FitchRatings



# ageas SA/NV

## And Core Operating Subsidiaries

## Key Rating Drivers

**Strong Profitability:** In 1H20, the ageas SA/NV group's (Ageas) net result improved to EUR791 million (1H19: EUR606 million), reflecting lower claims frequency in non-life and a higher contribution from the general account more than offsetting a lower life result. Ageas's return on equity (ROE) was stable at 9% in 2019, a level that Fitch Ratings views as strong, improved to 15% in 1H20.

**Very Strong Capital Adequacy:** Ageas has an 'Extremely Strong' score under Fitch's Prism Factor-Based Capital Model (Prism FBM) based on end-2019 results. At end-1H20, the group's Solvency II ratio based on its partial internal model was 192%, down from 217% at end-2019, mainly driven by capital market volatility and the tender of the hybrid capital instruments issued by Ageasfinlux S.A. (FRESH notes). Ageas uses transitional measures in France and Portugal. The end-2019 Solvency II ratio without transitional measures was 194% (end-2018: 205%), a level that supports Ageas' ratings.

**Low Financial Leverage:** The group's financial leverage ratio (FLR), as calculated by Fitch, improved to 11% at end-1H20 (end-2019: 14%), mainly driven by Ageas tendering its FRESH notes. As a consequence, the outstanding amount of the FRESH notes reduced to EUR384 million at end-1H20 from EUR1,250 million at end-2019. Fitch expects the FLR to remain below 20%.

**Very Strong Business Profile:** Fitch ranks Ageas's business profile as 'favourable' compared to other European insurance groups due to its favourable competitive position, diversification and 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.

**Reduced Litigation Risk:** On 13 July 2018, the Amsterdam Court of Appeal declared the Fortis settlement agreement entered into between Ageas and several claimants as binding. This decision significantly reduces Ageas's litigation risk and enhances its future financial flexibility. Ageas had set up a provision of EUR1.3 billion against this liability in 2016.

**Strong Liquidity Position:** Ageas held a strong liquidity buffer of EUR1.5 billion at the holding company level at end-1H20 due to cash and liquid asset reserves. This buffer will be partly deployed (about EUR0.4 billion) for the Fortis settlement agreement. The issuance of subordinated debt in November and the sale of Ageas's share in Tesco Underwriting Ltd. outweigh the negative impacts from the capital increase of Taiping Reinsurance Company Limited and the purchase of an additional 23% stake in IDBI Federal Life Insurance Co Ltd.

## Rating Sensitivities

**Coronavirus Impact:** The ratings remain sensitive to a material adverse change in Fitch's rating assumptions with respect to the impact of the coronavirus pandemic. A positive rating action is prefaced by Fitch's ability to reliably forecast the impact of the pandemic on Ageas's financial profile.

**Maintained Profitability:** Ageas's ratings could be upgraded if the group maintains ROE in excess of 8% and pre-tax return on assets (ROA) above 1.0% (2019: 1. 5%).

**Weaker Profitability:** The ratings could be downgraded if Ageas's profitability weakens significantly on a sustained basis, with ROE below 5% or ROA below 0.4%.

## Ratings

**ageas SA/NV**

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

**AG Insurance NV**

| | |
|---|---|
| Insurer Financial Strength | A+ |
| Issuer Default Rating | A |
| Subordinated notes | BBB+ |

**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) | 2019 | 2018 |
|---|---|---|
| Total assets[a] | 108,720 | 101,027 |
| Total equity | 13,481 | 11,520 |
| Net premiums written | 9,022 | 8,597 |
| Pre-tax profit | 1,433 | 1,250 |
| Combined ratio (%) | 95 | 94 |
| Solvency II ratio[b] (%) | 217 | 215 |

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

## Applicable Criteria

Insurance Rating Criteria (August 2020)

## Related Research

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

Fitch Affirms Belgium at 'AAA-'; Outlook Negative (October 2020)

