

DEEP Introduction
Dive to IFRS 17/9



Wednesday 7th December 2022

ageas®

Key highlights

Christophe Boizard
CFO Ageas

- New accounting framework – **underlying economics do not change**
- **Solvency II and FCG** stable frameworks
- No change to **dividend** strategy and on economic leverage
- Volatility introduced by IFRS 9
- Economic view on equity – limited impact on equity excl. UG/L¹

Consolidated entities

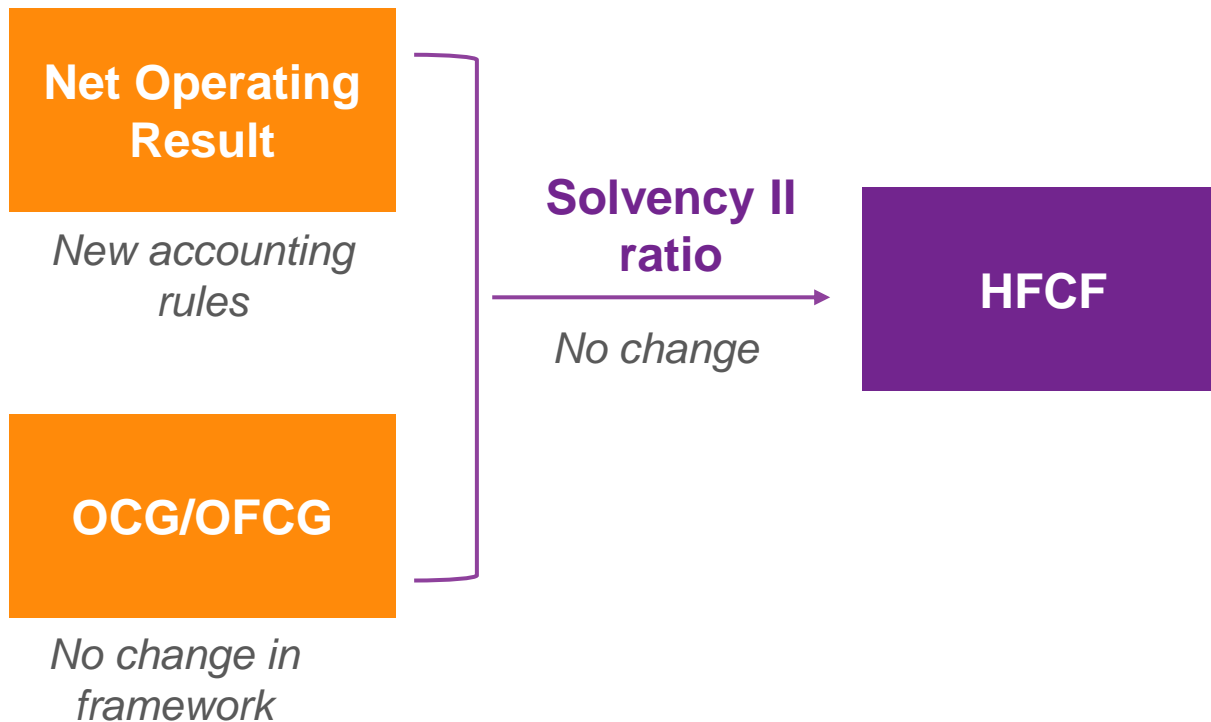
- Opening balance sheet under IFRS 17/9 in **final stage** of review by auditors
- H1 2022 parallel run results ready for analysis

NCPs

- Preparatory work in line with timeframe of local adoption dates
- China, Thailand, Malaysia and Türkiye accounted under IFRS 17/9 as from 2023
- Other NCPs will continue to be accounted for under IFRS 4 until local adoption to avoid future consolidation differences - Impact on consolidated figures not material, materiality assessment in collaboration with external auditors

Today's presentation will **focus on consolidated entities** with directional information that is still subject to change

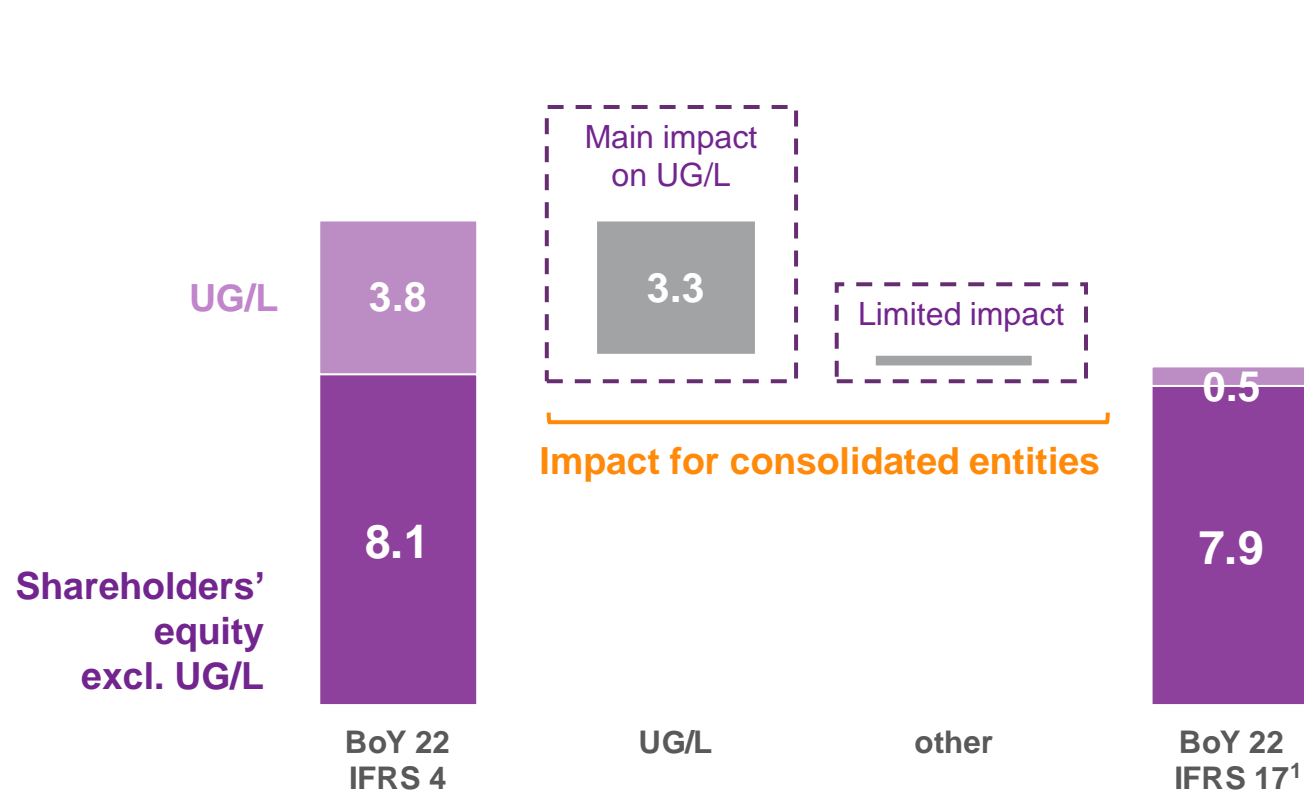
In future more **consistency and transparency group-wide, including NCPs**



- **Net Operating Result**, which is net result adjusted for non-cash investment movements and recycling of realised gains on FVOCI equities, provides a **view on distributable result** over the period. **Limited impact** from transition to IFRS 17/9 compared to Net result under IFRS4/IAS39
- **OCG / OFCG** provides view on **sustainable growth in capital generation** to support business growth and dividend payments – **No impact** from transition to IFRS 17/9
- **Solvency II** ratio as a **guardrail**

More stable development of equity over time thanks to more consistent discounting of investments and liabilities

In EUR bn
BoY 22



- Movement in Shareholder's Equity **purely** related to **treatment of UG/L**
- **More economic view** on Shareholders' Equity
- Impact for **consolidated** entities only
- Results for **NCPs** still under review
- **UG/L Real estate** remain excluded from Shareholder's equity

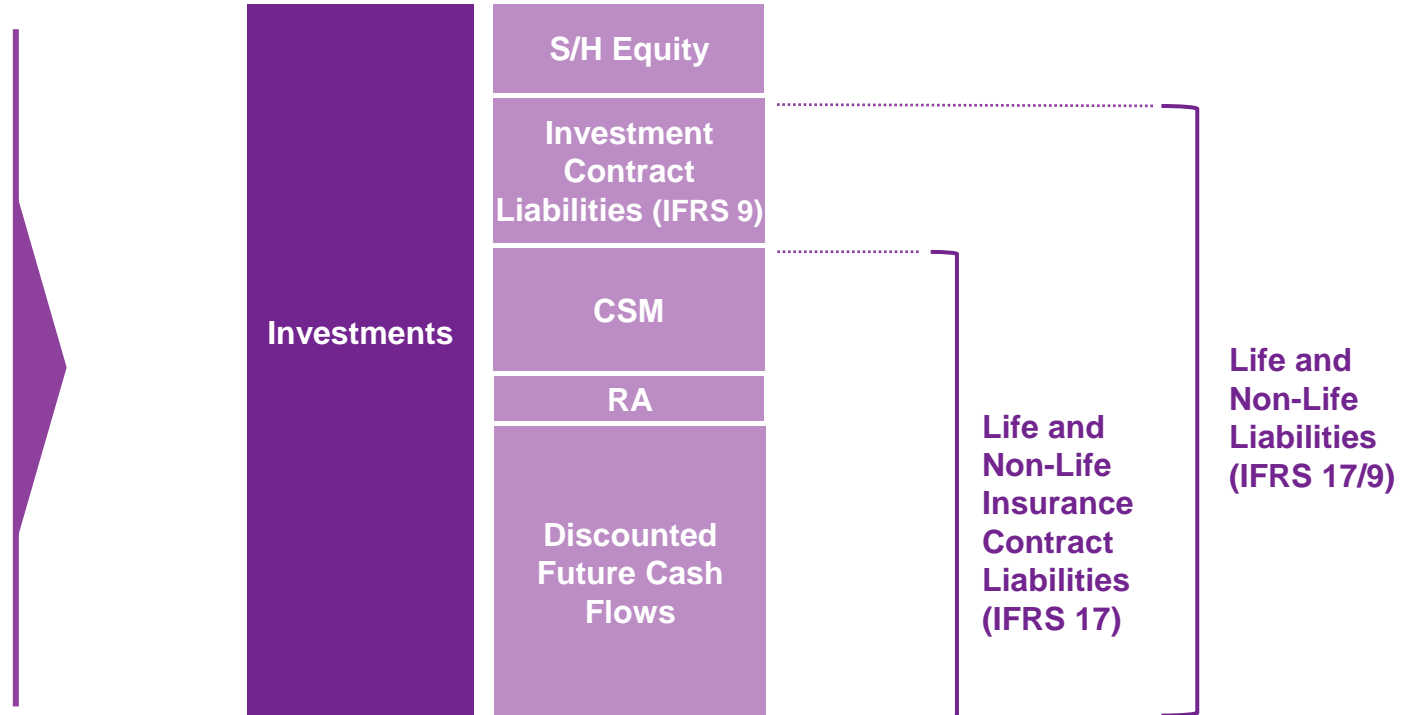
¹ Includes consolidated entities based on IFRS 17/9 and NCPs based on IFRS 4

