

Research Update:

# Belgium-Based Insurer Ageas SA/NV 'A+' Ratings Affirmed Following Revised Capital Model Criteria; Outlook Remains Stable

December 7, 2023

## Overview

- On Nov. 15, 2023, we published our revised criteria for analyzing insurers' risk-based capital (see "Insurer Risk-Based Capital Adequacy--Methodology And Assumptions").
- Based on our new criteria, Ageas's capital adequacy remains very strong.
- We therefore affirmed our 'A+' ratings on Ageas and its core entities.
- The stable outlook reflects our view that Ageas will maintain resilient earnings and very strong capital adequacy.

## Rating Action

On Dec. 7, S&P Global Ratings affirmed its 'A+' long-term issuer credit and insurer financial strength ratings on Belgium-based insurer Ageas SA/NV and its rated core subsidiaries AG Insurance and Ageas Insurance Ltd. We also affirmed the ratings on Ageas' and AG Insurance's debt. The outlook is stable.

## Impact Of Revised Capital Model Criteria

The implementation of our revised criteria for analyzing insurers' risk-based capital (see "Insurer Risk-Based Capital Adequacy--Methodology And Assumptions") does not lead to any rating changes because the Ageas group's capital adequacy remains very strong, supported by sound retained earnings and a conservative investment strategy. We therefore expect capital will remain above the very strong benchmark over our 2023-2025 forecast period.

We observed an increase in total adjusted capital under International Financial Reporting Standard (IFRS) 17, which gives greater visibility of future profits for the insurance sector through the contractual service margin (CSM). Under our revised capital model, we no longer apply haircuts or capital charges to equity-like reserves such as the CSM and risk adjustment, which we

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recognize for a combined after-tax amount of €2.9 billion at year-end 2022 for fully consolidated entities.

We also captured the benefits of risk diversification more explicitly in our analysis, which supports capital adequacy. However, the recalibration of our capital charges to higher confidence levels offsets these improvements.

The changes to our methodology for including hybrid capital and debt-funded capital in total adjusted capital do not change our view of Ageas Insurance's financial risk profile.

## Credit Highlights

### Overview

Key strengths	Key risks
Leading position in Belgium and strong presence in 14 European and Asian countries through joint ventures and partnerships.	Exposure to potential economic shocks, which could lead to volatile earnings.
Continued solid net earnings in first half 2023, despite market volatility and unfavorable effects from lower interest rates in China.	Lack of operational control over Asian joint ventures.
Capitalization expected to remain above 99.95% as per our risk-based capital model.	Faster growth in emerging markets, which face evolving regulations and more volatile capital markets.

### Outlook

The stable outlook reflects our view that Ageas will maintain resilient earnings. We also expect Ageas will maintain very strong capitalization, including S&P Global Ratings capital adequacy above 99.95%.

### Downside scenario

We regard a downgrade as unlikely over the next 12-24 months, but this could happen if:

- The group's capital adequacy falls lastingly below the very strong level under our capital model, resulting from either more-aggressive capital management than we anticipate, or substantial additional risk-taking; or
- Contrary to our base-case assumptions, operating performance weakens to materially below that of domestic or international peers, as shown by a sharp deterioration in return on equity or the non-life combined ratio.

### Upside scenario

We view an upgrade as highly unlikely over the next 12-24 months in light of Ageas' more limited business position than higher rated peers, as well as the structural constraints on its business prospects from minority equity positions in its Asian joint ventures.

## Rationale

Ageas leads its home country with a market share of about 29% in life and 17% for non-life. Its Belgian business is a key earnings contributor in Europe as well as overall. The group has also built good positions in the U.K. (property/casualty [P/C]) and Portugal (both P/C and life) via acquisitions and organic growth.

Ageas is diversified in Asia through major joint ventures with large local financial institutions. Ageas has well established entities in China, Malaysia, and Thailand, and has increased its presence in Turkiye as well as India--where the group now owns a controlling stake in its local operation.

In our view, Ageas continues to demonstrate an excellent operating performance and has a track record of improved combined ratios. In first half 2023 its combined ratio was solid at 93.3% due to a lower number of claims. For 2024-2025, we expect the combined ratio to remain at or below 97%. With a strong market position and earnings from Belgium and other European countries, we expect net earnings of over €1 billion per year on average in 2023-2024.

Very strong capitalization will support organic growth amid market volatility and capital requirements. We expect Ageas to maintain its capitalization above our 99.95% capital adequacy threshold as per our risk-based capital model. We also anticipate it will strategically balance its capital management and earnings growth to maintain its capital adequacy and a sufficient capital buffer above our 99.95% level through 2024. In addition, Ageas reported a strong solvency II ratio of 220% at end-June 2023.

Ageas has amply demonstrated its recurrent capacity to tap debt markets and we anticipate it will continue to comfortably cover financial interest costs by more than 8x.

Our assessment of Ageas' liquidity as exceptional reflects the insurer's liquid investment portfolio despite material amounts of nonliquid assets (mainly mortgages).

We rate Ageas SA/NV in line with the group credit profile. The operating holding company, Ageas SA/NV, is predominantly a captive reinsurer, which offers internal diversification benefits and enhances the group's reinsurance and wider capital efficiency.

## Group Support

We regard AG Insurance and Ageas Insurance Ltd. as core operating entities of the Ageas group. We consider that they operate in lines of business that are integral to the overall group's strategy and are highly unlikely to be sold. In addition, the group's management demonstrates a strong commitment to supporting these entities.

## Ratings Score Snapshot

Financial strength rating	A+/Stable
Anchor*	a+
Business risk	Strong
IICRA	Intermediate
Competitive position	Strong

Financial risk	Very strong
Capital and earnings	Very strong
Risk exposure	Moderately low
Funding structure	Neutral
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	
Support	
Group support	0
Government support	0

IICRA--Insurance Industry And Country Risk Assessment. \*Of the two potential anchors based on Ageas's business and financial risk profiles, we select the higher anchor of 'a+'. This reflects our view of the group's sustainably high capital adequacy buffer at the 99.95% level as well as a robust business risk profile due to geographic diversification and the long-term nature of the bancassurance agreements with distributing partners.

## Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Ageas SA/NV, May 23, 2023
- Ageas SA/NV's French Life Insurance Divestment Will Positively Affect Solvency, April 25, 2023

## Ratings List

### Ratings Affirmed

#### Ageas SA/NV

Issuer Credit Rating	A+/Stable/A-1+
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**Ratings Affirmed**

**Ageas SA/NV**

**Ageas Insurance Ltd.**

**AG Insurance**

Financial Strength Rating A+/Stable/--

**AG Insurance**

Issuer Credit Rating A+/Stable/--

**Ageas Insurance Ltd.**

Issuer Credit Rating A+/Stable/--

**Ageas SA/NV**

Subordinated A-

Junior Subordinated A-

Junior Subordinated BBB+

**AG Insurance**

Junior Subordinated A-

**Ageasfinlux S.A.**

Junior Subordinated A-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceid/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings). Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

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