Condensed Consolidated Interim Financial Statements

First half year 2020

ageas

Supporter of your life

CONTENTS

All amounts in the tables of these Condensed Consolidated Interim Financial Statements are denominated in rounded millions of euros, unless stated otherwise.

A

Developments and results

Developments and results

Key figures

Net Result	▪ Six months Group net result stood at EUR 791 million and includes the gain on the FRESH transactions of EUR 332 million. ▪ Net result in Non-Life grew significantly to EUR 181 million thanks to a strong performance across all segments and supported by a positive impact from the Covid-19 lockdown measures compensating for the impact of the adverse weather in February. ▪ Life net result of EUR 310 million affected by Covid-19 related impact on the investment result. ▪ Second quarter Group net result stood at EUR 339 million thanks to the excellent Non-Life result more than compensating for the lower result in Life.
Inflows	▪ Six months Group inflows (at 100%) down 5% to EUR 20 billion, despite a strong recovery in Asia in the second quarter. ▪ Life inflows (at 100%) down 6% to EUR 16.5 billion due to reduced bancassurance activity in Belgium and Continental Europe. ▪ Non-Life inflows (at 100%) were up 3 % at EUR 3.5 billion. ▪ Second quarter Group inflows (at 100%) more or less stable at EUR 8 billion.
Operating Performance	▪ Combined ratio at 91.7% supported by lower claims frequency. ▪ Operating Margin Guaranteed at 75 bps due to the absense of realisation of capital gains. ▪ Operating Margin Unit-Linked at 28 bps.
Balance Sheet	▪ Shareholders' equity at EUR 11.4 billion or EUR 61.09 per share. ▪ Group Solvency IIageas ratio at 192% including the negative impact of the tender on the FRESH securities. ▪ General Account Total Liquid Assets at EUR 1.5 billion, of which EUR 0.4 billion is ring-fenced for the Fortis settlement. ▪ Life Technical Liabilities excluding shadow accounting of the consolidated entities at 30 June 2020 decreased by 2% compared to end 2019 to EUR 72.4 billion.

Ageas's net result marked by a strong second quarter largely offsetting equity impairments and adverse weather in the first quarter

Over the first half of 2020, the Covid-19 pandemic and the measures taken by authorities in reponse to it have caused the economy to slow down while the financial markets have been extremely volatile since mid-February. Low mobility during the period of lockdown significantly reduced the claims frequency in Non-Life and thanks to Ageas's product portfolio which is mainly geared towards individual customers, the Group has limited exposure to claims related to lower commercial activity. The volatility of the financial markets over the last months resulted in equity impairments mainly in the first quarter and lower recurring investment income in the second. The Group's capital, solvency and liquidity positions have however remained strong and essentially unaffected by the current pandemic.

Group **inflows including the non-consolidated entities** (at 100%) over the second quarter were 2% down compared to last year and 5% over the first half-year. The different timing of measures taken by the authorities in the countries in which Ageas operates to address the consequences of Covid-19 are reflected in the underlying regional trends. After a drop in the first quarter, inflows in Asia recovered in the second quarter. In Europe, as customers were temporarily unable to visit bank branches, sales through the bancassurance distribution channel suffered, impacting mainly the new business in Life products. The impact of the lockdown on the Non-Life premium income remained limited.

The Non-Life underlying operating performance continued to improve in most of the products lines across the consolidated entities. The Non-Life result benefited in the second quarter from lower claims frequency as a consequence of the lockdown, mainly supporting the result in Motor. The postponement of non-urgent medical interventions positively influenced the claims charges in Accident & Health. This favourable claims experience fully offset the impact of the storms which hit Belgium and the UK in early February, and led to an excellent **combined ratio** over the first six months of 2020 of 91.7%.

The **Guaranteed operating margin** of the consolidated companies reflected the impact of the unfavourable evolution of the equity markets on investment income in the first quarter of 2020. During the second quarter, the margin returned to more normal levels as the contribution to the result from the net capital gains turned positive. The recurring investment income was however adversely affected by lower dividends and Real Estate income. Over the first six months of 2020, the Group Guaranteed operating margin stood at 75 bps, comprising a negative impact of net capital gains. The Group **Unit-Linked operating margin** increased compared to the first half 2019 both in Belgium and in Continental Europe but remains slightly below target level.

The strong Non-Life operational performance and the stable Life contribution resulted in a second quarter **Group net profit** of EUR 339 million including a negative contribution from the General Account due to the revaluation of the RPN(I). The net result over the first half-year stood at EUR 791 million supported by EUR 332 million capital gains (recorded in the income statement in the line ‘Result on sales and revaluations’) related to the two transactions on the FRESH securities. The Insurance operations generated a net profit of EUR 491 million with a strong second quarter almost fully compensating for the equity impairments and the impact of the storms recorded in the first quarter. Life contributed EUR 310 million to the half-year profit and Non-Life EUR 181 million.

Ageas has previously indicated that it could not confirm its EUR 850 to 950 million net profit guidance for 2020. The uncertainties brought about by the Covid-19 pandemic and its potential impact on the financial markets and overall economy remain, as various countries seem headed towards a “second wave” of the pandemic. Therefore Ageas remains prudent in making any predictions on the net result for 2020. However, the profit already realised over the first six months of the year clearly indicates that Ageas’s operations are very resilient and therefore, without major negative impact from the financial markets on the Group’s investment income in the coming months, the Group feels confident it will be able to deliver a result close to the initial Group results guidance, excluding the positive one-off impact from the FRESH operation.

After a significant drop in the first quarter to EUR 7.3 billion, unrealised capital gains on the ‘available-for-sale’ investment book increased to EUR 8.6 billion at 30 June, in line with year-end 2019. The unrealised capital gains on the ‘Held to Maturity’ bond portfolio not reflected in the shareholders’ equity increased to EUR 2.6 billion versus EUR 2.4 billion at year-end 2019.

The annual revaluation of the fair value of the Real Estate portfolio had a slight positive outcome as the marginal decrease in Car Parks and Retail was more than compensated for by other Real Estate assets segments.

The **Life Technical Liabilities** excluding shadow accounting of the consolidated entities decreased slightly compared to the end of 2019 to EUR 72.4 billion as a result of the turmoil on the financial markets during the first quarter. Life Technical Liabilities in the non-consolidated entities strongly increased thanks to continued growth in inflows and strong persistency levels.

Total **shareholders’ equity** increased over the first six months to EUR 11.4 billion or EUR 61.09 per share driven by the high net result. Offsetting elements were the share buy-back programme that was finalised on 5 August 2020 and the impact of the foreign exchange rate and the financial markets on the fair value of the bonds. The payment of the intermediary dividend related to 2019 results, which is planned for later this year will decrease the shareholders’ equity by EUR 0.5 billion.

Despite the volatility of the financial markets generated by the uncertainty from the Covid-19 pandemic, Ageas’s solvency positions remained very strong with a **Solvency II_{ageas} ratio** at 192 %. The decrease compared to the end of 2019 is mainly explained by the tender of the FRESH securities finalised in January and the negative impact of the financial markets, mainly driven by the downward shift of the risk free curve and the declining equity markets over the first quarter.

The strong contribution of the insurance operations, especially during the second quarter, more than covered the accrual of the expected dividend. The **operational free capital generation** stood at EUR 437 million over the first six months of 2020, including EUR 116 million in dividends from the non-European Non-Controlled-Participations. The lower Own Funds generation in the first quarter because of the impact of storms Dennis and Ciara was more than compensated by a strong operational performance across all segments in the second quarter. The amount corresponding to the payment of an intermediary dividend of EUR 2.38 per share later in the year remained deducted from the Own Funds.

The regulatory PIM solvency ratio decreased over the quarter to 178% as a result of the decrease in corporate spreads and the misalignment between Ageas's asset portfolio and the EIOPA reference portfolio.

In February, Ageas announced a total gross cash dividend proposal of EUR 2.65 per share. Taking into account the guidance issued by EIOPA and the National Bank of Belgium in the context of the global Covid-19 outbreak, Ageas decided to adjust its distribution for the year 2019. A first dividend payment of EUR 0.27 per share was approved by the General Shareholders' Meeting of 20 May 2020.

Given the confirmed strength of its balance sheet and the continued strong Solvency position, Ageas reconfirms its intention to distribute a gross cash dividend of EUR 2.65 per share over the 2019 exercise as mentioned above. A meeting of shareholders will be organised on 22 October 2020 to approve the payment of the intermediary dividend of EUR 2.38 per share. Furthermore taking into account the new guidance issued by the National Bank of Belgium the launch of a new share buy-back programme will be delayed.

Contingent liabilities

The claims handling and payments for the Fortis settlement are ongoing. Based on the numbers received from Computershare, the independent claims administrator, as at 30 June 2020 some 228,000 claims out of approximately 290,000 claims filed, have received partial compensation for a total amount of about EUR 781 million.

On 29 May, the Belgian Supreme Court ruled in favour of Ageas, dismissing all claims initiated in July 2019 by former Mandatory Convertible Securities (MCS) holders. The MCS were unsecured and subordinated convertible bonds issued by the former Fortis Group.

On 7 June 2020, Ageas reached an out-of-court settlement on the legal proceedings initiated by M. Modrikamen and the clients he represents, against Ageas, former Fortis directors and certain other parties, related to the Fortis events of 2007 and 2008. As a result, M. Modrikamen and his clients ceased all legal actions against Ageas and the concerned former Fortis directors.

On 14 July 2020, Dutch investment company Cebulon initiated legal proceedings against Ageas and some co-defendants regarding alleged misleading communication in 2007-2008. In its capacity as a former Fortis shareholder, Cebulon claims compensation for the alleged suffered damages. An introductory hearing will take place on 9 September 2020 before the court of first instance in Utrecht.

Belgium

Year-to-date Life inflows were below the exceptionally high level of the same period last year that benefited from a successful sales campaign in Unit-Linked and high inflows in Guaranteed through the Bank channel. During the second quarter, Life sales through the Bank channel decreased significantly due to the lockdown measures combined with the lowering of the guaranteed rate in April. Non-Life inflows in the second quarter came down due to adjustments of premiums in Workmen's Compensation following the lower economic activity. Non-Life Inflows in products designed for individual customers continue to increase.

During the first quarter, the Life guaranteed operating margin and Life net result suffered from impairment charges reflecting the volatility of the financial markets. During the second quarter the margin and the net result benefited from the realisation of capital gains on equities thanks to the partial recovery of financial markets and compensating for the Covid-19 impact on Real Estate and dividend incomes.

Claims frequency dropped during the lockdown in most product lines. The volatility is most notable in the Motor combined ratio. Compared to last year, the lower claim frequency at the start of the quarter returned to normal at the end of the quarter and was partially offset by a higher number of large claims.

The decrease in the Solvency position in Belgium compared to the end of 2019 was fully attributable to the volatility of the financial markets whereas the contribution of the insurance operations remained strong, resulting in EUR 290 million Operational Free Capital generation.

UK

Inflows were slightly behind the same period last year reflecting our disciplined underwriting in Motor at the start of the year in response to market conditions, followed by early rating action taken to reflect decreases in mobility during the lockdown. This was partially offset by higher volumes in Household following the conclusion of new deals and some growth in Commercial lines following new deals and open market sales.

The combined ratio and net result over the second quarter was driven by a low claims frequency during the months of April and May, mainly in Motor, compensating for the impact of the adverse weather recorded during the first quarter. The Motor combined ratio reflects some sector wide claims inflation from the first quarter and the volatile pricing environment in response to Covid-19. Exposure to claims related to Travel, Business Interruption, Land lord insurance and non professional event cancellations remained limited.

Continental Europe

The launch of new Life products better suited to the challenging interest rate environment in Portugal, did not compensate for the drop in the Life Inflows compared to last year because of the lockdown. However we saw a first recovery of inflows by the end of the second quarter as the Covid-19 measures began to soften. Non-Life inflows proved resilient in the first half-year, recording only a limited decrease in the second quarter despite the lockdown, and continuing to outperform the market in Portugal.

Guaranteed operating margin was mainly supported by a solid underwriting margin, specifically in the second quarter, and benefitting from a reserve release in Portugal in the first quarter. The negative impact from the financial markets remained limited.

An excellent combined ratio for the consolidated entities is the result of a continuously improving operating performance and benefited from lower claims frequency during the months of April and May, mainly in Motor and Health. The strong operating performance in the non-consolidated entity in Turkey further supported the increase in the half year's net result.

The decrease in the Solvency position in Continental Europe compared to the end of 2019 was fully attributable to the volatility of the financial markets whereas the contribution of the insurance operations remained strong, resulting in EUR 91 million Operational Free Capital generation.

Asia

Life inflows recovered well in Q2 to end the half year slightly higher than the same period last year. The recovery was led by China as economic activity picked up earlier than in the rest of the region. Malaysia (including Singapore) and Vietnam also showed solid growth. In Thailand, both lockdown measures and product repricing hampered Life sales, with recovery starting at the end of the second quarter. Non-Life inflows remained strong in Thailand, while Malaysia and India were affected by the Covid-19 lockdown measures.

The Group recorded a solid net result in Asia in the second quarter, supported by capital gains. While the underlying operational performance has been improving, driven by China, the decrease in the Life result compared to last year is fully explained by the unfavourable evolution of the discount rate curve and the retroactive tax benefit in the second quarter of 2019, both in China. The impairments on the equity portfolio in the region recorded in the first quarter were compensated for by capital gains in the second. The Non-Life net result benefited from lower claims frequency during lockdown periods.

The available capital of the non-European Non-Controlled Participants (NCP) decreased vis-à-vis December 2019 due to payment of dividends to shareholders and the negative performance of equity markets, offset partially by business profitability. The increase in required capital reflects business growth.