IFRS 17/9 changes the balance sheet structure

IFRS 4/IAS 39



IFRS 17/9

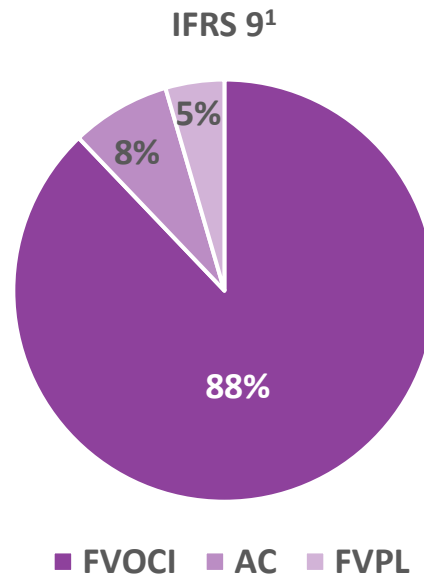
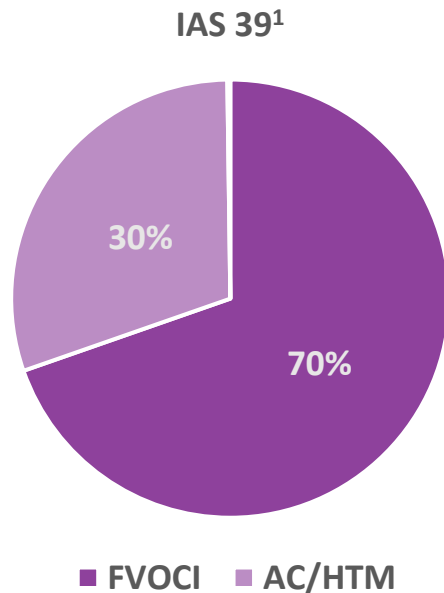


Impact on Investments

Wim Vermeir
CIO Ageas and AG Insurance

FVOCI option for largest part of consolidated investment portfolio

Consolidated entities
BoY 22



Measurement base Investments

- **FVOCI option** applied for 88% of **consolidated investment portfolio**
- Fixed income funds, ETFs, private equity fund, infra equity funds mandatory measured at **FVPL**
- Majority of **Real estate investments²** continue to be accounted for **at amortised cost**
- **FVPL** includes both mandatory FVPL (<3%) and designated FVPL (<2%)

¹ Consolidated investments excl. UL financial investments

² Majority not in scope of IFRS 9

Expected Credit Loss (ECL) new P&L component

- Applies mainly to **fixed income investments**, based on expected instead of incurred losses (forward looking) - **P&L volatility** might increase as economic outlook evolves
- **ECL not material** for the consolidated entities as **97%** of the fixed income portfolio is investment grade

FVPL volume increases

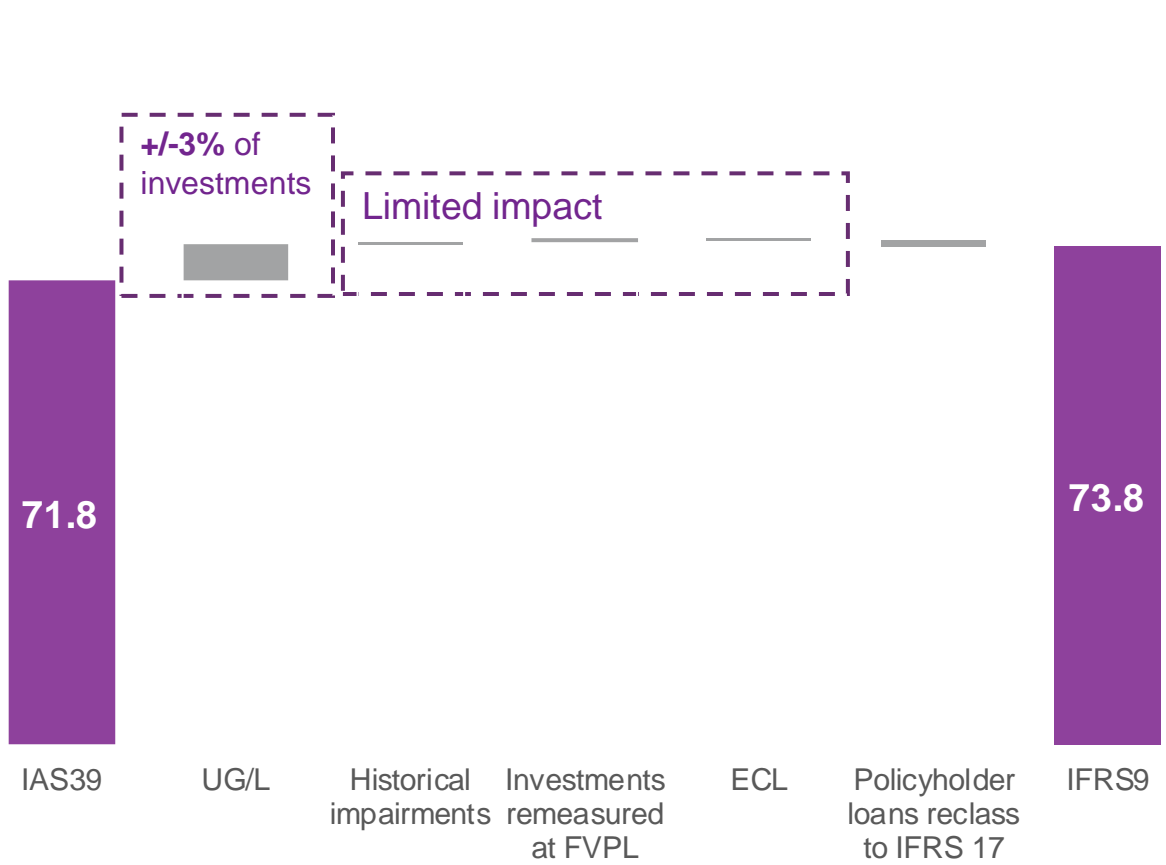
- Due to **SPPI criteria** more investments will be classified as FVPL
- **Ageas' mandatory FVPL is below 3%** as % of total investment portfolio

RG/L on FVOCI equities part of financial performance

- FVOCI option (without recycling) applied for **majority of equities** of the consolidated entities
- Realised G/L on FVOCI equities finance **part of profit sharing and/or dividend**

Limited impact from transition to IFRS 9

Consolidated entities
BoY 2022
@ageas' share



Investments (accounting view)

- **Limited impact from transition** as most investments already measured at fair value
- **Impact on UG/L** primarily due to remeasurement of HTM bonds and loans to FVOCI
- Effect on equity excl. UG/L resulting from :
 - **elimination of historical impairments** on FVOCI equities (trigger 1 and 2): restate back to purchase value
 - restatement to FVPL of instruments that fail the SPPI-test and are accounted for as **FVPL**: fixed income investments and fund investments
 - impact of introducing the **ECL model**
- Reclass of policyholder loans to liabilities in line with IFRS 17

Impact on Investments in summary

OCI option preferred

Ageas elects to classify a large part of the investment portfolio at FVOCI, also on equities

ECL limited impact

Expected Credit Loss (ECL) becomes a new P&L component. ECL is not material at transition for the consolidated entities

P&L volatility

IFRS 9 will introduce additional volatility in results due to some non-cash movements

Limited IFRS 9 transition impact

The IFRS 9 transition impact on equity excl. UG/L is limited and results mainly from the recognition of FV movements of investments classified as FVPL

Impact on Liabilities and Shareholders' Equity

Wim Guilliams
CFO AG Insurance
Group Project Lead IFRS 17/9



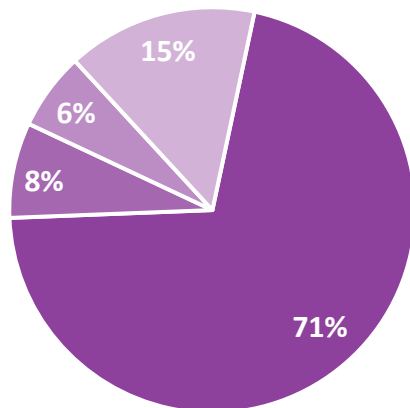
Measurement models

Consolidated entities
@ageas' share

S/H Equity
Investment Contract Liabilities
CSM
RA
Discounted Future Cash Flows

Life

% of Technical Liabilities, BoY 2022

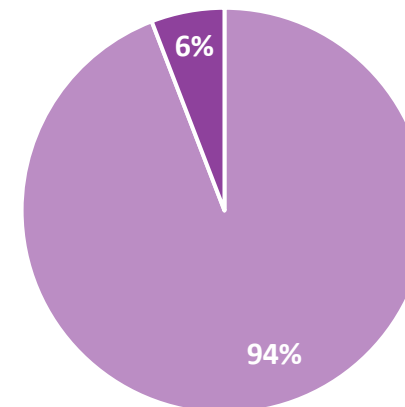


■ BBA ■ VFA ■ PAA ■ IFRS9

- Mainly **BBA** measurement thanks to fully **discretionary profit-sharing** business in **Belgium & Portugal**
- **UL business** spread over **IFRS 9/BBA/PAA/VFA** in line with the nature of the contracts

