FitchRatings

ageas SA/NV

And Core Operating Subsidiaries

Key Rating Drivers

Strong Profitability: In 2020, the ageas SA/NV group's (Ageas) net result improved to EUR1,141 million (2019: EUR979 million), reflecting lower claims frequency in non-life and a higher contribution from the general account more than offsetting a lower life result. As a consequence, Ageas's return on equity (ROE) improved to 10% in 2020 (2019: 9%), a level that Fitch Ratings views as at the high end of the strong category.

Very Strong Capital Adequacy: Ageas has an 'Extremely Strong' score under Fitch's Prism Factor-Based Capital Model (Prism FBM) based on end-2020 results. At end-1Q21, the group's Solvency II (S2) ratio based on its partial internal model was 200% (end-2020: 199%), down from 203% at end-2019. This was mainly driven by capital market volatility and interest rate movements. Ageas uses transitional measures in France and Portugal. The end-2020 S2 ratio without transitional measures was 190% (end-2019: 194%), a level that supports Ageas' ratings.

Low Financial Leverage: The group's financial leverage ratio (FLR), as calculated by Fitch, was stable at 15% at end-2020 (end-2019: 14%). This reflected the EUR500 million of new subordinated Tier 2 notes issued by ageas SA/NV offsetting the positive impact from Ageas tendering the hybrid capital instruments issued by Ageasfinlux S.A. (so-called FRESH notes). Fitch expects the FLR to remain below 20%.

Very Strong Business Profile: Fitch ranks Ageas's business profile as 'favourable' compared to other Belgian insurance groups due to its favourable competitive position and diversification and its moderate business risk profile. Fitch therefore scores Ageas's business profile at 'aa' under Fitch's credit factor scoring guidelines. Ageas is the leading insurance group in Belgium and has operations in Asia, continental Europe and the UK, which, to varying degrees, all have strong local market positions and contribute to the group's earnings.

Prudent Investment Strategy: Ageas has a prudent yet balanced investment policy, with a high share of good-quality fixed-income investments. Overall, the group's risky assets ratio is strong at 88% (including a 12pt reduction from loss sharing of participating life business). However, the group has a fairly high exposure to investments in affiliates (36% of capital at end-2020) and a high exposure to Belgian sovereign investments (161% of capital).

Strong Liquidity Position: Ageas held a very strong liquidity buffer of EUR1.2 billion at the holding company level at end-1Q21 due to cash and liquid asset reserves. EUR13 million of this buffer is still ring-fenced for the Fortis settlement agreement that Ageas has reached with several claimants, which was declared binding by the Amsterdam Court of Appeal in July 2018.

Rating Sensitivities

Weaker Profitability: The ratings could be downgraded if Ageas's profitability weakens on a sustained basis, with ROE below 8% or ROA below 1% (2020: 1. 5%).

Weaker Capitalisation and Leverage: Ageas' Prism FBM score declining to 'Very Strong' or financial leverage increasing to over 27% could also lead to a downgrade.

Stronger Profitability and Capitalisation & Leverage: Ageas' ROE improving to above 12%, a S2 ratio above 200% and FLR below 15%, all on a sustained basis, could lead to an upgrade.

Ratings

ageas SA/NV

Insurer Financial Strength Rating	AA-
Issuer Default Rating	A+
Subordinated Notes	A-
Junior Subordinated Notes	BBB

AG Insurance NV

Insurer Financial Strength	AA-
Issuer Default Rating	A+
Subordinated notes	A-

Ageas Insurance International N.V.

Issuer Default Rating	A+

Ageasfinlux S.A.

