DEEP DIVE ASIA

Thursday 2nd December 2021

FOCUS ON CHINA

ageas

Agenda

I. 20 years of value creation in Asia

II. A closer look on China

III. Core financials TPL

20 years of value creation in Asia

A franchise that started exactly 20 years ago

2001 **China (#6)**

Taiping Life – 24.90%

- **Gross Inflows:** EUR 19.5 bn
- **Life Technical Liabilities:** EUR 75.2 bn
- **Shareholders' Equity**: EUR 8.5 bn

2020 **Taiping Re** – 24.99%

- **Gross Inflows**: EUR 2.2 bn
- **Life Technical Liabilities:** EUR 2.7 bn
- **Shareholders' Equity:** EUR 1.2 bn

2001 **Malaysia & Singapore (#4 Life / #1 Non-Life)**

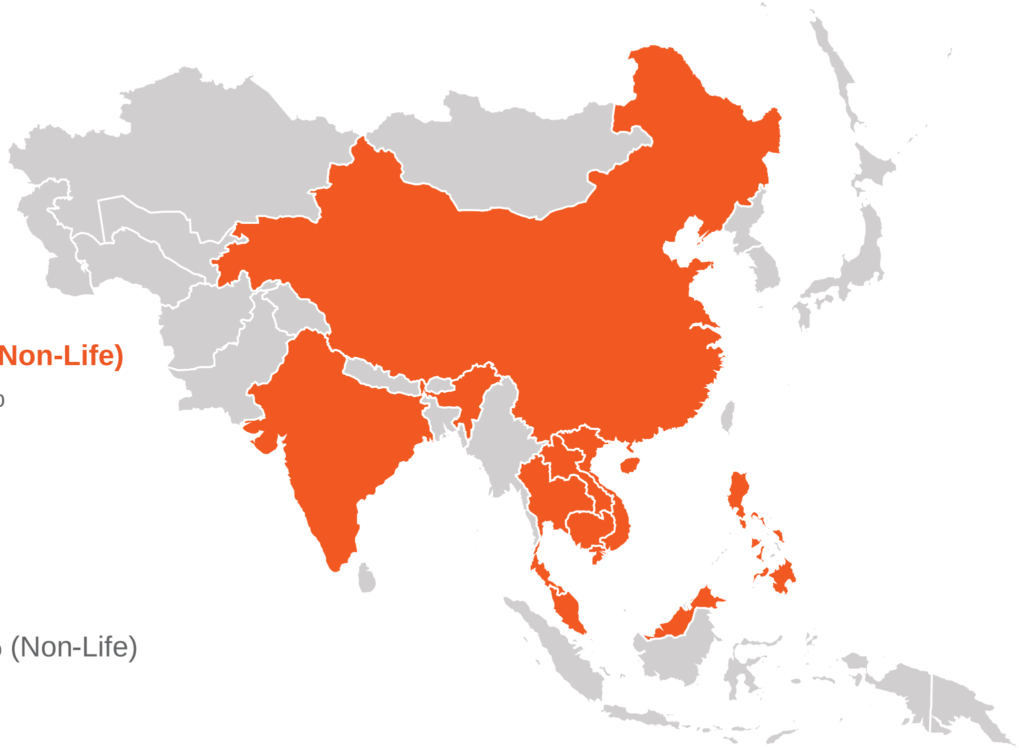
Maybank Ageas Holdings – 30.95%

- **Gross Inflows**: EUR 2.2 bn
- **Life Technical Liabilities:** EUR 5.9 bn
- **Shareholders' Equity**: EUR 1.5 bn

2004 **Thailand (#3 Life / #5 Non-life)**

Muang Thai – 30.87% (Life) & 14.87% (Non-Life)

- **Gross Inflows**: EUR 2.5 bn
- **Life Technical Liabilities**: EUR 12.9 bn
- **Shareholders' Equity**: EUR 4.2 bn
- **Active in Cambodia & Laos**



2008 **2019** **India (#18 Life / #11 Non-Life)**

Ageas Federal (Life) – 49%

Royal Sundaram General (Non-Life) – 40%

- **Gross Inflows:** EUR 565 mio (Life: EUR 220mio; Non-Life: EUR 345 mio)
- **Life Technical Liabilities:** EUR 1.2bn
- **Shareholders' Equity**: EUR 260 mio

2015 **Vietnam (#6)**

MB Ageas Life – 32%

- **Gross Inflows**: EUR 130 mio
- **Life Technical Liabilities:** EUR 74 mio
- **Shareholders' Equity:** EUR 53 mio

2015 **Philippines (#15)**

EastWest Ageas Life – 50%+1 share

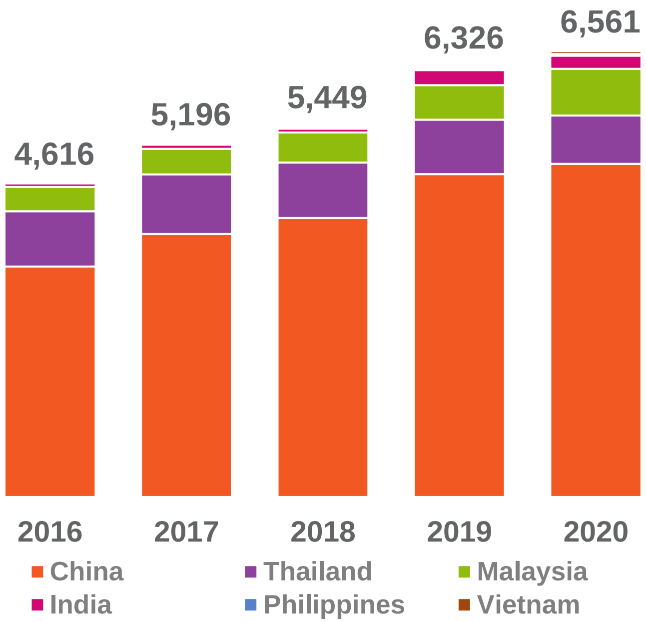
- **Gross Inflows:** EUR 49 mio
- **Life Technical Liabilities:** EUR 75 mio
- **Shareholders' Equity**: EUR 108 mio

2001 — **2004** — **2008** — **2015** — **2019** — **2020**

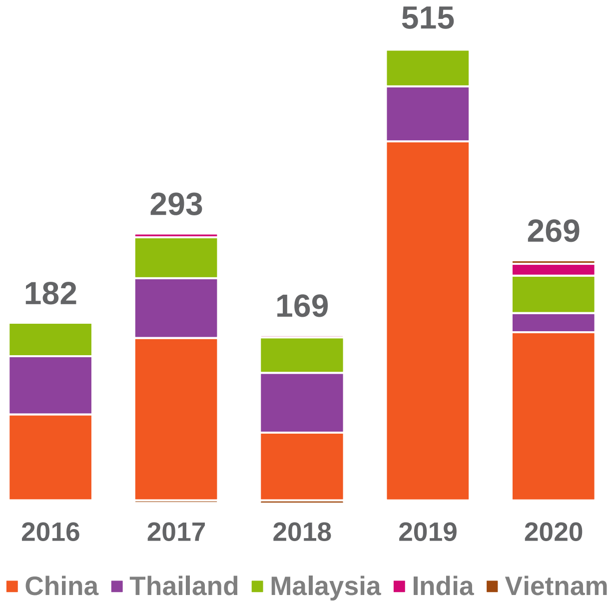
Note: Information based on FY2020 results. All figures are at 100%.

Companies at different level of development

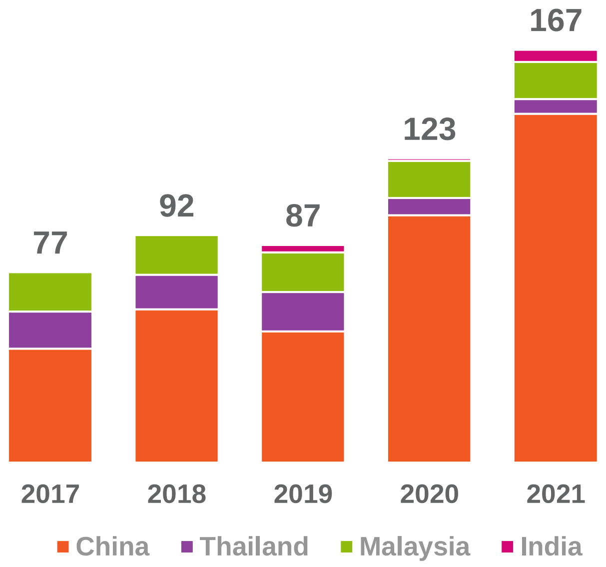
Gross Inflows @Ageas' stake
EUR, mio

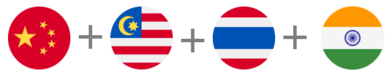


IFRS Net Result @Ageas' stake
EUR, mio



Net Dividend Upstream @Ageas' stake
EUR, mio

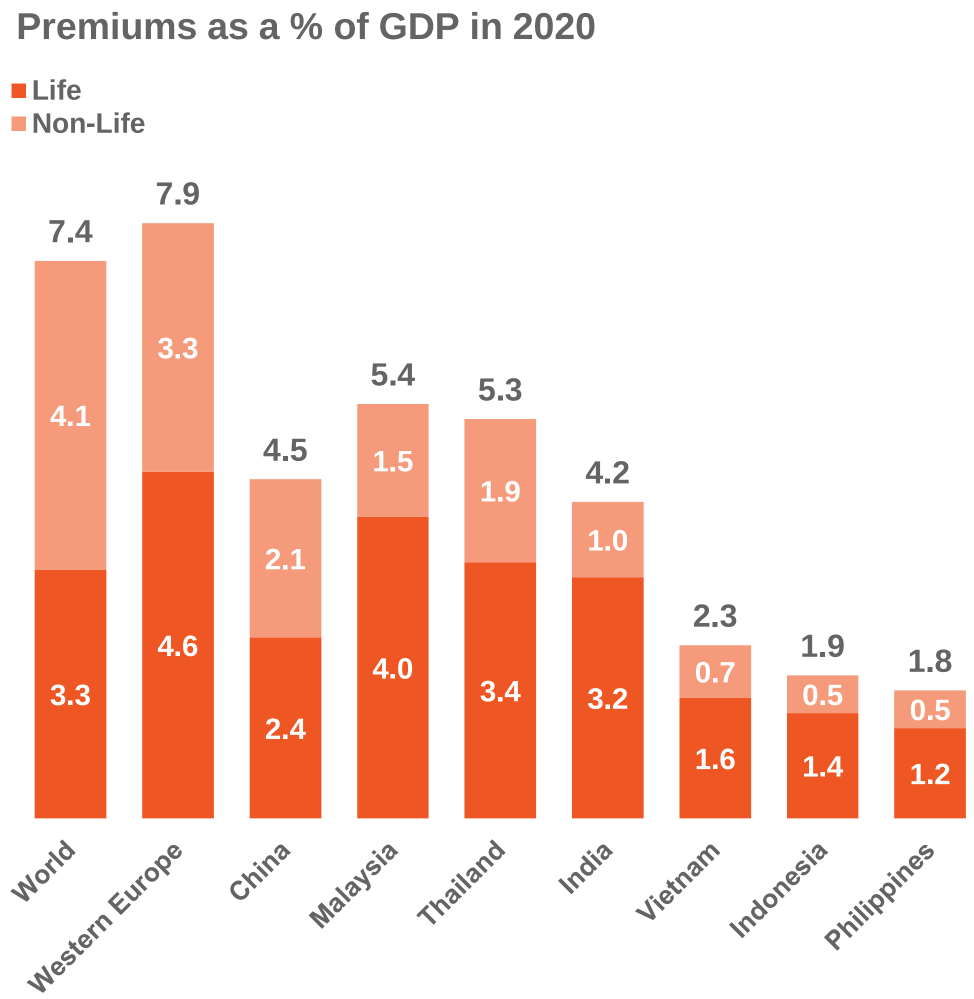


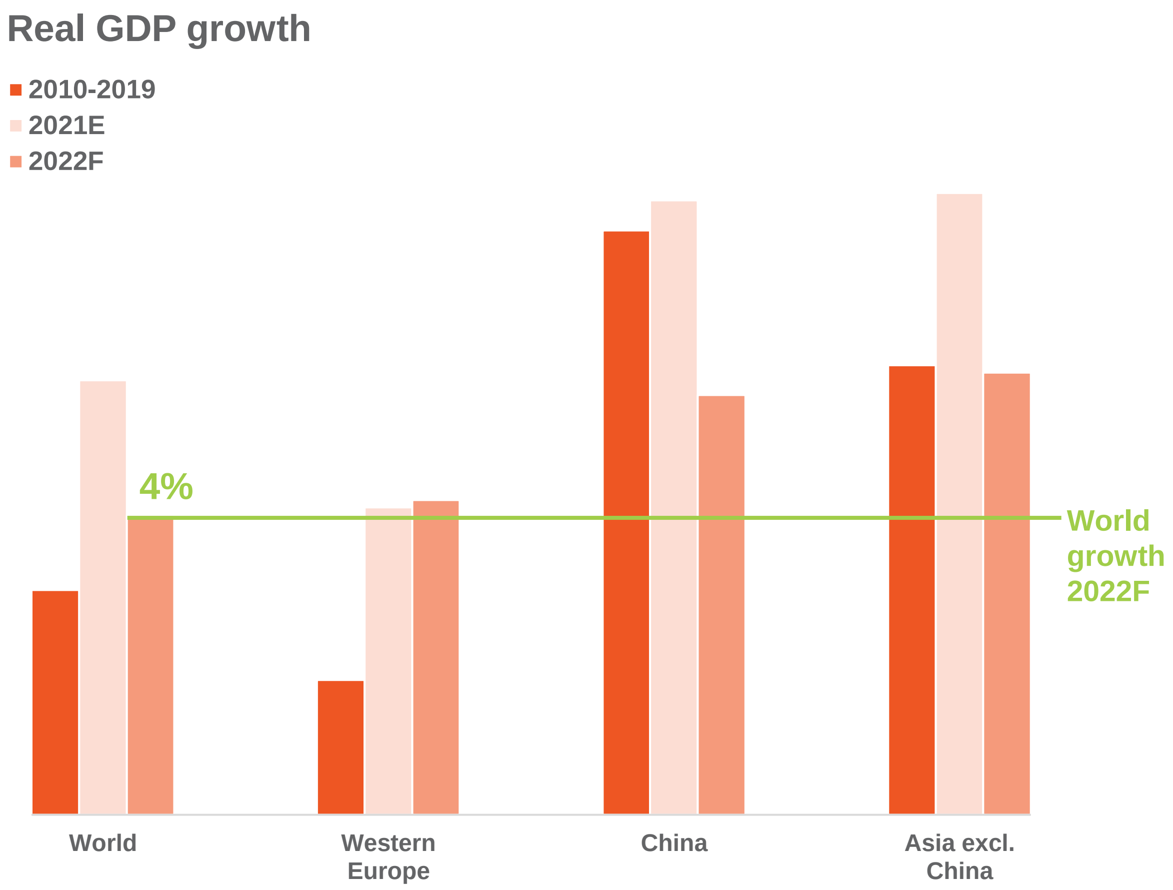


Companies at different levels of development

- Mix of greenfield and cash generating companies
- Top line growth emerging rapidly
- Net profit contribution following shortly after
  - Growth profile = volatility in results
  - Vietnam profitable in year 3, from a greenfield start
- Only recent start-ups in Vietnam and the Philippines not yet cash generating
  - Earlier JV’s self-funding + contributing to cash upstream