Non-Life

% of inflows, FY 2021

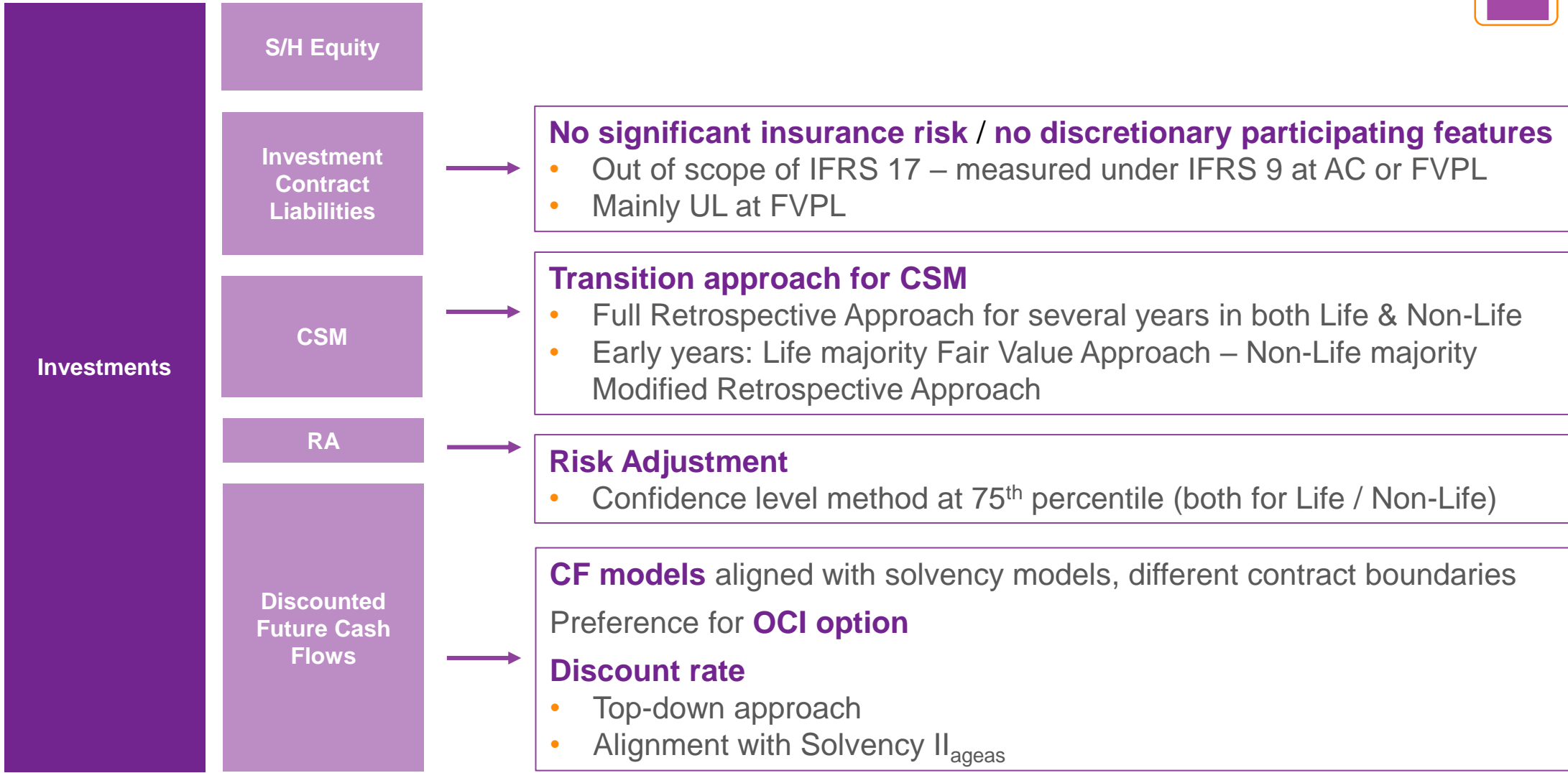


■ PAA ■ BBA

- Majority of **non-life business** accounted for under the simplified model **PAA**
- BBA for contracts with > 1 year coverage period or to improve stability in earnings, mostly **individual health** and **Worker's compensation** in **Belgium**

Note: ¹ Most of the Unit Linked business of the consolidated entities measured under PAA or as IFRS 9 Investment Contracts.

