

DEEP  
Dive

More on  
IFRS 17/9



Thursday 23 May 2024

ageas®

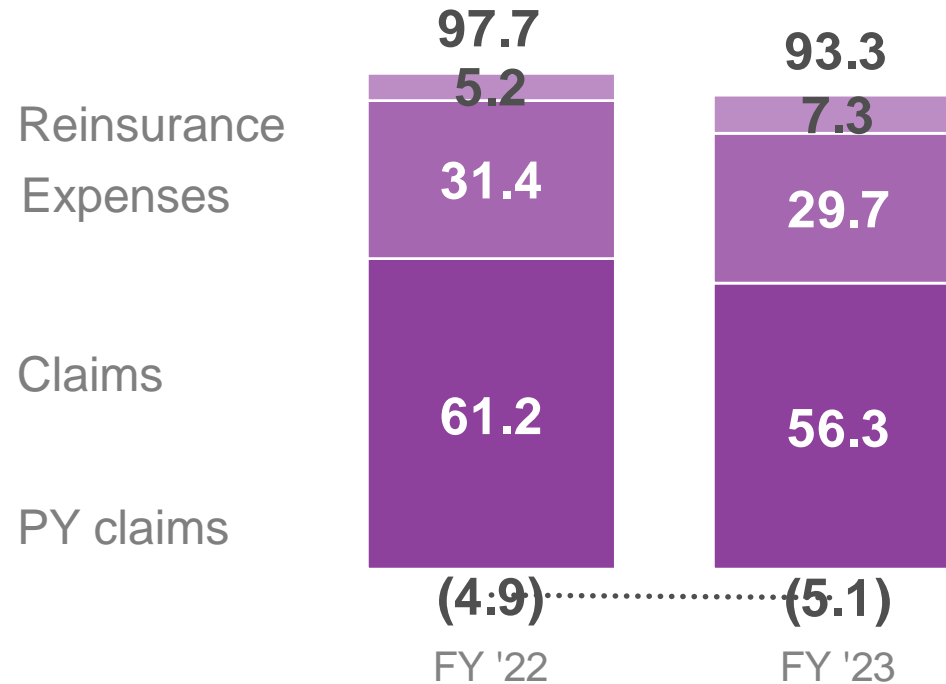
# IFRS 17/9 – Additional disclosures to enhance the benefits of the framework

## Focus today

- **Non-Life** – Demystifying the **discounting** dynamics
- **Life** – Better understanding the **value of our new business**

# Non-Life – Combined ratio FY '23

In % Insurance revenues



- What we said at FY'23 disclosure “CY discounting benefit of 3.5%”
- Updated number **4%**
- Related to Belgium – now including full discounting benefit vs. delta under IFRS4

# Sensitivity of combined ratio to interest rates

Based on FY'23

## Sensitivity COR to interest rates

- **50 bps down = COR + 44 bps**
- **50 bps up = COR – 44 bps**

- Based on 2023 **claims duration**
- May change with important change in claims profile
  - All bodily injury claims typically longer tail
  - Household and Health typically shorter tail
  - Workers' compensation

# Non-Life – the way we look at pricing

- **Pricing** based on **discounted** COR to reach **Return on Capital**
  - Important interest rate movement reflected in repricing
  - Taking into account market dynamics
- With **matched** assets and liabilities, **margin** between investment income and IFIE **more stable**
  - Excluding contribution of additional credit spread and additional return from risky assets
  - Impact of the discounting = results emerging **brought forward**

# How does a one-off increase of interest rates impact results

*Simplified example assuming perfect ALM matching, no additional credit spread or return on risky assets*

*Assume the following claims pattern, undiscounted*

claims paid in first year	50%
claims paid in year 3	30%
claims paid in year 5	10%
claims paid in year 10	10%

Present Value claims      93.5%  
*At a rate of approx.*      3%

*and CY claims ratio, undiscounted*      62.5%

→ CY discounting impact as % of Insurance revenues      4.0%

Interest rate movement      + 50 bps

Impact on COR related to CY discounting      - 44 bps

Revenues      5 bn

## Results profile under IFRS4

*Simplified example assuming perfect ALM matching, no additional credit spread or return on risky assets*