On 6 August 2020, Ageas announced the acquisition of an additional stake of 23% in the Indian Life insurance joint venture IDBI Federal Life Insurance Company Ltd. (IFLIC) to become the largest shareholder with 49% in the joint venture it operates together with IDBI Bank and Federal Bank. The operation is expected to close before the end of the year.

Reinsurance

The cession rate of the existing Quota Share Treaties and the Loss Portfolio Transfers has been raised to 40% since the beginning of this year. The changes in the Loss Portfolio Transfer cession rate led to a one-off EUR 191 million additional increase in the **Reinsurance** inflows. The inflows also included EUR 722 million from the quota share agreements. A Pilot in internal Life Reinsurance (Protection Business) was set up with Portugal and generated EUR 8 million inflows.

The Reinsurance result over the second quarter benefited from the lower claims frequency recorded at the level of the ceding entities, more than compensating for the share in the negative result in the first quarter related to the adverse weather in Belgium and the UK and leading to a positive net result for the Reinsurance segment.

General Account

The **net result** of the General Account already benefited from a EUR 310 million gain related to the tender operation on the FRESH securities in the first quarter. In the second quarter, ageas SA/NV repurchased an additional number of FRESH securities with a nominal value of EUR 47 million at 50% of the nominal value. This operation has generated a gain of EUR 22 million, net of the result on the associated interest rate swap. After a decrease in the first quarter, the RPN(I) reference amount liability increased again over the last three months as the CASHES price moved up again and Ageas share price further decreased. The first half-year non-cash contribution to the net profit was limited to EUR 16 million.

The **total liquid assets** in the General account stood at EUR 1.5 billion of which EUR 0.4 billion remains ring-fenced for payments related to the Fortis Settlement. The decrease compared to the end of last year is mainly attributable to the EUR 539 million cash out related to the transactions on the FRESH securities whereas already EUR 216 million dividend has been upstreamed from the operating companies. Taking into account the recommendations by the Insurance regulator, Belgium intends to pay out its dividend in the fourth quarter.

Covid-19 pandemic

- Since early 2020, the Covid-19 pandemic has resulted in additional uncertainties in the operating environment of Ageas. The impact on performance, the financial position, the liquidity position, solvency and net profit guidance are highlighted above. The uncertainties regarding management judgements, accounting estimates and assumptions are discussed in Note 1.3.

- Since the outbreak of the pandemic, Ageas and its local entities have launched a range of initiatives designed to directly or indirectly support those of our stakeholders affected by the Covid-19 pandemic. For the safety and health of our employees we moved quickly to a remote working environment for most, while taking the necessary measures to put in place a safe working environment for those employees who are required in the office. Product wise we have temporarily extended the covers of some of our policies, in particular for health workers. We also continue to collaborate closely with our partners to support them in these challenging times. Towards broader society different local initiatives have been rolled out to support the most vulnerable in society, including the elderly and homeless, and industries such as the culture and retail sector. In addition, donations have been made to solidarity funds and research institutions testing potential treatments against Covid-19. Please visit the Ageas website to learn more about some of them.

- Due to preventive measures taken, the virus has been spreading less rapidly until the end of June, most notably in Europe and Asia. However, in recent weeks, the number of new infections and hospitalisations is again on the rise, raising concerns of a potential second wave. Ageas closely monitors these developments. Business continuity plans, which have proven very efficient in the past few months, are ready for rapid re-deployment if required.

- The economic impact remains unseen with an expected negative economic growth for 2020 of -5% globally and -10% in the Eurozone (source IMF). Even in its more optimistic scenario, the Bank for International Settlements does not foresee GDP returning to its pre-crisis level before the end of 2021. However, unprecedented and massive interventions have been taken by Central Banks and Governments to help stabilize some of the economic and financial consequences.

Covid-19 has triggered a number of key risks spanning our risk taxonomy:

Financial risks

- Risk of downside pressure on interest rates should central banks (continue) to (aggressively) ease;
- Risk of increasing government debt, resulting in spread increase and/or downgrades;
- Risk of pressure on some crisis-hit peripheral spreads;
- Risk of corporate spread increasing, risk of downgrades and surge of defaults in the coming months;
- Risk of negative revaluation of property investments in retail, car parks and senior housing sectors and, even if least likely to materialise, in the office segment (generalised teleworking could impact office space demand);
- Risk of mortgage takers facing difficulty in paying interestand capital ontime;
- Risk of repricing of equities leading to a significant market correction and higher market volatility.

Insurance risks

- Risk of extending covers in a way not foreseen in pricing on demand of customers or compelled by the government, including [mandatory] regulatory expectations for insurance companies to cover pandemics which is not feasible;
- Risk of inadequate pricing when taking into account the exceptional evolutions currently observed (e.g. lower claims ratio in Motor or higher claims in Health care);
- Risk of social / regulatory / government pressure to return or reduce premiums;
- Impact on premium inflow from customers facing difficult economic circumstances and liquidity needs;
- Risk of increased claims in specific non-life products such as Travel and Assist, and business interruption;
- Risk of increased disability claims in the medium term due to delays in reintegration and the execution of medical controls and of an increase in psychological disorders stemming from the containment and economic uncertainty;
- Risk of reduced reinsurance offer.

Operational risk

- People-related risk: risk of staff unavailability due to illness, risk of deterioration of staff work-life balance, motivation and mental health in case of prolonged containment, risk of debate about increased teleworking;
- Information Security Risk including increased vulnerability to cyber risk;
- IT-related risks: risk of IT / system issues / unavailability;
- Third party-related risks: increased risk of outsourcing parties no longer able to service our entities;
- Future of work (accelerated digitalisation);
- Increased risk of fraud due to a weakening of controls and focus stemming, for example, from increased teleworking;
- Process risks: risk of increased number of processing errors due to a potential weakening of internal controls.

Strategic & Business Risks

- Risk of an economic depression with a pervasive impact on unemployment, inflation / deflation, bankruptcies…;
- The risk of the 'new norm' (new ways of conducting business);
- (Geo-)political impact: pressure on international relations and national political tensions, risk of public authorities not responding in a timely and appropriate way ;
- Risk of not finding an appropriate vaccine;
- Environmental risk: likely to decrease in the 'new norm' due to increased teleworking. In certain regions there is the risk of climate change efforts being put on hold or slowed down (reduced willingness to invest in carbon-neutral sectors); On the flip-side, there is increased pressure to reduce climate change in other regions;
- Political / Regulatory risk: increased risk of unfavorable tax regulation for the insurance industry;
- Risk of management not responding in timely or adequate way to the evolving Covid-19 situation.

These risks are monitored and, where possible, actions are defined to mitigate these risks. These risks may negatively impact our business, performance, financial position, solvency and liquidity. If, and the extent to which, each of these risks, individually or in combination, may materialise in any or all of the markets in which Ageas operates is highly uncertain and cannot be predicted at this moment. While Ageas is barely exposed to business interruption, event cancellation or travel insurance, the impact of some of these risks on Ageas will depend on the intensity and duration of the pandemic and actions taken by governments to address its consequences.

Consolidated Financial Statements

Consolidated statement of financial position

(before appropriation of profit)

	Note	30 June 2020	31 December 2019
Assets			
Cash and cash equivalents		2,083	3,745
Financial investments	*6*	63,481	64,002
Investment property	*6*	2,692	2,603
Loans	*7*	12,804	11,072
Investments related to unit-linked contracts		15,835	16,429
Investments in associates		4,620	4,716
Reinsurance and other receivables		1,948	1,860
Current tax assets		19	83
Deferred tax assets		116	106
Accrued interest and other assets		1,713	1,911
Property, plant and equipment	*6*	1,713	1,719
Goodwill and other intangible assets		1,186	1,203
Assets held for sale		73	
Total assets		108,283	109,449
Liabilities			
Liabilities arising from Life insurance contracts	*9.1*	29,083	28,761
Liabilities arising from Life investment contracts	*9.2*	31,556	32,243
Liabilities related to unit-linked contracts	*9.3*	15,835	16,438
Liabilities arising from Non-life insurance contracts	*9.4*	7,422	7,598
Subordinated liabilities	*10*	2,250	3,117
Borrowings	*11*	3,724	2,956
Current tax liabilities		103	50
Deferred tax liabilities		1,097	1,119
RPN(I)	*12*	344	359
Accrued interest and other liabilities		2,646	2,745
Provisions	*13*	534	582
Total liabilities		94,594	95,968
Shareholders' equity	*8*	11,431	11,221
Non-controlling interests		2,258	2,260
Total equity		13,689	13,481
Total liabilities and equity		108,283	109,449

Consolidated income statement

	Note		First half year 2020		First half year 2019
Income					
- *Gross premium income*		*4,296*		*4,977*	
- *Change in unearned premiums*		*(128)*		*(131)*	
- *Ceded earned premiums*		*(203)*		*(180)*	
Net earned premiums	*16*		3,965		4,666
Interest, dividend and other investment income	*17*		1,190		1,314
Unrealised gain (loss) on RPN(I)			16		61
Result on sales and revaluations			414		115
Investment income related to unit-linked contracts			(601)		1,249
Share in result of associates			252		376
Fee and commission income			187		183
Other income			87		148
Total income			5,510		8,112
Expenses					
- *Insurance claims and benefits, gross*		*(3,429)*		*(4,390)*	
- *Insurance claims and benefits, ceded*		*83*		*63*	
Insurance claims and benefits, net	*18*		(3,346)		(4,327)
Charges related to unit-linked contracts			543		(1,282)
Financing costs	*19*		(71)		(65)
Change in impairments			(131)		(27)
Change in provisions	*13*		30		(1)
Fee and commission expenses			(584)		(559)
Staff expenses			(419)		(420)
Other expenses			(550)		(639)
Total expenses			(4,528)		(7,320)
Result before taxation			982		792
Tax income (expenses)			(126)		(106)
Net result for the period			856		686
Attributable to non-controlling interests			65		80
Net result attributable to shareholders			791		606
Per share data (EUR)					
Basic earnings per share	*8*		4.19		3.13
Diluted earnings per share	*8*		4.19		3.13

Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be presented as below.

	Note	First half year 2020	First half year 2019
Gross premium income		4,296	4,977
Inflow deposit accounting (directly recognised as liability)	*16*	415	709
Gross inflow		4,711	5,686

Consolidated statement of comprehensive income

	Note	First half year 2020		First half year 2019	
COMPREHENSIVE INCOME					
Items that will not be reclassified to the income statement:					
Remeasurement of defined benefit liability		(7)		(73)	
Total of items that will not be reclassified to the income statement:			(7)		(73)
Items that are or may be reclassified to the income statement:					
Change in amortisation of investments held to maturity		*2*		*4*	
Related tax		*(1)*		*(1)*	
Change in amortisation of investments held to maturity	*6*	1		3	
Change in revaluation of investments available for sale [1)]		*(160)*		*790*	
Related tax		*(4)*		*(164)*	
Change in revaluation of investments available for sale	*6*	(164)		626	
Share of other comprehensive income of associates		(98)		236	
Change in foreign exchange differences		(207)		41	
Total items that are or may be reclassified to the income statement:			(468)		906
Other comprehensive income for the period			(475)		833
Net result for the period			856		686
Total comprehensive income for the period			381		1,519
Net result attributable to non-controlling interests		65		80	
Other comprehensive income attributable to non-controlling interests		(61)		122	
Total comprehensive income attributable to non-controlling interests			4		202
Total comprehensive income attributable to shareholders			377		1,317

1) *Change in revaluation of investments available for sale, includes the revaluation of cash flow hedges and is net of currency differences and shadow accounting.*

Consolidated statement of changes in equity

	Share capital	Share premium reserve	Other reserves	Currency translation reserve	Net result attributable to shareholders	Unrealised gains and losses	Share holders' equity	Non-controlling interests	Total equity
Balance as at 1 January 2019	1,502	2,059	2,503	(75)	809	2,613	9,411	2,108	11,519
Net result for the period					606		606	80	686
Revaluation of investments						724	724	141	865
Remeasurement IAS 19			(54)				(54)	(19)	(73)
Foreign exchange differences				41			41		41
Total non-owner changes in equity			(54)	41	606	724	1,317	202	1,519
Transfer			809		(809)				
Dividend			(416)				(416)	(149)	(565)
Change in capital								3	3
Treasury shares			(74)				(74)		(74)
Share-based compensation		2					2		2
Impact written put option on NCI [1]			(1)				(1)	(2)	(3)
Other changes in equity [2]			(14)				(14)		(14)
Balance as at 30 June 2019	1,502	2,061	2,753	(34)	606	3,337	10,225	2,162	12,387
Balance as at 1 January 2020	1,502	2,059	2,655	95	979	3,931	11,221	2,260	13,481
Net result for the period					791		791	65	856
Revaluation of investments						(202)	(202)	(59)	(261)
Remeasurement IAS 19			(5)				(5)	(2)	(7)
Foreign exchange differences				(207)			(207)		(207)
Total non-owner changes in equity			(5)	(207)	791	(202)	377	4	381
Transfer			979		(979)				
Dividend			(50)				(50)	(10)	(60)
Change in capital								7	7
Treasury shares			(126)				(126)		(126)
Share-based compensation		(1)					(1)		(1)
Impact written put options on NCI [1]			3				3	3	6
Other changes in equity [2]			7				7	(6)	1
Balance as at 30 June 2020	1,502	2,058	3,463	(112)	791	3,729	11,431	2,258	13,689

1) *Relates to AG Insurance put option on Interparking shares.*
2) *Other changes in shareholders' equity includes an indemnity paid to BNP Paribas Fortis for the Ageas shares held related to the CASHES securities and the payment to holders of FRESH securities.*