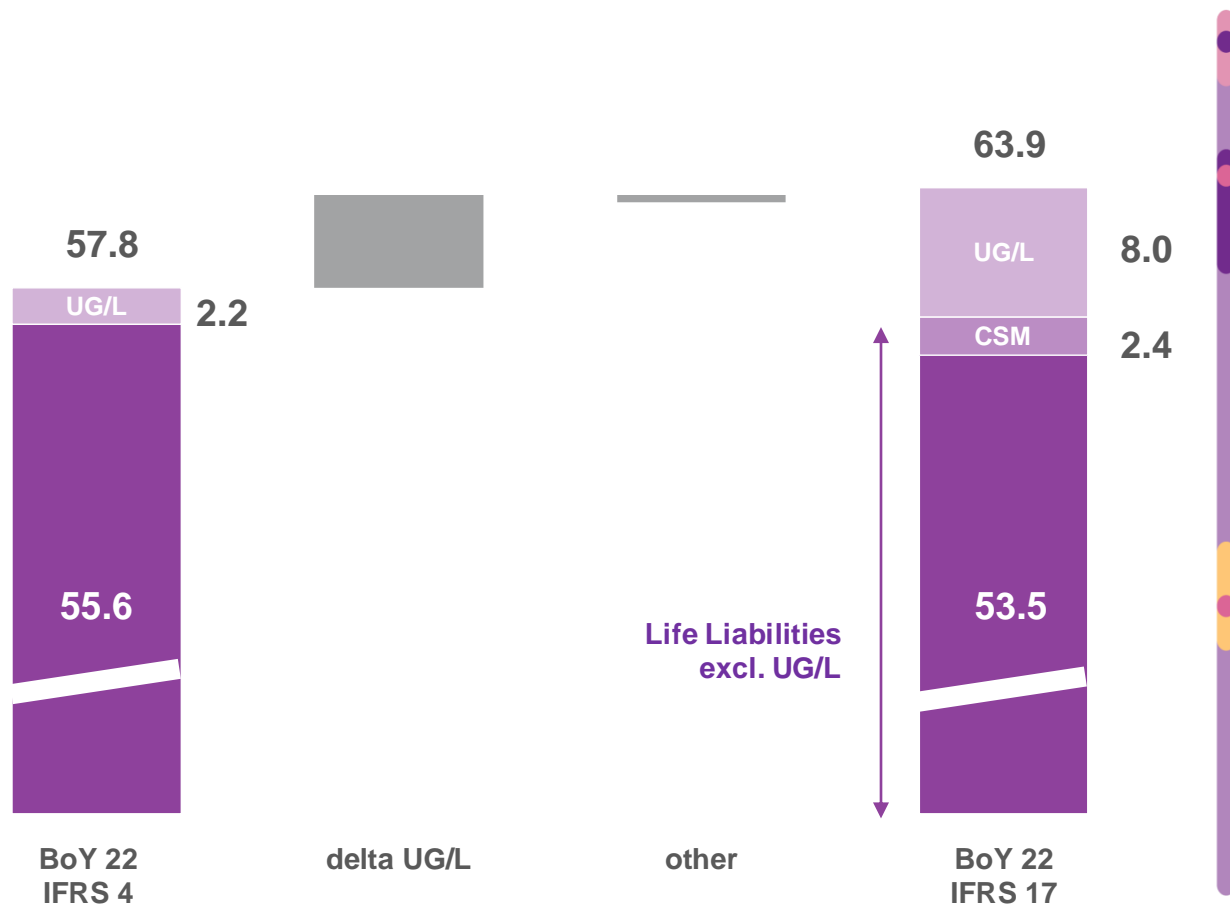
Key accounting choices



Life Liabilities - CSM¹ around EUR 2.4 bn for conso

S/H Equity
Investment Contract Liabilities
CSM
RA
Discounted Future Cash Flows

Consolidated entities
In EUR bn
@ageas' share

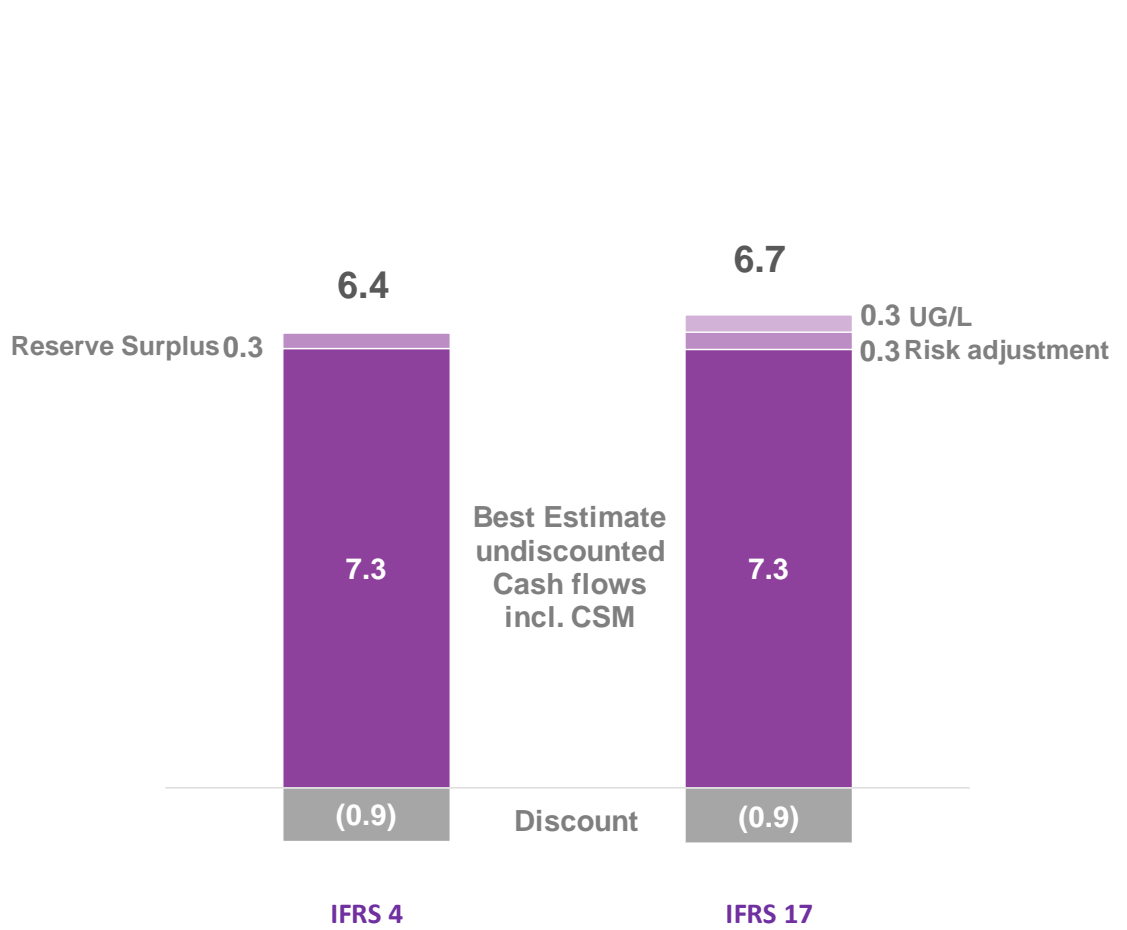


- **Life Liabilities** = insurance & investment contract liabilities related to the issued life contracts
- Life insurance liabilities at **current value** :
 - Calculated at **best estimate** and **discounted**
 - **Risk Adjustment** added as allowance for uncertainty, included in fulfilment cash flows
 - Future unearned results shown separately as **CSM** ('Contractual Service Margin')
- **Limited CSM on UL**
- **Life Liabilities** excl. UG/L **in line with IFRS 4**. UG/L better matched with UG/L on assets

¹ before tax

Limited transition impact on Non-Life Liabilities

Consolidated entities
In EUR bn
@ageas' share

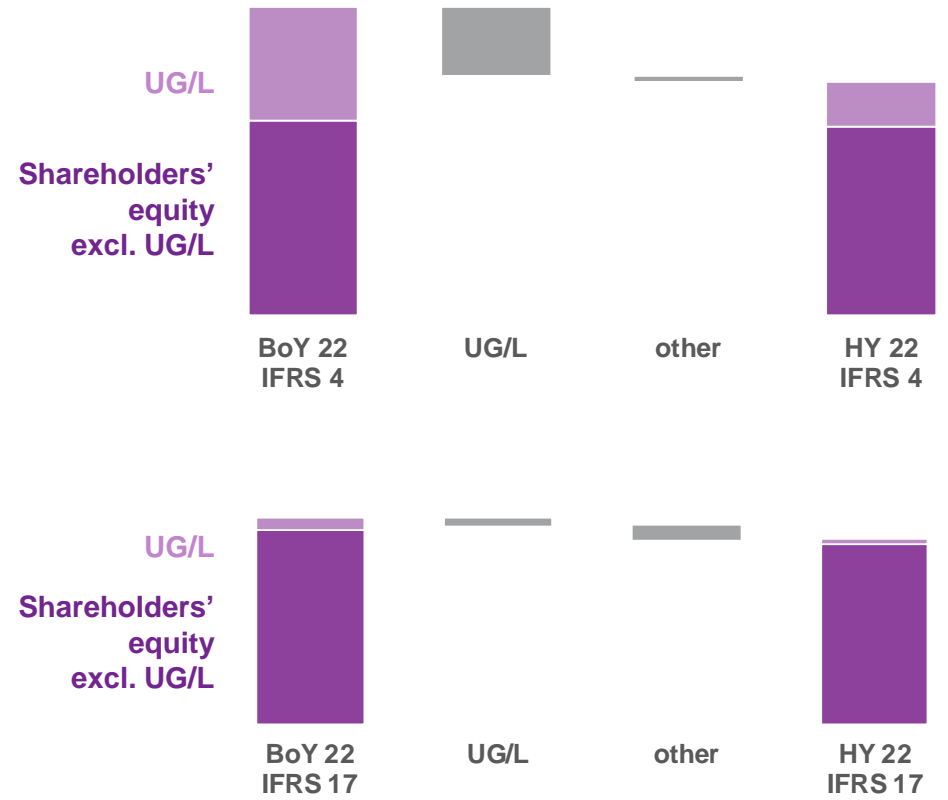
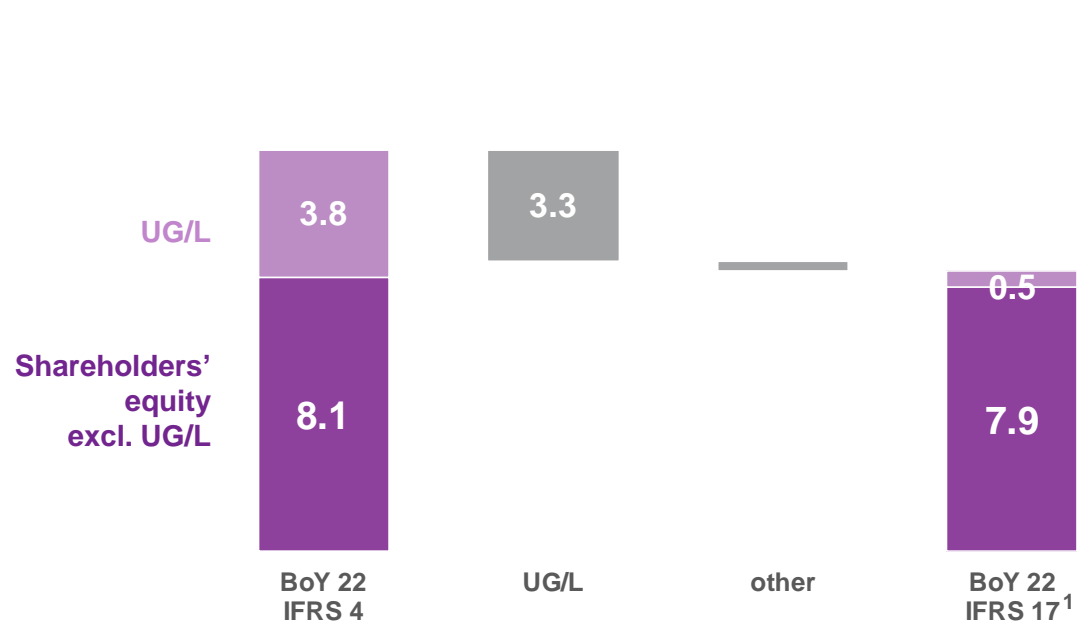


- **All claims discounted.**
Limited impact on Non-Life liabilities excl. UG/L as long term claims already discounted under IFRS 4
- Non-Life insurance liabilities at **current value** on balance sheet. UG/L better matched with UG/L on assets
- **Risk adjustment** is an allowance for uncertainty and replaces the reserve surplus under IFRS 4
- Only **negligible CSM**, as majority of non-life business accounted for under PAA

IFRS 17 resolving non-symmetric treatment of UG/L in Shareholders' Equity

In EUR bn
 BoY 22

Illustrative



- Drop in Shareholders' Equity related to **treatment of UG/L**
- **Limited transition impact** on equity excl. UG/L
- Fully expensing of **PAA acquisition costs**

- Under IFRS 17/9 **more stable development** of equity **over time** as no longer non-symmetric treatment of UG/L on assets and liabilities
- More consistent discounting of assets and liabilities

¹ Includes consolidated entities based on IFRS 17/9 and NCPs based on IFRS 4

Comprehensive Equity provides an improved economic view on equity

S/H Equity
Investment Contract Liabilities
CSM
RA
Discounted Future Cash Flows

- Concept of **Comprehensive Equity**: equity needs to be considered together with the contractual service margin to have an economic view
- **IFRS Financial leverage** to be considered in relation to comprehensive equity
- Non-recognised **UG/L on Real Estate** of EUR 1.0 bn (*@ageas' share, after tax*) at BoY 2022

Share capital and share premium
Other reserves and net result of the period
UG/L on assets and liabilities