Hybrid capital instruments	BBB

Outlooks

Insurer Financial Strength Ratings	Stable
Issuer Default Ratings	Stable

Financial Data

ageas SA/NV (consolidated)

(EURm)	2020	2019
Total assets[a]	110,698	108,720
Total equity	13,774	13,481
Net premiums written	8,002	9,021
Pre-tax profit	1,533	1,433
Combined ratio (%)	91	95
S2 ratio[b] (%)	199	203

[a] excluding reinsurance assets
[b] based on Ageas' partial internal model
Source: Fitch Ratings; Ageas

Applicable Criteria

Insurance Rating Criteria (April 2021)

Related Research

Eurozone Life Insurers Face Mounting Earnings Pressure Amid Ultra-Low Rates (April 2021)

Fitch Affirms Belgium at 'AA-'; Outlook Negative (March 2021)

COVID-19 Mortality Assumptions (Fitch Updates Stress Values for Life Insurers/Reinsurers) (October 2020)

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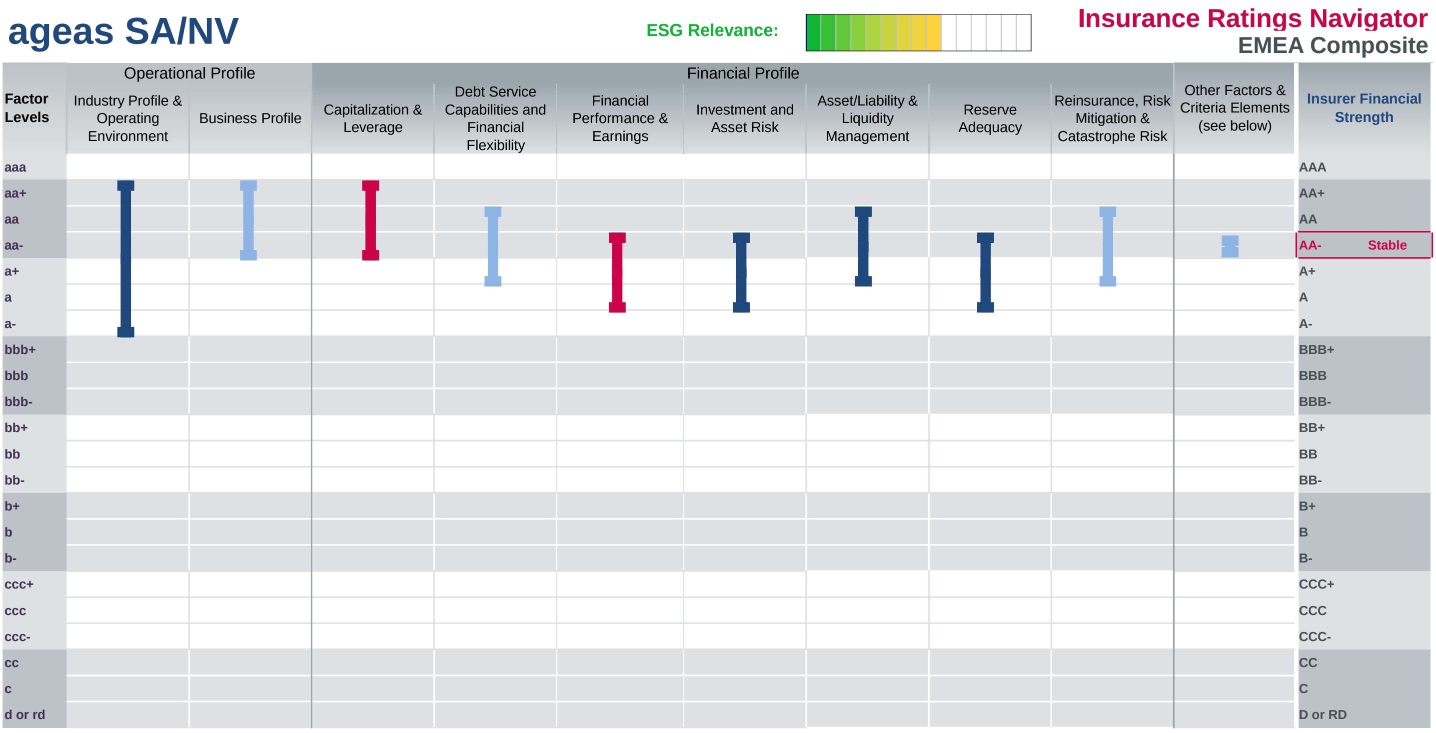
Key Credit Factors – Scoring Summary