Potential for the future

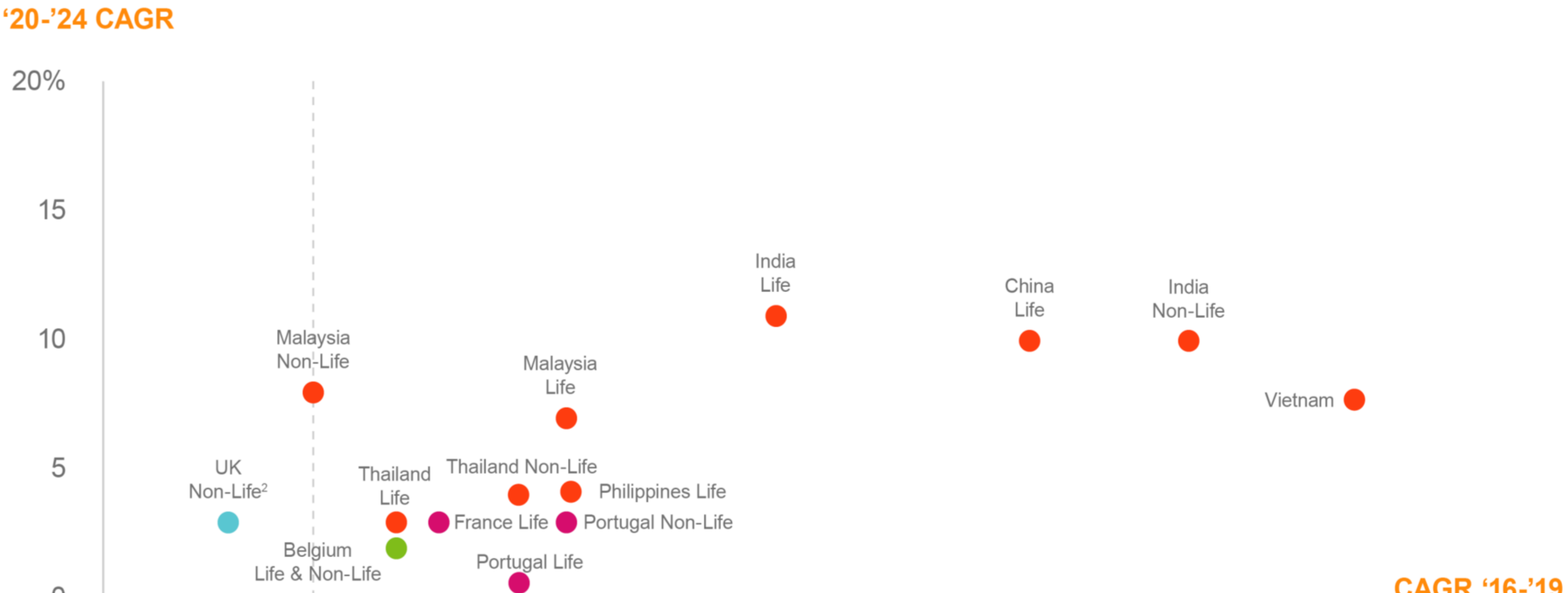




Source: Swiss Re

Potential for the future

Insurance premium



Source: GlobalData; National insurance associations

Potential for the future

- Confident on valuable long-term picture on China, supported by middle class and income development
- Short term growth could be under pressure

Overview of critical success factors for a partnership

Our approach to partnerships is both unique and effective

Overview of critical success factors for a partnership

- A careful, methodical and robust two-way selection process
- Alignment of interest, both in the short and long term
- Shared ambitions, visions and values
- Continuously evolving to remain attractive
- Local autonomy and empowerment are critical factors in the long-term health of the partnership
- Impact 24 closely aligned with each JV
  - Value added in innovation, knowledge sharing, R&D, co-investment
  - Workstreams started with respect to distribution diversification, protection products, health, platforms/eco system, ESG

Management participation next to Board representation

Part of the local management structure

China

Representative Office;

Country Manager, Chief Representative, Shanghai Representative Office

Taiping Life; Chief Actuary, Deputy Chief Financial Officer,

Taiping Asset Management; Chief Risk Officer

Taiping Reinsurance; Assistant General Manager

Taiping Financial Services; Senior Expert

Thailand

Muang Thai Life; Chief Bancassurance Officer, Deputy Chief Financial Officer / CIO and Chief Actuary, Senior Executive Vice President

Muang Thai Insurance; Deputy Chief Financial Officer / CIO and Chief Actuary MTL serves on MTI management committee

The Philippines

Troo; President & Chief Executive Officer, Chief Financial & Risk Officer, Chief Strategy and Business Development Officer, Chief Distribution Officer

Malaysia

Maybank Ageas Holdings; Chief Risk Officer, Head, Customer Advocacy

Etiqa Insurance, Singapore; Chief Risk Officer

India

Ageas Federal Life; Chief Transformation Officer, Chief Risk Officer

Royal Sundaram; Chief Risk Officer, Chief Digital Officer

Vietnam

MB Ageas Life; First Deputy General Director, Chief Financial Officer, Chief Actuary & Risk Officer, Chief Operating Officer

Management participation next to Board representation

- Extensive interaction all the way down, through Ageas executive and management committee, and Hong Kong regional office
- Ageas' Exco members participate to local Boards
- Ageas well represented in local management teams
  - "Senior Country Officer" as first point of contact for strategic issues and shareholder support
  - Key roles are agreed by JV agreements with Ageas, focus on Risk and Actuarial functions
  - Other roles evolving over time, determined by strategic goals, needs and respective skill sets
  - Ageas secondees are part of, not separate to, the local management structure reporting

A closer look on China

Taiping Life Partnership with Ageas since 2001

ageas

中国太平
CHINA TAIPING

State-owned enterprise,
a State Council owned insurance group

A greenfield start in November 2001

250 Employees
500 Agents
4 offices in 4 cities

No customers

To today

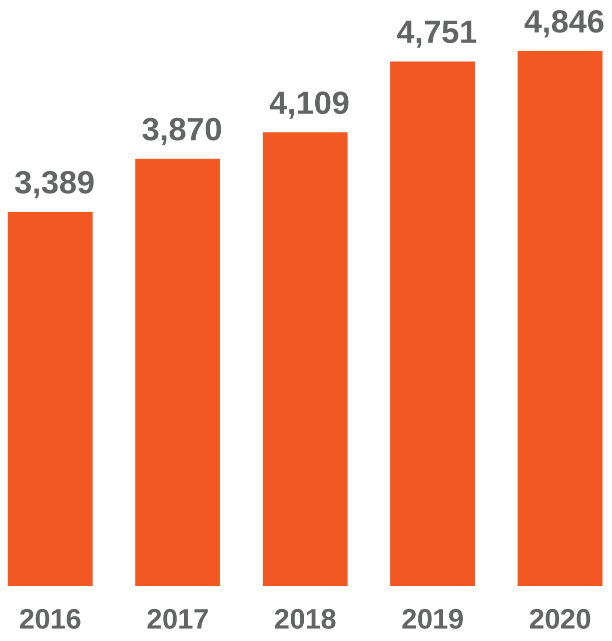
19,000+ employees
370,000+ agents

1,400 branches and sale offices

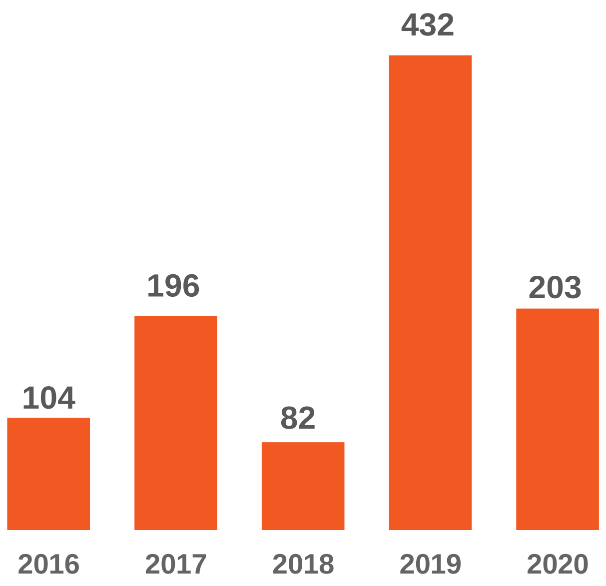
15 mio customers

Consistent, stable growth that fuels a strong pattern of dividend flows

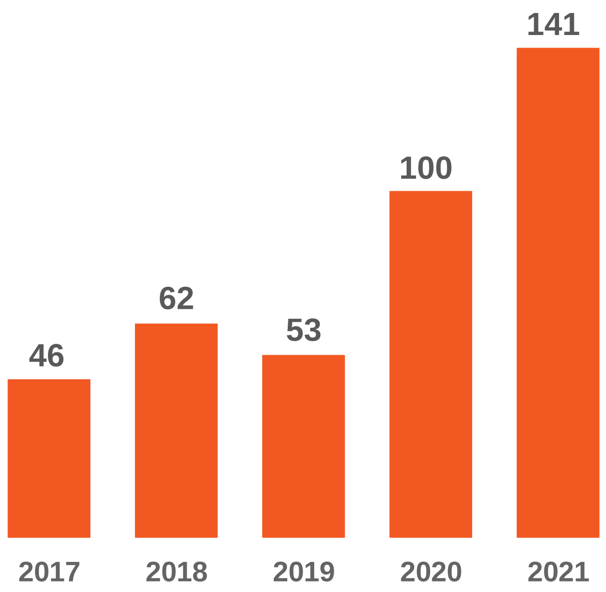
IFRS Gross Inflows @Ageas' stake
EUR, mio