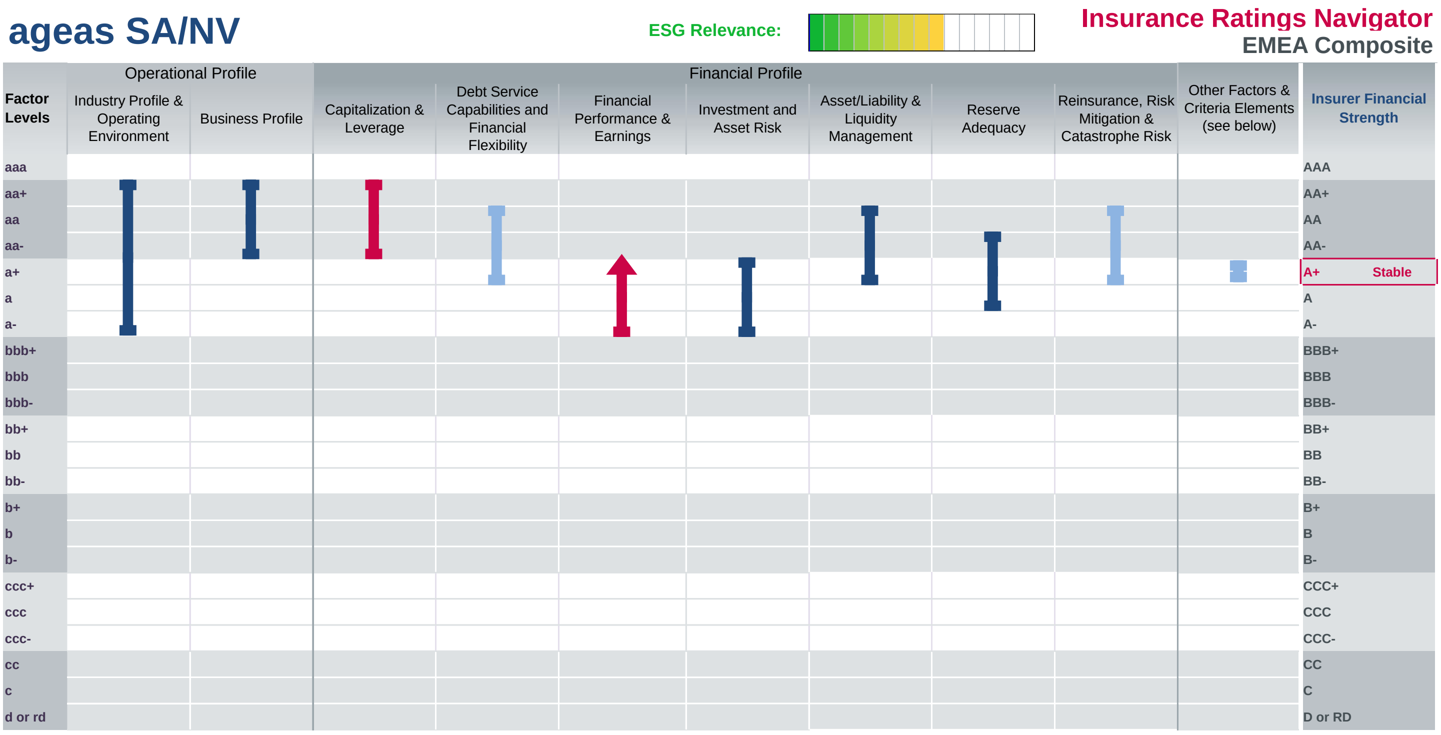
Fitch Ratings Defines Assumptions for Coronavirus Reviews of Insurance Companies (April 2020)

## Analysts

Ralf Ehrhardt
+49 69 7680 76 163
ralf.ehrhardt@fitchratings.com

Willem Loots
+44 20 3530 1808
willem.loots@fitchratings.com

## Key Credit Factors – Scoring Summary




| Other Factors & Criteria Elements | | | | |
|---|---|---|---|---|
| **Provisional Insurer Financial Strength** | | | | A+ |
| 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: | A+ |
| 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 announced it had acquired an additional 23% stake in the Indian Life insurance joint venture IDBI Federal Life Insurance Co Ltd. (IFLIC) from IDBI Bank Limited (Issuer Default Rating (IDR): BB+/Negative). 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 August 2020 Ageas purchased 25% of Taiping Reinsurance Company Limited's (Insurer Financial Strength (IFS): A/Stable) shares for around EUR340 million, further strengthening its market position in China, and its close ties with China Taiping Insurance Holdings Company Limited (IDR: A/Stable).

