Supporter of your life

ageas

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Introduction

When referring to “Ageas” or ‘Ageas Group’ inthis document, it should be read as a group of companies composed of ageas SA/NV and its subsidiaries. When referring to “local”, “legal entity”, “OPCO” or “Operating Company”, “Non-Controlled Participations (NCP)” in this report, it should be considered as relating to Ageas’ subsidiaries or affiliates. A ‘subsidiary’ means any entity in which ageas SA/NV, directly or indirectly is a shareholder and holds operational control, and an ‘affiliate’ means any entity in which ageas SA/NV, directly or indirectly is a shareholder and holds no operational control.

The structure of this Solvency and Financial Condition Report (SFCR) is in accordance with annex XX (twenty) of the Commission Delegated Regulation (EU) 2015/35. Furthermore, the figures presented in this report are in line with the Quantitative Reporting Templates (QRTs) as reported to the supervisory authorities.

All amounts in this report are presented in millions of euros (EUR million), unless otherwise stated.
The amounts in the QRTs which are disclosed on the website of Ageas are presented in thousands of euros.

Summary

This document is the 2020 Solvency and Financial Condition Report (SFCR) of ageas group and as a solo entity.

The structure of this Solvency and Financial Condition Report (SFCR) is in accordance with annex XX (twenty) of the Commission Delegated Regulation (EU) 2015/35. Figures presented in this report are in line with the Quantitative Reporting Templates (QRTs) as reported to the supervisory authorities. A subset of these QRTs, which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II as at 31
December 2020 are included in the appendix to this SFCR.

All amounts in this report are presented in millions of euros (EUR million), unless otherwise stated. The amounts in the QRTs which are disclosed on the website of Ageas are presented in thousands of euros.

Chapter A 'Business and performance' describes the overall business profile and structure of ageas SA/NV, it also provides insight into the underwriting and investment performance of the group. Chapter B 'System of Governance' explains the governance structure of the group and describes the set-up of the key Solvency II functions. Chapter C 'Risk profile' describes the main risks ageas is exposed to (both financial and nonfinancial risks) and how ageas manages to mitigate these risks. Chapter D 'Valuation for solvency purposes' explains how to arrive from the balance sheet based on the International Financial Reporting Standards principles to the valuation of the balance sheet items based on the Solvency II valuation principles. Chapter E 'Capital management' provides an overview of the Eligible Own Funds and the calculation of the Solvency Capital Requirement and the Solvency Capital Ratios.

Changes to the group

- 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. The successful FRESH transaction resulted in an exceptional capital gain of EUR 332 million;
- On 14 October, Ageas and Tesco Personal Finance Plc (Tesco Bank) announced an agreement for Tesco Bank to buy Ageas's 50.1 % stake in Tesco Underwriting;
- In 2020 the Board and Executive Committee announced the appointment of Bart De Smet as the new Chairman of the Board and Hans De Cuyper as the new CEO;
- On 27 November, Ageas completed the subscription to a capital increase of Taiping Reinsurance Co. Ltd. (TPRe), a wholly controlled subsidiary of its Chinese partner China Taiping Insurance Holdings;
- On 31 December, Ageas announced the completion of the acquisition of an additional stake of 23% in the Indian Life insurance joint venture IDBI Federal Life Insurance Company Ltd. (IFLIC) and became the largest shareholder with 49% in the joint venture it operates together with IDBI Bank and Federal Bank.

The composition of the eligible Own funds to meet the group SCR is as follows:

	31 December 2020	31 December 2019
Own Funds to meet group SCR:	**7 869**	**8 653**
Unrestricted Tier 1	**5 047**	**5 502**
Eligible Restricted Tier 1	**1 205**	**1 376**
Available Restricted Tier 1	1 205	2 059
Overflow to Tier 2	0	-683
Eligible Tier 2	**1 537**	**1 668**
Overflow from Tier 1	0	683
Available Tier 2	1 537	985
Tier 3	**79**	**107**

At the end of 2020, 79.5% of the eligible Own Funds are of the highest quality (Tier 1).
The decrease of the OF during 2020 is mainly due to the Fresh Transaction, the Magna transaction (Tier 2 subordinated debt of EUR +500 million), the decreasing risk free yield curves & equity markets and new entities acquired outside of the SII consolidation scope (Taiping Reinsurance and step up in the India Life Insurance Joint-Venture). The Fresh transaction reducing own Funds with EUR -530 MM during 2020 should be considered together with the issue of iEUR 750 MM 'Halley' Restricted Tier 1 subordinated debt in Q4 2019.

SCR

Pillar 1 (Capital Requirements) of Solvency II requires insurers to calculate their Solvency Capital Requirement (SCR) using either the Standard Formula or a (Partial) Internal Model. The Standard Formula is determined by EIOPA, the European insurance regulator. A (Partial) Internal Model is calibrated by the insurance company and approved by the insurers' regulator. Ageas management believes that given the profile of its Non-life risk book, which mainly consists of traditional retail property and casualty policies, the Standard Formula overstates risks. For AG Insurance (AGI), Ageas Insurance Limited (AIL) and Tesco Underwriting (TU), the partial internal models for Non-life have received regulatory approval from both the Belgium and the UK regulator. Ageas Group therefore calculates its regulatory capital requirement under Pillar 1 based on the SCR PIM. The table below presents the Solvency ratios at Group level as at year-end:

	31 December 2020	31 December 2019
Total Eligible Solvency II Own Funds to meet the Group SCR	**7 869,0**	**8 653,0**
Group Required Capital under Partial Internal Model (SCR)	3 962,4	4 253,6
Capital Ratio	**198,6%**	**203,4%**
Total Eligible Solvency II Own Funds to meet the minimum consolidated Group SCR	**6 685,2**	**7 333,9**
Minimum consolidated Group SCR	2 162,5	2 279,3
Capital ratio	**309,1%**	**321,8%**

The composition of the capital solvency requirement can be summarised as follows:

	31 December 2020	31 December 2019
Market Risk	4 648	4 821
Counterparty Default Risk	325	358
Life Underwriting Risk	842	775
Health Underwriting Risk	331	321
Non-life Underwriting Risk	796	810
Diversification between above mentioned risks	(1 549)	(1 535)
Non Diversifiable Risks	537	535
Loss-Absorption through Technical Provisions	(1 193)	(1 035)
Loss-Absorption through Deferred Taxes	(774)	(796)
Group Required Capital under Partial Internal Model (SCR)	**3 962**	**4 254**
Impact of Non-life Internal Model on Non-life Underwriting Risk	245	254
Impact of Non-life Internal Model on Diversification and other risks	(122)	(117)
Impact of Non-life Internal Model on Loss-Absorption through Deferred Taxes	8	1
Group Required Capital under the SII Standard Formula	**4 093**	**4 391**

The decrease in SCR reflects lower SCR for property risk resulting from the proportional consolidation of Interparking applied at group level as from Q4 2020 and the higher Loss Absorbing Capacity of Technical Provisions. The group PIM SCR for Non-life Underwriting Risk of EUR 795.7 million consists of an amount EUR 638.6 million modelled using an internal model. The balance is determined by applying the standard formula.

Business and Performance

1 Business

1.1 General information

Name and legal form:

The company is a public limited liability company bearing the name ageas SA/NV. Its registered office is at Rue du Marquis / Markiesstraat 1, 1000 Brussels. The company is registered in the Brussels register of legal entities under no. 0451.406.524.

Supervisor:

National Bank of Belgium ('NBB'), Boulevard de Berlaimont 14, 1000 Brussels, phone +32 (0)2 221 21 11.

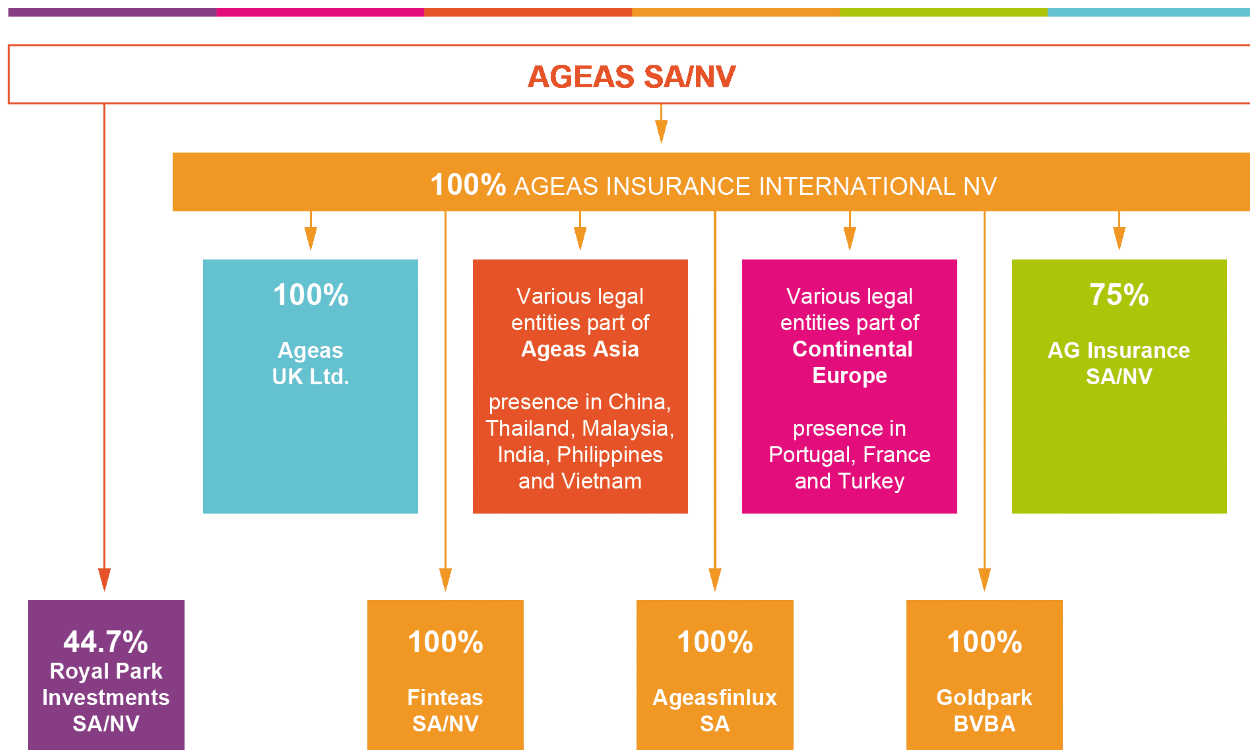
External auditor:

PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV ('PwC'), Woluwedal 18, 1932 Sint-Stevens-Woluwe with Roland Jeanquart and Kurt Cappoen as permanent representatives.

Annual Report ageas SA/NV:
In this document references are included to the Annual Report of ageas SA/NV which is published on our website (www.ageas.com).

Legal structure:

The group legal structure of Ageas is as follows:



Fully consolidated entities of Ageas in Continental Europe are in Portugal, Millenniumbcp Ageas (51%), Ocidental Seguros (100%), Médis (100%), Ageas Portugal Vida (100%) and Ageas Portugal Seguros (100%) and in France, Ageas France (100%). The full list of undertakings in the scope of the Group is published in the 'Group Public Disclosure QRT S.32.01.22, which can be found on the website: https://www.ageas.com/investors/quarterly-results.

Known shareholders of ageas SA/NV, based on the official notifications, as at 31 December 2020 are:

- BlackRock, Inc 5.23%;
- Ping An 5.17%;
- Fosun 5.06%;
- Schroders Plc 2.94%;

ageas SA/NV and its subsidiaries hold 3.90% of its own shares. This interest is related to the FRESH (see note 18 Shareholders' equity and note 20 Subordinated liabilities of the Annual Report 2020), restricted share programmes and the share buy-back programmes (see note 18 Shareholders' equity of the Annual Report 2020).

1.2 Material lines of business and material geographical areas

Group wide Ageas serves nearly 39 million customers directly or indirectly in 14 countries across Europe and Asia. Ageas operates mainly in mature markets in Western Europe and in developing areas through joint ventures in Asia. Overall, the focus is on Life and Non-Life solutions to individual customers and Small and Medium enterprises through a broad range of channels. Within the current strategic plan, the focus has been widened to activities in the area of prevention and assistance or helping the customers to anticipate on potential risks on top of regular protection and assistance in case of an adverse event. This more explicit ambition is in line with the updated purpose and also allows to offer solutions for our customers that create economic value and respond certain societal issues for instance in the domain of Health and Well-being, Ageing or Mobility. This extended ambition also typically results in new types of partnerships beyond the traditional alliances.

Ageas' 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' 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 items 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).

The main products that are commercialised by subsidiaries of Ageas are:

- Life savings products both with- and without profit sharing;
- Life protection products;
- Pension products;
- Workers Compensation;
- Motor related insurance;
- Property related insurance.

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.

1.3 Significant business or other events

2020 was the second year in the execution of the 3-year strategic plan, Connect21, both at Group level and within the local entities. The strategic choices, made under Connect21, have been translated into local action plans that consider the specific characteristics of each business in the respective countries, ensuring Ageas remains relevant for all its stakeholders and true to its purpose as a "Supporter of your life". The Ageas' Business Report, published simultaneously with the annual report, provides various examples of how Ageas is implementing this strategy.

As a "Supporter of your life" the Group seeks to create value for customers, employees, partners, investors and society at large. For each of these stakeholder groups Ageas made specific pledges and defined corresponding KPIs.

When designing its strategic plan Connect21, Ageas went back to basics, exploring the very essence of its existence. It recognised that the world is becoming more complex, meaning that the role of an insurer is constantly being challenged and expanded to meet the changing needs of all stakeholders.

Ageas's 2020 net result is marked by a strong Life and Non-life operational performance. The Covid-19 pandemic and the measures taken by authorities resulted in an economic slowdown and extremely volatile financial markets since mid-February 2020. In this challenging environment Ageas managed to maintain inflows at EUR 35.6 billion, almost in line with 2019. The Group net result amounted to EUR 1,141 million of which EUR 961 million related to Insurance activities. The result benefited from a strong Non-Life performance with low mobility due to the lockdown significantly and reducing the claims frequency in Motor and a limited exposure to commercial lines risks. The Life result was affected by equity impairments and a lower investment yield from Real Estate. Despite the pandemic the Group's capital, solvency and liquidity positions remained solid.

Ageas's success will depend on how all stakeholders value their relationships with Ageas over the long term. Implementing Connect21 is a gradual process in a world that is continuously changing. To remain hyper-relevant Ageas acknowledges that this means constantly evolving and reinventing itself to retain its competitive edge over time. Through a specific strategic work stream "Think 2030", the Group keeps a close watch on societal trends and technological innovations, and how these may impact the future product and service offering for customers.

1.3.1 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 246 million provision as at 31 December 2020 (31 December 2019: 514 million) are:

- EUR 1,309 million related to the WCAM settlement agreement;
- EUR 18 million related to the tail risk, including accrued expenses;
- Minus EUR 1 million still to be provided to Stichting FORsettlement by Stichting FORclaims, the foundation managing the contribution by the Insurers;
- Minus EUR 1,079 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.

1.3.2 Share buy-back programme

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. This programme was completed and in total 4,926,363 shares were bought back, corresponding to 2.53% of the total shares outstanding.

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.

In line with the Group's M&A guidance, a new share buy-back program is suspended in response to the sizeable transaction with Taiping Reinsurance (see 'acquisitions and disposals in 2020').

1.3.3 Acquisitions and disposals in 2020

On 14 October, Ageas and Tesco Personal Finance Plc (Tesco Bank) announced an agreement for Tesco Bank to buy Ageas's 50.1 % stake in Tesco Underwriting. The partnership was set-up in 2009 and was extended for a 7-year period at the end of 2014. The transaction is expected to close in the second quarter of 2021 and remains subject to regulatory approvals from the Prudential Regulation Authority (PRA) in the UK. Therefore, the treatment of Tesco in the MCBS changed as from Q4 2020. Tesco is no longer a consolidated entity within the group but treated as an asset held for sale (reported in other assets in the MCBS, with the SII value being equal to the IFRS value).

On 27 November, Ageas completed the subscription to a capital increase of Taiping Reinsurance Co. Ltd. (TPRe), a wholly controlled subsidiary of its Chinese partner China Taiping Insurance Holdings. Ageas now holds 24.99% of the share capital of TPRe that operates Life and Non-Life reinsurance activities across the world.

On 31 December, Ageas announced the completion of the acquisition of an additional stake of 23% in the Indian Life insurance joint venture IDBI Federal Life Insurance Company Ltd. (IFLIC) and became the largest shareholder with 49% in the joint venture it operates together with IDBI Bank and Federal Bank. Following the transaction, the company was rebranded to Ageas Federal Life Insurance Company.

1.3.4 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 20 Subordinated liabilities of the Annual Report 2020.

The successful FRESH transaction resulted in an exceptional capital gain of EUR 332 million.

1.3.5 Restricted Tier 1 subordinated debt placement oversubscribed

On 10 December 2019 ageas SA/NV issued subordinated debt securities for an aggregate principal amount of EUR 750 million in the form of Perpetual Subordinated Fixed Rate Resettable Temporary Write-Down Restricted Tier 1 Notes.

These notes have a fixed coupon rate of 3.875% payable annually with reset in June 2030 (no step-up) and every 5 years thereafter. They have no scheduled maturity date and, except in certain limited circumstances, may not be redeemed by ageas SA/NV before the six month period preceding June 2030.

They qualify as restricted Tier 1 capital for both Ageas Group and ageas SA/NV under European regulatory capital requirements for insurers (Solvency II) and are rated BBB+ by Standard & Poor's and BBB- by Fitch. They are listed on the regulated market of the Luxembourg Stock Exchange.

The net proceeds from the issuance of this instrument were used for general corporate purposes and to strengthen the regulatory solvency of the Ageas Group and its operating subsidiaries, including by way of replacing the FRESH securities that were tendered as part of the offer launched by Ageas in 2019 (see Annual Report 2020, note 20.1).

1.3.6 Number of employees at the end of 2020

At Ageas more than 45,000 employees spread over Europe and the joint ventures in Asia, have joined forces to deliver on the pledges towards all stakeholders. Within the consolidated entities headcount amounts to 11,179 as per 31 December 2020 (with an average seniority of 13.0 years).

1.3.7 Significant events after the end of the reporting period

On 23 February 2021, Ageas announced that it had signed an agreement with Aviva plc to acquire its 40% stake in the Turkish listed life insurance and pensions company AvivaSA for a total consideration of GBP 122 million (TRY 1.2 billion) or circa EUR 142 million. The transaction is subject to regulatory approval and is expected to close in 2021.

2 Underwriting performance

Information on premiums, claims and expenses by line of business and per country can be found in QRTs S.05.01.02 and S.05.02.01 respectively. The schedule S.05.02.01 gives an overview of the five countries with the highest volume in premium within the group. Next to Belgium (BE), our home country, these countries are, for Non-life business: Great Britain (GB), Portugal (PT), Ireland (IE), Thailand (TH) and Turkey (TR). For the Life these countries are, next to the home country Belgium, Portugal and France (FR).

2020 was a year that will be forever marked in the history books by a pandemic no-one predicted, but one that challenged every one to re-set the personal and professional lives.
With these circumstance ageas is proud to say that it has been there for all the stakeholders. Ageas continued to service the customers. Moreover, the ageas insurance companies temporarily extended or adapted their insurance coverage, for instance for patients, medical staff, volunteers. And ageas took measures to support the economy and the sectors most impacted by the crisis.

Ageas' businesses have put in a strong performance in the second year of Connect21. They delivered continued sustainable profitable growth, benefitting more than ever from the geographic diversification, ageas' well-balanced product portfolio and prudent management. In real terms the Life and Non-Life businesses reacted in different ways. While the financial markets weighed on the Life performance, the measures to contain the spread of the virus had a positive impact on the Non-Life results with lower claims frequency. Ageas was also able to benefit from sharing experiences between Asia and Europe. In the context of the pandemic things were moving at a different pace around the world, and ageas was able to benefit from these different experiences.

Despite the context, 2020 was a year with excellent results. The top line (on a 100% basis) decreased only marginally compared to 2019, thanks to a strong recovery in China and Singapore among other things. Taking into account that everywhere ageas' distribution is mainly "customer facing", through agents, brokers and bancassurance, ageas is proud of the performance and dedication from the sales teams serving the customers at all times.

Inflows

The **Group inflows** including the non-consolidated entities (at 100%) remained strong in the challenging 2020 context. Inflows were almost stable compared to last year mainly thanks to a strong recovery of the Asian activities. The different timing of government measures to address the pandemic in the countries in which Ageas operates are reflected in the regional evolutions of the inflows across 2020. In Asia, gross inflows ended 4% higher year on year as a significant drop in the first quarter was more than offset by a strong recovery in China and Malaysia in the second part of the year. In Europe inflows dropped 8%, due to lower Life inflows. The impact of the lockdown measures on the Non-Life premiums remained limited.

Net result

The **Group net profit** stood at EUR 1,141 billion and benefited from EUR 332 million capital gains related to the transactions on the FRESH securities. Despite EUR 170 million less realised capital gains the Insurance operations generated a net profit of EUR 960 million marked by a strong Non-Life performance. The **combined ratio** improved to 91.3% marked by a strong performance across most of the product lines and benefiting directly and indirectly from the circumstances caused by the pandemic. The **Guaranteed operating margin** of the consolidated entities reached 90 bps. The unfavourable evolution of the equity markets and the lower investment income from Real Estate was more than compensated by a strong underwriting result. The Group **Unit-Linked operating margin** continued its steady progress and amounted to 29 bps.

The **Life** activities contributed EUR 570 million to the net profit and **Non-Life** EUR 391 million. The net result in Belgium amounted to EUR 411 million, with lower support from net capital gains nearly offset by a better Non-Life result. The UK activities contributed EUR 65 million to net result with a lower claims frequency and prior year releases in Motor more than offsetting the impact of adverse weather. The net profit in Continental Europe increased to EUR 136 million with strong results both in Life and Non-Life. In Asia, the net result came down to EUR 269 million impacted by the low interest rate environment and high volatility of the financial markets resulting in IFRS impairments on equities. The Reinsurance segment contributed EUR 79 million as a result of the strong overall Non-Life performance at the ceding entities.

The net result of the **General Account** increased substantially to EUR 181 million, benefiting from the aforementioned capital gain related to FRESH securities transactions. The revaluation of the RPN(I) liability resulted in a negative non-cash contribution of EUR 61 million.

COVID-19 measures on dividend

Ageas responded to the regulator's concerns about the extra-ordinary market circumstances due to the pandemic. In an open dialogue with the National Bank and based on the strong capital position, ageas decided to postpone the payment of the full dividend (related to the 2019 results) until the special shareholders meeting in the autumn of 2020. The dividend payed out in 2020 follows and meets the supervisory requirements set in the light of the impact and consequences of the pandemic.

Proposed dividend based on the 2020 results

Ageas's solvency and cash position have shown great resilience over the past year and its operations remain strong. As a result, the Ageas Board of Directors proposes in full respect of the guidance issued by the National Bank of Belgium, to distribute a gross cash dividend of EUR 2.65 per share over the financial year 2020. This corresponds to a pay-out ratio of 56% on the Group net result excluding the impact from RPN(I) and the FRESH operation

The tables on the next pages gives an overview of the results of the Insurance activities for 2020 and 2019 by operating segment.

2020	Belgium	UK	CEU	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income										
- *Gross premium income*	*5 428*	*1 382*	*1 598*	-	*1 641*	*(1 611)*	*8 438*	-	*(3)*	*8 435*
- *Change in unearned premiums*	*(7)*	*(10)*	*(3)*	-	*(45)*	*43*	*(22)*	-	-	*(22)*
- *Ceded earned premiums*	*(733)*	*(760)*	*(433)*	-	*(55)*	*1 570*	*(411)*	-	-	*(411)*
Net earned premiums	4 688	612	1 162	-	1 541	2	8 005	-	*(3)*	8 002
Interest, dividend and other investment income	2 131	38	202	-	21	(1)	2 391	39	*(38)*	2 392
Unrealised gain (loss) on RPN(I)	-	-	-	-	-	-	-	(61)	-	(61)
Result on sales and revaluations	267	-	26	-	1	(1)	293	340	*6*	639
Income related to investments for unit-linked contracts	359	-	125	-	-	-	484	-	-	484
Share in result of associates	1	14	16	295	-	-	326	2	-	328
Fee and commission income	437	240	236	-	4	(532)	385	-	-	385
Other income	160	34	19	-	-	(1)	212	7	*(18)*	201
Total income	8 043	938	1 786	295	1 567	(533)	12 096	327	*(53)*	12 370
Expenses										
- *Insurance claims and benefits, gross*	(5 088)	(771)	(1 094)	-	(1 000)	985	(6 968)	-	2	(6 966)
- *Insurance claims and benefits, ceded*	385	476	239	-	36	(985)	151	-	-	151
Insurance claims and benefits, net	(4 703)	(295)	(855)	-	(964)	-	(6 817)	-	*2*	*(6 815)*
Charges related to unit-linked contracts	(420)	-	(191)	-	-	1	(610)	-	-	*(610)*
Financing costs	(92)	(9)	(12)	-	(1)	-	(114)	(63)	*38*	*(139)*
Change in impairments	(145)	-	(26)	-	-	(1)	(172)	-	-	*(172)*
Change in provisions	(8)	-	-	-	-	-	(8)	44	-	*36*
Fee and commission expenses	(668)	(253)	(204)	-	(547)	534	(1 138)	-	-	*(1 138)*
Staff expenses	(549)	(132)	(100)	(23)	(1)	0	(805)	(32)	*3*	*(834)*
Other expenses	(783)	(179)	(157)	(3)	25	(1)	(1 098)	(82)	*15*	*(1 165)*
Total expenses	**(7 368)**	**(868)**	**(1 545)**	**(26)**	**(1 488)**	**533**	**(10 762)**	**(133)**	**58**	**(10 837)**
Result before taxation	**675**	**70**	**241**	**269**	**79**	**-**	**1 334**	**194**	**5**	**1 533**
Tax income (expenses)	**(143)**	**(5)**	**(66)**	**-**	**-**	**-**	**(214)**	**(19)**	**-**	**(233)**
Net result for the period	**532**	**65**	**175**	**269**	**79**	**-**	**1 120**	**175**	**5**	**1 300**
Attributable to non-controlling interests	121	-	39	-	-	(1)	159	-	-	159
Net result attributable to shareholders	**411**	**65**	**136**	**269**	**79**	**1**	**961**	**175**	**5**	**1 141**
Total income from external customers	8 345	1 413	2 031	294	-	0	12 083	287	-	12 370
Total income internal	(302)	(475)	(245)	1	1 567	(533)	13	40	(53)	-
Total income	**8 043**	**938**	**1 786**	**295**	**1 567**	**(533)**	**12 096**	**327**	**(53)**	**12 370**
Non-cash expenses (excl. depreciation & amortisation)	-	-	-	-	-	-	-	44	-	44

2019	Belgium	UK	CEU	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income										
- *Gross premium income*	*5 869*	*1 375*	*2 121*	-	*1 689*	*(1 669)*	*9 385*	-	*(2)*	*9 383*
- *Change in unearned premiums*	*(2)*	*17*	*(15)*	-	*(241)*		-	-	-	-
- *Ceded earned premiums*	*(564)*	*(897)*	*(276)*	-	*(51)*	*1 426*	*(362)*	-	-	*(362)*
Net earned premiums	5 303	495	1 830	-	1 397	(2)	9 023	-	(2)	9 021
Interest, dividend and other investment income	2 348	38	213	-	12		2 612	37	(37)	2 612
Result on sales and revaluations								3	(4)	326
Income related to investments for unit-linked contracts	1 123	-	775	-	-		1 898	-	-	1 898
Income related to investments for unit-linked contracts	46	13	17	545	-		621	2	-	623
Fee and commission income	348	248	178	-	4		365	-	-	365
Other income	203	38	24	1	-	(1)	265	6	(17)	254
Total income	9 642	839	3 081	546	1 418	(415)	15 111	48	(60)	15 099
Expenses										
- *Insurance claims and benefits, gross*	*(5 826)*	*(834)*	*(1 762)*	-	*(1 107)*	*1 086*	*(8 443)*	-	*3*	*(8 440)*
- *Insurance claims and benefits, ceded*	*345*	*709*	*158*	-	*(20)*	*(1 086)*	*146*	-	-	*146*
Insurance claims and benefits, net	(5 481)	(125)	(1 604)	-	(1 087)	-	(8 297)	-	3	(8 294)
Charges related to unit-linked contracts	(1 159)	-	(817)	-	-		(1 977)	-	-	(1 977)
Financing costs	(97)	(10)	(13)	-	(1)		(121)	(43)	35	(129)
Change in impairments	(47)	(5)	(5)	-	-		(56)	-	-	(56)
Change in provisions	2	-	-	-	-		2	(7)	-	(5)
Fee and commission expenses	(657)	(244)	(183)	-	(422)	413	(1 093)	-	-	(1 093)
Staff expenses	(551)	(142)	(84)	(25)	-		(802)	(29)	-	(831)
Other expenses	(866)	(230)	(199)	(6)	77	2	(1 222)	(76)	17	(1 281)
Total expenses	(8 856)	(756)	(2 905)	(31	(1 433)	415	(13 566)	(155)	55	(13 666)
Result before taxation	786	83	176	515	(15)		1 545	(107)	(5)	1 433
Tax income (expenses)	(184)	(14)	(44)		(1)		(243)	(12)		(255)
Net result for the period	602	69	132	515	(16)	-	1 302	(119)	(5)	1 178
Attributable to non-controlling interests	175	-	24	-	-	-	199		-	199
Net result attributable to shareholders	427	69	108	515	(16)	-	1 103	(119)	(5)	979
Total income from external customers	9 876	1 460	3 225	546			15 107	(8)		15 099
Total income internal	(234)	(621)	(144)		1 418	(415)	4	56	(60)	
Total income	9 642	839	3 081	546	1 418	(415)	15 111	48	(60)	15 099
Non-cash expenses (excl. depreciation & amortisation)	-	-	-	-	-	-	-	(7)		(7)

3 Investment performance

3.1 Income and expenses by asset class including gains and losses recognised directly in equity

Financial income and allocated capital gains (net of impairments), before investment costs, included in the IFRS consolidated result before taxation is 2,720 EUR million in (2019: EUR 2,753 million).

