Deep Dive Session on Asia

Company Participants

- Filip Coremans, Managing Director Asia
- Gary Crist, Chief Executive Officer
- Hans De Cuyper, Chief Executive Officer
- Unidentified Speaker
- Veerle Verbessem, Group Director Investor Relations

Other Participants

- Benoit Petrarque
- Cor Kluis
- David Barma
- Fulin Liang
- Iain Pearce
- Michael Huttner
- Nasib Ahmed
- Robin van den Broek

Presentation

Hans De Cuyper {BIO 17991990 <GO>}

Hello, ladies and gentlemen, I'm very happy to welcome you to this first edition of our Deep Dive Sessions. I would have preferred to be able to host this event physically in Brussels, as I was hoping that this would give me the opportunity to meet face-to-face with some of you that have not had the chance to meet in person yet. But unfortunately, given the current context, we had to revert to a fully digital event again. Hopefully, there will be other opportunities in the future as we intend to organize more Deep Dive sessions focusing each time on a different market or on a specific topic. We have developed a solid and profitable business in Asia. Consistently and increasingly contributing to the group net results and cash flows over the past years.

However, we often get the feedback from analysts and investors that it can be difficult to fully understand our operations and to accurately assess the value created in these markets. The accounting framework is different and we are limited in our disclosures, due to the fact that our partners are often listed entities, reporting their results later than us.

So, the purpose of these sessions is to provide you with very concrete and operational elements to help you get a better understanding of our operations in the region and of the value we create in these markets. This first session will focus on Taiping Life. Our

Chinese operations currently account for the main part of our results and cash upstream from Asia. Our partnership with CTIH has been set up 20 years ago, and has been consistently strengthened since. Starting with a stake in Taiping Life in 2001, we have expanded over the years to a participation in Taiping asset management, Taiping e-commerce, and more recently Taiping reinsurance.

Thanks to the successful collaboration, we are today in the unique position of owning 25% of one of the top 10 Chinese life insurers, and of having by far the largest presence in the China among European insurers. To dive into the business of Taiping Life in details, I will leave the floor today to Filip Coremans, our Managing Director Asia; and to Gary Crist, who is our CEO Asia. And, Gary who has made been part of Ageas venture in Asia since day one flight from Hong Kong to be with us today here for this event.

So, I will now hand over to Gary.

Gary Crist {BIO 17360987 <GO>}

Thank you, Hans, and welcome to everybody. I'm very honored to be here with you. Even if it is virtually and I hope you find the next hour-and-a-half or so couple of hours quite interesting.

So, let me start with a map of Asia. If we look at the left hand side, you'll see how we've started off in the region and then if we move to the right, you'll see the new joint ventures that we've added over the last seven or eight years. We started in 2001 in Malaysia and in China. Our partner in Malaysia is Maybank, which is probably the dominant banking sector -- banking group in Malaysia. They had bought a small life insurance company and we're trying to introduce bancassurance. They hadn't really achieve the success that they had in retail banking, was selling life insurance through the bank network. So they were looking for an insurance company, foreign insurance company that understood something about bancassurance. At the same time, that we were looking for an opportunity to break into the Asian market with the belief that bancassurance would be the core entree for us to get into the sector.

We found each other and I think it's been quite a successful 20-year partnership, they entertain Malaysia was a relatively small insurer not quite making money. And as you can see, we're now the number four life insurance group in Malaysia, and the top non-life insurance company. This includes both conventional insurance and the Islamic forum Takaful.

The second joint venture was Taiping Life, which was a greenfield startup in China, which we started at the very end of 2001, based in Shanghai. As Hans said, we're now in the top 10 in fact, the number six life insurance company in China. We'll go into a lot more details on that obviously over the course of the rest of the day.

The third joint venture was in Thailand, where it's similar to Maybank Kasikornbank and the lump sum family, which was the founding family behind both the bank and Muang Thai Insurance Group. We're looking for a partner could help them unlock bancassurance in the

Thai market. So, we found that partnership in 2004. Muang Thai life was the sixth largest life insurance company that time, it's now number three Muang Thai insurance, the non-life part of the insurance arm of the group was the 15th largest non-life insurance company, and it is now number five in the market.

Moving on from Thailand, we went to the life sector in India, where we partner with IDBI Bank and with Federal Bank based in Southern India. And that company has now the 11th largest life insurance company in the Indian market and we're in the process of restructuring that. If you've been following the news, we've stepped up to 49%. And we're going through a strategic process to relaunch that business and we hope to substantially improve growth over the next three to four years.

Following India, we moved into both Vietnam and the Philippines in 2015. Vietnam is -- MB Ageas Life is now the sixth largest life insurance company in Vietnam, it's had a tremendous start up. And in the Philippines, our partnership with EastWest Bank, we're number 15 in that market. In 2019, we partner with Royal Sundaram in Chennai to add non-life to our Indian experience then stepped up in the Indian life insurance company in 2020. And as Hans said, we invested in Taiping Re in 2020 as well.

You'll notice that we've got quite a good stable of partnerships that have exceeded that what is the accepted norm of a joint venture for eight years. This is built in an approach and a structure that I will discuss in more detail later on in this presentation. China and Malaysia both have 20-year durations. Thailand is 17. These have gone through various stresses and changes. We went through the break-up of the Fortis Group. There's been management changes on it -- multiple times in both partnerships and we've expanded the cooperation each of these joint ventures, which can add stress to the relationship as well. In Malaysia, we acquired Takaful National and merged it with MayBank's entity there. We've moved into Singapore to add life to the non-life company that we started with. And Thailand, we merged Muang Thai Insurance and Phatra, which was a listed Non-Life insurance company. We restructured, so that Kasikornbank could step up its percentage ownership in the joint venture and we've moved into Vietnam, Cambodia and Laos.

In China, we've moved into the asset management sector, with Taiping Asset Management, which largely manages the assets of the top -- of the CTIH group. We added alternate distribution and innovation through Taiping Financial Services, the e-commerce arm of CTIH, and as we've said we've moved into reinsurance.

If you look at the left of this slide and move across to the right, you'll see the growth and inflows leads to strong results and a dividend upstream. Taiping Life has gone from a greenfield startup became profitable in year five, dividend starting in year 2014 and consistently paying out dividends since then. Muang Thai has always been profitable Etiqa, our Malaysian joint venture started to show sustainable profits early in the joint venture, as if you recall I said, was a relatively small company that was making some losses. Both of them started generating dividends in 2008 and have been consistently paying since then.

Vietnam is quite interesting. Profitable in year three, which is astonishing from a greenfield start, positive retained earnings in year five with the growth pattern we're seeing, we don't foresee dividends coming out of Vietnam in our next three-year budget cycle. But, very happy with the results in Vietnam, obviously.

And while, we've enjoyed exceptional historical growth, we can expect these percentages growth to stay. We think we're going to have a very strong future as well, the indicators all point to what we hope will be a bright future. If you look here at the chart on the left, you see premiums as a percentage of GDP. China is it about 4.5%, Malaysia and Thailand just over 5%, India at 4% and then Vietnam Indonesia, and the Philippines are down below 3% -- down below 2%. The world average is 7.5% Europe, Western Europe is at about 8%, the OECD average is 9%, others just out of interest, the U.S. at 10%, and Belgium at 6%, France at 6%, Germany at 6%, Japan 7%, South Korea 9%. So you can see there's a huge amount of potential to grow just by increasing the percentage of insurance as a part of a country's GDP. And then when you add expected GDP growth, you get a dynamic multiplier there. So remember that this chart is showing 2022 forecast. So these growth rates of 4% for the globe are obviously influenced by coming back from a very low dip from COVID.

Well, -- but with that you still see China substantially above Western Europe in the world and the rest of Asia even stronger than China. So, the combination of the two gives us the confidence that we've got -- with the great platforms we've got, we've got a tremendous future in the Asian region.

This chart shows growth from 2016 to 2019 and then expected growth 2022-2024. You'll note here that you've got Tai life and Tai non-life in the Philippines life in about a 5% growth trajectory over the next four years. Malaysia life, non-life India and China all looking quite strong, including Vietnam down at the end. So, again this comes from national insurance regulators, global data, another strong supporter for our supposition that our business in Asia is going to continue to grow and continue to be quite bright for us. What, I'll go into now is our approach to joint ventures. How do they work, why do they work, why do we think joint ventures are sustainable? How do we think we influence them as a minority shareholder in most cases? So this circle is the basis that we've used for both seeking out partnerships and managing those partnerships over quite a long time. It's basically been the same approach for 20 years.

What is important is not just how you select the partners, but how you interact with them after the partnership has been formed. In fact, I would say they are of equal importance. A careful, methodical, robust two-way selection process is quite critical. The keys to our success I think, if you can break them down into three segments or alignment of interest, both the short-term and the long-term, shared ambitions, shared visions, shared values. I think Impact24 is a strong example of the way we share ambitions, visions and values with our joint venture partners. Impact24 wasn't designed in a vacuum with the GS people sitting in this room, conjuring up ideas, we work closely with our joint venture partners with representatives in the joint ventures to come up with these themes.

So, it's no surprise that there's a great deal of commonality between the strategic ambitions, the goals, the strategies, and the tactics that are present in the business plans of our joint ventures and are evident in Impact24, they're very closely aligned. Work streams have already exampled with respect to distribution diversification, building a stronger representation of protection products in our overall portfolio mix in the life sector, health insurance, platforms, ecosystems and quite importantly ESG. We found that ESG resonates quite carefully, quite strongly with our joint venture partners. Malaysia, in particular, with MayBank and Etiqa, MayBank Ageas Holdings Berhad has been a clear leader in Southeast Asia and grabbing the ESG concept and moving forward with the initiatives in that realm. So, very closely aligned with what we're looking at in Ageas.

Equally important is our ability to add value over time to evolve and help address emerging tens. Again, Impact24, it's quite relevant here, and to our partners its key. We've clearly addressed areas of common, mutual, strategic, significance and are building and deploying the resources across the joint ventures to help them reach their ambitions as market conditions change, new technologies come to bear, data becomes more important. So we're moving quite strongly in those areas.

I think, lastly flexibility, transparency, mutual respect are critical. And all of those lend themselves to what we as firmly believe in our business model is critical is local autonomy and empowerment. This goes to the heart of trust and mutual respect. I've worked in Asia for quite some time, it was always frustrating to hear that there was a fire in Chile as you had to stop writing textile factories in Indonesia. We don't do that. The local management teams run these companies, we work with them, we help design the strategies, we work on the risk appetites together, we build the framework in which to grow, we hire good people, we support them and let them run their businesses, it's very, very critical to our business model and I think to the proven success of the joint ventures that we've got across the region.

Secondly, is our interaction with our partners. This slide shows you the management interaction we've got. But we also quite extensive interaction all the way down through the executive committee, the management committee and the regional office in Hong Kong. So Hans and Phillip, sit on the board of Taiping Life. They also sit on the board of Muang Thai Life. Philip is on the boards of both companies in India, in Malaysia. Antonio sits on the board and Emmanuel is on the board in the Philippines, Vietnam is the sole exception. Well, we share the board representation with our partners Muang Thai.