### 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 European insurance groups due to its favourable competitive position, diversification and 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 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 30% gross written premiums in 2019, around three times as much as second-placed KBC Insurance NV. AG Insurance is also the second-largest non-life insurer in Belgium, with 16% of the market. AXA Belgium SA (IFS rating: AA-/Stable) is the market leader with 18%, while Ethias SA (IFS: BBB+/Stable) with 11% and KBC with 9%.

AG Insurance has an exclusive distribution agreement in Belgium with BNP Paribas Fortis (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 EUR9.4 billion in 2019 and had total assets (excluding reinsurance assets) of EUR109.0 billion and total equity of EUR13.5 billion at end-2019. 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 be 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 in 2018) and Asia. Ageas aims 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).

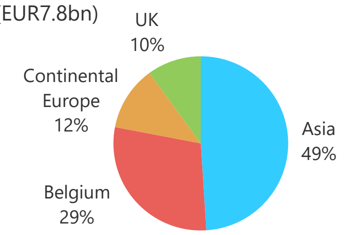
Fitch regards Ageas as having a favourable risk profile compared with European peers. Ageas has a fairly high share of guaranteed life products, but this is offset by the group's low duration gap, a strong non-life business and stronger international diversification than most peers.

# Ownership

ageas SA/NV is quoted on the Brussels Stock Exchange. ageas SA/NV 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% have been owned by BNP Paribas Fortis since May 2009) and has interests in insurance companies in the UK, continental Europe and Asia.

### 1H20 Gross Inflows

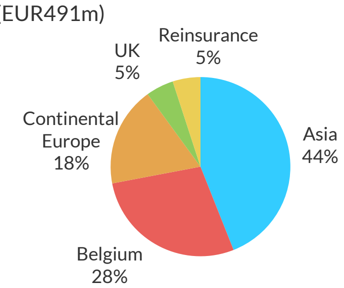
(EUR7.8bn)




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

### 1H20 Insurance Net Result

(EUR491m)




Source: Fitch Ratings, Ageas

## 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 Solvency II ratio. Ageas's Prism FBM score is 'Extremely Strong', based on end-2019 results.

At end-2019, the group's Solvency II ratio based on its partial internal model was 217% (end-2018: 215%). At end-1H20 its Solvency II ratio declined to 192%, mainly driven by capital market volatility and the tender of Ageas' FRESH notes. Ageas makes use of transitional measures in France and Portugal. The end-2019 Solvency II ratio without transitional measures was 194% (end-2018: 205%), a level that supports Ageas's ratings. Ageas's Solvency II 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, improved to 11% at end-1H20 (end-2019: 14%), mainly driven by Ageas tendering its FRESH notes. As a consequence, the outstanding amount of the FRESH notes reduced to EUR384 million at end-1H20 from EUR1,250 million at end-2019.

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 0.7x at end-2019 is neutral to the ratings.

### 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 Solvency II ratio to remain strong.

### Financial Highlights

| (%) | 2019 | 2018 |
|---|---|---|
| Financial leverage | 14 | 13 |
| Prism FBM score | Extremely Strong | Extremely Strong |
| Solvency II SCR coverage[a] | 217 | 215 |
| TFC ratio (x) | 0.7 | 0.6 |

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

## 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 19x in 1H20 (2019: 17x) despite capital market volatility due to the coronavirus 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 with a recent subordinated bond issue of EUR500 million in April 2019, which was used to refinance a USD550 million subordinated bond the group called in March 2019. It also issued EUR750 million of junior subordinated notes in November 2019 to pre-finance the tender of the group's FRESH notes in 2020. In November 2020 Ageas issued EUR500 million of additional subordinated debt. Short-term and bank financing are of low importance to Ageas, with only EUR92 million of loan liabilities at end-1H20.