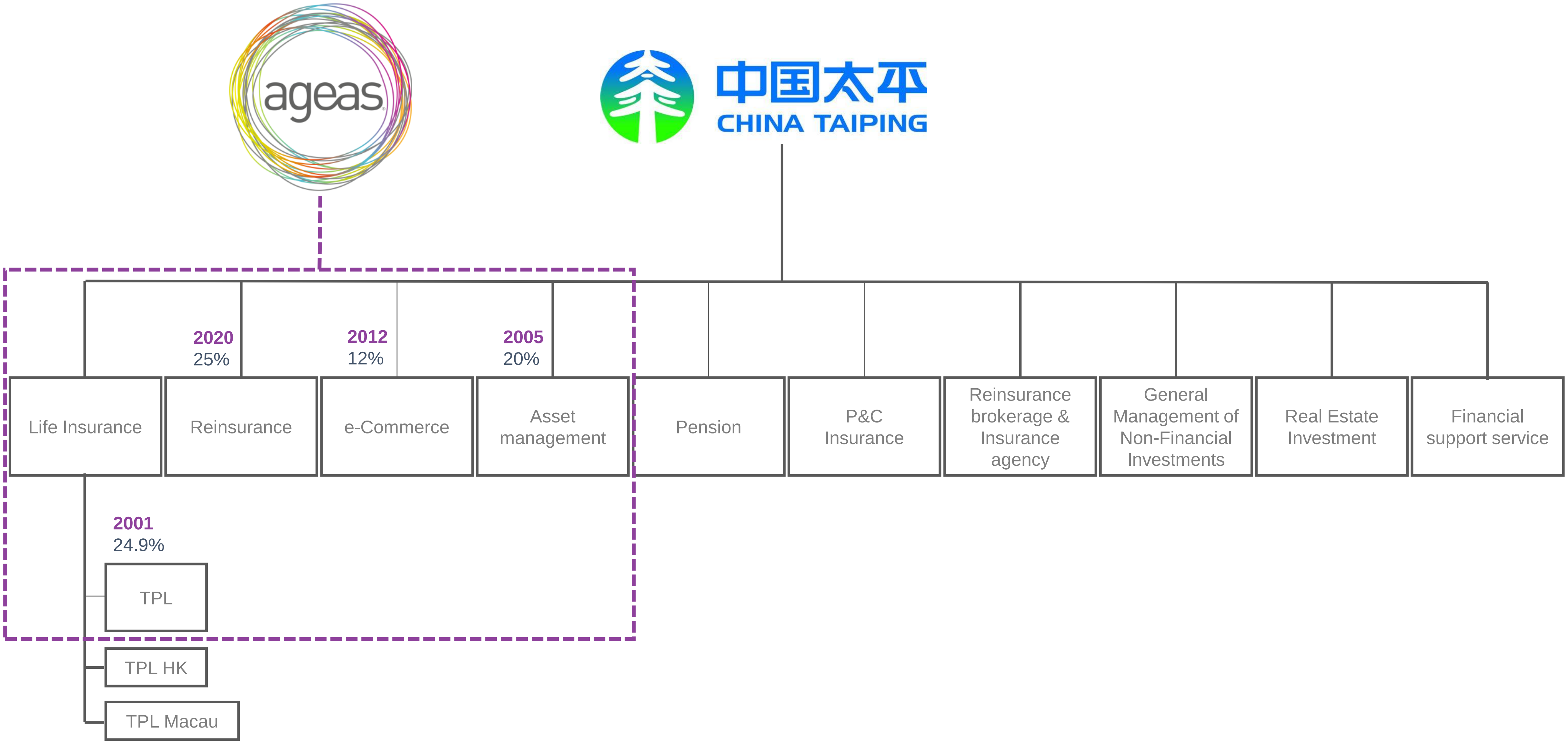
IFRS Net Result @Ageas' stake
EUR, mio



Net Dividend Upstream @Ageas' stake
EUR, mio

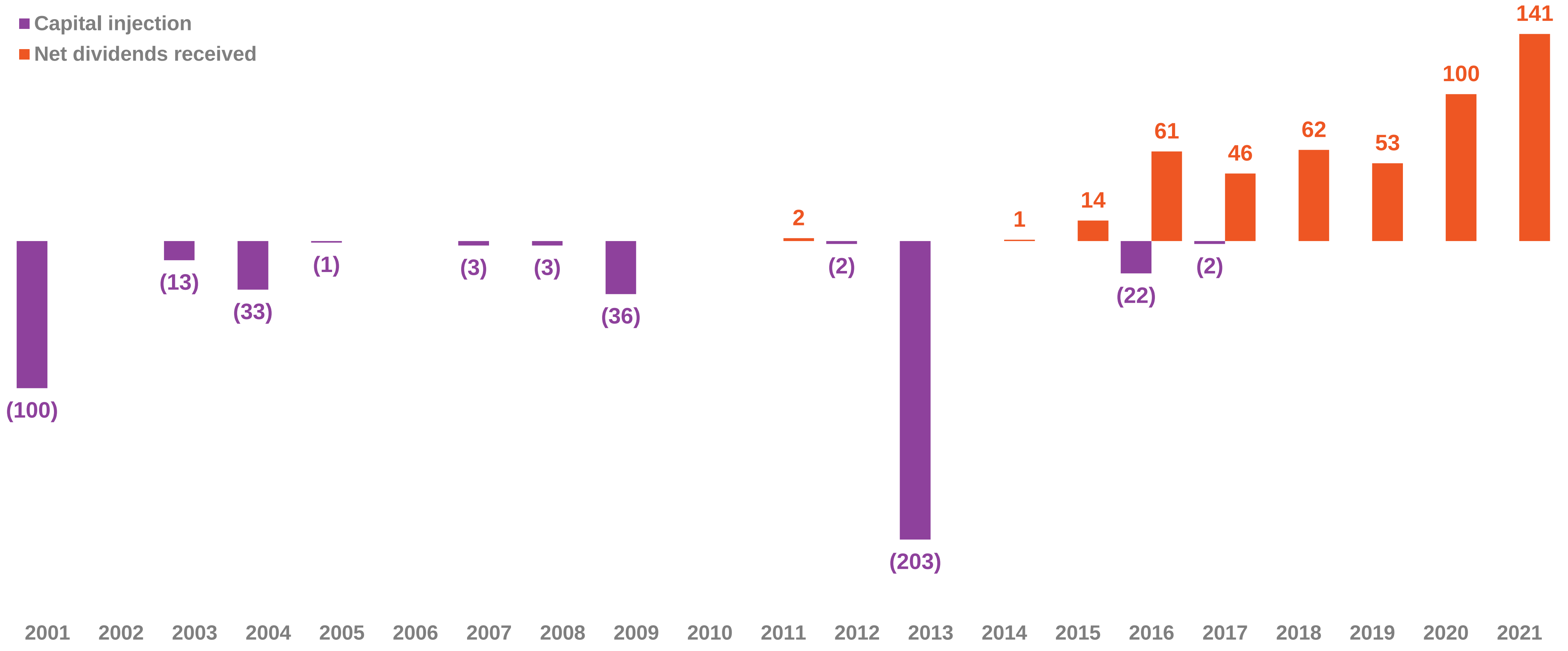


Partnership in several entities – strengthened over the years



TPL profitable since 2006 and consistent positive cash flows since 2014

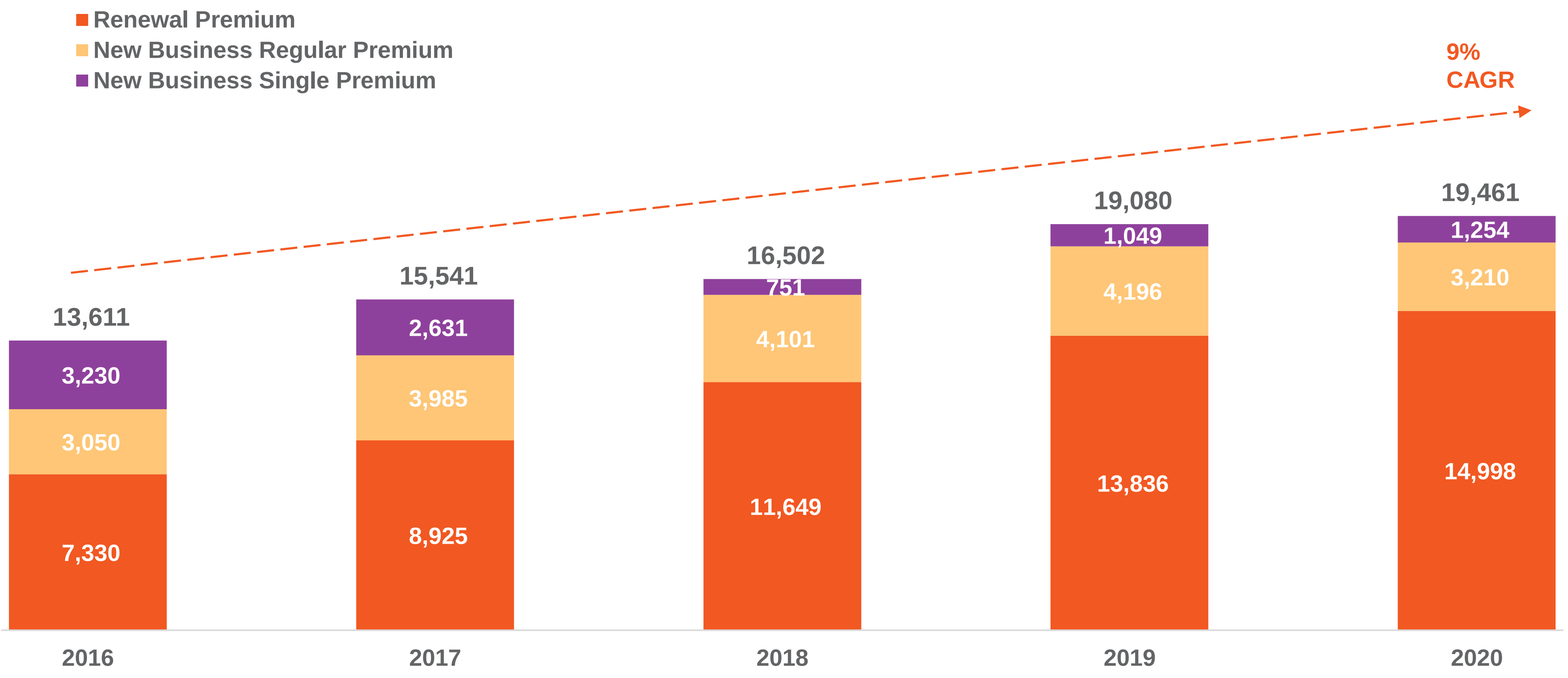
Capital injection and net dividends received. EUR, mio



Note: Cashflows from China, not including Taiping Re

Inflow growth driven by renewals and regular premium

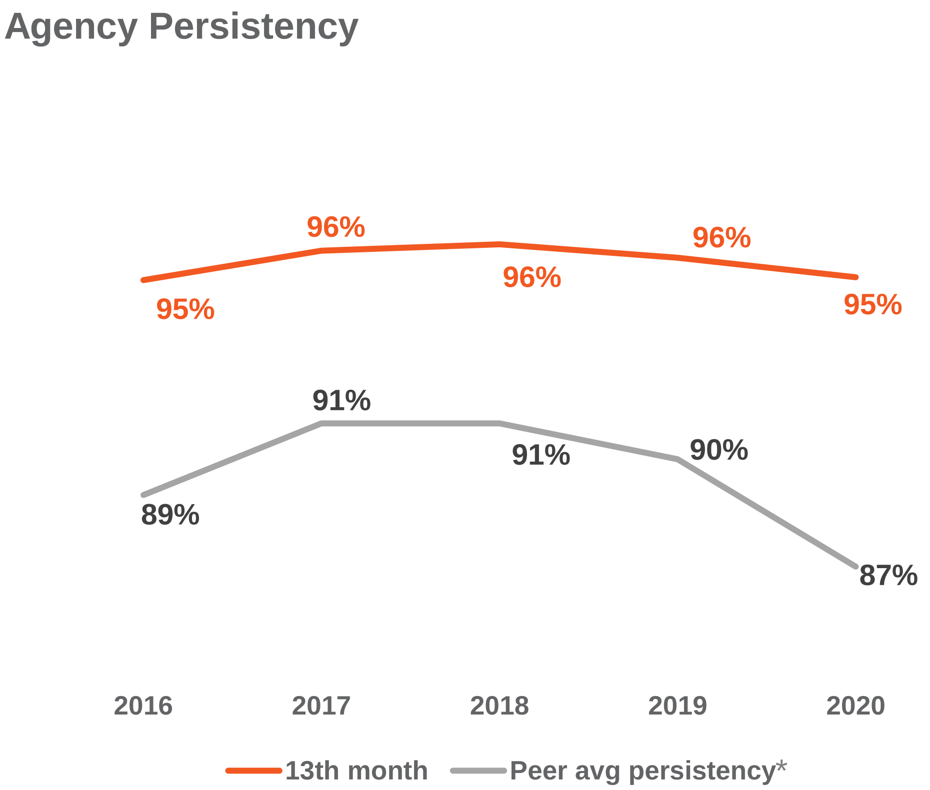
Life Gross Inflow by Premium @100%. EUR, mio

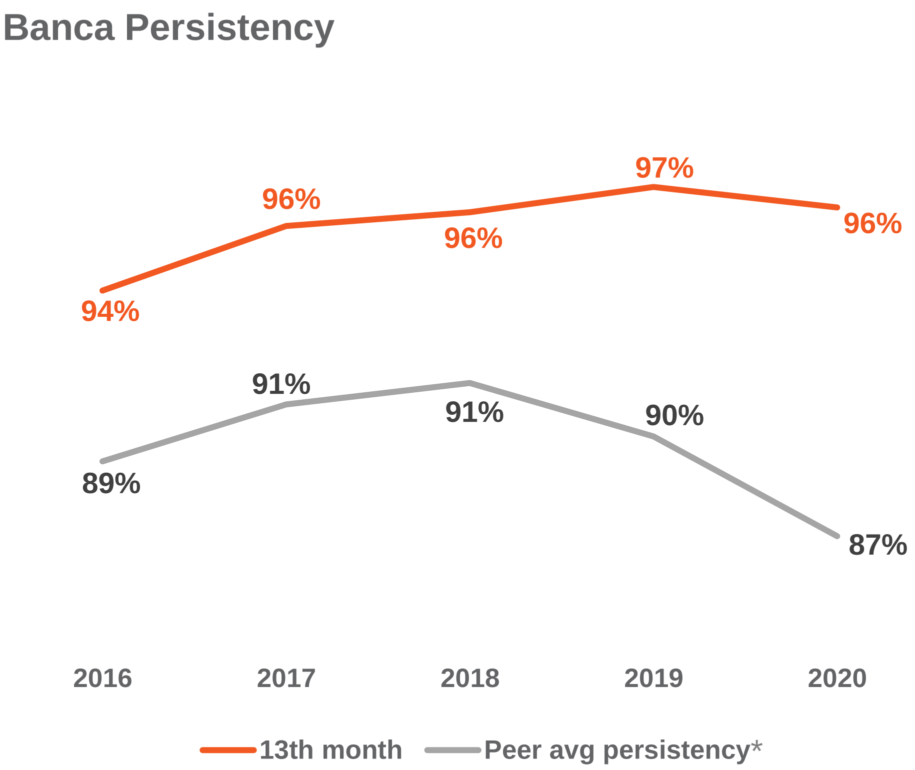


Inflow growth driven by renewals and regular premium

- Strong growth pattern despite COVID disruptions in 2019-2020.
- Decrease of single premium sales, now largely tactical sales used in the bancassurance channel, and also to help drive the expense margin
- Regular premiums account for 72% of new business, driving the book
- Renewals doubled in 4 years, driven by high persistency

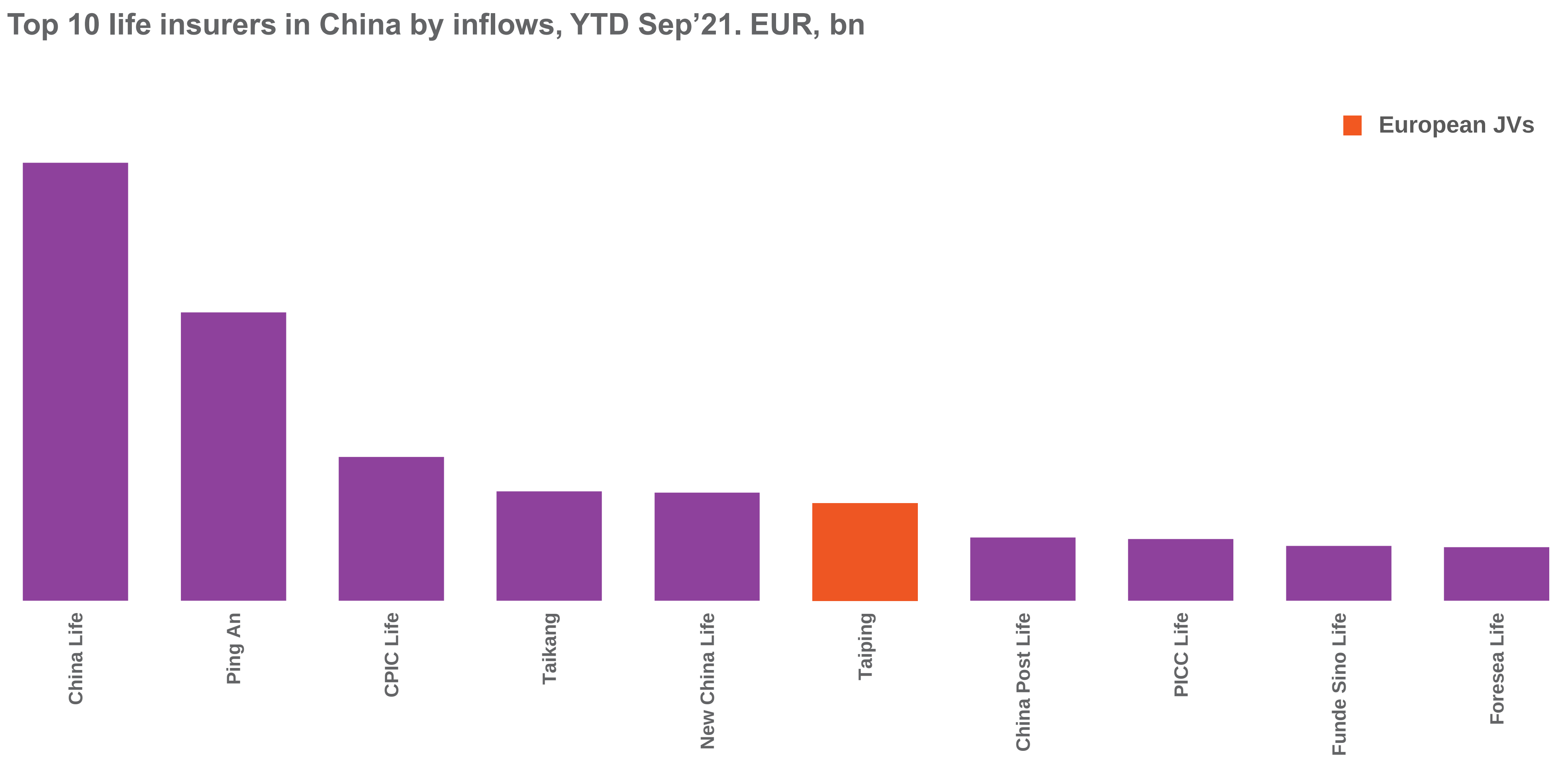
Market leading persistency ratio





Note: *Peers: Ping An Life, China Life, China Pacific Life, PICC Life and New China Life.