Consolidated statement of cash flow

	Note	First half year 2020		First half year 2019	
Cash and cash equivalents as at 1 January			3,745		2,925
Result before taxation			982		792
Adjustments to non-cash items included in result before taxation:					
Remeasurement RPN(I)	*12*	(16)		(61)	
Result on sales and revaluations		(414)		(115)	
Share in result of associates		(252)		(376)	
Depreciation, amortisation and accretion		392		397	
Impairments		131		27	
Provisions	*13*	(30)		(4)	
Share-based compensation expense				4	
Total adjustments to non-cash items included in result before taxation			*(189)*		*(128)*
Changes in operating assets and liabilities:					
Derivatives held for trading (assets and liabilities)		3		(3)	
Loans	*7*	(1,748)		(440)	
Reinsurance and other receivables		(166)		(65)	
Investments related to unit-linked contracts		594		(1,603)	
Borrowings	*11*	743		(142)	
Liabilities arising from insurance and investment contracts	*9.1 & 9.2 & 9.4*	(143)		3,087	
Liabilities related to unit-linked contracts	*9*	(603)		1,579	
Net changes in all other operational assets and liabilities		(636)		(2,633)	
Dividend received from associates		147		143	
Income tax paid		(48)		(123)	
Total changes in operating assets and liabilities			*(1,857)*		*(200)*
Cash flow from operating activities			(1,064)		464
Investing activities within the group		2			
Purchases of financial investments		(3,710)		(4,663)	
Proceeds from sales and redemptions of financial investments		4,112		5,163	
Purchases of investment property		(200)		(32)	
Proceeds from sales of investment property		7		64	
Purchases of property, plant and equipment		(69)		(72)	
Proceeds from sales of property, plant and equipment		1			
Acquisitions of subsidiaries and associates (including capital increases in associates)		(10)		(201)	
Divestments of subsidiaries and associates (including capital repayments of associates)		9		8	
Purchases of intangible assets		(33)		(14)	
Cash flow from investing activities			109		253
Proceeds from the issuance of subordinated liabilities				567	
Redemption of subordinated liabilities	*10*	(507)		(485)	
Purchases of treasury shares		(126)		(74)	
Dividends paid to shareholders of parent companies		(50)		(416)	
Dividends paid to non-controlling interests		(10)		(149)	
Repayment of capital		(6)			
Cash flow from financing activities			(699)		(557)
Effect of exchange rate differences on cash and cash equivalents			(8)		
Cash and cash equivalents as at 30 June			2,083		3,085
Supplementary disclosure of operating cash flow information					
Interest received		1,219		1,235	
Dividend received from financial investments		68		84	
Interest paid		(97)		(79)	

C

General Notes

Covid – 19

The Covid-19 pandemic impacted our financial position and performance.
Please refer to part A. Developments and results.

01

Summary of accounting policies

The Ageas Condensed Consolidated Interim Financial Statements as at and for the first six months of 2020 are prepared in accordance with the International Accounting Standard IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

1.1 Basis of accounting

These Ageas Condensed Consolidated Interim Financial Statements provide an update to the latest complete set of the Ageas Consolidated Financial Statements for the year ended 31 December 2019 and should accordingly be read in conjunction with the Ageas Consolidated Financial Statements 2019.

The accounting policies applied for the first six months of 2020 are consistent with those applied for the year ended at 31 December 2019, except for the changes listed in paragraph 2 below.

The Ageas Condensed Consolidated Interim Financial Statements are prepared on a going concern basis and are presented in rounded millions of euros, the functional currency of the parent company of Ageas, unless stated otherwise.

Assets and liabilities recorded in the statement of financial position of Ageas usually have a duration of more than 12 months, except for cash and cash equivalents, reinsurance and other receivables, accrued interest and other assets, non-life insurance liabilities, accrued interest and other liabilities and current tax assets and liabilities.

The most significant IFRS standards applied for the measurement of the assets and liabilities are:

- IAS 1 for presentation of financial statements;
- IAS 16 for property, plant and equipment;
- IAS 19 for employee benefits;
- IAS 23 for borrowing costs (loans);
- IAS 28 for investments in associates and joint ventures;
- IAS 32 for financial instruments - presentation;
- IAS 36 for impairment of assets;
- IAS 38 for intangible assets;
- IAS 39 for financial instruments - recognition and measurement;
- IAS 40 for investment property;
- IFRS 3 for business combinations;
- IFRS 4 for insurance contracts;
- IFRS 7 for disclosures of financial instruments;
- IFRS 8 for operating segments;
- IFRS 10 for consolidated financial statements;
- IFRS 12 for disclosure of interests in other entities;
- IFRS 13 for fair value measurement;
- IFRS 15 for revenue from contracts with customers; and
- IFRS 16 for leases.

1.2 Changes in accounting policies

1.2.1 Current-year changes in IFRS standards

In 2020, the following new or revised IFRS standards, interpretations and amendments to IFRS standards and interpretations became effective. All changes have been endorsed by the EU, except for the Amendments to IFRS 16 Covid-19-related rent concessions.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The IASB issued in September 2019 the amendments to IFRS 9, IAS 39 and IFRS 7 on 'Interest Rate Benchmark Reform' (phase I). The EU endorsed these amendments in January 2020 and they apply for annual reporting periods beginning on or after 1 January 2020.

These amendments to IAS 39 and IFRS 7 modify some specific hedge accounting requirements by providing a (mandatory) temporary relief for hedge accounting relationships directly affected by uncertainties related to the IBOR -reform to continue the existing hedge accounting relationships during the period of uncertainty caused by the IBOR - reform.

The notional amount of hedging relationships to which the amendments apply amounts to EUR 824 million as at 30 June 2020. The majority of these hedging derivatives are based on EURIBOR. As the temporary relief permits to continue the hedge accounting relationships, there is no impact on the consolidated statement of financial position or income statement of Ageas. In the meanwhile, a working group within Ageas monitors the further developments regarding the IBOR -reform.

Amendments to IFRS 3 Definition of a business

Following feedback from the post-implementation review on IFRS 3, the IASB issued in October 2018 the amendments to IFRS 3 on 'Definition of a business'. The EU endorsed these amendments in April 2020 and they apply to business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

The amended definition of a business helps entities to determine whether an acquisition made is a business or a group of assets. To be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Moreover, a business can exist without including all of the inputs and processes needed to create outputs.

The amendments to IFRS 3 had no significant impact on the consolidated statement of financial position and income statement of Ageas as at 30 June 2020, but may impact future reporting periods should Ageas enter into any business combinations.

Amendments to IFRS 16 Covid-19-related rent concessions

As a result of the Covid-19 pandemic, lessors may have provided rent concessions to lessees. Rent concessions include rent holidays or rent reductions for a period of time, possibly followed by increased rent payments in future periods.

In May 2020, the IASB issued the Amendments to IFRS 16 'Covid-19-related rent concessions'. These Amendments provide lessees a practical expedient to not assess whether a Covid-19-related rent concession is a lease modification.

As lessee, Ageas did not receive Covid-19-related rent concessions, that would result in a lease modification. As such, Ageas is not impacted by these amendments to IFRS 16.

As lessor, Ageas provided Covid-19-related rent concessions for the lease of retail property and office buildings. For the first six months of 2020, those Covid-19-related rent concessions resulted in a decrease of recognised income of EUR 7 million compared to when those Covid-19-related rent concessions would not have been granted.

Other changes in IFRS standards

Other changes in IFRS standards, interpretations and amendments to IFRS standards and interpretations that became effective as from 1 January 2020, did not affect the consolidated statement of financial position or income statement of Ageas in a significant way. Those changes relate to:

- Amendments to IAS 1 and IAS 8 'Definition of material'; and
- Amendments to references to the conceptual framework in IFRS standards.

1.2.2 Upcoming changes in IFRS standards

The following new or revised IFRS standards, interpretations and amendments to IFRS standards and interpretations will become effective for annual reporting periods beginning on 1 January 2021 or later.

IFRS 17 Insurance contracts

The IASB issued IFRS 17 'Insurance contracts' in May 2017 and amended IFRS 17 in June 2020. IFRS 17 applies for annual reporting periods beginning on or after 1 January 2023.

IFRS 17 is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure of new and in-force groups of insurance contracts. As from 1 January 2023, IFRS 17 will replace the current standard IFRS 4 'Insurance contracts', issued in 2005. The IASB expects that IFRS 17 will result in a more consistent accounting of insurance contracts compared to IFRS 4, which is largely based on grandfathering previous local accounting policies.

IFRS 17 introduces a current value accounting model for insurance contracts. The main features of the new accounting model for insurance contracts under IFRS 17 are as follows:

- Measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured at every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM), deferring any day one gain in the fulfilment cash flows of a group of insurance contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in the income statement over the remaining period during which services are provided;
- The effect of changes in discount rates will be reported either in the income statement or in other comprehensive income, depending on the entity's accounting policy choice;
- A simplified Premium Allocation Approach (PAA) may be applied for contracts that meet specific conditions, such as for instance a coverage period of one year or less;
- For insurance contracts with direct participation features, the general measurement model is modified into a Variable Fee Approach (VFA), by adjusting the CSM with changes in financial variables that adjust the variable fee;
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income is based on the concept of services provided during the reporting period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components), are not presented in the income statement, but are recognised directly on the statement of financial position;
- Increased transparency about the profitability of insurance contracts: insurance service results are presented separately from insurance finance income or expenses; and
- Extensive disclosures will provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The EU did not yet endorse IFRS 17. In the context of this endorsement, the EU asked the EFRAG to prepare an endorsement advice on IFRS 17. Now the amendments to IFRS 17 have been published, the EFRAG will continue its analysis to provide an endorsement advice to the EU.

At the date the IASB published the amendments to IFRS 17, the IASB also published the amendments to IFRS 4 on 'the extension of the temporary exemption from applying IFRS 9', permitting insurers that are eligible to do so, to apply IAS 39 'Financial instruments' for annual periods beginning before 1 January 2023.

Given the similar application date of IFRS 9 'Financial instruments' and IFRS 17 'Insurance contracts', a combined implementation project is ongoing at Ageas. The effect of implementing both standards will result in a significant change to the accounting policies and presentation in the consolidated financial statements of Ageas and will affect the reported shareholder's equity, net result and other comprehensive income. Given the recent publication of the amendments to IFRS 17, it is currently not yet possible to provide an impact analysis of both standards.

Other changes in IFRS standards

Other forthcoming changes in IFRS standards, interpretations and amendments to IFRS standards and interpretations, that will become effective on 1 January 2021 or later, are not expected to affect the consolidated statement of financial position or income statement of Ageas in a significant way. None of those changes are already endorsed by the EU. Those changes relate to:

- Amendments to IAS 1 'classification of liabilities as current or non-current';
- Amendments to IAS 16 'property, plant and equipment: proceeds before intended use'.
- Amendments to IAS 37 'onerous contracts - cost of fulfilling a contract';
- Amendments to IFRS 3 'references to the Conceptual Framework'; and
- Annual improvements to IFRS standards (2018-2020 cycle): amendment to IFRS 1 'first-time adoption of IFRS standards', amendment to IFRS 9 'financial instruments', amendment to illustrative examples accompanying IFRS 16 'leases' and amendment to IAS 41 'agriculture'.

1.3 Accounting estimates

The preparation of the Ageas Condensed Consolidated Interim Financial Statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as well as the reported amounts of revenues and expenses during the reporting period. Each estimate by its nature carries a significant risk of material adjustment (positive or negative) to the carrying amounts of assets and liabilities during the next financial year.

Due to the uncertain outlook concerning the short, medium and long-term impacts of Covid-19, these judgements, estimates and assumptions are subject to increased uncertainty. As such, actual amounts may differ from previous estimates and assumptions. Estimates and underlying assumptions have been reviewed as a result of Covid-19, in particular as concerns fair values of (non-quoted) financial assets and liabilities measured using a valuation technique (level 2 or 3), disclosure of fair values of investment property and property, plant and equipment, deferred tax assets, insurance liabilities, hedge accounting, measurement of recoverable amounts of financial assets, associates and goodwill. No impairment losses on goodwill or intangible assets were recognised as a result of impairment tests. These impairment tests used the most recent forecasts and assumed that, based on the best available information available at this moment in time, Covid-19 has a short to medium term impact on cash generating units leaving long term performance and growth rates unaffected.

The table below includes the estimation uncertainty of the key estimates and assumptions:

Assets

Financial instruments
- Level 2:
  - The valuation model
  - Inactive markets
- Level 3:
  - The valuation model
  - The use of non-market observable input
  - Inactive markets

Investment property:
- The determination of the useful life and residual value

Loans:
- The valuation model
- The use of parameters such as credit spread, maturity and interest rates

Associates:
- Uncertainties depending on the asset mix, operations and market developments

Goodwill impairment testing:
- The valuation model
- Financial and economic variables
- The discount rate used
- The inherent risk premium of the entity

Other intangible assets:
- The determination of the useful life and residual value

Deferred tax assets:
- Interpretation of tax regulations
- Amount and timing of future taxable income

Liabilities

Insurance contract liabilities
- Life:
  - The actuarial assumptions used
  - The yield curve used in the Liability Adequacy Test (LAT-test)
  - The reinvestment profile of the investment portfolio, credit risk spread and maturity, when determining the shadow LAT adjustment
- Non-life:
  - The expected ultimate cost of claims reported at the reporting period
  - The expected ultimate cost of claims incurred but not yet reported at the reporting date
  - Claim adjustment expenses

Pension obligations:
- The actuarial assumptions used
- The discount rate used
- Inflation and salary evolutions

Provisions:
- The likelihood of a present obligation due to events in the past
- The calculation of the best estimated amount

Deferred tax liabilities:
- Interpretation of tax regulations
- Amount and timing of future taxable income

1.4 Information on operating segments

Ageas's reportable operating segments are primarily based on geographical regions. The regional split is based on the fact that the activities in these regions share the same nature and economic characteristics and are managed as such.

Ageas's operating segments are:

- Belgium;
- United Kingdom (UK);
- Continental Europe;
- Asia;
- Reinsurance; and
- General Account.