	2020	2019
Interest, dividend and other investment income	2 392	2 612
Result on sales and revaluations	639	326
Financing costs (relate mainly to subordinated debt, borrowings & other liabilities)	(139)	(129)
Change in impairments	(172)	(56)
Total	**2 720**	**2 753**

* *Result on sales and revaluations is related to the realised and unrealised gains and losses on investments (recognised in profit and loss) Interest, dividend and other investment income*

The level of impairments on equity securities in 2020 reflects the adverse equity market movements induced by the Covid-19 pandemic, especially in the first and second quarter of the year. The increase in impairments on reinsurance and other receivables relates to Covid-19 related rent concessions that Ageas gave as lessor for the lease of retail property and office buildings.

The table below gives the realized returns, split by the following asset classes: equity, bonds, loans, real estate and cash. Note that in this table all asset classes are at fair value, except loans, which are at amortized cost.

		Income	Realised Capital Gain (Losses)	Impairment	Total result	Change in Unrealised Gain (Losses)	Total return
TOTAL	Bonds	2,34%	0,09%	(0,06%)	2,37%	2,39%	4,76%
	Equity	2,42%	3,45%	(3,03%)	2,84%	1,52%	4,36%
	Loans	2,25%			2,22%		2,22%
	Real Estate	0,89%	2,27%	(0,42%)	2,74%	(0,43%)	2,31%
	Cash	0,22%			0,22%		0,22%
	Insurance	**2,15%**	**0,39%**	**(0,18%)**	**2,36%**	**1,68%**	**4,05%**

- The total investment result stood at 2,36%, of which 2,15% recurrent income. The recurrent income yield decreased with 15bp compared to same period last year, mainly due to lower yields on all asset classed but especially on real estate (lock-down impacting especially parkings and shopping centers).
- Positive change in unrealised capital gains on bonds, due to lower yields.
- Important realization of cap gains in equity, more than compensating negative impact of impairments.
- Revenue from loans mainly stem from government related loans, mortgage loans and infrastructure loans.
- Real estate contributed to realised cap gains.

3.2 Investments in securitization

Ageas has no material investments in securitization.

4 Performance of other activities

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.

The net result of the General Account increased substantially to EUR 181 million (123 million in 2019), benefiting from the capital gain related to FRESH securities transactions (see chapter E in the Annual Report 2020 for more details). The revaluation of the RPN(I) liability resulted in a negative non-cash contribution of EUR 61 million.

4.1 Lease agreements

Ageas has entered into lease agreements for the use of office space, office equipment, vehicles and parking facilities. The following table reflects undiscounted obligations under lease agreements.

	2020 Minimum lease payments	Operating lease Minimum lease payments
Less than 1 year	76,0	76,3
1 year to 2 years	71,0	68,0
2 years to 3 years	66,0	62,7
3 years to 4 years	51,0	56,3
4 years to 5 years	44,0	48,5
More than 5 years	437,0	368,8
Total	**745,0**	**680,6**
Annual rental expense	5,0	4,6
Future finance charges	238,0	

5

A.5 Any other information

5.1 Significant intra-Group transactions

All intercompany transactions between Ageas companies are eliminated.

Material intercompany transactions in the group relate to:
- Financing (subordinated) loans between Holding companies and subsidiaries;
- Internal reinsurance arrangements with ageas SA/NV.

5.2 Related parties

Parties related to Ageas include associates, pension funds, Board Members (i.e. Non-Executive and Executive Members of the Ageas Board of Directors), executive managers, close family members of any individual referred to above, entities controlled or significantly influenced by any individual referred to above and other related entities. Ageas frequently enters into transactions with related parties in the course of its business operations. Such transactions mainly concern loans, deposits and reinsurance contracts and are entered into under the same commercial and market terms that apply to non-related parties.

Ageas companies may grant credits, loans or guarantees in the normal course of business to Board Members and executive managers or to close family members of the Board Members or close family members of executive managers.

In 2013, a transaction took place between ageas SA/NV and one of its independent Board members, Mr Guy de Selliers de Moranville. The transaction relates to the renting by ageas SA/NV of one of his properties. This property is regarded as an appropriate venue to host VIP-guests of the Board and Executive Management and is rented at an annual rent of EUR 50,000 (indexed). Management considers the transaction with Mr Guy de Selliers de Moranville was concluded at arm's length. Notification of withdrawal of this rental contract was given by ageas SA/NV in November 2019, the contract is terminated on 30 April 2020

As at 31 December 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.

5.3 Reinsurance activities within ageas SA/NV

ageas SA/NV has a reinsurance license to carry out both Non-life and Life reinsurance activities. Reinsurance activities increases the fungibility of capital within the Group, giving the Group higher flexibility and agility to execute its strategy. Other key business objectives are the optimization of the protection and risk retention on the level of the Group, together with pricing optimization and managing the pricing cycle of the reinsurance market.

A Capital Management program was launched in 2019, whereby ageas SA/NV underwrites quota-share agreements and loss portfolio transfers on the non-life business of the fully consolidated entities. The group companies involved are mainly the Non-Life entities of Portugal, AG Insurance and Ageas Insurance Limited.

In 2020 ageas SA/NV underwrote a larger share in the same quota share agreements and loss portfolio transfers. Another change that took place in 2020 relates to the contract boundaries. Previously the contract boundaries were approximately three years, but it has now been decreased to one year.

Ageas also accepts non-proportional reinsurance from its entities (the Protection Program). This non-proportional business is partially retroceded to the external reinsurance market, in principal acquiring one single multi-territory programme per risk type for the group. There is no intention to write third party business. Overall, a reduction of the group reinsurance costs and a better protection of the group balance sheet is envisaged. This activity is set up with consolidating entities and Joint Venture companies of ageas SA/NV.

Taking into account this reinsurance activity, a prudential reporting on the solo level of ageas SA/NV is set up and reported. The public annual solo QRTs of ageas SA/NV are attached to the Group SFCR together with the public annual Group QRTs.

Ageas SA/NV uses the governance, management and operational infrastructure of the Ageas Group. For example, the various Ageas Group committees, the risk management framework, the internal audit and compliance function, all cover both the Group's activities as well as ageas SA/NV as a solo entity. Only a specific Ageas Local Actuarial Function (ALAF) exist for the solo entity. The entity has its own underwriting team and the performance of the reinsurance business is reported in a separate segment Reinsurance, separate from the already existing holding activities of ageas SA/NV, which are reported as part of the General Account segment.

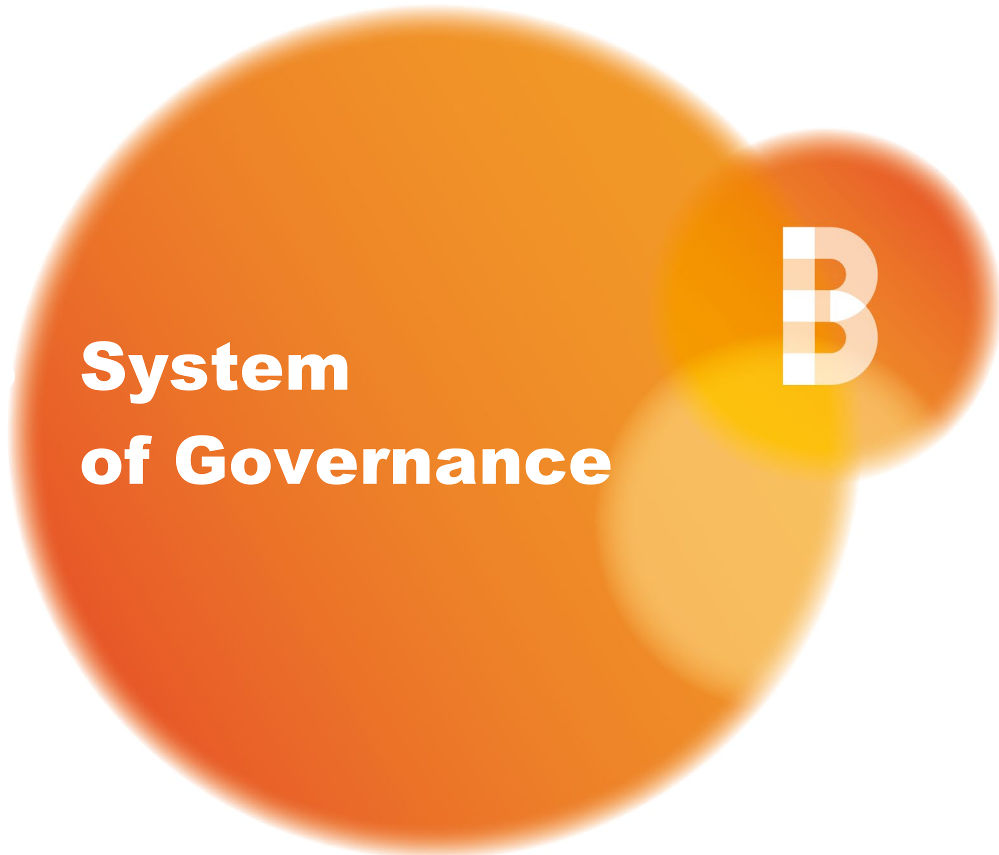
The solo income statement (based on Belgian Gaap accounting principles) for the Non-Life and Life technical account (including underwriting performance, investment performance and performance of other activities) can be found in the table below.

The Non-Life underwriting result increased from a loss of 47,6 million EUR in 2019 to a profit of 38,1 million EUR in 2020. The strong improvement of the result is mainly explained by the reduced claims frequency following the increased homeworking as a consequence of Covid-19. The loss in 2019 is also partially explained as the reinsurance activities were in a start-up phase.
Ageas has underwritten its first Life reinsurance treaty in 2020. The underwriting result equals 1,4 million EUR.

The investment result increased from 9,4 million EUR in 2019 to 14,4 million EUR in 2020. This increase is explained by the higher amount of assets (as a result of the increase in the cession rates and LPTs). Furthermore the lower investment result in 2019 is partially explained by the fact that the reinsurance activities commenced in 2019 and not all investments were fully invested for the entire year.

The performance of the other activities equals 1,8 million EUR and relates to the FX-rate.

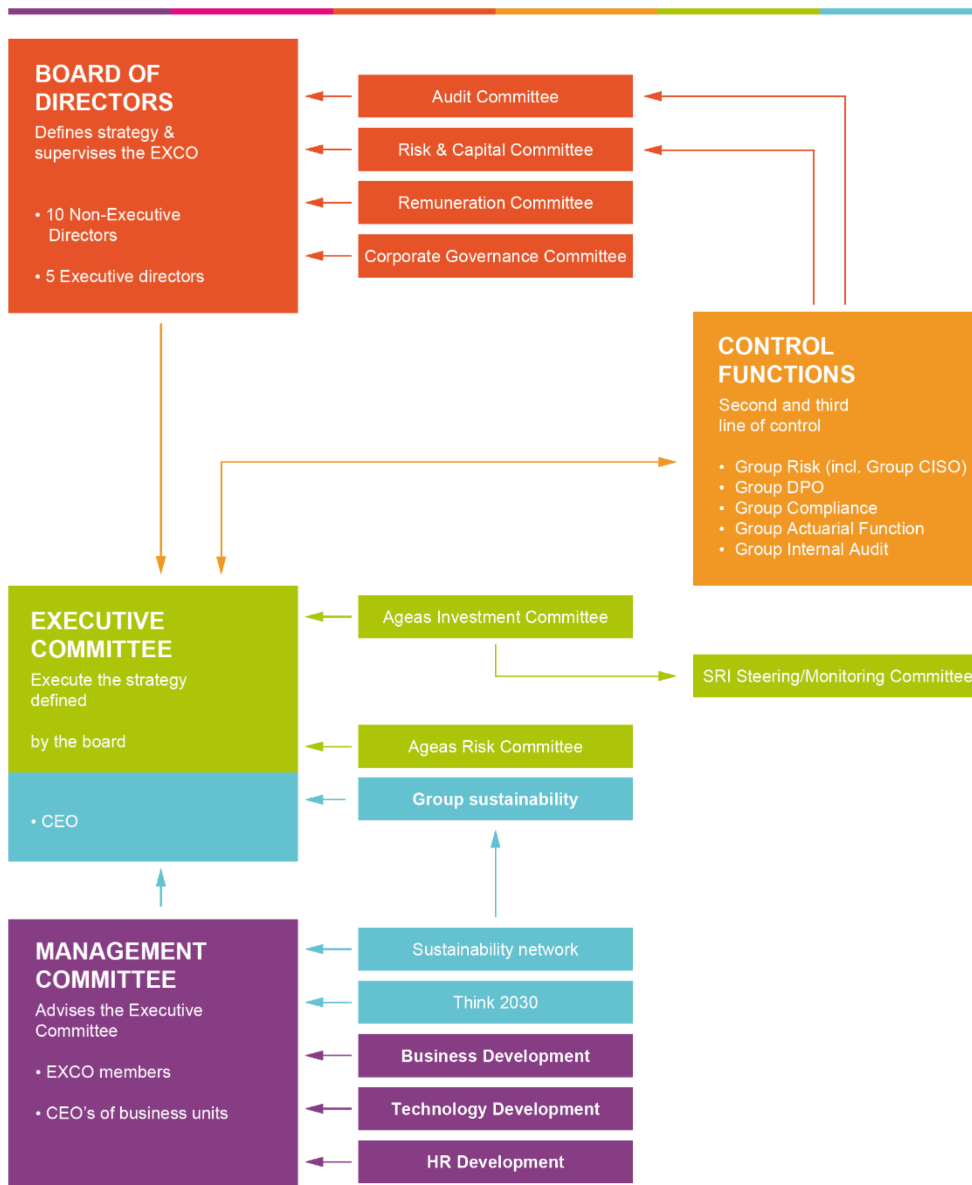
BGAAP Profit and Loss	Non-life	Life	Total life + non life
Gross written premiums	1,406,998,161	14,958,856	1,421,957,017
Change in unearned premiums	(8,949,221)	0	(8,949,221)
Gross earned premiums	**1,398,048,940**	**14,958,856**	**1,413,007,796**
Gross paid claims	(651,310,261)	(866,965)	(652,177,226)
Change in gross claims reserves	(154,721,732)	(7,441,304)	(162,163,036)
Change egalisation reserve	(17,773,423)	0	(17,773,423)
Gross underwriting margin	**574,243,525**	**6,650,586**	**580,894,111**
Outward reinsurance premium	(54,745,615)	0	(54,745,615)
Payments reinsurer	6,238,622	0	6,238,622
Reinsurance share in change in provision	28,493,690	0	28,493,690
Reinsurance commission	4,401,849	0	4,401,849
Other reinsurance results	**(15,611,455)**	**0**	**(15,611,455)**
Net underwriting margin	**558,632,070**	**6,650,586**	**565,282,656**
Commissions paid	(517,802,122)	(5,235,128)	(523,037,249)
General expenses	(2,687,677)	(42,456)	(2,730,133)
Expenses	**(520,489,798)**	**(5,277,584)**	**(525,767,382)**
Operating margin	**38,142,271**	**1,373,003**	**39,515,274**
Investment result	**14,390,785**	**0**	**16,148,566**
Other	**1,757,781**	**0**	**0**
Net result	**54,290,838**	**1,373,003**	**55,663,840**



B System of Governance

1 General information on the system of governance

1.1 System of governance



ageas SA/NV has a Board of Directors, (hereafter referred to as "the Board"), a number of advisory committees (hereafter referred to as "the Board Advisory Committees", namely a Remuneration Committee, a Nomination and Corporate Governance Committee, an Audit Committee and a Risk & Capital Committee) and an Executive Committee.

The majority of the Board is composed of non-executive directors. The composition of the Board is disclosed in the 2020 annual report of Ageas, section Report of the Board of Directors.

At the end of 2020, the Executive Committee of Ageas was composed of:

- the CEO, responsible for the Strategy, M&A, Audit, ESG matters, Human Resources, Communications and Company Secretary;
- the CFO, responsible for Finance, Investments, Investor Relations, Business Performance Management and Legal & Tax;
- the CRO, responsible for Risk, Compliance, Actuarial function and Validation;
- the MD Europe, responsible for monitoring of the performance of the business in Europe, for reinsurance and for property investments within the Group;
- the MD Asia, responsible for the monitoring of the performance of the business in Asia and for Business & Technology Development within the Group.

Apart from the Executive Committee, there is a Management Committee, which has an advisory role to the Executive Committee. The Executive Committee and the Management Committee are jointly referred to as the Executive Management.

The governance structure is completed by independent control functions regarding compliance, internal audit, risk management, actuarial function and a data protection officer.

1.1.1 Board of Directors

The Board pursues sustainable value creation by the Company, by setting the Company's strategy, putting in place effective, responsible and ethical leadership and monitoring the Company's performance. In order to pursue effectively such sustainable value creation, the Board develops an inclusive approach that balances the legitimate interests and expectations of shareholders and all other stakeholders. The Board supports the Executive Management in the fulfilment of their duties and constructively challenges the Executive Management whenever appropriate.

In order to increase the Board's knowledge and awareness of the issues in the most important operating companies, Board members may be appointed to the boards of directors of ageas SA/NV subsidiaries and affiliates.

1.1.2 Executive Management

The Executive Management is composed of the Executive Committee and the Management Committee. The role of the Executive Management is to manage Ageas in keeping up with the values, strategies, policies, plans and budgets endorsed by the Board. In exercising this role the Executive Management is, together with the boards of directors and the executive management of the respective entities of Ageas and each within its respective capacity, responsible for complying with all relevant legislation and regulations, and specifically with the legal and regulatory framework applicable to each Ageas company.

Executive Committee

RESPONSIBILITIES AND POWERS

The Executive Committee is entrusted with the running of the Company and has all powers described in article 7:110 of the Companies and Associations Code. The Executive Committee is responsible and accountable to the Board for the discharge of its responsibilities and should provide the Board with all information necessary in a timely fashion for the Board to carry out its duties.

In particular, and without prejudice to the previous paragraph, the Executive Committee is responsible for the following activities and reporting on these to the Board:

- Undertaking the management of the Company in accordance with the strategic goals established and with due regard to the risk tolerance limits laid down by the Board;
- Preparing and presenting to the Board the financial and non-financial information;
- Implementing the risk management system;
- Introducing, monitoring and assessing the organisational and operational structure;
- Reporting to the Board and to the NBB;
- Ensure proper communications with all relevant external stakeholders.

Management Committee

The Executive Committee shall extensively discuss and seek the prior advice of the Management Committee for all matters required by the Executive Committee to ensure that:

- Executive Committee decisions and proposals to the Board properly take into account the needs of the business units;
- all Management Committee members are committed to implementing and executing Board and Executive Committee decisions.

The members of the Management Committee are accountable to the Executive Committee and carry out their duties within the strategy outlined by the Board and the direction given by the Executive Committee and on any such other matters as the Executive Committee may require.

Advisory Committees

Currently, four Advisory Board Committees are in place: the Remuneration Committee, the Nomination and Corporate Governance Committee, the Audit Committee and the Risk and Capital Committee.

As a general principle the Board Advisory Committees have an advisory role towards the Board. They assist the Board in specific areas, which they cover in appropriate detail and on which they make recommendations to the Board. Only the Board, however, has the power to take decisions. The role and responsibilities of each Board Advisory Committee are determined by the Board and laid down in the relevant Terms of Reference in the Charter.

1.2 Intra-group Governance

At the level of ageas SA/NV, several mechanisms have been implemented for safeguarding the internal group governance and ensuring proper interaction between decision-making bodies at group level and at subsidiary level, in order to enhance information sharing and supervision of the subsidiaries:

- The first mechanism set up by Ageas allows the Board Members to be appointed to the Board of Directors of any ageas SA/NV subsidiary. Such an appointment increases the Board's knowledge and awareness of key issues in the most important operating companies;
- Secondly, the functions of Managing Director Europe and of managing Director Asia are members of the Executive Committee and Management Committee. The Managing Director Europe is responsible for monitoring of the performance of the business in Europe, for reinsurance and for property investments within the Group and the Managing Director Asia, responsible for the monitoring of the performance of the business in Asia and for Business & Technology Development within the Group.
- Finally, the Ageas Management Committee, which is the advisory body to the Executive Committee for issues related to business strategy and development, comprises the Chief Executive Officers of the four business units (i.e. Belgium, United Kingdom, Continental Europe and Asia), along with the members of the Executive Committee. The Management Committee meets twice a month, and the presence of the four business units' Chief Executive Officers allows the group's instructions to flow from top to bottom, guaranteeing efficient communication of said instructions.

Control functions are present at the holding level and in the local operational entities. Functional reporting lines are organised between the group control functions and the local control functions (see B.3 for further details in this respect).

1.3 The remuneration policy

The remuneration policy was presented for approval to the General Meetings of Shareholders in May 2020. Please refer to:
https://www.ageas.com/sites/default/files/file/file/24-03%20-%20Remuneration%20Policy.pdf

The remuneration of Board members is determined by the Board of Directors in compliance with the prerogatives of the General Meetings of Shareholders. This also applies for the remuneration of the Executive Committee members, upon recommendation by the Remuneration Committee.

The remuneration policy contains specific arrangements that take into account the tasks and performance of the administrative, management or supervisory body, persons who effectively run the undertaking or have other key functions and other categories of staff whose professional activities have a material impact on Ageas's risk profile (so-called 'Identified Staff') being:

- Members of the Board of Directors;
- Members of the Executive Committee and of the Management Committee;
- The Heads of the Independent Control Functions (audit, risk, compliance and actuarial function);
- Other identified staff: any other staff member whose activities have a material impact on Ageas's risk profile as defined by Ageas. (hereinafter referred to as 'other identified staff ').

Detailed information on the remuneration of individual Board Members and Executive Committee members who held office during 2020 can be found in note 6 section 6.3 Remuneration of the Board of Directors and Executive Committee members in the Ageas Consolidated Financial Statements 2020.

1.3.1 Board members

Detailed proposals for remuneration of Non-Executive Board members are made by the Remuneration Committee, based upon advice from outside experts. The remuneration of Non-Executive Board members includes both fixed fees for Board membership and attendance fees for Board and Board Committee meetings. Non-Executive Board members will receive part of their remuneration in Ageas in the form of Ageas shares and this to a maximum up to 20% of their fixed remuneration. These shares should be held until at least one year after the non-executive board member leaves the Board and at least three years after the moment of award. (applicable as of next increase). Non-Executive Board members can also receive remuneration in the Ageas subsidiaries in which they hold a board position.

1.3.2 Executive Committee members

The remuneration of the Executive Committee members is designed to:
- ensure the organization's continued ability to attract, motivate and retain executive talent in an international market place;
- promote achievement of demanding performance targets and long-term sustainable growth in order to align the interests of executives and shareholders in the short, medium and long term; and
- stimulate, recognise and reward both strong individual contribution and solid team performance.

The reward package for the Executive Committee members reflects a concept of integrated total compensation, combining the following components of pay: fixed remuneration, variable remuneration pension and extraordinary items.
- Fixed remuneration consists of base compensation and other benefits such as health care, death, disability coverage and a company car. Base compensation levels are determined per executive position for top management and are intended to compensate the Executive Committee members for their position's responsibilities and set of competencies.
- Variable remuneration consists of a One-Year variable remuneration (Short-Term Inventive) and a Multi-Year variable (Long-Term incentive). The Short-Term incentive (STI) is designed to stimulate, recognise and reward strong individual contribution by the Executive Committee members as well as solid performance as head of or as team member within the Executive Committee. The STIs are determined by the Executive Committee member's actual performance on the basis of pre-agreed performance criteria, Key Performance Indicators (KPIs). These comprise for 70% Corporate business performance (group objectives) and for 30% Individual performance (personal objectives, both quantitative and qualitative). For the CRO the KPI's comprise Corporate Business performance (40%), specific KPI's related to the risk function (30%) and individual performance (30%). The Short-Term Incentive (STI) on target is set at 50% of base compensation, with a maximum equal to 100% of base compensation.
- The Long-term incentive plan is designed to:
  - encourage and support the creation of shareholders' value and to ensure that the Executive Committee members, like the shareholders, share in the company's successes and set-backs;
  - provide the opportunity for Executive Committee members to receive, within their overall package, competitive rewards for performance as a result of sustained group performance over a longer period of time; and,
  - enable the organization to outperform a group of Ageas's peers in the market, and also take into account the growth potential of the Ageas share.
- The Long-Term Incentive Plan target is set at 45% of base compensation for all Executive Committee Members, with a maximum opportunity equal to 90% of base compensation. The long-term incentive is paid exclusively in the form of performance shares. These shares are ordinary Ageas shares.
- In line with the Belgian corporate governance code, Executive Committee members have a shareholding requirement equal to 1 year gross fixed compensation
- Ageas's pension schemes are in line with market practices in Ageas's geographic environment. For the members of the Executive Committee the pension scheme is a defined contribution plan.

1.3.3 Loans, credits or guarantees and insurance agreements to leaders

In 2020, the following insurance arrangements are reported:

Defined Contribution Pension Plan for the Executive Committee with a total cost amounting to EUR 986.122 (excluding taxes):
- Bart De Smet (CEO until 22/10) .... EUR 257.786
- Hans De Cuyper (CEO as of 22/10): .... EUR 27.083
- Christophe Boizard (CFO): .... EUR 193.540
- Filip Coremans (MD Asia): .... EUR 195.562
- Antonio Cano (MD Europe): .... EUR 194.592
- Emmanuel Van Grimbergen (CRO) .... EUR 117.559

The Board and Executive Committee members are insured in their Directors' and Officers' Liability Insurance for an amount of EUR 200,000,000 total aggregate for all loss, arising out of all claims made against them and covered by the insurance.

At 31 December 2020, no outstanding 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.

1.4 Shareholdership

Ageas shares are listed on the regulated market of Euronext Brussels. Ageas has a sponsored ADR programme in the United States.

Known shareholders of ageas SA/NV, based on the official notifications, as at 31 December 2020 are:

- BlackRock, Inc 5.23%;
- Ping An 5.17%;
- Fosun 5.06%;
- Schroders Plc 2.94%;
- ageas SA/NV and its subsidiaries hold 3.90% of its own shares. This interest is related to the FRESH (see note 18 Shareholders' equity and note 20 Subordinated liabilities of the Annual Report 2020), restricted share programmes and the share buy-back programmes (see note 18 Shareholders' equity of the Annual report 2020

1.5 Material changes in our system of governance

In 2020, the allocation of responsibilities between the different members of the Executive Committee has been modified.

At the end of 2020, the Executive Committee of Ageas was composed of:

- Hans De Cuyper, CEO, responsible for the Strategy and M&A, Audit, ESG matters, Communications, Human Resources and the Company Secretary;
- Christophe Boizard, CFO, responsible for Finance, Investments, Investor Relations, Business Performance Management and Legal & Tax;
- Emmanuel Van Grimbergen, CRO, responsible for Risk, Compliance , Actuarial function and Validation;
- Antonio Cano, MD Europe, responsible for monitoring of the performance of the business in Europe, for reinsurance and for property investments within the Group;
- Filip Coremans, MD Asia, responsible for monitoring of the performance of the business in Asia and for Business and Technology Development within the Group.

At the end of 2020, the Management Committee was composed of:

- The five members of the Executive Committee;
- The heads of the four business segments; Heidi Delobelle, who succeeded Hans De Cuyper as CEO AG Insurance (Belgium), Steven Braekeveldt, CEO Continental Europe, Ant Middle who succeeded Andy Watson as CEO United Kingdom, and Gary Christ, CEO Asia.

2

Fit and proper requirements

Sound Governance of a financial institution means that persons and bodies having the responsibility at the highest level comply with Fit & Proper rules. These standards of expertise and professional integrity are fully part of an effective organization and internal control system. Ageas has in place a structured suitability framework encompassing all processes and procedures ensuring Suitability (Fitness and Propriety) at all times, individually and collectively. This Suitability Framework is based on the Suitability (Fit and Proper) Policy and comprises the following elements:

- Suitability procedure for assessing fitness and propriety of the concerned persons;
- Suitability procedures for collective assessment (board assessments: self-assessment, external assessment, independent control functions assessments);
- Reassessment procedure of the suitability status, both individual and collective (frequency, triggering elements, signals);
- A list of foreseeable cases which give rise to a reassessment of the fit and proper requirements;
- A skills matrix and a list of propriety criteria;
- A description of the process for planning renewal of the members of the management committee;
- An annual procedure of control of the suitability status of the concerned persons;
- An escalation procedure to be used by the concerned persons to immediately report any change in their fit and proper status;
- A procedure for handling particular signals or possible issues (doubts) relating the individual and/or collective suitability status;
- A description of the procedure for assessing the skills, knowledge, and fitness and propriety of other relevant staff members who are not strictly speaking subject to the legal assessment requirements imposed by the (BE) National Bank of Belgium (NBB), when their profile is examined for a specific function and also on an ongoing basis;
- Procedures for notification to the (BE) NBB;
- Detailed job descriptions (in writing) stating clearly which suitability standards apply in the practise to each function profile.
- A documentation process.