From start-up to top 6 Life insurer in 20 years

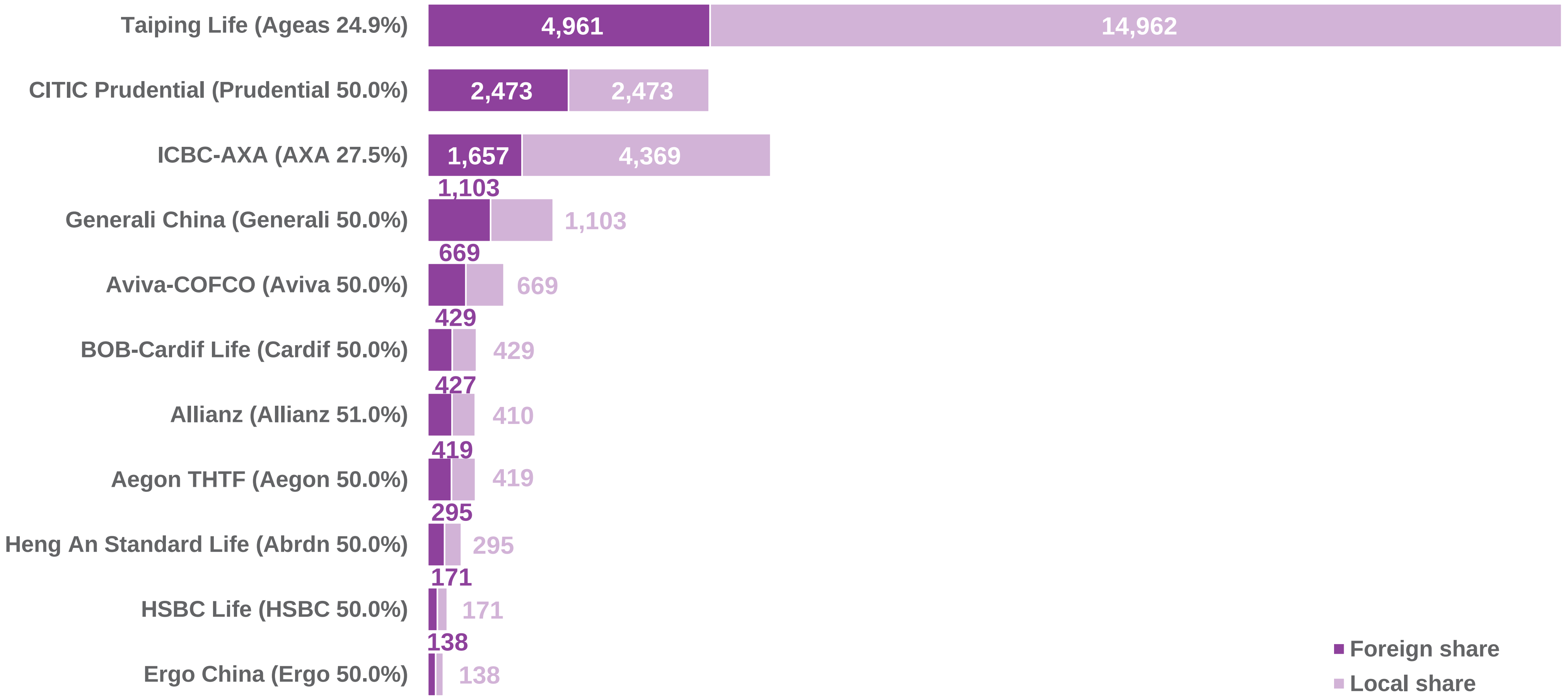


Market share YTD Sep'21	22%	14%	7%	5%	5%	5%	3%	3%	3%	3%

Ageas has by far the largest presence of European insurers in China

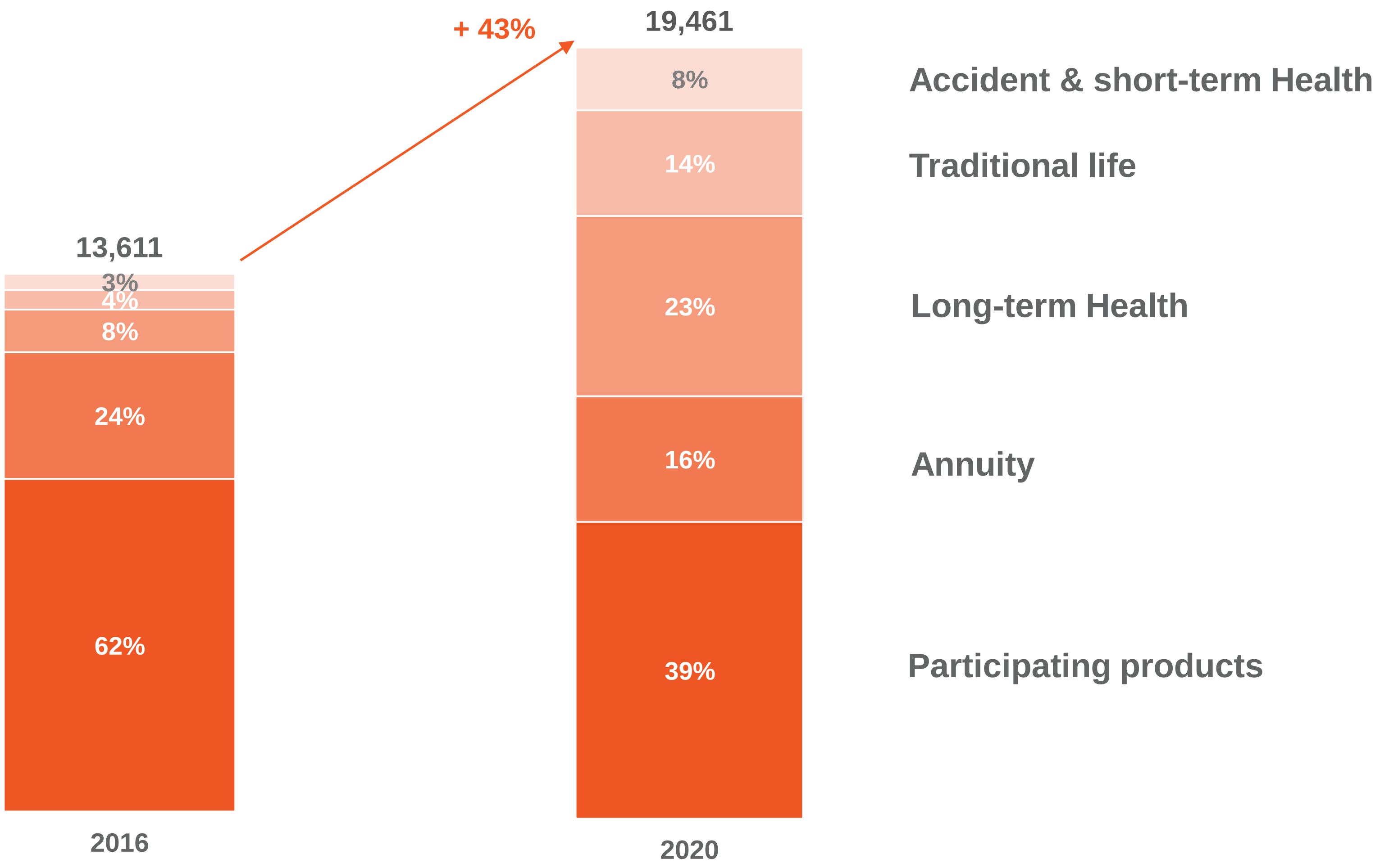
25% stake created possibility to obtain national mandate

European life JV's in China by inflow, 2020. EUR, mio



Breakdown of premium

Premiums by product, @100%. EUR, mio

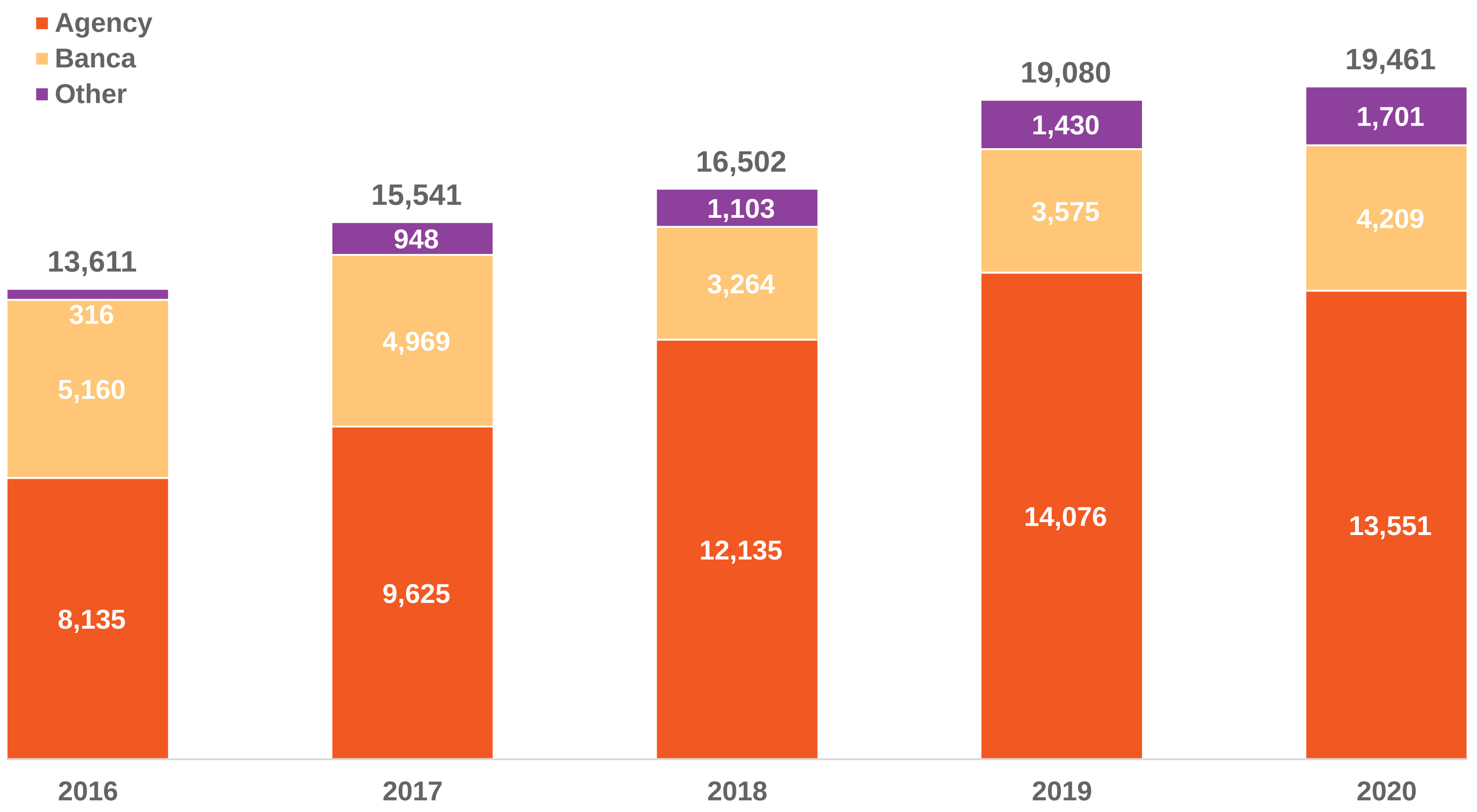


Breakdown of premium

- **Accident & short-term Health:** Products paying lump sums or medical expense reimbursement (up to limits) on occurrence of accident and/or sickness
- **Traditional Life:** Whole life / endowment products with main benefits payable upon either death or maturity
- **Long-term Health:** Critical illness products providing a lump sum cash benefit upon diagnosis of specific diseases
- **Annuity:** Mostly annuity-certain (i.e., fixed term benefits) saving products with survival benefits as well as death benefits. Lower risk than traditional European annuity products
- **Participating products:** Whole life / endowment products with main benefits payable upon either death or maturity, with least 70% share of the profits coming from mortality, expenses and investment profits on the Participating fund