Activities not related to insurance and group elimination differences are reported separately from the core insurance activities. Those non-insurance activities are reported in the operating segment 'General Account', which includes activities such as group financing and other holding activities. In addition, the operating segment 'General Account' also includes the investment in Royal Park Investments and the liabilities related to CASHES/RPN(I).

Transactions or transfers between the operating segments occur under normal commercial terms and conditions that would be available to unrelated third parties. Eliminations are reported separately.

1.5 Consolidation principles

The Ageas Condensed Consolidated Interim Financial Statements include the financial statements of ageas SA/NV (the parent company) and its subsidiaries.

Subsidiaries

Subsidiaries are those entities over which Ageas, either directly or indirectly, has the power to govern financial and operating policies to obtain benefits from the activities ('control'). In assessing whether Ageas controls another entity, the existence and effect of potential voting rights that are substantive in nature, presently exercisable or presently convertible, are considered.

Subsidiaries are consolidated as from the date on which effective control is transferred to Ageas and are no longer consolidated from the date on which control ceases.

Subsidiaries acquired exclusively with a view to resale are accounted for as non-current assets held for sale.

Intercompany transactions (balances and gains or losses on transactions between Ageas companies) are eliminated.

Associates

Investments in associates are those investments over which Ageas has a significant influence, i.e. power to participate in the financial and operating policy decisions of the investee, but is not in control or joint control.

Investments in associates are accounted for using the equity method. At initial recognition, the investment is recognised at cost, which excludes transaction costs. At subsequent measurement, the share of net income for the year is recognised in the income statement as 'Share in result of associates'. Ageas's share in the associate's post-acquisition direct equity movements is recognised in other comprehensive income. Distributions received from associates reduce the carrying amount of the investment.

Interests in joint ventures, whereby joint control of an arrangement provides Ageas rights to the net assets of that joint arrangement, are accounted for as investments in associates.

Gains on transactions between Ageas and investments accounted for using the equity method are eliminated to the extent of Ageas's interest. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Losses are recognised until the carrying amount of the investment is reduced to zero. Additional losses are only recognised to the extent that Ageas has incurred legal or constructive obligations or made payments on behalf of an associate.

For long-term interests (e.g. inter-company loans) in an associate or joint venture that form part of the net investment in the associate or joint venture, but to which the equity method is not applied, IAS 39 is applied.

1.6 Foreign currency

The following table shows the exchange rates of the most relevant currencies for Ageas.

		Rates at end of period		Average rates
1 euro =	30 June 2020	31 December 2019	First half year 2020	First half year 2019
Pound sterling	0.91	0.85	0.87	0.87
US dollar	1.12	1.12	1.10	1.13
Hong Kong dollar	8.68	8.75	8.55	8.86
Turkey lira	7.68	6.68	7.15	6.36
China yuan renminbi	7.92	7.82	7.75	7.67
Indian Rupee	84.62	80.19	81.71	79.13
Malaysia ringgit	4.80	4.60	4.68	4.65
Philippines Peso	55.83	56.90	55.83	58.98
Thailand baht	34.62	33.41	34.82	35.71
Vietnamese Dong	26,165	25,977	25,701	26,236

02

Acquisitions and disposals

Details of acquisitions and disposals, if any, which took place after the date of the statement of financial position, are included in note 21 Events after the date of the statement of financial position.

2.1 Acquisitions as at 30 June 2020

There were no material acquisitions during the first half of 2020.

2.2 Disposals as at 30 June 2020

AG Insurance

In the second quarter of 2020, a loss of control in the Sicav Equities Euro resulted in the deconsolidation of this entity, leading to a capital gain of EUR 26 million.

2.3 Acquisitions in 2019

Royal Sundaram General Insurance (Asia)

On 22 February 2019, Ageas announced that all necessary regulatory approvals had been obtained and confirmed the completion of the acquisition of 40% of the share capital in the Indian Non-Life insurance company Royal Sundaram General Insurance Co. Limited (RSGI). The net cash consideration amounted to EUR 191 million, resulting in a notional goodwill of EUR 136 million. RSGI is reported applying the equity method by Ageas group as from Q1 2019.

AG Insurance

Following a contribution in kind, AG Insurance acquired 25.63% of real estate fund Eurocommercial Properties Belgium (EPB) for a total asset amount of EUR 51 million.

Real estate companies (CEU)

At the end of December 2019, three real estate companies were jointly acquired by several group entities in Portugal for an amount of EUR 71 million. Milleniumbcp Ageas holds the majority of the shares. These three companies are fully consolidated by Ageas group as per 31 December 2019.

2.4 Disposals in 2019

AG Insurance

In the last quarter of 2019, AG Insurance sold Hexa Logistic for an amount of EUR 26 million, realising a capital gain of EUR 13 million.

03

Regulatory supervision and solvency

ageas SA/NV is the ultimate parent of the Ageas Group. The National Bank of Belgium (NBB) had designated ageas SA/NV as an Insurance Holding. In June 2018, the NBB has granted ageas SA/NV a license to underwrite life and non-life reinsurance activities. The NBB is the group supervisory authority and in that capacity receives specific reports which form the basis of prudential supervision at group level. In its role as group supervisory authority the NBB facilitates group supervision via a college of supervisors. Supervisors in the EEA member countries where Ageas is active are represented in this college. The college, operating on the basis of European regulations, ensures that the collaboration, exchange of information and mutual consultation between the supervisory authorities takes place and furthermore promotes convergence of supervisory activities.

3.1 Requirements and available capital under Solvency II - Partial Internal Model (Pillar 1 - not reviewed)

Since 1 January 2016, Ageas is supervised on a consolidated level based on the Solvency II framework, applying a Partial Internal Model (PIM) for pillar 1 reporting, where the main part of the Non-life risks are modelled according to Ageas specific formulas, instead of the standard formula approach.

For fully consolidated entities, the consolidation scope for Solvency II is comparable to the IFRS consolidation scope. The European equity associates have been included pro rata, without any diversification benefits. All Non-European equity associates (including Turkey) have been excluded from own funds and required solvency, as the applicable solvency regimes are deemed non-equivalent with Solvency II.

In the Partial Internal Model (PIM), Ageas applies transitional measures relating to technical provisions in Portugal and France and the grandfathering of issued hybrid debt.

3.2 Ageas capital management under Solvency II – SCR_{ageas} (Pillar 2 - not reviewed)

Ageas considers a strong capital base at the individual insurance operations a necessity, on the one hand as a competitive advantage and on the other as being necessary to fund the planned growth.

For its capital management Ageas uses an internal approach based on the Partial Internal Model with an adjusted spread risk, applying an Internal Model for Real Estate (as from 2016), the removal of transitional measures (with the exception of the grandfathering of issued hybrid debt and the extension of reporting deadlines) and an adjustment for the fair valuation of IAS19 reserves.

In this adjustment, spread risk is calculated on the fundamental part of the spread risk for all bonds. This introduces an SCR charge for EU and high rated government bonds and decreases the spread risk charge for all other bonds. Technical provisions are net present valued using an interest curve as prescribed by EIOPA, but instead of using the standard volatility adjustment, the companies apply a company specific volatility adjustment or use an expected loss model, based on the composition of their specific asset portfolio. This SCR is called the SCR_{ageas}.

Capital position Ageas per segment, based on the SCR Ageas.

			30 June 2020			31 December 2019
	Own Funds	SCR	Solvency Ratio	Own Funds	SCR	Solvency Ratio
Belgium	5,677	2,850	199.2%	6,262	2,837	220.7%
UK	816	440	185.5%	852	475	179.2%
Continental Europe	923	604	152.8%	1,072	632	169.7%
Reinsurance	783	410	190.7%	708	410	172.6%
Non-transferable own funds / Diversification	(858)	(420)		(979)	(447)	
Total Insurance	7,341	3,884	189.0%	7,915	3,907	202.6%
General Account including elimination and diversification	226	55		719	66	
Total Ageas	7,567	3,939	192.1%	8,634	3,973	217.3%

The Target capital ratio is set at 175% based on SCR_{ageas}.

04

Related parties

As at 30 June 2020, no outstanding or new loans, credits or bank guarantees had been granted to Board Members and executive managers or to close family members of the Board members and close family members of executive managers.

05

Information on operating segments

5.1 General information

Ageas's reportable operating segments are primarily based on geographical regions; the results are based on IFRS. The regional split is based on the fact that the activities in these regions share the same nature and economic characteristics and are managed as such.

Operating segments

Ageas is organised in six operating segments:

- Belgium;
- United Kingdom (UK);
- Continental Europe (CEU);
- Asia;
- Reinsurance; and
- General Account.

Ageas reports activities that are not related to the core insurance business, such as Group financing and other holding activities, in the General Account, which is treated as a separate operating segment.

There were no changes applied in the operating segments in the first half year of 2020.

5.2 Income statement by operating segment

First half year 2020	Belgium	UK	CEU	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income										
- *Gross premium income*	*2,803*	*690*	*786*		*1,028*	*(1,010)*	*4,297*		*(1)*	*4,296*
- *Change in unearned premiums*	*(107)*	*(2)*	*(17)*		*(134)*	*132*	*(128)*			*(128)*
- *Ceded earned premiums*	*(364)*	*(452)*	*(237)*		*(28)*	*878*	*(203)*			*(203)*
Net earned premiums	2,332	236	532		866		3,966		(1)	3,965
Interest, dividend and other investment income	1,061	16	103		9		1,189	20	(19)	1,190
Unrealised gain (loss) on RPN(I)								16		16
Result on sales and revaluations	67	3	12				82	335	(3)	414
Income related to investments for unit-linked contracts	(382)		(219)				(601)			(601)
Share in result of associates	3	8	11	228		1	251	1		252
Fee and commission income	219	134	118		2	(286)	187			187
Other income	67	17	8				92	4	(9)	87
Total income	3,367	414	565	228	877	(285)	5,166	376	(32)	5,510
Expenses										
- *Insurance claims and benefits, gross*	*(2,532)*	*(404)*	*(485)*		*(618)*	*609*	*(3,430)*		*1*	*(3,429)*
- *Insurance claims and benefits, ceded*	*197*	*324*	*141*		*30*	*(609)*	*83*			*83*
Insurance claims and benefits, net	(2,335)	(80)	(344)		(588)		(3,347)		1	(3,346)
Charges related to unit-linked contracts	357		186				543			543
Financing costs	(44)	(4)	(6)			(1)	(55)	(35)	19	(71)
Change in impairments	(110)		(21)				(131)			(131)
Change in provisions	(1)		1			(1)	(1)	31		30
Fee and commission expenses	(337)	(136)	(103)		(294)	286	(584)			(584)
Staff expenses	(277)	(67)	(51)	(11)	(1)	1	(406)	(13)		(419)
Other expenses	(369)	(103)	(72)	(1)	30		(515)	(44)	9	(550)
Total expenses	(3,116)	(390)	(410)	(12)	(853)	285	(4,496)	(61)	29	(4,528)
Result before taxation	251	24	155	216	24		670	315	(3)	982
Tax income (expenses)	(76)	2	(40)				(114)	(12)		(126)
Net result for the period	175	26	115	216	24		556	303	(3)	856
Attributable to non-controlling interests	36		29				65			65
Net result attributable to shareholders	139	26	86	216	24		491	303	(3)	791
Total income from external customers	3,512	709	711	228			5,160	350		5,510
Total income internal	(145)	(295)	(146)		877	(285)	6	26	(32)	
Total income	3,367	414	565	228	877	(285)	5,166	376	(32)	5,510
Non-cash expenses (excl. depreciation & amortisation)								31		31

Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be presented as follows.

First half year 2020	Belgium	UK	CEU	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Gross premium income	2,803	690	786		1,028	(1,010)	4,297		(1)	4,296
Inflow deposit accounting	242		173				415			415
Gross inflow	3,045	690	959		1,028	(1,010)	4,712		(1)	4,711

First half year 2019	Belgium	UK	CEU	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income										
- *Gross premium income*	*3,012*	*698*	*1,260*		*1,137*	*(1,130)*	*4,977*			*4,977*
- *Change in unearned premiums*	*(103)*	*(7)*	*(22)*		*(266)*	*267*	*(131)*			*(131)*
- *Ceded earned premiums*	*(278)*	*(576)*	*(160)*		*(26)*	*860*	*(180)*			*(180)*
Net earned premiums	2,631	115	1,078		845	(3)	4,666			4,666
Interest, dividend and other investment income	1,186	20	102		6		1,314	16	(16)	1,314
Unrealised gain (loss) on RPN(I)								61		61
Result on sales and revaluations	82	5	23		4		114	4	(3)	115
Income related to investments for unit-linked contracts	729		520				1,249			1,249
Share in result of associates	14	7	8	347			376	1	(1)	376
Fee and commission income	181	89	86		2	(174)	184		(1)	183
Other income	121	18	10			1	150	3	(5)	148
Total income	4,944	254	1,827	347	857	(176)	8,053	85	(26)	8,112
Expenses										
- *Insurance claims and benefits, gross*	*(2,924)*	*(376)*	*(1,075)*		*(797)*	*781*	*(4,391)*		*1*	*(4,390)*
- *Insurance claims and benefits, ceded*	*177*	*557*	*106*		*2*	*(779)*	*63*			*63*
Insurance claims and benefits, net	(2,747)	181	(969)		(795)	2	(4,328)		1	(4,327)
Charges related to unit-linked contracts	(740)		(542)				(1,282)			(1,282)
Financing costs	(49)	(5)	(8)			(1)	(63)	(19)	17	(65)
Change in impairments	(20)	(5)	(3)			1	(27)			(27)
Change in provisions	1					1	2	(2)	(1)	(1)
Fee and commission expenses	(343)	(120)	(91)		(178)	173	(559)			(559)
Staff expenses	(275)	(78)	(40)	(12)		(1)	(406)	(15)	1	(420)
Other expenses	(435)	(164)	(89)	(3)	83		(608)	(35)	4	(639)
Total expenses	(4,608)	(191)	(1,742)	(15)	(890)	175	(7,271)	(71)	22	(7,320)
Result before taxation	336	63	85	332	(33)	(1)	782	14	(4)	792
Tax income (expenses)	(69)	(11)	(21)		(1)	1	(101)	(5)		(106)
Net result for the period	267	52	64	332	(34)		681	9	(4)	686
Attributable to non-controlling interests	72		8				80			80
Net result attributable to shareholders	195	52	57	331	(34)		601	9	(4)	606
Total income from external customers	5,059	725	1,923	347			8,054	58		8,112
Total income internal	(115)	(471)	(96)		857	(176)	(1)	27	(26)	
Total income	4,944	254	1,827	347	857	(176)	8,053	85	(26)	8,112
Non-cash expenses (excl. depreciation & amortisation)								(3)		(3)

Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be presented as follows.

