IM) or the standard formula (SF).
SCR Ageas	This SCR is tailor-made to Ageas (in comparison to SCR SF), specifically on Non-Life risk and spread risk. It is used for Risk and Capital management.
SF	Standard Formula.
TC	Target Capital. It is the amount of capital that is aimed to be held in Ageas. Currently, it is considered as 175% of SCR _{Ageas} .



ANNEXES

Ageas will make very limited use of transitionals

Transitional measures provided by EIOPA

Transitional measures provided by EIOPA	Ageas choices*
To insurers in run-off by 01/01/16, a 3 or 5 year	×
Repackaged loans : requirements only apply if new underlying exposures added or substituted after 31/12/14	×
Currency risks Exposure to any member states' central governments or central banks denominated state will be treated in the same way as domestic currency exposures (2 years)	×
Capital charge for equities bought on or before 01/01/16 can be phased in over 7 years using the 22% charge applying under the duration-based approach as a starting point	×
Insurers that meet Solvency I Solvency requirements, will have up to 2 years, until 31/12/17, to comply with Solvency II SCR requirements	×
Firms can apply for approval of internal models for part of a group where a firm and its ultimate parent are situated in the same member state (6 years)	×
Valuation of technical provisions according to Solvency II principles with adjustment to relevant risk-free rate term structure, taking into account the level of Solvency I interest rates (16 years).	×
Deduction to technical provisions applied at the level of homogeneous risk groups (16 years)	×
Consolidation of third country activities based on local rules during Preparatory Phase will still ultimately be subject to an equivalence assessment as set out in the Directive & Delegated Acts	×
3 years extended reporting deadlines – 4th year Solvency compliant	✓
Solvency I compliant capital instruments issued before 01/01/16 will be grandfathered for up to 10 years - possible disadvantages for new already Solvency II compliant instruments	✓

*Ageas choices @ group level



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.