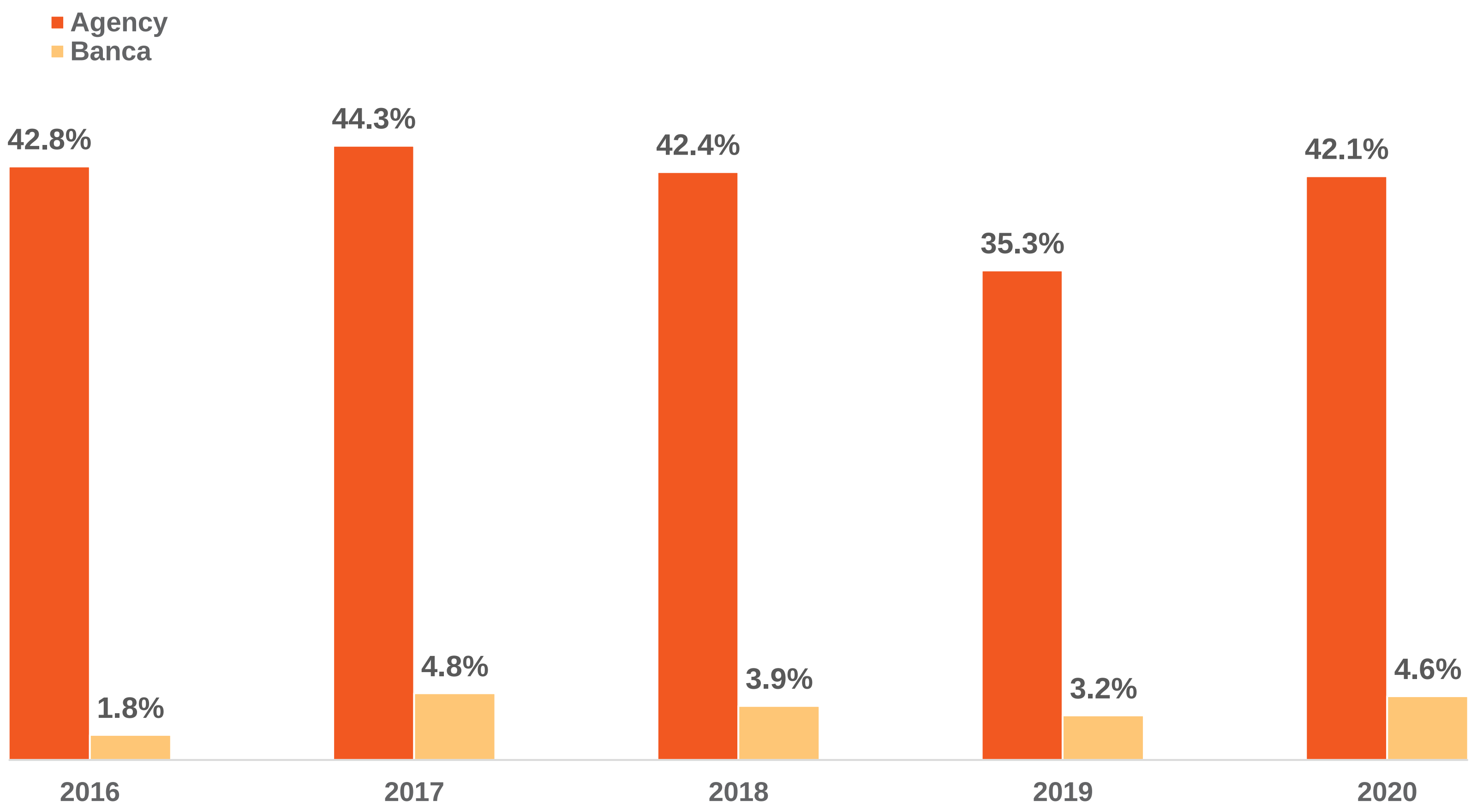
Agency network main distribution channel

Life Gross Inflow by Distribution Channel @100%. EUR, mio



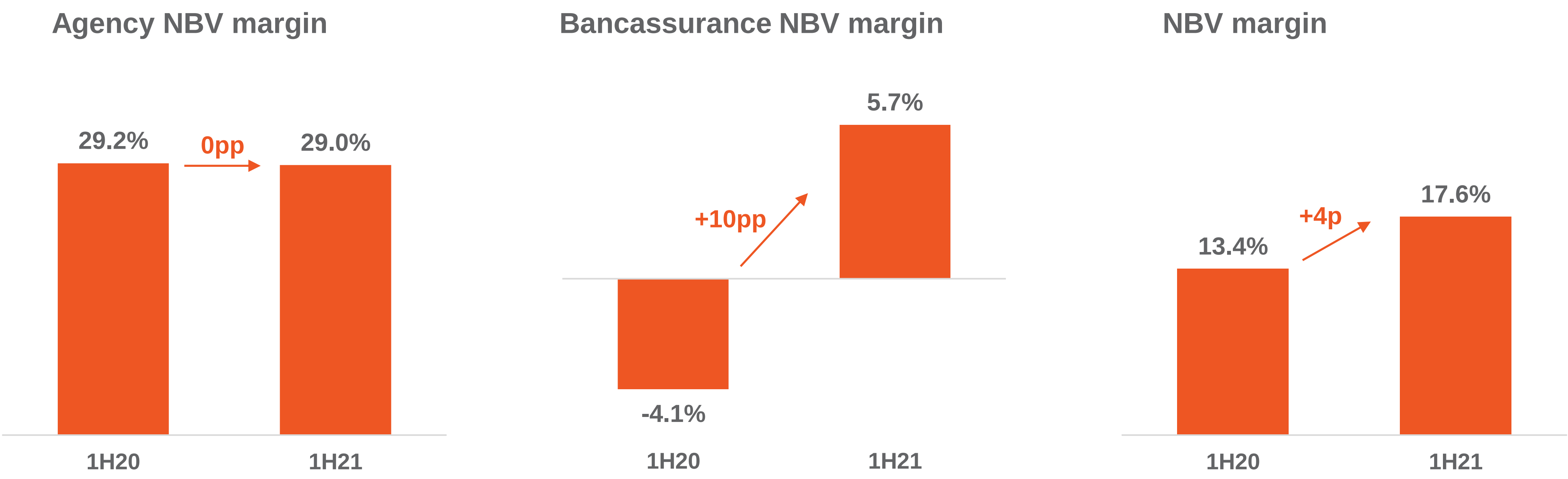
Inflow growth supported by high value agency network

NBV margin per segment



NBV @Ageas stake EUR, mio	2016	2017	2018	2019	2020
	276	372	370	303	234

Strong focus on improving business profitability in the banca channel



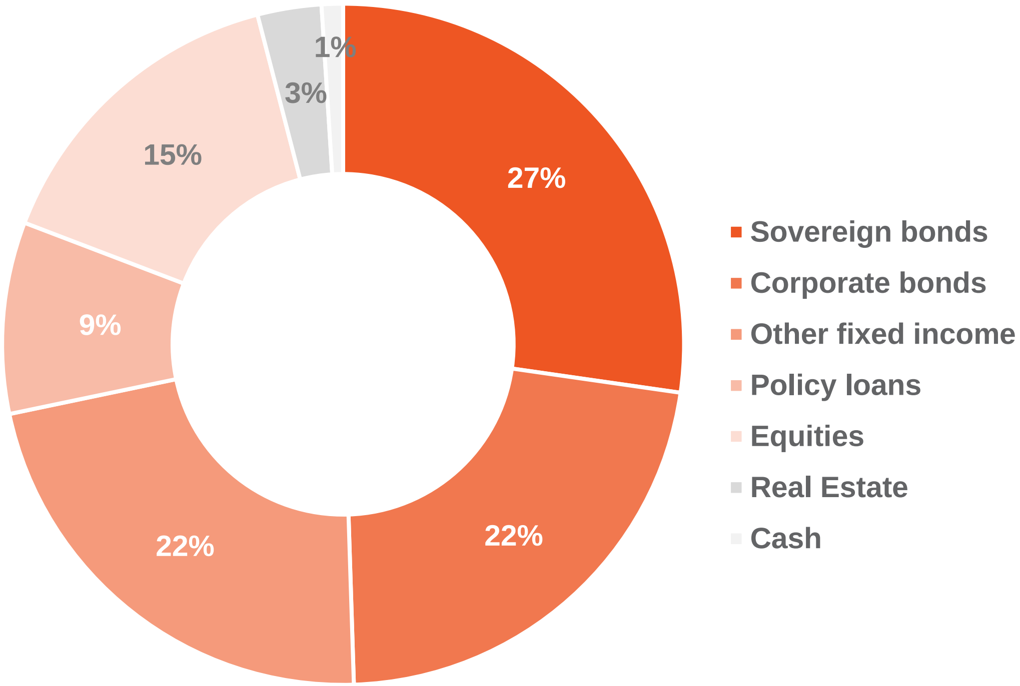
NBV margin H1 traditionally lower than H2 due to higher volumes sales during the opening campaigns

Inflow growth supported by high value agency network

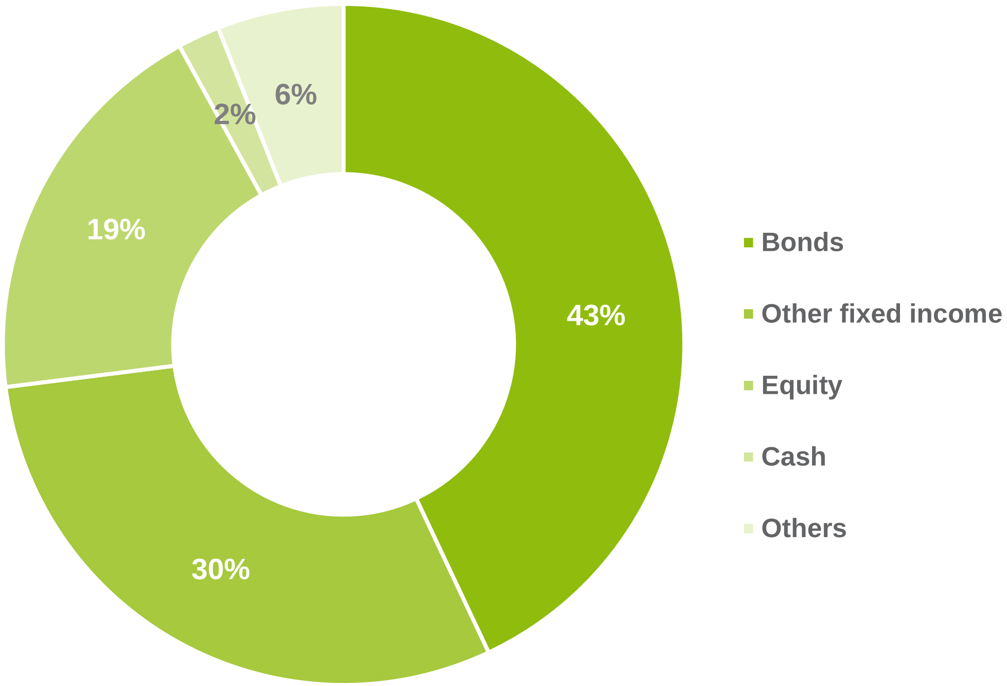
- Agency is main driver of inflows with c. 400k dedicated agents
  - Total agency force stable (1H21 vs. 1H20)
  - Strong focus on high-performance agents
  - Number of agents with FYRP over RMB 1 mio up 50%+ (1H21 vs. 1H20)
  - Agents focus on selling high margin products whereas banca tends to focus on volume
  - Average tenure of agents > 3 years (20% < 1 year, 20% 1-2 years, 40% 3-5 years, 20% > 5 years)
- Strong focus on improving business profitability in the banca channel
  - Increased focus on regular premium and long-term payment
  - H1 NBV margin traditionally lower due to higher sales volumes during the beginning of the year “opening campaigns”
- Other channels mainly e-marketing and telemarketing - niche market distribution strategy

TPL's asset allocation is more conservative than peers*

TPL Asset Mix



Market Asset Mix



*Peers: Ping An Life, China Life, China Pacific Life, PICC Life and New China Life

TPL’s asset allocation is more conservative than peers

- Biggest part of assets allocated to fixed income
  - 83.5% domestic - with 99.8% being rated AAA under local rating standards
  - 91.5% of the international bonds are investment grade
  - Bonds assessed against TPAM internal rating system built on international norms and developed with Ageas technical support
- Typically, higher allocation to equities than in Europe but below peers’ norms
  - Fundamental research and value investment
  - Addresses the fundamental duration mismatch inherent to young insurance market with no cash-outflows – still 3, 4 years before market reaches a tipping point
  - A third of the equity portfolio is high dividend that are not actively traded
- Alternative investment*: high credit rating with 97.2% of financial investment debt products rated AAA
- Limited exposure to real estate
  - Real estate is largely own use office buildings in key cities
  - Virtually no exposure to property development and none to Evergrande

Note: *Mainly infrastructure and property development debt plans and trust products

High quality growth strategy based on 8 goals

1. Steady growth of **premium income**
2. Continuous optimization of **business structure**
3. Industry-leading **quality**
4. **NBV growth** rate outperforming the market
5. Steady increase in **NBV margin**
6. Increase quality of **agency force**
7. Market-leading **persistency**
8. Industry-leading **ROE**

High quality growth strategy based on 8 goals

- Close alignment between partners
- Sole KPI is value creation
  - Steady growth, at least in line with market, but not trade off on value
  - Focus on higher margin regular premium products while maintaining high persistency ratios
  - Enhanced training of agency force
- Continuous improvement in risk management and operational efficiencies
- Consistently rated by the CBIRC amongst the best-in-class insurers
  - Integrated risk rating A for 14 consecutive quarters
  - Top 3 in SAMRA – assessing completeness and effectiveness of governance structures
  - 90+ rating in ALM capability management

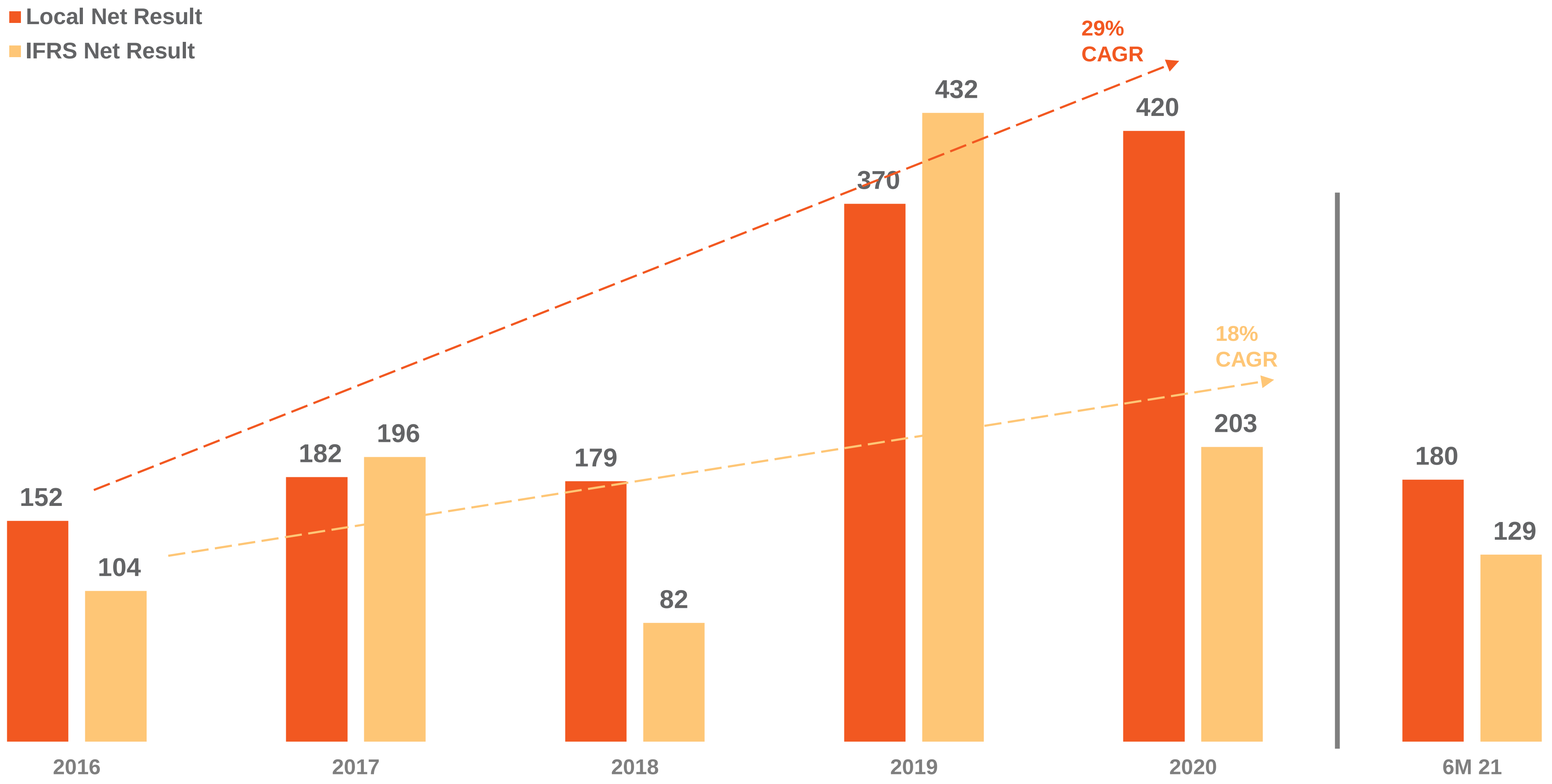
Note: *SARMRA Solvency Aligned Risk Management Requirements an Assessments