The Suitability (Fit & Proper) Policy applies to all subsidiaries of Ageas worldwide. In case of discrepancy with local legislation and regulations, the latter must take precedence over the Ageas Policy. Group Compliance must be informed immediately in such circumstances to be able to give the necessary and appropriate follow-up to the situation.

This policy applies to the Affiliates in accordance with local legislation, be it that the overall principles described in this document should be applied anyway. It is, in addition, completely applicable to Ageas's representatives in the Affiliates.

Indeed, maximum consistency with this policy must be sought throughout the whole Ageas group at all times, namely as persons being subject to the suitability requirements may hold mandates in different group entities.

The Ageas Suitability (Fit and Proper) Policy applies to all members of the Board (executive or non-executive administrators / directors, independent or not), and of the Executive Committee (or similar structures), to the Heads of Independent Control Functions and to any Senior Manager possibly designated by these bodies or functions. The Independent Control Function are Internal Audit, Compliance, Risk Management and the Actuarial Function. In case of outsourcing of an Independent Control Function, the person designated inside the company who bears the global responsibility of the Independent Control Function that is being outsourced, or Relay Person, is also subject to the Fit & Proper requirements.

2.1 Principles and Concepts

The criteria included in the Ageas Suitability (Fit and Proper) Policy do not form an exhaustive and limitative list but introduce a framework in which the assessment of fitness (expertise) and properness (professional integrity) can be conducted.

Minimum Fit and Proper criteria are:

Fitness

For individuals:

- Expertise – Fit
  - Appropriate knowledge and experience;
  - Relevant training;
  - Skills;
  - Professional behaviour.

There is also a series of criteria that pertain to the collective fitness assessment of the concerned bodies, being the Board of Directors and the Executive Committee, or similar bodies.

- Propriety
  - Honest;
  - Trustworthy;
  - Independent;
  - Ethical and credible.

These criteria are supplemented with a set of principles aimed at taking into account the Group perspective, in terms of consistency of implementation of the suitability policy and framework.

2.2 Suitability is of continuous importance

The Suitability (Fit & Proper) Policy enunciates the scope, details the principles and concepts, and describes the implementation and monitoring features, criteria and processes to ensure constant compliance.

The Fit & Proper status of the persons subject to this policy is under permanent scrutiny since compliance is important not only at the time of appointment but also during the full period of exercise of the mandate or function.

2.3 Implementation and monitoring procedures

First-line controls
First line assessments and controls are executed by the functions in charge of implementing the Suitability Framework, and cover the following elements:

- assessment and re-assessment processes, including the skill matrix, the list of propriety criteria, detailed job descriptions;
- the description of the self-assessment processes of the governing and management bodies;
- the succession planning;
- the process for handling particular signals (in case of doubts or potential issues);
- the process for notification to the (BE) NBB;
- the documentation process.

Second-line controls
Second-line controls are executed by Compliance and relate to the monitoring of the implementation of the policy and the related Limit and Minimum Standards or LMS:

- on a yearly basis, via the signing of an affidavit by each person subject to the suitability requirements;
- on a continuous basis, via the procedure of escalation to be triggered in case of any (potential) change to such a person's fit and proper position, or further to the process for handling particular signals (doubts);
- on a regular basis, as defined in the Compliance Universe, as regards the effective execution of the requirements of the Suitability Framework.

Further requirements are provided by the Ageas Corporate Governance Charter in its Part III, section III.3 "Nomination and Appointment of Board Members, and namely in its section III. 3. 2. Board Profile, which provides that " When nominating new Board Members for election by the General Meeting, the Board takes into account the candidate's potential contribution in terms of skills, experience and knowledge in one or more of the areas listed below in accordance with the needs of the Board at the time of nomination:

- accounting: familiarity with reading and interpreting the financial statements of financial institutions, with international accounting standards, particularly as applied to financial products and in the financial services sector, with accounting and consolidation processes and procedures, and with merger and acquisition accounting;
- insurance knowledge: wide experience in, and in-depth knowledge of, the insurance sector, both at a technical level (including knowledge of the risks inherent to insurance activities and the techniques used to manage these) and in relation to Ageas's main customer markets;
- public affairs: familiarity with public and policy-making forums insofar they might affect business in general or the financial sector in particular;
- international exposure: international experience, gained through brief or extended periods of education or employment outside the Benelux countries and/or through previous senior positions held in the Benelux countries, involving extensive professional international contacts;
- management and organisation: experience in managing a large organisation, operating both nationally and internationally; a thorough understanding of general management and organisational development of best practices and of their application in complex, rapidly evolving business environments;
- crisis response: the ability and availability to perform duties during brief or prolonged periods of crisis;
- leadership qualities: the skills and capacity required to build and refine strategic vision by conceptualising key trends, supporting high-quality dialogue, demonstrating commitment and perseverance, while remaining constructively critical of established patterns and the group mind-set.

In any case, the candidate will have to meet the Fit and Proper requirements of the NBB.

In part III, section III.4. Integrity and Independence of Mind, the Ageas Corporate Governance Charter, also provides that: "All Board Members are expected:

- to uphold the highest standards of integrity and probity, to engage actively in their duties and to be able to make their own sound, objective and independent judgements when discharging their responsibilities;
- to spend sufficient time studying carefully the information they receive to acquire and maintain a clear understanding of the key issues relevant to Ageas's business and to seek clarification whenever they deem it necessary;
- to handle the confidential information received in their capacity as a Board Member with utmost care and to not use the information obtained in their capacity as a Board Member for purposes other than for the exercise of their mandate;
- to communicate to the Board any information in their possession that could be relevant to the Board's decision-making. In the case of sensitive or confidential information, Board Members will consult the Chairman."

All persons subject to the Suitability (Fit and Proper) Policy are trained to keep their knowledge, skills and "fitness" up to date and at the required level.

3 Risk management system including the own risk and solvency assessment

3.1 Risk management strategy, processes and reporting

As a multinational insurance provider, Ageas creates value by properly managing the acceptance, warehousing, and transformation of risks either at the individual or at the overall portfolio level. Ageas' insurance operations provide both Life and Non-life insurances and as such face a number of risks that, whether internal or external, may affect Ageas' objectives.

Ageas only seeks to take on risks:

- for which it has a good understanding;
- that can be adequately assessed and managed either at the individual or at the overall portfolio level;
- that are affordable (i.e. within the Ageas risk appetite);
- that have an acceptable risk-reward trade-off (mindful of Ageas' commitment to its stakeholders, to society, as well as corporate and risk culture values).

The main objectives of Ageas risk management are:

- Risk-taking is consistent with the strategy and within the risk appetite;
- Appropriate incentives are in place to promote a common understanding of our risk culture;
- Appropriate, timely and correct information is available to allow appropriate strategic decision-making;
- An appropriate risk governance is in place, is adequate and effective, and can be evidenced;
- An appropriate Enterprise Risk Management (ERM) policy framework (including limits & minimum standards) is in place, understood and embedded in day-to-day business activities;
- Risk processes are high-quality and efficient, facilitating accurate and informative risk reporting that reinforces the decision-making process.

3.2 The Risk Management framework

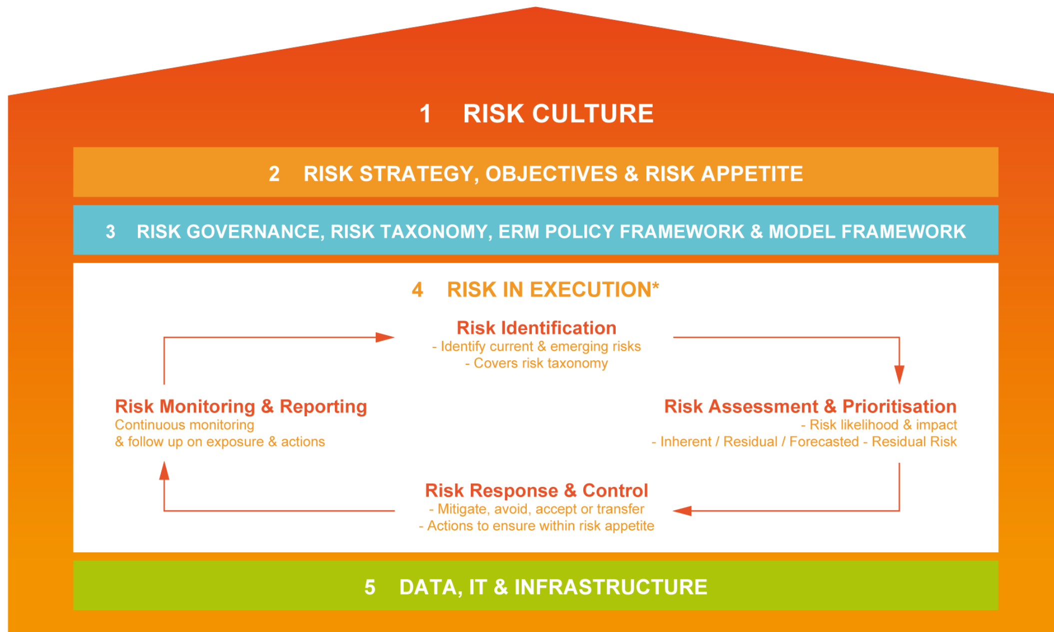
Ageas defines risk as the deviation from anticipated outcomes that may have an impact on the solvency, earnings or liquidity of Ageas, its business objectives or future opportunities. Ageas' risks stem from its exposure to external or internal risk factors in conducting its business activities.

Ageas has established and implemented an Enterprise Risk Management ("ERM") framework, inspired by COSO[1] ERM and Internal Control frameworks, which encompasses key components that act as a supporting foundation of the risk management system. Our ERM can be defined as the process of systematically and comprehensively identifying critical risks, assessing their impact and implementing integrated strategies to provide *reasonable assurance* regarding the achievement of the company's objectives. Ageas' ERM framework (depicted in the diagram below) sets the below high level objectives:

- Defines a risk appetite to ensure that the risk of insolvency is constantly managed within acceptable levels, and that the risk profile is kept within set limits;
- Influences a strong culture of risk awareness whereby managers carry out their duty to understand and be aware of the risks to their business, to manage them adequately, and report them transparently;
- Ensures identification & validation, assessment & prioritisation, recording, monitoring, and management of risks which affect, or can affect, the achievement of strategic and business objectives;
- Supports the decision making process by ensuring that consistent, reliable and timely risk information is available to decision makers;
- Embeds strategic risk management into the overall decision-making process.

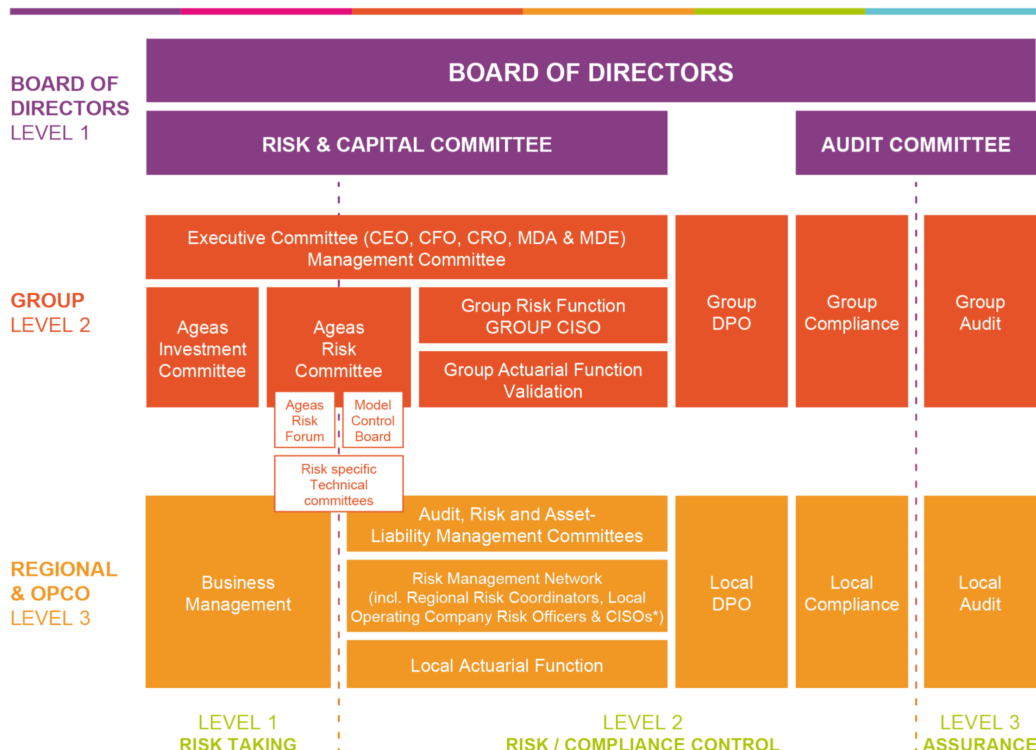
On the next page an overview is given of the Enterprise Risk Management (ERM) framework within the ageas organisation.

[1] *Committee of Sponsoring Organisations of the Treadway Commission*



3.3 Organisation and governance

A strong and effective risk governance framework, underpinned by a sound risk culture, is critical to the overall effectiveness of Ageas' risk management arrangements. The Board is ultimately responsible for the overall Risk Management. It is assisted in the discharge of its duties by several key governance bodies as depicted below and explained further in this section (responsibilities related to risk management and internal control are explained in this section – please refer to note "B1 General information on the system of governance" for further governance details).



3.3.1 Board of Directors

The Board of Directors decides on and regularly reviews, at least once a year, the Company's medium and long-term strategy based on proposals from the Executive Management. The Board also determines the risk appetite and the general risk management policies of the Company in order to achieve the Company's strategic objectives. The Board is the first line as regards risk-based strategic decisions and is closely involved in the ongoing supervision of the development of the Company's risk profile. The Board approves the operational plans and main policies developed by the Executive Management to give effect to the approved Company strategy and ensures that the Company's culture is supportive of the achievement of its strategy and that it promotes responsible and ethical behaviour. Furthermore, the Board approves the framework of internal control and risk management proposed by the Executive Management and reviews the implementation of this framework.
The Board has set up the following Advisory Committees in order to advise the Board in respect of decisions to be taken, to give comfort to the Board that certain issues have been adequately addressed and, if necessary, to bring specific issues to the attention of the Board:

- the Audit Committee
- the Risk & Capital Committee
- the Remuneration Committee
- the Nomination & Corporate Governance Committee

For brevity, and given their oversight of risk management and internal control, only the Audit Committee and Risk & Capital Committee are further elaborated below.

3.3.2 Risk & Capital Committee

The Risk & Capital Committee provides advice to the Board on all aspects connected to the current and future risk strategy and risk tolerance, and supports the Board in exercising supervision of the implementation of that strategy by the Executive Committee.

3.3.3 Audit Committee

The Audit Committee assists the Board to fulfil its supervision and monitoring responsibilities in respect of internal control in the broadest sense within Ageas, including internal control over financial and risk reporting and compliance.

3.3.4 Executive Committee

The Board has assigned the Executive Committee the task of drawing up proposals related to the business strategy that take into account the risk and financial management requirements it has set. Among other matters, the Executive Committee also monitors Ageas' performance as a whole, including key findings reported through the Risk Management function and committees. It implements adequate systems of internal controls, including for the governance and reporting of risks and financial reports. It ensures that appropriate effective internal audit, risk management and compliance functions and processes are in place. It advises the Risk & Capital Committee, Board and the markets/shareholders on the above.

3.3.5 Management Committee

The Management Committee advises the Executive Committee with regards to the strategy and business development, Ageas-wide policies including financial management (e.g. funding strategy, solvency matters, but excluding dividend policy) and risk management (e.g. risk appetite).

The following bodies provide advice – ultimately to the Executive Committee and/or the Board, unless they have been explicitly mandated by Executive Committee and/or Board to take decisions on specific tasks.

3.3.6 Ageas Investment Committee

Ageas Investment Committee (AGICO) advises the Executive Committee and monitors overall asset exposures to ensure that they are managed in accordance with the risk framework and within agreed limits. It advises management on decisions regarding investments. Its role also includes making recommendations relating to the Strategic Asset Allocation and Asset & Liability management and aims to optimise the overall investment strategy of the Group and ensures that risk mitigation actions are taken when necessary. This committee is split into an Asian part and a European part to ensure relevant regional focus.

3.3.7 Ageas Risk Committee (ARC)

Ageas Risk Committee (ARC) advises the Executive Committee on all risk related topics ensuring that all risks that affect the achievement of strategic, operational and financial objectives are promptly identified, measured, managed, reported and monitored (through adequate risk appetite limits) and that adequate risk management governance and organisations are in place and followed (as stipulated in the context of the ERM Framework). The Group, regional and local Chief Risk Officers and Chief Financial Officers are members of the ARC, which ensures that decisions or recommendations made by the ARC take into account the views and expertise of the operations. The most significant risk issues and methodologies are also reviewed, and decided upon by the Executive Committee and by the Board.

3.3.8 Ageas Risk Forum (ARF)

Ageas Risk Forum (ARF) advises the Ageas Risk Committee on topics related to the ERM framework. Group, regional and local Risk Officers are members of the ARF, ensuring knowledge and best practice sharing to further develop and continuously improve the Group's ERM framework. The ARF itself is advised by Risk-Specific Technical Committees where appropriate.

3.3.9 Ageas Model Control Board (MCB)

Ageas Model Control Board (MCB) advises the Ageas Risk Committee on topics related to the models and methodology. The MCB is composed of Group Risk Model Managers and regional and local representatives, allowing for the proper interactions with the local Model Control Boards. The MCB ensures that the models used are appropriate and suited to the task they are used for. The MCB is itself advised by Risk-Specific Technical Committees where appropriate.

3.3.10 Risk-specific technical committees

Risk-specific technical committees, such as the Ageas Financial Risk Technical Committee, Ageas Life Technical Committee, Ageas Non-life Technical Committee and Ageas Operational Risk Technical Committee act as technical expert bodies. They assure consistency of methodology and modelling approaches across Ageas's local operating companies. They facilitate the collection of business requirements and align Ageas Group platforms supporting the relevant risk assessments with business requirements and overall regulatory requirements. They act as advisory bodies to the ARF and MCB.

3.3.11 Group Risk Function

The Group Risk Function - headed by the Group Chief Risk Officer (CRO) - is responsible for monitoring and reporting on the overall risk profile of the Group including the aggregate risk profile of the insurance companies. It develops, proposes and implements the ERM framework that it documents through regularly updated ERM policies. It ensures the appropriateness of the overall model governance taking into account remarks made by Ageas's independent Model Validation team. It also coordinates major risk related projects. Group Risk (also being part of the ESG ambassador network), follows the topic of sustainability, and monitors developments - such as European Commission action plans, EIOPA (European Insurance and Occupational Pensions Authority) opinions, Regulatory statements and changes in regulation and prepares appropriate actions.

Information Security is part of the ERM framework – the Executive Committee (ExCo) is ultimately accountable for the information security policy and the design, implementation and correct operation of the related controls. The ExCo assigns day-to-day responsibility for these arrangements to the Group Chief Information Security Officer (CISO) who reports to Senior Management within the Group Risk organisation. The Group (and local) CISOs develop and maintain the information security strategy and policy that supports information security governance framework, and coordinate information security across the organisation. Group (and local) CISOs oversee information security programmes and related initiatives, and regularly report on information security related risks and level of maturity to appropriate Steering / Risk Committees, Executive Management and Board of Directors.

Group Data Protection Function

The Data Protection Officer (DPO) is an independent function that provides adequate support to the management team with regard to their accountability for ensuring compliance with the European General Data Protection Regulation (GDPR). The DPO develops and monitors the implementation of the Personal Data Management framework through appropriate management structures and controls, and performs analysis of security, privacy and data protection risks. The DPO escalates issues to the local Data Protection Authority (DPA) when it is clear that the entity will start processing personal data that could cause damage and/or distress to the data subjects The DPO also organises educational programmes to staff making sure that accountabilities and responsibilities within the entity are understood.

Group Actuarial Function

An independent function directly reporting to the CRO in order to facilitate the collaboration with the Risk Management System. The main role of the Actuarial function is to issue Actuarial Opinions on tree key subjects (Technical Provisions, Underwriting and Reinsurance), and additionally, coordinates the calculation of technical provisions and assures a level of consistency throughout the Group. At Group level, two Actuarial Functions co-exist; the Ageas Group Actuarial Function that consolidates the opinions of the local entities and the Ageas Local Actuarial Function (ALAF). The ALAF focuses on the reinsurance business underwritten by ageas SA/NV.

3.3.12 Group Compliance Function

An independent control function within Ageas that aims to provide reasonable assurance that the company and its employees comply with laws, regulations, internal rules and ethical standards.

3.3.13 Group Internal Audit Function

The internal audit function contributes to the achievement of Ageas' objectives by providing professional and independent assurance on the effectiveness of governance, risk management and control processes. If and when appropriate, Audit formulates recommendations to optimize these processes.

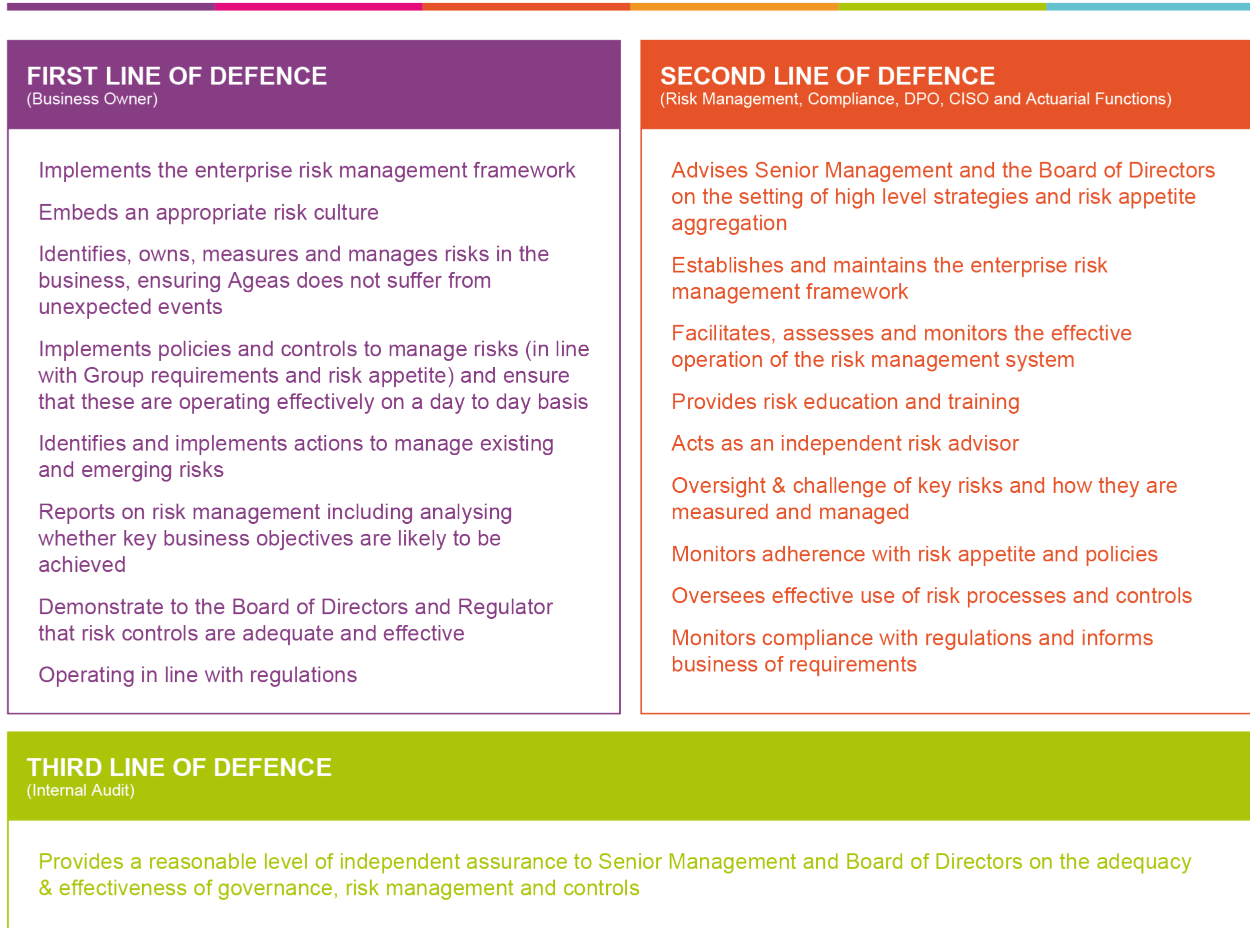
3.3.14 Local Operating Companies (OpCos)

Each OpCo is responsible for ensuring that it has a comprehensive risk management framework in place, and for managing its risks within the limits, policies and guidelines set by Regulators, Ageas Group and its local Board of Directors.

Furthermore, each OpCo is required to have the following in place:

- a Board level Risk Committee and Audit Committee to assist the Board in fulfilling its supervision;
- a Management Risk Committee, which supports its management team in ensuring that key risks are well understood and appropriate risk management procedures are in place;
- an ALM Committee whose role includes the monitoring of market risks to ensure they are managed in accordance with the risk framework and within agreed limits and to make specific decisions or recommendations relating to ALM;
- a local Model Control Board which coordinates with the Ageas MCB;
- a risk function (or Risk Officer) to support the work of the Risk Committee and to provide risk reporting and opinions to the local CEO, local Board and to Group management;
- an actuarial function in line with Solvency II regulatory requirements;
- a compliance function that advises the administrative or management body on compliance with laws, regulations and administrative requirements and Group and local policies where these set additional requirements. Compliance assesses the possible impact of any changes in the legal environment on the operations of the undertaking concerned and identifies any compliance risk;
- a Chief Information Security Officer (CISO) supports local Senior Management;
- a Data Protection Officer (DPO) that reports to the highest local management level and is contact person for the local DPO;
- an internal audit function assessing the adequacy and effectiveness of the internal control system and other elements of the risk governance system.

Ageas has implemented a three lines of defence model - the three lines share the ultimate aim of helping the organisation to achieve its objectives while effectively managing risk (see next page):



3.4 Risk taxonomy

In order to ensure a consistent and comprehensive approach to risk identification, Ageas has defined a risk taxonomy encompassing the key risks that can impact the Group. The risk taxonomy (below) is aligned with Solvency II risk categories, which facilitates the alignment of internal and external reporting.

TOTAL RISK TAXONOMY

FINANCIAL RISKS	INSURANCE RISKS	OPERATIONAL RISKS	STRATEGIC & BUSINESS RISKS
Market risk	Life risk	Employment practices & workplace safety	Strategic risk
Default risk	Non-life risk	Execution, delivery & process management	Change risk
Liquidity risk (assets & liabilities)	Health risk	Technology	Industry risk
Intangible assets risk		Internal fraud	Systemic risk
		External fraud	Sustainability risk
		Damage to physical assets (incl. physical security)	
		Clients, products, business & legal practices	
		Conduct	
		Regulatory compliance	
		Third party	
		Statutory reporting, disclosure & tax	
		Business continuity, crisis management & operational resilience	
		Data management	
		Information Security (incl. cyber)	
		Model	

The risk in execution cycle is fundamental to our Key Risk Reporting (KRR) process, which consists of a systematic approach to identify key (existing) risks that threaten the realisation of Ageas' strategy and objectives. The process considers all risk types from our risk taxonomy to identify key risks, aims at analysing risk causes and ensuring that exhaustive responses to control, and risk mitigation are developed. During this process, identified risks are assessed and managed using Ageas' risk rating methodology (likelihood and impact criteria are used to determine a level of concern, which guides us on actions to be taken). Each region and/or operating company follows up on their key risks at least on a quarterly basis, and the most significant risks are also monitored at Group level.

Ageas has also implemented an emerging risk process - Emerging risks are derived from emerging trends that could become a possible threat / risk or opportunity for the business and that, by their nature, are uncertain and difficult to quantify. Insurers face a degree of change and uncertainty that appears to be evolving at an ever fast pace. Understanding these changes can help to either enable us to explore new opportunities or develop measures to mitigate the potential risks.

In identifying key risks and emerging risks, a wide-range of internal and external sources are considered. Internal sources include our risk taxonomy which covers traditional insurance related risks, such as financial, insurance, and operational risks, but also covers risks that can impact our strategy and business, such as sustainability, climate change, environmental and human capital risks. External sources include industry reports and market available information.
The top risks that ageas faced during 2020 are:

- Volatile / unfavourable market movements (including impacts due to the COVID-19 pandemic);
- Prolonged low interest rate or sudden rise of interest rate combined with mass lapses;
- Information security risk (including cyber and data protection).

3.4.1 Regarding 2020 events:

Brexit

On January 31, 2020 the United Kingdom ceased to be a member of the European Union. The Withdrawal Agreement agreed between the United Kingdom and the European Union included a transition period until 2020 Year End, during which EU laws continued to apply to the United Kingdom and negotiations in respect of a trade agreement took place.

On 24th December 2020, the EU and UK negotiators agreed on the "EU-UK Trade and Cooperation Agreement" (TCA). The TCA sets out preferential arrangements in several areas, including trade in goods and services, and "goes beyond traditional free trade agreements"2. The TCA has been provisionally applicable since 1st January 2021.