*Assuming all reserves undiscounted*

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Sum Yr1-10
Insurance Service Result		0.0										0.0
Financial Income		6.0	6.0	6.0	1.0	1.0	0.4	0.4	0.4	0.4	0.4	22.0
Financial Expense		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment result		6.0	6.0	6.0	1.0	1.0	0.4	0.4	0.4	0.4	0.4	22.0
Result before tax		6.0	6.0	6.0	1.0	1.0	0.4	0.4	0.4	0.4	0.4	22.0

# IFRS17 doesn't change results - only brings them forward

*Simplified example assuming perfect ALM matching, no additional credit spread or return on risky assets*

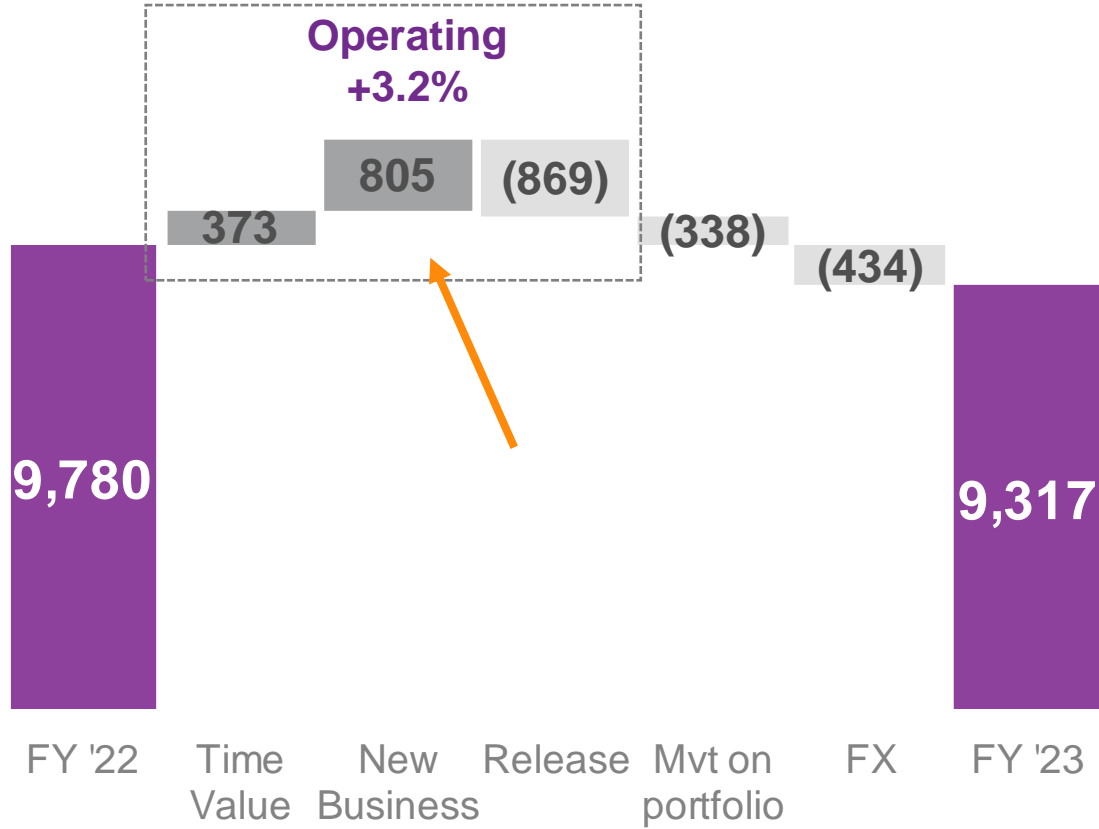
*Assuming all reserves undiscounted*

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Sum Yr1-10
Insurance Service Result		22.0										22.0
Financial income		6.0	6.0	6.0	1.0	1.0	0.4	0.4	0.4	0.4	0.4	22.0
Financial Expense		-6.0	-6.0	-6.0	-1.0	-1.0	-0.4	-0.4	-0.4	-0.4	-0.4	-22.0
Investment result		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Result before tax		22.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.0