First half year 2019	Belgium	UK	CEU	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Gross premium income	3,012	698	1,260		1,137	(1,130)	4,977			4,977
Inflow deposit accounting	550		159			1	710		(1)	709
Gross inflow	3,562	698	1,419		1,137	(1,129)	5,687		(1)	5,686

5.3 Operating result insurance

To analyse the insurance results, Ageas uses the concept of operating result.

Operating result includes net earned premiums, fees and allocated investment income and realised capital gains or losses minus net claims and benefits and all operating expenses, including claim handling expenses, investment expenses, commissions and other expenses, allocated to insurance and/or investment contracts. The difference between operating result and result before taxation consists of all income and costs not allocated to insurance and/or investment contracts and thus not reported in the operating result or result from non-consolidated partnerships. The definitions of the alternative performance measures are explained below the tables.

Within its insurance operating segments, Ageas manages its Life and Non-life businesses separately. Life business includes insurance contracts covering risks related to the life and death of individuals. Life business also includes investment contracts with and without discretionary participation features (DPF). Non-life comprises four lines of business: Accident & Health, Motor, Fire and Other damage to property (covering the risk of property losses or claims liabilities), and Other.

The operating margin for the different segments and lines of business and the reconciliation to profit before taxation are shown below.

First half year 2020	Belgium	UK	CEU	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Eliminations	Total Ageas
Gross inflow Life	1,897		561		8	(8)	2,458			2,458
Gross inflow Non-life	1,148	690	398		1,020	(1,002)	2,254		(1)	2,253
Operating costs	(309)	(113)	(97)		(1)	(1)	(521)			(521)
- *Guaranteed products*	*112*		*102*		*1*	*(1)*	*214*			*214*
- *Unit linked products*	*18*		*3*			*1*	*22*			*22*
Life operating result	130		105		1		236			236
- *Accident & Health*	*6*		*25*			*1*	*32*			*32*
- *Motor*	*62*	*44*	*15*		*22*	*(2)*	*141*			*141*
- *Fire and other damage to property*	*13*	*(8)*	*11*		*2*	*(1)*	*17*			*17*
- *Other*	*35*	*(17)*	*3*		*(1)*	*3*	*23*		*(3)*	*20*
Non-life operating result	116	19	54		23	1	213		(3)	210
Operating result	246	19	159		24	1	449		(3)	446
Share in result of associates non allocated		8	11	228		1	248	1		249
Other result, including brokerage	5	(3)	(15)	(12)		(2)	(27)	314		287
Result before taxation	251	24	155	216	24		670	315	(3)	982
Key performance indicators Life										
Net underwriting margin	(0.01%)		0.96%		159.45%		0.20%			0.20%
Investment margin	0.46%		0.42%				0.45%			0.45%
Operating margin	0.45%		1.38%		159.45%		0.65%			0.65%
- *Operating margin Guaranteed products*	*0.46%*		*2.33%*		*159.45%*		*0.75%*			*0.75%*
- *Operating margin Unit linked products*	*0.40%*		*0.10%*				*0.28%*			*0.28%*
Life cost ratio in % of Life technical liabilities (annualised)	0.43%		0.45%				0.43%			0.43%
Key performance indicators Non-life										
Expense ratio	36.2%	64.5%	28.9%		30.3%		36.4%			36.4%
Claims ratio	50.6%	34.1%	38.6%		68.1%		55.3%			55.3%
Combined ratio	86.8%	98.6%	67.5%		98.4%		91.7%			91.7%
Operating margin	17.1%	8.2%	33.5%		2.6%		11.0%			10.8%
Technical Insurance liabilities	65,062	2,408	16,403		1,407	(1,372)	83,908		(12)	83,896

First half year 2019	Belgium	UK	CEU	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Eliminations	Total Ageas
Gross inflow Life	2,436		1,047				3,483			3,483
Gross inflow Non-life	1,126	698	372		1,137	(1,129)	2,204		(1)	2,203
Operating costs	(297)	(120)	(93)		(1)		(511)			(511)
- *Guaranteed products*	*195*		*29*				*224*			*224*
- *Unit linked products*	*15*		*3*				*18*			*18*
Life operating result	210		32				242			242
- *Accident & Health*	*18*	*(2)*	*20*		*(8)*		*28*			*28*
- *Motor*	*26*	*55*	*10*		*(34)*	*10*	*67*			*67*
- *Fire and other damage to property*	*14*	*8*	*11*		*7*	*4*	*44*			*44*
- *Other*	*28*	*12*	*4*		*(8)*	*(15)*	*21*		*(4)*	*17*
Non-life operating result	86	73	45		(43)	(1)	160		(4)	156
Operating result	296	73	77		(43)	(1)	402		(4)	398
Share in result of associates non allocated		7	8	347			362			362
Other result, including brokerage	40	(17)		(15)	10		18	14		32
Result before taxation	336	63	85	332	(33)	(1)	782	14	(4)	792
Key performance indicators Life										
Net underwriting margin	(0.09%)		(0.10%)				(0.09%)			(0.09%)
Investment margin	0.83%		0.49%				0.75%			0.75%
Operating margin	0.74%		0.39%				0.66%			0.66%
- *Operating margin Guaranteed products*	*0.82%*		*0.66%*				*0.79%*			*0.79%*
- *Operating margin Unit linked products*	*0.34%*		*0.08%*				*0.22%*			*0.22%*
Life cost ratio in % of Life technical liabilities (annualised)	0.41%		0.41%				0.41%			0.41%
Key performance indicators Non-life										
Expense ratio	37.0%	214.0%	34.8%		11.1%		36.0%			36.0%
Claims ratio	57.3%	(157.6%)	48.8%		94.0%		59.7%			59.7%
Combined ratio	94.3%	56.4%	83.6%		105.1%		95.7%			95.7%
Operating margin	11.5%	63.8%	22.0%		(5.1%)		8.4%			8.2%
Technical Insurance liabilities	64,584	2,504	18,229		937	(911)	85,343		(10)	85,333

Definitions of alternative performance measures in the tables:

Net underwriting result	:	The difference between the net earned premiums and the sum of the actual claim payments and the change in insurance liabilities, both net of reinsurance. The result is presented net of allocated claim handling expenses, general expenses, commissions and reinsurance.
Net underwriting margin	:	For Life the net annualised underwriting result divided by the average net Life insurance liabilities during the reporting period. For Non-life the net underwriting result divided by the net earned premium.
Net investment result	:	The sum of investment income and realised capital gains or losses on assets covering insurance liabilities, after deduction of related investment expenses. The investment results in Life is also adjusted for the amount that is allocated to the policyholders as technical interest and profit sharing. The investment results in Accident & Life (part of Non-life) is also corrected for the technical interest that has been accrued to the insurance liabilities.
Net investment margin	:	For Life the annualised investment result divided by the average net Life insurance liabilities during the reporting period. For Non-life the investment result divided by the net earned premium.
Net operating result	:	The sum of net underwriting result, investment result and other result allocated to the insurance and/or investment contracts. The difference between operating result and result before taxation consists of all income and costs not allocated to the insurance and/or investment contracts and thus not reported in the operating result or result from non-consolidated partnerships.
Net operating margin	:	For Life the annualised operating result of the period divided by the average net Life insurance liabilities. For Non-life the operating result divided by the net earned premium.
Net earned premium	:	The written premiums of Non-life covering the risks for the current period netted for the premiums paid to reinsurers and the change in unearned premiums reserves.
Expense ratio	:	The expenses as a percentage of net earned premiums. Included in expenses are internal costs of claims handling commissions, net of reinsurance.
Claims ratio	:	The cost of claims, net of reinsurance, as a percentage of net earned premiums.
Combined ratio	:	A measure of profitability in Non-life which is the ratio between the insurer's total expenses and net earned premiums. This is insurer's total expenses as a percentage of net earned premiums. This is the sum of the claims ratio and the expense ratio.

Notes to the Consolidated statement of financial position

D

06

Financial investments, Investment property, Property, plant and Equipment

The composition of financial investments is as follows.

	30 June 2020	31 December 2019
Financial investments		
- Held to maturity	4,418	4,438
- Available for sale	59,104	59,570
- Held at fair value through profit or loss	262	253
- Derivatives held for trading	12	10
Total, gross	63,796	64,271
Impairments:		
- of investments available for sale	(315)	(269)
Total impairments	(315)	(269)
Total	63,481	64,002

6.1 Investments held to maturity

	Government bonds	Total
Investments held to maturity at 1 January 2019	4,506	4,506
Maturities	(66)	(66)
Amortisation	(2)	(2)
Investments held to maturity at 31 December 2019	4,438	4,438
Maturities	(18)	(18)
Amortisation	(2)	(2)
Investments held to maturity at 30 June 2020	4,418	4,418
Fair value at 31 December 2019	6,878	6,878
Fair value at 30 June 2020	6,992	6,992

The fair value of government bonds classified as investments held to maturity is based on quoted prices in active markets (level 1).

In the following table the government bonds classified as held to maturity are detailed by country of origin.

30 June 2020	Historical/ amortised cost	Fair value
Belgian national government	4,317	6,833
Portuguese national government	101	159
Total	4,418	6,992
31 December 2019		
Belgian national government	4,321	6,699
Portuguese national government	117	179
Total	4,438	6,878

6.2 Investments available for sale

30 June 2020	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Total gross	Impairments	Fair value
Government bonds	27,570	6,804	(5)	34,369		34,369
Corporate debt securities	18,975	1,387	(46)	20,316	(20)	20,296
Structured credit instruments	51	2	(1)	52		52
Available for sale investments in debt securities	46,596	8,193	(52)	54,737	(20)	54,717
Private equities and venture capital	96	25		121		121
Equity securities	3,766	530	(52)	4,244	(295)	3,949
Other investments	2			2		2
Available for sale investments in equity securities and other investments	3,864	555	(52)	4,367	(295)	4,072
Total investments available for sale	50,460	8,748	(104)	59,104	(315)	58,789

31 December 2019	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Total gross	Impairments	Fair value
Government bonds	27,564	6,382	(24)	33,922		33,922
Corporate debt securities	19,168	1,534	(9)	20,693	(20)	20,673
Structured credit instruments	55	2		57		57
Available for sale investments in debt securities	46,787	7,918	(33)	54,672	(20)	54,652
Private equities and venture capital	83	21	(1)	103		103
Equity securities	4,045	764	(17)	4,792	(249)	4,543
Other investments	3			3		3
Available for sale investments in equity securities and other investments	4,131	785	(18)	4,898	(249)	4,649
Total investments available for sale	50,918	8,703	(51)	59,570	(269)	59,301

An amount of EUR 2,185 million of the investments available for sale has been pledged as collateral (31 December 2019: EUR 1,370 million) (see also note 11 Borrowings).

The valuation of investments available for sale is based on:

- Level 1: quoted prices in active markets;
- Level 2: observable market data in active markets;
- Level 3: unobservable inputs (counterparty quotes).

30 June 2020	Level 1	Level 2	Level 3	Total
Government bonds	33,951	418		34,369
Corporate debt securities	18,659	1,155	482	20,296
Structured credit instruments	8	41	3	52
Equity securities, private equities and other investments	2,011	1,240	821	4,072
Total Investments available for sale	54,629	2,854	1,306	58,789

31 December 2019	Level 1	Level 2	Level 3	Total
Government bonds	33,589	333		33,922
Corporate debt securities	19,274	900	499	20,673
Structured credit instruments	8	44	5	57
Equity securities, private equities and other investments	2,443	1,428	778	4,649
Total Investments available for sale	55,314	2,705	1,282	59,301

The changes in level 3 valuation are as follows.

	2020	2019
Balance as at 1 January	1,282	1,222
Maturity/redemption or repayment	(13)	(16)
Acquired	57	114
Proceeds from sales	7	(93)
Realised gains (losses)		2
Impairments		(4)
Unrealised gains (losses)	(27)	57
Closing balance	1,306	1,282

The table below shows net unrealised gains and losses on investments available for sale included in equity. Equity securities and other investments also include private equities and venture capital.

	30 June 2020	31 December 2019
Available for sale investments in debt securities:		
Carrying amount	54,717	54,652
Gross unrealised gains and losses	8,141	7,887
- Related tax	(2,065)	(2,006)
Shadow accounting	(3,882)	(3,547)
- Related tax	1,003	929
Net unrealised gains and losses	3,197	3,263

	30 June 2020	31 December 2019
Available for sale investments in equity securities and other investments:		
Carrying amount	4,072	4,649
Gross unrealised gains and losses	503	767
- Related tax	(56)	(67)
Shadow accounting	(152)	(305)
- Related tax	41	68
Net unrealised gains and losses	336	463

The changes in impairments of investments available for sale are as follows.