So, I sit in addition to some of the other boards I sit on the board in Vietnam. So that gives us the formal relationships that we need through the board and the board committees. We also have in the management structures embedded in the joint venture agreements. Some of these positions are effectively Ageas positions. Largely based on finance and risk, but we also have strategic positions which evolved over time, based on the demands and the needs at the time. So we have distribution positions, we have operational positions, customer journey positions. It depends on the needs of the joint venture at the time.

80% of our secondees sit on the executive committee of each of these joint ventures. They are employees of the joint venture. They report to the CEO of the joint venture. They obviously interact quite a bit with Ageas, but their primary function is to help the joint ventures succeed. In addition, we through the regional office, we have extensive programs on work streams related to as I said distribution to product development, to operational excellence, to customer journeys; most of the themes that you see in

Impact24, plus themes that are directly related to the specific joint venture. And then all of our joint ventures participate across the various platforms and knowledge sharing opportunities that we've got through the group where there's more informal communication, if you will. So quite an extensive reach at multiple levels, that helps keep the information flow helps us understand what's going on in the joint ventures, helps them understand what's going on within Ageas and helps us define how we support the business going forward.

Now, we'll take a closer look at China and Taiping Life. So, to China Taiping Life started in November 2001. It was a greenfield, had 250 employees, 500 agents, four offices based in Shanghai, they're also in Guangzhou, Beijing and Chengdu. And no customers, not a single sale. Today 19,000 plus employees 370,000 plus agents, we're in every province in the country through 1,400 branches in sales office and we have over 15 million customers. I think it's quite a strong track record of growth over the last 20 years.

You can see that we've got consistent, stable growth and gross inflow. We've gone from about 3.4 billion at the Ageas' share in 2016 to almost 5 billion in 2020. It's fed the dividend stream at the end, this is the IFRS results. You can see there's quite a bit of volatility in there compared to especially the dividend flow. Philip, will give you a lot more details on what drives the IFRS results, what drives the cash local account results and how that feeds our dividend streams, but you can see quite a nice pattern of dividend flow coming out of China over the last five years, in particular, and going back to 2014.

This chart represents the participation we have in different entities within the CTIH Group. So the key is obviously Taiping Life, where we own 25%, it represents the bulk of the economic activity within the greater CTIH. CTIH by the way is listed in Hong Kong, although it is a Mainland Chinese entity state owned enterprise, but listed in -- and headquartered in Hong Kong.

In addition to Taiping Life, our most importance entity beyond Taiping Life is Taiping Re, which is relatively new about it -- we've been shareholder there for about a year. Then we have typing e-commerce where we own 12%. Taiping e-commerce evolved from a telemarketing company into a telemarketing alternate distribution company. So does a lot of e-commerce, it's got some quite interesting non-insurance shareholders who bring technological skills and expertise to the company so, it's a center of innovation for the Taiping group.

And then we have 20% of Taiping asset management, which as I said manages the bulk of the assets for CTIH, particularly for Taiping Life although it does manage third-party assets as well. In Taiping asset management, we have the Chief Risk Officer, in Taiping Life, we have the Deputy CFO, the Chief Actuary, the Head of Customer Excellence, who actually sits in the e-commerce company. And then as I said, we're represented on all the boards, board committees in each of these various entities.

This highlights the cash flows in China, so this is Taiping Life, Taiping asset management and Taiping financial services. The cash flows for Taiping Re and the other joint ventures in Asia, are not demonstrated here. As you see, we started in 2001, invested to build growth, in particular, in 2003, we were supporting growth, and then you started see dividends come out in 2014, which was quite a minimal dividend, but still quite psychologically important. And then strong growth as we've moved through 2020 and 2021, and getting the dividends are based on local cash results.

The inflows show a strong growth pattern, even when you account for this disruptions to the market in 2019 and 2020 due to COVID. Single premium sales, the purple section have diminished in scale over time, they're largely tactical scales now used in the bancassurance channel, and they're important to help drive the expense margins. We do make money on single premium, but it's regular premium that really drives this company and the renewal book.

Regular premiums are 72% of new business, which is up from 49% in 2016, slightly down in 2020 as I said due to COVID. It really had an impact on customer needs, customer perceptions. There was a less -- more of a reluctance to commit to long-term investments, but a short-term single premium or two-pay product with excess cash as they were not eating out, they weren't traveling that made that more attractive for the customer. So you saw a little bit of a rebound in a single premium in the period that we went through in 2019 and 2020. Basically inflows have doubled over the last four years or so.

Persistency is a key driver of this, it's what drives the renewal book and you can see Taiping is the line in orange on the top, their key peers are the gray line, representing the gray line; and the peers are Ping An, China Life, China Pacific, PICC Life and New China Life, these are the companies that make up the top five or six in the market. So, that's how Taiping compares itself, that's where they really looking at their key performance indicators. How do they rank against these companies? And every year, we're five points or so above these -- this peer group in persistency. But what's very interesting is 2020 COIVD. Exceptional performance by Taiping Life, we saw the peer group take a dive, 3% from 90 to 87, but Taiping was able to maintain what is an exceptionally great persistency ratio both in Banca and in agency.

This chart shows where we rank in the top 10. As you'll note, we're the only European insurer represented here. We are number six with 5% market share roughly the same size as Taikang and New China Life. This graph only represents the CBIRC methodology, which is not count universal life infos as premiums. To be fair, Taiping doesn't sell a lot of universal life, some of our competitors do. But this is the CBRC version of market share.

What's important as well as these companies are been consistent. In the past, you've seen some companies come in and come out of the top 10 Anbang, Washa [ph] in the past, largely built on single premium sales incredibly low margins. And this rank our peer group has been consistent in looking at long-term growth, long-term value creation. Here, you're looking at their European ensures in the Chinese market. So, clearly Taiping Life is at number one, the darker part of the bar chart shows the percentage of inflow on an ownership basis. So at 25% are inflows, roughly EUR5 billion compared to our European peers.

What I find quite interesting on the chart is the ownership percentage. We're the only one at 24.9%. In 2001, when we started this journey, you had a choice, you could do 50% ownership, but you were restricted to a defined geographic area, with Shanghai, Beijing or Guangzhou being the price regions or you went the 25% route as a joint venture partner, but you had a national mandate, that was in our mind was an easy choice, but we were the only investor to take that choice. And I think the implications, in the results of that choice are obvious and we're still very, very happy with the selection made at that time.

ICBC-AXA is the only other one on this chart, which is below 50%. They made the choice basically the same way we did. We looked at the National Life license and Taiping's capacity to build out a national platform. They looked at ICBC's branch network and said, this is what is going to drive our ability to outperform the other joint ventures in terms of market share.

This chart shows you the premium portfolio mix by product. As you can see, we've gone -- this is again on a 100% -- this is on 100% basis now. So in 2016, we were at EUR13.5 billion in premiums, and at the end of 2020 we're EUR19.5 billion. So 43% growth over that four-year period, five-year period. You can see that the accident and long-term health has gone from about 11% of the portfolio to 30% of the portfolio, that's our protection book. The participating products, the par products that come down from 60% of the portfolio to 40% of the portfolio, that's largely driven by consumer choice, which was triggered by a regulatory change on the types of illustrations, you could give in a par product.

Certain companies, certainly not Taiping or anybody that you saw in the peer group had been illustrating returns that were too high. They couldn't meet the customer guarantee. So the regulator has stepped in and put a market standard on what illustrations are and that's affected the perception of product attractiveness in the consumer mind. So, you see a growth in the traditional life book at the expense of the participating products.

I'll give you a little bit of a definition now of what each of these product groups means. So, the annuities are mostly annuity certain savings products. So it's a fixed term benefit, paid on survival or death. It's a much lower risk than what you would think of as the traditional annuities in a western market. Long-term health is basically critical illness, which pays a defined lump sum cash benefit, diagnosis of specific diseases. Traditional life, like par is whole life or endowment products, with benefits paid at maturity or upon death of the policyholder. The difference being with par, the policyholder also gets a 70% share, -- oops sorry about that, a 70% share of the profits coming from a mortality and expenses and investments. So that's the difference between these two sections.

And then the accident short-term health is critical, not critical, sorry its more like hospital cash. So paid, again, a defined benefit upon a specific event either going into the hospital, where they'll pay X amount of RMB per day or upon a specific accident or upon death of the policyholder.

Here, we're looking at gross inflows by distribution channel. So, agency is the orange bars. The orange part of the bars are clearly what drives growth in our business. Banca is the sort of yellowish color here and you'll see it's reduced from 40% of the book in 2016 to

4.2 out of 20 billion, so 20% of the book in 2020. The other is the e-commerce business, the telesales business, brokerage business but it's clearly the agency channel which drives it, which is quite important and I'll get into that in the next slide.

What Taiping group is focusing on is maintaining its agency force at about 370,000 agents. If you're following the Chinese market, you'll see that there's been a decline in agency forces in 2020 and 2021. It's the pressure of COVID and it's looking at -- people are looking at opportunities at -- some of them are being Uber drivers quite frankly. But it's a more steady predictable income than what you can get is a life insurance agent in an went where it's difficult to meet people face-to-face. So, it's affected the building of agency forces across the market with Taiping life being the sole exception. We've actually added agents in 2021, which is the only company that's been able to do that in the market. What we're doing is focusing on stabilizing the agency force, improving activity ratios and improving productivity.

The number of agents with first year normal renewal premiums over RMB1 million is up 50% from H1 2021 versus H1 '20, which is a clear example of how the focus on quality is working. Taiping's management team is driven by VNB. It's driven by value, value of new business, value creation embedded value. And we focus on that, that's what the reason why we really focus on building the agency channel. The Banca channel contributes volumes but lower margins and then as I said, we -- these are niche channels which reach markets that these two can't mate or their experimentation through the e-commerce business. Agency is the single largest driver of VNB by quite a substantial margin. Generally over 40% VNB margins in agency and around 4%, 3.5% and Banca, you'll notice that there's been a substantial improvement since 2016 and sustainable we think. But, this is why the focus on agency is so critical to the long-term success of Taiping in the market.

This chart focuses only on the change in H1 2020 to H1 2021. You have to understand the dynamics of the calendar in the Chinese market. Q1 is traditionally a period of strong sales with a trade-off of far lower margins, particularly in the bank channel. Insurers are trying to build market share, banks are trying to build market share and it's tied around the opening campaigns which traditionally start as early as October, November the prior year.

So, as you can see this is the Taiping new business margins in each channel H1 '20, H1 '21 and Banca has had a tremendous improvement in '21. Basically, we're going from a negative 4 to a positive 6. Agency traditionally comes down, lower in H1, and then builds the value in H2, but as you can see in 2021, we've had a growth in new business margin, which again is exceptional in the Chinese market in 2021.