The main risks for Ageas which continue to be monitored include:

- Restrictions on the ability to transfer personal data between the European Union and the United Kingdom - the TCA provides a stay of execution regarding this, whereby data transfers to the UK from the EU are not to be treated as made to a third country. This lasts until an adequacy agreement is granted, or until 1st May 2021. If no adequacy decision has been issued by that date, then there is an automatic extension until 1st July 2021, unless either party objects.
- Crossborder (re)insurance activities (loss of passporting rights). Impacts are analysed as limited for the UK business in relation to the small volume of business sold in Ireland. In Europe, the impact is analysed in relation with counterparties on the asset management side of European operating companies – the situation continues to be monitored and Ageas has been progressively working with European counterparties. Most business partners of Ageas entities (e.g. UK-based banks, brokers and other intermediaries) have already established EU-based entities to be able to continue to provide financial services to EU-based customers.
- A divergence in prudential rules (resulting in a difference between the capital requirements applicable in the UK and those applicable to Ageas Group's participation in the UK business under Solvency II). The first divergence has been identified, which does not have any commercial impact (main impact is on internal processes). In 2020 there were not any restrictions on the transferability of OF to the group.

COVID-19

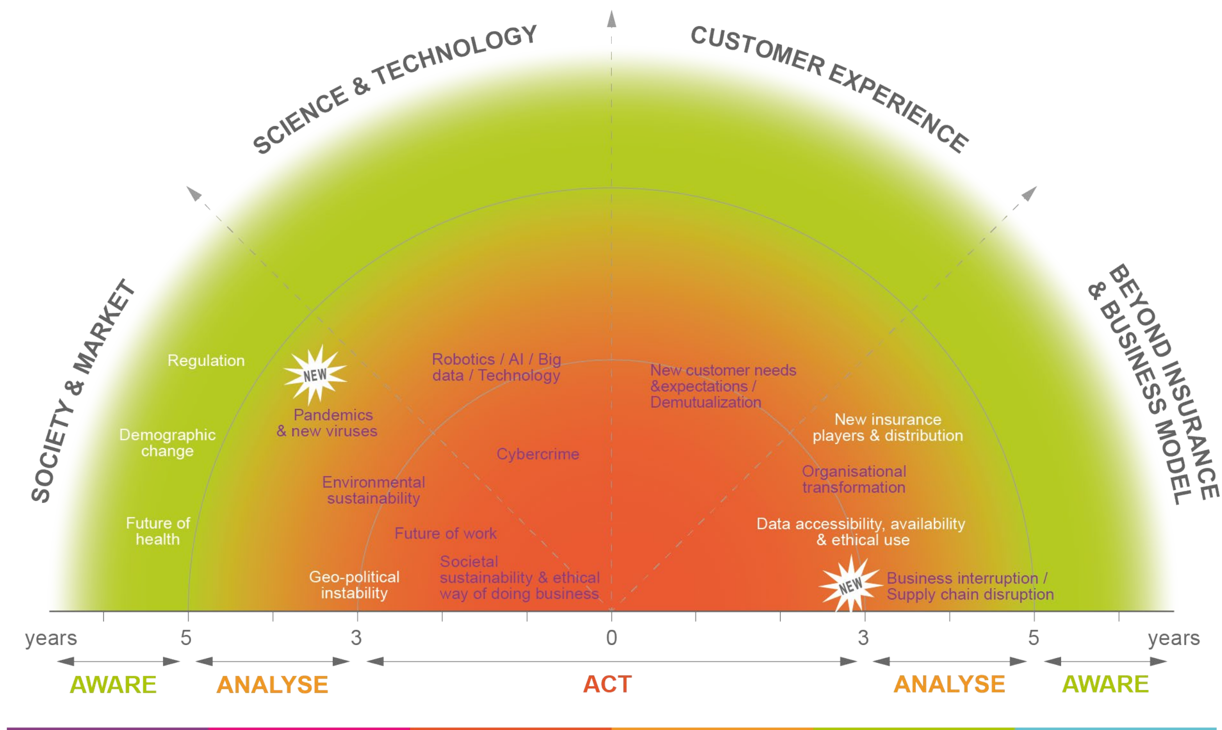
Following the outbreak of the coronavirus which manifested in Wuhan, China during December 2019, the World Health Organisation (WHO), on 11th March 2020, assessed the COVID-19 situation as a pandemic. In order to limit the spread of the virus, governments around the world enforced social distancing measures, large-scale quarantines and travel restrictions.

Over 2020, the virus (re)surged in many regions, and certain countries that had apparent success in containing initial outbreaks saw the number of infected cases rise again – in particular, Europe and North America were hard hit, and although during 2020 Asia had been more successful in containing and controlling the virus spread, COVID-19 cases spiked across the region, once again leading to reinstated lockdown measures.

Ageas Group portfolio has remained resilient during the pandemic due to geographical and product diversification, and as Ageas is not active in commercial lines.

We note that, while in broad terms, emerging risks with potential impact on our objectives remain fairly constant throughout the year, new trends always arise, catching the public's attention – some fade out quickly and others gain more ground over time. Our aim is to continuously monitor these developments and be prepared to react when needed – the Group emerging risk radar below reflects the emerging risks identified as at Q4 2020 (risks in purple represent those accelerated by COVID-19) (see next page):

2 *https://ec.europa.eu/info/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement_en*



Ageas has established corresponding mitigating actions and initiatives for top risks and emerging risks at both the Group and local levels. These actions and initiatives are followed up on a quarterly basis

3.4.2 Risk appetite

The Risk Appetite Framework consists of criteria which are used to formulate the willingness of management to take on risk in a specific area. Ageas's Risk Appetite Framework applies to all subsidiaries of Ageas (defined as entities of which Ageas, directly or indirectly is a shareholder, and holds operational control), and on a best effort basis to affiliates (defined as entities of which Ageas, directly or indirectly is a shareholder, but does not hold operational control).

The main objectives of the risk appetite framework are to ensure that:

- the exposure to a number of key risks of each operating company and the Group as a whole remain within known, acceptable and controlled levels;
- Risk Appetite criteria are clearly defined, so that actual exposures and activities can be compared to the criteria agreed at Board level, allowing monitoring and positive confirmation that risks are controlled and that the Board is able and willing to accept these exposures;
- Risks limits are linked to the actual risk taking capacity of an operating company and Group in a transparent and straightforward way.

Due to their importance for the continued operation of Ageas, and its ability to adhere to its commitments to its stakeholders, the following criteria are required:

Solvency

- Risk Consumption (RC, being the level of buffer capital consumed by the current risk profile, consistent with a 1 in 30 year loss) remains below the Risk Appetite (RA) budget, set at 40% of Own Funds, net of expected dividends;
- Capital Consumption (CC) remains below the Target Capital (TC), set at 175% of SCR Ageas.

Earnings

- The deviation from year-end budgeted IFRS earnings due to a combined 1/10 financial loss event is limited to 100%. With the following early warning mechanism:
- The deviation from year-end forecasted IFRS earnings (or budgeted IFRS earnings should the forecast be lower than the budget) due to a combined 1/10 financial loss event is limited to 100%.

Liquidity

- The base liquidity ratio is at least 100%.
- The stressed liquidity ratio is at least 100%.

The Risk Appetite & Capital Management framework foresees possible management actions along three axes.

OF = Own Funds
TC = Target Capital
CC = Capital Consumption

3.4 Own Risk and Solvency Assessment(ORSA)

3.4.1 Integration in the structure and decision making process

The main purpose of the ORSA is to ensure that Ageas assesses all the risks inherent to its business and in view of its strategy, and determines its corresponding capital needs.

The Ageas ORSA is performed on an annual basis - this frequency takes into account Ageas' risk profile and the volatility of its overall solvency needs relative to its capital position. This frequency may be increased by Ageas Executive Committee or Board of Directors which can request the performance of partial or full - non-regular ad-hoc ORSAs if they deem that internal or external conditions warrant it.

The Ageas Group ORSA report includes all of its controlled insurance operations and (intermediate) holdings; the value and capital requirements of non-controlled participations outside European Union are not included in the Solvency II framework - although envisaged capital support to these entities is taken into account within the report.

The exact scope of each Ageas ORSA is described through the ORSA instructions issued by Ageas Executive Committee in compliance with Board instructions.

ORSA assessments and processes ensure that:
- The overall solvency needs of the entities covered take into account their specific risk profile, their approved risk appetite, risk tolerance limits and their business strategy;
- Such entities comply, on a continuous basis, with Minimum Capital Requirements (MCR) & Solvency Capital Requirements (SCR) and with technical provisions requirements;
- The significance with which the risk profile deviates from the assumptions underlying the Solvency Capital Requirement are assessed, documented and taken into consideration.

ORSA assessment of overall solvency needs is forward-looking and covers a medium term or long term perspective as appropriate. For Ageas, this means by default the Multi-Year Budget planning period of 3 years and longer when the risks associated to the strategy could be material over a longer horizon.

The Ageas ORSA stress testing[3] (including reverse stress tests and scenario analyses) process can be performed in three ways based on internal and external factors:
1. Standard / basic stress testing – considers the risks specific to an individual entity - different stress tests will be defined and carried out according to individual entity specifics;
2. Comprehensive stress test scenario – Group-wide stress test is defined and carried out over the MYB period (3 years). The comprehensive approach entails an evolving set of stress tests, meaning that in year 1 a specific scenario will be defined and tested, in year 2 it will be another scenario, and in year 3 yet another scenario. Unlike with the results of the standard / basic stress testing, the results of the comprehensive approach can be aggregated at Group level and a common set of management actions can be derived;
3. Focus on management actions in stressed situations – the stress testing methods 1 and 2 stated above are of a highly quantitative nature, requiring series of calculations and risk quantification – this can impact the time allocated to focusing on management actions. Our third stress testing method is more qualitative in nature, allowing us to reflect on scenarios which may bring our business below an undesired level (for example, a solvency ratio below 100% SCR pillar I), and to allocate sufficient time to focus on management actions under stressed situations.

Ageas' Executive Committee and Board of Directors steer Ageas' ORSA, namely how its assessments have to be performed, defining their scope, challenging their results, concluding on them and ensuring that instructions and follow-up actions are given and effectively implemented.

Operationally, they are assisted to do so by the Risk Function, the Finance Function (including Capital Management and Performance Management), Strategy and the Actuarial Function.

The information contained in ORSA reports is consistent with the information found in other reports provided to the ARC, ExCo, MCO, RCC and Board as well as to Supervisors. The Solvency II ORSA monitoring of compliance with regulatory capital requirements (SCR, MCR) and Group Risk Appetite and Capital Management Frameworks are performed on a quarterly basis through Solvency and Capital Reporting.

3 The stress testing process selected applied must vary at least every 3 years

3.4.2 Measuring capital adequacy in our risk management system

Under Solvency II, Ageas uses a Partial Internal Model (PIM) (for Non-life at the level of some entities) to measure its Solvency Capital Requirement under pillar 1.

For internal risk management purposes, Ageas measures its capital adequacy in a way that aims to supplement a number of shortcomings in the standard Solvency II treatment:

- Valuation of insurance liabilities is performed by explicitly recognizing its ability to earn an additional liquidity premium, based on its own portfolio and ALM profile. In addition, transitional measures for technical provisions are excluded.
- Fundamental spread risk for sovereign exposures is explicitly taken into account, while non-fundamental spread risk from other credit exposures is excluded, consistent with the behaviour of a long-term buy & hold investor.
- The recognition of real estate exposures is done on an economic basis, and the major real estate risks are computed on an Internal Model basis.

An explicit capital charge for Inflation risk, where relevant, for Workmen's' Compensation is recognized.

Overall capital adequacy is verified on a Group-wide basis, quarterly and annually:

- Through a quarterly Solvency & Capital report, Ageas' Board of Directors ensures that capital adequacy continues to be met on a current basis;
- Ageas' Board of Directors also proactively assesses and steers the Group's capital adequacy on a multi-year basis, taking into account strategy and forecasted business and risk assumptions.
- This is done through a process called Own Risk & Solvency Assessment, which is embedded into Ageas's multi-year budgeting and planning process.

For more information on the Partial Internal Model and SCRageas please see section E.6.

4 Internal control system

4.1 Internal control system

The objective of Ageas' internal control framework is to provide management reasonable assurance that the company is run in a proper way. It also ensures that financial information disclosed gives a fair representation of the financial position of the company.

Internal control strengthens the internal operating environment of the company, thereby increasing its capability to deal with external and internal events and uncover possible weaknesses in processes and structures. The Internal Control Framework consequently supports the achievement of the company's strategic and business objectives by identifying risks that could jeopardise their realisation, implementing controls to mitigate them and continually monitoring the adequacy and effectiveness of these controls.

The Internal Control Framework consists of the following elements[4], closely related to one another:

- a business environment that encourages integrity, ethical values, risk awareness and a positive attitude towards control;
- the identification and assessment of risks that could jeopardise the achievement of objectives;
- the development of control activities to mitigate the risks;
- the establishment of information and communication systems that ensure providing, sharing and obtaining the necessary information in carrying out internal control responsibilities to support the achievement of objectives;
- monitoring and regularly assessing the measures taken.

The Internal Control Adequacy Assessment ("INCA") is the process whereby all stakeholders (business owners / the first line of defence) assess their processes and controls; it ensures that risks faced throughout the processes are identified, mitigating controls identified and evaluated, action plans for future improvement are defined and proper follow-up of identified weaknesses is performed. Ageas subsidiaries and regions perform their own INCA process and share their reports with the Group on an annual basis.

Internal Audit performs an independent assessment of the adequacy of the internal control framework as well as of the control environment within the business functions.

4.2 Compliance function

4.2.1 The Compliance function

The Compliance function is an independent function within Ageas that aims to provide reasonable assurance that the company, its employees and its stakeholders comply with laws, regulations, internal rules and ethical standards; to prevent the company from bearing the consequences - in particular loss of reputation or credibility which may cause a serious financial disadvantage – of non-compliance with legal and regulatory, or deontological provisions; to promote the ethical values of the company; to play an active role in the sustainability of reputation and customer centricity; and to support the company's decision process.

Group Compliance oversees, directly or indirectly, all subsidiaries, organisational entities and affiliates of Ageas worldwide. Group Compliance has no authority with respect to affiliates; it is however the aim to be informed of major compliance risks, evolving legislation that could impact us as a Group, and major fraud cases. Therefore, Compliance guidance and checks are included in structuring partnerships and preparing Merger & Acquisitions files. The role of Ageas representatives in the local Boards is hereby seen as predominant.

4 *The elements are based on the Internal Control Components from the COSO framework: Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.*

4.2.2 Compliance Mission

The Compliance function is a key player in the establishment of a compliance culture within the Group. In this respect, it bears an important forward-looking responsibility and its advisory role (ex-ante approach) is hence paramount. Also the provision of customer driven solutions is part of its scope.

The Group Director Compliance officer has the following areas of responsibility:

- Ensuring the implementation and execution of the compliance function within Ageas as defined by the regulatory authorities;
- Ensuring regular updating of legal and regulatory changes;
- Ensuring the translation of the regulatory framework and rules into specific policies and instructions;
- Ensuring monitoring of compliance with these policies and instructions, taking the necessary measures (training, information, sanctions) to reduce potential compliance risks;
- Ensuring adequate reporting both to internal and external stakeholders;
- Ensuring efficient functioning of the Compliance function throughout the Ageas organisation;
- Ensuring an adequate internal fraud investigation according to set principles whenever required;
- Ensuring the correlation between the various reporting on governance stricto sensu.

The basic role of Compliance is to persuade and exert influence by way of advice or recommendation. Issuance (proofreading, pre-validating, editing, etc.) and cascading of Group Policies and Codes of Conduct is an integral part of the exercise of the function.

4.2.3 Compliance Scope

The scope ("Compliance Universe") is a stable feature, depending largely on the nature and location of business activities. It includes at least:

- Prevention and detection of criminal activities (e.g. Money Laundering / Counter-Terrorism Financing);
- Corruption and Anti-Bribery;
- Customer identification, acceptance and follow-up ("Know Your Customer");
- Duty of care, product suitability and adequate information to customers, market practices and consumer protection ("Treating Customers Fairly, Conduct Risk, Customer Best Interest");
- Third Party and Counterparty Risk, (Financial) Embargoes;
- Corporate Governance, Suitability and Fit & Proper rules, Remuneration Policy, Code of Ethics and Conflicts of Interest, Integrity;
- Prevention of Insider Trading and Market Abuse;
- Fair competition;
- Privacy protection (in collaboration with the Data Protection Officer - DPO);
- Foreign laws that may impact on compliance domains (e.g. FATCA); as well as
- All topics required by local law or imposed by the local control authority;
- Any additional topic requested by the Management or Supervisory body of the undertaking.

4.2.4 Compliance organisation

Compliance is a permanent, independent second-level-of-defence control function.

The Group Director Compliance reports to the Ageas' Chief Risk Officer (and directly to Ageas' Chief Executive Officer for forensic audit matters). He has direct access to the Executive Committee and to the Ageas Audit Committee. He informs the Board of Directors quarterly.
The Compliance function is part of a coherent set of independent control functions between which cooperation is necessary in order for (reasonable) assurance to be given to Management. A Memorandum of Understanding on the Cooperation between the Compliance function and (i) the other independent control functions, and (ii) the Legal function and the Company Secretarial function and the Data Protection Office is set up in each consolidated entity of the Group, and describes to what extent these functions cooperate, and clarifies the procedures for information exchange and control in that regard.

In order to ensure a coordinated approach, compliance works in a quite formalised network. The Group Director Compliance has a coordinating role towards the local compliance officers and evaluates periodically the performance (efficiency and adequacy) of the compliance function abroad.

The Ageas compliance network is coached, trained, assisted and stimulated on a permanent basis through visits, regular conference calls, two Ageas Compliance Community Meetings per year. The Ageas Compliance Community is composed of the "Heads of Compliance" of Ageas's subsidiaries; the compliance officers of the European and Asian affiliates are invited to the Meetings as well.

Group Compliance promotes and monitors explicitly frequent assessments of effective execution of (key) compliance controls, as well as the underpinning of Compliance assurance by a file containing adequate, formal evidence of control strengths and weaknesses.

Besides, the Group Director Compliance plays also an active role in the market, namely through membership of professional associations. He is also the guarantor of the follow-up of the anti-competition rules.

5 Internal Audit function

5.1 Mission Statement of the Group Internal Audit Function and implementation

In the Group as well as in local governance frameworks, Internal Audit represents the third line of defence, and is in charge of assessing adequacy and effectiveness of governance, risk management and control processes as implemented and monitored by the first and second lines.

Actually, Group and local Internal Audit functions assess whether the internal processes, as designed and operated by management of the entities, are adequate and functioning.

Internal Audit reports to the (Group or local) Board of Directors, through the Audit Committee.

From a group perspective, the Chief Audit Executive:

- Monitors on the local professional responsibility for setting-up the internal audit governance and operating model;
- Provides local "Heads of Internal Audit" with support needed for a coordinated Ageas group audit approach;
- Ensures that information required for the consolidated audit reporting includes all operating companies and is transmitted to the responsible governance bodies within the group;
- Reports quarterly the most critical issues to the Ageas Audit Committee, along with management's progress towards resolving them.

5.2 Safeguards for independence and objectivity

Independence and objectivity for Internal Audit are defined as follows:

- Independence for internal auditors is the freedom from conditions that threaten their ability to carry out internal audit responsibilities in an unbiased manner;
- Objectivity: internal auditors have to exhibit the highest level of objectivity in gathering, evaluating, and communicating information about activity or process examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Following safeguards are in place in order preserve independence and objectivity:

- The Internal Audit function at Ageas is governed by a charter or Internal Audit policy that defines its role, mission, positioning, deliverables, rights & duties, and operational structure;
- The (Group and local) Board secures Internal Audit a status and resources that preserve its autonomy, functional independence, objectivity and authority necessary to fulfil its role and mission;
- Internal Audit operates within the International Professional Practices Framework established by the Institute of Internal Auditors (IIA) and within the guidelines set by (inter)national regulatory authorities;
- Audit staff cannot be involved in operational activities or in implementing any organisational or internal control measure, including executing control/monitoring.

6 Actuarial function

Ageas organized the Actuarial Function in the CRO office in order to facilitate the collaboration with the Risk Management System and to guarantee the independence of the Actuarial Function. At the Group level, the Ageas Group Actuarial Function (AGAF) duty is covered by the “Ageas Group Actuarial Function (AGAF) Charter” that covers the Group Actuarial Function and its interactions with the local Actuarial Functions. The Actuarial Function that focuses at Group level on the Reinsurance business is the Ageas Local Actuarial Function (ALAF). In the context of the AGAF, the ALAF is considered as the Actuarial Function of an OpCO. Concerning the Non Controlled Participations (NCPs), the AGAF benefits from the knowledge and work of the “Chief Risk Officer” and the “Director, Insurance Risk management” of Ageas Asia.

The AGAF consolidated opinions at group level are derived from the assessments and the reporting by the local Actuarial Functions. Therefore, a functional reporting line exists between the local Actuarial Function and the Head of the Group Actuarial Function. The hierarchical reporting line is a local responsibility, taking into account the need to avoid conflicts of interest for issuing the Actuarial Function opinions. The three actuarial opinions focus respectively on the technical provision, the underwriting and the reinsurance/retrocession.

When group models are used locally for calculating technical provisions, these are validated independently by Model Validation. The validation conclusions can be used to form the opinions of the Actuarial Function. The head of the Actuarial Function as described in the AGAF is also the head of the Model Validation Function to maximize the synergies between these functions.

The Ageas Group Actuarial Function (AGAF) is organized as follows:

- Head of the Group Actuarial Function:

He bears the ultimate responsibility for the Actuarial Report at group level. The requirements as in the Ageas' Fit & Proper Policy apply to the Head of the Group Actuarial Function. He also organizes and monitors the information flows and reporting.

- Opinion on Non-Life domain:

Director of Quantitative Risk Management reporting to the Group Chief Risk Officer; bears the responsibility of (i) content-wise determination of Non-Life Insurance related information to be up streamed and (ii) the monitoring, challenging and consolidating of that information.

- Opinion on Life domain:

Director of Quantitative Risk Management reporting to the Group Chief Risk Officer; bears the responsibility of (i) content-wise determination of the Life Insurance related information to be up streamed and (ii) monitoring, challenging and consolidating of that information.

At local level, the implementation of the actuarial function is left to each undertaking, provided that the segregation of responsibilities is effectively in place.

In order to organize adequately the consistency of calculations of technical provisions (Solvency II), the Group Actuaries Non-life and Life are the owners of the Best Estimate Manuals (Non-life and Life), the Non-life Reserving Policy and the Risk Margin Methodological Document.

The Board of Directors decides on the appointment or resignation of the Head of the AGAF. Opinions of the AGAF are issued in an objective and proficient way without influence from members of management, Board, shareholders or regulator.

7 Outsourcing

Beginning 2021, the Ageas Board of Directors, has approved a revised Outsourcing Policy and a procedure ensuring the compliance of the existing and future outsourcing contracts of ageas SA/NV[5] with the requirements of the applicable outsourcing regulations. ageas SA/NV has integrated in its internal outsourcing process the principles as set by the NBB Governance circular 2016_31 which must be applied by the (re)insurance companies engaged in an outsourcing process.

7.1 Description of most important elements of Ageas outsourcing policy

The Ageas Outsourcing Policy provides a comprehensive overview of the group minimum requirements covering the outsourcing.

The Ageas Outsourcing Policy is based on the Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). It takes also into account the EIOPA Guidelines on System of Governance (No. 14/253), EIOPA Guidelines on Outsourcing to Cloud Service Providers (No. 20-002) as well as the European Commission Delegated Regulation (EU) 2015/35, Article 274 (10 Oct. 2014, published in the Official Journal of the European Union on 17 Jan. 2015), the Belgian Solvency II law, Articles 15, 54° and 92 of (Law of 13 March 2016 relating to the status and control of insurance and reinsurance companies), the Belgian Governance Circular 2016_31 on prudential expectations in terms of governance system for insurers and reinsurers issued in May 2020 and the Belgian Governance Circular 2020_018 on Outsourcing to Cloud Services providers.

The purpose of this regulation is to ensure proper protection of the policy holders: it must be ensured that the outsourced service provided offers the same qualitative and organizational guarantees as imposed to (re)insurance entities.

Scope

The Outsourcing policy applies to Ageas and its Subsidiaries and on a best effort basis to the Affiliates[6].

Subsidiaries can deviate due to local specificities such as internal governance, materiality principles or even local regulation. Material deviations must be shared with the Group Risk Management Function via the ERM Policy Deviations report before local approval from the Board can be sought.

Should compliance with the policy result in non-compliance with local legislation and regulations, the latter must take precedence over the Ageas Policy.

Outsourcing Requirements

The outsourcing requirements vary depending on whether the function or activity to be outsourced is critical or important or not.

In any case the outsourcing must not violate any law, especially data protection legislation, and the service provider will be subject to the same provisions on the safety and confidentiality of information relating to the entity or to its policyholders or beneficiaries that are applicable to the insurance or reinsurance entity.

5 ageas SA/NV refers to the Ageas group responsible entity.

6 A “Subsidiary” means any entity in which ageas SA/NV, directly or indirectly, has a majority shareholdership and/or holds operational control, and an “Affiliate” means any entity in which ageas SA/NV, directly or indirectly, has a minority shareholdership and hence holds no operational control.

Non-Critical and Non-Important Functions and Activities

When deciding to outsource non-critical nor important functions or activities, the entity must at least make sure that the following sound management requirements are met.

In-depth Analysis

An in depth analysis must be carried out by the entity before taking the decision to outsource any function or activity.

The Selection of the Service Provider must be carefully and prudently performed

Several characteristics of the service provider must be assessed, so that the function or activity is performed in a satisfactory way.

Specific Contract

The relationship between the entity and the service provider has to be duly documented in a specific and signed contract.

Continuity

Special attention must be given to the continuity issue: the entity verifies before engaging with a service provider that the latter has the adequate continuity plans in place, including incident and crisis management, to deal with emergency situations or business disruptions and that plans are periodically tested.

Critical and Important Functions and Activities (including key functions)

Additional requirements apply when outsourcing critical or important functions or activities. These additional requirements are of five types:

- Preliminary notification to the Supervisory Authority (when locally required);
- Reporting to the Group;
- Additional verification duties on service provider;
- Additional requirements in terms of content;
- Additional requirements relying on the entity.

When outsourcing key functions, the entity is expected to designate internally a person who will hold the global responsibility of the outsourced key function. This person must be honourable and possess sufficient knowledge and experience of the key function, in order to be able to assess efficiently the performances of the service provider (i.e. Fit & Proper requirements). A direct reporting must be ensured by the service provider to the management bodies of the entity outsourcing the function or activity.

Outsourcing within the Group

Three attention points must be highlighted:

- When analysing the possibility of outsourcing, the entity must take into account the extent of the control it holds on the service provider or the influence it can have on its actions;
- When assessing the sound management requirements, the entity must take into account the fact that the service provider is subject to the same consolidated control;
- The responsible entity documents which functions relate to which legal entity and ensures that the performance of these functions, activities or key functions at the level of the company are not impaired by such arrangements.

When a function, activity or operational task is conducted by an independent third party, the same rules and principles apply.

7.2 Identification by ageas SA/NV of all (outsourced) critical or important functions, activities or operational responsibilities, and of the jurisdiction in which the service provider of such functions are located

The table below gives an overview of the important activities that are outsourced by the ageas Group.

Overview of critical / Material Outsourcing contracts Reporting year 2020

No.	Territorial Jurisdiction where provider is located	Activity	Business Line Support Function
1	Belgium	IT management	IT
2	Belgium	Pay-Roll administration	HR
3	USA	Board and Committees' information pack	Company Secretary
4	USA	HR Management and Software	HR
5	Belgium	Software & Solution	Corporate Administration
6	Belgium	Software & Solution	Corporate Administration
7	Belgium	Investment Management	Finance
8	Belgium	Ageas Cloud (including The Valuation Platform)	CDO

8 Any other information

8.1 Reinsurance activities within ageas SA/NV

For more general information on the Reinsurance activity we refer to Chapter A.5.3.

The reinsurance activity of ageas SA/NV is embedded in the governance, management, and operational infrastructure of the Ageas Group. The Ageas Board of Directors is ultimately responsible for the reinsurance activities. The Board of Directors has delegated the execution of the reinsurance activities to the Ageas Executive Committee (ExCo) and approves in this respect the documents which reflect the governance and principles defined for the reinsurance activities of ageas SA/NV (like, amongst others, the group Reinsurance Underwriting Policy and the Group Reinsurance Claims Management Policy).

The Ageas ExCo reports on a regular basis on the development and the results of the activities and reports any material breach to the rules and principles provided for in the documents above.

Within the ExCo, the Managing Director Europe (MDE) is in charge of Group Reinsurance.

A Reinsurance, Retrocession and Reserving Committee (RRRC) has been set up as advisory committee to the ExCo for all matters relating to the reinsurance activities. The roles and responsibilities of the RRRC are:

- To advise the ExCo on risk appetite limits for the reinsurance activities.
- To review and advise the ExCo on underwriting limits and guidelines.
- To review and recommend to the ExCo the proposed underwriting and retrocession.
- To annually review and recommend to the ExCo the delegation authority for underwriting and cessions to the Group Reinsurance Director.

The members of the RRRC are:

- The Ageas MDE (chair)
- The Ageas CFO
- The Ageas CRO
- The Group Reinsurance Director
- The Group Reinsurance Director Non-Life and Operations
- The Group Reinsurance Director Life
- The Group Reinsurance Director Actuarial, Modeling and Risk
- The Ageas Actuarial Function (standing invitation)

The RRRC gathers at least twice a year and in any case:

- Before each material (*) underwriting and cession, to review and approve the plan that is proposed by the Reinsurance Director.
- After each material (*) underwriting and cession to review the realized underwriting.