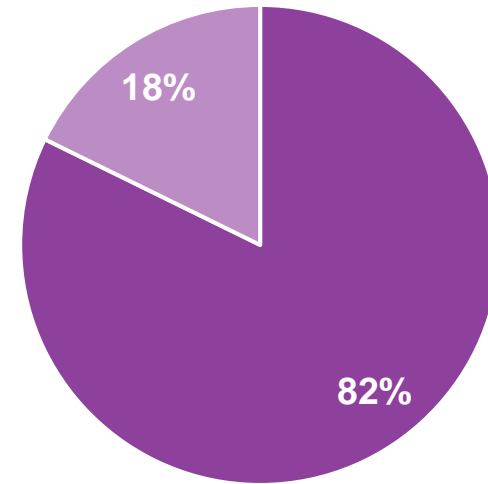
# Clear disclosure on new business in roll forward of CSM

Group wide  
@ageas' share  
Before tax  
FY 2023



Split of CSM

■ BBA  
■ VFA



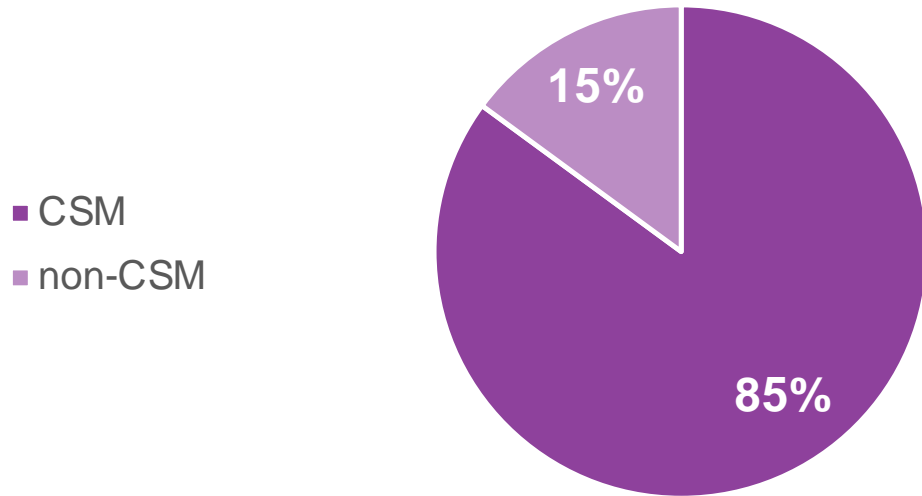
- Guaranteed business in Belgium and Portugal **BBA** thanks to fully **discretionary profit-sharing**
- **VFA** related to participating business in Asia



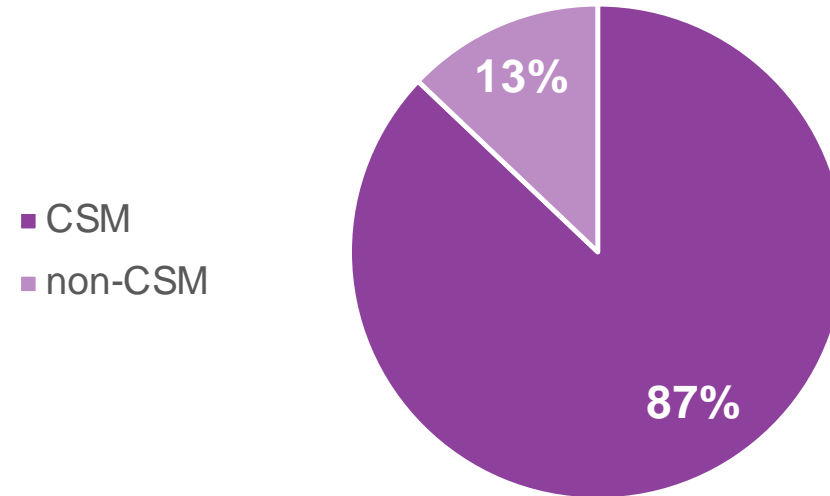
# Life business not fully captured in CSM