Now, we'll look at the asset mix for Taiping Life the chart on the left compares it to the market asset mix if you will. You'll see that we're a bit more conservative than our peers. We're largely in fixed income as you would expect, 83% of these bonds are Chinese bonds, Mainland bonds, with 99.8% of them carrying a AAA rating under the local ready structures. It's important to note, the Taiping Asset Management has its own internal rating system. This is built on international norms. It was developed with a geos technical support, and all bonds are assessed against both standards, local and international. Of the international bonds we buy, 92% of those are investment grade.

Noted equities at 15% or below the market norm of 19%, but they're still higher than what you would expect for a European Life insurer. This is to address the fundamental duration mix, mismatch which you find inherent in the Chinese market. The higher allocation to equities is based on an except -- widely accepted economic theory that over the long-term and despite volatility, equities will generate a higher return than other asset classes. Within our equity portfolio, 5% of the 15% is held in high dividend yield shares that are not actively traded. So, it's really a trading book of much closer to 10% or below when you look at this chart.

Real estate at 3% again is about half of the market norm and again, the nature of our real estate holdings is quite different. They're largely own use office buildings for Taiping in key cities, there's virtually no exposure to property development and there was no exposure to Evergrande either.

My last slide talks about the strategic goals of Taiping group. They're fully endorsed and closely aligned with Ageas. The core KPI of management in fact, largely the sole KPI for management is value creation. It's predicated on steady growth, a least consistent with the market targeted higher, but not at a trade off of market share for value. We focus on higher margin regular premium products while maintaining the consistently high persistency ratios, which you've seen. The goal is to maintain the agency force while improving activity and productivity ratios through enhanced training and improved sales support.

Taiping also focuses on continuous improvement in risk management and operational efficiencies. Taiping is consistently rated by the CBIRC amongst the best-in-class insurers in China. CBIRC has three different types of ratings. The first is the integrated risk rating, where Taiping has an A, which is the top rating you can get in China, they've had it for 14 consecutive quarters.

The second rating by CBIRC is SARMRA, a Solvency Aligned Risk Management Requirements and Assessments, where Taiping was rated 83.3 out of 100, placing it in the top three when it was last rated. This assessment is part of the (inaudible) CRAs framework. And it's looked at assessing the complete list -- completeness and effectiveness of an insurer's governance structures. The CBIRC then looks at your ALM capability assessment, Taiping was rated at 95 plus in 2019, between 90 and 95 in 2020. Again, placing it in the top ranks of all insurers in China. 2021 has not yet been announced.

So that's my presentation for this afternoon. I hope you found it enlightening and we'll now take a five-minute break. Then Philip will come and join us and dive into the more financial elements of Taiping Life. Thank you for your attention. Thanks.

(Break)

Unidentified Speaker

Before the short break, Gary gave us some useful insights on what insurance in Asia is about and how TPL navigates in that environment and intends to continue to do that in a successful way. If you still have some questions around the topics that he raised, don't hesitate to write them in the chat, we will try to address as many as possible during the Q&A session at the end of this Deep Dive.

Now, I can imagine you thinking, okay, looks like a compelling story you write together with your partner in China. But how can I track it? How can I track that you're really delivering on the plants you describe? What metrics should I look at as an indicator of the performance in the past? And even more important the potential of the future? Let's ask our MD Asia, Filip Coremans, how he looks at it.

Filip Coremans {BIO 17614100 <GO>}

Thanks, (inaudible), and a very warm welcome to all of you on a quite cold day here in Brussels. So, I'm not sure you're missing a lot other than the closeness of people by not having an onsite session because we had the first snow today. So indeed, what we're going to take in this session is take you to a Deep Dive in Taiping Life. And Taiping Life is at the core, of course, of our Asian results and operations and our Asian results and operations are actually at the core of Impact24 score, so those of you followed it, we expect a lot in terms of growth of contribution from our Asian book.

But in detail sounds, and also you indicated over the last year, we had, I would say, note a significant challenges in conveying and providing transparent insight in the performance of our Asian operations and certainly on China for various reasons, market volatility also account and treatment differences and the special complex of VIR, yes, value interest rate, which blur let's say that picture. And of course, that is not helped by the fact that we only gave limited disclosures about our non-control participations.

So, what we try to do today is resolve most of these matters and maybe also looking forward, but I'll keep that for the end, yes. So the focus of the session this afternoon, the rest of the session will be entirely on Taiping Life. When we look at the result, as you can see on the slide here, the result of Taiping Life over the last five years, I think two things stand out. First and foremost, (inaudible) here indeed it has been rather positive but undeniably quite volatile. And also there is a noticeable difference between the result under IFRS as it appears in Ageas books and the cost result. The Chinese accounting standard result, the local result of Taiping Life.

one, the first substantive comment and I think that is something to keep in mind is that in the end, it is the cost result that drive dividends, and free cash flow out of China, not the IFRS result. And increasingly so when in Impact24, we put more focus on free cash than on dividend payout ratios, because we don't know exactly what they will mean on the IFRS results of the future.

And secondly, if you look over the last five years, the IFRS result tends to be, I would say, structurally more conservative, and this relates actually to what I mentioned before, three types of accountant adjustments that we make at the Ageas level, on the cash result. The first accountant -- accounting adjustment we make relates to impairment policies. So under IFRS in Ageas, we have an impairment rule, which actually where we impair any accountant that drops 25% below its acquisition price at the moment we close our books, we do that 4x here.

In China that is done at 50% and they close only twice a year. So, you both have more checkpoints as well as I would say, lower hurdle that we apply, which means that we impair faster. And the best example and certainly, some of you will remember is in 2020, where you see a huge difference between the CAS result and the IFRS result that was entirely due to impairments that we took in the third quarter closing, a closing that did not happen in China and a few days actually after we took the impairment there was a rebound. So, they were never shown up in impairments in China but did in our result.

Unidentified Speaker

Yes. And of course, once impaired the recoveries are not written back unless the capital gains are realized.

Filip Coremans {BIO 17614100 <GO>}

Yes. That is correct. And that actually relates to the second adjustment we made on the accounting has to do with recognizing of mark-to-market gains or not. In China, most of the equity is held in what we call for trading as Gary mentioned. That means the result on that is immediately flowing into the profit and loss account, whether you realize it or not positive and negative. Under IFRS, we don't do that. We book all our equities and that is consistently so in all our operating entities and in the consolidation, we put them all at what discount available for sale, which actually means you keep them at acquisition cost, yes, they don't run into the P&L the differences, they end up on the balance sheet, they only show up in the profit and loss account when you actually do a transaction when you sell.

The third adjustment we make and that is then also very relevant, I think in the context of the turmoil we heard about property. We value property under IFRS at what we call amortized acquisition cost. So, we amortize it and keep it at historical cost but even amortize it a bit. And in China also property is valued mark-to-market to the profit and loss.

Unidentified Speaker

Okay. So three elements that add an extra layer of prudency in the IFRS result. If I look at the difference between the CAS and the IFRS on those five years, it makes a difference of about 300 million, is this somewhere lost in translation or what is going on with it?

Filip Coremans {BIO 17614100 <GO>}

Well, it's definitely not lost these in accounting translation I would say, yes. But indeed, the cumulative effect over this period that we show here is about EUR300 million are our share and it is net. And where are they? They are in the IFRS and realized capital gains. We have more on realized capital gains in under the IFRS accounting treatment and under

CAS, they're definitely not lost, but they have not been realized and are still on our balance sheet.

And so, for example and it's may be good to give that as well. At the end of September, and that is now September, so it was at our third quarter closing. The property around which we obviously, and certainly, you also in Investor Relations received a lot of questions for all good reasons due to the uncertainty about it. The IFRS property book, our share was about EUR700 million in book value. But on this, we have about EUR125 million unrealized capital gains, which we are never taken to the be P&L whereas in CAS, they are mark-to-market which is about 18% buffer. And Gary already explained that we do not have any let's say, exposure to the turmoil sector of construction. We aren't exposed to that it's mainly own offices and property.

And similarly on the equity book in CAS, everything goes or a large portion goes to mark-to-market to the profit and loss. But in IFRS, we have about an exposure of EUR3.4 million on Chinese equities again, our share everything I will say today will be our share mostly. But there we at the end of September after the turmoil is still EUR180 million unrealized capital gains as well. So coincidentally the two adapt to your EUR300 million, so I would say lost and found.

Unidentified Speaker

Thank you. Now looking at the CAS result, ignoring all those accounting noises that we put on it through the IFRS adjustment. The pattern is becomes already a lot more stable? Can you give more clarity?

Filip Coremans {BIO 17614100 <GO>}

Yes. Yes. Of course, it's logical that the pattern is more stable because okay, first and foremost this is what the Taiping Life management is steering the company on. But it is still quite volatile and it is also good for the rest of the story to understand better what the CAS result actually is composed of. How does the Chinese accounting standards work? And what you'll find out is that this is very similar to what we're going to experience under IFRS 17 when the new accounting standards on the insurance come in, yes.

I'm -- for the sake of simplicity, you could break-up the CAS result in a, let's say, three components first. It's the expected profit, which is mainly determined by a concept, which is called residual margin and which as the connotations on CSM in IFRS 17, but I'll explain a bit more in detail, yes.

Next, we have the variances and you can break them up into. We have the investment variances, which is actually deviations in terms of real investment income, realized investment income in one specific year from what has been assumed in the expected result. In the expected result as a stable assumption, whereas in reality as we know markets move up, and I'm certainly because they have marked-to-market, realized capital gains or losses, you have impairments or not that will end up in investment variances. And then you have the other operational variances where you say, yes, when I think about an expected result, I have assumptions on mortality, we reinsurers charges, lapses all technical components, also our expenses. And this component perhaps again, the difference between the actual and they assumed in the underlying expected profit.

And then finally, we have evaluation based changes which are a one-off impact, and one recurring one-off impact, which is also not been helping to make things transparent has been the valuation interest rate. So, but -- I will come back to these components.

So the concept of the residual margin, so let's have a bit more look at that engine behind expected profit, what is the concept? So under CAS, under Chinese accounting standard, this residual margin actually captures the value of new business. When it is sold, the accounting value of new business, the present value of all future profits that you think to make out of the context that you sell, they do not end up in the profit and loss account. They are first put on the balance sheet and then amortized over the life of that contract. So, it's actually a buildup of future profit, combing expected profet, coming out of any business is added there. And on a yearly basis that rolls forward. So, well on the balance sheet, you have the residual margin over the last year, part of it is released and ends up into the profit and loss account and then you add the new business of that here, that's what you see on the right hand side of the slide, yes. So every year the new business is added and a portion of the back book is taken into the P&L. And then you have indeed it is mentioned there also an effective unwind of this discount.

Unidentified Speaker

And so, to -- at what speed does this residual margin release to the accounting?