Core financials

TPL

Translation to IFRS framework adding extra layer of prudency

Local vs IFRS Net Result @Ageas stake. EUR, million



Translation to IFRS framework adding extra layer of prudency

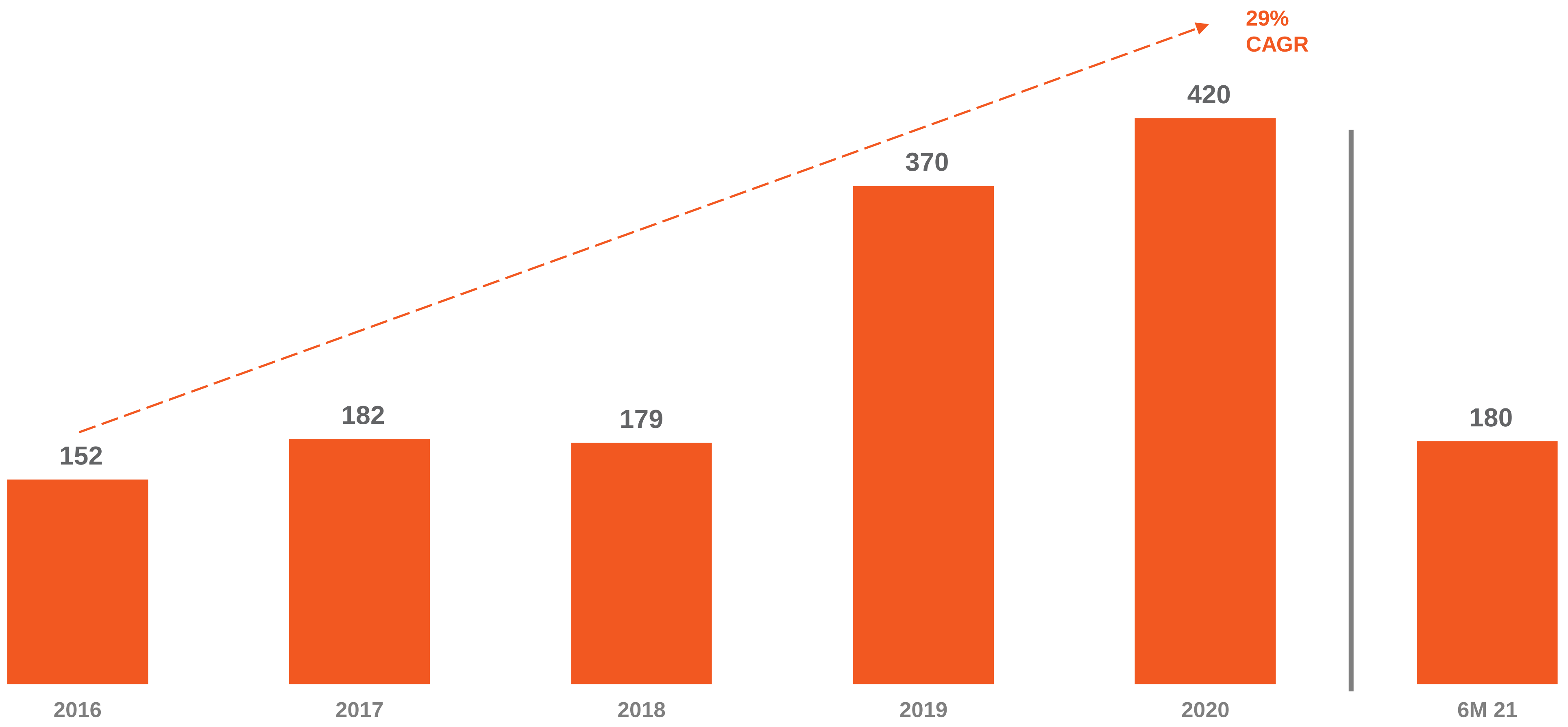
- Trend and CAGR positive, but quite volatile, with noticeable difference between IFRS and CAS result
- CAS drives dividend and free cash flows out of China
- IFRS result structurally more conservative due to accounting adjustments
  - Equity impairment rules - equities impaired faster and with higher frequency

    IFRS: quarterly assessment, 25% threshold or 365 days below acquisition value

    CAS: semi-annual assessment, 50% threshold or 365 days below acquisition value
  - Reclassification of HFT (fair value through P&L) to AFS - MTM booking reversed
  - Reclassification of property valuation from fair value through P&L to historical amortized cost
- Accounting adjustments translate into additional unrealized capital gains compared to CAS balance sheet
- Asymmetry through IFRS adjustments expected to largely disappear with implementation IFRS 17/9 in 2023

Stable underlying release of residual margin and some volatile componants

Local Net Result @Ageas stake. EUR, million



Local accounting result mix of stable basis and volatile elements

Expected profits	Mainly release Residual Margin
+	
Investment variances	Capital market fluctuations Capital gains, losses and impairments
+	
Other / operational variances	Reflect the operating efficiency Include deviation of expenses, surrender, mortality, claims
+	
Valuation Base Changes	VIR
=	
Local accounting result	

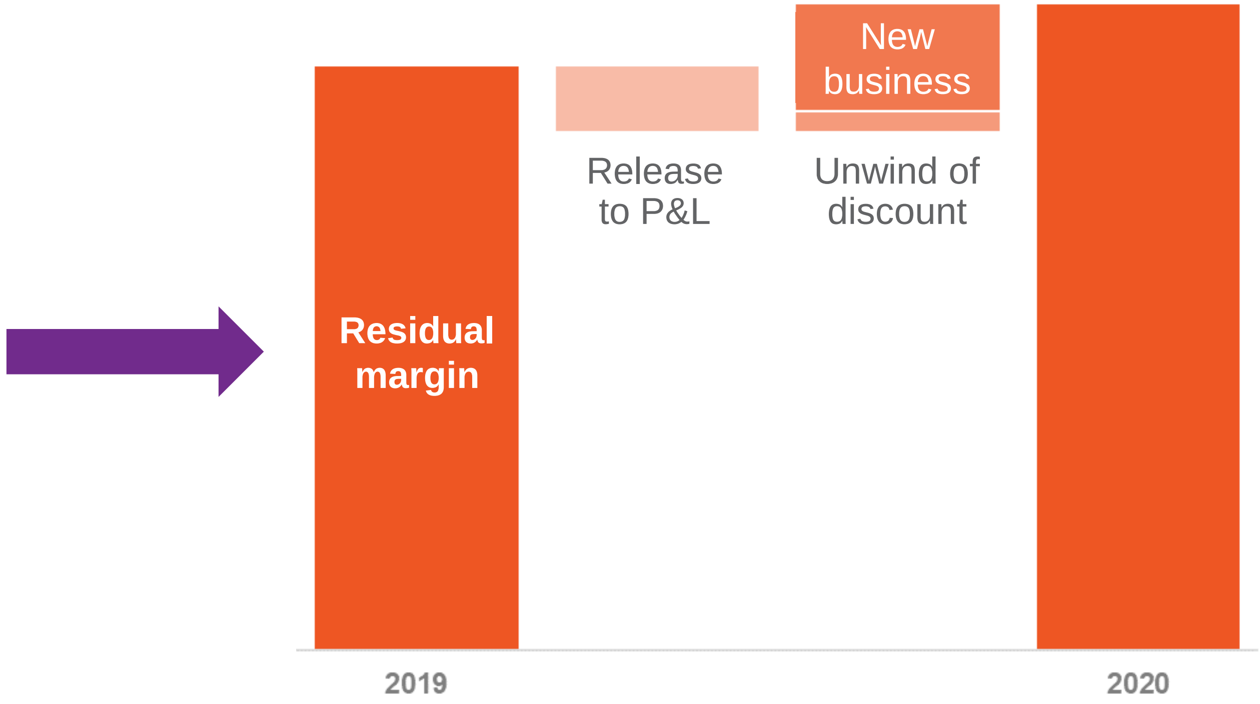
Local accounting result mix of stable basis and volatile elements

- Expected profit mainly determined by the concept of the release of residual margin; the release of an additional risk margin minus liability revaluation effects
- Investment variances capture the difference between the actual investment income realised over the reporting period and the investment assumptions made in determining the expected profit.
  - Most important component: realisation of capital gains and losses and impairments
- Non-investment variances capture mainly difference between actual experiences and operational performance over the year (expenses, lapse, mortality, etc) versus assumptions made in expected profit
- VIR effect captured under valuation base changes

Residual margin best indicator to project long-term Life insurance profit

At issuance of the policy

Over the life-time of the policy

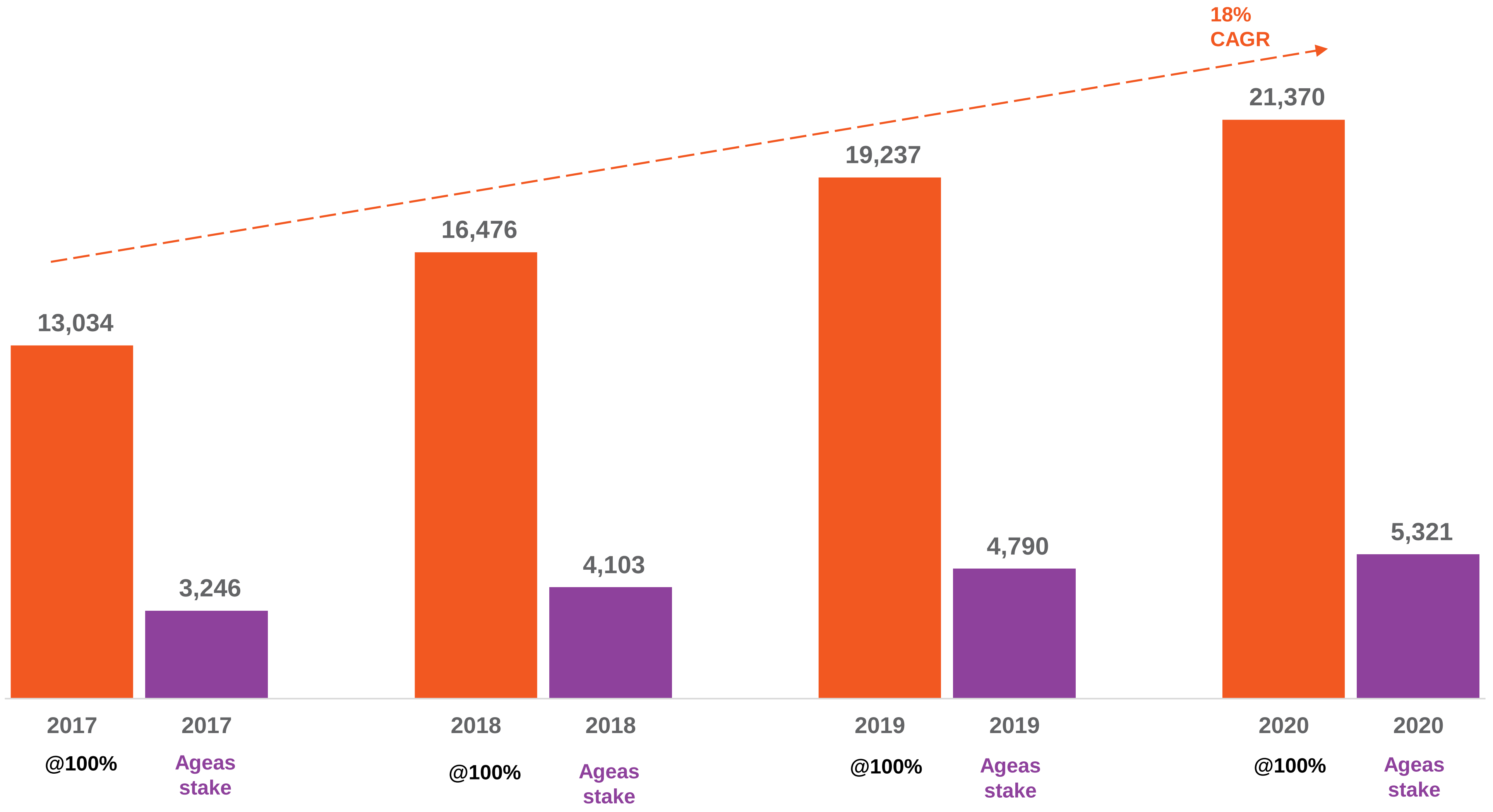


Residual margin best indicator to project long-term Life insurance profit

- Captures best estimate of present value of profits, representing future profit potential, and is determined at issuance of a policy
- Not recognized as one-off profit at issuance and therefore not included in CAS Equity
- Amortized through P&L
  - Major source of the accounting profit
  - Immune to capital market fluctuations
  - Providing a stable long-term future profit
  - Comparable to release of CSM under IFRS 17
- The roll forward year on year driven by:
  - Yearly release flowing into P&L is determined by the duration – currently roughly around 11 years
  - Discount rate unwind based on an assumption of around 3.5% - slowly decreasing because of lower interest rates
  - Margins created by new business
- Residual margin > twice CAS Net Equity
- Both liability and its amortization through P&L gradually increasing over the years