	30 June 2020	31 December 2019
Balance as at 1 January	(269)	(267)
Acquisitions/divestments of subsidiaries	38	
Increase in impairments	(121)	(47)
Reversal on sale/disposal	37	43
Foreign exchange differences and other		2
Closing balance	(315)	(269)

6.3 Investments held at fair value through profit or loss

	30 June 2020	31 December 2019
Government bonds		1
Corporate debt securities	110	119
Structured credit instruments	4	6
Debt securities	114	126
Other investments	148	128
Equity securities and other investments	148	128
Total investments held at fair value through profit or loss	262	254

The nominal value of the debt securities held at fair value through profit or loss as at 30 June 2020 is EUR 116 million (31 December 2019: EUR 127 million).

The valuation of investments held at fair value through profit or loss is based on:

- Level 1: quoted prices in active markets;
- Level 2: observable market data in active markets;
- Level 3: unobservable inputs (counterparty quotes).

30 June 2020	Level 1	Level 2	Level 3	Total
Government Bonds				
Corporate debt securities		110		110
Structured credit instruments		4		4
Other investments	148			148
Total Investments held at fair value through profit or loss	148	114		262

31 December 2019	Level 1	Level 2	Level 3	Total
Government Bonds	1			1
Corporate debt securities		119		119
Structured credit instruments		6		6
Other investments	128			128
Total Investments held at fair value through profit or loss	129	125		254

6.4 Investment property and Property, plant and equipment

The annual appraisal process for independent appraisers is explained in Note 11 Investment property and Note 16 Property, Plant and Equipment in our Annual Report 2019.

Investment property

	30 June 2020	31 December 2019
Fair values supported by market evidence	234	154
Fair value subject to an independent valuation	3,766	3,719
Total fair value of investment property	4,000	3,873
Total carrying amount (including lease liability)	2,655	2,570
Gross unrealised gains (losses)	1,345	1,303
Unrealised gains (losses) to policyholders	(34)	(36)
Taxation	(342)	(325)
Net unrealised gains (losses) (not recognised in equity)	969	942

Property, plant and equipment

	30 June 2020	31 December 2019
Total fair value of Land and buildings held for own use and car parks	1,756	1,742
Total carrying amount (including lease liability)	1,124	1,118
Gross unrealised gains (losses)	632	624
Taxation	(170)	(168)
Net unrealised gains (losses) (not recognised in equity)	462	456

07

Loans

The composition of loans is as follows.

	30 June 2020	31 December 2019
Government and official institutions	5,036	4,966
Commercial loans	5,123	3,979
Residential mortgages	1,187	1,176
Policyholder loans	421	403
Interest bearing deposits	640	70
Loans to banks	424	506
Total	12,831	11,100
Less impairments	(27)	(28)
Total Loans	12,804	11,072

08

Outstanding shares and earnings per share

The following table shows the number of outstanding shares.

in thousands	Shares issued	Treasury shares	Shares outstanding
Number of shares as at 1 January 2019	203,022	(8,661)	194,361
Cancelled shares	(4,648)	4,648	
Balance (acquired)/sold		(3,879)	(3,879)
Used for management share plans		72	72
Number of shares as at 31 December 2019	198,374	(7,820)	190,554
Cancelled shares	(3,821)	3,821	
Balance (acquired)/sold		(3,429)	(3,429)
Used for management share plans			
Number of shares as at 30 June 2020	194,553	(7,428)	187,125

8.1 Shares issued and potential number of shares

To the extent rules and regulations permit, and in the interest of the Company, the Board of Ageas was authorised for a period of three years (2020-2022) by the General Meeting of Shareholders of 20 May 2020 to increase the share capital by a maximum amount of EUR 150,000,000 for general purposes.

Applied to a fraction value of EUR 7.72, this enables the issuance of up to 19,400,000 shares, representing approximately 10% of the total current share capital of the Company. This authorisation also enables the Company to meet its obligations entered into in the context of the issue of the financial instruments. Shares can also be issued due to the so-called alternative coupon settlement method (ACSM), included in certain hybrid financial instruments (for details see note 20 Contingent liabilities).

Treasury shares

Treasury shares are issued ordinary shares that have been bought back by Ageas. The shares are deducted from shareholders' equity and reported in other reserves.

The total number of treasury shares (7.4 million) consists of shares held for the FRESH (1.2 million), shares underlying repurchased FRESH securities (2.8 million, see below) and the remaining shares resulting from the share buy-back programme (3.4 million, see below).

Extinguishment of FRESH securities

On 3 January 2020, Ageas announced that in total 65.50% (EUR 818,750,000) of the aggregate principal amount of the FRESH securities outstanding were tendered and accepted for purchase for a cash payment of EUR 513 million. The purchased FRESH securities were exchanged into 2,599,206 underlying shares of ageas SA/NV on 13 January 2020.

On 2 April 2020, Ageas purchased an additional number of FRESH securities from an external third party, which were further exchanged into 150,000 underlying shares of ageas SA/NV.

These shares remain on the Group's statement of financial position as treasury shares and continue not to be entitled to dividends or voting rights. Details of the FRESH securities are provided in note 10 Subordinated liabilities.

Share buy-back programme 2019

Ageas announced on 7 August 2019 a new Share Buy Back programme, starting on 19 August 2019 and running up to 5 August 2020, for an amount of EUR 200 million. Between 19 August 2019 and 30 June 2020, Ageas bought back 4,763,381 shares corresponding to 2.45% of the total shares outstanding and totalling EUR 195 million.

The Extraordinary General Meeting of Shareholders of ageas SA/NV of 20 May 2020 approved the cancellation of 3,820,753 shares. As a result, the total number of issued shares is reduced to 194,553,574.

8.2 Shares entitled to dividend and voting rights

The table below gives an overview of the shares entitled to dividend and voting rights.

in thousands	
Number of shares issued as at 30 June 2020	194,553
Shares not entitled to dividend and voting rights:	
Shares held by ageas SA/NV	6,178
Shares related to FRESH (see note 10)	1,219
Shares related to CASHES (see note 20)	3,959
Shares entitled to voting rights and dividend	183,197

8.3 Earnings per share

The following table details the calculation of earnings per share.

	First half year 2020	First half year 2019
Net result attributable to shareholders	791	606
Weighted average number of ordinary shares for basic earnings per share (in thousands)	188,906	193,617
Basic earnings per share (in euro per share)	4.19	3.13
Diluted earnings per share (in euro per share)	4.19	3.13

Ageas shares related to the FRESH, as they are not entitled to dividend nor do they have voting rights, were excluded from the calculation of basic earnings per share.

Ageas shares issued in relation to CASHES are included in the ordinary shares although they are not entitled to dividend nor do they have voting rights.

09

Insurance liabilities

9.1 Liabilities arising from Life insurance contracts

The following table provides an overview of the liabilities arising from Life insurance contracts.

	30 June 2020	31 December 2019
Liability for future policyholder benefits	26,139	26,098
Reserve for policyholder profit sharing	191	218
Shadow accounting	2,768	2,457
Before eliminations	29,098	28,773
Eliminations	(15)	(12)
Gross	29,083	28,761
Reinsurance	(38)	(18)
Net	29,045	28,743

9.2 Liabilities arising from Life investment contracts

The following table provides an overview of the liabilities arising from Life investment contracts.

	30 June 2020	31 December 2019
Liability for future policyholder benefits	30,113	30,594
Reserve for policyholder profit sharing	177	254
Shadow accounting	1,266	1,395
Gross	31,556	32,243

9.3 Liabilities related to unit-linked contracts

Liabilities related to unit-linked contracts are broken down into insurance and investment contracts as follows.

	30 June 2020	31 December 2019
Insurance contracts	2,596	2,741
Investment contracts	13,239	13,697
Total	15,835	16,438

9.4 Liabilities arising from Non-life insurance contracts

The following table provides an overview of the liabilities arising from Non-life insurance contracts.

	30 June 2020	31 December 2019
Claims reserves	6,985	6,994
Unearned premiums	1,795	1,578
Reserve for policyholder profit sharing	10	16
Before eliminations	8,790	8,588
Eliminations	(1,368)	(990)
Gross	7,422	7,598
Reinsurance	(698)	(711)
Net	6,724	6,887

10

Subordinated liabilities

The following table provides a specification of subordinated liabilities.

	30 June 2020	31 December 2019
Issued by Ageasfinlux S.A.		
FRESH	384	1,250
Issued by ageas SA/NV		
Perpetual Subordinated Fixed Rate Resettable		
Temporary Write-Down Restricted Tier 1 Notes	743	744
Subordinated Fixed to Floating Rate Notes	493	493
Issued by AG Insurance		
Subordinated Fixed to Floating Rate Tier 2 Loan	74	74
Fixed Rate Reset Dated Subordinated Notes	397	397
Fixed to Floating Callable Subordinated Notes	100	100
Issued by Millenniumbcp Ageas		
Fixed to Floating Rate Callable Subordinated Loan	59	59
Total subordinated liabilities	2,250	3,117

The following table shows the changes in subordinated liabilities.

	30 June 2020	31 December 2019
Balance as at 1 January	3,117	2,285
Proceeds from issuance		1,311
Redemption	(507)	(484)
Realised gains	(360)	
Foreign exchange differences and other		5
Closing balance	2,250	3,117

The decrease in FRESH is related to the extinguishment of debt following the tender offer in January 2020, as well as the repurchase of an additional number of FRESH securities on the market in the second quarter of 2020, as explained in note 8.

11

Borrowings

The table below shows the components of borrowings.

	30 June 2020	31 December 2019
Repurchase agreements	2,187	1,443
Loans	865	850
Due to banks	3,052	2,293
Funds held under reinsurance agreements	88	83
Lease liabilities	492	506
Other borrowings	92	74
Total borrowings	3,724	2,956

Ageas has pledged property as collateral for loans and other with a carrying amount of EUR 210 million (2019: EUR 178 million).

The following table shows the changes in borrowings.

	30 June 2020	31 December 2019
Balance as at 1 January	2,956	2,184
Change in accounting policy		538
Acquisition & Divestment of subsidiaries		49
Proceeds from issuance	782	383
Payments	(39)	(182)
Foreign exchange differences and other	25	(16)
Closing balance	3,724	2,956

12

RPN (I)

The RPN(I) is a financial instrument that results in quarterly payments being made to, or received from, BNP Paribas Fortis SA/NV.

BNP Paribas Fortis SA/NV issued CASHES securities in 2007 with ageas SA/NV as co-obligor. CASHES are convertible securities that convert into Ageas shares at a pre-set price of EUR 239.40 per share. BNP Paribas Fortis SA/NV and ageas SA/NV, at that point in time both parts of the Fortis Group, introduced a Relative Performance Note, designed to avoid accounting volatility on the Ageas shares and on the at fair value valued CASHES in the books of BNP Paribas Fortis SA/NV. Upon the break-up of Fortis in 2009, BNP Paribas Fortis SA/NV and Ageas agreed to pay interest on a reference amount stated in this Relative Performance Note. The quarterly interest payment is valued as a financial instrument and referred to as RPN(I).

The RPN(I) exists to the extent that CASHES securities remain outstanding in the market. Originally, 12,000 CASHES securities were issued in 2007. In February 2012 BNP Paribas launched a public tender on CASHES at a price of 47.5% and converted 7,553 tendered CASHES securities into Ageas shares; Ageas agreed to pay a EUR 287 million indemnity to BNP Paribas as the conversion triggered a pro rata cancellation of the RPN(I) liability.

In May 2015 Ageas and BNP Paribas agreed that BNP Paribas can purchase CASHES from individual investors at any given time, under the condition that the purchased securities are converted into Ageas shares; at such conversion the pro rata part of the RPN(I) liability is paid to BNP Paribas, while Ageas receives a break-up fee which is subject to the price at which BNP Paribas succeeds to purchase CASHES.

BNP Paribas purchased and converted 656 CASHES under this agreement in the first nine months 2016; Ageas paid EUR 44 million for the pro rata settlement of the RPN(I), after the deduction of the received break-up fee. The agreement between Ageas and BNP Paribas expired at year-end 2016 and has not been renewed.

At 30 June 2020, 3,791 CASHES remained outstanding.

Reference amount and interest paid

The reference amount is calculated as follows:

- the difference between EUR 2,350 million and the market value of 13 million Ageas shares in which the instrument converts, less
- the difference between EUR 3,000 million par issuance and the market value of the CASHES as quoted by the Luxembourg Stock Exchange, multiplied by
- the number of CASHES securities outstanding (3,791 at 30 June 2020) divided by the number of CASHES securities originally issued (12,000).

Ageas pays interest to BNP Paribas Fortis SA/NV on the average reference amount in the quarter (if the above outcome becomes negative BNP Paribas Fortis SA/NV will pay Ageas); the interest amounts to 3 month Euribor plus 90 basispoints. Ageas pledged 6.3% of the total AG Insurance shares outstanding in favour of BNP Paribas Fortis SA/NV.

Valuation

Ageas applies a transfer notion to arrive at the fair value of the RPN(I) liability. Fair value is defined in IFRS 13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition is explicitly described as an exit price, linked with the price 'paid to transfer a liability'. When such pricing is not available and the liability is held by another entity as an asset, the liability needs to be valued from the perspective of the market participant that holds the asset. Ageas values its liability at the reference amount.

The RPN reference amount is based on the CASHES price and Ageas share price. The reference amount went slightly down from EUR 359 million at year-end 2019 to EUR 344 million at 30 June 2020, predominantly driven by the decrease in the CASHES price from 81.55% to 71.08% over the first six months of 2020 which was almost completely offset by the decrease of the Ageas share price from EUR 52.68 to EUR 31.54 over the same period.

Sensitivity of RPN(I) Value

At 30 June 2020 each 1% increase in the CASHES price, expressed as a percentage of its par value, leads to an increase of EUR 9.5 million in the reference amount, while each EUR 1.00 increase in the Ageas share price decreases the reference amount by EUR 4 million.