Filip Coremans {BIO 17614100 <GO>}

Well, the release of the original margin is driven by the duration actually of the contracts that are still on the balance sheet. And to give some guidance, because otherwise it is difficult to get a feel for it. Today, I would say, the average duration of the residual margin on the balance sheet of Taiping Life is around 11 years. So it has come up a little bit because Gary indicated, we try to sell more and more long-term products rather than the shorter term product, so it does increase the bit, it used to be closer to 10, but now I would say it's about 11 years. So it means one 11 more or less is released on a yearly basis. And the discount rate used in the role for is about 3.5%, and all the rest is actually coming from new business.

Unidentified Speaker

Okay.

Filip Coremans {BIO 17614100 <GO>}

Yes. And so if you look here at the build up of that residual margin over the last three, four years, three years, it has a CAGR of about 18%, you can see how strongly that is building up and this is also the main engine I would say, the core of the cash result, the rest is the variances, yes.

Unidentified Speaker

Okay. And with this residual margin on the balance sheet going up, we can assume that also the release to the result will go up?

Filip Coremans {BIO 17614100 <GO>}

Yes. Obviously, this is the future profit to be released or part of the future profit to be released of that expected profit that I talked about. It's the main is a lion's share that will drive that in future.

Unidentified Speaker

Okay. Thanks for that --

Filip Coremans {BIO 17614100 <GO>}

Of course, you have to sell the right product to add value and if they unwind, they will come on to the profit and loss.

Unidentified Speaker

Okay, very comforting message. Thank you. Now, there's one other thing you already mentioned. And I am sure that our audience would like to get a bit more their head around is the VIR?

Filip Coremans {BIO 17614100 <GO>}

The valuation interest rate story, every quarterly closing for the last two years, I think, we make side comments on the valuation interest rate. Now, of course, low interest rates and that we all know are never good for life insurers and they're all depends on our rigor to manage the ALM gap and take the right decisions there and in pricing and I would selling the right product mix.

And I think Gary already indicated in his presentation that their Taiping Life is very much focused on it, yes. So, they are amongst the top three actually in terms of the ALM ratings in China and they focus a lot on longer-term value adding products, which are rightly priced at to extent that growth of residual margin, but also create value new business. But indeed the VIR has been, let's say, it's a different animal. It's something that we don't know, you see here, the movement of the 10-year bond yields in China and indeed they have been coming down over the last years, although they have come in cycles.

And you also see the VIR, which is here projected, I think this orange line, which is the 750 day average of that yield curve. So, for this year by the way and because it's not on the slide and I've shared it already at our previous analyst meets, this VIR is trending further downwards, because we all know interest rate in China have come down further and they're now moving around 2.9%. And that VIR trends towards 3.1 by the end of this year.

And the impact that last year was EUR116 million this year. We forecasted but I have to say something about it and we shared with you and as we expected to land around EUR180 million at the end of 2020. So quite have the impact of the VIR.

So, but maybe go to the, yes, let me explain a little bit how this mechanism works and why we tend to say that part of the VIR with overestimates the interest rate impact, because that is quite an important message that you see. So first and foremost, the VIR applies only on the non-PAR book, yes, but you can see here that non-PAR, the non-participating so does the part of the balance sheet that is not participating profit sharing has been growing over the years. And also the VIR, it is calculated as a seventh 50-day average we set it, but not of one rate of the yield curve. So there, I know that it is sometimes frustrating and also for us difficult to predict. Because it's not just the movement of one rate that you have to assess, is the movement of the of the volume on the balance sheet on which its supplies as well it's a curve effect, so I know is a complex affair.

But our message is actually, don't worry too much about it. Put it aside in your analysis when you want to understand the true underlying performance. And the reason is the following. In this adjustment of the valuation rate only is applied on the liabilities on the obligations, that means if interest rates go down that varies only used to revalue your obligations. But on the asset side, nothing moves, your assets are not revalued because most of the assets, and I'm talking about the bulk, which is the fixed income, they are valued at L2 maturity. L2 maturity that means they stay at their original price, you bought them and you see the coupon come for the term that are in there.

So, it's quite a different picture. The whole impact of discounting on the all liabilities ends up in your P&L. But your assets there is no compensation unless of course, you realize capital gains but on L2 maturity fixed income that is not possible. So slowly, but certainly, the investment income margin that you make for the residual term of this assets really increased and we'll add actually to the investment variance we talked about. But it will positively contribute. But the effect of the VIR immediately in the P&L is there.

So is to a large part non-economical. There is one beautiful thing about VIR do, once you have applied as there's no more ALM risk, because after a while you have put everything already at mark-to-market while your assets are still at their historical yield. Now, the VIR impact, so what I meant to say is please take it out or in the back of for your mind, keep that in mind that that is partially artificial, but I can also give one comforting message, looking forward under IFRS 17, this will disappear that difference will no longer be there, because both will be assessed equally or at that equal methods. And so I would say, yes, you have to bear with us. And with the people in China for another year on this VIR effect at least in IFRS.

Unidentified Speaker

Okay. Again, IFRS 17 then it's only one years ago, but it is still a year to go. So, in the meantime, what should investors be looking at then?

Filip Coremans {BIO 17614100 <GO>}

Yes. So let's take a look at the next slide if you want. If we -- if you listen carefully, and it's also something we actually share, but we did not share it in figures. We share it in our comments, in the closing calls with our investors. What you actually should understand this, when we take out the VIR, which we set is the main base change that we make, which automatically comes in. And when we take out the IFRS adjustments on mark-to-market capital gains, but also our realized capital gains under IFRS, which is typically what we talk about in the investor calls.

What is actually left? Actually what is left is the expected profit mainly and the other operational variances. And so, what do we give us guidance as underlying looking through all that volatility of VIR and capital gains is actually a view on where the true performance -- the underlying performance not distorted by VIR and/or yes or no realization of capital gains, where it is trending to, it is the engine of the profit. And also the basis on which we make our budgets on, which we look whether that evolves well, because the rest is to some extent noise and market fluctuations. So this underlying result that we did the back calculation of it over the last five years as well, here you can see a lot more stable build up the CAGR here of these underlying profit over this period has been around I think 17 years, 17% at least. And you can see that it provides this true look. Now, that is something that we will continue to provide and maybe we'll put it more explicitly in our Investor Relation packs looking forward or at least that's what we think we should do.

Unidentified Speaker

Okay. So that's underlying result. We talked about the importance of CAS for dividends and also in the context of dividends, of course. Anything to share on the solvency position of TPL?

Filip Coremans {BIO 17614100 <GO>}

Yes, quite a bit. You have here the solvency evolution of Taiping Life over the last one, two, three, four, five years. And you can see that first and foremost, the available capital. And this is not operational, but it is the total available capital of the company or its the own funds that they have grown with about 21% a year. And keep in mind, this is after dividend payout, because Gary showed that they pay about 30% dividends every year otherwise, it would be a little bit higher though, yes.

And that they have been able to put these growth rates that we saw close to 20% down with maintaining a solvency ratio both 200%, so funding the growth as well as doing the dividend payout ratio of 30%, 35%. So I think, moreover and then -- and it's an important announcement, I can share it because it just happened that, so Taiping Life is one of the few or was until yesterday, one of the few unleveraged insurers in China, yes. So all these funding has been pure equity and they have been able to fund the growth and dividend out of that only and they stayed above 200% solvency.

Now, this morning, they announced the finalization of a book building on supplementary Tier 1 instrument, a 10-year non-core 5, which has been successfully closed. It is a JPY10 billion issuance, which they closed at 3.61, which is quite cheap. They have a Taiping Life as a A+ rating on Fitch. So, very good, and that will complement and strengthen the solvency further with about 9%.

Now mind you, there still have ample room to do that, but till now it had never happened. This puts only 16% of their theoretical capacity of additional funding is being consumed in China. The rules are mainly, it can go up to 100% of the net assets, which I think is not their purpose. Because there, they will predominantly be driven by maintaining a good trading as well. But what I want to say is that we're quite confident on this combined growth and dividend upstream capacity for the future, and that they have really shown a very, very nice own fund development.

Unidentified Speaker

Yes. Okay. So that's of course, under the current framework. We all know that there is something new upcoming. What are the relevant topics for -- for TPL that are under discussion in the (inaudible) 2?

Filip Coremans {BIO 17614100 <GO>}

Yes. (inaudible) 2 you're talking about in detail. Yes, see now, I would say together with you and with everybody probably on the call, we are eagerly awaiting obviously clarity on the outcome of the CBRC exercise on the solvency review. Everything we say speculation, because it has changed quite a few times, you will see what comes. But, let me just take three points that have been in debate for the last months. And which I think, are the most relevant for us because many relate to quality of the assets and it's not our concern, the asset quality of Taiping has been very good. So it's not there that we expect the most impact.

One is about the 750 day averaging, the VIR is used not only for liability valuation on the par book -- the non-PAR book in accounts, but also insolvency for both PAR as well as non-PAR. There is a discussion whether the 750 should be shortened. That would create more volatility by the way, yes.

And on the asset side as far as we understand there would be no material changes that means this HDM and L to maturity book, which they HDM and the AFS book available for sale because they have a little bit and you'll (inaudible) mark-to-market. But what would payoff is good ALM discipline. And also there Taiping Life scores well, there is an ALM gap but they do better than their peers, because they are thinking about putting for the, let's say, the stress test for the ALM capital charge using a full MTM, mark-to-market on both assets and liabilities to assess the real risk, yes.

And then at the capital side, there is one thing we talked about residual margin, they would, they will probably move to a test, where they will only recognize maybe 30%, 50% of the residual margin to check whether the company without that will be able to support the minimum solvency capital requirement. But that is not relevant for dividend, and I think we will be way above that. But indeed, these are developments, we also eagerly await, but we are confident, but awaiting clarity I would say, yes.

Questions And Answers

A - Hans De Cuyper {BIO 17991990 <GO>}

(Question And Answer)

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay. Any other metrics that you look at in relation to value creation?

A - Filip Coremans {BIO 17614100 <GO>}

Yeah. You put it already there on the screen, you're faster than my shadow a little bit that I know. Yeah, I'm going to sound a little bit old fashioned here. So I bring embedded value back to the picture. Now, allow me, I know it has fallen maybe a little bit out of fashion in Europe and that's also because we have the free capital generation, the old fund generation and the solvency to which kind of substituting it. But I can trust you that in Asia, value in new business and embedded value are still the mainstream indicators that people are following because of the growth nature of the market.

And embedded value in the end and I hope that everybody still is aware of the concept is the present value through future free cash flows, that's both from the result side as well as the capital release related to it, because when you book runs off, also your solvency capital becomes again available. So it's a combined free cash flow discount and say, this is embedded on the balance sheet. And VNB obviously is the prime indicator for the additional value created in here by the new business. Very similar of course to the concept of the residual margin which then is released, but obviously with completely different discount rates and so on and so on. So, when we think about driving value forward, we think about, yeah, creating embedded value and certainly also the present value of future value new business, focusing on selling the right products, pricing them right and I can tell you and Gary already mentioned it, the entire management of Taiping group or certainly in Taiping Life because more for life companies is really driven by VNB targets.