Group wide  
@ageas' share  
Before tax  
FY 2023

### Split of Life Liabilities



### Split of Life Net Operating Result

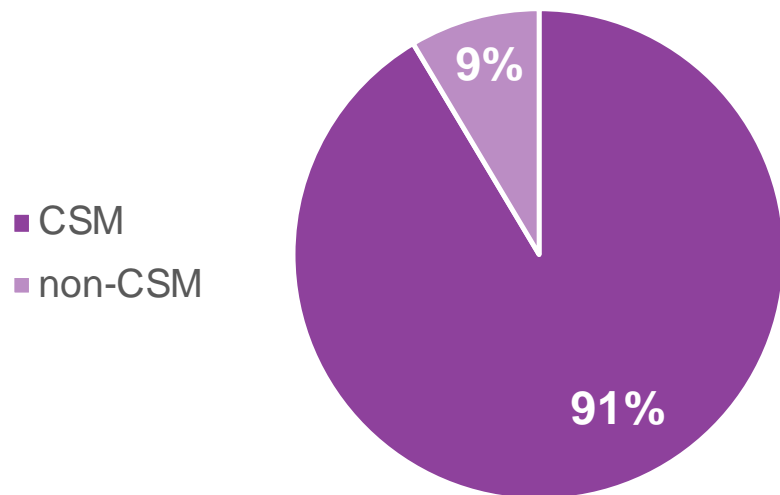


# VNB as a metric for shareholder value creation

- **Value New Business (VNB) = additional value resulting from writing new business**
  - determined as the present value of future earnings before tax.
- Present Value of New business Premiums (PVNBP) = present value of future premiums on new business written during the period in question, discounted at a reference rate.
  - includes PV projected new regular premiums + single premiums received
- **The New-business margin = profitability of Life new business**
  - VNB divided by PVNBP
  - both based on the same assumptions to ensure a valid and meaningful indicator

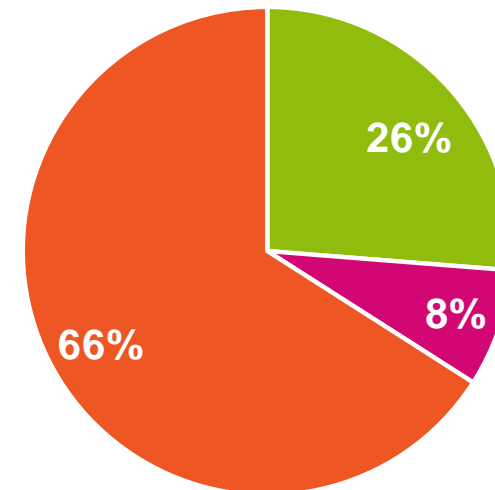
# Group-wide view of New Business Value of EUR 877 mio in FY '23