13

Provisions

The provisions mainly relate to legal disputes and reorganisations and are based on best estimates available at period-end based on management judgement, in most cases supported by the opinion of legal advisors. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigations/disputes. We refer to note 20 Contingent liabilities, which describes the various ongoing litigation proceedings.

Global settlement related to the Fortis events of 2007 and 2008

On 14 March 2016, Ageas and the claimant organisations, Deminor, Stichting FortisEffect, Stichting Investor Claims Against Fortis (SICAF) and VEB announced a settlement proposal (the "Settlement") with respect to all civil proceedings related to the former Fortis group for events in 2007 and 2008 for an amount of EUR 1.2 billion.

In addition, Ageas announced on 14 March 2016 that it also reached an agreement with the D&O Insurers (the "Insurers"), the D&O's involved in litigation and BNP Paribas Fortis to settle for an amount of EUR 290 million.

On 24 March 2017, the Amsterdam Appeal Court held a public hearing during which it heard the request to declare the Settlement binding as well as the arguments that were submitted against it. On 16 June 2017, the Court took the interim decision not to declare the settlement binding in its initial format. On 12 December 2017, the petitioners filed an amended and restated settlement with the Amsterdam Appeal Court. This amended settlement took into consideration the main concerns of the Court and the overall budget was raised by EUR 100 million to EUR 1.3 billion.

On 13 July 2018 the Amsterdam Appeal Court declared the settlement binding on Eligible Shareholders (i.e. persons who held Fortis shares at any time between close of business on 28 February 2007 and close of business on 14 October 2008) in accordance with the Dutch Act on Collective Settlement of Mass Claims (Wet Collectieve Afwikkeling Massaschade, "WCAM"). In declaring the settlement binding, the Court believed the compensation offered under the settlement is reasonable and that the claimant organisations Deminor, SICAF and FortisEffect are sufficiently representative of the interests of the beneficiaries of the Settlement.

On 21 December 2018, Ageas announced that it had decided to provide clarity ahead of time by waiving its termination right. As a consequence of this the Settlement is final.

The main components of the EUR 460 million provision as at 30 June 2020 are:

- EUR 1,309 million related to the WCAM settlement agreement;
- EUR 27 million related to the tail risk, including accrued expenses;
- minus EUR 95 million still to be paid out of funds provided or still to be provided to Stichting FORsettlement by Stichting FORclaims, the foundation managing the contribution by the Insurers;
- minus EUR 781 million already paid to eligible shareholders.

The amounts are presented under the line item ´Provisions´ in the statement of financial position and the line item ´Change in provisions´ in the income statement.

Changes in provisions during the year are as follows.

	30 June 2020	31 December 2019
Balance as at 1 January	582	887
Increase (Decrease) in provisions	(30)	(8)
Utilised during the year	(16)	(298)
Foreign exchange differences and other	(2)	1
Closing balance	534	582

14

Commitments

Commitments received and given are detailed as follows.

Commitments	30 June 2020	31 December 2019
Commitment Received		
Credit lines	970	962
Collateral and guarantees received	4,232	4,156
Other off-balance sheet rights and commitments	21	15
Total received	5,223	5,133
Commitment Given		
Guarantees, Financial and Performance Letters of Credit	295	280
Available credit lines	931	1,947
Collateral and guarantees given	2,426	1,630
Entrusted assets and receivables	967	945
Capital rights & commitments	196	155
Real Estate commitments	871	548
Other off-balance sheet commitments	745	644
Total given	6,431	6,149

The major part of the commitments received, relates to collateral received from customers on residential mortgages and to a lesser extent to policyholder loans and commercial loans.

Other off-balance sheet commitments as at 30 June 2020 include EUR 115 million in outstanding credit bids (31 December 2019: EUR 93 million).

15

Fair value of financial assets and financial liabilities

The following table shows the carrying amounts and fair value of those classes of financial assets and financial liabilities not reported at fair value in the Ageas's consolidated statement of financial position.

			30 June 2020		31 December 2019
	Level	Carrying value	Fair value	Carrying value	Fair value
Assets					
Cash and cash equivalents	2	2,083	2,083	3,745	3,745
Financial Investments held to maturity	1	4,418	6,992	4,438	6,878
Loans	2	12,804	14,030	11,072	12,138
Reinsurance and other receivables	2	1,948	1,948	1,860	1,860
Total financial assets		21,253	25,053	21,115	24,621
Liabilities					
Subordinated liabilities	2	2,250	2,299	3,117	3,204
Borrowings, excluding lease liabilities	2	3,233	3,233	2,450	2,450
Total financial liabilities		5,483	5,532	5,567	5,654

E

Notes to the Consolidated Income Statement

16

Insurance premiums

The following table provides an overview of the composition of gross inflow and net earned premiums.

	First half year 2020	First half year 2019
Gross inflow Life	2,458	3,483
Gross inflow Non-life	2,254	2,204
General account and eliminations	(1)	(1)
Total gross inflow	4,711	5,686

	First half year 2020	First half year 2019
Net earned premiums Life	2,029	2,754
Net earned premiums Non-life	1,937	1,912
General account and eliminations	(1)	
Total net earned premiums	3,965	4,666

Life

Gross inflow Life consists of premiums received by insurance companies for issued insurance and investment contracts. Premium inflow of insurance contracts and investment contracts with DPF is recognised in the income statement. Premium inflow of investment contracts without DPF, mainly unit-linked contracts, is (after deduction of fees) directly recognised as liabilities (deposit accounting). Fees are recognised as fee income in the income statement.

	First half year 2020	First half year 2019
Gross premiums Life	2,044	2,773
Ceded reinsurance premiums	(15)	(19)
Net earned premiums Life	2,029	2,754

Non-life

The table below shows the details of net earned premiums Non-life for the first half year 2020. Premiums for motor, fire and other damage to property, and other are grouped in Property & Casualty.

First half year 2020	Accident & Health	Property & Casualty	Total
Gross written premiums	545	1,709	2,254
Change in unearned premiums, gross	(55)	(73)	(128)
Gross earned premiums	490	1,636	2,126
Ceded reinsurance premiums	(24)	(175)	(199)
Reinsurers' share of unearned premiums	1	9	10
Net earned premiums Non-life	467	1,470	1,937

First half year 2019	Accident & Health	Property & Casualty	Total
Gross written premiums	526	1,678	2,204
Change in unearned premiums, gross	(55)	(76)	(131)
Gross earned premiums	471	1,602	2,073
Ceded reinsurance premiums	(24)	(145)	(169)
Reinsurers' share of unearned premiums	3	5	8
Net earned premiums Non-life	450	1,462	1,912

17

Interest, dividend and other investment income

The table below provides details of interest, dividend and other investment income.

	First half year 2020	First half year 2019
Interest income		
Interest income on cash & cash equivalents	1	2
Interest income on loans to banks	9	9
Interest income on investments	733	772
Interest income on loans to customers	122	111
Interest income on derivatives held for trading and other	1	1
Total interest income	866	896
Dividend income from equity securities	68	84
Rental income from investment property	102	109
Rental income from parking garage	140	212
Other investment income	14	13
Total interest, dividend and other investment income	1,190	1,314

Rental income from parkings have been adversely impacted by the Covid-19 lock-downs.

18

Insurance claims and benefits

The details of insurance claims and benefits, net of reinsurance are shown in the table below.

	First half year 2020	First half year 2019
Life insurance	2,254	3,172
Non-life insurance	1,094	1,156
General account and eliminations	(2)	(1)
Total insurance claims and benefits, net	3,346	4,327

Details of Life insurance claims and benefits, net of reinsurance, are shown below.

	First half year 2020	First half year 2019
Benefits and surrenders, gross	2,622	2,324
Change in liabilities arising from insurance and investment contracts, gross	(358)	856
Total Life insurance claims and benefits, gross	2,264	3,180
Reinsurers' share of claims and benefits	(10)	(8)
Total Life insurance claims and benefits, net	2,254	3,172

Details of Non-life insurance claims and benefits, net of reinsurance, are shown in the following table.

	First half year 2020	First half year 2019
Claims paid, gross	1,271	1,238
Change in liabilities arising from insurance contracts, gross	(101)	(28)
Total Non-life insurance claims and benefits, gross	1,170	1,210
Reinsurers' share of claims paid	(93)	(46)
Reinsurers' share of change in liabilities	17	(8)
Total Non-life insurance claims and benefits, net	1,094	1,156

19

Financing costs

	First half year 2020	First half year 2019
Financing costs		
Subordinated liabilities	39	29
Lease liability	8	9
Borrowings from banks	9	9
Derivatives	4	7
Other	11	11
Total financing costs	71	65

Finance costs in the line “Other” mainly relate to interest charges on provisions for post-employment benefits.

Notes to items not recorded in the consolidated statement of financial position

F

20

Contingent liabilities

20.1 Contingent liabilities related to legal proceedings

Like any other financial group, Ageas group is involved as a defendant in various claims, disputes and legal proceedings arising in the ordinary course of its business.

In addition, as a result of the events and developments surrounding the former Fortis group between May 2007 and October 2008 (e.g. the acquisition of parts of ABN AMRO and the capital increase in September/October 2007, the announcement of the solvency plan in June 2008, the divestment of banking activities and Dutch insurance activities in September/October 2008), Ageas is or may still become involved in a series of legal proceedings and in a criminal procedure pending in Belgium.

On 14 March 2016 Ageas entered into a settlement agreement with several claimant organisations that represent a series of shareholders in collective claims before the Belgian and Dutch courts. On 23 May 2016 the parties to the settlement, i.e. Ageas, Deminor, Stichting FortisEffect, Stichting Investor Claims Against Fortis, VEB and Stichting FORsettlement requested the Amsterdam Court of Appeal to declare the settlement binding for all eligible Fortis shareholders who will not opt out before the expiry of a given period, in accordance with the Dutch Act on Collective Settlement of Mass Claims (Wet Collectieve Afwikkeling Massaschade). Ageas also reached an agreement with Mr Arnauts and Mr Lenssens, two attorneys who launched legal action against Ageas on behalf of a number of claimants, and in 2017 with the Luxembourg based company Archand s.à.r.l. and affiliated persons, to support the settlement.

On 16 June 2017, the court took the interim decision not to declare the settlement binding in its initial format. As per 16 October 2017, Ageas decided to make a final additional effort of EUR 100 million.

Per 12 December 2017, the parties submitted an amended and restated settlement agreement to the court. Consumentenclaim, an opponent of the settlement in its initial 2016 format, agreed to support the 2017 settlement.

On 13 July 2018 the Amsterdam Appeal Court declared the settlement binding on Eligible Shareholders (i.e. persons who held Fortis shares at any time between close of business on 28 February 2007 and close of business on 14 October 2008). Ageas waived its termination right on 21 December 2018, effectively making the settlement final.

This means that Eligible Shareholders are entitled to compensation for the events of 2007-2008, subject to a full release of liability with respect to these events, and in accordance with the (other) terms of the settlement agreement. It further means that Eligible Shareholders who did not timely opt out (i.e. at the latest on 31 December 2018), regardless of whether or not they timely file a claim form, are, by operation of law, deemed to have granted such release of liability and to have waived any rights in connection with the events.

The claims filing period started on 27 July 2018 and ended on 28 July 2019. As at 30 June 2020 an amount of EUR 781 million had already been paid out to Eligible Shareholders and a remaining provision of EUR 460 million had been recognised for the settlement (see note 13 Provisions).

1. CIVIL PROCEEDINGS

I Proceedings covered by the settlement

The parties to the settlement agreed to suspend the legal proceedings initiated against Ageas and instructed their lawyers accordingly. In addition, since the filing of the request with the Amsterdam Appeal Court, all legal proceedings in the Netherlands, regarding the 2007-2008 events were suspended by operation of law. Now that the settlement has become final, the parties who supported the settlement committed to terminate their legal proceedings.

The parties who timely submitted an opt-out notice may resume their legal proceedings in the Netherlands or, as the case may be, resume or continue their legal proceedings in Belgium.

In the sections below we give a comprehensive update of all residual proceedings which were either terminated between end of 2019 and 30 June 2020, or not terminated by 30 June 2020. These constitute contingent liabilities without provisions.

1.1 In the Netherlands

1.1.1 Claims on behalf of individual shareholders

In proceedings initiated by a series of individuals represented by Mr Bos, the Utrecht Court decided on 15 February 2012 that Fortis and two co-defendants (the former CEO and the former financial executive) disclosed misleading information during the period from 22 May through 26 June 2008. The Court further ruled that separate proceedings were necessary to decide whether the plaintiffs had suffered damages, and if so, the amount of such damages. An appeal against the Utrecht Court judgement was filed with the Arnhem Appeal Court. In appeal, Mr Bos claims damages for alleged miscommunication about (i) Fortis' subprime exposure in 2007/2008, about (ii) Fortis' solvency in January – June 2008, (iii) the remedies required by the European Commission in the context of the ABN AMRO take-over and (iv) Fortis' liquidity and solvency position on 26 September 2008. The parties entered into a settlement agreement in March 2020, bringing an end to these proceedings.

1.1.2 Cebulon

On 14 July 2020, Dutch investment company Cebulon initiated legal proceedings against Ageas and some co-defendants regarding alleged misleading communication in 2007-2008. In its capacity of former Fortis shareholder, Cebulon claims a compensation for the allegedly suffered damages. The forum is the Utrecht court of first instance. An introductory hearing will take place on 9 September 2020 in Utrecht.