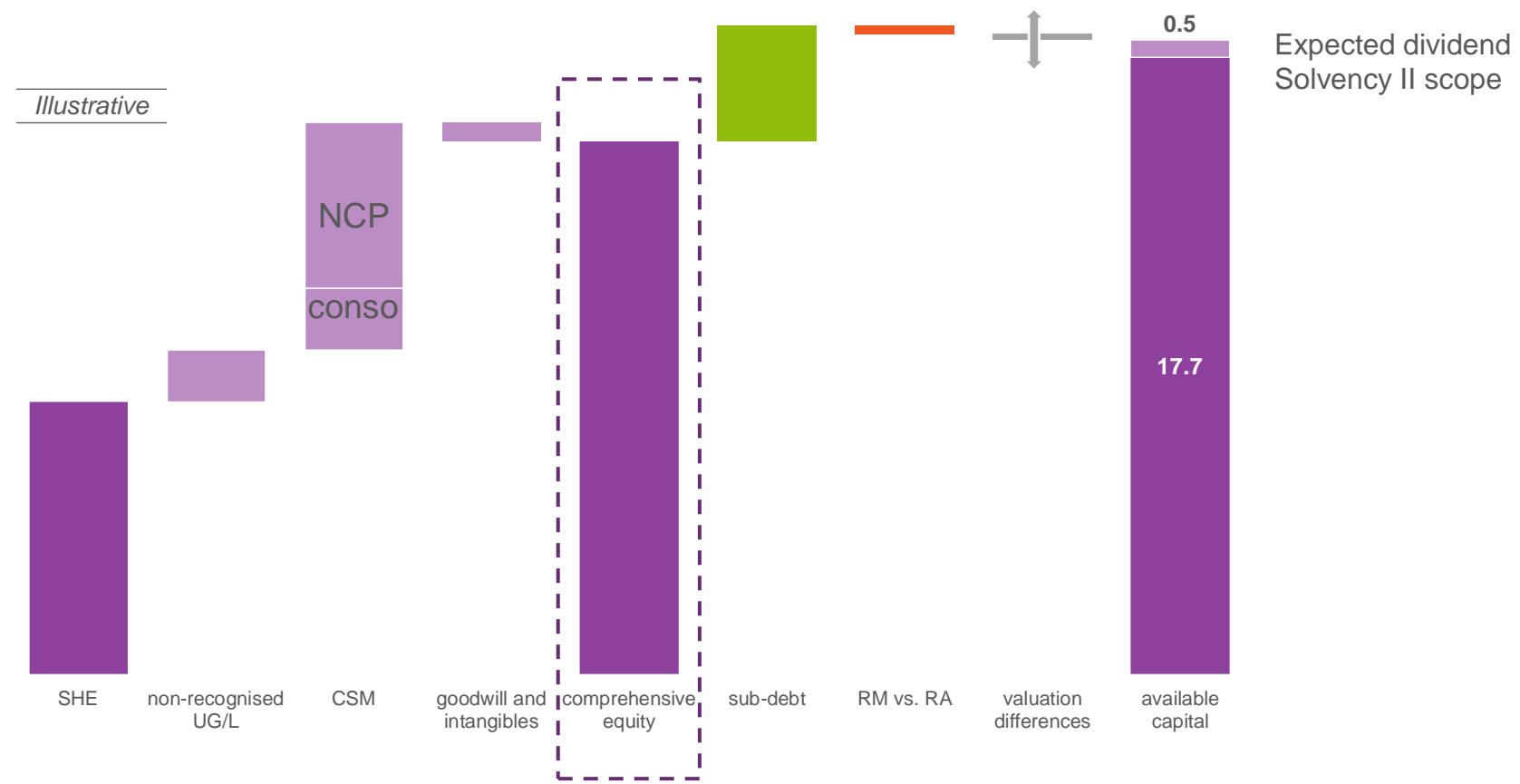
Shareholders' Equity (SHE)

+ Non-recognised UG/L on AC investments / mainly Real Estate
- Goodwill and intangibles
+ Contractual Service Margin (CSM) after tax

Comprehensive equity

Concept of Comprehensive Equity improves reconciliation with solvency available capital

Group-wide view
In EUR bn
BoY 22
All after tax



Impact on Liabilities and Equity in summary

Measurement Models and Accounting Choices

Measurement models and accounting choices that best capture underlying business drivers and allow for stability in results

Limited transition impact on equity

Transition to IFRS 17/9 has limited impact on equity excl. UG/L
Development of equity over time more stable

Comprehensive equity

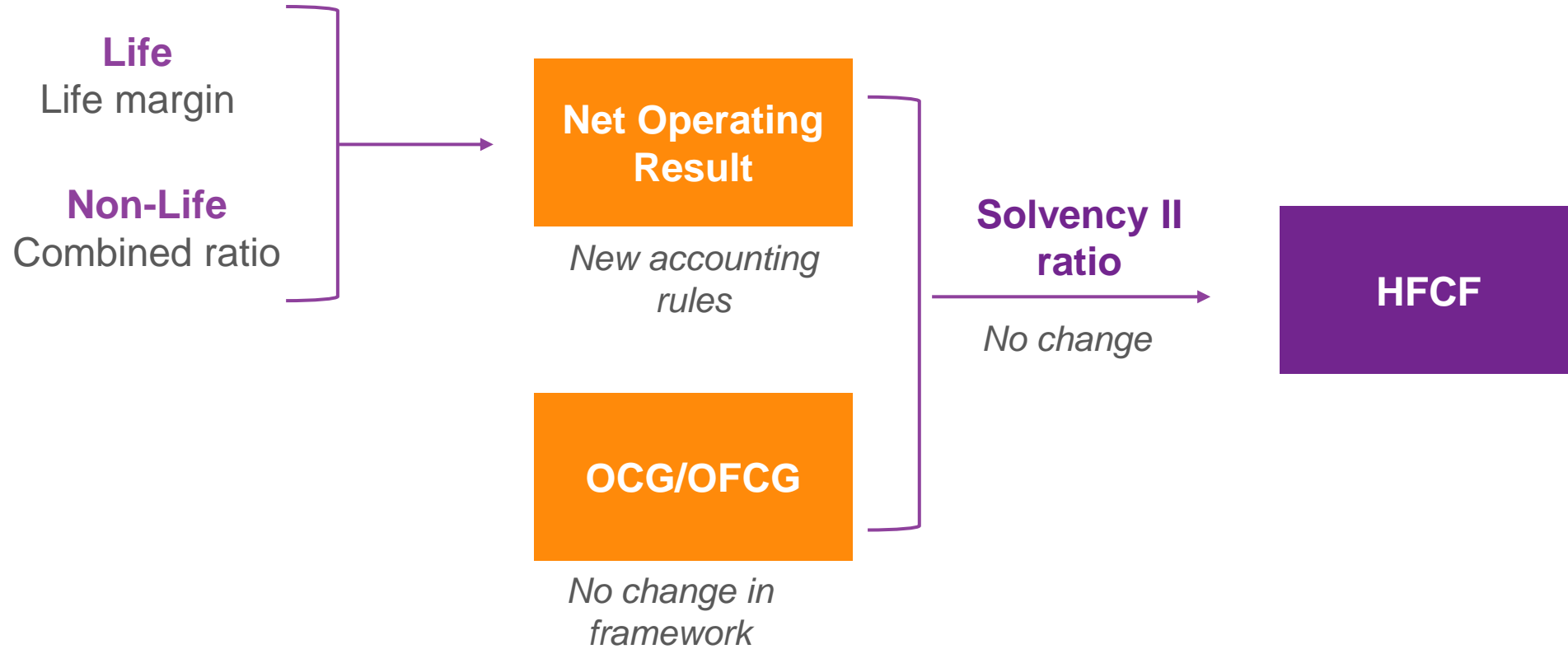
Concept of Comprehensive Equity provides an improved economic view on equity and allows to reconcile with solvency available capital

