

14 NOV 2023

## Fitch Affirms Ageas at IFS 'AA-'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 14 Nov 2023: Fitch Ratings has affirmed ageas SA/NV's Insurer Financial Strength (IFS) Rating at 'AA-' (Very Strong). ageas SA/NV is the ultimate holding company of the Ageas group (Ageas). Fitch has also affirmed AG Insurance NV's and Ageas Insurance Limited's IFS Ratings at 'AA-'. The Outlooks are Stable. A full list of rating actions is below.

The ratings reflect Ageas's very strong company profile and capitalisation and its strong financial performance.

### Key Rating Drivers

**Very Strong Company Profile:** Fitch ranks Ageas's business profile as 'Favourable' compared with other Belgian insurance groups', due to its favourable competitive position, diversification and business risk profile. Fitch regards its company profile as very strong as a result. Ageas is the leading insurance group in Belgium and has operations in Portugal, the UK and Asia, which have strong market positions and contribute to the group's earnings.

**Very Strong Capitalisation:** We expect Ageas to maintain its very strong capitalisation. Ageas's Prism Factor-Based Capital Model (Prism FBM) score declined to 'Very Strong' at end-2022 from 'Extremely Strong' at end-2021, driven by a decrease in the equity revaluation reserve. Ageas reported unrealised capital losses of EUR2.4 billion from debt instruments at end-2022, versus gains of EUR3.1 billion at end-2021.

Ageas's capitalisation is also supported by the group's Solvency II (S2) ratio of 206% at end-2022 and a Fitch-calculated financial leverage ratio (FLR) of 12.8% at end-2022, which the agency regards as very strong.

**Strong Profitability:** We expect Ageas's return on equity (ROE) to remain stable in 2023. The Fitch-calculated net income ROE increased to 10.4% in 2022 (2021: 7.2%) due to higher net income and a decline in average shareholders' funds. Shareholders' funds fell in 2022, as unrealised losses resulting from higher interest rates offset unrealised gains of EUR139 million originating from a legacy transaction (2021: unrealised losses of EUR101 million). The IFRS 17 equity position increased slightly in 1H23.

Ageas reported an IFRS17 profit of EUR643 million for 1H23, versus an IFRS17 profit of EUR702 million in 1H22. The decline was driven by the legacy transaction generating a gross loss of EUR68 million in 1H23, versus gross earnings of EUR107 million for 1H22.

**Strong Investment Risk Management:** We assess Ageas's investment policy as prudent and

balanced, with a high share of investment-grade fixed-income investments. The group's risky-assets-to-capital ratio weakened to 123% at end-2022 from 80% at end-2021, driven by the decline in equity. Excluding unrealised losses in fixed-income investments from the revaluation reserve, the ratio would be 96%. Ageas's risky-asset ratio is constrained by a fairly high exposure to investments in affiliates (57% of capital at end-2022). The risk of the affiliated investments is mitigated by more than 90% of these investments being joint-ventures in insurance companies in Asia.

**High Sovereign Exposure:** Ageas had significant holdings in Belgian government and official institutions bonds of EUR16.5 billion at end-2022, down from EUR20.6 billion at end-2021. Despite the decline Ageas's sovereign exposure-to-capital ratio increased to 192% at end-2022 from 145% at end-2021. We regard this ratio as high although it does not constrain our investment and asset risk assessment because Belgium (AA-/Negative) is highly rated.

**Very Strong ALM:** Ageas's asset/liability and liquidity management (ALM) in life insurance operations is very sophisticated. The group's duration gap is well below one year in life. We regard mass lapse and liquidity risk as low for Ageas, because investment losses can be passed on to policyholders in Belgium when policyholders' life contracts lapse. Insurers may pay the market value of the related investments only.

## RATING SENSITIVITIES

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

--A sustained improvement in profitability combined with maintaining the group S2 ratio above 200% and the FLR below 15%

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

--A sustained decline in profitability

--The group's S2 ratio falling below 160%

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## Fitch Ratings Analysts

**Christoph Schmitt**

Director

Primary Rating Analyst

+49 69 768076 121

Fitch Ratings – a branch of Fitch Ratings Ireland Limited Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

**Manuel Arrive, CFA**

Director

Secondary Rating Analyst

+33 1 44 29 91 77

**Graham Coutts, ACA**

Senior Director

Committee Chairperson

+44 20 3530 1654









**Media Contacts****Athos Larkou**





London

+44 20 3530 1549







athos.larkou@thefitchgroup.com

**Rating Actions**

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Ageas Insurance Limited	LT IFS	AA- 	Affirmed	AA- 
AG Insurance NV	LT IDR	A+ 	Affirmed	A+ 
	LT IFS	AA- 	Affirmed	AA- 
• subordinated		A-	Affirmed	A-
Ageas	LT IDR	A+ 	Affirmed	A+ 

ENTITY/DEBT	RATING	RECOVERY	PRIOR	
Insurance International N.V.				
Ageasfinlux S.A.				
• junior subordinated <sup>LT</sup>	BBB	Affirmed	BBB	
ageas SA/NV	LT IDR	A+ 	Affirmed	A+ 
	LT IFS	AA- 	Affirmed	AA- 
• subordinated	A-	Affirmed	A-	
• junior subordinated <sup>LT</sup>	BBB	Affirmed	BBB	

#### RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

#### Applicable Criteria

[Insurance Rating Criteria \(pub.20 Jul 2023\) \(including rating assumption sensitivity\)](#)

#### Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing

description of model(s).

Prism Factor-Based Capital Model, v1.8.0 (1)

## Additional Disclosures

### Solicitation Status

### Endorsement Status

AG Insurance NV	EU Issued, UK Endorsed
Ageas Insurance International N.V.	EU Issued, UK Endorsed
Ageas Insurance Limited	EU Issued, UK Endorsed
ageas SA/NV	EU Issued, UK Endorsed
Ageasfinlux S.A.	EU Issued, UK Endorsed

## DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. Sector-specific best- and worst-case scenario credit ratings are listed in more detail at <https://www.fitchratings.com/site/re/10238496>

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A

report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

## **Endorsement policy**

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU

Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.