The Group Reinsurance Director is in charge of the daily management relating the reinsurance activities. The Reinsurance Management Committee (RMC) carries out the daily management of the reinsurance activities. The RMC gathers weekly or on an ad hoc basis. The Group Reinsurance Director chairs the RMC. All members of the Committee are staff members of Group Reinsurance:

- The Group Reinsurance Director (chair)
- The Group Reinsurance Director Non-Life (chair in absence of the Group Reinsurance Director)
- The Group Reinsurance Director Life
- The Group Reinsurance Director Actuarial, Modeling and Risk
- The Group Reinsurance Operations Manager

The Ageas MDE has a standing invitation to the RMC.

The roles and responsibilities of the RMC are:

- To manage all inward and outward reinsurance activities of the group
- To take underwriting and cessions decisions in line with the delegation received from the Ageas ExCo.
- To ensure that underwriting and risk appetite limits, as defined by the Ageas ExCo, are respected.
- To ensure proper administration of treaties, correct processing of claims and accurate storage of related information in accordance with the relevant legislation. Appropriate IT-tooling are acquired and maintained to this end.
- To monitor underwriting performance and to coordinate and collaborate with the Group Finance Department to correctly represent the financial statements of all Group reinsurance activities.
- To collaborate with the Independent Control Functions to ensure that all activities are managed in accordance with the requirements laid down in the relevant policies.
- To organize the collaboration with Ageas Subsidiaries and Affiliates, with external reinsurance companies, with external advisors (e.g. reinsurance brokers), with regulators, with rating agencies and with any other intervenient in such a way that ageas SA/NV's interests are safeguarded in the best possible way.

The Reinsurance Risk Committee (RRC) provides an open (technical) forum of exchange and decision-making concerning risk matters pertaining to reinsurance activities of ageas SA/NV (as an operating entity itself and for the segment Reinsurance from a Group point of view).

- The RRC acts as point of contact and information with the Corporate Risk Department and the Ageas Local Actuarial Function. Minutes are shared with the Ageas CRO and Ageas Local Actuarial Function.
- The RRC acts as advisor for the RMC and for the RRRC.

The core members are:

- The Group Reinsurance Director Actuarial, Modeling and Risk (Chair)
- (Secretary)– idem
- The Group Reinsurance Director Non-Life
- The Group Reinsurance Director Life
- The Group Reinsurance Operations Manager
- Standing invitation: the Group Reinsurance Director, the Ageas Local Actuarial Function.
- Invitation depending on the topic: members of Group Risk, Finance, Group Compliance Function.
- In line with scheduled topics, other stakeholders may be invited.

The RRC is scheduled once per month, ad-hoc RRC meetings may be organized as required.

Decisions are taken by unanimity between the core members. In case the RRC is unable to reach mutual agreement to conclude a decision, the Chairperson will escalate the decision-making to the RMC and if necessary to the RRRC.

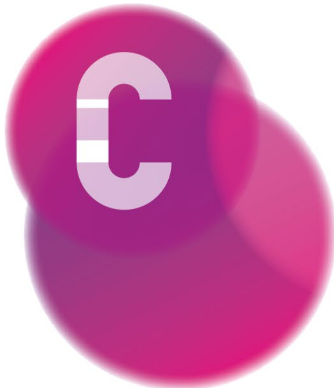
The Reinsurance Coordination Committee (RCC) ensures that all reinsurance activities, and especially those performed by other departments within ageas SA/NV are managed in a well-coordinated way: As a general principle, the reinsurance activity uses the services of other corporate functions and departments in place, as reflected in the illustration below.

The members (*) of the RCC are:

- The members of the RMC
- The Ageas Finance Director Consolidation and Reporting
- The Ageas Business Risk Manager Group Reinsurance

(*) Other stakeholders, e.g. representatives for outsourced activities will be invited ad hoc. The Ageas MDE has a standing invitation to the RCC. The chair of the RMC also chairs the RCC.

Risk Profile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1 Underwriting risk

1.1 Insurance risks

Insurance risks refer to all insurance underwriting risks due to deviations in claims arising from uncertainty of size and/or timing of claims, as well as deviations in expenses and policyholder behaviour, compared to underlying assumptions made at the point of underwriting of the policy.

Life risk relates to includes mortality risk, longevity risk, disability, morbidity risk (i.e. critical illness risk), lapse and persistency risk, expense risk, catastrophe risk and revision risk.

Non-life risks include reserve risk, premium risk and catastrophe risks. Reserve risk is related to outstanding claims, while premium risk is related to future claims from which catastrophe claims are excluded.

Catastrophe risk is related to claims arising from catastrophic events: either natural disasters or man-made events.

Each business manages insurance risks through a combination of policies for Underwriting, Product Approval, Reserving, Claims Management and Reinsurance. Particular attention is paid to ensuring that the customer that buys the product has the profile aligned with the underlying assumptions made about the customers when the product was designed and priced.

Underwriting policies are adopted at local level as part of the overall enterprise risk management framework. A range of indicators and statistical analysis tools are employed to refine underwriting standards in order to improve loss experience and/or ensure pricing is adjusted appropriately.

Insurance companies aim to set premiums at a level that will ensure that premiums received plus the investment income earned on them exceed total claims, costs of handling those claims, acquisition costs and the cost of managing the business. The appropriateness of pricing is tested using a range of techniques and key performance indicators appropriate to a particular portfolio.

The factors taken into consideration when pricing insurance vary by product according to the cover and benefits offered. In general they include:

- expected claims by policyholders and related expected pay-outs and their timing;
- the level and nature of variability associated with the expected benefits. This includes analysis of claims statistics as well as consideration of the evolution of jurisprudence, economic conditions and demographic trends;
- other costs of producing the relevant product, such as distribution, marketing, policy administration, and claim administration costs;
- financial and market conditions, reflecting the time value of money;
- solvency capital requirements;
- target levels of profitability;
- insurance market conditions, notably competitor pricing of similar products.

1.2 Risk concentrations

In its exposures to the above-mentioned risks, Ageas benefits from diversification across geographical regions, product lines and even across the different insurance risk factors so that Ageas is not exposed to significant concentrations of insurance risks. Moreover, Ageas' insurance companies have built-in specific mitigation measures in order to minimise their risk exposures. For example, lapse supported products via lapse penalties and/or market value adjustments mitigate the loss to the insurance company and reinsurance treaties leading to a limited exposure to large losses.

1.3 Sub risks and their mitigation techniques

1.3.1 Life underwriting risks

The Life underwriting risk reflects the risk arising from Life insurance obligations, in relation to the perils covered and the processes used in the conduct of business.

Life underwriting risks are mainly composed of mortality/longevity, disability/morbidity, lapse and persistency, life expense, revision as well as catastrophe risks. This section will first describe these risks (sub-sections A to F). It will then provide an overview of their management within Ageas operating companies (sub-section G).

A. MORTALITY/LONGEVITY RISK

Mortality & longevity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where a deviation in the mortality rate leads to an increase in the value of insurance liabilities.

The mortality tables used in the pricing typically includes prudential margins. As per industry practice, Ageas' operating companies use the population experience tables with adequate safety loading, or experience adjustments were possible. Where longevity is found to be rising faster than assumed in the mortality tables, additional provisions are set up and pricing of new products is adjusted accordingly.

Yearly review of the assumptions is necessary to compare the expected mortality of the portfolio with the experience. This analysis takes a number of criteria into account such as age, policy year, sum assured and other relevant underwriting criteria.

B. DISABILITY/MORBIDITY RISK

Disability/morbidity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates. This can, for example, arise in the disability business, health business and workmen's compensation. Ageas insurance companies mitigate disability risk through medical selection strategies during underwriting and appropriate reinsurance cover.

C. LAPSE AND PERSISTENCY RISKS

Lapse risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses and persistency, which include renewals, surrenders, premium reductions and other premium reducing factors. Note that persistency risk is another name sometimes used to describe the volatility in the policy premium lapses and reinstatements of lapsed policies, free look cancellations or surrenders.

When designing and pricing insurance policies, assumptions also need to be made relating to the costs of selling and then administering the policies until they lapse or mature and relating to the rate of persistency that will be experienced. The risks that in actual experience may be different from the potential impact are identified during the product development stage and can be mitigated by thorough product design. For example, the use of early redemption penalties/loyalty bonuses, initial charges or spreading the commission paid to distributors to align interests or a market value adjustment for certain group contracts where the risks are completely born by the policyholders in case of lapse.

D. LIFE-EXPENSE RISK

Life-expense risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts. Expense risk arises if the expenses anticipated when pricing an insurance cover or guarantee are insufficient to cover the actual costs accruing in the following year.

E. REVISION RISK

Revision risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the level, trend, or volatility of the revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

F. CATASTROPHE RISK

Life's catastrophe risk stems from extreme or irregular events that are life threatening, for example nuclear explosion, pandemic, terrorism, or natural disasters.

G. MANAGEMENT OF LIFE RISKS AT Ageas

Life underwriting risks are monitored within the operating companies via internal risk reporting in order to better understand the exposure to certain events and their evolution. Most of the Life insurance operating companies are exposed to similar events, such as (mass) lapse events, expenses or mortality/longevity.

At Group level a number of reporting schemes related to the above are in place e.g. adequacy testing on reserves, reporting on capital requirements and within the context of the actuarial function. In addition, a thorough follow-up of model changes, assumption changes, legislation change at operating company level is performed and reported to the Group.

1.3.2 Non-life underwriting risks

Non-life underwriting risks are mainly composed of reserve, premium, catastrophe and lapse risks. This section will first describe these risks (sub-sections A to D). It will then provide an overview of their management within Ageas operating companies (sub-section E).

A. RESERVE RISK

Reserve risk is related to outstanding claims and represents the risk of adverse change in the value of insurance liabilities resulting from fluctuations in the timing and amount of claim settlements, including claims expenses.

To mitigate the risk of adverse change in value, Ageas' insurance companies have adopted claims management rules to proactively manage the claims taking into account their expected evolution (e.g changes in legislation). Risks are also mitigated by the operating companies' reinsurance strategy.

B. PREMIUM RISK

Non-life premium risk is the risk that the premium charged will not be sufficient to cover all claims and expenses incurred. This can be the result of deviations from the expected outcomes in terms of claim frequency, severity of claims, timing of claim settlements, or adverse changes in expenses.

Claims losses can differ from the expected outcome for a range of reasons. Analysis of claims will generally treat differently short and long-tail claims. Short-tail claims, such as motor damage and property damage claims, are generally reported within a few days or weeks and are settled soon afterwards. The resolution of long-tail claims, such as bodily injury or liability claims, can take years to complete. In the case of long-tail claims, information concerning the event, such as medical treatment required, may, due to its very nature, not be readily obtainable. Analysis of long-tail losses is also more difficult, requires more detailed work and is subject to greater uncertainties than analysis of short-tail losses.

Ageas's insurance companies take into account experience with similar cases and historical trends, such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims, as well as Court decisions and economic conditions.

To mitigate the claims risk, Ageas's insurance companies adopt selection and underwriting policies based on their historical claims experience and modelling. They do this by client segment and class of business based on knowledge or expectations of future movements in claims frequency and severity. Ageas's insurance companies also benefits from diversification effects by engaging in a wide range of Non-life insurance classes and geographies. This does not reduce average claims, although it does significantly reduce the variation in the total claims book and therefore the risk. The risk of unexpectedly large claims is contained by policy limits, concentration risk management and reinsurance.

C. CATASTROPHE RISK

Catastrophe risk is related to claims generated by catastrophic events, natural disasters such as storms, floods, earthquakes, freezes, tsunamis or man-made events such as terrorist attacks, explosions or casualty claims with a lot of victims involved or with collateral impacts (pollution, business interruption).

To mitigate the catastrophe risk, the Ageas's insurance companies adopt selection rules, control their risk concentration and subscribe adequate reinsurance Catastrophe treaties.

D. LAPSE RISK

Lapse risk is related to future premiums included in the premium provision where an expected profit is accounted for. Lapse risk is the risk that more lapses will occur than the expected ones, generating less profit than foreseen.

E. MANAGEMENT OF NON-LIFE RISKS AT AGEAS INSURANCE COMPANIES

The management of Non-life risk at Ageas is in conformity with underwriting and risk-taking management instructions and guidance issued at each Non-life entity of the Group. This includes, amongst other things, risk acceptance rules, claims management guidance, reinsurance taking activity and management actions.

At Group level a number of reporting schemes related to the above are in place e.g. KPI reports and adequacy testing both on claims- and premium -reserves. In addition, a thorough follow-up of model changes (including the ones related to the partial internal model used to calculate the SCR), assumption changes, legislation change… at entity level is executed and reported to group.

1.3.3 Health Risk

Health underwriting risk reflects the risk arising from the underwriting of health insurance obligations, whether it is pursued on a similar technical basis to that of life insurance or not, following from both the perils covered and the processes used in the conduct of business.

The components of health insurance risk are split, depending on the type of liabilities: if similar to life risk or modelled based on similar techniques as for life liabilities – please refer to section C.1.3.1 Life underwriting risks. For liabilities similar to Non-life liabilities or modelled on a similar way, please refer to section C.1.3.2 Non-life underwriting risks.

1.3.4 Reinsurance

Where appropriate, Ageas's insurance companies enter into reinsurance contracts to limit their exposure to underwriting losses. This reinsurance may be on a policy-by-policy basis (per risk), or on a portfolio basis (per event), i.e. where individual policyholder exposures are within local limits but an unacceptable risk of accumulation of claims exists at Entity level (catastrophe risks). The latter events are mostly weather related or man-made. Reinsurance companies are selected based primarily on pricing and counterparty default risk considerations. The management of counterparty default risk is integrated into the overall management of credit risk.

The major uses of reinsurance include the mitigation of the impact of natural disasters (e.g. hurricanes, earthquakes and floods), large single claims against policies with high limits and multiple claims triggered by a single man-made event.

In addition to the entity reinsurance, the Group entered into internal reinsurance transactions with a participation in local reinsurance treaties and the creation of proportional treaties (LPT and QS). Internal Reinsurance is an instrument that allows for creating fungibility of capital and diversification of risks, Through internal reinsurance, ageas SA/NV can:

- Better recognize its (geographical) diversification;
- Assure adequate reinsurance cover for Ageas group, aligned with its Risk Appetite;
- Optimize the net cost of reinsurance for Ageas;
- Support operating companies in structuring and placing more complex reinsurance structures.

1.3.5 Testing

Testing is an integral part of the actuarial control cycle associated with the reserving process, the pricing and the risk assessment. It provides the necessary feedback loop to the Actuarial function, it provides the empirical evidence as to the inherent level of estimation error associated with its forecast and provides the formal assurance that the reserving and pricing functions are using adequate methods within the framework and circumstances of which they have been commissioned to perform the necessary assessments.

Ageas performs the following tests (not to be considered as exhaustive nor prescriptive):

- Testing underlying assumptions of methods;
- Back-testing;
- Sensitivity testing;
- Scenario testing.

C

2 Market risk

2.1 Market risks including risk mitigating techniques

Market risk arises from adverse changes in financial conditions resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets and liabilities. It is composed of the following sub-risks:

a. interest rate risk;
b. equity risk;
c. spread risk;
d. currency risk;
e. property risk;
f. market risk concentration;
g. inflation risk.

A. INTEREST RATE RISK

Interest rate risk exists for all assets and liabilities sensitive to changes in the term structure of risk-free interest rates or risk-free interest rate volatility. This applies to both real and nominal term structures. The risk arises because of a mismatch between the sensitivity of assets and liabilities to changes in risk-free interest rates and its associated volatility, which can adversely affect the earnings and solvency position. Changes in risk-free rates can also affect the products the insurance companies sell, for example, through guarantees or profit sharing

Ageas measures, monitors and controls its interest rate risk using a number of indicators including cash flow mismatch analysis and stress testing. The investment and ALM policies usually require close matching unless specifically approved otherwise. Longer term business can be difficult to match due to lack of availability of suitable assets. The matching strategy will be determined taking into account risk appetite, availability of (long-term) assets, current and prospective market rates and levels of guarantee. Derivatives can be used to hedge interest rate risk. Note that persistently interest rates have been defined as a strategic risk with focus on fixed/variable cost structure.

B. EQUITY RISK

Equity risk arises from the sensitivity of assets and liabilities and financial instruments to changes in the level, yield, or volatility of market prices for equities, which can impact earnings and the solvency position

This risk is controlled through limit setting based on the risk appetite and by investment policies that require a range of controls to be in place including the action that will be taken in the event of significant decreases in value. Pro-active management of this risk can result in the rapid reduction in exposure to equity risk through sales and hedging. This helps to limit losses and to ensure that the insurance companies remain solvent throughout a financial crisis.

For risk management purposes, Ageas bases its definition of equity exposure on the economic reality of underlying assets and risks.

C. SPREAD RISK

Spread risk results from the sensitivity of the value of assets and liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

A significant portion of Ageas' liabilities is relatively illiquid. Ageas generally aims to hold credit assets to maturity. This limits the long-term impact of spread risk significantly since liabilities that are relatively illiquid allows Ageas to hold the majority of the credit assets to maturity. Although short-term volatility can have a material impact through market value movements, it is unlikely that Ageas would be forced to sell at distressed prices, even though Ageas can choose to sell if it considers this to be the best course of action.

For internal risk management purposes, Ageas considers the sensitivity to long-term fundamental spread risk, related to the Solvency II "Volatility Adjustment" concept, to be more relevant. This is done by taking into account its specific portfolio characteristics. This is considered to be more in line with Ageas' business model, where realizing capital losses is generally avoided, compared to a pure mark-to-market approach.

D. CURRENCY RISK

Currency risk arises from the sensitivity of assets and liabilities to changes in the level or volatility of currency exchange rates when there is a mismatch between the relevant currency of the assets and liabilities. At Group level, this includes situations where Ageas has assets (in subsidiaries and equity associates) or liabilities (from funding) that are non-euro denominated.

Ageas' investment policy limits this risk by requiring the currency mismatch between assets and liabilities at subsidiaries to be minimised and in most cases it is eliminated entirely.

Ageas's policy at the Group level is not to hedge equity investments and permanent funding for subsidiaries and equity associates in foreign currency. Ageas accepts the mismatch arising from ownership of local operating companies in non-euro currencies as a consequence of being an international Group.

E. PROPERTY RISK

Property risk arises as a result of sensitivity of assets and liabilities to the level, yield, or volatility of real estate.

For risk management purposes, Ageas defines the exposure to real estate based on the market value of these assets including assets held for own use and (IFRS 16 based) lease assets. This differs from the exposure reported under IFRS definitions, which excludes unrealised gains or losses.

For internal risk management purposes, Ageas applies an internal model for real estate in its main subsidiaries, in which real estate risk is treated according to the underlying economic exposure, rather than IFRS classification of the assets.

F MARKET RISK CONCENTRATION

Market risk concentration refers to risks stemming from a lack of diversification in the asset portfolio originating from a large exposure by a single issuer of securities or a group of related issuers. Ageas requires its operating entities to diversify their investment portfolios, however in some cases single large exposures can be accepted. Large exposures are followed up regularly in local and Group risk committees.

See section C.3.2 for more details on the concentration of Credit risk.

F INFLATION RISK

Inflation risk arises through the impact of the level or volatility of inflation rates on the value of assets & liabilities.

Ageas does not actively seek to take on inflation risk; however, it may choose to hold assets whose returns are explicitly linked to inflation. Moreover, some insurance liabilities are explicitly or implicitly to inflation rates. Where Ageas considers that the inflation risk is not adequately covered in under the regulatory capital regime or through indirect methods, it may consider an explicit add-on for inflation risk under Pillar II. This is currently done in countries with material inflation risk related to annuities stemming from Workmen's Compensation policies.

2.2 Risk sensitivity

Financial risk is the most significant risk for many of Ageas's operations. The risk framework in place at all operations combines investment policies, limits, stress tests and regular monitoring in order to control the nature and level of financial risks and to ensure that risks being taken are appropriate for both customer and shareholder and are appropriately rewarded.

The overall asset mix is determined by local businesses based on asset mix studies to identify the appropriate strategic assets, their adequacy from an Asset Liability Management (ALM) perspective and on regular monitoring of the market situation and prospects to decide on the tactical allocation. The decision process needs to balance risk appetite, capital requirements, long-term risks and return, policyholder expectations, profit sharing requirements, tax and liquidity issues to arrive at an appropriate target mix. The mission of the Group Risk function includes monitoring aggregate risk appetite covering financial risks and working with the local businesses to develop the policies and best practice, which must be adopted by the local Boards to ensure they become part of the local regular activity.

On an annual basis, Ageas runs a bottom up analysis of the impacts associated to the key market risk factors. The results are available in the table below and show the sensitivity of the Pillar 1 Solvency Ratio (SCRPIM) and the Pillar 2 Solvency Ratio (SCRageas) as at Q4 2020 to the specific stand-alone risk factors:.

Key conclusions for each sensitivity are as follows:

Pillar I As per 31/12/2020 Based on Solvency II PIM	OF	SCR	Solvency	Impact S/R	Impact S/R 2019
Base case	7 869	3 962	**199%**		
Yield curve down	7 719	4 105	**188%**	**(11%)**	**(11%)**
Yield curve up	7 979	3 865	**206%**	**8%**	**12%**
Equity	7 365	3 814	**193%**	**(5%)**	**(2%)**
Property	7 580	4 084	**186%**	**(13%)**	**(12%)**
Spread	7 242	4 316	**168%**	**(31%)**	**(27%)**
Corporate spread	7 988	3 851	**207%**	**9%**	**10%**
Sovereign spread	7 094	4 482	**158%**	**(40%)**	**(35%)**
UFR	7 840	3 975	**197%**	**(1%)**	**(1%)**
UFR	7 822	3 983	**196%**	**(2%)**	**(2%)**

Pillar II As per 31/12/2020 Based on Solvency II ageas		OF	SCR	Solvency	Impact S/R	Impact S/R 2019
Base case		8 057	4 171	**193%**		
Yield curve down	Down 50 bps	7 902	4 361	**181%**	**(12%)**	(12%)
Yield curve up	Up 50 bps	8 161	4 021	**203%**	**10%**	11%
Equity	Down 25%	7 565	4 030	**188%**	**(5%)**	(3%)
Property	Down 10%	7 758	4 296	**181%**	**(13%)**	(12%)
Spread	corporate & government bonds up 50 bps	7 764	4 283	**181%**	**(12%)**	(8%)
Corporate spread	corporate bonds up 50 bps	8 047	4 183	**192%**	**(1%)**	1%
Sovereign spread	government bonds up 50 bps	7 766	4 248	**183%**	**(10%)**	(7%)
UFR	UFR -15 bps	8 029	4 177	**192%**	**(1%)**	0%
UFR	UFR -25bps	8 016	4 183	**192%**	**(1%)**	(1%)

Key elements for interpretation of each sensitivity are following:

Interest Rates: Yield Curve

a. Down: - 50bps
- Sensitivity applies a shock on the yield curve of -50 bps. The shock is applied on the non-extrapolated part of the yield curve impacting both assets & liabilities. This shocked market data is extrapolated to the UFR reaching 3.75% in line with the EIOPA guidance. No floor is applied allowing negative interest rates.
- The Impact on the own funds is limited thanks to the matching between assets and liabilities.

b. Up + 50bps
- Sensitivity applies a shock on the yield curve of +50 bps. The shock is applied on the non-extrapolated part of the yield curve impacting both assets & liabilities. This shocked market data is extrapolated to the UFR reaching 3.75% in line with the EIOPA guidance.
- This sensitivity is the reverse of the downward scenario and results consequently in a positive impact on the Solvency II ratio explained by increasing own funds strengthened by a decreasing SCR.

Equity - 25%

This sensitivity applies a shock on the equity portfolio of -25%.
- Note that the impact is mitigated by a corresponding decrease of the equity shock in the SCR thanks to a review of the equity symmetric adjustment to -10%. This equity symmetric adjustment does not apply on the equity shock of specific equity exposures such as Long Term Equity or portfolios which are protected to a maximum shock which is below the equity shock after application of the equity symmetric adjustment.

For 2020, the sensitivity to Equity increases due to the stronger impact on Own Funds (in line with the increased exposure) while the impact on SCR does not benefit to the same extent as in 2019 from the lower equity shock (in line with the negative equity symmetric adjustment after the sensitivity applies). The equity SCR shock is now more stable given a part of the portfolio is now treated as long term equity which is charged at a fixed capital charge of 22% without application of the EIOPA equity symmetric adjustment while another part is invested in equity funds benefiting from embedded downward protection.

Property - 10%

This sensitivity applies a shock on property of -10%.

Credit Spread

- This sensitivity increases credit spreads for the respective part of fixed income with 50 basis points.
- For pillar 1 credit spread sensitivities, we recalculate the Volatility Adjustment (VA) in the different sensitivities to reflect the new spread environment in line with the EIOPA methodology.
- For Pillar 2, the credit spread modelling refinement introduced in 2017 reduced strongly the impact of credit spread volatility thanks to the better compensation between assets and liabilities. The Expected Loss Model (ELM) is introduced in core Life companies, materially exposed to spread volatility. ELM replaces the EIOPA VA to absorb short term spread volatility by a reflection of realized losses due to credit losses. The Company EIOPA VA was introduced in the other companies and absorbs also better credit spreads shocks thanks to the elimination of the basis risk between the own assets and the EIOPA reference portfolio embedded in the EIOPA VA. This explains why significant part of the initial impact on the assets is offset by a better volatility absorption resulting in a more economic view for Pillar 2 compared to Pillar 1.
- Note that credit ratings are not impacted as part of these credit spread sensitivities and consequently no downgrade of credit ratings is assumed. Considering that the implementation of the credit spread modelling refinement determines the fundamental spread risk mainly based on the credit rating, credit rating downgrade of material exposures will also have a negative impact on the pillar 2 solvency ratio.

a. Sovereign and Corporate Spread + 50 bps
   - This sensitivity applies a credit spread shock of +50 bps on the fixed income portfolio (sovereign and corporate).
   - As both corporate & sovereign bonds are shocked equally, the composition of the EIOPA reference portfolio, applicable for VA recalculation under Pillar 1, is less relevant for the sensitivity.

b. Corporate Spreads +50 bps
   - This sensitivity applies a credit spread shock of +50 bps on the corporate fixed income portfolio. The solvency II yield curve is adjusted for the recalibrated Volatility Adjustment.
   - This stress test impacts the Pillar 1 Solvency II ratio in a positive way explained by the overcompensation of the Volatility Adjustment as defined by EIOPA based on a reference portfolio increasing the risk free rate used for discounting of the Technical Provisions (TP). Given the reference portfolio overweighs corporate bonds and the shock on corporate spread is applied on corporate bonds with a shorter duration, the decrease in technical provisions is larger than the drop in assets for this stress. This illogic result is not applicable in our economic Pillar 2 assessment thanks to the elimination of the basis risk from the Pillar 2 MCBS.

c. Sovereign Spread + 50bps
   - This sensitivity applies a credit spread shock of +50 bps on the sovereign fixed income portfolio. The solvency II yield curve is adjusted for the recalibrated Volatility Adjustment.
   - This sensitivity has a much stronger negative impact on the Pillar 1 Solvency II ratio as the Own Funds decrease in line with the shock on the value of government bond portfolio which is under-compensated by the EIOPA volatility adjustment given the Ageas overweight in sovereign exposure compared to the reference portfolio. This impact is mitigated in our economic view visible in the Pillar 2 assessment.

Ultimate Forward Rate (UFR)

a. -15bps
   - The UFR of the Solvency II yield curve is reviewed downwards with 15bps to 3.60% (instead of 3.75%) impacting only the extrapolation of the yield curve.
   - This reduction is applicable for the calculation of the risk-free interest rates as of 1 January 2021 in line with the gradual transition towards the long term UFR of 3.50% limited to 15 basis points per annum.

b. -25bps
   - The UFR of the Solvency II yield curve is shocked to 3.50% (instead of 3.75%) impacting only the extrapolation of the yield curve. All points on the yield curve prior to and including the last liquid point (LLP) remain unchanged. This does not impact immediately the assets.
   - EIOPA has calculated the ultimate forward rate (UFR) for 2021 in accordance with the methodology to derive the UFR. For the euro, the calculated UFR for 2020 is 3.50%. As the current UFR for the euro is 3.75% and the annual change of the UFR is according to the methodology limited to 15 basis points, the applicable UFR in 2021 is 3.60% but we can expect a further drop to 3.50% during the next years.
   - When comparing to 2019, please note that the UFR long term sensitivity in 2019 represented a reduction of -35 bps (instead of -25bps in 2020).

2.3 Prudent person principle

Ageas's investment framework mentions clearly the need to act as a prudent person. This is defined by the fact that investments shall be made with the same judgement and care that persons of prudence, discretion and intelligence would exercise in the management of their own investments. This means that for investments the probable safety of capital as well as the probable income to be derived should be considered. With respect to the whole portfolio of assets, insurance undertakings only invest in assets and instruments of which the undertaking concerned can properly identify, measure, monitor, manage, control and report the risks, and appropriately take into account in the assessment of its overall solvency needs as included in the ORSA and stay within the risk tolerance limits derived from the risk appetite.

Assets held to cover the technical provisions shall also be invested in a manner appropriate to the nature and duration of the insurance and reinsurance liabilities. Those assets shall be invested in the best interest of all policy holders and beneficiaries taking into account any disclosed policy objective.

All assets, in particular those covering the technical provisions including Minimum Capital Requirement and the Solvency Capital Requirement, shall be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition the localisation of those assets shall be such as to ensure their availability.

In the event of a conflict of interest, insurance undertakings, or the entity which manages their asset portfolio, shall ensure that the investment is made in the best interest of policy holders and beneficiaries.

The use of derivative instruments shall be possible insofar as they contribute to a reduction of risks or facilitate efficient portfolio management. Investment and assets which are not admitted to trading on a regulated financial market shall be kept to prudent levels. Assets shall be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or Group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole.