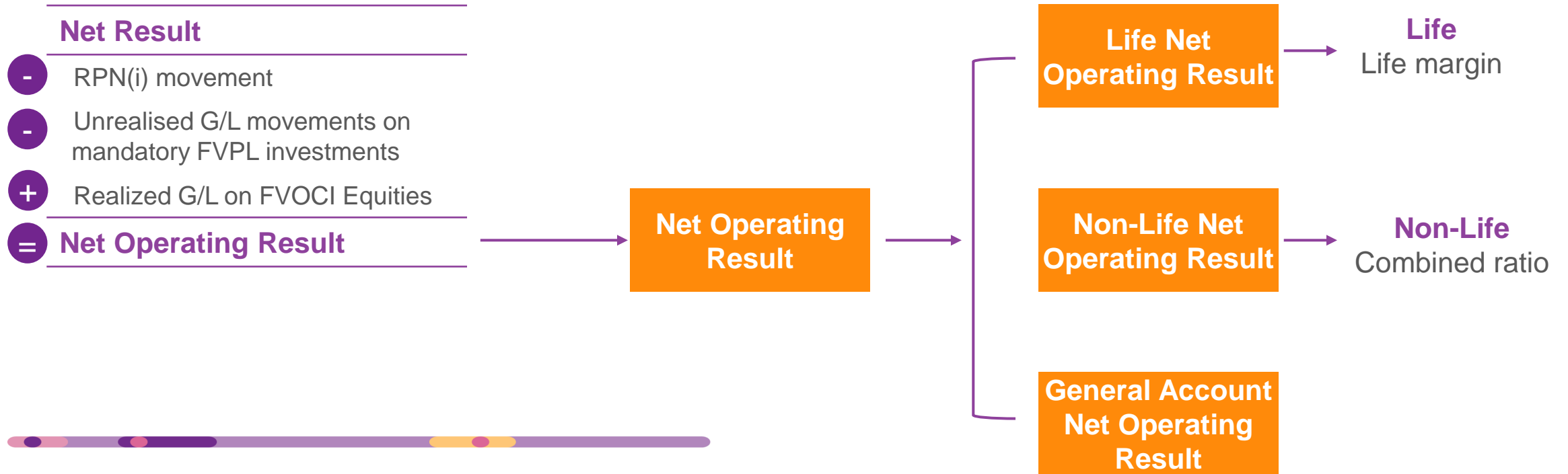
Impact on P&L & Performance Metrics

Wim Guilliams
CFO AG Insurance
Group Project Lead IFRS 17/9

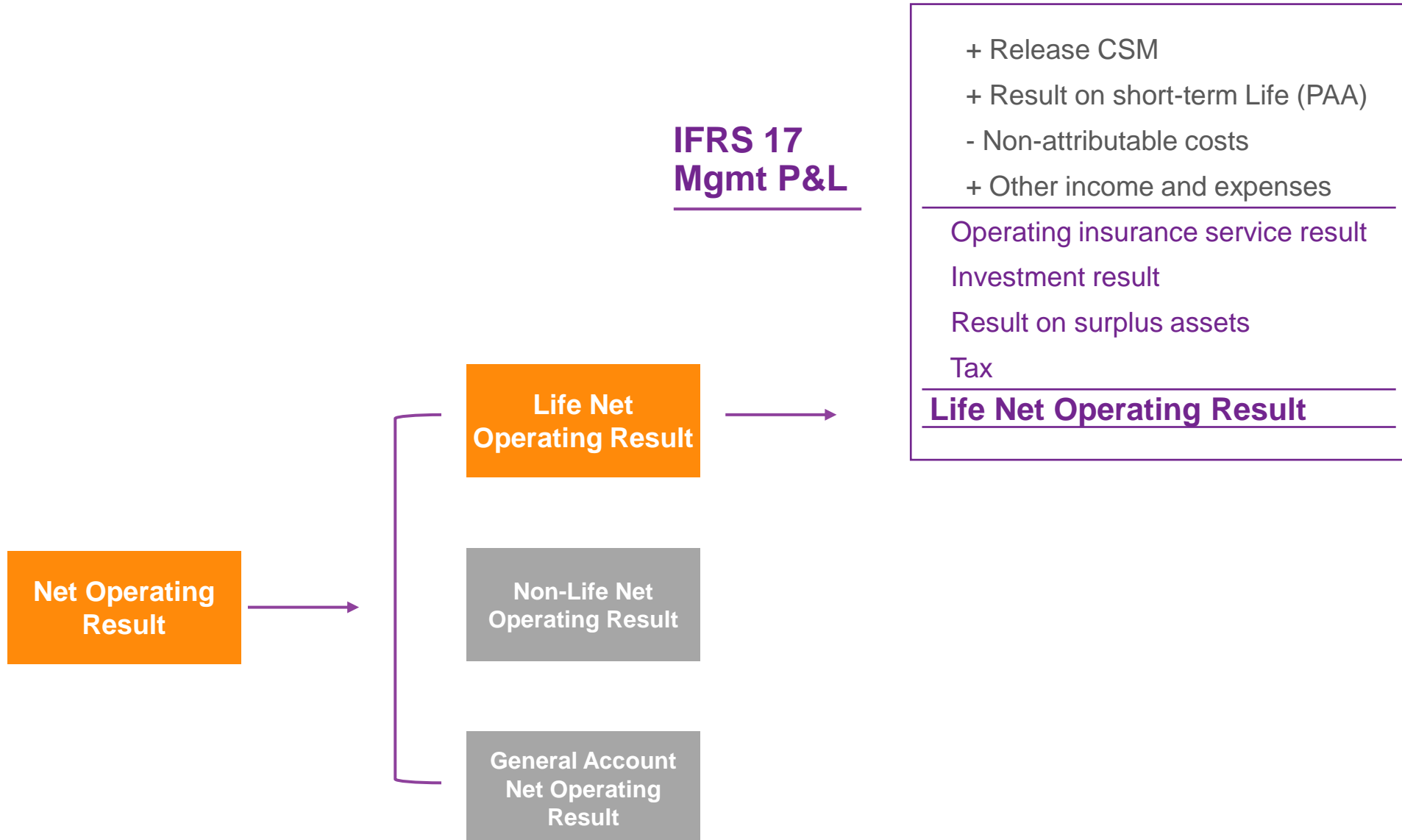
Shareholders' remuneration – focus on IFRS leg

Key operating drivers





- Net Operating Result is **Net result adjusted for non-cash P&L movements** and includes RG/L on FVOCI equities
- **Full cost view**, allocating non-attributable costs both in Life and Non-Life
- NEW** • **Improved transparency as over time NCPs will be included**

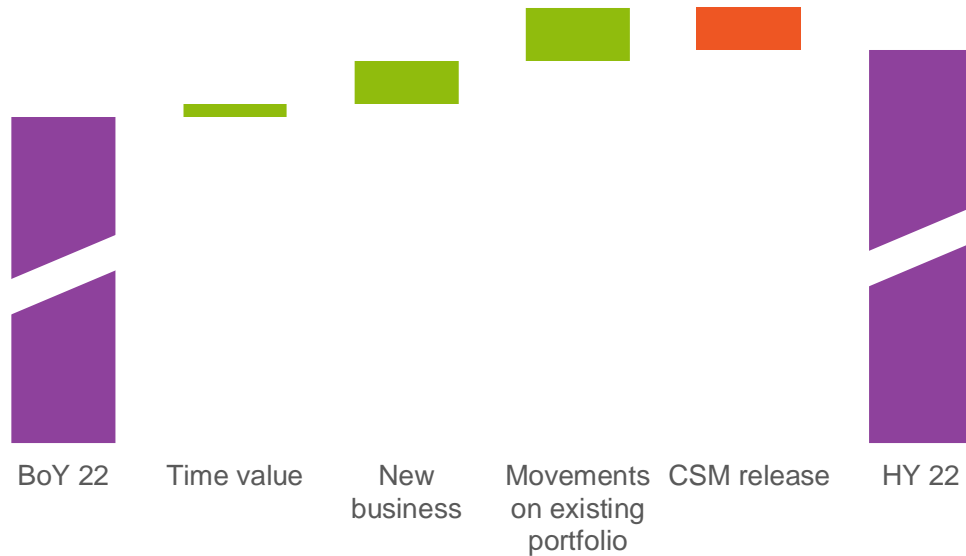


New disclosures in Life to better understand CSM dynamics

Consolidated entities
@ageas' share
Before reinsurance
Before tax

Life Guaranteed CSM movement

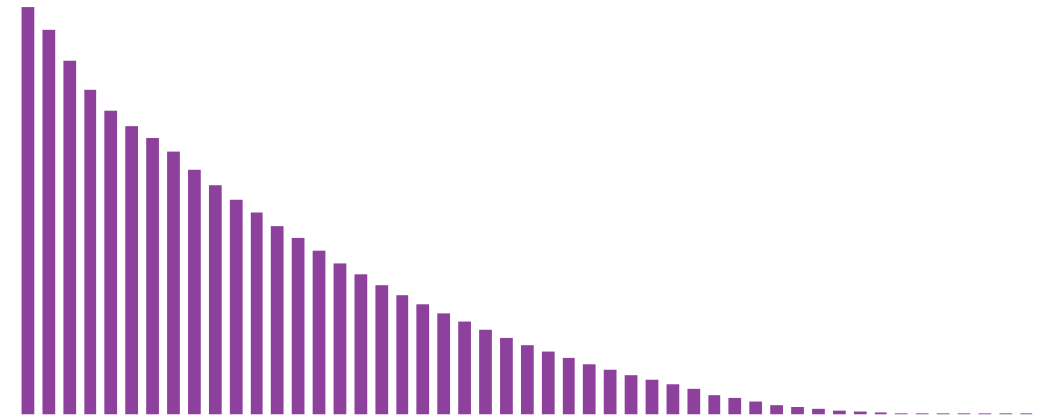
Illustrative



- CSM movement provides insight on **new business** and result contribution via the **release of CSM**
- **Movements on existing portfolio** include assumption changes, movements in projected volumes¹ and market movements for VFA business

Forward looking Life Guaranteed CSM release

Illustrative



- **Forward looking view** of CSM development on existing business part of the standard IFRS 17 disclosures

Life Management P&L View

+ Release CSM
+ Result on short-term Life (PAA)
- Non-attributable costs
+ Other income and expenses
<hr/>
Operating insurance service result
Investment result
Result on surplus assets
Tax
<hr/>
Life Net Operating Result
<hr/>

Illustrative



- **Half of Life Net Operating result** generated by additional sources on top of CSM release
- **Limited difference** expected in (operating) results between IFRS 17 and IFRS 4, as today results are already recognized over time in line with the investment and cover period

IFRS 4 Life Operating Margin

$$\frac{\left[\begin{array}{l} \text{Net underwriting result +} \\ \text{Investment result} \end{array} \right]}{\left[\begin{array}{l} \text{Average life technical liabilities,} \\ \text{excl. shadow accounting} \end{array} \right]}$$

IFRS 17 Life Margin

~

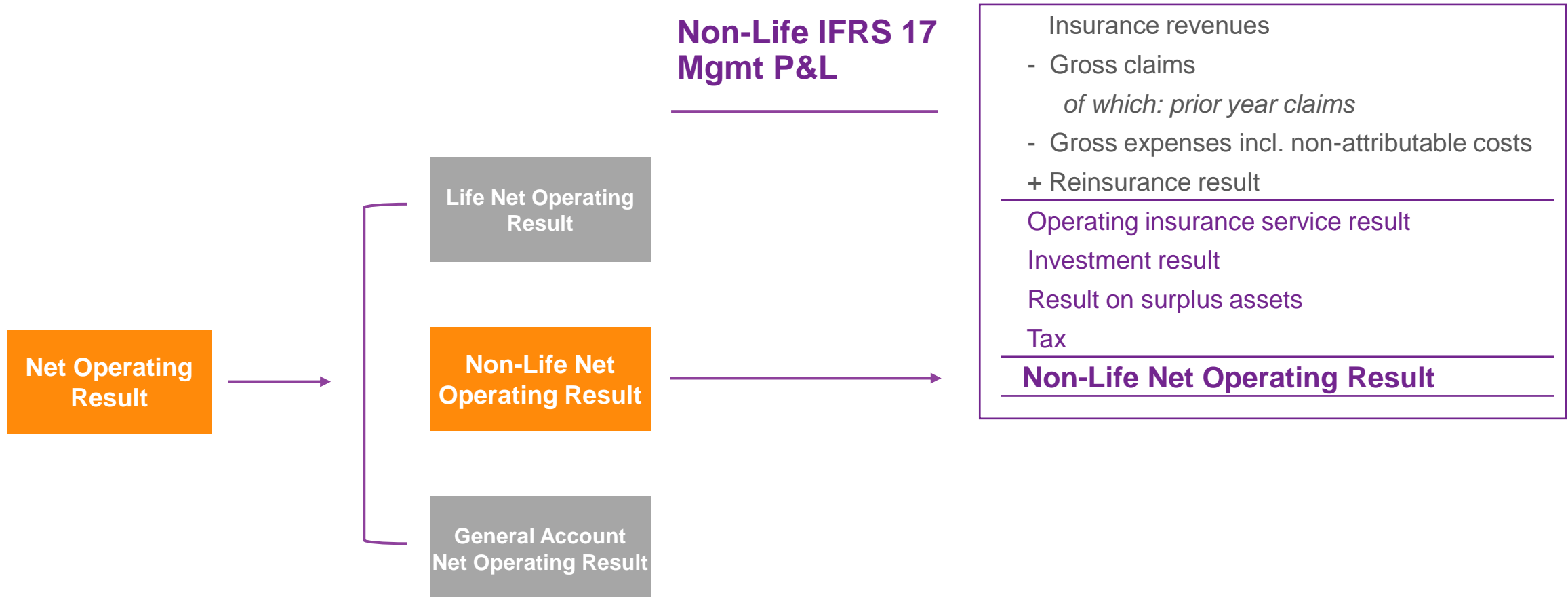
$$\frac{\left[\begin{array}{l} \text{Operating insurance service} \\ \text{result + Investment result} \end{array} \right]}{\left[\begin{array}{l} \text{Average Liabilities excl. UG/L} \end{array} \right]}$$