So if you look at the results, the outcome of that, the embedded value of Taiping Life as shown CAGR also of 17%. So we see a lot of 17%, 18% CAGRs over the last five, six years there. And again, after dividend, because dividend is already out there. So a pattern that follows closely the growth of the residual margin as you could expect. Now just to be completely clear and certain for those who are aware about the embedded value concepts in China, the embedded values on a TEV, a traditional embedded value-base, not MCV and the three main assumptions which are used by Taiping Life but across the market is important to know as well. They do it on 100% solvency ratio. They tend to use investment income assumptions around 5% and the risk discount rate and they related these around 11% and that is almost of the peers, Gary talked about disclosed this as well, Taiping Life also.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay, thanks.

A - Filip Coremans {BIO 17614100 <GO>}

So you also find on the sheet here that the corresponding value in new business metrics for these years.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay. And then to round up. Before we start the Q&A, Filip. What would be your key messages?

A - Filip Coremans {BIO 17614100 <GO>}

Yeah, it was, this was a short, but rather technical chapter. And it's also to provide you both the frameworks as well as the metrics, and I'm very well aware of that. But I hope certainly for analysts and also for investors, it gives a lot more insight in what drives and what has driven the performance of China.

And my first key message to all of you is, I make a pledge of more and better disclosures. All the metrics you see here on the sheet actually, we will share with you, there is only one caveat, many of them are only available on the half year basis. So we cannot do this every quarter because some of our companies only close and this is already the case in China, they do their half year results, publications, and we also will do it after, of course, our partners have closed their books because some of them are listed entities. But that's understood. But you can expect this type of metrics all of them to be shared with you at least on a half yearly basis and the underlying one, Veerle, I think we should also share with our investors and analysts on paper so they have the figures not just in the feedback we have. I think this will help giving them better insight.

A - Veerle Verbessem {BIO 20797339 <GO>}

Yeah. Let's do that.

A - Filip Coremans {BIO 17614100 <GO>}

But then my key messages, if you listen to the story of Gary and myself here is first and foremost related to results. It is important to look really through the IFRS and cash result into this underlying evolution. It is driven by expected result and hence the residual margin release and the real operating performance. It puts the value interest rate, the VIR impact into the right perspective, but at the same time, it remains a much conservative when we talk about this underlying because we don't take any capital gain realization into account and mind -- it's a fact there are older assets on the balance sheet that do rely on capital gains from time to time to reflect their full performance.

Secondly, related to dividend and free cash flow. Cash results will drive it and the payout ratio that we have seen over the last years of around 30% to 35%, we believe are likely sustainable. This is based on course of years of strong available capital or our own fund generation, which have led to a solvency ratio still above 200%. After years as a strong growth, after years of dividend payment and also after incorporating the impact of lower interest rates that we have seen in the solvency ratios, well because it does impacted as well.

And then year-to-date, Taiping Life as for the first time issued a subordinated instrument. It has the capacity to continue doing that for quite some time to increase further its leverage in support of future growth and capital fungibility. And on CRS too, the effects we are confident. But as I said, we await further clarification.

And on value and value assessment, we at least at Ageas and also a Taiping, we focus both on embedded value, but certainly on the value in new business. I think it's the case for most of the peer in the Asian region. They drive Taiping Life management actions for value. They are cascaded as I set in the management KPIs and there is a strong focus increasingly so on quality over quantity on selling the right product at the right price. So I think we have gotten comforting messages about that also from Gary and in fact, the CBRC this morning's new government framework that they released has everything to do with that as well.

And then to sum it completely up, all these indicators we talked about, they shown significant CAGRs over the last five to six years. Even despite I would say in the last year, the COVID and market turmoil. So my conclusion is that China that is very much still a growth market. Taiping Life is still a growth company and our partnership with CTIH is still expanding and I would say is stronger than ever, it's certainly broader than ever. So we are truly satisfied with the performance to date, but I think more importantly for today, we are very confident long-term investors in China.

A - Veerle Verbessem {BIO 20797339 <GO>}

Thank you.

A - Filip Coremans {BIO 17614100 <GO>}

Welcome.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay. Let's now take again a five minute break before we go into the Q&A session. You can still write questions in the chat and we would like the analysts to move to the MS Teams tool. Talk to you soon.

A - Filip Coremans {BIO 17614100 <GO>}

Right, we're back. What questions did we receive Veerle?

A - Veerle Verbessem {BIO 20797339 <GO>}

Well, let's first go for a live question. It's coming from Michael Huttner from Berenberg.

A - Hans De Cuyper {BIO 17991990 <GO>}

Hi, Michael.

A - Veerle Verbessem {BIO 20797339 <GO>}

And you're on mute we think, Michael.

Q - Michael Huttner {BIO 21454754 <GO>}

No, I'm back. I'm back. Thank you so much. It's such a such a pleasure. And I only had two questions. The first one is, if you include 2021 half year, those CAGR you spoke about, are they still around 17% or we significantly lower? And then the second and I may be completely wrong. When you do the embedded value of China, of Taiping Life and you compare it to the market cap of China Taiping and of course, you've got to make adjustments of businesses. But effectively, the market in Hong Kong, this is not us, this is not me stupid analyst in London is only valuing Taiping Life's embedded value at quarter. What's -- where's that coming from?

A - Filip Coremans {BIO 17614100 <GO>}

Yeah. And I'll take this -- that second question first, because I think I noticed that many people use CTIH and then a proxy of it to value Taiping Life. I see that regularly in report so it's also convenient because that is listed and so on and so on. But we should not forget that CTIH is not Taiping Life. The first substantive comment on that. CTIH has 75% of Taiping Life. So if we -- that I see sometimes multiples being taken 75% of CTIH, that actually talking 50% of Taiping Life in the mechanically. So because we have 25% of Taiping Life.

Secondly, CTIH has a lot of other activities, but mainly also a completely different capital structure. As I said till now, and it will now change a little bit with rights issue this morning. Taiping Life is a pure equity funded. CTIH has historically always been composite funded that means that the free cash flows out of Taiping Life all go into shareholders. Wherein well 75% of them end up in CTIH, but in CTIH the own flow as to who to cater for their capital structures. So it is not correct actually to look at CTIH as a proxy of Taiping Live valuation. Actually the right work to be done is to look at a good valuation of Taiping Life and then think through what is the value of CTIH.

But anyway, that is not my job. But you see, it's tricky, it's not correct to mix the two. So there's a lot of -- that the whole non-life operations in China are in CTIH. There's nothing to do with life. And then the other point and I leave that for your and certainly for the analysts more capable assessment. I mentioned that one of the key assumptions is 100% solvency ratio, right? That is not necessarily leading to a straight through valuation. That I leave to experts to make corrections for that. And that actually explains it partially from two angles.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay.

Q - Michael Huttner {BIO 21454754 <GO>}

On the question about the CAGR, including now, does it change from the 17% or 18%?

A - Filip Coremans {BIO 17614100 <GO>}

Allow me to say that, I don't know the CAGRs by heart, but I would expect them to be maybe not slower, but not too much. But looking forward, yes, it could be that growth is certainly for the next year a bit less and we have seen GDP pressure is certainly there in China. There's also a bit of regulation change coming in. But the fundamentals are there and of course, as I said, we will report on it and so we reported our underlying on the first half, but we did not report all the other metrics that we introduced today. They are available though. So I can also refer to the CGIH website because some of these components you will find back there.

Taiping Life also just released its nine-month embedded value report if I'm not mistaken or the six-month embedded value data. But we will try to collect this data and comprehensively share them with you. But starting from the year end announcements. So yeah, forward-looking CAGRs is always difficult to predict, but our core message and that's why I ended my speech which was saying, look, we are confident long-term value investors. This is a story about middle class and income development in China. Yeah. It is not about a short-term volatility and regulatory measures. We will see this CAGRs go up. GDP can be depressed for one or two years, interest rates can be low. But at one point it cannot go lower anymore. They can still go down. All these things are true. And we will live through, but the long-term picture on China as a valuable and the value creation story for insurance is undeniably there from our perspective.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay. Was that okay, Michael? Yeah. Okay, the next question now, we will get from David Barma. Hi, David.

Q - David Barma {BIO 19957338 <GO>}

Hi. Thank you for the presentation. My first question is on the business mix and the slide you showed that in the first part of the presentation. Can you give us a sense of the different new business margin levels in the big categories of product lines? And then link to that, could you just remind us the inflation exposure in the protection side and the health business, please?

And then my second question is on interest rates. I'm sorry I missed the last few minutes of the core presentation. Could you just repeat what the interest rate assumptions are for your main -- the main metrics you look at? And then lastly, if I may more generally on the non-Chinese businesses. As your JV Partners grow and mature, how do you see Ageas, how do you see your involvement in the companies involve? Thank you.

A - Veerle Verbessem {BIO 20797339 <GO>}

On the involvement in the companies, maybe Gary that is something for you.

A - Gary Crist {BIO 17360987 <GO>}

Yeah. So I think if you go back to what I was talking about with the circle and then with the management structures and what have you. As long as we stay true to those ambitions and values and the way we behave, I think our involvements going to be remain quite active. And we'll be able to continue to add value to the partners. I mean, as long as we're not obstructive, as long as long as we're seeing as being able to contribute ideas, being able to contribute resources, being able to contribute to the plans and the ambitions of our partners, then we're -- then we're important partners for them.

And we've gone from largely being seen as somebody who understands bank insurance maybe then all of a sudden risk management, wait a minute, Ageas understands quite a bit about risk management as well actually. And we're actively contributing now to the agency channels, we're actively contributing to data analytics to IT. So the way data is structured, data architectures. So across almost all domains, customer journeys, we've got projects going with the joint ventures. So as long as we can continue to evolve, then we'll continue to be relevant to our partners. And let's face it that's the job of a corporation even if we don't have partners.

A - Filip Coremans {BIO 17614100 <GO>}

Yeah. I fully agree. Even though you may or may not know, but my left hand -- to my right hand I have as MD Asia I have Gary, on the left hand I have Gilke Eeckhoudt, which is Chief Development and Sustainability Officer. And actually that all organizational setup is there to create value adding services to partners and to operating entities in innovation, knowledge sharing, development, R&D, co-investment, exactly aimed at the fact that we have to stay attractive, that we have to continue reinventing ourself all the time to stay attractive to our operating entity, even to our controlled operating entities as well as to the partners. That's the reason to exist of Ageas. We are not a financial holding. We're quite actively involved. And I mean that is part of our partnership model. It says the essence, why our joint ventures are there for so long.

Now on your other question. I'm going to avoid a little bit the answering the detail, because first and foremost I think that is the job of CTIH to provide the type of granular insights on product by product margins. It is not something we can do this event. That is something that should happen there.