Other Factors & Criteria Elements				
Provisional Insurer Financial Strength				**AA-**
Non-Insurance Attributes	Positive	**Neutral**	Negative	+0
Corporate Governance & Management	**Effective**	Some Weakness	Ineffective	+0
Ownership / Group Support	Positive	**Neutral**	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	AAA	+0
Insurer Financial Strength (IFS)			Final:	**AA-**
IFS Recovery Assumption	**Good**			-1
Issuer Default Rating (IDR)			Final:	**A+**

Bar Chart Legend

Vertical Bars = Range of Rating Factor

Bar Colors = Relative Importance

- Higher Influence
- Moderate Influence
- Lower Influence

Bar Arrows = Rating Factor Outlook

- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ▫ Stable

Latest Developments

- In August 2020 Ageas acquired an additional 23% stake in the Indian Life insurance joint venture IDBI Federal Life Insurance Co Ltd. (IFLIC) from IDBI Bank Limited (ratings withdrawn). With this transaction, Ageas has increased its interest in IFLIC to 49% and is now the largest shareholder in the joint venture it operates together with IDBI Bank and The Federal Bank Limited (NR).
- In November 2020 Ageas purchased 25% of Taiping Reinsurance Company Limited's (Insurer Financial Strength (IFS): A/Stable) shares, further strengthening its market position in China, and its close ties with China Taiping Insurance Holdings Company Limited (IDR: A/Stable).
- In May 2021, Ageas completed the acquisition of a 40% stake in the Turkish life insurance and pensions company Aviva SA from Aviva plc (IFS: AA-/Stable).
- In May 2021, Ageas completed the sale of its 50.1 % stake in Tesco Underwriting Limited, to Tesco Personal Finance Plc.

Peer Comparison

Click here for a report that shows a comparative peer analysis of key credit factor scoring.

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarises the main factors driving the above IPOE score.

Business Profile

Very Strong Business Profile

Fitch ranks Ageas's business profile as 'favourable' compared to other Belgian insurance groups due to its favourable competitive position and diversification and its moderate business risk profile. Given this ranking, Fitch scores Ageas's business profile at 'aa' under its credit factor scoring guidelines.

Fitch regards Ageas as having a favourable competitive position compared to Belgian peers, reflecting a most favourable general competitive position and a favourable operating scale.

AG Insurance NV (Ageas's main operating entity) is the leading insurer in Belgium and can exploit its pricing power. It is Belgium's largest life insurer, with a market share of around 28% gross written premiums, around three times as much as second-placed KBC Insurance NV. AG Insurance is also the second-largest non-life insurer in Belgium, with around 16% of the market. AXA Belgium SA (IFS rating: AA-/Positive) is the market leader with around 18%, while Ethias SA (IFS: A/Positive) and KBC rank third and fourth, with around 11% and 9%, respectively.

AG Insurance has an exclusive distribution agreement in Belgium with BNP Paribas Fortis SA/NV (Long-Term IDR: A+/Negative). This agreement has no explicit end date but carries a three-year termination notice period.

Ageas reported total gross written premiums of EUR8.4 billion in 2020 and had total assets (excluding reinsurance assets) of EUR110.7 billion and total equity of EUR13.8 billion at end-2020. These metrics fall in the upper half of Fitch's sector factor scoring ranges for a favourable operating scale.

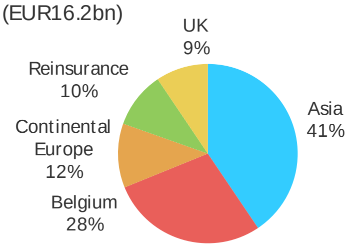
Ageas is well diversified by product offerings and geographical footprint. Fitch considers the group's geographical and product mix to support its results and as positive for the ratings.

Ageas also operates in the UK (where it acquired Groupama's UK business in 2012), in continental Europe (particularly Portugal, where it is the largest life and third-largest non-life insurer by premiums) and Asia. Ageas is aiming to expand its footprint into emerging economies through the acquisition of minority interests in joint ventures with local partners. Ageas therefore has footprints in Turkey, Malaysia, Thailand, Vietnam, India, the Philippines and China, where it owns 25% of Taiping Life Insurance Company Limited (IFS: A+/Stable) and 25% of Taiping Reinsurance Company Limited (IFS: A/Stable).