~

- Estimated impact

- Life Guaranteed **Limited**
- Life Unit-Linked **None**

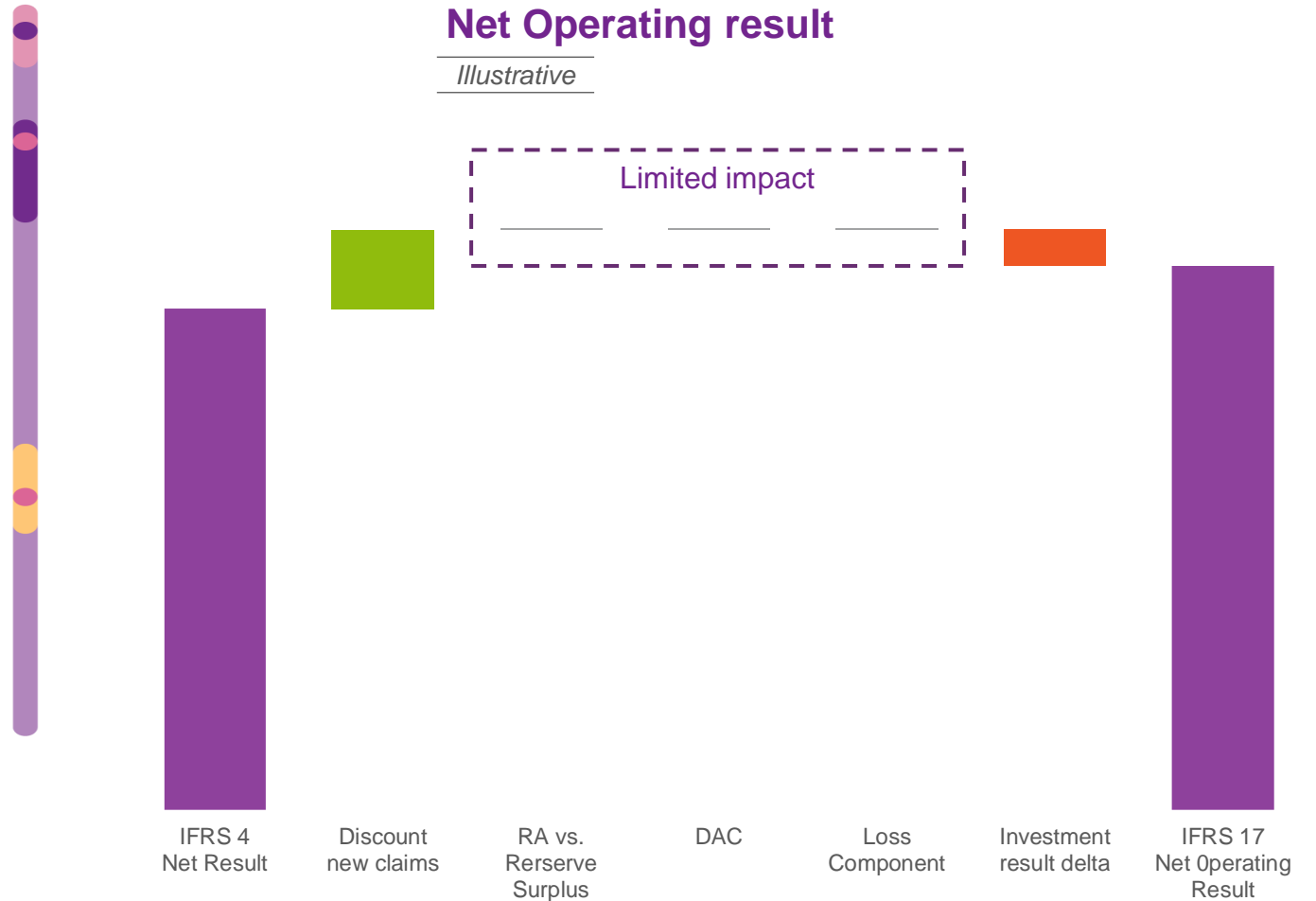
NEW • Improved transparency as over time NCPs will be included



Non-Life Net Operating result: positive impact of discounting of new claims partially off-set by lower Investment Result

Non-Life Management P&L View

Insurance revenues
- Gross claims <i>of which: prior year claims</i>
- Gross expenses incl. non-attributable costs
+ Reinsurance result
<hr/>
Operating insurance service result
Investment result
Result on surplus assets
Tax
<hr/>
Non-Life Net Operating Result



Move to calculation of COR on net/gross basis

IFRS 4 Combined Ratio net/net

$$\frac{\left[\begin{array}{c} \text{Net claims + Net} \\ \text{expenses} \end{array} \right]}{\left[\begin{array}{c} \text{Net earned premium} \end{array} \right]}$$

IFRS 17 Combined Ratio net/gross

$$\frac{\left[\begin{array}{c} \text{Gross claims + Gross expenses} \\ \text{+ Reinsurance result} \end{array} \right]}{\left[\begin{array}{c} \text{Insurance revenues} \end{array} \right]} \text{ comparable to gross earned premiums}$$

- Estimated impact
 - Move to net/gross **Deterioration 0 - 1.5pp**
 - Discounting of all new claims **Improvement 0 - 2.5pp**
- = **NEW** • **Product Groups** : Accident & Health, Motor, Household and Other
- **Improved transparency as over time NCPs will be included**

Impact on P&L and Performance Metrics in summary

Concept of Net Operating result

Net result adjusted for non-cash items and including realised capital gains on FVOCI equities

Operating result used to monitor and steer operating performance - good metric of distributable result over the period

Limited impact on results

IFRS 17 Net Operating Result for consolidated entities closely aligned with IFRS 4 Net Result

Limited impact on operational KPIs

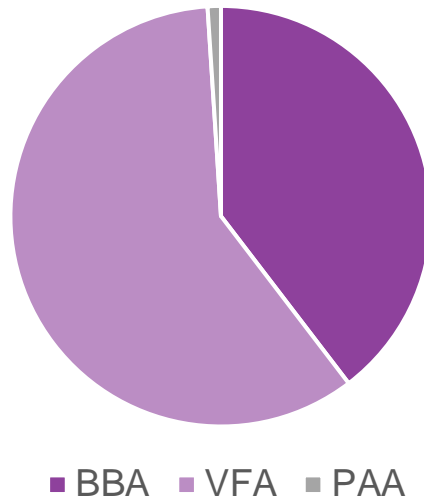
Continue to use Life Margin and Non-Life Combined Ratio as KPIs

New disclosures

Management P&L for both Life and Non-Life

New disclosures to better understand CSM dynamics & additional result sources next to release of CSM

- Mainly **VFA** measurement due to **participating business** in **China** and **Malaysia**
- **BBA** mostly from **non-participating business** in **China** and **Thailand**

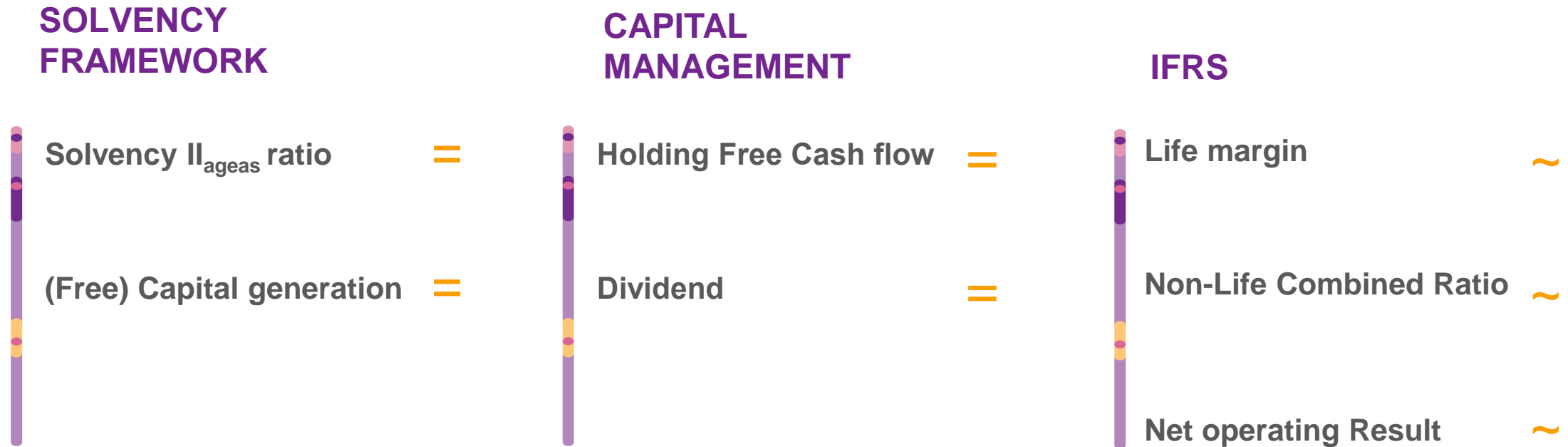


- **FVOCI** preferred option for Non-par business
- Risk adjustment following local view
- Taiping Life:
 - Future impact **VIR through OCI**
 - Concept of **CSM** under IFRS 17 comparable to Residual margin under CAS
 - Assumptions **aligned with C-Ross** phase II where possible
 - Ageas adjustment linked to Real Estate revaluation will remain

Key take-aways

Hans De Cuyper
CEO Ageas

IFRS 17/9 - an accounting change that does not change the underlying economics of our business



IFRS 17 will not change our:

- Ability to generate cash and capital
- Ability to pay dividends and invest in future growth
- Solvency position - Creditworthiness - Economic leverage

Financial communication going forward

@ageas' share

All metrics disclosed @ageas' share

Inflows

Current concept of Inflows kept as an activity KPI

NCPs

NEW NCPs gradually included in all KPIs, including Life margin & combined ratio

Timing of reporting

Financial results reported twice a year



June 2023 Deep Dive on IFRS 17/9

Including

- Group - wide
- Opening Balance Sheet
- FY 2022 results
- Format recurring communication

Annex

OCI option

- For non-VFA business, **preference for OCI-option** as this allows to split between Operating Earnings and market impact (via UG/L in equity).