On the other one, on main assumptions that are underlying some of the metrics that we showed and shared a few with you and I'll repeat those that I've said. On the residual margin discount unwind, roughly, because it's -- it changes with VIR and with interest rate, but roughly today it's close to 3.5% on composite. The guarantees, you didn't answer, but I'll give them. The guarantees that we currently have on participating new business is about 2%. The -- on the non-participating one, I think is around 2.75, that is our new business written and actually on the book enforce, it's slightly lower, but that I don't know whether Taiping disclosures, anyway, I give you. On par it's 1.7 is the guaranteed rate on the back book and on non-par, it's 2.7. And the IRRs on the asset yields that they're realizing still foresee sufficient margin. I cannot say anything other than that, but there are still at least 60, 70, 80, actually, more 90 bps above this and on par obviously a lot more.

In the calculation of embedded, that is disclosed by Taiping in their life in its embedded value report, but the investment assumption is roughly around 5%. They also provide some sensitivities on some of these assumptions in their report. And risk discount rate used in the embedded value model by Taiping and actually across virtually all the main peers is 11%. So kind of 6% risk charge on top of the "risk-free 5% at ASU." They provide combined sensitivities on lowering the risk discount rate as well as the assumed investment income. They are public information, but I don't know them by heart.

Q - David Barma {BIO 19957338 <GO>}

Thank you.

A - Veerle Verbessem {BIO 20797339 <GO>}

Thank you, David. And over to Nasib.

Q - Nasib Ahmed

Sure. Thank you. Can you guys hear me okay?

A - Veerle Verbessem {BIO 20797339 <GO>}

Yes. We can hear you.

Q - Nasib Ahmed

So a couple of questions here. Thanks for the presentation and it's very, very enlightening and encouraging that you're going to provide more embedded value disclosure. So my first question is around that. So are you going to provide operating metrics as well like free surplus generation, more aligned to solvency II on an EV basis? And are you going to provide more disclosure on the other Asian businesses as well as you say, so while you use metric in Asia? That's question number one.

Second question is just on the policies and the product sold in the in the past by China Taiping. So you talked about guarantees just now. Interest rates were a bit higher. Are there any legacy products with higher interest rate guarantees then what proportion of sort of the back book is that high guarantee legacy product?

And then finally on sort of China new business flows. So they've been weak this year and a couple of reasons that have been given for that as government schemes and million medical insurance. So just your thoughts on impact on China Taiping from that? Thank you.

A - Filip Coremans {BIO 17614100 <GO>}

I'll start with your first question because indeed we are very, very much aware that we need to provide additional insights that's why we organize this deep sessions and there will be a second one organized by the Investor Relations team on our other two main businesses and adjacent in Thailand and Malaysia. We will have another session like this in April I believe, somewhere in April that is coming up. Will we provide operational more granularity than the metrics I've shown, what we've shown today, I would not guarantee that. Why I say that because of course it is something that has to be provided by the listed party entity as well.

Now, that being said, there is more available and we will also relate with the Investor Relations team of our partners to see whether or not we could jointly disclose more. It's more a matter of timing than a matter of granularity. We have to respect listing requirements in all the countries of our partners, that's obvious. But I think this will be already a major step forward. Yes, we will do it for China, separate from our other operating entities and maybe the older operating entities will bulky together. We will also break it up. It depends on how we can practically organize it taking into account all regulatory requirements related to listed entities. But that's what we're working on.

A - Gary Crist {BIO 17360987 <GO>}

So on the other questions with respect to the guarantees in the book. Let's focus on par as that's the bulk of the portfolio. And up until a few years ago, that was the bulk of new sales for -- top products that had guarantees as well. It's regulated. So what you had in the past was a regulation that capped at 2.5% as the headline number, but if you dig down into the details that gets you the 1.7% and the 2% that Filip referred to. There was a relaxation on the guarantee that took it up to a max of 3.5, Taiping never went there. So when you look at the Taiping portfolio, think of the 2.5 which means the 1.7 and the 2%.

In terms of the sales questions that you asked there. Indeed, there has been a drop off this year. Several factors at play. Let's talk first about critical illness. So what you had was a repricing of the critical illness product a couple years ago. That depressed demand. You also had a huge demand because of when COVID first came out. So there's actually a large swath of the population that's got critical illness product. And then indeed what you referred to this government-sponsored product that's targeted at the lower middle class and economic groups below that. So that's absorbing some of the capacity there as well. So that's had an impact on the volumes overall.

A - Filip Coremans {BIO 17614100 <GO>}

But in all fairness I am not convinced that 2021 are the best reference years to look through the long-term cycle. But indeed there has been also -- there is also the new regulation which is going to come up on more professionalization in the agency channels. Something we are actually really like because we have been and Taiping Group has also being focus on create more professionalism in that channel for the long run that is good, but in the short-term, of course, it may hamper low quality sales, that it's what disappears. But that doesn't change the long-term picture of China. It may create short-term weakness in growth patterns like we've seen this year.

A - Gary Crist {BIO 17360987 <GO>}

Specifically to the regulation. So what they're doing is capping some of the commissions, they're driving new recruits into agency force to drive simpler products that they get some experience and some knowledge about the industry. They're blocking what are absurd sales practices that you have to buy a product is an Asian if you want to be recruited. I'll buy a product from Filip and he'll buy a product for me, so we can meet quotas. That's all being banned. And we're incredibly happy with that.

If you look at the Taiping Life agency force, 20% of the force has been on service for less than a year, 20% between one and two years, 40% three to five years and 20% more than five years. So the average 10 years over three years. So most of this won't impact the vast bulk of the Taiping sales force. It's exactly addressing the types of activities and the types of training, the types of behaviors, the Taiping is encourage in any way. You may see a short-term uptick in first year sales expense to support new agents as they come onboard, but the assessment that we've done is over a five to 10-year period sales expenses should not go up in the channel as an average over that period of time.

Q - Nasib Ahmed

Thank you. That is very helpful.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay, let's take in a question that came in from the chat and it will be for you, Filip. Under IFRS 17, will the net profit for TPL look quite similar to the current underlying IFRS results you highlighted?

A - Filip Coremans {BIO 17614100 <GO>}

Unfortunately it is too early to tell. But it will have similar features. But one important thing, yes indeed to some extent, but I cannot guarantee that. But IFRS, we will have a separate session all together by the time all that comes clear by probably the end of next year. But in nature, it will go in that direction. But whether the exact amount will be or mostly too early for me to respond that question.

A - Veerle Verbessem {BIO 20797339 <GO>}

Thank you.

A - Filip Coremans {BIO 17614100 <GO>}

It's too many option -- optionality in IFRS 17 actually. They're still choices do be made, whether we'll let things flow through P&L or whether things will flow through OCI. And then the question is, what do you define as a result. In combination, of course, they stay the same. But it's too early to tell, I'm sorry.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay. Let's move to Fulin then. Good evening Fulin. How are you doing?

Q - Fulin Liang {BIO 21126177 <GO>}

Hi. Good evening. Thank you. Thank you for the presentation. Hopefully just two quick questions. The first one -- maybe three. the first one is, I guess I understand the VIR is, the VIR is more kind of presentation though. However, I think the underlying concern is what exactly economic impact from lower interest rate. Because arguably lower interest rate, lower bond, lower government bonds means lower return from your portfolio, which means lower margin. I guess that is the key question. So how is that lower margin being addressed in the reporting numbers over there? Is it in the underlying results or is in the sorry, you have like, CSM stuff, what in there, residual margins? I guess the first question.

And then second question is, under IFRS 17. If I remember, sorry, if I understand correctly, all the three differences you explained between Ageas and the Taiping will disappear or will it stay or it will be something completely different because both of you moving to over IFRS 17. Okay, that's my second question.

And my third question, hopefully, just a quick one is, is it right to -- so you will disclose more kind of disclosure, but any of them is will be go together with the quarterly results or is it more like ad-hoc additional information. In terms of the quarterly results, is just a normal metrics we'll have? Thank you.

A - Filip Coremans {BIO 17614100 <GO>}

All right. I almost forgot the first question, but --

A - Veerle Verbessem {BIO 20797339 <GO>}

It's the low interest rate.

A - Filip Coremans {BIO 17614100 <GO>}

Yeah. No, there is no denying that low interest rate and I said that also in my speech that low interest rate is not good for life insurers provided depends on what product you sell. You must have seen that Taiping also has moved more and more towards protection. So that is a reality everywhere. But products, new business margins that we have shown that is with the current interest rates so that is not with hypothetical rate, the value new business figures that we saw.

And indeed in all fairness there has been a little bit of pressure there, because if you look at the figures and new start to think it through, they have not grown so much of losses because they came down a little bit in 2020, also this year, the whole market and I'm not specifically talking about Taiping has been struggling a bit to keep up value new business figures.

There is interest rate pressure in there and that's the first place where you see it. Yeah. The -- obviously, insurers can reprice. Let's not forget that in China as we just sit guarantees or still at the higher range. But it is something that and you know it better than I do actually, that in China will require a hard end of CBRC to give a hint, but this still possible.

And the second thing and also not to forget the specific for Taiping Life. Yeah. We use and then that's also very technical, but on the valuation interest rate impact, many of our peers and also they seem to have better solvency ratios and so on and so on all good, but they have used higher volatility adjusters. There is this what they call the liquidity premium and the liquidity premium used by Taiping is one of the lowest in the Chinese markets, only 25 bps. So also so also there is still some maybe not flexibility, but all these things come into play. But in the end, it is our rigor in pricing, selling the right products that still have margins and trying to manage your ALM gap that match.

The level of the interest rate will then less -- being less impactful. Of course, you could also argue that cost of capital goes down when interest rates go down. And now given the fact that I saw that Taiping Life as this morning being able to issue a 30 -- a RMB 10 billion bond at 3.61 10 year non-call five that's what I mean. So cost of funding is also coming down. So plays it both sides. But discipline and rigor in pricing and product is important.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay, Filip, what about the IFRS adjustments and the IFRS 17?

A - Filip Coremans {BIO 17614100 <GO>}

Yeah. I'm looking across the room to the CFO of Asia whether he can help me, he's waving at me, but I can't really say sign language. But I said, yes, we hope that virtually all differences will disappear, yes, there is no reason for them to be there, except potentially on property. Because property is not IFRS 17, it's not IFRS 9, it is IFRS, I forgot the number, I think 14 or something, 40. And so that is a different IFRS, so that difference is not necessarily going to disappear. It could, but it is not necessary.

So we are absolutely looking forward to close these accounting gaps between China and IFRS for sure and so we'll do our ultimate best to close them. But there's a few, I cannot guarantee. Discussion is still ongoing, by the end of the year we hope to provide a lot more clarity on that.

