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Fitch Affirms Ageas Insurer Financial Strength Rating at 'AA-'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 06 Nov 2024: 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's assessment of Ageas's company profile is underpinned by its market leading position in its home market Belgium, large operating scale and very strong geographical and product diversification. Ageas has operations in Portugal, the UK, Turkey and Asia with strong market positions that contribute to its group earnings.

Very Strong Capitalisation: We expect Ageas to maintain its very strong capitalisation. Ageas reported a very strong and stable group Solvency II (S2) ratio of 209%. Its Prism Global score was stable at 'Very Strong' at end-2023. Our view on capital is also supported by a Fitch-calculated financial leverage ratio of 12.0% at end-2023, which we regard as very strong.

Strong Profitability: We expect Ageas's return on equity (ROE) to remain broadly stable in 2024. Ageas reported a profit of EUR740 million for 1H24, versus a profit of EUR643 million in 1H23. The increase was driven by a rise in the result share from Ageas's Asian participations (EUR65 million, net of tax) and a legacy transaction (RPN) generating a smaller gross loss of EUR34 million in 1H24, versus a gross loss of EUR68 million for 1H23.

The Fitch-calculated net income ROE decreased to 13.2% in 2023 (2022: 14.8%) due to a decrease in net income driven by the RPN transaction generating a gross loss of EUR64 million in 2023 versus gross earnings of EUR139 million in 2022.

Strong Investment Risk Management: Fitch assesses Ageas's investment policy as prudent and balanced, with a high share of investment-grade fixed-income investments. The group's risky-assets/capital ratio improved slightly to 90% at end-2023 from 94% at end-2022.

Ageas's risky-asset ratio is influenced by a fairly high exposure to investments in affiliates (39% of capital at end-2023). 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 EUR15.2 billion at end-2023, down from EUR15.9 billion at end-2022. The decline meant Ageas's sovereign exposure/capital ratio improved to 133% from 149%. We regard this as high, although it does not constrain our investment and asset risk assessment due to Belgium's high rating (AA-/Negative).

Very Strong ALM: The company'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 in Belgium investment losses can be passed on to policyholders 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 Negative Rating Action/Downgrade

- A sustained decline in profitability as reflected in a ROE below 8%
- The group's S2 ratio falling below 160%.

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

- A sustained improvement in profitability with a sustained ROE of more than 16% while maintaining the group S2 ratio above 200% and the financial leverage ratio below 15%.

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>.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Ageas Insurance Limited	LT IFS	AA- 	Affirmed	AA- 
AG Insurance SA	LT IDR	A+ 	Affirmed	A+ 
	LT IFS	AA- 	Affirmed	AA- 
• subordinated		A-	Affirmed	A-
Ageas Insurance International N.V.	LT IDR	A+ 	Affirmed	A+ 
Ageasfinlux S.A.				

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• junior subordinated LT	BBB		Affirmed	BBB
ageas SA/NV	LT IDR	A+ 	Affirmed	A+ 
	LT IFS	AA- 	Affirmed	AA- 
• subordinated	A-		Affirmed	A-
• junior subordinated LT	BBB+		Affirmed	BBB+

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[Insurance Rating Criteria \(pub.04 Mar 2024\) \(including rating assumption sensitivity\)](#)

Applicable Models

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

Prism Global (ex-U.S.) Model, v1.8.1 [\(1\)](#)

Additional Disclosures

Solicitation Status

Endorsement Status

AG Insurance SA	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

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