Ageas's 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 EUR1.1 billion at end-1H20 (net of reserves for the Fortis settlement agreement). The successful 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 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) | 2019 | 2018 |
|---|---|---|
| Fixed-charge coverage ratio (including (un)realised gains) | 17 | 16 |

Source: Fitch Ratings; Ageas

### Debt Maturities

| (As 30 June 2020) | (EURm) |
|---|---|
| 2024 | 450 |
| 2027 | 400 |
| 2029 | 500 |
| 2030 | 750 |
| No maturity or call date | 384 |
| **Total** | **2,484** |

Source: Fitch Ratings; Ageas

## Financial Performance and Earnings

### Strong and Resilient Profitability

In 1H20, Ageas's net result improved to EUR791 million (1H19: EUR606 million), reflecting lower claims frequency in non-life and the higher contribution from the general account more than offsetting a lower life result. This results in Ageas's ROE, which was stable at 9% in 2019, improving to 15% in 1H20. Ageas's ROE is negatively affected by more than 25% 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, but weakened to 75bp in 1H20 (FY19: 88bp), mainly reflecting the impact of the coronavirus pandemic on yields and capital markets in 1Q20. In 2Q20 the margin improved again to 94bps (1Q20: 71bps), reflecting the strong underlying performance of the segment. 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 92% in 1H20 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 that Ageas' combined ratio has been stable in recent years.

### Fitch Expectations

- Fitch expects Ageas's financial performance to remain slightly vulnerable due to the coronavirus crisis – in particular to the risk of a rise in credit spreads and rating migration on the investment portfolio over the near term.
- Fitch expects Ageas to continue reporting strong profitability despite low interest rates and high competition. The combined ratio is likely to remain under 100% and ROE above 7% on a sustained basis.

### Financial Highlights

| (%) | 2019 | 2018 |
|---|---|---|
| Net income (EURm) | 979 | 809 |
| Net insurance result – reported (EURm) | 1,103 | 797 |
| Combined ratio – reported | 95 | 94 |
| Net income return on equity | 9 | 9 |
| Pre-tax operating return on assets (including (un)realised gains) | 1.5 | 1.3 |

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. At end-2019 this resulted in a risky assets ratio of 119%. Ageas's very strong capital adequacy gives the group a cushion against potential stress from the equity and sub-investment-grade bond investments.

Fitch views the bond portfolio as adequately diversified by geography, issuer and type of instrument, although 49% of the sovereign portfolio at end-1H20 was represented by Belgian government 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 72% rated 'A' or above at end-1H20 and 25% rated 'BBB'. About 3% of the bond portfolio is rated below investment grade (EUR0.3 billion) or unrated (EUR1.7 billion). The relatively 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 (90%), with around 50% of the corporate bond portfolio rated 'A' or above at end-1H20.

Around 70% of Ageas's loan portfolio (EUR12.8 billion at end-1H20) 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 (EUR5.8 billion at end-1H20) is concentrated in Belgium, mainly in Brussels. It comprises gross unrealised gains of EUR2 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.

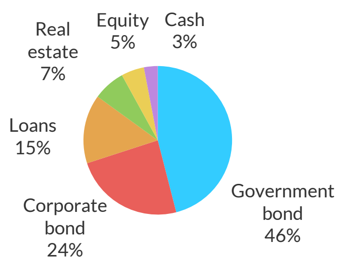
### Financial Highlights

| (%) | 2019 | 2018 |
|---|---|---|
| Equities to capital | 35 | 39 |
| Investments in affiliates to capital | 35 | 27 |
| Non-investment-grade bonds to capital | 49 | 45 |
| Risky assets[a] to capital | 119 | 110 |

[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-1H20

(EUR84.1bn)




Source: Fitch Ratings, Ageas

# Asset Liability and Liquidity Management

## Very Strong Asset/Liability and Liquidity Management

Ageas held a very strong liquidity buffer of EUR1.5 billion at the holding company level at end-1H20 due to cash and liquid asset reserves. This buffer will be partly deployed (about EUR0.4 billion) for the Fortis settlement agreement that Ageas has reached with several claimants, which was declared binding by the Amsterdam Court of Appeal on 13 July 2018. Liquidity benefits from Ageas issuing EUR500 million subordinated Tier 2 notes in November and the sale of the group's share in Tesco Underwriting Ltd. which outweigh the negative impacts from the capital increase of Taiping Re and the purchase of an additional 23% stake in IFLIC. in August 2020.