3 Credit risk

3.1 Credit risks including risk mitigating techniques

Credit risk is composed of two sub-risks:
a. investment default risk;
b. counterparty default risk.

A. INVESTMENT DEFAULT RISK

The investment default risk represents the risk of credit defaults of Ageas' investments. Value movements due to market short-term volatility are considered under market risk. Certain exposures are considered separately under counterparty default risk (see section B).

This risk is managed through limits which take into account the type of credit exposure, credit quality and, where needed, maturity, and through regular monitoring and early warning systems.

Investment exposures are monitored through a quarterly Limit Breach Report. Limits are monitored on fair values based on asset classification. The limits are defined by the following categories.

Limits on *government bonds* are defined by country in multiple ways:

- 'macro limits', defined as percentages of gross domestic product (GDP), government debt and investment assets;
- Total One Obligor (TOO) limits defined as maximum exposure to one obligor based on credit ratings;
- (re-)investment restrictions: Increases in exposure to euro countries rated BBB are only allowed on the condition of having a stable outlook. No new investments in sovereign debt with a rating of BBB- or below without the approval of the ARC. Exceptions apply to home sovereign exposure.

Limits on *corporate bonds* are also defined on multiple criteria:

- total corporate bonds exposure as a percentage of the portfolio;
- limits by sector based on the credit ratings;
- monitoring of concentrated exposure;

At the Group level, a quarterly overview is provided of the largest single name exposures across the Group. This overview is used as a basis for a more in depth credit review of large exposures in the Ageas Risk Committee.

Ageas regularly assesses the impact of negative credit scenarios such as defaults & downgrades on its investment assets as part of its regular stress testing.

B. COUNTERPARTY DEFAULT RISK

The counterparty default risk reflects possible losses due to unexpected default, or deterioration in the credit standing, of counterparties and debtors. The scope of the counterparty default risk category includes risk-mitigating contracts (such as reinsurance arrangements, securitisations and derivatives) cash, receivables from intermediaries and other credit exposure not elsewhere covered (diversified mortgage pools, policyholder loans, etc.).

Counterparty default risk can arise due to the purchase of re-insurance, other risk mitigation and 'other assets'. Ageas manages this risk within risk appetite through policies on counterparty selection, collateral requirements and diversification.

Within Ageas, this risk is mitigated through the application of Ageas' Default Policy and Reinsurance Policy and close monitoring of outstanding counterparty default credit positions. Analysis of credit risk, diversification and avoidance of low rated exposures are key elements in the mitigation of this risk.

Impairment for specific credit risk is established if there is objective evidence that Ageas will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount. In the case of market traded securities, the recoverable amount is the fair value.

Impairments are based on Ageas' latest estimate of the recoverable amount and represent the loss that Ageas considers it will incur. Conditions for write-off may be that the obligor's bankruptcy proceedings have been finalised and securities have been exhausted, the obligor and/or guarantors are insolvent, all normal recovery efforts have been exhausted, or the economic loss period (i.e. the period within which all expenses will exceed the recoverable amount) has been reached.

3.2 Risk concentrations

Concentration risk can arise due to large aggregate exposures to single counterparties or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of impairments due to a bankruptcy or failure to pay.

Avoidance of concentration is therefore fundamental to Ageas credit risk strategy of maintaining granular, liquid and diversified portfolios. Each local business is responsible for its own counterparty limits, taking into account its particular situation and any Group requirements. Each local business is in charge of continuous monitoring. Periodic reporting allows the Group to check these limits and monitor the overall position.

To manage the concentration of credit risk, Ageas' investment limits aim to spread the credit risk across different sectors and countries. Ageas monitors its largest exposures to individual entities, groups of companies (Total One Obligor) and other potential concentrations such as sectors and geographic areas to ensure adequate diversification and identification of significant concentration risk.

The table below shows the highest exposures to ultimate parents measured at fair value and nominal value with their ratings as per 31 December 2020.

Highest Exposure Top 10	Group Rating	Fair Value	Nominal Value
Kingdom of Belgium	AA-	21 126,8	14 675,3
French Republic	AA	6 748,9	4 826,9
Portuguese Republic	BBB-	4 806,3	4 001,7
Republic of Austria	AA+	2 790,3	2 046,7
Kingdom of Spain	A-	2 487,3	1 707,9
Federal Republic of Germany	AAA	1 659,7	1 246,6
Republic of Italy	BBB-	1 659,2	1 582,6
Region Wallonne	A	1 189,9	1 048,2
European Investment Bank	AAA	1 178,7	924,0
BNP Paribas SA	A+	1 136,8	1 329,1
Total		**44 783,9**	**33 389,1**

The top 10 exposure shows almost the same top counterparties as last year. The Kingdom of Belgium remains the top counterparty in line with the strategy to 're-domesticate' at the cost of increasing the risk towards the home country.

4 Liquidity risk

Liquidity risk is the risk of being unable to liquidate investments and other assets in order to settle financial obligations when they fall due. For example, this is the risk that expected and unexpected cash demands of policyholders, and other contract holders, cannot be met without suffering losses or without endangering the business franchise due to constraints on liquidating assets. These constraints may be structural or due to market disruption.

The financial commitments of Ageas and its local businesses are often long-term, and generally assets held to back these would be long-term and may not be liquid. Claims and other outflows can be unpredictable and may differ significantly from expected amounts. If liquid resources are not available to meet a financial commitment as it falls due, liquid funds will need to be borrowed and/or illiquid assets sold (which may trigger a significant loss in value) in order to meet the commitment. Losses would arise from any discount that would need to be offered to liquidate assets.

As an insurance group, Ageas is normally cash accretive and hence this risk is relatively remote. Ageas and its operating entities keep a significant cash position in order to be able to withstand adverse liquidity conditions if and when arising. Special attention is paid to the messages from ECB on potential changes in monetary policy stance.

Dividend payments to shareholders together with holding costs are financed by dividend upstream from Ageas operating insurance entities.

Causes of liquidity risk in the operating companies can be split into elements that can create a sudden increase in the need for cash and elements that can reduce unexpectedly the availability of expected resources to cover cash needs. Types of liquidity risk are the following:

- *Underwriting liquidity risk* is the risk that Ageas or a local business needs to pay a material amount to cover unanticipated changes in customer behaviour (lapse risk), sudden rise in frequency claims or sudden large claims resulting from large or catastrophic events such as windstorms, ash clouds, flu pandemic, etc.
- *Market liquidity risk* is the risk that the process of selling in itself results in losses due to market conditions or high concentrations;
- *Funding liquidity risk* is the risk that Ageas or a local business will not be able to obtain sufficient outside funding, in case its assets are illiquid, at the time it is needed (for example, to meet an unanticipated large claim).

Each business has to ensure they can meet all liquidity requirements by identifying and monitoring liquidity risk, so that the circumstances under which liquidity issues could be possible are known and understood (i.e. unexpected adverse change in liability run-off profile, mass lapse event, slowdown in new business, change in rating), as well as the business's ability to respond to such issues (i.e. liquidity of assets in a crisis) is clear.

Management of liquidity risk is performed through a limit framework. Limits are in place locally and provide an indication of the net liquidity position. Ratios are considered where liquid assets are compared against liquid liabilities over different time horizons (3 months/1year) according to liquidity risk events. Minimum levels of these ratios are defined and actively used in the liquidity profile. In setting these limits, consideration has been given to the circumstances under which liquidity is assessed (stressed versus normal conditions).

Due to local specificities monitoring of liquidity risk is executed by the local operating companies. Liquidity risk is monitored through the use of management information, which may include but not be limited to:

- Cash flow forecasts;
- Asset allocation and maturity profile;
- The run off profile of liabilities, under both normal market conditions and stressed conditions;
- Maturity profile of available credit facilities (where appropriate);
- Results of scenario testing.

Businesses establish and maintain a system of management reporting which provides clear, concise, timely and accurate liquidity risk reports to relevant functions. These reports alert management when businesses approach, or breach, predefined thresholds or limits. The local Risk Function informs Group of the exposure and the evolution thereof.

All limit exceptions are escalated promptly and any cause for the breach in limits is investigated and corrective action taken.

Group monitors the level of the Group's available liquidity on a quarterly basis to ensure that it meets the Group's expectations, being aware of any material changes in current or prospective liquidity risk profiles. It takes reasonable steps to ensure that liquidity risk is adequately identified, measured, monitored and controlled.

On a quarterly basis a comprehensive liquidity report is created by Group Risk. This report contains the current liquidity position and how it has evolved over the past reporting period, whether limit breaches have occurred and which risk mitigating actions were taken to reduce them. In the event of repeated limit breaches, Group Risk can request the adoption of more restrictive measures to reduce the liquidity risk exposure.

The expected profit included in future premiums

The expected profit included in future premiums ("EPIFP") means the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The total EPIFP is EUR 354 million as at year-end 2020 (2019: EUR 365 million).

Note that the expected profit included in future premiums which can be taken into account to cover solvency requirements, is - given its illiquid nature - not taken into account to cover liquidity risk

5 Operational risk

Operational risk is defined as the risk of losses arising from inadequate or failed internal processes, personnel, systems, or external events.

Ageas views operational risk as an 'umbrella' risk, encompassing a number of sub-risks: Employment Practices and Workplace Safety, Execution, Delivery and Process Management, Technology, Internal Fraud, External Fraud, Damage to Physical Assets (including physical security), Clients, Products Business & Legal Practice, Conduct, Regulatory Compliance, Third Party, Statutory Reporting, Disclosure & Tax, Business Continuity, Crisis Management & Operational Resilience, Data Management, Information Security (including Cyber), and Model risk.

In order to ensure adequate management of operational risks, Ageas has implemented Group-wide policies and processes, which covers topics, amongst others, that include:

- Business Continuity Management;
- Fraud Risk Management;
- Information Security;
- Data Management;
- Outsourcing;
- Treat Your Customer Fairly;
- Incident Management and Loss Data Collection;
- Internal Control Adequacy Assessment;
- Key Risk Identification and Reporting process.

Ageas' operational risk mitigating strategy is to minimise operational failures or disruption, whether caused by internal or external factors which may damage our reputation and/or incur financial losses via a strong and robust Internal Control System (ICS). Risk awareness training and education initiatives are part of Ageas entities' activities since they are vital to ensure that employees have an adequate understanding of their roles and responsibilities towards risk management.

Ageas applies the standard formula to calculate operational risk capital. Ageas has also implemented a scenario-based approach which uses expert judgement, internal and external data. The estimated frequency and severity are translated into the most likely potential loss and the worst-case potential loss for each operational risk scenario. The scenario outputs are used to determine whether or not the operational risk capital based on standard formula is sufficient to cover our key operational risks.

One of the top operational risks faced by Ageas Group in 2020 relates to information security risk (including cyber and data protection). In order to improve the management of information security risk, Ageas is consolidating Security Operation Centre (SOC) activities, which will allow faster and more targeted information security incident detection and response. Regular vulnerability assessments and penetration testing, complemented with ethical hacking will be part of the activities of the SOC. Additionally, dedicated assessments on Data Protection and Information Security are performed at least on a yearly basis.

6

Strategic & Business risks

6.1 Strategic and Business risks

This risk category covers external and internal factors that can impact Ageas's ability to meet its current business plan and objectives and also to position itself for achieving ongoing growth and value creation.

6.1.1 Strategic risk

Risks to the organisation arising from unclear understanding and translation of the strategy, inadequately determined levels of uncertainty (risk) associated to the strategy, and/or challenges faced during implementation stages. It includes:

- Business Model Risk: risk to the organisation arising from our business model (and that has an influence on the business decisions that we make).
- Partnership Risk: risk to the organisation arising from partnerships, dependence on partner-related distribution channels, limited operational control inherent for joint ventures, the offering of insurance services as part of a broader 'partnership eco-system' (e.g. coupling insurance products with service providers such as Amazon, utility players in the connected home space…).

Ageas Group has a strong strategic risk management framework to anticipate, report on, and mitigate these risks. The ORSA report provides an assessment on the overall adequacy of solvency for the 3 year budgeted period (Multi-Year Budget or MYB), which comprises strategic risks.

6.1.2 Change risk

Risks to the organisation arising from managing change (e.g. programmes and projects) or an inability to adapt sufficiently quickly to industry and market changes (e.g. regulations and products).

6.1.3 Industry risk

Risks arising from internal and/or external environmental factors, such as:

- Macro-economic arising from economic factors (e.g. inflation, deflation, unemployment, changing consumer confidence / behaviour…) that can impact the business. Interest rates / Inflation / deflation can also materialise through financial and/or insurance risks.
- Geopolitical that may impact our ability to maintain / develop business in different countries where we operate / intend to operate;
- Propensity / Changing client behaviours;
- Innovation from internal (own insurance services & products launched…) and external (e.g. block chain, self-driving cars…) factors;
- Competition risks arising from changes within the competitor landscape or market position.

6.1.4 Systemic risk

The risk of disruption to financial services organisations that has the potential to have serious consequences for the financial system and/or the real economy. Systemic risk events can originate in, propagate through, or remain outside of Ageas.

6.1.5 Sustainability risk

A sustainability risk is an uncertain environmental, social or governance (ESG) event that, if it occurs, can cause a significant negative impact on Ageas. It includes the opportunities that may be available to Ageas because of changing environmental or social factors.
Environmental relates to the quality and functioning of the natural environment and natural systems, and our positive contribution towards it.
Social relates to the rights, well-being and interests of people and communities.
Governance relates to elements such as Board structure, size, Executive pay, shareholder rights, stakeholder interaction…

The impacts of ESG risks are considered & reported along two axis:
Physical Risk – assess the impact on the business due to physical risks materialising (e.g. damage to real estate portfolio, people well-being due to prolonged confinements / rapid changes in work culture, technology…).
Transition risk – assess the impact on the business due to the transition measures taken / being deployed towards supporting a 'greener' economy.

7
Any other information

7.1 Reinsurance activity within ageas SA/NV

The risk profile of its Capital Management treaties (quota-share agreements and loss portfolio transfers on the non-life business of the fully consolidated entities) is identical to the risk profile of the ceding entities.

The risk profile of its Protection business (mainly non-proportional reinsurance accepted from its entities) is slightly different. This non-proportional business is largely retroceded to the external reinsurance market, in principal acquiring one single multi-territory programme per risk type for the group. The remaining net exposures are closely monitored and satisfy the risk appetite.

Valuation for Solvency Purposes

D

1

Assets

In this chapter we disclose the valuation principles applied under Solvency II compared to IFRS. In the table below we disclose the reclassification and valuation differences between the IFRS balance sheet and the Solvency II Market Consistent Balance Sheet (MCBS). The first column in the table below is the IFRS balance sheet as reported in the financial statement re-classified to the line items in the Solvency II MCBS.

Market Consistent Balance Sheet	IFRS BS Before Reclass S2	IFRS BS After Reclass S2	Revaluation	2020 Solvency 2 Valuation	2019 Solvency 2 Valuation
Total Assets	**111 418**	**110 250**	**5 064**	**115 317**	**113 718**
Goodwill, Deferred acquisition costs, Intangible assets	1 637	1 408	(1 408)		
Pension benefit surplus	45	50		50	50
Deferred tax assets	98	98	31	129	111
Property, plant & equipment held for own use	1 827	507	189	696	914
Investments (other than assets held for index-linked and unit-linked funds)	72 233	76 129	4 622	80 750	80 913
Property (other than for own use)	2 889	3 603	1 478	5 082	5 486
Holdings in related undertakings, including participations	4 929	4 945	205	5 149	4 875
Equities	4 885	2 150		2 150	2 078
Bonds	58 658	61 277	2 939	64 216	64 524
Collective Investments Undertakings		3 094		3 094	2 846
Derivatives	19	22		22	13
Deposits other than cash equivalents	705	1 037		1 037	1 091
Other investments	149				
Assets held for index-linked and unit-linked funds	17 088	17 088		17 088	16 429
Loans & mortgages	12 692	11 272	1 300	12 572	10 077
Reinsurance recoverables	719	719	84	806	824
Receivables	1 184	1 174	(17)	1 157	1 051
Own shares			331	331	412
Cash and cash equivalents	2 241	1 452		1 452	2 736
Any other assets, not elsewhere shown	1 652	359	(68)	291	201
Total Liabilities	**97 644**	**96 771**	**7 207**	**103 980**	**101 914**
Technical provisions – Non-life	7 404	5 226	(622)	4 604	4 768
Technical provisions - Life	61 615	63 946	8 779	72 728	70 832
Technical provisions – index-linked and unit-linked	17 076	17 076	(356)	16 720	16 055
Other technical provisions					
Provisions other than technical provisions	322	317	(18)	299	566
Pension benefit obligations	1 137	950		950	881
Deposits from reinsurers	77	77		77	83
Deferred tax liabilities	1 105	1 034	(586)	448	623
Derivatives	35	48		48	77
Debts owed to credit institutions	3 210	2 843		2 859	2 290
Financial liabilities other than debts owed to credit institutions	633	398		367	581
Insurance & intermediaries payables	509	521		521	428
Reinsurance payables	31	2		25	12
Payables (trade, not insurance)	879	838		839	760
Subordinated liabilities not in BOF					
Subordinated liabilities in BOF	2 758	2 784	152	2 936	3 206
Any other liabilities, not elsewhere shown	852	712	(152)	560	751
Excess Assets over Liabilities	**13 774**	**13 478**	**(2 143)**	**11 337**	**11 804**

The most relevant reclassifications:

- The minority share in the Interparking participation is not reported in the Solvency II MCBS as a proportional consolidation method is applied under Solvency II (as of Q4 2020), under IFRS a full consolidation method is applied. This explains, in above table, the difference between the IFRS balance sheet before Solvency II Reclassifications and the IFRS balance sheet after Reclassifications.
- Equities reclassification to collective investment undertakings (if specific criteria are met).
- Investment related assets such as structured notes and collateralised securities are reclassified from corporate bonds and money market funds to cash equivalents.
- Accrued interest (reported in the line item ‘Any other assets, not elsewhere shown’) to the respective line item of the interest bearing balance sheet item.
- Property, plant and equipment for own use to investment property (if specific criteria are met).
- Under IFRS all types of mortgage investments are classified as mortgages to individuals. However, under SII the non-residential mortgages, not provided to individuals, are classified under other loans and mortgages. This reclassification is performed as residential mortgages are subject to counterparty default risk while commercial mortgages (included in other loans and mortgages) are subject to spread risk under Solvency II.
- Technical provisions Health from Life and Non-life technical provisions to the Health provision line items.
- Pension liabilities to life technical provisions for the pension contract of employees of ageas SA/NV.

The most relevant valuation differences between the IFRS balance sheet in the financial statements and the market consistent balance sheet for Solvency II purposes are:

- Derecognition of goodwill and other intangibles under Solvency II.
- Property, loans and Held to maturity (HTM) investments are recorded at amortised cost under IFRS, while these are valued at fair value under Solvency II.
- Liabilities (technical provisions) arising from (re)insurance and investment contracts are recognised at market-consistent values.
- Revaluation of participations in material European Economic Area (EEA) insurance entities to fair value (use of the adjusted equity method).
- Recognition of contingent liabilities under Solvency II.

We refer to the Quantitative Reporting Template S.02.01.02 for the Solvency II balance sheet.

1.1 Basis, methods and main assumptions used for Solvency II

Solvency II starts from the Market Consistent Balance Sheet (MCBS) which requires assets and liabilities to be valued at ‘Fair Value’. According to article 75 of the SII Directive, assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm’s length transaction. Liabilities are valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm’s length transaction.

Ageas applies the methodology and valuation hierarchy defined in Delegated Regulation 2015/35 in the order listed:

- Quoted market prices in active markets for the same assets or liabilities is the default method;
- Quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences specific to the asset or liability;
- Alternative valuation methods relying as little as possible on undertaking-specific inputs and making maximum use of relevant market inputs.

For the valuation of participations in insurance entities, the adjusted equity method or IFRS equity method is used in case no quoted market price is available in active markets.

The table below summarises per material class of asset the basis, methods and main assumptions used for the Solvency II valuation of assets. For the data, we refer to the Quantitative Reporting Template S.02.01.02.

Asset class	Basis, methods and main assumptions used for Solvency II
Goodwill	Valued at nil.
Deferred acquisition costs	Valued at nil.
Intangible assets	Intangible assets consist of: - VOBA (value of business acquired): valued at nil. - Intangibles: valued at nil - Parking concessions valued at nil.
Deferred tax assets (DTA)	The valuation of the DTA is based on the difference between the value of the underlying assets and liabilities in the MCBS and the value on the tax base balance sheet. The measurement principles of IAS 12 apply in valuing the DTA. The specific tax position and tax regulations per fiscal jurisdiction/country and interpretations of tax regulations are considered in the calculation of the net deferred tax position. A net DTA is only recognised to the extent that it can be recovered in the future, implying that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised and tax authorities permit this under local reporting. Therefore, when an entity has a history of recent losses, it is only able to recognise a DTA arising from unused tax losses or tax credits to the extent that the entity has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.
Pension benefit surplus	Fair value The measurement principles of IAS 19 apply, using the projected unit credit method in the case of defined benefits plans. Pension obligations for own employees for life subsidiaries are included in the technical provisions.
Property, plant and equipment (PPE) held for own use	Fair value The PPE held for own use is (except for Car parks) independently valued and verified by an external source every year. The independent appraisers are rotated every three years. Car parks are valued at fair value using in-house models that also use significant unobservable market data (alternative valuation method). Ageas nevertheless regularly calibrates the resulting fair values to reflect available market data and/or transactions. Alternative valuation method techniques are the basis for measuring car parks primarily on discounted cash flows. Expected car park cash flows take into account expected inflation, and economic growth in individual car park areas, among other factors. The expected net cash flows are discounted using risk-adjusted discount rates. The discount rate estimation considers the quality of the car park and its location, amongst other factors.
Property (other than for own use)	Fair value Almost all investment property is independently valued and verified by an external source every year. The independent appraisers are rotated every three years. If an investment property is not externally valued, Ageas uses in-house models to calculate the fair value, based on available market data and/or transactions. Ageas' alternative valuation method techniques are based primarily on discounted cash flows. Expected property cash flows take into account expected rental income growth rates, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. Ageas then discounts the expected net cash flow using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms. For development property (i.e. under construction), the fair value is set to cost until the property is operational.
Holdings in related undertakings, including participations	Fair value Material European Economic Area (EEA) insurance participations are presented as participations and are valued at fair value using as a proxy the adjusted equity method. This can be applied under the condition that underlying assets/ liabilities of that participation are valued at fair value according to article 75 of the SII Directive. Non-insurance participations are valued according the IFRS equity method with deduction of goodwill and other intangibles that would be valued at nil in accordance with Solvency II. The Asian and Turkish non-EEA insurance participations are valued according the IFRS equity method as no information is available to determine the adjusted equity value. This IFRS equity value is fully deducted in the calculation of eligible Own Funds. Therefore, the effect of this deviation from the adjusted equity method is considered to be not material.
Equities – listed	Fair value Valued using quoted market price in active markets for the same assets that are sourced independently.
Equities – unlisted	Fair value Valued using alternative valuation methods where no quoted market prices are available for the same or similar assets. The fair value is determined using discounted cash flow models. Discount factors are based on a swap curve plus a spread reflecting the risk characteristics of the instrument. Alternative valuation methods for private equities and venture capital use fair values disclosed in the audited financial statements of the relevant participations. Alternative valuation methods for equities and asset-backed securities use a discounted cash flow methodology. Expected cash flows take into account original underwriting criteria, borrower attributes (such as age and credit scores), loan-to-value ratios, expected house price movements and expected prepayment rates etc. Expected cash flows are discounted at risk-adjusted rates. Market participants often use such discounted cash flow techniques to price private equities and venture capital. We rely also on these quotes to a certain extent when valuing these instruments. These techniques are subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results. Private equity and non-quoted participations investments are in general based on European Venture Capital Association's valuation guidelines, using enterprise value / EBITDA, price/cash flow and price/earnings, etc. Non-quoted preference shares that are characterised as debt instruments are valued applying a discounted cash flow model.
Government Bonds Corporate Bonds Structured notes	Fair value Valued using quoted market prices in active markets for the same or similar assets that are sourced independently or alternative valuation methods.

Asset class	Basis, methods and main assumptions used for Solvency II
Collateralised securities Other investments	If alternative methods are used, the fair value is determined using discounted cash flow models. Discount factors are based on a swap curve plus a spread reflecting the risk characteristics of the instrument. Alternative valuation methods for asset-backed securities use a discounted cash flow methodology. Expected cash flows take into account original underwriting criteria, borrower attributes (such as age and credit scores), loan-to-value ratios, expected house price movements, expected prepayment rates etc. Expected cash flows are discounted at risk-adjusted rates. These techniques are subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.
Collective investments undertakings	Fair value Use of mark to market based on quoted prices in active markets for the same or similar assets that are sourced independently or use of alternative valuation methods. The fair value is determined using discounted cash flow models. Discount factors are based on a swap curve plus a spread reflecting the risk characteristics of the instrument.
Derivatives	Fair value The derivatives are held for trading or hedging purposes and relate to interest rate and equity options, interest rate swaps and foreign exchange contracts. Derivatives held for trading are valued based on alternative valuation methods using, as appropriate, discounted cash flow models and option pricing models based on observable market data in active markets. Quoted market prices provide the most reliable fair value for derivatives traded on a recognised exchange. Fair value of derivatives not traded on a recognised exchange is considered to be the value that could be realised through termination or assignment of the derivative. Common valuation methodologies for an interest rate swap incorporate a comparison of the yield of the swap with the current swap yield curve. The swap yield curve is derived from quoted swap rates. Dealer bid and offer quotes are generally available for basic interest rate swaps involving counterparties whose securities are investment grade. Factors that influence the valuation of an individual derivative include the counterparty's credit rating and the complexity of the derivative. If these factors differ from the basic factors underlying the quote, an adjustment to the quoted price may be considered. Any collateral is taken into account.
Deposits other than cash equivalents	Fair value Deposits are valued using alternative valuation methods using discounted cash flow methodology; discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities); spread is based on (amongst others) credit standing and can be derived from the commercial margin computed based on the average of new production during last 3 months. Deposits with a remaining maturity shorter than one year are valued at redemption value or the nominal value.
Assets held for index-linked and unit-linked funds	Fair value Use of quoted market prices in active markets for the same or similar assets that are sourced independently. Alternative valuation methods are used if there is no market price available and observable data in active markets or unobservable market data. The fair value is determined using discounted cash flow models. Discount factors are based on a swap curve plus a spread reflecting the risk characteristics of the instrument.
Loans & mortgages to individuals Other loans & mortgages Loans on policies	Fair value To the extent loans are originated or purchased from third parties, their fair value is based on the transfer price of such loans/debt securities to third party at the year-end date of the MCBS. The valuation may involve using alternative valuation models if there are no readily available market prices for such loans. Loans without optional features are valued using discounted cash flow methodology based on Ageas's current incremental lending rates for similar type of loans. For variable-rate loans that are re-priced frequently and have no significant change in credit risk, fair values are approximated by the carrying amount. The discounting yield curve is the swap curve plus spread; spread is based on (amongst others) credit standing and can be derived from the commercial margin computed based on the average of new production over the last three months. Loans with optional features (for caps and prepayment options embedded in the loans) are split. A linear (non-optional) component is valued using a discounted cash flow methodology and an option component is valued based on option pricing model. The prepayment assumption is calibrated on historical data.
Deposits to cedants Insurance & intermediaries receivables Reinsurance receivables Receivables (trade, not insurance) Cash and cash equivalents Any other assets, not elsewhere shown	Fair value Valued at amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value due to the short term of the receivables. For cash and cash equivalents, that have a term of less than three months from the date on which they were acquired, fair value equals the nominal value. Any other assets include amongst others current tax receivables and prepayments.
Own shares	Fair value The fair value is determined based on the share price of the ageas share (listed on Euronext Brussels).

1.2 Material differences between Solvency II and IFRS

The table below summarises, per material class of asset, the material differences between the valuation for Solvency II purposes and the valuation for IFRS purposes.

Asset class	Different basis, methods and main assumptions used for financial reporting
Goodwill	Under SII, all intangibles are valued at nil. Under IFRS, Ageas values its intangibles at amortised cost (if definite life) or historical cost less any impairment (if indefinite life).
Deferred acquisitions costs	Under SII, deferred acquisition costs are included in the valuation of the technical provisions. Under IFRS, deferred acquisition costs are separately valued according to period of earnings.
Intangibles	Under SII, all intangibles are valued at nil. Under IFRS, Ageas values its intangibles at amortised cost (if definite life) or historical cost less any impairment (if indefinite life).
Investment property and property, plant & equipment (PPE) held for own use	Under SII, PPE is fair valued. For IFRS purposes, Ageas uses the cost approach.
Participations	Under SII, material European Economic Area (EEA) insurance participations are valued at fair value using as a proxy the adjusted equity method. Non-insurance participations are valued according the IFRS equity method with deduction of goodwill and other intangibles that would be valued at nil in accordance with SII. The Asian and Turkish non-EEA insurance participations are valued according the IFRS equity method as no information is available to determine the adjusted equity value. Under IFRS, participations are valued based on the equity method (including paid goodwill).
Financial investments – held to maturity	Under SII, these instruments are fair valued. Under IFRS, some government bonds and corporate debt securities are carried at amortised cost less any impairment charges.
Deposits other than cash equivalents	Under SII, these deposits are fair valued. Under IFRS, these deposits are measured at amortised cost. In case of long-term deposits there is a timing difference.
Loans & mortgages to individuals Other loans & mortgages Loans on policies	Under SII, these instruments are fair valued. Under IFRS, loans and receivables are measured at amortised cost, using the effective interest method (EIR) less impairment.
Deferred tax	The valuation method between IFRS and SII does not differ. The amount on the SII balance sheet differs from the one on the IFRS balance sheet because every valuation difference between IFRS and SII of the assets and liabilities generates a movement in the deferred taxes.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that there will be sufficient future taxable profit against which the deferred tax asset can be utilised. Deferred tax assets have been recognised on unused (claimed) tax losses and unused tax credits at an estimated tax value of EUR 71 million (2019: EUR 78 million). The tax losses that have not been recognised amount to EUR 3,308 million at 31 December 2020 (2019: EUR 3,325 million). Most of the (claimed) tax loss carry forward position originates from the liquidation of Brussels Liquidation Holding (the former Fortis Brussels, the company that held the Fortis banking operations). Tax-wise, the loss on the sale of the Fortis Bank only materialised at the moment of liquidation.