1.2 In Belgium

1.2.1 Modrikamen

On 28 January 2009, a series of shareholders represented by Mr Modrikamen brought an action before the Brussels Commercial Court initially requesting the annulment of the sale of ASR to the Dutch State and the sale of Fortis Bank to SFPI (and subsequently to BNP Paribas), or alternatively damages. On 8 December 2009, the Court inter alia decided that it was not competent to judge on actions against the Dutch defendants. On 17 January 2013, the Brussels Court of Appeal confirmed this judgment in this respect. In July 2014, Mr Modrikamen filed an appeal before the Supreme Court on this issue. On 23 October 2015 the Supreme Court rejected this appeal. Mr Modrikamen continued the proceedings before the commercial court regarding the sale of Fortis Bank, aiming at the payment of a compensation by BNP Paribas to Ageas, as well as by Ageas to the claimants. In an interim judgment of 4 November 2014, the court declared about 50% of the original claimants not admissible. On 29 April 2016 the Brussels Commercial Court decided to suspend the proceedings awaiting the outcome of the criminal procedure. On 7 June 2020, Ageas entered into a settlement agreement with Mr Modrikamen and his clients who timely filed an opt-out notice, pursuant to which these persons no longer continue these proceedings against ageas SA/NV.

1.2.2 Deminor

On 13 January 2010, a series of shareholders associated with Deminor International (currently named DRS Belgium) brought an action before the Brussels Commercial Court, seeking damages based on alleged lack of/or misleading information by Fortis during the period from March 2007 to October 2008. On 28 April 2014, the court declared in an interim judgment about 25% of the claimants not admissible. The parties are in the course of terminating these proceedings; we expect these proceedings to be effectively terminated in the course of 2020.

1.2.3 Other claims on behalf of individual shareholders

On 12 September 2012, Patripart, a (former) Fortis shareholder, and its parent company Patrinvest, brought an action before the Brussels Commercial Court, seeking damages based on alleged lack of or misleading information in the context of the 2007 rights issue. On 1 February 2016 the court fully rejected the claim. On 16 March 2016, Patrinvest filed an appeal before the Brussels Appeal Court. The parties have exchanged written submissions and are now awaiting a pleading date and the court's decision, for which no date has yet been set.

On 29 April 2013, a series of shareholders represented by Mr Arnauts brought an action before the Brussels Commercial Court, seeking damages based on alleged incomplete or misleading information by Fortis in 2007 and 2008; this action is suspended awaiting the outcome of the criminal proceedings. The parties are in the course of terminating these proceedings; we expect these proceedings to be effectively terminated in the course of 2020.

On 19 September 2013, certain (former) Fortis shareholders represented by Mr Lenssens initiated a similar action before the Brussels Civil Court; this action is suspended awaiting the outcome of the criminal proceedings. The parties are in the course of terminating these proceedings; we expect these proceedings to be effectively terminated in the course of 2020.

1.3 Hold harmless undertakings

In 2008, Fortis granted certain former executives and directors, at the time of their departure, a contractual hold harmless protection covering legal expenses and, in certain cases, also the financial consequences of any judicial decisions, in the event that legal proceedings were brought against them on the basis of their mandates exercised within the Fortis group. Ageas contests the validity of the contractual hold harmless commitments to the extent they relate to the financial consequences of any judicial decisions.

Furthermore, and as standard market practice in this kind of operations, Ageas entered into agreements with certain financial institutions facilitating the placing of Fortis shares in the context of the capital increases of 2007 and 2008. These agreements contain indemnification clauses that imply hold harmless obligations for Ageas subject to certain terms and conditions. Some of these financial institutions are involved in certain legal proceedings mentioned in this chapter.

In the context of a settlement with the underwriters of D&O liability insurance and Public Offering of Securities Insurance policies relating to the events and developments surrounding the former Fortis Group in 2007 - 2008, Ageas granted a hold harmless undertaking in favour of the insurers for the aggregate amount of coverage under the policies concerned. In addition, Ageas granted certain indemnity and hold harmless undertakings in favour of certain former Fortis executives and directors and of BNP Paribas Fortis relating to future defence costs, as well as in favour of the directors of the two Dutch foundations created in the context of the settlement.

II Proceedings not covered by the settlement

2.1 Legal proceedings initiated by Mandatory Convertible Securities (MCS) holders

The Mandatory Convertible Securities (MCS) issued in 2007 by Fortis Bank Nederland (Holding) N.V. (now ABN AMRO Bank N.V.), together with Fortis Bank SA/NV (now BNP Paribas Fortis SA/NV), Fortis SA/NV and Fortis N.V. (both now ageas SA/NV), were mandatorily converted on 7 December 2010 into 106,723,569 Ageas shares. Prior to 7 December 2010, certain MCS holders unilaterally decided at a general MCS holders' meeting to postpone the maturity date of the MCS until 7 December 2030. However, at the request of Ageas, the President of the Brussels Commercial Court suspended the effects of this decision. Following 7 December 2010, the same MCS holders contested the validity of the conversion of the MCS and requested its annulment or, alternatively, damages for an amount of EUR 1.75 billion. On 23 March 2012, the Brussels Commercial Court ruled in favour of Ageas, dismissing all claims of the former MCS holders. Certain former MCS holders appealed against this judgment, claiming damages for a provisional amount of EUR 350 million and the appointment of an expert. Per 1 February 2019, the Brussels Court of Appeal confirmed the decision of the Commercial Court in Ageas's favour, and dismissed all claims. In July 2019, the hedge funds have filed for Supreme Court appeal against all originally involved defendants. The Supreme Court dismissed all claims per 29 May 2020 and ruled in Ageas's favour. Hence, the conversion of the MCS into shares issued by Ageas on 7 December 2010 continues to be legally valid and no compensation is due.

2. CRIMINAL PROCEDURE IN BELGIUM

In Belgium, since October 2008 a criminal procedure is ongoing in relation to events mentioned above in the introduction to this chapter. In February 2013, the public prosecutor filed his written indictment with charges of (i) false annual accounts 2007 due to overestimation of subprime assets, (ii) enticement to subscribe the 2007 rights issue with incorrect information and (iii) publication of incorrect or incomplete information on subprime on various occasions between August 2007 and April 2008, for which charges he requested the *Chambre du conseil/Raadkamer* that certain individuals be referred for trial before the criminal court. As several interested parties requested and obtained additional investigative measures, the hearing before the *Chambre du conseil/Raadkamer* was postponed sine die. The public prosecutor never requested the referral of Ageas to the criminal court and stated on 20 December 2018 to no longer request the referral of the individuals to the criminal court. However, the *Chambre du conseil/Raadkamer* has not yet taken a decision in this respect and an introductory hearing before the *Chambre du conseil/Raadkamer* took place on 17 February 2020. Pleading sessions took place on 8 and 9 June 2020. On 7 June 2020, Ageas entered into a settlement agreement with Mr. Modrikamen and his clients who timely filed an opt-out notice under the Settlement, pursuant to which these persons waived their claims against Ageas in these proceedings.

3. GENERAL OBSERVATIONS

Although the vast majority of the proceedings related to the 2007-2008 events were terminated in the course of 2019 or are expected to be terminated in the course of 2020, as the settlement received the support of the majority of the parties mentioned above, civil proceedings may be continued or initiated by claimants who have timely opted out of the settlement.

If any of these proceedings were to lead to negative consequences for Ageas or were to result in awarding monetary damages to plaintiffs claiming losses incurred as a result of the Fortis 2007-2008 events, this could have negative consequences for Ageas. The settlement has substantially decreased the scope of the possible consequences of the events of 2007-2008. However, while we do not expect said consequences to have a significant impact on the ageas SA/NV financial position or results, such consequences cannot be precisely estimated at this stage.

20.2 Liabilities for hybrid instruments of former subsidiaries

In 2007 BNP Paribas Fortis SA/NV issued CASHES (Convertible And Subordinated Hybrid Equity-linked Securities), with ageas SA/NV acting as co-obligor (BNP Paribas Fortis SA/NV was at that point in time a subsidiary). From the original 12,000 securities issued, 3,791 securities remain outstanding, representing a nominal amount of EUR 948 million.

The securities have no maturity date and cannot be repaid in cash, they can only be exchanged into Ageas shares at a price of EUR 239.40 per Ageas share. A mandatory exchange takes place if the price of the Ageas share is equal to or higher than EUR 359.10 on twenty consecutive stock exchange business days. BNP Paribas Fortis SA/NV owns 3,958,859 Ageas shares for the purpose of the potential exchange.

The sole recourse of the holders of the CASHES against any of the co-obligors with respect to the principal amount are the Ageas shares that BNP Paribas Fortis SA/NV holds, these shares are pledged in favour of such holders.

BNP Paribas Fortis SA/NV pays the coupon on the CASHES, in quarterly arrears, at a variable rate of 3 month Euribor plus 200 basis points, up to the exchange of the securities for Ageas shares. In the event that Ageas declares no dividend on its shares, or that the dividends to be declared are below a threshold with respect to any financial year (dividend yield less than 0.5%), and in certain other circumstances, coupons will mandatorily need to be settled by ageas SA/NV via issuance of new shares in accordance with the so called Alternative Coupon Settlement Method (ACSM), while BNP Paribas Fortis SA/NV would need to issue instruments that qualify as hybrid Tier 1 instruments to Ageas as compensation for the coupons paid by ageas SA/NV. If the ACSM is triggered and there is insufficient available authorised capital to enable ageas SA/NV to meet the ACSM obligation, the coupon settlement will be postponed until such time as the ability to issue shares is restored.

In an agreement reached in 2012, that amongst others led to the tender and subsequent conversion of CASHES, Ageas agreed to pay an annual indemnity to BNP Paribas Fortis SA/NV that equals the grossed up dividend on the shares that BNP Paribas Fortis SA/NV holds.

20.3 Other contingent liabilities

Together with BGL BNP Paribas, Ageas Insurance International N.V. has provided a guarantee to Cardif Lux Vie S.A. for up to EUR 100 million to cover outstanding legal claims related to Fortis Lux Vie S.A., a former subsidiary of Ageas that was merged at year-end 2011 with Cardif Lux International S.A. No new claims can be introduced anymore (deadline was 31 December 2018).

Furthermore, certain individual customers of Ageas France, a fully owned subsidiary of Ageas Insurance International, filed claims against Ageas France in connection with its alleged unilateral modification of the terms and conditions of a unit-linked product by on-charging certain transaction fees. In addition to claiming reimbursement of these fees, plaintiffs also claimed prejudice for lost opportunities for arbitrating between Unit-linked funds and a guaranteed fund using latest known value dates, as well as prohibition for on-charging of the fees. In November 2014, Paris Appeal Court confirmed the first instance decision allowing the claims and appointed experts to determine the scope of indemnification. Following an appeal filed by Ageas France with the French Supreme Court, on 8 September 2016 the French Supreme Court substantially annulled the Paris Appeal Court decision and referred the case to the Versailles Appeal Court. The proceedings before the Versailles Appeal Court have been abandoned. A proceeding in first instance, which had been put on hold for several years, awaiting the decision of the French Supreme Court, has been reactivated by 2 plaintiffs. A hearing was held in the first half of October 2019; now the parties are exchanging written submissions.

21

Events after the date of the statement of financial position

There have been no material events since the date of the Consolidated statement of financial position that would require adjustment of the amounts recognised or disclosure in the Ageas Condensed Consolidated Interim Financial Statements as at 30 June 2020.

Statement of the Board of Directors

The Board of Directors of Ageas is responsible for preparing the Ageas Condensed Consolidated Interim Financial Statements for the first six months of 2020 in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the European Transparency Directive (2004/109/EC).

The Board of Directors of Ageas declares that, to the best of its knowledge, the Ageas Condensed Consolidated Interim Financial Statements of the first six months of 2020 give a true and fair view of the assets, liabilities, financial position, and profit or loss of Ageas, and of the uncertainties that Ageas is facing and that the information contained therein has no omissions likely to modify significantly the scope of any statements made.

The Board of Directors reviewed the Ageas Condensed Consolidated Interim Financial Statements for the first six months of 2020 on 6 August 2020 and authorised their issue.

Brussels, 6 August 2020

Board of Directors

Chairman	Jozef De Mey
Vice-Chairman	Guy de Selliers de Moranville
Chief Executive Officer	Bart De Smet
Chief Financial Officer	Christophe Boizard
Chief Risk Officer	Emmanuel Van Grimbergen
Chief Operating Officer	Antonio Cano
Chief Development Officer	Filip Coremans
Directors	Richard Jackson
	Yvonne Lang Ketterer
	Jane Murphy
	Lionel Perl
	Lucrezia Reichlin
	Katleen Vandeweyer
	Jan Zegering Hadders
	Sonali Chandmal

Review Report

STATUTORY AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF AGEAS SA/NV ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

Introduction

We have reviewed the accompanying consolidated statement of financial position of ageas SA/NV (the "Company") and its subsidiaries (the "Group") as of 30 June 2020 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes ("the condensed consolidated interim financial statements"). The board of directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 20 Contingent liabilities to the condensed consolidated interim financial statements, which describes that, while the amended and restated settlement proposal with respect to all civil proceedings related to the former Fortis group for the events in 2007 and 2008 (the "Settlement") is now final, the Company is still involved in a series of legal proceedings as a result of aforementioned events. Note 20 to the condensed consolidated interim financial statements, specifies that since the Settlement is now final, the risks related to said legal proceedings decreased. Although the Board of directors does not expect these remaining risks to have a significant impact on the Company's financial position, such consequences cannot be precisely estimated at this stage. We concur with the Board of directors' position. As a result, our conclusion is not qualified in respect of this matter.

Sint-Stevens-Woluwe, 6 August 2020

The statutory auditor
PwC Reviseurs d'Entreprises SRL / Bedrijfsrevisoren BV
Represented by

Yves Vandenplas
Réviseur d'Entreprises / Bedrijfsrevisor

Supporter of your life

Ageas and ageas SA/NV
Rue du Marquis 1
1000 Brussels, Belgium
Tel: +32 (0) 2 557 57 11
Fax: +32 (0) 2 557 57 50
Internet: www.ageas.com
E-mail: info@ageas.com