Fitch regards Ageas as having a moderate risk profile compared with Belgian peers. Ageas has a fairly high share of guaranteed life products, but this is offset by the group's low duration gap, a strong non-life business and stronger international diversification than most peers.

2020 Gross Inflows

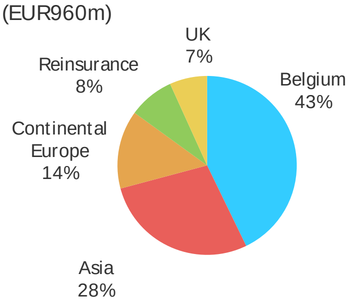
(EUR16.2bn)



Note: Calculated on the basis of Ageas's pro rata ownership in its operating companies
Source: Fitch Ratings, Ageas

2020 Insurance Net Result

(EUR960m)



Source: Fitch Ratings, Ageas

Ownership

ageas SA/NV is quoted on the Brussels Stock Exchange. It is the ultimate holding company of the Ageas group, while Ageas Insurance International N.V. is the group intermediate holding company, through which the insurance operations are owned. Ageas is active only in insurance and holds a 75% stake in AG Insurance (the remaining 25% has been owned by BNP Paribas Fortis since May 2009) and has interests in insurance companies in the UK, continental Europe and Asia.

Capitalisation and Leverage

Very Strong Capitalisation, Low Financial Leverage

Fitch considers Ageas's capital adequacy to be very strong, based on Fitch's Prism FBM and the group's S2 ratio. Ageas's Prism FBM score is 'Extremely Strong', based on end-2020 results.

At end-2020, the group's S2 ratio based on its partial internal model reduced to 199% from 203% at end-2019, mainly driven by capital market volatility and interest rate movements. At end-1Q21 its S2 ratio was stable at 200%. Ageas makes use of transitional measures in France and Portugal. The end-2020 S2S2 ratio without transitional measures was 190% (end-2019: 194%), a level that supports Ageas's ratings. Ageas's S2 ratio is sensitive to interest rates and spread changes, as is that of key peers'.

Fitch views Ageas's debt leverage as low. The group's FLR, as calculated by Fitch, was stable at 15% at end-2020 (end-2019: 14%). This was partly due to the positive impact from Ageas tendering EUR866 million of the hybrid capital instruments issued by Ageasfinlux S.A. (so-called FRESH notes) which was offset by EUR500 million of new subordinated Tier 2 notes issued by ageas SA/NV. Fitch expects the FLR to remain below 20%.

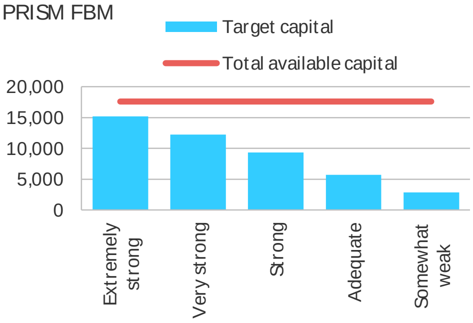
The total financing and commitments ratio (TFC) is designed to measure the total debt, financing, and capital markets footprint of an organisation and its overall reliance on ongoing access to funding sources. Ageas's TFC of 0.8x at end-2020 is neutral to the ratings.

Financial Highlights

(%)	2020	2019
Financial leverage	15	14
Prism FBM score	Extremely Strong	Extremely Strong
S2S2 SCR coverage[a]	199	203
TFC ratio (x)	0.8	0.7

[a] based on Ageas' partial internal model
Source: Fitch Ratings; Ageas

Capitalisation Adequacy



Source: Fitch Ratings

Financial Highlights

	2020	2019
Prism FBM score	Extremely Strong	Extremely Strong
Prism total AC EURm	17,598	17,010
Prism AC/TC at prism score (%)	116	117
Prism AC/TC at higher Prism FBM score (%)	n.a.	n.a.