The deferred tax assets in the IFRS balance sheet, after offsetting, amount to EUR 98 million. In Solvency II the deferred tax assets amount to EUR 129 million.

2 Technical provisions

2.1 Introduction

A fair value is the amount for which an asset could be exchanged, a liability settled or a granted equity instrument exchanged between knowledgeable, willing parties in an arm's length transaction.

In contrast to most assets, a market price for insurance liabilities is in general not available. Hence, to calculate the market value of liabilities, a mark-to-model approach is used which consists of projecting future liability cash flows reflecting an actuarial best estimate, and discounting these. In addition, a risk margin is calculated to cover the uncertainty to be supported by the party bearing the liabilities.

For the data, we refer to the Quantitative Reporting Template S.02.01.02.

2.1.1 Best Estimate

The calculation of the best estimate is performed by homogeneous risk group (HRG) based on economic and non-economic assumptions as explained hereafter.

The actuarial best estimate distinguishes between cash flows related to the claims provisions and the premium provisions. The claims provisions reflect claims which occurred before or at the valuation date – whether the claims arising from these events have been reported or not (i.e. all incurred but not settled claims). The premium provisions reflect future claims and expenses occurring in the future related to policies in force according to contract boundaries defined hereafter.

For certain types of Life business, in addition to the actuarial best estimate, certain cash flows are projected using stochastic economic scenarios. These relate to future payments that are contingent on economic conditions and asset returns, such as profit sharing, variable expenses and certain types of commissions.

2.1.2 Contract boundaries

The time horizon used in the calculation of the best estimate is the full lifetime of the existing (re)insurance liabilities on the date of valuation. The determination of the lifetime of the (re)insurance portfolio is based on contract boundaries and realistic assumptions about when the existing liabilities will be discharged, cancelled or expired. Recognition of contract boundaries is done based on Solvency II requirements.

For Non-life liabilities, this will include unincepted business, i.e. those contracts where a legal obligation exists but the coverage period did not start yet. This includes typically multi-year contracts and contracts for which the delay between the valuation date and the following renewal date is smaller than the cancelation notification period.

2.2 Economic assumptions

Economic assumptions are set consistently with financial market data. As a general principle, the financial information used should be such that it corresponds to prices observed in deep, liquid and transparent markets. However, information observed in other types of markets may be used provided, to the extent possible, that appropriate tests or adjustments can be applied to demonstrate its reliability.

2.2.1 Reference and Discount Rate

Discount rates are derived from a reference valuation curve, which is defined by the Solvency II framework and is considered to reflect the risk-free rate and a valuation adjustment which reflects the liquidity of the insurance liabilities being valued.

The reference valuation curve is constructed using:

- Reference market rates depending on the currency (e.g. swap rates of government bonds).
- Credit Risk Adjustment (CRA): taking into account the credit risk inherent to the swap curve;
- A Volatility Adjustment (VA) determined by EIOPA which is intended to reflect the liabilities' illiquidity;
- An extrapolation resulting in the convergence to the ultimate forward rate (UFR) determining yearly by EIOPA starting as from maturities after the last liquid point (LLP).

For Pillar I purposes, Ageas has applied the Volatility Adjustment as defined in the Solvency II framework. The impact of the VA can be found in Quantitative Reporting Template S.22.01.22.

In order to determine its capital adequacy for internal risk management purposes under Pillar II, Ageas applies an adjusted valuation method. The aim is to recognize its ability to earn an additional liquidity premium, based on its own portfolio and ALM profile, instead of the EIOPA VA which is based on an EU average portfolio.

2.2.2 Volatilities

For liability valuation purposes, economic scenarios will reflect quoted option prices where these are available. Economic models that are calibrated on these option prices are then employed to generate asset returns that will partially determine certain liability cash flows. When these are not available or are not applicable, historical volatilities can be used as an alternative. In the determination of the historical volatilities, an appropriate time period is taken into account.

2.2.3 Stochastic valuation

Where the value of options and guarantees is taken into account, the best estimate liabilities are calculated using stochastic valuation techniques. In practice, Monte Carlo simulation based on risk-neutral scenarios is employed. Each simulation will have impacts on the variable cash flows, whereas fixed cash-flows will remain constant.

2.2.4 Inflation

Inflation assumptions are based on market instruments. The construction of such curve follows similarly the methodology for constructing the discounting curve:

- market inflation swap rate at valuation date;
- interpolation of the curve for missing data points;
- extrapolation from last liquid points towards the ultimate forward inflation rate determined by central bank policy.

Where a product is exposed to specific inflation, a 'wedge' is applied on top of the market inflation curve. The wedge is determined based on a framework which allows a gradual trend from the short term observed specific inflation to the longer-term expectation.

For the Life business expense assumptions include an allowance for the expected future cost inflation.

For Non-life insurance, inflation can be considered through direct or indirect methods. Indirect methods will consider inflation implicitly when forecasting future claims and expense cash flows. Direct methods are employed in certain lines (e.g. Workmen's Compensation, Motor Third Party Liability) where future annuity payments are indexed.

2.3 Non-economic assumptions

Non-economic assumptions are generally based on historical analyses in order to have a view on the best estimate future experience. These assumptions are set for each risk factor by examining the results of the experience analysis, either as explicit parameters, or implicitly when forecasting future claim amounts and expenses.

2.3.1 Life Specific assumptions for the Best estimate valuation

Life assumptions are set for each risk parameter to fit a distribution on the assumptions allowing a trend in such data.

Mortality and longevity

For Life businesses, mortality and longevity best estimate assumptions are set based on statistical analysis of company historical experience data and/or external observable data. Best estimate assumptions include trend changes if these are significant to the long-term nature of underwritten risks. Comparable market experience is used if company data is unavailable or unreliable. If standard mortality tables are used, a justification of these tables representing the company's own experience is made.

Morbidity and disability

For Life businesses morbidity and disability assumptions are set following a statistical analysis/study of the company's historical experience data and/or external observable data. For disability, credible market experience is used when this represents a comparable experience to the company's experience, else the pricing for disability incidence rates is applied.

Lapse, persistency, surrender, withdrawals, paid up

All these terms refer to an event where the policyholder chooses to alter the contract by ceasing to pay or reducing premiums or by withdrawing some or all of the value he/she has accumulated in the policy to date. Lapse studies are performed on historical experience data.

Where data is not available or found to be inadequate to perform an experience study then a lapse rate of a similar product is considered. Lapse rates are dependent on relevant drivers linked to the policyholder's propensity to surrender his policy, where the data to be analysed is suitably credible and where the assumption is sufficiently material. Examples include product, age of the policy.

Other forms of persistency such as salary indexation and new entrants to a group scheme are treated similarly as premium persistency. These assumptions reflect the best estimate of future expectations of such events.

Renewal assumptions

Renewal assumption is the assumption that a contract will be renewed after the expiry date or after the end of the guaranteed period. Renewals are included in the valuation and are expected to be paid-up after the renewal considering the contract boundary under Solvency II. All yearly renewal term assurance policies are not renewed after one year, unless premiums are guaranteed at inception of the underwriting of the contract.

Expenses

For the *Life business*, all expenses that will be incurred in servicing insurance and reinsurance obligations are taken into account. The total expense basis allocated to Life insurance activities within scope represents the accurate level of incurred expenses over the past calendar year. These include investment expenses, future expenses directly related to ongoing administration of insurance obligations together with a share of relevant overhead expenses. Since acquisition expenses relate to the sale of new business, and since future new Life insurance contracts are not to be considered in the valuation of the technical provisions, acquisition expenses are not included in the valuation of technical provisions.

Moreover expenses are supposed to be calculated on a going concern basis with special consideration for the portfolio being growing, declining or in run off. Forward looking information (e.g. coming from budget exercise) is included in the determination of the expense cash-flows when appropriate. Finally, future acquisition costs are valued regarding cash-flows related to premium provisions and considered differently following the fact that the premium has already been written or not. For the part of provisions constituted by premium already written, no acquisition cost is projected since all expenses can be considered as having been paid at the drawing up of the contract. Acquisition expenses are considered to be paid in the first year, except for multi-year contracts with yearly premiums.

Commissions

For Life businesses the total of allocated commissions represent the actual commissions for the past calendar year. The commission assumptions cover acquisition commissions, renewal commissions, bonus commissions and claw-back of unearned commission in case of lapse. Since future new contracts are out of scope for solvency purposes, acquisition commissions for these contracts are not included in the valuation of technical provisions.

Acquisition Expenses

Future acquisition costs are valued in the context of cash flows related to premium provisions and are considered differently depending on whether the premium has already been written or not.

Administration and Operating costs

Expenses connected with ongoing administration of in-force policies and operational businesses (including reinsurance costs) are allocated to premium provisions.

Asset management rules

The parameters of the asset management rules are set to be in line with the most recent Strategic Asset Allocation (SAA) exercise for each asset fund. The asset management rules are designed to converge smoothly to a long-term target, following a buy-and-hold strategy limiting the transaction costs.

Profit sharing rules

The profit sharing can be discretionary or non-discretionary. Where profit sharing is discretionary, i.e. left at the discretion of the management, this is modelled based on client expectations and/or external benchmark.

2.3.2 Non-life assumptions for the best estimate valuation

Claims payments

Claims assumptions are related to the frequency and severity of claims, as well as timing of payments. Claims assumptions are generally based on historical observations, taking into account future evolutions such as legal changes in indemnities or changes in underwriting.

Generally, the analysis is done by type of claims: attritional claims (claims with a cost under a predefined threshold), large claims (claims with a cost above a predefined threshold) and Catastrophe (Cat) events (events with a low probability to occur but with an important claims cost).

The main reason for isolating attritional, large and Cat claims is that, in many cases, large claims require a dedicated valuation technique. Methods to valuate attritional claims are in general aggregate methods where claims are grouped per accident or reporting year and where payments are grouped by accounting year to form a claims triangle. For large losses, individual claims methods are used generally which allows the application of the reinsurance treaties in order to compute reinsurance recoveries on a claim-by-claim basis.

When observations are missing (e.g. for Cat events which are not necessary observed in the past) or when the history is not long enough (especially for long-tailed business), specific actuarial methods are applied (binary events, tail factor method).

Expenses

While claim expenses will occur until final run-off of the claims, other expenses (commission, acquisition and administration) are incurred in the first year and little uncertainty exists.

Best estimate valuation is based on observations of previous years and future wage inflation. For claims expenses, the valuation is also based on future claims cash flows.

Future commission is considered for the part of the premium provisions related to premiums not already written. These commission assumptions are generally expressed as a percentage of written premiums.

Reinsurance recoveries

Recoverables from reinsurance contracts, including recoverables from any special purpose vehicles, are recognised and valued according to the valuation principles; they are shown separately on the asset side of the balance sheet. The time value of money is taken into account in the calculation of reinsurance recoveries.

2.4 Risk margin

The methodology for the calculation of the risk margin is based on a proportional projected approach whereby the Basic SCR, Operational SCR and adjustment of loss absorption of technical provisions at time step zero are run off following selected risk drivers. Risk drivers can be benefit payments or exposure to which there is an obligation from the insurer toward the policyholder. The level of granularity of this projection depends on the operating company, and can vary from the company level to the level of homogenous risk groups. A cost of capital rate of 6% is applied to the projected capital requirements as required by Solvency II.

2.5 Level of uncertainty in the amount of technical provisions

Due to the uncertainty of future events, any modelling of future cash flows (implicitly or explicitly contained in the valuation methodology) will necessarily be imperfect, leading to a certain degree of inaccuracy and imprecision in the measurement (or model error). A yearly model assessment is performed in order to review any potential modelling feature that is missing in the model and that might be significant to the determination of the Best Estimate.

Such an assessment of the model error may be carried out by expert judgement or by more sophisticated approaches, for example:

- Sensitivity analysis in the framework of the applied model: this means varying the parameters and/or the data thereby observing the range where a best estimate might be located;
- Comparison with the results of other methods: applying different methods gives insights into potential model errors. These methods would not necessarily need to be more complex;
- Descriptive statistics: in some cases the applied model allows the derivation of descriptive statistics on the estimation error contained in the estimation. Such information may assist in quantitatively describing the sources of uncertainty;
- Back-testing: comparing the results of the estimation against experience may help to identify systemic deviations which are due to deficiencies in the modelling;
- Quantitative assessment through scenario or benchmark testing.

2.6 Material changes in the relevant assumptions

Over the reporting year 2020, the following material changes in assumptions took place.

At AG Insurance, the management rules related to profit sharing were reviewed in depth. The new methodology allows for a closer alignment between modelling and the actual management of the business. The previous methodology did not fully reflect reality due to fact that liability valuation is done based on Solvency II contract boundaries, whereas actual asset management and profit sharing attribution is done on a going concern basis.

2.7 Material differences between Solvency II and IFRS

Main difference in Life businesses lies in the valuation methodology. Under Solvency II, the fair value approach is taken to assess the economic value of the liabilities, no additional margins for adverse risks is allowed in the Best Estimate Liability (BEL). While under IFRS additional margins for adverse deviation can be incorporated into the accounting reserves, and this deviation is subject to local GAAP standards and regulations.

Main differences in Non-life are:

- Discounting (not allowed in IFRS reserves except for annuities);
- Binary events not included in IFRS Economic valuation of future claims payments and claims expenses (IFRS reserves are not always based on an economic valuation, it differs from country to country);
- Risk Margin approach for the margin above Best Estimate.

2.8 Matching adjustment

Ageas does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

2.9 Transitional risk-free interest rate-term structure

Ageas does not apply transitional measures on risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC.

2.10 Transitional on technical provisions

Ageas' Portuguese entities, as well as Ageas France apply transitional measures on technical provisions referred to in Article 308d of Directive 2009/138/EC. The proportional factor denoting the ratio of transitional adjustment applied is updated yearly at January 1st. For year-end reporting 2020, the factor 12/16 was applied, to be updated to 11/16 starting 01/01/2021. For quantitative impacts, please refer to Quantitative Reporting Template S.22.01.22.

D

3

Other liabilities

3.1 Bases, methods and main assumptions used for Solvency II

The table below summarises, per material class of other liabilities, the basis, methods and main assumptions used for the valuation of other liabilities. For the data, we refer to the Quantitative Reporting Template S.02.01.02.

Other liability class	Basis, methods and main assumptions used for Solvency II
Contingent liabilities	Fair value The valuation is based on the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the relevant risk-free interest rate. Contingent liabilities are valued at nil if they cannot be valued reliable. The contingent liabilities are disclosed in note 43 of the 2020 Ageas consolidated financial statements.
Provisions other than technical provisions	Fair value The valuation is based on a best estimate basis as currently performed under IAS 37, based on management judgement and in most cases the opinion of legal and tax advisors. 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. Reference is made to note 25 in the 2020 Ageas consolidated financial statements.
Pension benefit obligations	Fair value The valuation is based on IAS 19 using the projected unit credit method in the case of defined benefits plans. Relevant information of our employee benefits and disclosure of our defined benefit plans and defined contribution plans is included in note 6.1 of the 2020 Ageas consolidated financial statements.
Deposits from reinsurers and Debts owed to credit institutions	Both are valued at fair value The valuation is based on amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value due to the short term of the payables. Long-term deposits and debts are fair valued applying a discounted cash flow methodology. Changes in Ageas's own credit standing are excluded in the valuation. The carrying value of the borrowings is a reasonable approximation of their fair value as contract maturities are less than one year (repurchase agreements EUR 2,312 million as disclosed in note 21 in the 2020 Ageas consolidated financial statements) and/or contracts carry a floating rate (loans from banks). Repurchase agreements are essentially secured short-term loans that are used to hedge specific investments with resettable interest rates and for cash management purposes.
Deferred tax liabilities (DTL)	Nominal value The valuation of the DTL is based on the difference between the underlying assets and liabilities of the MCBS and the tax base balance sheet. The measurement principles of IAS 12 are applied in valuing deferred tax liabilities. The specific tax position and tax regulations per fiscal jurisdiction/country and interpretation of tax regulations are considered in the calculation of the net deferred tax position. Timing of deferred tax liabilities is consistent with the reversal of valuation differences and realisation of taxable results of items on the balance sheet.
Derivatives	Fair value The derivatives are held for trading or hedging purposes and relate to interest rate and equity options, interest rate swaps and foreign exchange contracts. Derivatives held for trading based on alternative valuation methods using, as appropriate, discounted cash flow models and option pricing models based on observable market data in active markets. Quoted market prices provide the most reliable fair value for derivatives traded on a recognised exchange. Fair value of derivatives not traded on a recognised exchange is considered to be the value that could be realised through termination or assignment of the derivative. Common valuation methodologies for an interest rate swap incorporate a comparison of the yield of the swap with the current swap yield curve. The swap yield curve is derived from quoted swap rates. Dealer bid and offer quotes are generally available for basic interest rate swaps involving counterparties whose securities are investment grade. Factors that influence the valuation of an individual derivative include the counterparty's credit rating and the complexity of the derivative. If these factors differ from the basic factors underlying the quote, an adjustment to the quoted price may be considered. Any collateral is taken into account.

Other liability class	Basis, methods and main assumptions used for Solvency II
Financial liabilities other than debts owed to credit institutions Insurance & intermediaries payables Reinsurance payables Payables (trade, not insurance) Any other liabilities, not elsewhere shown	Fair value The valuation is based on amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value due to the short-term nature of the payables. We refer to note 23 in the 2020 Ageas financial statements with regard to the valuation of RPN(I).
Any other liabilities, not elsewhere shown	Any other liabilities include amongst other current tax payables and cost accruals. Fair value The valuation is based on amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value due to the short term nature of the items included.
Subordinated liabilities not in Basic Own Funds Subordinated liabilities in Basic Own Funds	Fair value Long-term subordinated loans are fair valued applying a discounted cash flow methodology. Changes in own credit standing of the issuer are excluded from the valuation of these liabilities. The issuer considers its own credit standing at inception and subsequently ignores any changes in its own credit standing. Short term liabilities are valued based on amortised cost (IFRS valuation) because of immaterial differences between Amortised Cost and Fair Value (short-term receivables). Details of subordinated liabilities in Basic Own Funds are disclosed in chapter E.1.2 on Capital Management.

3.2 Material differences between Solvency II and IFRS

The table below summarises, per material class of other liabilities, the material differences between the valuation for Solvency II purposes and the IFRS valuation.

Other liability class	Different basis, methods and main assumptions used for financial reporting
Contingent liabilities	- Under SII, contingent liabilities are valued at fair value based on the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the relevant risk-free interest rate. Contingent liabilities are valued at nil if they cannot be valued reliable. - Under IFRS, contingent liabilities are valued at nil if less likely than not or they cannot be valued reliably.
Deposits from reinsurers Debts owed to credit institutions	- Under SII, long-term deposits and debts owed to credit institutions are valued applying a discounted cash flow methodology. Changes in Ageas's own credit standing are excluded in the valuation. - Under IFRS, these deposits are valued at cost.
Subordinated liabilities	- Under SII, long-term subordinated loans are valued applying a discounted cash flow methodology. Changes in Ageas's own credit standing are excluded in the valuation. - Under IFRS, these liabilities are valued at cost.

4 Alternative methods for valuation

4.1 Identification of assets and liabilities for which alternative valuation methods apply

The assets and liabilities for which the alternative valuation methods apply are identified in the tables above in the sections D.1 Assets and D.3 Other liabilities.

4.2 Justification of application alternative valuation methods as identified in the tables above for assets and liabilities

In line with Solvency II guidance and philosophy, the alternative valuation methods are used for material balance sheet items for which no reliable market price is available. For some asset items, IFRS valuation is sufficiently close to any value that would be obtained using an elaborate alternative valuation method in which case IFRS valuation is considered an acceptable proxy.

4.3 Documentation of the assumptions underlying the mark to model approach per class of assets and liabilities

The assumptions for the mark to model approach are described in the tables above in the sections D.1 Assets and D.3 Other liabilities.

4.4 Assessment of valuation uncertainty of the assets, liabilities valued according to alternative valuation methods

The adequacy of the valuation of assets and liabilities is tested through the variation analysis every quarter, which explains the evolution of the value between two periods. This analysis provides a view on the different drivers of the value change, which can be compared against experience.

5 Any other information

5.1 Reinsurance activity within ageas SA/NV

For more general information on the Reinsurance activity we refer to Chapter A.5.3.

The valuations principles as set out in above sections (D1. to D.4.) are also applied on the solo MCBS of ageas SA/NV.

The largest asset position on the balance sheet of ageas SA/NV is the participation held in Ageas Insurance International (AII). This participation value in the economic balance sheet is calculated based on the adjusted equity method.

The Solvency II technical provisions largely originate from intercompany transactions for which detailed information is obtained from the operating entities in order to calculate the best estimate and RM in accordance with Solvency II regulation.

We refer to the solo Quantitative Reporting Template S.02.01.16 of ageas SA/NV for the Solvency II balance sheet.

E

E

1 Own Funds

1.1 Objectives, policies and processes, business planning and material changes

Capital is a scarce and strategic resource, which requires a clearly defined, rigorous and disciplined management approach in order to ensure efficient and effective deployment. The Capital Management approach that Ageas follows aims to balance the needs and requirements of all stakeholders including shareholders, debt investors, regulators, rating agencies and customers.

The main objectives of capital management at Ageas are:

- to optimize the capital structure, costs, composition and allocation of capital within Ageas;
- to ensure value creation by funding profitable growth, as well as protecting the viability and profitability of the business;
- to ensure optimal dividend levels, both for the Group as well as its subsidiaries.

Ageas' objectives with respect to capital management are achieved by adhering to clearly defined processes. These are governed by clearly defined policies and procedures to ensure that capital management practices throughout the Group and the OpCos are understood, documented and monitored (with corrective actions taken if necessary).

The Capital Management Framework at Ageas defines rules and principles in respect of the following:

- Capital Planning, i.e. defining the capital level the Group wants to hold, which is a function of:
  - legal requirements and anticipated changes;
  - regulatory requirements and anticipated changes;
  - growth ambitions, and future capital commitments;
  - the Risk Appetite Policy.
- Capital Allocation, i.e. determining the capital use that Ageas foresees, which is a function of:
  - Optimisation of risk reward;
  - the Dividend Policy (and future capital raising).
- Capital Structuring, i.e. maintaining an efficient balance between equity and debt;
- Capital Management governance, i.e. setting clear roles and responsibilities on people and decisional bodies involved in Capital Management Processes.

Capital management policies and processes are included in the risk management system, ORSA process and internal control environment as disclosed in section B Governance chapter 3 and 4.

1.2 Structure, amount and quality of basic Own funds and ancillary Own funds

The composition of the eligible Own funds to meet the group SCR is as follows:

	31 December 2020	31 December 2019
Own Funds to meet group SCR:	**7 869**	**8 653**
Unrestricted Tier 1	**5 047**	**5 502**
Eligible Restricted Tier 1	**1 205**	**1 376**
Available Restricted Tier 1	1 205	2 059
Overflow to Tier 2	0	-683
Eligible Tier 2	**1 537**	**1 668**
Overflow from Tier 1	0	683
Available Tier 2	1 537	985
Tier 3	**79**	**107**

For the composition of the Own Funds, we refer to the Quantitative Reporting Template S.23.01.22.

The analysis of the quality of Ageas's Own Funds (covering the Group SCR) shows that at the end of 2020, 79.5% of the eligible Own Funds are of the highest quality (Tier 1). At year-end 2020, the sum of the restricted Tier 1 components amounts to 19.3% of total Tier 1 capital.

At the end of 2020, 79.5% of the eligible Own Funds are of the highest quality (Tier 1).

The decrease of the OF during 2020 is mainly due to the Fresh Transaction, the Magna transaction (Tier 2 subordinated debt of EUR +500 million), the decreasing risk free yield curves & equity markets and new entities acquired outside of the SII consolidation scope (Taiping Reinsurance and step up in the India Life Insurance Joint-Venture). The Fresh transaction reducing own Funds with EUR -530 MM during 2020 should be considered together with the issue of issue of EUR 750 MM 'Halley' Restricted Tier 1 subordinated debt in Q4 2019.

The subordinated liabilities recognised as Tier 1 and Tier 2 Own Funds are described below.

Tier 3 capital represents the part of Own Funds that consist of the Deferred Tax Assets (DTA) as recognized in the market consistent balance sheet.

No ancillary Own Funds are included in the Group consolidated Own Funds as at year-end 2020.

Dividend declared over a financial year is always paid in the next year. However, under Solvency II, foreseeable or declared dividend is deducted from regulatory qualifying capital at year-end, even though it is paid in the subsequent year. The amount of foreseeable dividends deducted from the Group consolidated Own Funds at year-end 2020 amounts to EUR 485 million.

Besides dividend, shareholders have indirectly also received distributions via the share buy-back programs launched by Ageas Group in recent years. In connection with these share buy-back programs, Ageas gradually reduces the Own Funds at the moment the acquired shares are effectively cancelled. Given the sizeable scale of Taiping Reinsurance Co. Ltd. transaction announced on 27 August 2020, the 2020 share buy-back programme has not been initiated. This will however not impact Ageas commitment to the 2021 share buy-back programme.

Subordinated liabilities

The composition of the subordinated liabilities recognised as Tier 1 and Tier 2 Own Funds within the consolidated Group Own Funds at year-end 2020 is as follows:

	31 December 2020	31 December 2019
Tier 1	**1 234**	**2059**
(1) FRESH	384	1 250
(2) Millenniumbcp Ageas Fixed to Floating Subordinated Callable Subordinated Grandfathered Restricted Tier Loan	59	59
(3) ageas SA/NV Perpetual Subordinated Fixed Rate Resettable Temporary Write-Down Notes	791	750
Tier 2	**1 702**	**1147**
(4) AG Insurance Fixed-to-floating Callable Subordinated Notes	113	110
(5) AG Insurance Dated Fixed Rate Subordinated Notes	473	462
(6) AG Insurance Subordinated Fixed to Floating Rate Tier 2 Loan	73	79
(7) ageas SA/NV Subordinated Fixed to Floating Rate Notes (Cinnamon)	539	496
(8) ageas SA/NV Subordinated Fixed to Floating Rate Notes (Magna)	503	
Total subordinated liabilities	**2 936**	**3 206**

Subordinated liabilities – Tier 1 Own Funds

(1) FRESH

On 7 May 2002, Ageasfinlux S.A. issued undated Floating Rate Equity-linked Subordinated Hybrid capital securities (FRESH) for a total principal amount of EUR 1,250 million at a floating rate of 3-month Euribor + 135 basis points. The securities have no maturity date but may be exchanged for Ageas shares at a price of EUR 315 per share at the discretion of the holder. The securities will automatically convert into Ageas shares if the price of the Ageas share is equal to or higher than EUR 472.50 on twenty consecutive stock exchange business days. The securities qualify as Grandfathered Tier 1 capital under European regulatory requirements for insurers (Solvency II).

The securities were issued by Ageasfinlux SA, with ageas SA/NV acting as co-obligor. The principal amount of the securities will not be repaid in cash. The sole recourse of the holders of the FRESH against the co-obligor with respect to the principal amount are the Ageas shares that Ageasfinlux SA pledged in favour of such holders. Pending the exchange of the FRESH for Ageas shares, these Ageas shares do not have any dividend rights or voting rights (the reported number of outstanding Ageas shares as at 31 December 2020 already includes the Ageas shares issued for the purpose of such exchange).

In the event that dividends are not paid on the Ageas 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 exceptional circumstances, payment of coupons will be made in accordance with the so-called alternative coupon settlement method (ACSM). The ACSM implies that new Ageas shares will be issued and delivered to the holders of the FRESH. To date all coupons have been paid in cash. 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.

On 19 November 2019 Ageas launched, through its wholly owned subsidiary Ageasfinlux S.A., an offer to purchase in cash any and all of the outstanding FRESH securities. Ageasfinlux S.A. simultaneously launched a consent solicitation to permit the purchase of the FRESH securities. Consent of at least a majority of the aggregate principal amount of the FRESH outstanding was necessary for the proposed amendment to the conditions of the FRESH to be adopted.

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. Subsequently, at the beginning of Q2 2020 Ageas purchased FRESH securities representing an aggregate principal amount of EUR 47,250,000 following a reverse inquiry by a third-party holder. All FRESH securities purchased over 2020 were exchanged into 2,749,206 underlying shares of ageas SA/NV. These shares will remain on the Group's balance sheet as treasury shares and will continue not to be entitled to dividends or voting rights. The total number of outstanding shares of ageas SA/NV remains unchanged.

To mitigate the impact on Ageas Group's solvency stemming from the transaction, ageas SA/NV issued a EUR 750 million Restricted Tier 1 subordinated instrument on 10 December 2019 (see relevant paragraph below).