Residual margin representing future profit potential gradually increasing

Residual Margin @100%. EUR, million



VIR overestimates interest rate impact, while preserving future margins

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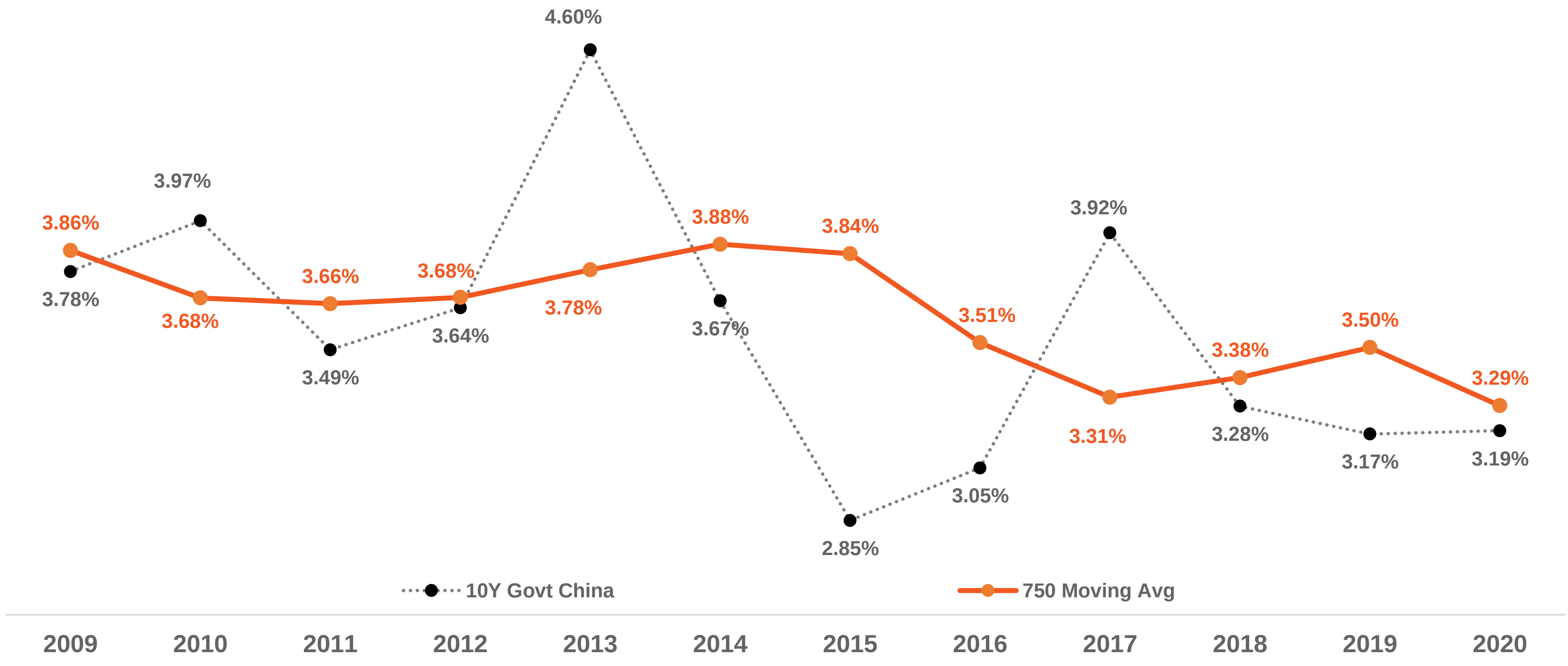
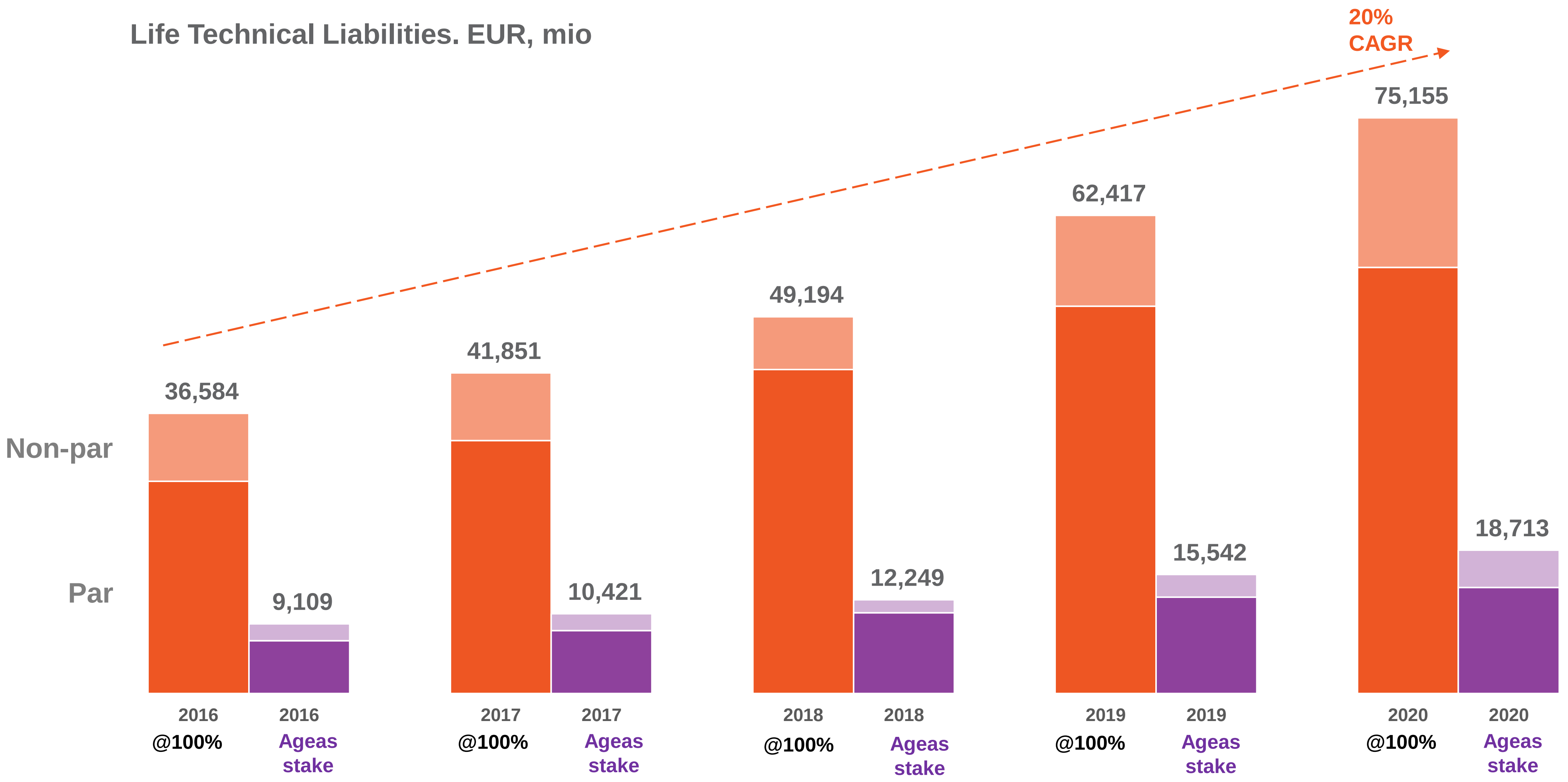
10Y Govt rate & 750 Moving avg rate



	2016	2017	2018	2019	2020
Impact on net result @ ageas stake EUR, million	(77)	(75)	12	54	(116)

Discount rate volatility on increasing Non-Par liabilities

Life Technical Liabilities. EUR, mio



VIR overestimates interest rate impact, while preserving future margins

- VIR impact essentially captures the cumulative positive or negative impact on earnings in the future, resulting from the change in reinvestment yields caused by interest rate movements
- VIR is calculated as the 750-day average yield curve, used to discount the Non-Par liabilities whereas vast majority of assets backing Non-Par liabilities are HTM. Cost of lower interest rate immediately hits P&L while investment income coming only gradually into P&L
- At constant rates and with delay, liabilities ultimately valued at market rates - no residual ALM risk
- The one-off recognition of VIR through earnings comes in exchange for keeping the future margins relatively stable
- Effective impact depends both on curve shape effects as well as volume of Non-Par liabilities on the balance sheet and hence is not obvious to exactly predict - volume in Non-Par has been growing over the years to around 30% of liabilities
- Ideally VIR should be amortized over the life span of the book to capture the true impact on recurring earnings
- VIR impact quite conservative, certainly partially artificial and will largely disappear under IFRS 17

Underlying IFRS result good proxy for operational performance

Expected profits

\+

Investment variances

\+

Other / operational variances

\+

VIR

=

Local accounting result

~~IFRS adjustments~~

~~Net capital gains and losses~~

~~VIR~~

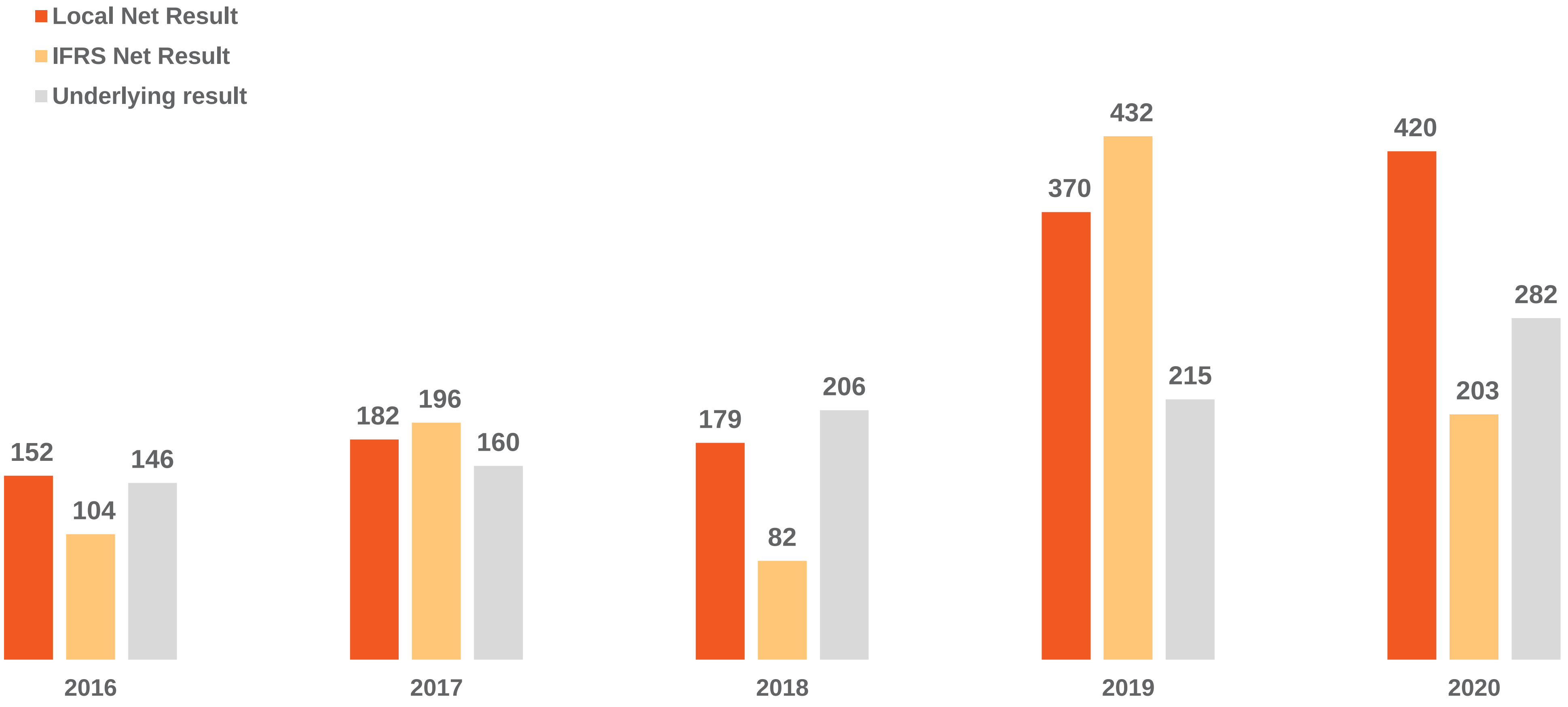
Expected profits

Other / operational variances

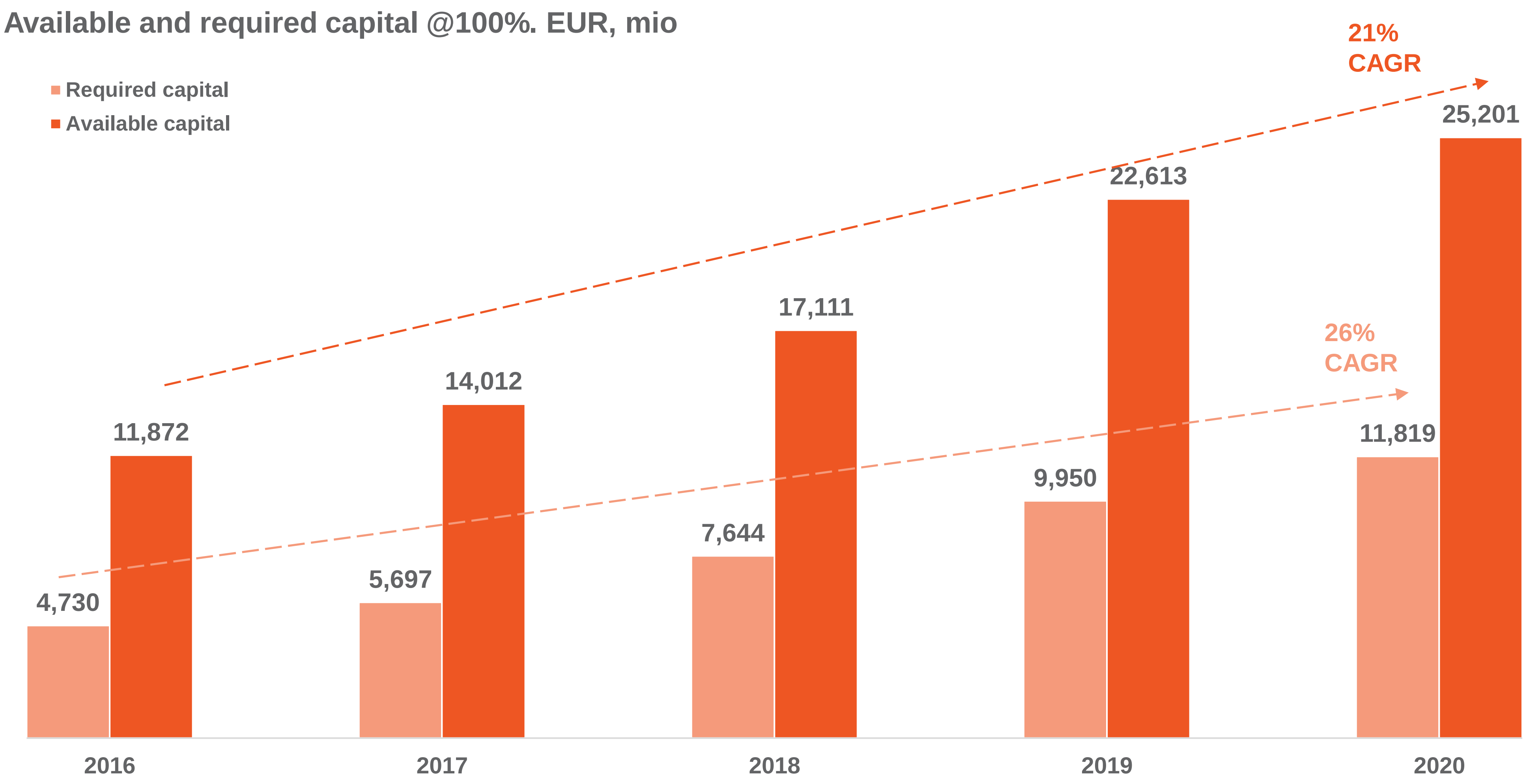
Underlying result

Underlying IFRS result good proxy for operational performance

Local vs IFRS vs Underlying Result @Ageas' stake. EUR, mio



Solvency available capital



Comprehensive local Solvency	251%	246%	224%	227%	213%

Solvency available capital

- Total available capital CAGR after dividend payment of 21%
- Awaiting clarity on C-ROSS phase II, not concerned given TPL’s asset quality
- Most relevant points that have been in debate for the last months
  - 750-day averaging currently used for liability valuation on the par book and the non-par book. Shortening of period creates more volatility. No material changes expected on asset side. ALM discipline would pay off
  - Recognition of residual margin in core solvency capital would be limited – no limitation for comprehensive solvency ratio