A - Veerle Verbessem {BIO 20797339 <GO>}

And on the timing of the more disclosures that we will give, Filip already mentioned during his talk that, it would come when our partners have disclosed their results. So they will come a few weeks after we issue our reports

A - Filip Coremans {BIO 17614100 <GO>}

Except for the underlying

A - Veerle Verbessem {BIO 20797339 <GO>}

Except for the underlying, indeed. I see we also have Robin van den Broek, who would like to ask a question.

Q - Robin van den Broek {BIO 17002948 <GO>}

Yes. Good morning. Not good morning, good afternoon, I'm sorry. I would like to come back onto the valuation question of Michael, the first one. And maybe it's just an observation or maybe you can have a response. I'll leave that up to you. But if I make the corrections that you suggested, I think the P/E multiple on your IFRS earnings is still below 10x, which doesn't really seem to be reflective of the growth of the business. So there seems to be more elements than just capital structure and 75% ownership of the holding to make the valuation of Taiping Group that poorly. So I was hoping maybe another chance to give a little bit more color there, but for us analysts in Europe, of course, it's hard to ignore that feature. So that's the first.

Secondly, I'm sorry to come back on IFRS 17 again. But HSBC came out with some numbers on how IFRS 17 is likely to impact their numbers that I'm aware there's a lot of choices to be made. But part of the story seemed to be that high growth, yeah, it sort of punitive in the transition towards IFRS 17. Can you maybe elude a little bit on that?

Third question on, it's more on the dynamics you sketched on investment margins versus the VIR dynamics, I think are interesting, I mean, A, you take a hit on day one and then your investment margin should go up. Can you give us some sensitivity on how big these impacts can be going forward maybe on the back of the size of the book and the running coupons that the book is attractive -- attracting?

And the last one also maybe for Hans's I see, he's been on his side and he looks like he wants to get in there. So I'm going to give him a question as well which relates a little bit to the strong share price performance we've seen the fairly recently, which seems to be also fed a little bit by M&A speculation. In the past, you've always been quite outspoken to one to be independent. Can you maybe talk a little bit about the leverage you have to protect yourself against the hostile takeover?

And secondly, I was just wondering given the strong share price move we've seen, if you would be in talks with any party. Would the regulator force you basically to come out with a statement given that these rumors seems to be price sensitive? Sorry to take -- to ask a lot of questions.

A - Filip Coremans {BIO 17614100 <GO>}

Yeah. I have a bigger problem of remembering all the parts of your question because I've nothing to write, so I'm looking at Veerle has to repeat. But allow me to immediately park IFRS questions. I've said already three times now that this is still something that we are looking into that we will come with detailed analysis by end of year. We -- I'm not going to make any substantive comments on IFRS. I think, it's also a better place for our CFO than for the Managing Director, Asia. We wanted to give the insights in the Chinese business, it's not. I know, of course, we gave a lot of figures and facts because before we gave, it's not an accounting also. I can almost also not professionally answer that question.

The other one the first one was?

A - Veerle Verbessem {BIO 20797339 <GO>}

The valuation with P/E lower than 10.

A - Filip Coremans {BIO 17614100 <GO>}

There are two things there. They -- I'm not going to do a valuation exercise here on my partner. I just gave the information, I think, which is necessary to value Taiping Life. And I leave it up to you to think through multiples on if VNB are discounts which should be there based on the assumptions I gave. In all fairness, I'm also aware that it's not 100% of that EV, that is the right multiple because of the 100% solvency assumption, for instance, in there. But that is not up to -- we don't make valuations of our companies and certainly not of our partner.

What you have to look at is capital structure and other activities, which they do disclose also because they are listed. The profit signature of Taiping Life is quite different as I said to them the one from CTIH. There is a lot of other activities in there and their capital structure is quite different, their dividend payout ratio is hence different. So I think there are many reasons indeed. It's not just, but I can honestly not do the valuation of my partner here live. That would that would not be fair.

A - Hans De Cuyper {BIO 17991990 <GO>}

Okay. And then your question for me on share price performance. I think, with a lot to say about share price performance and I always hear now there is an immediate link with some speculation and rumors around take over and making a bit. But let me first go to the performers itself. Remember if you look at this year on the end of June results, we had a slight miss one, not too small neither, but 40 million miss, mainly becoming from at that moment, our Asian business and we saw a very significant correction of the share price at the same time in combination with the floodings in Belgium in combination with the uncertainty in the Chinese market on the real estate and the property market. So all this came together and I'm talking now about July, August, where we saw a quite significant correction.

If we then go into the nine months results, there we have seen actually a performance of 60 million above consensus. So actually for the right reasons, actually I would assume the share price to bounce back up, and that was on indeed, I would say accelerated by some of the rumors and the latest rumor that we have all seen is the report on BNP, and the impact of Basel IV and for on BNP owning insurance operations. Of course, at the same time, in combination with the announcement that they would sell their American businesses and bringing I would say a nice amount of money for them and cash. Well, first of all, the analysis on Basel IV and how it builds further interest for banks to invest in insurance. That's right. So I think it is a correct, an objective analysis.

There is still something else on BNP acting and moving first of all. The timing of the report is well ahead of any potential sale of BNP. So I think, it would actually not be very wise to spread that in the market today here because that sale is only starting and ongoing. And actually, I have no idea when closing could happen.

Secondly, it's a vote of confidence. We are a very great -- another of the great partnerships is with BNP in Belgium, that is working very well, and I think BNP very happy with the way we develop the business in Belgium together. If you ask me, I would be very surprised by an hostile approached by BNP. BNP and Ageas BNP in Belgium as very strong longstanding relationships. I don't think that would happen in a very hostile way. And in history when we have seen BNP moving on the Belgian markets, that was not at what I would call our current share prices that was in other times, when the share price was in a completely different zone.

And maybe I can conclude with one of the anniversary report, I read one of your reports by saying, okay, we have seen the share price bouncing back with these rumors, but the report also ended what happens when the rumors fade away and the report said, well, highly likely to share price might stay at these levels without the rumors because that would be a better reflection of the value of the group after the announcement of the nine months results. So I would not only link it to speculation. I think there is also an element of performance in there.

Q - Robin van den Broek {BIO 17002948 <GO>}

Okay, that's very elaborative. And I thank you very much.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay, let's then move to Benoit Petrarque.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Yes. Good evening, everybody. Yeah, so the first one I want wanted to come back on the interest rate sensitivity of Taiping Life. It seems that the embedded value sensitivity to lower rates, by the way also the NBV also is more pronounced than peers. So I've seen like 50 bps down on rates, it's 14% on embedded value and minus 24% on new business value. So I was trying to understand why Taiping will be more sensitive to lower interest rates. Is there a bigger mismatch eventually on duration? Is there anything special we should be aware of?

The second one is more on the kind of asset quality and I think CTIH actually disclosed an alternative asset portfolio of 14% of total assets. I'm not sure where this portfolio is sitting. I think it relates mainly to infrastructure and property development depth. So I was wondering if you could put some light on this kind of alternative portfolio which is quite common by the way in China. And do you see any risk on the shadow credit exposure in China potentially for the Taiping Life?

And then, the last question will be on the agent -- agency basically. Could you give us a bit details on the agent attrition like this year and also the kind of commission rates to agents, however this on pressure on that. Because the way I see it now after your explanation is that the residual margin is very actually ultimately sensitive to the persistency basically if agent will keep selling over time. So could you maybe answer those questions on agent? That will be very useful. Thank you very much for that.

A - Veerle Verbessem {BIO 20797339 <GO>}

Can you start with that one, Gary?

A - Gary Crist {BIO 17360987 <GO>}

Agents. Sure. Yeah, actually in 2021, the Taiping agency force has grown. So it is the only amongst the peer group where they've been able to not just stabilize it, but marginally grow it. You've seen all the other large companies, see an attrition in the size of the agency force. So we're quite impressed and happy with the performance of agency management in Taiping Life. And as the tenure of the agents that I've given you as well, 20% of them less than a year, those are the vulnerable ones. Those are the ones that are they going to be able to build a career and survive.

So again, I think we're pretty good there. Taiping spent a lot of time over the last five to six years in particular prior to that working on specially designing product help agents comfortable selling, simple sales products, actually quite well aligned with the regulatory environment that's going to take place if the speculation on the new regulations coming out is real. So attrition, it's not there. We're not seeing the growth we used to see, but they are stable.

Commission rates for agents by product, I don't have that information. I -- what I do know is that based on the analysis we've done on what we think the new regulation will look like, the overall cost of the channel will not go up over an average price or average cost between five and 10 years. There -- as I said, there may be some special incentives through campaigns or what have you to keep new agents, to keep the income levels of new agents up so that they can build a career as life insurance agents, but I don't think it's going to raise the overall cost of the channel.

A - Filip Coremans {BIO 17614100 <GO>}

Yeah. On the question you asked on the sensitivity. So I'm just looking at report where indeed investment return discount sensitivity disclosed 50 bps is 13% on VIR, value in force, 13% on value in force and about 24% on new business value. I -- honestly I do not -- I cannot compare it with competitors. One thing I know obviously is that Taiping is using this lower volatility adjuster, but I don't know whether that would impact it. And the other thing, of course, they sell a lot of regular premium long-term business. A longer term business more sensitive to this. Other than that I cannot immediately think why it would be. Because I said before, Gary said it at least that if we look at the risk ratings, they get on ALM. I think this is as good as you can get it in Chinese also not possible to completely close the gap. So they constantly bring it down on the riskiness of the asset mix, we track that rigorously. They're not more risky than their peers, not at all actually.

We did not have any accidents in that book for a long time. So I honestly could not myself explain why they would be more sensitive. Maybe other than that their book is longer, the product range they sell longer because that is more sensitive to interest rate. But we can maybe have a look whether we can find more information for you to our Investor Day.

A - Veerle Verbessem {BIO 20797339 <GO>}

And then there was a question about the alternative assets and what the quality of that -- what is actually in there, what type of investments are in there and what's the quality of those investments?

A - Filip Coremans {BIO 17614100 <GO>}

Again, that's something I think Taiping doesn't provide a lot of detail on. So we're going to have to park that. But on the real estate exposure, again, I mean, the bulk of the real estate exposure is to own-use office buildings. They do have some real estate debt. I said it was minimal. No exposure to people like Evergrande or the other groups that have been in the news. The bulk of what they do with real estate debt is with state-owned enterprises. So it seem to be quite high quality. But it's -- as a percentage of the overall portfolio, it's still not terribly relevant.

A - Veerle Verbessem {BIO 20797339 <GO>}

Is that okay Benoit?

A - Filip Coremans {BIO 17614100 <GO>}

We can try to --

Q - Benoit Petrarque {BIO 15997668 <GO>}

Yeah. It would be great to follow up on the alternative assets, because it seems to be quite significant. Thank you.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay. Perfect. We also have Iain Pearce who would like to ask a question.

Q - Iain Pearce {BIO 19522835 <GO>}

Yeah. Thanks for taking my questions. They're mainly around the agency force. I was just wondering if you could provide a bit more color around how you expect that to develop, especially given sort of the challenges you've seen at peers. And how do you expect the productivity of that agency force to grow as well going forwards? And then on the agency force, just wondering why the persistency of your agents are so much higher than the market?