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. AG Insurance reduced the interest guarantee offered on new individual retail products written due to the intense competition – the Belgium Obligations Linéaires Ordinaires rate has also been decreasing 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%. In group life contracts, minimum guaranteed returns were lowered in April 2020 to 0.5% from 0.75% on products with an interest guarantee on reserves and to 0.1% from 0.25% 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 that 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 maintains a policy where the duration gap should not exceed one year. This enables the company 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. An additional mitigating factor is that 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 feature 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

| (%) | 2019 | 2018 |
|---|---|---|
| Liquid assets to policyholder liabilities (total, excluding unit-linked) | 95 | 97 |

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 accounting for the company's technical commitments, the return on its investment portfolios, and its expenses. The ratio of technical reserves/premiums was 202% at end-2019, 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

| (%) | 2019 | 2018 |
|---|---|---|
| Loss reserve/current year incurred losses (x) | 2.8 | 2.7 |
| Loss reserves to equity (x) | 0.5 | 0.5 |
| Current year paid losses to incurred losses (x) | 1.0 | 1.0 |
| Change in loss reserves to earned premiums ratio | 12.6 | 5.1 |
| One-year reserve development to prior year loss reserves | -5.3 | -4.8 |
| One-year reserve development to prior year equity | -2.6 | -2.9 |
| Net technical reserves to neat earned premiums (non-life) | 202 | 177 |

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 92% in 2019, slightly lower than in 2018.

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 increased significantly in 2019 to EUR1.7 billion (2018: EUR61 million) as a consequence of the new quota share treaties and loss portfolio agreements. The combined ratio of the reinsurance segment improved to 98.4% in 1H20 due to lower claims in 2Q20. Profitability of the internal reinsurance segment is 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: Peer Analysis

## Well-Positioned within Peer Group

Ageas's closest peers are the largest European composite insurance groups and some financial conglomerates with significant insurance operations.

Ageas has a leading position in its home market as well as a strong market position in its core non-domestic markets, similar to its peers.

Ageas's financial leverage is the lowest of the peer group and its Prism FBM score is the strongest of the peer group.

MAPFRE, S.A. (IFS: A+/Stable) and Assicurazioni Generali S.p.A. (A-/Stable) have high exposures to sovereign debt in their home markets. This limits MAPFRE's investment & asset risk score at 'a-' and Generali's at 'bb'.

### Peer Comparison

| (As per September 2020) | IFS rating | Business profile | Capitalisation & leverage | Debt service | Financial performance | Investment & asset risk | ALM & liquidity | Reserve adequacy | Reinsurance & risk mitigation |
|---|---|---|---|---|---|---|---|---|---|
| Zurich Insurance Company Ltd | AA- | aa+ | aa- | aa- | aa- | aa- | a | a | a |
| Ageas | A+ | aa | aa | aa- | a | a | aa- | a+ | aa- |
| MAPFRE | A+ | aa- | a+ | aa- | a+ | a- | a+ | a+ | aa- |
| Groupama Assurances Mutuelles | A | aa- | a | bbb+ | a- | a- | a- | a | a |
| Generali | A- | aa- | a+ | a | a+ | bb | aa- | aa- | aa- |

Source: Fitch Ratings

## Appendix B: 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. 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.<br><br>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.<br><br>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).<br><br>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 | 1000 | 0 | 100 | 100 |
| Junior subordinated notes | 750 | 100 | 100 | 0 |
| **AG Insurance** | | | | |
| Fixed to floating dated subordinated notes | 450 | 0 | 100 | 100 |
| Fixed to reset dated subordinated notes | 400 | 0 | 100 | 100 |
| **Ageasfinlux SA** | | | | |
| FRESH | 384 | 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 C: Environmental, Social and Governance Considerations

**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 Priniciples 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.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. 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. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2020 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. 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 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.