(2) Millenniumbcp Ageas Fixed-to-Floating Callable Subordinated Loan

On 5 December 2014, Ageas Insurance International N.V. (51%) (AII) and BCP Investments B.V. (49%) granted a subordinated loan of EUR 120 million to Millenniumbcp Ageas at 4.75% per annum up to the first call date in December 2019 and 6 month Euribor + 475 basis points per annum thereafter. As of Q2 2020 the loan (part granted by AII) has been transferred to ageas SA/NV. The part underwritten by ageas SA/NV is eliminated because it is an intercompany transaction. The Notes qualify as Grandfathered Tier 1 capital under prevailing European regulatory requirements for insurers (Solvency II).

(3) ageas SA/NV Perpetual Subordinated Fixed Rate Resettable Temporary Write-Down Notes

On 10 December 2019 ageas SA/NV issued subordinated debt securities for an aggregate principal amount of EUR 750 million in the form of Perpetual Subordinated Fixed Rate Resettable Temporary Write-Down Restricted Tier 1 Notes.

These notes have a fixed coupon rate of 3.875% payable annually with reset in June 2030 (no step-up) and every 5 years thereafter. They have no scheduled maturity date and, except in certain limited circumstances, may not be redeemed by ageas SA/NV before the six-month period preceding June 2030.

They qualify as restricted Tier 1 capital for both Ageas Group and ageas SA/NV under European regulatory capital requirements for insurers (Solvency II) and are rated BBB+ by Standard & Poor's and BBB- by Fitch. They are listed on the regulated market of the Luxembourg Stock Exchange.

The net proceeds from the issuance of this instrument were used for general corporate purposes and to strengthen the regulatory solvency of the Ageas Group and its operating subsidiaries, including by way of replacing the FRESH securities that were tendered as part of the offer launched by Ageas in 2019.

Subordinated liabilities – Tier 2 Own Funds

(4) AG Insurance Fixed-to-floating Callable Subordinated Notes

On 18 December 2013, AG Insurance issued EUR 450 million Fixed-to-Floating Callable Subordinated Notes due at an interest rate of 5.25% and with a maturity of 31 years. The notes may be redeemed at the option of AG Insurance, in whole but not in part, on the first call date at 18 June 2024 or at any interest payment date thereafter. On their first call date the Notes will bear interest at a floating rate of 3-month Euribor plus 4.136% per annum, payable quarterly.

The Notes qualify as Tier 2 capital under prevailing European regulatory requirements for insurers (Solvency II). The Notes are subscribed by ageas SA/NV (EUR 350 million) and by BNP Paribas Fortis SA/NV (EUR 100 million) and are listed on the Luxembourg Stock Exchange. The intercompany loan between Ageas and AG Insurance is eliminated at Ageas group level.

(5) AG Insurance Dated Fixed Rate Subordinated Notes
On 31 March 2015, AG Insurance issued EUR 400 million Fixed Rate Subordinated Securities at an interest rate of 3.5% and with a maturity of 32 years. The Securities constitute direct, unsecured and subordinated obligations of AG Insurance. The Notes are listed on the Luxembourg Stock Exchange. The Securities may be redeemed at the option of AG Insurance, in whole but not in part, on the first call date at 30 June 2027 or at any interest payment date thereafter. If not called on the first call date and on each fifth anniversary of the first call date the interest rate will be reset equal to the sum of the five-year euro mid swap rate plus 3.875%. The Notes qualify as Tier 2 capital under Solvency II.

(6) AG Insurance Subordinated Fixed to Floating Rate Tier 2 Loan
On 26 June 2019, Ageas and BNP Paribas Cardif granted a EUR 300 million (Ageas: EUR 225 million; BNP Paribas Cardif: EUR 75 million) subordinated loan to AG Insurance as a partial replacement for the USD 550 million which had been redeemed in March 2019. The intercompany loan between Ageas and AG Insurance is eliminated at Ageas group level.

(7) ageas SA/NV Subordinated Fixed to Floating Rate Notes
On 10 April 2019 ageas SA/NV issued its inaugural debt securities in the form of EUR 500 million Subordinated Fixed to Floating Rate Notes maturing in 2049. These notes have a fixed coupon rate of 3.25 % payable annually until the first call date (2 July 2029). As of the first call date, the coupon becomes payable quarterly at a 3-month Euribor floating rate increased with an initial credit spread and a 100 basis points step-up.

This instrument qualifies as Tier 2 capital for both Ageas Group and ageas SA/NV under European regulatory capital requirements for insurers (Solvency II) and is rated A- by Standard & Poor's and BBB+ by Fitch. It is listed on the regulated market of the Luxembourg Stock Exchange.

(8) ageas SA/NV Subordinated Fixed to Floating Rate Notes
On 24 November 2020 ageas SA/NV issued debt securities in the form of EUR 500 million Subordinated Fixed to Floating Rate Notes maturing in 2051.

The Notes have a fixed coupon rate of 1.875 % payable annually until the first reset date (24 November 2031). As of the first reset date, the coupon becomes payable quarterly at a 3-month Euribor floating rate increased with an initial credit spread and a 100 basis points step-up. Note that Ageas at its option may choose to call the instrument as of 24 May 2031, which is 6 months prior to the first reset date.

The instrument qualifies as Tier 2 capital for both Ageas Group and ageas SA/NV under European regulatory capital requirements for insurers (Solvency II) and is rated A- by Standard & Poor's and BBB+ by Fitch. It is listed on the regulated market of the Luxembourg Stock Exchange.

1.3 Eligible amount of Own Funds to cover the Solvency Capital Requirement and the Minimum Consolidated Group SCR classified by tiers

For the amounts of eligible Own Funds, we refer to Quantitative Reporting Template S.23.01.22. Both the SCR and Minimum Consolidated Group SCR are fully covered by unrestricted Tier 1 Own Funds.

It should be noted that the transferability of Own Funds from operating entities to the holding may be limited in cases where Ageas operates via subsidiaries with a minority shareholder where fellow shareholders may exercise a blocking vote on the upstream of capital. The free surplus capital that can be attributed to the minority shareholders of these entities is considered as non-transferable and is therefore deducted from the Group Own Funds.

In Q4 2020 the amount for the non-transferable minority interest equals 858 million, which is split over the different tiers: Tier 1 unrestricted 661,5 million, Tier 1 restricted 28,8 million. Tier 2 165 million and Tier 3, 3 million (see also public disclosure QRT S.23.01.22).

The net deferred tax assets on group level (82.3 million EUR) equals the sum of the net def tax assets of the individual entities. The amount is included in the Tier3 EOF.

1.4 Material differences between Solvency II and IFRS

Differences between equity in the IFRS financial statements and the eligible Own Funds as calculated for Solvency II purposes mainly stem from the following sources:

- Reclassification of subordinated liabilities.
- Assets and liabilities not recorded at fair value under IFRS:
  - Property, loans and Held to maturity (HTM) investments are recorded at amortised cost under IFRS;
  - Liabilities arising from (re)insurance and investment contracts need to be recognised at market-consistent values.
- Deductions for participations as presented in QRT S.23.01, where there is non-availability of information (article 229 of Directive 2009/138/EC) and solvency regimes are not deemed equivalent to Solvency II.
- Revaluation of participations in insurance entities (adjusted equity method).
- De-recognition of goodwill and other intangibles under Solvency II.
- Deduction of proposed or foreseeable dividend.
- Tax impact of the above differences.

The reconciliation of the IFRS Shareholders' Equity to the Own Funds under Solvency II and the resulting solvency ratio according to the Partial Internal Model approach is as follows:

	31 December 2020	31 December 2019
IFRS Equity	**13 774**	**13 834**
Shareholders' equity	11 555	11 575,3
Non-controlling interest	2 219	2 259
Qualifying Subordinated Liabilities	**2 936**	**3 117**
Scope changes at IFRS value	**(5 326)**	**(5 163)**
Exclusion of expected dividend	(485)	(490)
Proportional consolidation (Minority interest in ancillary services company)	(296)	(578)
Derecognition of Equity Associates	(4 545)	(4 095)
Valuation differences	**(2 472)**	**(2 080)**
Revaluation of Property Investments	1 667	1 885
Derecognition of parking concessions	(360)	(531)
Derecognition of goodwill	(596)	(614)
Revaluation of Insurance related balance sheet items (Technical Provisions, Reinsurance Recoverables, VOBA and DAC)	(8 137)	(6 852)
Revaluation of assets which, under IFRS are not accounted for at fair value (Held to Maturity Bonds, Loans, Mortgages)	4 442	3 654
Tax impact on valuation differences	617	500
Other	(106)	(122)
Total Solvency II Own Funds	**8 912**	**9 671**
Non Transferable Own Funds	(1 043)	(990)
Total Eligible Solvency II Own Funds	**7 869**	**8 653**
Group Required Capital under Partial Internal Model (SCR)	3 962,4	4 253,6
Capital Ratio	**198,6%**	**203,4%**

1.5 Deduction from and restrictions to funds

Within Ageas, only Ageas France possesses a ring-fenced fund: PERP. Based on the proportionality principle no detailed information is reported on this non-material ring-fenced fund.

Ageas France records the surplus funds, in accordance with the French law, as eligible own funds. However, these reserves are not fungible at level of the group and as such are deducted again (see non-available surplus funds in S.23.01.22).

2 Solvency Capital Requirement and Minimum Capital Requirement

2.1 Method for determining the Group Solvency Capital

Group supervision

Ageas is subject to group supervision in accordance with article 212 of Directive 2009/138/EC. No entities have been excluded from group supervision in accordance with article 214 of this Directive.

Group solvency

The Directive 2009/138/EC prescribes two methods for the calculation of the group solvency:

- Method 1 (Default method): Accounting consolidation-based method (article 230 of the Directive);
- Method 2 (Alternative method): Deduction and aggregation method (article 233 of the Directive).

Ageas applies method 1 for the determination of the group solvency. The Own Funds eligible to cover the SCR and the SCR at group level are calculated on the basis of consolidated data.

The SCR and Own Funds of the material insurance participation Tesco are included on a proportional basis, with no diversification effect taken into account, as per article 336 (b) of Regulation 2015/35. The total amount of the Pillar 1 capital requirement for this non-controlled participation requirements is EUR 70 million.

As from Q4 2020, the SCR and Own Funds of the participation in Interparking are proportionally consolidated at group level for pillar 1 consistent with the treatment under pillar 2. In line with article 335 (1c) of Regulation 2015/35, Interparking is considered as an ancillary service allowing to apply proportional consolidation.

The value of the non EEA (re)insurance participations is included in the Market Consistent Balance Sheet. However, for the calculation of the Group eligible Own Funds, this value is put to zero. The corresponding capital requirement is put equal to zero as well. Reason is the non EEA (re)insurance participations (NCP's in Asia and Turkey) are under solvency regimes not deemed equivalent to Solvency and the necessary information for calculating the group solvency concerning these related undertakings is not available (article 229 of the Directive).

Minimum consolidated group SCR

The consolidated Group Solvency Capital Requirement is subject to a minimum which is the sum of:

- The Minimum Capital Requirement of the participating insurance or reinsurance undertaking;
- The proportional share of the Minimum Capital Requirement of the related insurance and reinsurance undertakings.

2.2 SCR split by risk modules where standard formula is used and by risk category where an internal model is applied

For the breakdown of the base case SCR into different risk modules for SCR PIM, please refer to the Quantitative Reporting Template S.25.02.22.

Ageas uses simplifications within the calculation of the Solvency Capital Requirement for certain risk modules and sub-modules of certain subsidiaries within the group not having a material impact on the Solvency Capital Requirement.

Simplified calculations as meant under Articles 88-112 of the Delegated Acts are within subsidiary AG Insurance only used for the calculation of the counterparty default risk type 1 SCR. The counterparty default risk module of AG Insurance represents in its totality less than 3% of the total Solvency Capital Requirement before diversification. Therefore the impact of these simplified calculations can be considered as immaterial for Ageas. In this context, only the simplifications meant under articles 107, 111 and 112 are used.

Based on the proportionality principle, Ageas France applies simplified calculations for the calculation of the mortality risk and life-catastrophe risk sub-modules under the life underwriting risk module.

Ageas is also not using group-specific parameters within the standard formula. The Belgian regulator has used the option provided for in the third subparagraph of article 51(2) of the Directive 2009/138/EC and as a consequence does not require companies to separately disclose a capital add-on. However there is no capital add-on for Ageas.

Loss-Absorbing Capacity of Deferred Taxes (LACDT)

The consolidated Group Loss-Absorbing Capacity of Deferred Taxes (LACDT) is based on guideline 22 of the 'EIOPA Guidelines on loss-absorbing capacity (LAC) of technical provisions and deferred taxes[7]'.

Group LACDT reflects the sum of solo LACDTs according to the proportions used for consolidation and reduced with the diversification benefit recognised in the SCR after the LAC adjustment for technical provisions and before the LAC adjustment for deferred taxes.

The composition of the capital solvency requirement can be summarised as follows:

	31 December 2020	31 December 2019
Market Risk	4 648	4 821
Counterparty Default Risk	325	358
Life Underwriting Risk	842	775
Health Underwriting Risk	331	321
Non-life Underwriting Risk	796	810
Diversification between above mentioned risks	(1 549)	(1 535)
Non Diversifiable Risks	537	535
Loss-Absorption through Technical Provisions	(1 193)	(1 035)
Loss-Absorption through Deferred Taxes	(774)	(796)
Group Required Capital under Partial Internal Model (SCR)	**3 962**	**4 254**
Impact of Non-life Internal Model on Non-life Underwriting Risk	245	254
Impact of Non-life Internal Model on Diversification and other risks	(122)	(117)
Impact of Non-life Internal Model on Loss-Absorption through Deferred Taxes	8	1
Group Required Capital under the SII Standard Formula	**4 093**	**4 391**

The decrease in SCR compared to last year is thanks to the lower SCR for property risk in line with the proportional consolidation of Interparking applied at group level for pillar 1 as from Q4 2020 and the higher Loss Absorbing Capacity of Technical Provisions.

The group PIM SCR for Non-life Underwriting Risk of EUR 795.7 million consists of an amount EUR 638.6 million modelled within the internal model. The remaining part is included applying the standard formula.

2.3 Solvency ratios

The table below presents the Solvency ratios at Group level as at year-end:

	31 December 2020	31 December 2019
Total Eligible Solvency II Own Funds to meet the Group SCR	**7 869,0**	**8 653,0**
Group Required Capital under Partial Internal Model (SCR)	3 962,4	4 253,6
Capital Ratio	**198,6%**	**203,4%**
Total Eligible Solvency II Own Funds to meet the minimum consolidated Group SCR	**6 685,2**	**7 333,9**
Minimum consolidated Group SCR	2 162,5	2 279,3
Capital ratio	**309,1%**	**321,8%**

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3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Not applicable.

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4

Differences between the standard formula and any internal model used

4.1 Information on Partial Internal Model used for calculation of SCR and MCR

Pillar 1 (Capital Requirements) of Solvency II requires insurers to calculate their Solvency Capital Requirement (SCR) using either the Standard Formula or a (Partial) Internal Model (PIM). The Standard Formula is a standardized approach determined by the Solvency II framework, while a (Partial) Internal Model is developed by the insurance company itself. A (Partial) Internal Model requires regulatory approval for use in Pillar 1. Ageas management believes that given the profile of its Non-life risk book, which mainly consists of traditional retail property and casualty policies, the Standard Formula overstates risks. For AG Insurance (AGI), Ageas Insurance Limited (AIL) and Tesco Underwriting (TU), the Internal Models for Non-life have received regulatory approval from both the Belgian and the UK regulators. Ageas Group therefore calculates its regulatory capital requirement under Pillar 1 based on the SCR PIM.

Pillar 2 (Governance & Supervision) covers the structure and management of insurance business and how they are governed. Ageas puts risk management at the heart of its decision-making and conducts an Own Risk and Solvency Assessment (ORSA). During this process management concluded that there are areas that are insufficiently captured using the SCR PIM. An internal view supports better the business decision taking by providing enhanced understanding of business lines risk profile and risks embedded in the liabilities. Ageas Group therefore calculates its internal capital requirements under Pillar 2 based on the $SCR_{ageas.}$

Management believes that under Pillar 2 one should recognize a credit risk linked to European government exposures, whereas this risk is disregarded in the SCR Standard Formula. At the same time management believes the SCR Standard Formula overestimates the credit risk of corporate bonds: it assesses credit risk on corporate bonds based on observed volatility of credit spreads, while such volatility is less for a buy and hold investor. Ageas' investment strategy largely determined by the desire to match asset and liability duration.

Management also concluded that the SCR Standard Formula is not suited to measure risks linked to investments in real estate. In addition, the Standard Formula disregards the value of the parking concessions.

In this internal approach the Standard Formula Spread Risk on corporate bonds is divided in a fundamental and a non-fundamental spread charge. The Group decided to exclude the non-fundamental spread risk on corporate bonds, while a charge for the fundamental spread risk on Government exposure is added. The Group also applies an Internal Model for Real Estate risk, in which the value of parking concessions is recognized and specific risk charges have been chosen.

In order to compensate for the deficiencies identified in the Volatility Adjustment, an alternate valuation approach for the insurance liabilities is applied. An Expected Loss Model (ELM) has been implemented under Pillar 2 for major Life subsidiaries, which dynamically adjusts the liability valuation to take account expected losses due to defaults and downgrades. At other subsidiaries a Company Specific EIOPA Volatility Adjustment was implemented to reduce the basis risk with the European reference portfolio.

For certain businesses were the Standard Formula does not sufficiently cover inflation risk (such as Workmen's Compensation in Belgium), a separate add-on for inflation risk is also considered under Pillar 2.

Finally, transitional measures at local level are removed in the calculation of the SCR_{ageas}. This SCR is called the SCR_{ageas} which is reported by Ageas under Pillar 2. For further details we refer to B.3.4.2.

Pillar 3 (Reporting and Disclosure) covers the supervisory reporting and public disclosure. The SCR information disclosed by Ageas in the public Quantitative Reporting Templates is based on the SCR PIM.

4.2 Description of the various purposes for which that undertaking is using its Internal Model

The Non-life Internal Model, approved by the regulator in December 2015, is composed of an entity model used by AGI, AIL and TU and a group aggregation model used by the Group Ageas. The Entity model stochastically simulates the full market consistent profit and loss statement (P&L) and hence generates a full distribution of the insurance results for each line of business separately and for the entity as a whole, for each sub-risk and for all risks together. The aggregation model aggregates these scenarios per entity and for the group as a whole, per sub-risk (Premium & Reserve, Cat Nat, and Cat Man-Made risk), and all risks together.

Following the expansion of its reinsurance operations (most materially a number of intra-group proportional treaties), Ageas has expanded its use of the Internal Model Non-life to the reinsurance activities as well. Model outcomes were used for Pillar 2 purposes starting in 2020, and Ageas is pursuing regulatory approval for Pillar 1 uses.

A first application of the Non-life Internal Model is the calculation of the SCR for Non-life Underwriting Risk as the difference between the 99.5th percentile and the mean of the distribution of the P&L results.

Within the context of 'Use Test' the Internal Model has a number of other applications as summarized in the table below:

Use	Description of use
Internal Risk Reporting	Risk Reporting is currently providing information to the local Risk Committees, Ageas Risk Committee and Board.
Capital allocation per business line	Assessment of the current capital position and allocation / reallocation of capital.
Comparison with standard formula	Risk assessment of the internal model by comparison with Standard Formula result, which is a requirement from ORSA and is included in the testing strategy.
Risk Appetite	The process of setting and monitoring performance against Risk appetite / Risk tolerance statements. The full distribution of the insurance profit allows to consider other percentiles than the 99,5th.
Underwriting / pricing / product development	Decisions on introduction of new products or re-pricing of existing products.
P&L attribution analysis	The P&L attribution is an exercise (part of the Testing Strategy) which aims to ensure that all sources of risk are covered and are adequately covered by the internal model.
Reinsurance impact analysis	The process of setting and monitoring the effects of the reinsurance strategy.
Business strategy	Any activities associated with setting the strategic direction of the business as a whole. Setting of performance targets.
Risk strategy	Any activities involving the setting and monitoring of risk strategies.

4.3 Description of the technique which is used to integrate any Partial Internal Model into the Standard Formula

Ageas applies Article 328.1 (b) of the Delegated Act 2015/35 in determining the overall Group Non-life Underwriting Risk. The outcomes of the Internal Model are aggregated with the residual Standard Formula Non-life Underwriting Risk by simple sum, without any allowance for additional diversification.

4.4 Description of the scope of the Internal Model in terms of business units and risk categories

The Non-life Internal model covers the full Non-life business of AGI, AIL and TU including the product Accident of AGI and AIL classified in Health in Standard SCR, as well as a limited part of Workmen's Compensation at AGI. Health-related Lines of Business (Medical expense, Income protection and the majority of Workmen's Compensation) are not in scope of the model.

In terms of risk categories covered, Non-life Underwriting Risk distinguishes the following sub-risks:

- Attritional Premium Risk,
- Large Loss Premium Risk,
- Reserve Risk,
- Man-made Catastrophe Risk
- Natural Catastrophe Risk

Premium risk is the risk that the earned premium over the forthcoming year is insufficient to cover the expenses and claims to which these premiums are related. A distinction is made between attritional claims and large claims (with a cost above a predefined threshold).

Reserve Risk is the risk that the claims provisions are insufficient to cover outstanding claims and claims expenses,

Catastrophe Risk covers infrequent events with a very large claim cost. Man-made Catastrophe risk relates to catastrophes with a human cause such as terrorist attacks. Natural Catastrophe Risk relates to natural events such as windstorms, floods, or earthquakes.

4.5 Description of the methods used in the Internal Model for the calculation of the probability distribution forecast and the Solvency Capital Requirement

The purpose of the Non-life Internal Model is to produce a large number of simulation to forecast the one-year market consistent insurance results (market consistent P&L). This corresponds to the one-year change in Own Funds as a result of Non-life Underwriting Risk. This probability distribution forecast is then used to derive the SCR IM as the difference between the 99.5th percentile and the mean of the distribution.

Thanks to an appropriate level of granularity and a generation of the dependencies at the source, the P&L results can be obtained at entity level as well as for each sub-risk type and Line of Business. This allows a detailed analysis of the outcome of the model and a proper discussion with the relevant stakeholders.

Note that where the modelling of the Nat Cat risk is concerned, outputs from different external Cat models are used to select the most appropriate model for each peril. Each entity and the Group collaborates with the Service Providers and external Cat model vendors to maintain and deepen their knowledge of the external modelling process, as well as the assumptions and uncertainties inherent in the process.

4.6 Explanation, by risk module, of the main differences in the methodologies and underlying assumptions used in the standard formula and in the internal model

The methodology as used in the Non-life Internal Model (IM) shows a number of differences with the methodology underlying the Standard Formula (SF). The main differences are listed below.

Sub-risks: the sub-risks are similar between SF and IM, the premium risk is split into attritional and large losses in the internal model. Lapse Risk is not calculated in the IM but is aggregated with other sub-risks.

Lines of business are more granular in the internal model.

The SF produces only a single value at the 99.5th percentile while the Internal Model produces the full distribution.

In the SF, risk aggregation is based on a Variance / Covariance matrix that aggregates the individual sub-risk SCRs to come to the overall SCR. In the Internal Model, dependency is generated bottom-up based on gross losses, i.e. before reinsurance, before scaling down to the one-year volatility and before discounting.

Dependency is considered between Lines of Business and between sub-risks using a combination of copula methods and generating dependency at the source (e.g. Nat Cat events). In the Standard Formula Premium and Reserve risk and Cat Risk are aggregated using a correlation of 25%. In the Non-life internal model these are assumed to be independent.

Premium & reserve risk is a factor-based model in the standard formula. The factors are common for the whole European market and the impact of the reinsurance is obtained by applying a reduction factor to the SCR gross of reinsurance. In the IM, an appropriate probability distribution is estimated on historical loss data.

Man-Made Cat Risk & Nat Cat Risk. In the Standard Formula, only a limited number of benchmark scenarios are considered based on market parameters. The reinsurance impact is limited to the impact of these limited number of scenarios. In the Non-life Internal Model, a large number of specific scenarios are considered and severity of losses are based on the exposure of each entity. Additionally, for Cat Nat, external models are used to produce inputs to the internal model.

In terms of reinsurance, the SF offers limited scope to reflect the effect of reinsurance (e.g. reduction factors for the gross premium & reserve risk losses). In contrast, the majority of reinsurance treaties are modelled individually in the IM to better reflect the risk mitigation effect, as well as the risk retention.

4.7 The risk measure and time period used in the internal model

The risk measure is the difference between the 99.5th percentile (Value at Risk) and the mean of the Market Consistent P&L over a one year horizon.

4.8 Description of the nature and appropriateness of the data used in the internal model

Description of data used in the Internal Model:

- Data provided by Group:
  - Risk-free discount curve;
  - Currency exchange rates;
  - Frequency of Cat Nat events, based on external tool.
  - Correlation between entities

- Data specific to each entity:
  - Parameters of distribution for attritional losses, large losses, outstanding losses based on historical data taking into consideration assumptions of the business plan for the next year;
  - Correlation parameters: obtained by expert judgment where experts are the entity business managers;
  - Cat Man-Made Motor and Property: use of European database combined with the use of external tool where the input is the portfolio of each entity;
  - Cat Nat severity: use of external tool where the input is the portfolio of each entity;
  - Cat Man-Made Liability: use of entity specific scenarios;
  - Reinsurance: parameters of the entity treaties.

Appropriateness of data

Testing on data and parameters selected are done to validate the selection made. In addition, sensitivity and back testing is performed.

The process documentation is an end-to-end description of the tasks, data and systems involved in the Non-life assumption setting and Non-life Underwriting Risk SCR calculation. It details which activities need to be executed (description, tools / applications used, quality controls), validation points, and clear responsibilities (departments and roles).

Specific data quality checklists are executed on every Internal Model run, when exchanging data between entities and group.

4.9 Risks not covered by the standard formula but covered by the internal model

For the two UK entities, specific risks that apply to annuities stemming from non-life contracts (Periodic Payment Orders) are considered: longevity, inflation, propensity to become a PPO.

5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Ageas has not faced any form of non-compliance with the minimum consolidated group Solvency Capital Requirement or significant non-compliance with the group Solvency Capital Requirement during the reporting period or at the reporting date.

6 Any other information

6.1 SCRageas

As mentioned in chapter E.4.1, Ageas uses an internal approach for its capital management based on the Partial Internal Model with an adjusted spread risk, applying an Internal Model for Real Estate, netting between assets and liabilities before putting the value of the intangible asset to zero and the removal of transitional measures (with the exception of the grandfathering of issued hybrid debt and the extension of reporting deadlines). 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 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 SCRageas.

The Group SCR Partial Internal Model can be reconciled to the Group SCRageas as follows.

	31 December 2020	31 December 2019
Group Partial Internal Model SCR	**3 962**	**4 254**
Impact of Real Estate Internal Model	(270)	(445)
Additional Spread Risk	617	282
Delta Diversification	11	31
Less adjustment Technical Provision	(80)	(150)
Less Deferred Tax Loss Mitigation	(70)	2
Group SCR ageas	**4 171**	**3 973**

The movement in the Group SCRageas in 2020 is as follows:

Group SCR ageas (1 January 2020)	**3,973**
Model refinements	9
Market impact	122
Operational impact	97
Capital transactions	(14)
M&A activities	(15)
Group SCR ageas (31 December 2020)	**4,171**

The Own Funds SCRageas can be reconciled to the Own Funds SCR Partial Internal Model as follows:

	31 December 2020	31 December 2019
Group Eligible Solvency II Own Funds under Partial Internal Model	**7 869**	**8 653**
Revaluation of Technical Provision	(221)	(196)
Recognition of Parking Concessions	362	245
Recalculation of Non Transferable	46	(67)
Group Eligible Solvency II $_{ageas}$ Own Funds	**8 057**	**8 635**

The movement in the Own Funds SCRageas in 2020 is as follows:

Group Solvency II ageas Own Funds (1 January 2020)	**8 634**
Foreseeable dividend to be paid in 2020	491
Model refinements	135
Market impact	(473)
Operational impact	779
Capital transactions – share buy-back programs	(169)
M&A – acquisitions	(370)
Paid dividend in 2019	(486)
Foreseeable dividend to be paid in 2020	(485)
Group Solvency II ageas Own Funds (31 December 2020)	**8 057**

The capital position of Ageas per segment, based on the SCRageas, is as follows:

	31 December 2020			31 December 2019		
	Own Funds	SCR	Solvency Ratio	Own Funds	SCR	Solvency Ratio
Belgium	5 882	3 019	195%	6 262	2 837	221%
UK	840	463	182%	852	475	179%
Continental Europe	1 051	634	166%	1 072	632	170%
Reinsurance	832	407	204%	708	410	173%
Non Transferable Own Funds/Diversification	(844)	(419)		(979)	(448)	
Total Insurance	**7 762**	**4 103**	**189%**	**7 915**	**3 907**	**203%**
Impact of the inclusion of the General Account	295	68		719	66	
Total Ageas	**8 057**	**4 171**	**193%**	**8 634**	**3 973**	**217%**

6.2 Solvency II reporting ageas SA/NV solo level

The table below presents the solo Solvency ratios at ageas SA/NV solo level as at year-end:

	31 December 2020	31 December 2019
Total Eligible Solvency II Own Funds to meet the Solo SCR	**6 058**	**6 183**
Solo Required Capital (SCR)	1 613	1 762
Capital Ratio	**376%**	**351%**
Total Eligible Solvency II Own Funds to meet the minimum Solo SCR	**5 332**	**5 775**
Minimum Solo SCR	403	440
Capital ratio	**1 322%**	**1 311%**

The ageas SA/NV Solvency II ratio increased from 351% in 2019Q4 to 376% in 2020Q4, mainly due to the decrease in SCR. This is mainly the result of a decrease in the non-life underwriting risk following the reduced contract boundaries of the non-life Capital Management treaties.

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