AC – Available Capital, TC – Target Capital
Note: Reported on a IFRS basis.
Source: Fitch Ratings, Ageas

Fitch Expectations

- Fitch expects Ageas's Prism FBM score to remain 'Extremely Strong' and the FLR to remain below 20% in the next 12–24 months.
- Fitch expects Ageas's S2 ratio without transitional measures to remain strong.

Debt Service Capabilities and Financial Flexibility

Very Strong Debt Service Capabilities and Proven Market Access

The group's fixed-charge coverage, including realised and unrealised gains and losses, remained very strong at 15x in 2020 (2019: 17x), despite capital market volatility due to the pandemic.

Fitch considers Ageas's market access and diversity of funding to be very strong. The group has proved its ability to access capital markets by issuing several subordinated bonds in the last two years. Short-term and bank financing are of low importance to Ageas, with only EUR63 million of loan liabilities at end-2020.

Ageas's short-term refinancing risk is fairly low as the earliest call date of the group's subordinated bonds is in 2024. Refinancing risk is further reduced by a liquidity buffer at the holding company level of EUR1.2 billion at end-1Q21. The settlement of Fortis legacy proceedings, for which Ageas has already provisioned the amount it will have to pay, and the non-exercise of BNP Paribas' put option to sell its share in AG to Ageas in 2018 have both substantially reduced the risk of immediate cash calls.

Fitch Expectations

- Fitch expects the fixed-charge coverage ratio to remain above 10x.
- Fitch believes Ageas has adequate financial flexibility to raise capital should the need arise.

Financial Highlights

(x)	2020	2019
Fixed-charge coverage ratio (including (un)realised gains)	15	17

Source: Fitch Ratings; Ageas

Debt Maturities

(As 30 June 2020)	(EURm)
2024	100
2027	397
2029	568
2030	750
2031	500
No maturity or call date	443
Total	**2,758**

Source: Fitch Ratings; Ageas

Financial Performance and Earnings

Strong and Resilient Profitability

In 2020, Ageas's net result improved to EUR1,141 million (2019: EUR979 million), reflecting lower claims frequency in non-life and a higher contribution from the general account more than offsetting a lower life result. As a consequence, Ageas's return on equity (ROE) improved to 10% in 2020 (2019: 9%), a level that Fitch Ratings views as strong. Ageas's ROE is negatively affected by around 30% of the group's shareholder funds consisting of unrealised gains, a higher share than most peers report.

The reported operating margin on guaranteed life products was resilient in recent years and remained stable in 2020 at 90bp (2019: 88bp), reflecting the impact of the coronavirus pandemic on yields and capital markets, in 1Q20 being offset by the strong underlying performance of the segment. The operating margin was 92bp in 1Q21. The overall strong level is due to strong asset and liability management in Belgium and positive contributions from continental Europe and Asia.

Fitch views Ageas's non-life underwriting profitability as very strong. The combined ratio reported by the company improved to 91% in 2020 from 95% in 2019. This was driven by the lower claims frequency resulting from the pandemic offsetting the negative impact from weather events in 1Q20. We view it as positive for the credit profile that Ageas' combined ratio has been stable in recent years.

Fitch Expectations

- Fitch expects Ageas to continue reporting strong profitability despite low interest rates and high competition. The combined ratio is expected to remain under 100% and ROE above 8% on a sustained basis.

Financial Highlights

(%)	2020	2019
Net income (EURm)	1,141	979
Net insurance result – reported (EURm)	961	1,103
Combined ratio – reported	91	95
Net income return on equity	10	9
Pre-tax operating return on assets (including (un)realised gains)	1.5	1.5

Source: Fitch Ratings; Ageas

Investment and Asset Risk

Highly Liquid Investment Portfolio

Ageas has a prudent yet balanced investment policy, with a high share of good-quality fixed-income investments. However, the group has a fairly high exposure to investments in affiliates, which equalled 36% of the group's capital at end-2020, and a high exposure to Belgian sovereign investments, which equalled 161% of the group's capital at end-2020. Overall, the group's risky assets ratio is strong at 88%, after loss sharing. Ageas's very strong capital adequacy gives the group a cushion against potential stress from the equity and sub-investment-grade bond investments, which equalled 35% and 29% of the group's capital at end-2020, respectively.

