MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Ageas' ratings, stable outlook

16 October 2024

Paris, October 16, 2024 – Moody's Ratings (Moody's) has today affirmed the A1 Insurance Financial Strength Rating (IFSR) of ageas SA/NV ("Ageas"), the holding company of the Ageas group also operating as a reinsurance company. At the same time we have affirmed Ageas' A1 long-term issuer rating, AG Insurance's A1 IFSR and the Baa2(hyb) rating on the backed junior subordinated notes (FRESH securities) issued by Ageasfinlux S.A. The outlooks on all entities remain stable.

Ageas' key assets include a 75% stake in AG Insurance (Belgium's leading insurer), Ageas UK (a British non-life retail insurer), insurance activities in Portugal (MillenniumBCP Ageas at 51%, Médis at 100%, Ageas Portugal Vida at 100%, and Ageas Portugal Seguros at 100%) and Turkiye, and diverse insurance operations across several Asian markets, mostly in partnership with local banks. AG Insurance is the market leader in Belgium and a major contributor to the group's credit profile.

RATINGS RATIONALE

The ratings affirmation reflects the group's success in meeting its targets under the 'Impact2024' strategic plan, and the launch of the new 'Elevate 2027' plan aimed at improving business diversification, margins, and capital generation. The ratings continue to reflect Ageas' strong position in its European markets, particularly in Belgium with a very strong AG Insurance brand, and its revenue growth in Asia, a key market for the group. It also reflects Ageas' diversified earnings and strong capitalization. However, these strengths are partly offset by limited control over fast-growing entities in Asia (mostly non-consolidated subsidiaries) and distribution channels, as well as by a relatively high proportion of high-risk assets in the investment portfolio for the rating level.

Ageas's product portfolio is split between life insurance (64% of revenues as of HY 2024) and property and casualty (P&C) (36%). China is the main growth driver, followed by Belgium, the UK, and Portugal. In Belgium, Ageas leads in both life insurance and P&C, with strong positions in Portugal and the UK (top 3 in non-life). Most revenues come from Asia, where growth prospects are strong. Ageas has a network of joint ventures in Asia and plans to stay active in emerging markets, creating synergies with partners.

At HY 2024, Ageas' inflows increased by 14% compared to HY 2023, with strong net operating result in non-life, improved by 9% year-over-year to €200 million, and resilient results in life, maintaining a net operating result of €613 million. The return-on-capital (Moody's calculation) was 8% in 2023, which is consistent with our expectation for Ageas' rating level.

The group also has a solid Solvency II ratio (219% as at 30 June 2024, Pillar II) and a strong financial leverage (17.1% at YE 2023). These metrics could deteriorate in case of acquisition, which is one of the strategic options that Ageas is considering to enhance its diversification. Nonetheless, we believe that Ageas will maintain a cautious approach, preserving solvency and leverage metrics in line with its current rating. As part of its new strategic plan, Ageas stated for example that they will maintain a Solvency II ratio at 175%.

Ageas is considering new acquisitions or partnerships to rebalance the group's profile between controlled and non-controlled entity. Nonetheless, the new strategic plan emphases organic growth, with a focus on growth in pensions and SMEs.

STABLE OUTLOOK

The stable outlooks on Ageas, AG Insurance, and Ageasfinlux S.A. indicate our expectation that, in the next 12-18 months, the Ageas group will maintain a solid financial profile, including diversified earnings profile and strong capitalization, as well as a strong position in its main markets.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The following factors could exert upward pressure on Ageas' ratings: (i) a material improvement in its business profile, supported by increased control of subsidiaries and its distribution channels, and (ii) a return on capital (Moody's definition) sustainably in excess of 8% paired with low volatility of earnings and (iii) a group Solvency II ratio (based on Pillar 2) sustainably in excess of 200%.

Conversely, the following factors could result in a downgrade of Ageas' ratings: (i) a significant weakening in Ageas's geographic diversification or increase in product risk, or (ii) a group Solvency II ratio (based on Pillar 2) sustainably below 170%, or (iii) a return on capital (Moody's definition) sustainably lower than 4%, or (iv) a sustained rise in adjusted financial leverage materially above 25%, not compensated by an improved business profile.

PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were Life Insurers published in April 2024 and available at https://ratings.moodys.com/rmc-documents/418351, and Property and Casualty Insurers published in April 2024 and available at https://ratings.moodys.com/rmc-documents/418354. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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