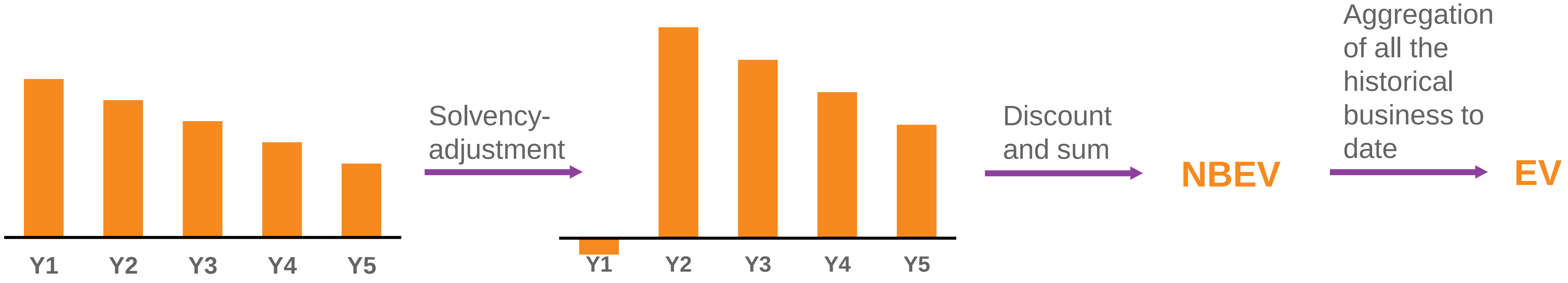
EV – Best proxy for economic value of already underwritten business

Value of In-force Business (VIF) + **Adjusted Net Asset** = **Embedded value**

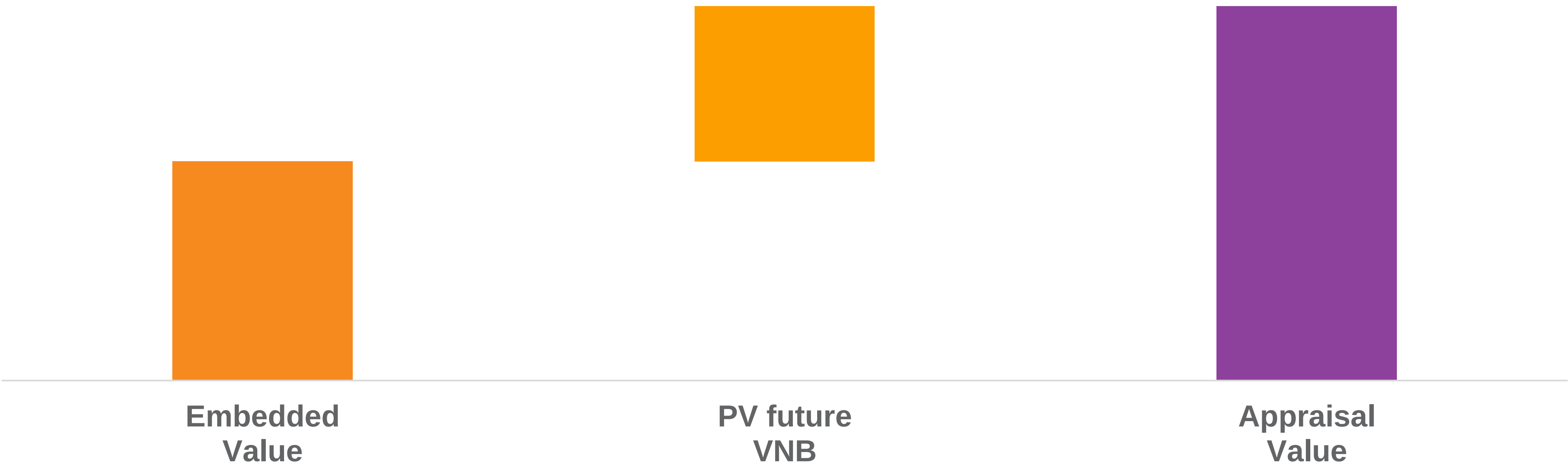
Link between EV, solvency-based adjustments and profits

Accounting profits

Solvency-adjusted distributable profits



EV doesn’t capture value of new business yet to be underwritten



Embedded Value

Present value existing business

+

Discounted future value of new business to be underwritten

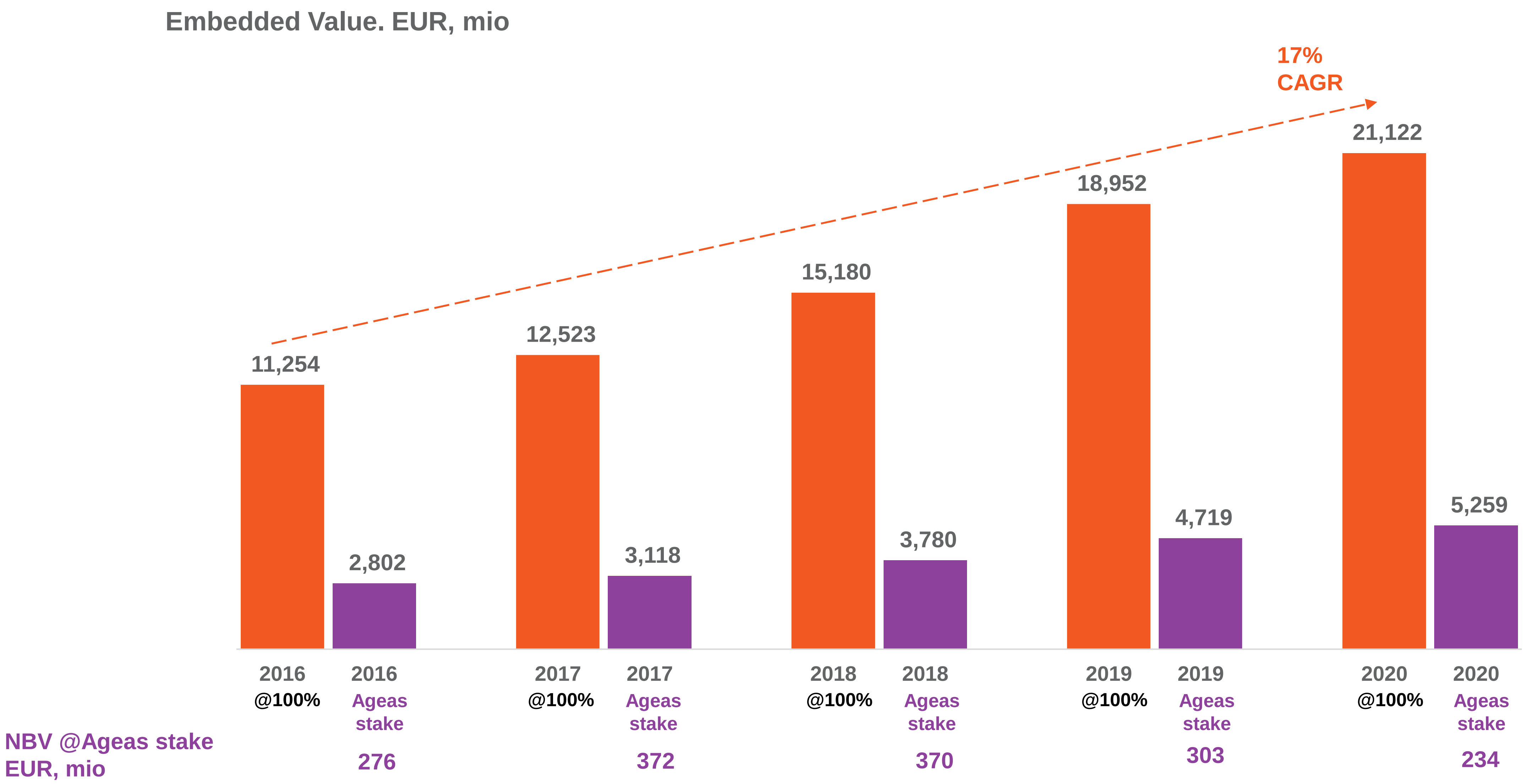
=

Appraisal Value

EV – Best proxy for economic value of already underwritten business

- EV and VNB still extremely important indicators because of the growth nature of Asian markets
- VNB consistently positive in the past – strategic focus on profitability for the future
- EV methodology offers an economic view of the business, offering not just point in time value but also directional view on evolution of future CAS profits through VNB
- Underlying assumptions for Traditional Embedded Value calculation broadly in line with peers:
  - Investment return assumptions around 5%
  - Cost of Capital based on minimum required capital of 100%
  - Discount rate for future best estimate distributable profits of 11%
- EV doesn’t capture value of new business yet to be underwritten
- In addition to EV, valuation of insurance companies in growth markets needs to consider a multiplier on VNB reflecting the future level of growth in new business and future margin development expectations, all discounted at an appropriate discount rate

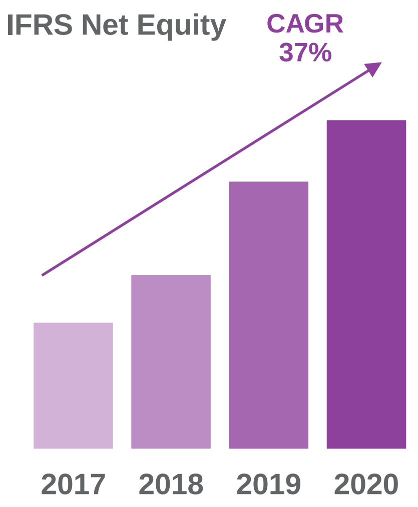
Embedded Value (EV) is a component of economic value



All valuation frameworks point to a growth well outpacing Cost of Capital

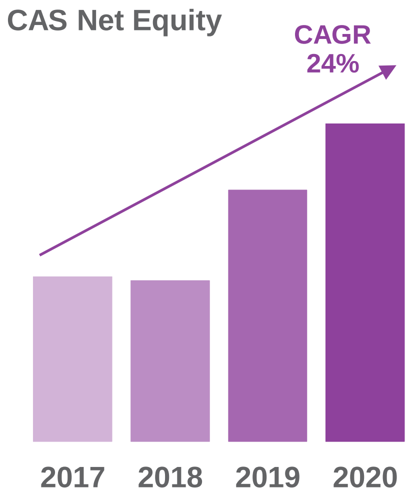
Going forward reporting on a half yearly basis on all metrics shown below

Valuation frameworks @Ageas stake. EUR, mio

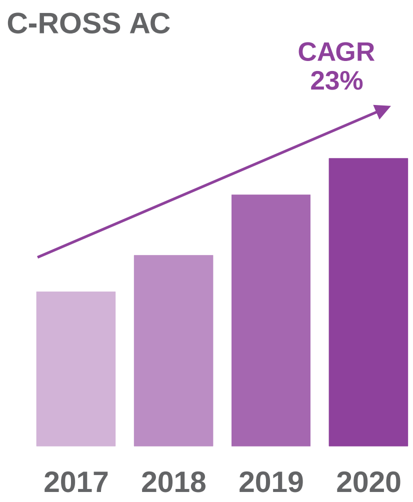


IFRS result

2017	2018	2019	2020
196	82	432	203

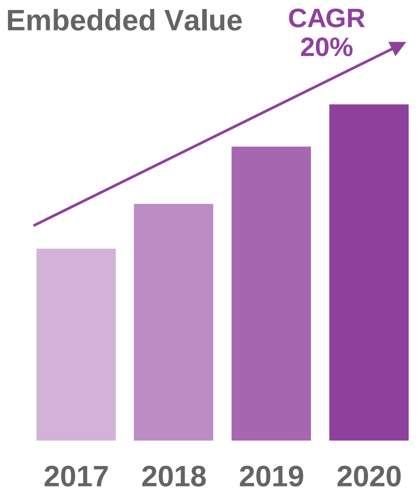


	2017	2018	2019	2020
CAS result	182	179	370	420
Dividend	62	53	100	141
Residual margin	3,246	4,103	4,790	5,321
ROE	19%	18%	29%	24%



Solvency

2017	2018	2019	2020
251%	224%	227%	213%



	2017	2018	2019	2020
EV	3,118	3,780	4,719	5,259
NBV	372	370	303	234

All valuation frameworks point to a growth well outpacing Cost of Capital

- Important to look through IFRS and CAS result into the underlying evolution
  - Driven by expected result through the residual margin release and actual operating performance
  - Putting VIR impact into right perspective, at the same time remaining conservative as all capital gains are derecognized
- Dividend and free cash-flow driven by CAS result
  - Recent pay-out of 30-35% believed to be sustainable, based experienced strong available capital generation even with strong growth and dividend payments
  - First issuance of subordinated instrument and further leverage capacity support growth and capital story going forward
- Confident about CROSS II effects, but awaiting further clarifications from the regulator before commenting
- In terms of assessing value and value creation we focus both on EV and VNB
  - Drivers for TPL management and cascaded in management KPI’s
  - Strong focus on quality over quantity, selling the right products at the right price
- All value indicators show significant CAGR over the last 5-6 years
  - Despite the challenges of COVID and macro turmoil of the last two years
  - Looking forward China remains a growth market / TPL still a growth company / partnership with CTIH still expanding
  - Confident on long term value creation in China

Q&A