Fitch views the bond portfolio as adequately diversified by geography, issuer and type of instrument, despite the high share of Belgian sovereign bonds due to the weight of AG Insurance's balance sheet in the group's total balance sheet. The quality of the bond portfolio is good, with 76% rated 'A' or above at end-2020 and 22% rated 'BBB'. About 2% of the bond portfolio is either rated below investment grade (EUR0.3 billion) or unrated (EUR0.9 billion). The fairly high exposure to 'BBB' rated bonds is due to Ageas's Portuguese operations and their investments in the obligations of financial and corporate institutions in Portugal. The corporate bond portfolio is also of strong credit quality, being geared towards investment grade (91%), with around 37% of the corporate bond portfolio rated 'A' or above at end-2020.

Around 50% of Ageas's loan portfolio (EUR13.4 billion at end-2020) relates to government-related loans benefitting from an explicit guarantee from the Belgian regions, the French state or the Dutch state. The real-estate investment portfolio (EUR5.9 billion at end-2020) is concentrated in Belgium, mainly in Brussels. It comprises gross unrealised gains of EUR1.9 billion, according to market evidence and independent valuation.

Fitch Expectations

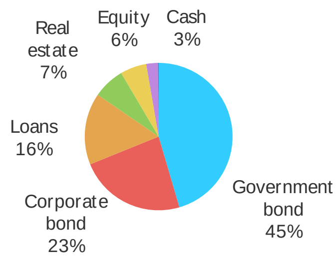
- Fitch expects the risky assets-to-equity ratio to remain fairly stable in the medium term.

Financial Highlights

(%)	2020	2019
Equities to capital	35	34
Investments in affiliates to capital	36	35
Non-investment-grade bonds to capital	29	29
Risky assets[a] to capital	100	98
Risky assets[a] reduction from loss sharing of life participating business to capital	-12	-14
Risky assets[a] to capital after loss sharing	88	83

[a] Risky assets are the sum of non-investment-grade bonds (including unrated commercial loans), equities, and investment in affiliates
Source: Fitch Ratings; Ageas

Investments at End-2020
(EUR85.1bn)



Source: Fitch Ratings, Ageas

Asset Liability and Liquidity Management

Very Strong Asset/Liability and Liquidity Management

Ageas's very strong end-1Q21 liquidity buffer of EUR1.2 billion at the holding company level was due to cash and liquid asset reserves. EUR13 million of this is ring-fenced for the Fortis settlement agreement, which was declared binding in July 2018.

Life technical liabilities are subject to minimum guaranteed returns. Most of the business exposed to interest-rate risk is in Belgium with AG Insurance. Technical provisions relating to policies carrying guaranteed interest rates are declining in the existing portfolio. Additionally, AG Insurance reduced the interest guarantee offered on new individual retail products written, along with the decrease of the Belgium Obligations Linéaires Ordinaires since January 2012.

In April 2020 the company lowered minimum guaranteed returns on new retail life investment products (mainly single premium) to 0.25% from 0.5%. Minimum guaranteed returns on group life contracts were lowered to 0.25% from 0.5% in July 2021 on products with an interest guarantee on reserves and to 0.00% from 0.1% on products with an interest guarantee on reserves and future premiums. There is also no longevity risk in AG Insurance's books as customers receive a lump sum at retirement age – the sum is not annuitised.

Ageas gradually adjusts its asset allocation policy to ensure a close match between the duration of assets and that of liabilities. AG Insurance ensures the duration gap does not exceed one year. This enables it to achieve a better and more stable solvency ratio, at the expense of potential profits (or losses) from taking a position on interest-rate movements. Additionally, individual policies have a market value adjustment clause if redeemed before eight years, meaning the surrender value would be equal to the value of the assets at the time of redemption. This protects the insurer against lapses if there are unfavourable investment-market movements.

Fitch Expectations

- Fitch expects Ageas to maintain strong asset-liability management and a high level of liquid assets at the insurance and holding company levels.