CF and Valuation Models

- Cash flow projection and valuation model **aligned with solvency calculations**.
- IFRS principles require to use long contract boundaries for insurance contracts without a guarantee on future premiums.

Discount rates

- Current rate: **top-down approach** aligned with discount rates in Solvency II (Pillar 2) to capture non-fundamental spread in own asset portfolio.
- Accretion yield based on Crediting Rate increased with flat margin (with profit) or Locked-In Rates at initial recognition.

Risk adjustment

- **Confidence Interval-method** (75% percentile for conso entities, ultimate), aligned with solvency II distributions, OCI-option

Level of Aggregation

- Application of **annual cohorts**, except for Ageas France (aligned with local peers).

Coverage units

- **Weighted coverage units** are used for multi-cover products when relevant to have an earnings profile in line with the nature of the contract. Otherwise, most relevant single coverage unit is used.

YTD approach

- Remeasurement of YTD results for updates in accounting estimates.

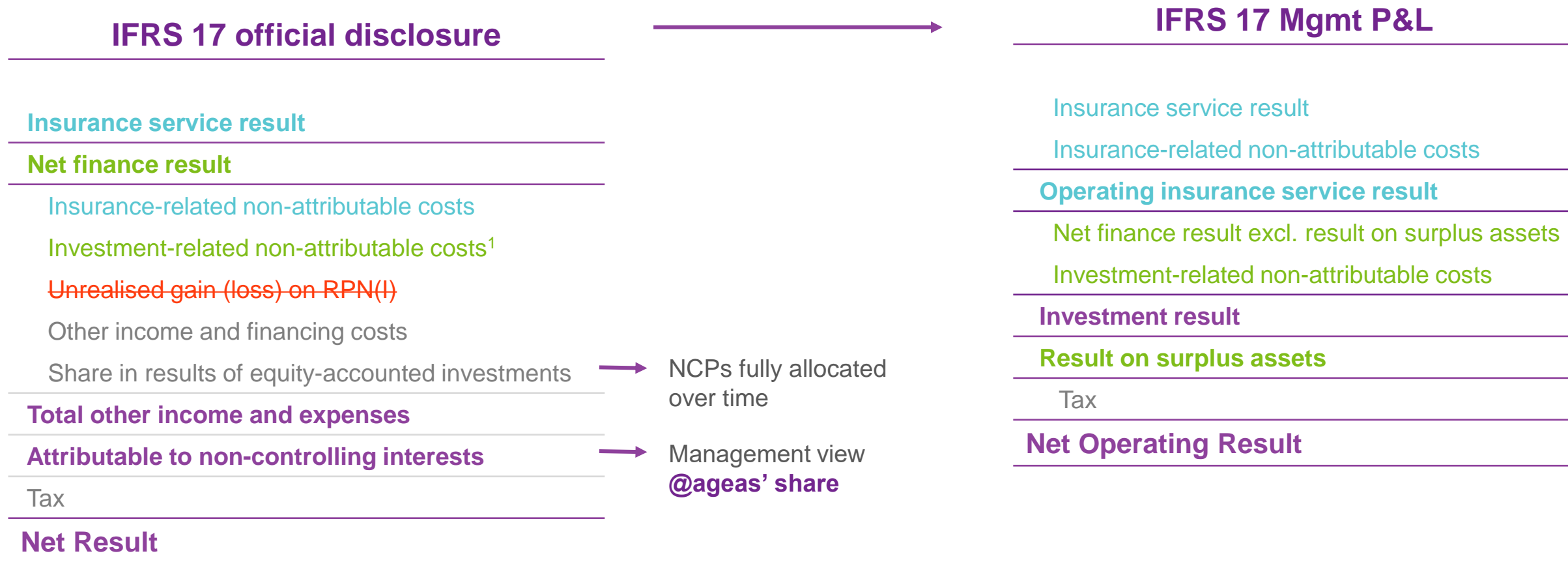
Acquisition costs

- Under PAA, **acquisition costs expensed** when incurred.

- **BBA** (Building Block Approach):
 - Default model for all insurance contracts
 - Types of contracts : long-term insurance, protection business, annuities, fully discretionary life business, long term or inflation sensitive non-life insurance contracts, Unit-linked highly interrelated to BBA contracts
- **VFA** (Variable Fee Approach) :
 - Mandatory model for insurance contracts with direct participation features
 - Types of contracts : Unit-linked contracts, participating business with a determinable fee
- **PAA** (Premium Allocation Approach) :
 - Simplified optional model for short term contracts
 - Types of contracts : short term non-life insurance, repriceable term life & specific group contracts, most reinsurance treaties, Unit-linked contracts with resettable fees

Management P&L provides additional insights on result drivers

Mgmt view, margin & COR at Ageas' share



Note: ¹Sizeable part of non-attributable costs relate to investments in direct Real Estate and car parks - allocated in mgmt. P&L to investment result and result on surplus assets.

+ Release CSM
+ Result on short-term Life (PAA)
- Non-attributable costs
+ Other income and expenses
<hr/>
Operating insurance service result
Investment result
Result on surplus assets
Tax
<hr/>
Life Net Operating Result
<hr/>

Release CSM

- CSM valued at locked-in rates (BBA) or current rates (VFA)
- Operational variance for future service accounted for in CSM
- For VFA, changes in cash flows due to market movements accounted for in CSM
- Release over time based on (weighted) coverage units

Result on short-term Life

- PAA measured contracts – short term reparable

Non-attributable costs

- Insurance related non-attributable costs

Other Income and Expenses

- Risk adjustment
- Experience variance for current and past service
- Reinsurance result

Investment result

- For VFA, zero by design (concept of mirroring)
For BBA/PAA
- Net Investment Income, excl. Result on Surplus Assets
 - Insurance finance expenses measured at
 - crediting rate
 - locked-in rates
 - Captures add-on real world margin

Result on surplus assets

- Financial income on investments of surplus assets, previously called Non-allocated other income and expenses

Insurance revenues - Gross claims <i>of which: prior year claims</i> - Gross expenses incl. non-attributable costs + Reinsurance result
Operating insurance service result Investment result Result on surplus assets Tax
Non-Life Net Operating Result

Insurance revenues	<ul style="list-style-type: none"> Insurance revenue captures the amount charged for insurance coverage when it is earned. In Non-Life, insurance revenues comparable to gross earned premiums
Gross claims	<ul style="list-style-type: none"> Incurred claims before reinsurance
Gross expenses	<ul style="list-style-type: none"> Incurred expenses incl. non attributable costs
Reinsurance result	<ul style="list-style-type: none"> The income or expenses from reinsurance contracts, other than insurance finance income or expenses, as a single amount
Investment result	<ul style="list-style-type: none"> Net Investment Income, excl. Result on Surplus Assets Insurance finance expenses measured at <ul style="list-style-type: none"> crediting rate locked-in rates Captures add-on real world margin
Result on surplus assets	<ul style="list-style-type: none"> Financial income on investments of surplus assets, previously called Non-allocated other income and expenses

Tentative IFRS 17 adoption date

Malaysia	January 1 st 2023
Türkiye	January 1 st 2023
Hong Kong/ China	January 1 st 2023/ January 1 st 2025
Thailand	January 1 st 2025
India¹	January 1 st 2025
Philippines¹	January 1 st 2025
Vietnam¹	January 1 st 2025

BBA: Building Block Approach (see also GMM)

BOY (BoY): Beginning of Year

CF: Cash Flow(s)

COR: Combined Ratio

DAC: Deferred Acquisition Costs

ECL: Expected Credit Losses

ETF: Exchange Traded Fund

FCG: Free Capital Generation

FRA: Full Retrospective Approach (transition to IFRS 17)

FVA: Fair Value Approach (transition to IFRS 17)

FVOCI: Fair Value through Other Comprehensive Income

FVPL: Fair Value through Profit or Loss

GMM: General Measurement Model (see also BBA)

HTM: Held To Maturity

Infra: Infrastructure

KPI: Key Performance Indicator

LIC: Liability for Incurred Claims

LRC: Liability for Remaining Coverage

MRA: (Modified Retrospective Approach (transition to IFRS 17)

OBS: Openings Balance Sheet

PAA: Premium Allocation Approach

RG/L: Realised Gains / Losses

RPN(I): Relative Performance Note (on Cashes)

SHE: Shareholders Equity

SPPI: Solely Payments of Principal and Interest

UG/L: Unrealised Gains / Losses

VFA: Variable Fee Approach


VIR: Valuation Interest Rate

Investor Relations

Tel: + 32 2 557 57 32

E-mail: ir@ageas.com

Website: www.ageas.com



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.