A - Gary Crist {BIO 17360987 <GO>}

It's, yeah, it's 20 years of focus on persistency. It's a machine. It's been a KPI since day one. They've got a very rigorous system of following up almost at every touch point in the sales process and that's been going back for over a decade. So it's how are you, what was your interaction with the agents like, did you understand what he was talking about or she was talking about, do you understand the product and asking questions about the product they bought to make sure they understood what they bought. So it's an incredibly rigorous complete process that's been in place for a long time.

A - Hans De Cuyper {BIO 17991990 <GO>}

I can add that because as a Member of the Board, the Chinese regulator very often give scores on different elements like scores on your compliance, scores on agency management, scores on the development of your risk management. And I think it's a matter of culture, Taiping Life each and every report I see coming out of the regulator in the board, Taiping Life scores very, very high. So I think they have a high discipline on a qualitative development of business, including a qualitative agency force.

A - Gary Crist {BIO 17360987 <GO>}

I got to say, I mean, I look at these, you expect to see Banca relatively high up in the 90s and you expect to see the agency down in the 80s somewhere. To see them effectively equal and equal over 15, 20 years is astonishing. It is really down to the -- this being a main KPI of the group.

Then going back to your questions on how do we see the agency evolved given the pressures under the channel. Yeah, it's a little bit difficult to say where we're going to be 12 months from now. We can say what our ambitions are which is to stay at 370 -- somewhere between 370, 400 agents -- 400,000 agents. The training programs that are in place for activation of new agents are being continually looked at. Taiping engages quite regularly with recognized global training companies. At Ageas, we work with them on agency seminars working with the agency leaders. We've had a traditional annual convention. Taiping always qualifies the single large as you would expect given the scale of their agency force, but they're always sending several 100 of their leaders to our Asian convention.

We've done that this year virtually. Again focused on recruitment, focused on activation, focused on training. So we believe based on past experience that retention of agents, activation of agents will continue to be good. That persistency will continue to be good. The challenge will be to improve productivity. The challenge will be to move a step up in the socio-economic classes where they're targeting in their segmentation. But those are all active projects that are underway. And based on past performance, we've got confidence that they'll pull it off.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay, let's move to Cor Kluis. Cor, you had some questions.

Q - Cor Kluis {BIO 3515446 <GO>}

Yeah. Good afternoon. Thanks for the presentation. A lot of extra in size absolutely. Got a few questions on, first of all, interest rate risk that we all hope already for two decades that rates will go up, but they continue to go down. So also in China it goes down somewhat. Could you give some insight on the asset duration and the liability duration? In the past you've given some I think years of duration and also on the asset duration what do you assume for equities because some people think duration of zero and some people think it's very high for equities. So yeah, asset and liability duration for Taiping Life.

And secondly, on Taiping Life on the asset side. That 15% of course is invested in equities in China that -- that's a little bit less than peers, but internationally it's still quite material, obviously. Could you give a little bit more insight on that? Is this all invested in China? Is it in certain sectors or is it just index investing? A little bit more insight in the equity portfolio of Taiping Life?

And the last one just to understand a little bit how it works at Taiping on incentive basis for the people who work -- who work there. Do those people also own shares in the company or does it work in a different way there? That's it from my side.

A - Gary Crist {BIO 17360987 <GO>}

Let me take the easiest question first. Do they own shares in the company? No. It is a state-owned enterprise. More than 15 years ago there was a plan to do that. But it was -- had to be dropped because of regulation. So no, management is not incentivized through share ownership.

A - Filip Coremans {BIO 17614100 <GO>}

Let me take the difficult question of course. On asset liability mismatch and how it is evolving. Obviously, I cannot share what Taiping Group doesn't share on that, that is very clear. But they do make some statements around it and I also made a few. So first and foremost, they are as I said, among -- rated among the top three in terms of the management. So it could definitely by comparison to peers should give you some comfort. And effectively their duration cap has been coming down quite significantly, in fact, over the years. It's still material. Why is it still so material and what is it in nature is because they have positive cash flows actually.

These companies in China and don't forget that, they're still young. They have no cash outflows in the first years and in terms of asset liability management, it's always a bit of a struggle because instead of an outflow, you have an inflow. The premiums coming in the first year they still definitely exceed vastly the cash outflow.

Now that's going to take another I would say three, four years before the market reaches a tipping point. So they should actually lend money and then put it long, but that is as far as I'm aware not allowed in China. So but that's actually the challenge of the duration gap and of course, the lack of very long data paper. But the duration gap is every year coming down almost, which, I would say half a year. So they're doing their best and I don't know whether they disclose their duration of their assets, but that is above nine years now. I don't think they will find it a problem to say that, but their all asset book is over nine year duration, which is quite longer in China and of good quality. So most of it is, I think, they do whatever they can to keep that under control.

And then the final comment on that, I explain the impact of VIR. So de facto to P&L, there is no ALM or rather at least unless rates go down further. But, the mark-to-market impact is gradually factored in, assets are HTM. So the VIR impact already takes into account in 750 day averaging the ALM risk. It's immediately taken to P&L actually even more than because it's also for the much portion it does it. So these are all circumstantial comment. I cannot give exact figures on this. I'm so sorry Cor.

A - Gary Crist {BIO 17360987 <GO>}

On the equity portfolio.

Q - Cor Kluis {BIO 3515446 <GO>}

Sorry.

A - Gary Crist {BIO 17360987 <GO>}

Yeah. So on equity portfolio, as I said, five out of the 15 is long term. So these are the high dividend yield stocks mainly banking stocks that are paying 5% or 6% yields on dividend.

We expect that allocation may increase as you move into IFRS 9. The remainder, there is an element of private equity in there as well. So again, those are more long-term held. To the best of my knowledge, these are Chinese equities that there's not an allocation to offshore equities. And if you look over a seven-year period, I mean, they're not do index tracking, but over a seven-year period, they have outperformed the CSI 300. Obviously, certain years aren't quite as good as others. But over the period, they've outperformed the CSI 300. And they are largely follow a sector strategy. So they've been outside of technology, thank goodness, weren't in the education funds or education companies. So, and yeah, they've avoided the property developers.

Q - Cor Kluis {BIO 3515446 <GO>}

Okay. Very good. Thank you.

A - Gary Crist {BIO 17360987 <GO>}

Thanks.

A - Veerle Verbessem {BIO 20797339 <GO>}

Okay. We have one question that come in through the chat. A bit more on the products. Can you give some more explanation on the differences between the participating policies and the traditional? And also is there something in the portfolio that compares to what we know in Europe as guaranteed interest rate saving products?

A - Filip Coremans {BIO 17614100 <GO>}

I'm trying to get my head around the question, but the screen has gone blank.

A - Veerle Verbessem {BIO 20797339 <GO>}

No, no.

A - Hans De Cuyper {BIO 17991990 <GO>}

It's a chat question.

A - Filip Coremans {BIO 17614100 <GO>}

Okay. That's why. They're par products and our par products when we talk of profit sharing policy. They are no different. There is specific profit sharing rule in China, but we already said that. But in terms of product design, they are no different. What and I don't know from where the shut came, because countries differ. But things like we have been selling a lot -- used to sell a lot in Belgium for instance, eight-year guaranteed contracts with hardly any protection that you will hardly find there. That is not what we are selling in China, this pure saving products are rarely there from that nature.

There are a lot more insurance components in it. So I don't know whether that answers the question, but that there is a -- it's from that angle with the whole life, accident health, CI, there is a lot more protection components in it. And all life you can say it's partially an inheritance product as well as a long-term investment product, but still there is a risk component in it which we don't have in the shorter term saving products that we use to sell for instance in Belgium for VAT for the withholding tax avoiding. That is -- that does not exist here.

A - Gary Crist {BIO 17360987 <GO>}

China -- par product in China is, it's a 70/30 split. In Malaysia and Singapore, you've got a 90/10 split. So a major difference. You really only looking at the mortality profit and the expense profit, and some of the investment return on the policyholder fund. So it's vary more -- it's much more tightly defined on what they could participate in components rather than you would see in other markets as well.

A - Veerle Verbessem {BIO 20797339 <GO>}

Thank you. And thank you all to participate to this event. I hope it was interesting that you learned a lot about our activities in Asia and how to look at the financials. I know that there are still some follow-up questions in the chat and from the analysts, but as usual, just you can direct them to the IR team. There are -- and so we'll be available to answer your questions.

One person here hasn't been talking a lot, Hans. What are your five or four or five key takeaways from what Filip and Gary have been telling this evening?

A - Hans De Cuyper {BIO 17991990 <GO>}

Well, let me start to say thank you to you and the whole team and Filip and Gary for preparing and presenting these. I've seen the nervousness over the last few days, but I can tell you it was very well prepared, very detailed. But also I think, very comprehensive for all of you. So I am happy to share with you a few of my takeaways and I hope also your takeaways. First of all, in China we are not selling blind. We have a very good understanding of the business, we are developing together with our party, a bit our partner in that very big market with a lot of potential.

Secondly, for 20 years, we have believed in the long-term development of the Chinese insurance market. When I was there at the early days and it was after Gary, Gary is even longer. But we are at the very, very beginning of the development of this market. If you see we are standing now, we believe that the future still has this potential of long-term positive development and growth of the market.

This year, we celebrate 20 years of partnership with CTAH in Taiping Life and it is a partner we love to work with, a partner who respects us and who we can absolutely respect and we have an excellent relationship with. And the only thing actually we all would have loved now is to be able to step on the plane to fly to Shanghai and to going to celebrate together with our partner the 20 years of partnership.

Number four is, okay, there is volatility. There is volatility also due to reporting, there is volatility due to financial standards, but I think and I'm convinced that Filip has been able to show you that behind this volatility, there is a stable growth story with a solid performance both in profit as well as in value creation.

Number five is, Taiping Life and that I can testify for my own participation in the Board of Directors, it is a company within the Chinese market which is locally highly respected also by the regulator how together with its partner, together with us, it has been developing the life insurance business in the Chinese market. And we see that in multiple ratings that are coming on -- amongst others from the regulators to the Senior Management and the Board of Directors of Taiping Life.

And last but not least, and I think that's an important takeaway for you. I think Gary and Filip has been identifying some key KPIs for you that can -- that gives you the opportunity to better track how we are developing this business going forward. And as promised at the launch of Impact 24, we will turn them now into more frequent disclosures with you timing, frequency all has to be defined. Gary, Filip will continue this work to be able to present you a similar story for the other participations we have in Asia and by then, we should be able to give you a very solid dashboard with key KPIs so that you can also track how our business is developing individually. So these are a little bit my six takeaways.

Thank you for being present for us for a long session. But I think it was a very interesting and inspiring session. And I wish you a very pleasant continuation of your day. Thank you.