Financial Highlights

(%)	2020	2019
Non-life liquid assets[a] to non-life reserves	207	215
Life liquid assets[b] to life net technical reserves (excluding unit-linked)	83	85

[a] based on Fitch estimate for non-life liquid assets
[b] based on Fitch estimate for life liquid assets
Source: Fitch Ratings; Ageas

Reserve Adequacy

Strong Reserving Adequacy

Fitch believes Ageas' loss reserves have grown at a rate commensurate with growth in underwriting exposure over the past five years. Fitch's analysis of non-life reserve experience suggests that, on average, Ageas' reserves have developed favourably over this period.

Analysis of the group's claims development triangles indicates that reserving practices are robust, although there were some adverse developments in 2012 and 2016 – the latter due to the acquisition of AXA Portugal and the Ogden rate review in the UK.

Fitch believes the level of technical provisions is prudent, in light of regulatory requirements and practices in Belgium, and accounts for the company's technical commitments, the return on its investment portfolios, and its expenses. The ratio of technical reserves/premiums was 205% at end-2020, a level that Fitch views as prudent given Ageas's business mix.

Fitch Expectations

- Fitch expects Ageas's reserve ratios to remain stable. Reserve growth and experience is adequate, and Fitch expects prior-year reserve releases to develop favourably on average.

Financial Highlights

(%)	2020	2019
Loss reserve/current year incurred losses (x)	3.2	2.8
Loss reserves to non-life equity[a] (x)	1.2	1.2
Current year paid losses to incurred losses (x)	1.0	1.0
Change in loss reserves to earned premiums ratio	1.2	12.6
One-year reserve development to prior year loss reserves	-3.6	-5.3
One-year reserve development to prior year non-life equity[a]	-4.4	-6.8
Net technical reserves to neat earned premiums (non-life)	205	202

[a] Based on a Fitch estimate for non-life equity
Source: Fitch Ratings; Ageas

Reinsurance, Risk Mitigation and Catastrophe Management

Effective Reinsurance Protection from Internal and External Programmes

Where appropriate, the group enters into reinsurance contracts to limit its exposure to underwriting losses. However, Ageas does not purchase large quantities of reinsurance. Its non-life retention rate was high at 91% in 2020, slightly lower than in 2019.

Ageas purchases reinsurance coverage with excess-of-loss and stop-loss programmes. This reinsurance may be on a policy-by-policy basis per risk or on a portfolio basis per event, where individual policyholder exposures are within local limits but an unacceptable risk of accumulation of claims exists at the group level (catastrophe risk). The major uses of external reinsurance include mitigating the effects of natural disasters (such as hurricanes, earthquakes and floods), large single claims from policies with high limits, and multiple claims triggered by a single man-made event.

The largest reinsurers are SCOR SE (IFS: AA−/Stable), Munich Reinsurance Company (IFS: AA/Stable) and Swiss Reinsurance Company Ltd (IFS: A+/Stable).

In 2018, Ageas transferred its internal reinsurance operations to the group's holding company ageas SA/NV from its captive company Intreas N.V. to further improve the effectiveness of internal reinsurance and capital fungibility within the group. Since 2019, the internal reinsurance programme consists of quota share treaties and of loss portfolio transfer agreements, as well as taking a share in the operating companies' external reinsurance panel.

Internally reinsured premiums amounted to EUR1.6 billion in 2020 (2019: EUR1.7 billion). The combined ratio of the reinsurance segment improved to 96.3% in 2020 due to lower claims activity. Profitability of the internal reinsurance segment is being negatively affected until end-2021 by the fact that the segment will only participate in reserve leases from claims in underwriting years 2019 and later.

Fitch Expectations

- We don't expect significant changes to Ageas' reinsurance programme over the next 12–24 months.

Appendix A: Other Ratings Considerations

Below is a summary of additional ratings considerations that are part of Fitch's rating criteria.

Group IFS Rating Approach

Fitch considers AG Insurance and Ageas Insurance Limited as strategically key and integral parts of Ageas's business and therefore 'Core' to the consolidated group. Fitch therefore applies a group approach – ie it applies the derived group IFS rating – to these rated entities. The ratings are based on an assessment of the consolidated Ageas group.