## Composition of NBV



## Split of NBV per segment

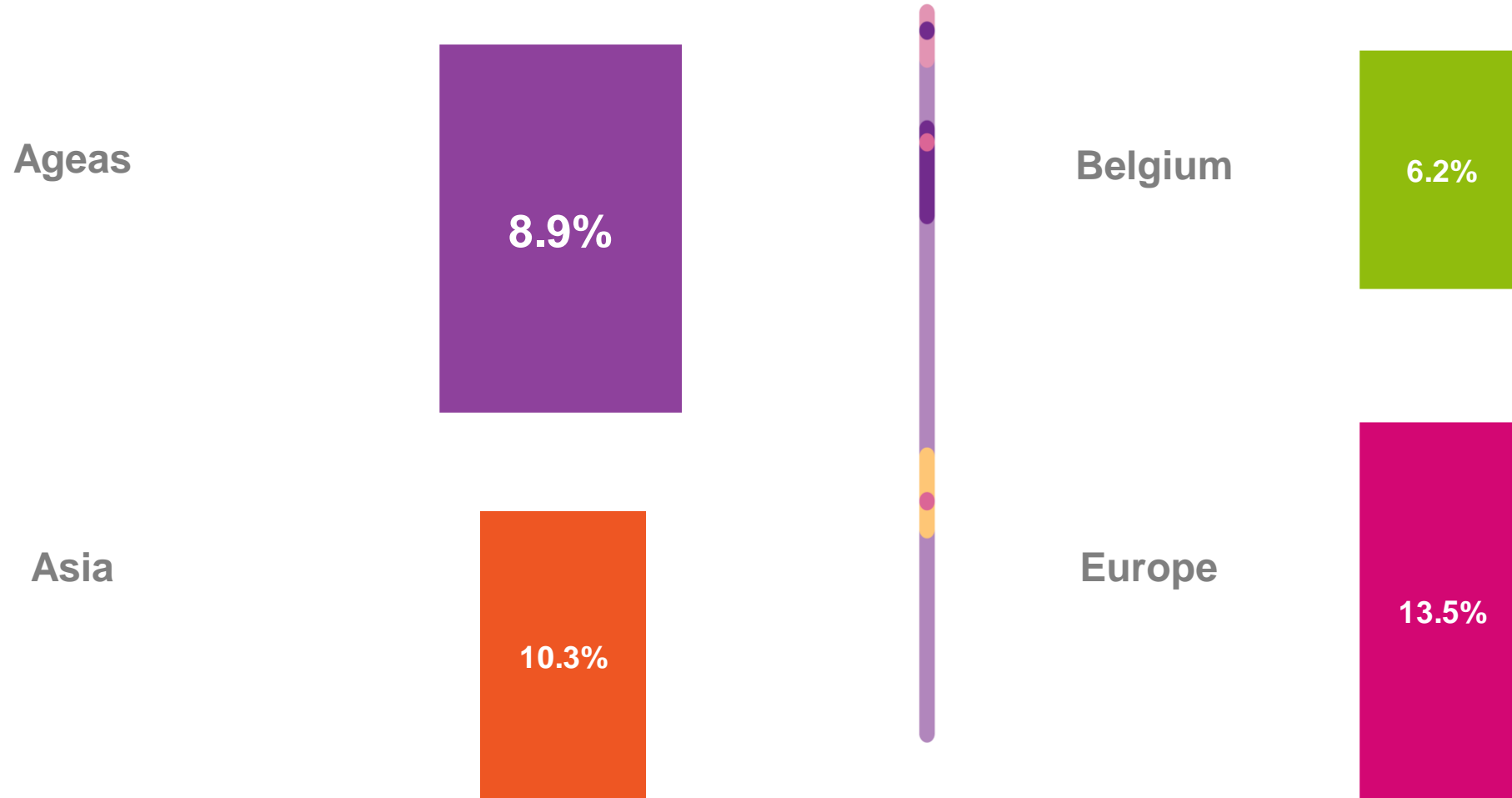
■ Belgium  
■ Europe  
■ Asia



- **Belgium** additional NBV from capital light **UL** investment products
- **Europe**: additional NBV from higher margin **Protection** business captured in Short Term Life
- **Asia**: additional NBV from **Short Term Life**, offset in 2023

# Group-wide view on profitability of Life sales through New Business Margin

Group wide  
@ageas' share  
Before tax  
FY 2023



# Additional disclosure going forward

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<b>Life Value New Business Value (VNB)</b>	<ul style="list-style-type: none"><li>• New Business Margin (NBM)</li><li>• Present Value New Business Premium (PVNBP)</li><li>• Per segment</li><li>• Semi-annual disclosure</li></ul>
<b>Market Sensitivities</b>	<ul style="list-style-type: none"><li>• Similar to Solvency II</li><li>• Sensitivity of Shareholders' Equity and CSM</li><li>• Annual disclosure</li></ul>
<b>Non-Life Sensitivity of Combined Ratio</b>	<ul style="list-style-type: none"><li>• To interest rate up/down 50 bps</li><li>• Annual disclosure</li></ul>

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