Notching

For notching purposes, the Belgian regulatory environment is assessed by Fitch as 'Effective', and classified as following a Group Solvency approach.

Notching Summary

IFS Ratings
A baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS "anchor" rating to the actual or implied operating company IDR.
Operating company debt
Not applicable
Holding company IDR
Standard notching was applied between the insurance operating company and holding company IDRs for a group solvency regulatory environment.
Holding company debt
Not applicable
Hybrids
ageas SA/NV issued EUR500m of dated subordinated Tier 2 notes in April 2019 and in November 2020. A baseline recovery assumption of 'Below Average' is assumed for these bonds, and they are deemed to have 'Moderate' risk of non-performance due to mandatory deferral triggers linked to a regulatory solvency event, meaning that the rating is two notches lower than the IDR of ageas SA/NV. For ageas SA/NV's EUR750m Restricted Tier 1 notes issue a baseline recovery assumption of 'Poor' is assumed and they are deemed to have 'Moderate' non-performance risk due to mandatory deferral triggers linked to a regulatory solvency event as well as fully flexible interest cancellation features. Therefore, they are rated four notches below the IDR of ageas SA/NV. AG Insurance issued a EUR400m dated subordinated bond in March 2015. A baseline recovery assumption of 'Below Average' is assumed for this bond, and it is deemed to have 'Moderate' risk of non-performance due to mandatory deferral triggers linked to a regulatory solvency event, meaning that the rating is two notches lower than the IDR of the insurance company (see separate AG Insurance report). Ageasfinlux S.A. is 100% owned by Ageas Insurance International. In 2002, this entity issued floating-rate equity-linked subordinated hybrid capital securities with ageas SA/NV acting as a co-obligor. Therefore, the anchor IDR used for the rated hybrid capital instrument is ageas SA/NV's. Fitch assumes the hybrid debt of Ageasfinlux has a baseline recovery assumption of 'Poor'. This instrument is designated by Fitch as having a 'Moderate' risk of non-performance due to mandatory deferral triggers linked to dividend payments. However, as there is a coupon deferral linked to dividends, one extra notch is deducted. As a result, the ratings are notched down four times from the IDR: twice for recovery assumptions and twice for non-performance risk.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating
Source: Fitch Ratings

Short-Term Ratings

Not applicable.

Hybrid – Equity/Debt Treatment

Hybrids Treatment

Hybrid	Amount	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
ageas SA/NV				
Fixed to floating dated subordinated notes	994	0	100	100
Junior subordinated notes	750	100	n/a	0
AG Insurance				
Fixed to floating dated subordinated notes	174	0	100	100
Fixed to reset dated subordinated notes	397	0	100	100
Ageasfinlux SA				
FRESH	384	50	100	50
Millenniumbcp Ageas				
Junior subordinated notes	59	50	100	50

CAR – Capitalisation Ratio: FLR – Financial Leverage Ratio. N.A. – Not Applicable
For CAR, % shows portion of hybrid value included as available capital, both before (Fitch %) and the regulatory override.
For FLR, % shows portion of hybrid value included as debt in numerator of leverage ratio
Source: Fitch Ratings

Corporate Governance and Management

Corporate governance and management are adequate and neutral to the rating.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix B: Environmental, Social and Governance Considerations

FitchRatings **ageas SA/NV**

Insurance Ratings Navigator
EMEA Composite

Credit-Relevant ESG Derivation

ageas SA/NV has 7 ESG potential rating drivers

- ageas SA/NV has exposure to underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations but this has very low impact on the rating.
- ageas SA/NV has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk but this has very low impact on the rating.
- ageas SA/NV has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	7	issues	3
not a rating driver	2	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk	2
Exposure to Environmental Impacts	3	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment & Asset Risk	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Business Profile; Reserve Adequacy	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Corporate Governance & Management	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Business Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Corporate Governance & Management; Business Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Corporate Governance & Management	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Corporate Governance & Management; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Corporate Governance & Management	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

The highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entities, either due to their nature or to the way in which they are being managed by the entities. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.